Global Brands Group Holding Limited
利標品牌有限公司
(Incorporated in Bermuda with limited liability)
Stock Code: 787
Listing by Introduction on The Main Board of
The Stock Exchange of Hong Kong Limited

GLOBAL BRANDS GROUP

Joint Sponsors

Goldman Sachs

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HSBC

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GLOBAL BRANDS GROUP

GLOBAL BRANDS GROUP HOLDING LIMITED

利標品牌有限公司

(Incorporated in Bermuda with limited liability)

LISTING BY WAY OF INTRODUCTION OF THE ENTIRE ISSUED SHARE CAPITAL OF THE COMPANY ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Stock Code : 787

Joint Sponsors

Goldman Sachs citi HSBC

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This listing document is published in connection with the Listing on the Main Board of the Stock Exchange and contains particulars given in compliance with the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules solely for the purpose of giving information with regard to the Company and its subsidiaries.

This listing document does not constitute an offer of, nor is it calculated to invite offers for, shares or other securities of the Company, nor have any such shares or other securities been allotted with a view to any of them being offered for sale to, or subscription by, the public. No Shares will be allotted or issued in connection with, or pursuant to, this listing document.

Information regarding dealings and settlement of dealings in, the Shares following completion of the Spin-off is set out in "*Information about this Listing Document and the Spin-off*".

Your attention is drawn to "*Risk Factors*".

26 June 2014

EXPECTED TIMETABLE

Last day of dealings in Li & Fung Shares on a cum entitlement basis	Wednesday, 2 July 2014
First day of dealings in Li & Fung Shares on an ex entitlement basis	Thursday, 3 July 2014
Latest time for lodging transfers of the Li & Fung Shares cum entitlement to the Shares pursuant to the Li & Fung Distribution	4:30 p.m. on Friday, 4 July 2014
Registers of members of Li & Fung close on	Monday, 7 July 2014
Record Date	Monday, 7 July 2014
Registers of members of Li & Fung re-open on	Tuesday, 8 July 2014
Share certificates for the Shares to be despatched on(2)	Tuesday, 8 July 2014
Dealings in the Shares on the Stock Exchange expected to commence on(2)	Wednesday, 9 July 2014

Notes:

(1) All dates and times refer to Hong Kong dates and times, unless otherwise stated. We will publish a separate announcement in the South China Morning Post, the Hong Kong Economic Times, the website of the Hong Kong Stock Exchange and the Company's website if there is any revision to the above timetable.

(2) The Share certificates are expected to be despatched to Qualifying Li & Fung Shareholders on 8 July 2014. The Share certificates will only become valid if the Li & Fung Distribution becomes unconditional. If the Li & Fung Distribution does not become unconditional, dealings in the Shares on the Stock Exchange will not commence on 9 July 2014. In such event, we will make an announcement and, if necessary, a revised timetable. Investors who trade in the Shares prior to the receipt of the Share certificates do so entirely at their own risk.

CONTENTS

IMPORTANT NOTICE TO INVESTORS

We have not authorised anyone to provide you with information that is different from what is contained in this listing document.

Any information or representation not made in this listing document must not be relied on by you as having been authorised by us, any other member of the Group, the Joint Sponsors, any of our or their respective directors, officers, employees, agents, representatives or any other person involved in the Spin-off.

CONTENTS

This summary is intended to give you an overview of the information contained in this listing document. Since it is a summary, it does not contain all the information that may be important to you. You should read this listing document in its entirety.

OVERVIEW

Our Business

We are one of the world's leading branded apparel, footwear, fashion accessories and related lifestyle product companies. We design, develop, market and sell such products across both a diverse portfolio of owned and licensed brands and a wide range of product categories. Our customers are primarily retailers, including department stores, hypermarkets, off-price retailers, independent chains, specialty retailers and e-commerce channels in the Americas, Europe and Asia.

We operate two core segments, Licensed Brands and Controlled Brands.

Licensed Brands: brands in which we license the intellectual property from the brand owners or the licensors for use in selected product categories and geographies. In addition, we are developing a brand management business using our expertise to assist brand owners to expand their brands into new product categories and geographies.

Controlled Brands: brands in which we either own, or control the intellectual property under a long-term licence which gives us significant control over the development and marketing associated with the relevant brands.

Our Business Model

We have built a broad portfolio which as at the Latest Practicable Date consists of more than 350 active licences for Licensed Brands, ten active Controlled Brands and over 100 managed brands. We had total turnover of US$2.8 billion, US$3.1 billion and US$3.3 billion, for 2011, 2012 and 2013, respectively. For 2013, we generated approximately 85% of our turnover from the United States and approximately 15% from the rest of the world, and approximately 82% of our turnover derived from Licensed Brands and approximately 18% from Controlled Brands. We had EBITDA of US$298.8 million, US$54.3 million and US$295.8 million for 2011, 2012 and 2013, respectively.

We derive our revenue principally by utilising our expertise in product design, marketing and brand management to create products under our Licensed Brands and Controlled Brands which we sell to retailers. For our Licensed Brands, we typically enter into licensing arrangements with licensors for a period of between two to eight years. Our licences for Controlled Brands are typically for a period of ten years or longer. Under our licence agreements for both Licensed Brands and Controlled Brands, we are generally required to achieve minimum net sales of licensed products, pay guaranteed minimum royalties, and make specified royalty and advertising payments (usually based on a percentage of net sales of licensed products).

Retailers we sell to include department stores such as Nordstrom, Macy's, Kohl's and J.C. Penney, hypermarket chains such as Wal-Mart and Target, off-price retailers, independent chains, specialty retailers, customers' and brands' e-commerce channels such as macys.com and calvinklein.com and independent e-tailers such as amazon.com and zappos.com. Our Licensed Brands typically have a higher level of consumer awareness and fashion value and our products attract a higher price and higher margins than comparable unbranded products. In our brand management business, we derive our revenue by taking a portion of the licence fee or royalty paid by the licensees to the brand owner.

Similar to global retailers and other brand wholesalers, we buy our products from third party suppliers, either directly through our own dedicated teams or assisted by our buying agent, the Li & Fung Group. We use third party service providers for the transportation of finished products to our customers, including in some cases, members of the Li & Fung Group.

Our global head office is in Hong Kong and we have over 50 offices and showrooms around the world. In the United States, our main office is located in New York City, where senior management, product design and development teams and a number of our main showrooms are based. In Europe, our main office and showroom is located in London, and in Asia, other than Hong Kong, our main office and showroom is located in Shanghai. Our principal global business support functions such as finance, order process management and IT are based in Greensboro, North Carolina, our European support office is located in Monheim, Germany and our Asia support office is located in Panyu, China. As at 30 April 2014, we had approximately 3,000 employees across the Americas, Europe and Asia.

Locations of our Offices and Showrooms

Our Competitive Strengths

We believe that our success and potential for future growth are attributable to the following competitive strengths:

- Broad portfolio of Licensed Brands with strong relationships with licensors in multiple product categories and geographies

- Successful collection of Controlled Brands with significant growth opportunities

- Strong brand management expertise
- Global brand platform allows us to optimise each brand's category extensions, geographic reach and economies of scale
- Innovative design and development capability
- Established, high-quality global supply network
- Highly experienced management team

Our Strategy

The key points of our strategy are:

- Further build-out of our portfolio of Licensed Brands
- Acquire scalable brands which are capable of being globalised
- Extend the brand platform by increasing its geographic footprint, particularly in Asia
- Expand distribution channels, including e-commerce
- Extend the brand platform by adding additional product category capabilities
- Capitalise on the management focus and operational rationalisation afforded by the Spin-off

RISK FACTORS

Our business is subject to numerous risks and there are risks relating to an investment in the Shares. As different investors may have different interpretations and criteria when determining the significance of a risk, you should read "*Risk Factors*" in its entirety before you decide to invest in the Shares. The risks we primarily face include:

- The failure to maintain our brand licences could have a material adverse effect on our results of operations.
- If our customers change their buying patterns, develop their own private label brands or request additional discounts or allowances, it could have a material adverse effect on our business.
- The cyclical nature of the fashion industry and uncertainty over future economic prospects and consumer spending could have a material adverse effect on our results of operations.
- Global economic conditions, and their impact on consumer spending patterns, could adversely affect our results of operations.

- Our success is dependent on the strategies and reputation of our licensors.

- Changes in our licensors' strategic initiatives could have a material adverse effect on our business.

- We may not be able to promote or develop our Controlled Brands effectively.

- Increased or new competition could have a material adverse effect on us.

RELATIONSHIP WITH LI & FUNG

Focus of Li & Fung following completion of the Spin-off

Following completion of the Spin-off, Li & Fung will focus primarily on the provision of sourcing and logistics services to wholesale and retail customers through its trading and logistics networks. Li & Fung will remain a leading global supply chain and logistics company with operations in more than 40 economies across the Americas, Europe, Africa and Asia. The Li & Fung Group also operates in non-fashion product categories which use controlled and licensed brands. However these are product categories which are distinct from, and which do not materially compete directly or indirectly with, the Group's business.

Delineation of business through different business models

The Company and Li & Fung have different business models and are pursuing different business strategies which do not compete in any material respect with each other, either directly or indirectly, for the reasons described below:

The Group's business

Following the Spin-off, the Group's business will be focused on the design and sale of branded apparel, footwear and fashion accessory products and the core competencies required are in design, marketing and brand management and development. The key drivers to the success of the Group's business are the ability to leverage popular fashion brands and create designs which appeal to consumers.

Due to the fashion and design skills and expertise that sit within the Group, some parts of the private label business within Li & Fung's Distribution Network are driven by the designs and products of the Group. Following the Spin-off, these parts of the private label business will form part of the Group because the expertise required and the employee and management teams will reside in the Group.

Li & Fung's business

Following the Spin-off, Li & Fung's business will be focused on the provision of sourcing and logistics services to wholesale and retail customers, where the core competencies required are in supply chain efficiency and cost management. For example, when acting as sourcing agent for a retailer's private label apparel products, the focus will typically be on selecting the most appropriate production country and factory partner to deliver products at the best value. The fashion, design and branding features of these products are typically provided by the brand owner or retailer and not Li & Fung.

Excluded Business from the Spin-off

The Li & Fung Group also sells certain men's apparel items under licensed brands as part of its Excluded Business (as defined in "*Relationship with the Controlling Shareholders — Interests of the Controlling Shareholders in Other Businesses — Excluded Business from the Spin-off*"), where it produces similar items under customers' own brands.

The Excluded Business was not injected into the Group because it functions in the same way as Li & Fung's other private label operations, involving the highly commoditised products driven by high production volumes and expertise in production and supply chain management. The turnover of the Excluded Business represented less than 1% of the Group's turnover for 2013.

Since (i) the Excluded Business is operated predominately as a private label business, (ii) the required expertise and employee and management teams reside in the Li & Fung Group and (iii) the Excluded Business does not have sufficient scale to exist as a viable stand-alone business, it will stay as part of the Li & Fung Group's business and the Controlling Shareholders do not intend to inject the Excluded Business into the Group in the future.

Buying Agency Agreement with Li & Fung

To allow the Group to focus on our core competency of design, marketing and brand management and development, a member of the Group has entered into the Buying Agency Agreement with a member of the Li & Fung Group for the provision of sourcing and supply chain management services from Li & Fung following the Spin-off, as described in *"Connected Transactions"*. There are also risks involved with the Buying Agency Agreement, as described in "*Risk Factors — Risks relating to our Business and Industry — Under the Buying Agency Agreement, we will continue to use Li & Fung as our buying agent to source a significant portion of our products*". Under the Buying Agency Agreement, we have committed to using Li & Fung to provide, and Li & Fung has committed to provide, no less than 50% of our sourcing requirements for a term of three years from the Listing Date. The Directors consider this arrangement to be commercially beneficial for us for the following reasons:

- It is more cost-effective for us to outsource our sourcing and supply chain management requirements to Li & Fung under the Buying Agency Agreement given Li & Fung's business focus, scale and global network of suppliers, than if we were to carry out our own sourcing in-house.

- The percentage volume requirement provides important capacity certainty to the Group and some business certainty to Li & Fung, enabling Li & Fung to commit to providing its sourcing services to us on favourable commercial terms.

- Whilst being able to outsource our sourcing requirements to the Li & Fung Group, we know that we have the ability, expertise and financial resources to carry out sourcing ourselves or arrange for other third party sourcing providers.

SUMMARY OF SELECTED FINANCIAL INFORMATION

We had total turnover of US$2.8 billion, US$3.1 billion and US$3.3 billion, for 2011, 2012 and 2013, respectively. For 2013, we generated approximately 85% of our turnover from the United States and approximately 15% from the rest of the world, and approximately 82% of our turnover derived from Licensed Brands and approximately 18% from Controlled Brands. We had core operating profit/(loss) of US$177.8 million, US$(95.6) million and US$133.7 million, for 2011, 2012 and 2013, respectively. We had EBITDA of US$298.8 million, US$54.3 million and US$295.8 million for 2011, 2012 and 2013, respectively.

The selected combined statements of profit and loss data and cash flow data for the years ended 31 December 2011, 2012 and 2013 and the selected combined balance sheets data as at 31 December 2011, 2012 and 2013 set out below are extracted from the Accountant's Report set out in "*Appendix I — Accountant's Report*".

Selected Combined Profit and Loss Accounts

	Year ended 31 December		
	2011	2012	2013
		(US$'000)	
Turnover	2,808,874	3,119,040	3,288,132
Cost of sales	(1,857,298)	(2,268,064)	(2,292,597)
Gross profit	**951,576**	**850,976**	**995,535**
Other income	653	5,629	14,263
Total margin	**952,229**	**856,605**	**1,009,798**
Selling and distribution expenses	(317,993)	(412,227)	(400,448)
Merchandising and administrative expenses	(456,403)	(539,963)	(475,653)
Core operating profit/(loss)(1)	**177,833**	**(95,585)**	**133,697**
Gain on remeasurement of contingent consideration payable(2)	—	108,000	74,752
Amortisation of other intangible assets	(30,521)	(43,453)	(46,254)
Gain on disposal of businesses/licensing rights	—	29,635	5,317
Other non-core operating expenses	(6,732)	(2,934)	(3,414)
Operating profit/(loss)	**140,580**	**(4,337)**	**164,098**
Interest income	108	248	334
Interest expenses			
Non-cash interest expenses	(17,971)	(20,740)	(15,844)
Cash interest expenses	(8,893)	(10,741)	(9,118)
Share of profits of joint venture	—	—	409
Profit/(loss) before taxation	**113,824**	**(35,570)**	**139,879**
Taxation	(13,896)	63,254	(26,351)
Net profit for the year attributable to shareholders of the Company	**99,928**	**27,684**	**113,528**

Other Financial Measure		(unaudited) (US$'000)	
EBITDA(3)	**298,767**	**54,341**	**295,806**

Notes:

(1) Core operating profit is the profit before taxation generated from the Group's Licensed Brands and Controlled Brands businesses excluding share of results of joint ventures, interest income, interest expenses, tax, material gains or losses which are of capital nature or non-operational related, acquisition related costs. This also excludes gain or loss on remeasurement of contingent consideration payable and amortisation of other intangible assets which are non-cash items.

Core operating profit/(loss) is a non-HKFRS measurement which is used by the management to assess performance of operating segments, allocate resources and make strategic decisions.

(2) To comply with HKFRS, we conducted detailed reviews of all the transactions entitled to contingent consideration payments based on the market outlook and their prevailing business plans and projections. Following these reviews, we recorded total remeasurement gains of US$108.0 million and US$74.8 million in 2012 and 2013, respectively, which reflected the amount that we would no longer be required to pay based on contractual arrangements with the seller or management estimates according to the terms and conditions of the sale and purchase agreement. Among the total remeasurement gain, approximately US$108 million and US$33 million was the downward adjustment to earn-up consideration as at 31 December 2012 and 2013. The revised provisions for performance-based contingent consideration are calculated based on discounted cash flows of future consideration payment with the revision of estimated future profit of these acquired businesses. These gains were recognised as a non-core operating gain on remeasurement of contingent consideration payable.

Typically, a portion of the contingent consideration payment is conditional on whether the acquired company achieves formula-driven targets based on predetermined thresholds during a specific time frame. Unlike the assessment of the potential adjustment of contingent consideration payable, which is formula-driven and based on predetermined thresholds during a specific time frame (normally two to five years), any goodwill impairment would need to be permanent in nature, when the long-term performance prospects of the acquired businesses no longer generate adequate present value cash flow to support the carrying value of the goodwill and intangible assets. Thus, the fact that an acquired company failed to meet such targets is not necessarily indicative of underperformance, nor would it directly impact the carrying value, including goodwill, on the Company's accounts.

For further discussion regarding the impact of acquisitions on our results of operations and financial condition, including the differences between remeasurement gain and the impairment of goodwill, see "*Financial Information — Factors Affecting Results of Operations and Financial Condition — Acquisitions*".

(3) EBITDA is a non-HKFRS measurement which is used by the management to assess performance of operating segments, allocate resources and make strategic decisions. The measurement basis of EBITDA is defined as net profit before net interest expenses, tax, depreciation and amortisation. This also excludes share of results of joint ventures, material gains or losses which are of capital nature or non-operational related, acquisition related costs and non-cash gain or loss on remeasurement of contingent consideration payable.

Internal Restructuring

We have undertaken an internal restructuring of our operations to maximise the efficiency of our cost structure, integrate recent acquisitions and optimise our brand portfolio. We initiated this restructuring following the completion of a number of acquisitions prior to the Track Record Period that offered opportunities for synergies by consolidating facilities and operating costs.

As part of the internal restructuring, we incurred increased operating costs recognised as selling and distribution expenses and merchandising and administrative expenses as we incurred staff costs, reduced the number of operating leases by consolidating facilities in New York and North Carolina and negotiated the early termination of licenses for certain brands that were discontinued or downsized.

See "*Financial Information — Factors Affecting Results of Operations and Financial Condition — Internal Restructuring*".

Segment Results

The following table sets out the segment results for our operating segments for the years indicated.

	Year ended 31 December		
	2011	2012	2013
	(US$'000)		
Licensed Brands			
Turnover	2,352,668	2,607,610	2,680,173
Total margin	842,285	733,806	823,207
Operating costs	(663,608)	(808,897)	(725,549)
Core operating profit/(loss)	178,677	(75,091)	97,658
Depreciation and amortisation	132,137	175,014	129,967
Controlled Brands			
Turnover	456,206	511,430	607,959
Total margin	109,944	122,799	186,591
Operating costs	(110,788)	(143,293)	(150,552)
Core operating (loss)/profit	(844)	(20,494)	36,039
Depreciation and amortisation	19,318	18,365	78,396

Selected Combined Balance Sheets Data

	As at 31 December		
	2011	2012	2013
	(US$'000)		
Non-current assets	2,931,775	3,203,603	3,495,468
Current assets	986,335	855,402	1,105,724
Current liabilities	657,773	692,629	812,140
Net current assets	328,562	162,773	293,584
Total assets less current liabilities	**3,260,337**	**3,366,376**	**3,789,052**
Non-current liabilities	1,492,454	1,237,099	1,396,626
Total equity	**1,767,883**	**2,129,277**	**2,392,426**

Selected Combined Cash Flow Statements Data

	Year ended 31 December		
	2011	2012	2013
	(US$'000)		
Net cash inflow from operating activities.......	63,446	23,029	89,604
Net cash outflow from investing activities	(606,590)	(342,594)	(416,446)
Net cash inflow from financing activities.......	444,891	267,451	373,932
(Decrease)/increase in cash and cash equivalents	(98,253)	(52,114)	47,090
Cash and cash equivalents at beginning of year..	217,274	118,890	67,342
Effect of foreign exchange rate changes.......	(131)	566	656
Cash and cash equivalents at end of year....	118,890	67,342	115,088

Selected Cash Flow Data Regarding our Acquisitions

The following table sets out certain information relating to the consideration paid and payable relating to the acquired businesses, including the initial consideration, earn-out and earn-up payments paid and payable, as at the dates and for the years indicated.

	As at and for the year ended 31 December		
	2011	2012	2013
	(US$ million)		
Total payments during the year:			
Initial payments (less cash and cash equivalents acquired) for new acquisitions	320	74	50
Earn-out and earn-up payments for prior years' acquisitions................................	230	210	259
	550	284	309
Consideration payable as at year end:			
Earn-out...	533	384	191
Earn-up...	414	441	448
	947	825	639

See "*Financial Information — Factors Affecting Results of Operations and Financial Condition — Acquisitions*" and notes 23 and 26 to the Accountant's Report set out in "*Appendix I — Accountant's Report*" for further details.

Selected key financial ratios

The following table sets out our key financial ratios for the periods indicated:

	As at 31 December		
	2011	**2012**	**2013**
Current ratio	1.5x	1.2x	1.4x
Gearing ratio	N/A	N/A	N/A
Adjusted gearing ratio	16.0%	13.2%	16.7%
Net debt-to-total assets ratio	N/A	N/A	N/A
Adjusted net debt-to-total assets ratio	8.6%	8.0%	10.5%

See "*Financial Information — Key Financial Ratios*" and "*Financial Information — Recent Developments — Repayment of Loans*".

Unaudited pro forma financial information

The following unaudited pro forma financial information of the Group has been extracted from the Group's unaudited pro forma statement of adjusted net tangible assets/(liabilities) (including the accompanying notes) set out in "*Appendix II — Unaudited Pro Forma Financial Information*". This unaudited pro forma financial information, which has been prepared in accordance with Rule 4.29 of the Listing Rules, is for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of our combined net tangible assets/(liabilities) per Share or our combined net assets per Share as at 31 December 2013 or any future date following the completion of the Listing.

	(US$)	**(HK$)**
Unaudited pro forma adjusted net tangible liabilities attributable to shareholders of the Company per Share[1]	US$(0.107)	HK$(0.835)
Unaudited pro forma adjusted net assets attributable to shareholders of the Company per Share[1]	US$0.285	HK$2.222

Note:

(1) The unaudited pro forma financial information is based on the audited net tangible liabilities attributable to shareholders of the Company and the audited net assets attributable to shareholders of the Company of US$(883.6) million and US$2,392.4 million, respectively, as at 31 December 2013. The unaudited pro forma financial information has been arrived at after the adjustments referred to in "*Appendix II — Unaudited Pro Forma Financial Information*" (which are primarily related to the US$11.0 million of expenses incurred in connection with the Listing) and on the basis that 8,360,398,306 Shares were in issue immediately prior to the Listing.

See "*Appendix II — Unaudited Pro Forma Financial Information*" for further details.

DIVIDEND POLICY

As part of our growth strategy, we currently intend to retain future earnings for use in our operations and have no intention of paying dividends for 2014. However, in future years, we may pay dividends but we have not adopted a fixed payout ratio. For further details, see "*Financial Information — Dividends, Dividend Policy and Distributable Reserves*".

RECENT DEVELOPMENTS

Current trading update

Our business is seasonal which skews our profitability towards the second half of the year. We typically incur an operating loss in the first half of the calendar year. In 2013, we had a core operating loss in the first half and generated an overall core operating profit for the year.

Demand and sales volumes in our industry are typically higher in the second half of the year due to the back-to-school period in late summer and the late autumn holiday and Christmas shopping season. To prepare for this seasonal demand, we order and ship products to our customers months in advance to ensure our products reach end customers in a timely manner. Our operating costs are more evenly distributed between the first and second half of the year.

In addition to the normal seasonality of our business, in the first half of 2014, we have incurred and will continue to incur costs relating to new licences that will not generate significant turnover until the second half of the year. As described below, we have also incurred non-recurring expenses in 2014 in connection with the Listing.

As far as the Directors are aware, there have been no material changes in the general economic and market conditions or the fashion industry in which we operate that have materially and adversely affected our results of operations or financial condition since 31 December 2013 and up to the date of this listing document.

The Directors confirm that, having performed reasonable due diligence on the Group, there has been no material adverse change in our financial or trading position or prospects since 31 December 2013 and up to the date of this listing document.

Listing expenses

Our listing expenses include the fees of the reporting accountant, legal advisers' fees, professional fees for the Reorganisation and fees paid to the Joint Sponsors. Total listing expenses expected to be incurred in relation to the Listing are US$11.0 million, all of which is expected to be charged to the profit and loss accounts of the Group. The Company did not incur significant expenses relating to the Listing during the Track Record Period.

This listing document contains forward-looking statements. All statements other than statements of historical fact contained in this listing document, including, without limitation:

(a) the discussions of our business strategies, objectives and expectations regarding our future operations, sales, margins, profitability, liquidity and capital resources;

(b) the future development of, and trends and conditions in, the fashion industry and the general economy of the countries in which we operate or plan to operate;

(c) our ability to control costs;

(d) the nature of, and potential for, the future development of our business; and

(e) any statements preceded by, followed by or that include words and expressions such as "expect", "believe", "plan", "intend", "estimate", "forecast", "project", "anticipate", "seek", "may", "will", "ought to", "would", "should" and "could" or similar words or statements,

as they relate to the Group or our management, are intended to identify forward-looking statements.

These statements are based on assumptions regarding our present and future business, our business strategies and the environment in which we will operate. These forward-looking statements reflect our current views as to future events and are not a guarantee of our future performance. Forward-looking statements are subject to certain known and unknown risks, uncertainties and assumptions, including the risk factors described in *"Risk Factors"*, which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation, and undertake no obligation, to update or otherwise revise the forward-looking statements in this listing document, whether as a result of new information, future events or developments or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this listing document might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this listing document are qualified by reference to the cautionary statements set out in this section.

In this listing document, statements of or references to our intentions or those of any of the Directors are made as at the date of this listing document. Any of these intentions may change in light of future developments.

Holding the Shares involves various risks. You should consider carefully all the information in this listing document and, in particular, the risks and uncertainties described below.

The occurrence of any of the following events could harm us materially and adversely affect our business, financial condition, results of operations or prospects. If any of these events occur, the trading price of the Shares could decline and you may lose all or part of your investment.

You should seek professional advice from your relevant advisers regarding your prospective investment in the context of your particular circumstances.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

The failure to maintain our brand licences could have a material adverse effect on our results of operations.

We are dependent on sales of licensed products for a substantial portion of our turnover. Under our licence agreements, we are generally required to achieve minimum net sales of our licensed products, pay guaranteed minimum royalties, make specified royalty and advertising payments (usually based on a percentage of net sales of our licensed products), and obtain approval from the licensor in relation to all design and other elements of a product prior to production. Our ability to extend the initial term of, or renew, a licence agreement is normally subject to our attaining minimum net sales and complying with the terms of the licence agreement. Licence agreements also may restrict our ability to enter into other licences for competing products.

If we do not satisfy these requirements, a licensor usually will have the right to terminate our licence. In addition, the failure to achieve turnover sufficient to cover our required minimum royalty payments under a significant number of our licences could have a material adverse effect on our results of operations. If a licence agreement contains a renewal provision, there are usually minimum net sales and other conditions that must be met in order to be entitled to renew it. Even if we comply with all the terms of a licence agreement, we cannot assure you that we will be able to renew it upon expiry even if we desire to do so. The failure to maintain our licence agreements could cause us to lose significant turnover and have a material adverse effect on our results of operations.

If our customers change their buying patterns, develop their own private label brands or request additional discounts or allowances, it could have a material adverse effect on our business.

Our customers' buying patterns, as well as the need to provide additional discounts to customers, could have a material adverse effect on our business, results of operations and financial condition. Customers' strategic initiatives, including developing their own private label brands, selling national brands on an exclusive basis or reducing the number of vendors they purchase from, could also adversely affect our sales to these customers. We typically do not have long-term contracts with our customers. If any of our key customers reduces the number of its vendors and, as a result, reduces or eliminates purchases from us, there could be a material adverse effect on our business and results of operations.

The cyclical nature of the fashion industry and uncertainty over future economic prospects and consumer spending could have a material adverse effect on our results of operations.

The fashion industry is cyclical. Purchases of apparel, footwear, fashion accessories and related lifestyle products tend to decline during recessionary periods. Our sales may fluctuate for a variety of other reasons, including changes in fashion trends and the introduction of new products or pricing changes by our competitors. Uncertainties regarding future economic prospects may affect consumer-spending habits and could have an adverse effect on our results of operations. Uncertainties with respect to consumer spending as a result of weak economic conditions have, at times, caused our customers to delay the placing of initial orders or to slow the pace of reorders during the seasonal peak of our business. Weak economic conditions have had a material adverse effect on our results of operations at times in the past and could have a material adverse effect on our results of operations in the future as well.

Global economic conditions, and their impact on consumer spending patterns, could adversely affect our results of operations.

The United States and to a lesser extent Europe and Asia are our principal markets. In 2013, approximately 85% of our turnover was generated in the United States. Deterioration in the general economic conditions in the United States, Europe and Asia as well as changes in the demand from, or shopping habits of, consumers in these markets due to reductions in disposable income or their confidence in the economy, may adversely affect our business.

Our results of operations are particularly sensitive to changes in the disposable income and the spending patterns of consumers. Following the global financial crisis that unfolded in 2008, the recovery in the retail industry, particularly in the United States has been characterised by sluggish consumer spending, deflation and intense competition, and conditions have only recently begun to improve.

Our performance is also subject to global economic conditions and their impact on levels of consumer spending. If consumer spending worsens in our key markets, particularly the United States, our sales may suffer and our growth strategy may be adversely affected. Consumer purchases of discretionary items, including our customers' products, generally decline during periods when disposable income is adversely affected or there is economic uncertainty. Adverse economic changes in any of the regions in which we sell our products could reduce consumer confidence, and thereby negatively affect earnings, which could have a material adverse effect on our results of operations.

In addition, a disruption in the ability of our significant customers to access liquidity due to turmoil in financial and credit markets could cause serious disruptions or an overall deterioration of their businesses. It could lead to a significant reduction in their orders of our products and the inability or failure on their part to meet their payment obligations to us, any of which could have a material adverse effect on our results of operations and liquidity. A material adverse change in a customer's financial and/or credit position could also require us to sell fewer products to that customer or to assume greater credit risk relating to that customer's receivables or could limit our ability to collect receivables related to previous purchases by that customer. As a result, our reserves for doubtful accounts and write-offs of accounts receivable may increase.

The above factors, individually or in the aggregate, if materialised, could have a material adverse effect on our financial condition, results of operations or business.

Our success is dependent on the strategies and reputation of our licensors.

Our business strategy is to offer our products on a multiple basis, including brands, channels and price points. As a part of this strategy, we license the names and brands of numerous recognised companies, designers and celebrities. In entering into these licence agreements, we plan our products to be targeted towards different market segments based on consumer demographics, design, suggested pricing and channel of distribution. If any of our licensors decides to "reposition" its products under the brands we license from them, introduce similar products under similar brand names or otherwise change the parameters of design, pricing, distribution, target market or competitive set, we could experience a significant downturn in that brand's business, adversely affecting our sales and profitability. In addition, as licensed products may be personally associated with designers or celebrities, our sales of those products could be materially and adversely affected if any of those individuals' image, reputation or popularity were to be negatively impacted.

Changes in our licensors' strategic initiatives could have a material adverse effect on our business.

If our licensors, upon expiration of our licences with them, decide to produce branded products in the categories that we produce, our business could be materially adversely affected. If these brand owners enter into agreements with our customers to sell their products on an exclusive basis, it will increase competition for products in the categories that we design and produce, and could impact our sales to these customers. If any of our key licensors enters into categories that compete with us and, as a result, reduces or eliminates purchases from us, there could be a material adverse effect on our business.

We may not be able to promote or develop our Controlled Brands effectively.

To promote our Controlled Brands effectively, we need to build and maintain each brand's image by focusing on a variety of promotional and marketing activities to promote brand awareness, as well as to increase its presence in the markets in which it operates by expanding its distribution network. There is no assurance that we will be able to effectively promote or develop these brands and if we fail to do so, the goodwill of such brands may be undermined, and accordingly our business as well as our results of operations may be adversely affected.

Fluctuations in the price, availability and quality of materials used in our products could have a material adverse effect on our cost of goods sold and our ability to meet our customers' demands.

Fluctuations in the price, availability and quality of raw materials used in our products, particularly cotton and leather, could have a material adverse effect on our cost of sales. Raw materials are vulnerable to adverse climate conditions, animal diseases and natural disasters that can affect the supply and price of raw materials. We may not be able to pass on all or any portion of higher raw material prices. Future increases in raw material prices could have a material adverse effect on our results of operations.

Market prices for cotton and leather have fluctuated in recent years. Leather prices increased significantly in 2011 and continued at relatively high levels in 2012. Cotton prices increased significantly in the second half of 2010 and started to return to historical levels in the second half of 2011. As we negotiate prices for products with our third party suppliers, there is a lag in the impact of changes in market prices for raw materials. Increased prices for cotton and leather have caused the prices of products purchased from our third party suppliers to increase, particularly in 2012, which in turn resulted in significant increases in our cost of sales.

Any increase in raw material prices or costs of the products we purchase from third party suppliers could increase our cost of sales and decrease our profitability unless we are able to pass on higher prices, which could have a material adverse effect on our business, results of operations or financial condition.

Increased or new competition could have a material adverse effect on us.

We compete on the basis of brand, quality, price and distribution capabilities. As we focus primarily on the wholesale distribution of fashion apparel, footwear and accessories to retailers, we have many competitors with respect to the sale of our type of products, primarily distributors that import products from different parts of the world. The Group does not focus on end consumer retail. However, we also compete indirectly with vertically integrated manufacturers that also own retail stores engaged in the sales of our type of products to end consumers as well as retailers in the United States, Europe and Asia with established sourcing and manufacturing capabilities.

Some of our competitors may have greater financial resources and brand recognition than we do. Our results of operations are affected by our ability to remain competitive, which in turn depends on our ability to increase the awareness of our Licensed Brands and Controlled Brands and differentiate our products from those offered by our competitors in ways that will appeal to consumers.

We may not be able to continue to compete successfully with our existing or new competitors, which could have a material adverse effect on our business.

If we are unable to translate market trends into attractive product offerings, our sales and profitability could suffer.

Our ability to compete successfully depends on a number of factors, including our ability to effectively anticipate, gauge and respond to changing consumer demands and tastes across multiple product lines and tiers of distribution. We are required to translate market trends into attractive product offerings and operate within substantial production and delivery constraints. We need to anticipate and respond to changing trends quickly, efficiently and effectively in order to be successful. We cannot assure you that we will continue to be successful in this regard. If we are unable to translate market trends into attractive product offerings, it could have a material adverse effect on our business.

If we fail to estimate accurately the demand for our products, we may end up with significant excess inventories.

We often produce products to hold in inventory to meet our customers' delivery requirements and to be able to quickly fulfil reorders. Our management and staff actively communicate with our customers on a regular basis and monitor sales data in order to estimate customers' demand for our products. If we misjudge the market for our products and are unable to dispose of excess inventories through alternative distribution channels, we may face significant excess inventories for some products and miss opportunities for others. In addition, weak sales and markdown requests from customers could have a material adverse effect on our results of operations.

Any significant decrease in demand during the second half of a year, including due to severe weather or unseasonal variations in weather patterns, may adversely affect our business.

As a significant amount of our sales are subject to seasonal variations, we purchase inventory, arrange for shipping of our branded products and plan sales promotions mostly based on these seasonal trends. Any significant decrease in demand during the second half of a year, including due to severe weather or unexpected variations in seasonal weather patterns, may have a material adverse effect on our business. Extended periods of warm or cold weather could also render a portion of our branded products incompatible with unseasonal conditions.

In addition, any unanticipated decrease in demand for our products could require our customers to sell excess inventory at a substantial markdown leading to increased requests from our customers for margin support which in turn could have a material adverse effect on our business and profitability.

We rely on our relationships with key customers, and the loss of one of these large customers could adversely affect our business.

A few of our customers account for significant portions of our turnover. The percentage of turnover attributable to the Group's largest customer for the years ended 31 December 2011, 2012 and 2013 was 12%, 14% and 14%, respectively. The percentage of turnover attributable to the Group's top five customers for the years ended 31 December 2011, 2012 and 2013 was 41%, 52% and 46%, respectively. A decision by any of our major customers, whether motivated by marketing strategy, competitive conditions, financial difficulties or otherwise, to decrease significantly the amount of merchandise purchased from us or our licensing or other partners, or to change their manner of doing business with us or our licensing or other partners, could substantially reduce our turnover and materially adversely affect our profitability.

Expansion of our category and product offerings involves significant costs and uncertainty and could adversely affect our results of operations.

An important part of our strategy is to expand the product lines and categories of branded products we offer, and we intend to continue adding additional product categories and lines within existing categories in the future. As is typical with new products, demand and market acceptance for any new products we introduce will be subject to uncertainty. Designing, producing and marketing new products requires substantial expenditure. We cannot assure you that our efforts and expenditure will successfully generate sales or that sales that are generated will be sufficient to cover our expenditure.

We have expanded our business through acquisitions and may make acquisitions in the future which could disrupt our business and adversely affect our financial condition.

We have expanded our business through acquisitions. While we focus on ensuring the effective integration of businesses we have acquired, we may also pursue acquisitions and brand development opportunities which are attractive to us in terms of benefits from potential synergies and growth potential. The negotiation of potential acquisitions as well as the integration of acquired businesses could divert our management's time and resources. Acquired businesses may not be successfully integrated with our operations. We may not realise the intended benefits of any acquisition.

Acquisitions could also result in:

- substantial cash expenditures;
- potentially dilutive issuances of equity securities;
- the incurrence of debt and contingent liabilities;
- a decrease in our profit margins;
- increase amortisation of intangibles assets and potential impairment of goodwill;
- reduction of management attention to other parts of our business;
- failure to generate expected financial results or reach business goals; and
- increased expenditures on human resources and related costs.

If acquisitions disrupt our operations, our business may suffer.

If we lose the services of our key personnel, our business may be harmed.

Our future success depends on our senior management team and other key personnel. The unexpected loss of services of one or more of these individuals and any negative market or industry perception arising from the loss of their services could have a material adverse effect on us and the price of the Shares.

Our efforts to expand internationally, particularly in Asia, may not be successful.

We plan to expand in Europe and Asia while improving our market position in the United States. In many countries in these regions, the real estate, employment and labour, transportation and logistics, regulatory, and other operating requirements differ significantly from those in the places where we have experience. Factors including changes in market needs and product trends, economic fluctuations, political and social turbulence, changes in legal regulations or other conditions and difficulties in employing and training appropriate management and local employees could have an adverse effect on our business and results of operations.

We may need additional financing to continue to grow, which may not be available on satisfactory terms or at all.

The continued growth of our business, including as a result of acquisitions, depends on our access to sufficient funds to support our growth. Our historical sources of liquidity to fund ongoing cash requirements primarily include cash flows from operations, cash and cash equivalents, and intercompany and external financing. We will replace our intercompany financing with additional external loan agreements prior to the Listing (including revolving and trade letter of credit facilities), which will increase our interest expenses as compared to the Track Record Period. We may require additional funding in the form of external debt or equity financing in the future to further expand our business. Our ability to obtain debt or equity financing on acceptable terms depends on a variety of factors that are beyond our control, including market conditions, availability of credit and interest rates. The availability of, and terms for, debt and equity financing may be adversely affected by developments in the global economy. We cannot assure you that any additional required financing, whether debt or equity, will be available in amounts needed or on terms acceptable to us, or at all.

If we incur additional borrowings, we may be subject to covenants restricting our business activities, servicing interest payments may divert funds that would otherwise be available to us, and holders of debt instruments may have rights senior to those of our equity investors. If we are unable to obtain adequate funding on a timely basis, we may be unable to maintain our growth and competitiveness, which could have a material adverse effect on our business.

We rely on third party suppliers.

All of our products are purchased from independent third party suppliers. We do not have long-term written agreements with any of our third party suppliers. As a result, any of these third party suppliers may unilaterally terminate its relationship with us at any time. Any failure of these third party suppliers to meet required quality standards could damage our relationships with our customers. In addition, the failure by these third party suppliers to ship products to us in a timely manner could cause us to miss 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 suppliers for compliance with our policies and the policies of our licensors and customers regarding labour, environmental and safety practices employed by factories that supply products for us. Any failure by these third party suppliers to comply with required standards or any other divergence in their practices from those generally considered ethical in the United States, and the potential negative publicity relating to any of these events, could result in a violation by us of our licence agreements and harm us and our reputation. In addition, a third party suppliers' failure to comply with safety or content regulations and standards could result in substantial liability and harm to our reputation.

Under the Buying Agency Agreement, we will continue to use Li & Fung as our buying agent to source a significant portion of our products.

We use Li & Fung to provide sourcing and supply chain management services, including recommending suppliers to match our production needs and monitoring production. Under the Buying Agency Agreement, we will continue to use Li & Fung as our buying agent to purchase no less than 50% of our products from third party suppliers. Any failure on the part of Li & Fung to adequately monitor and ensure compliance of our third party suppliers with the necessary production standards, specifications and delivery requirements could also harm our business and reputation.

We also use Li & Fung to monitor compliance by our third party suppliers. Any failure by Li & Fung to ensure their compliance with, required standards or any other divergence in their practices from those generally considered ethical in the United States, and the potential negative publicity relating to any of these events, could result in a violation by us of our licence agreements and harm us and our reputation.

If the Buying Agency Agreement is terminated, the Company and Li & Fung will agree to a plan to effect an orderly transition of the sourcing arrangements between the two parties. The failure to allow sufficient time for the Group to build its own sourcing capability should it wish to do so and/or to migrate some or all of its sourcing requirements to other third party providers efficiently may result in disruption to the Group's business and the incurring of additional costs.

Adverse developments in global trade issues could adversely affect our business.

We are exposed to global trade issues affecting industries (particularly the textiles industry) in countries where we source and sell product. We are therefore affected by actual and threatened trade protectionism between individual countries.

The enactment of new legislation or international trade regulation, or executive action affecting international textile or trade agreements, could adversely affect our business. International trade agreements that can provide for tariffs and/or quotas can increase the cost and limit the amount of product that can be imported.

Trade relations between China, the United States and Europe may result in quotas on specific products, including the products that we sell. We are unable to assess the potential for future action by governments with respect to any product category in the event that the quantity of imported apparel significantly disrupts the fashion apparel market in our principal markets. Future action by governments in response to a disruption in trade could limit our ability to import apparel and increase our costs.

In addition, as we source our products from third party suppliers, these third party suppliers may be subject to government regulations in the countries in which they operate. Any change to the relevant government regulations or policies, whether relating to labour safety, tax treatment, environmental protection or any other aspects, may directly affect the operating costs of these manufacturers. This may in turn increase the costs of their products or other fees charged to us. In such circumstances, our costs of sales may increase, thereby adversely affecting our profitability and results of operations.

We are subject to certain risks relating to the transportation and warehousing of our products.

Our products must be transported from the countries where our third party suppliers are located to the countries where our customers are located. Depending on the terms we enter into with our customers we may assume the risk of transportation of products to the customer's country of destination. In some cases we temporarily store products in leased warehouses in the United States, Europe and Asia before delivery to our customers. Products in transit or warehouses are subject to a number of risks beyond our control, including loss and damage due to poor handling, storage conditions or weather events during transit and storage, transportation bottlenecks and labour strikes or other industrial action at sea ports or other transportation hubs. One or more of these risks may result in our products being delivered late or in a damaged state, or in some cases being lost altogether. Any of the events above could have a material adverse effect on our business.

If we do not effectively upgrade, maintain and secure our information systems to support our needs or fail to integrate the information systems of acquired businesses, this could have an adverse impact on the operation of our business.

We rely heavily on information systems to manage operations, including a full range of financial, sourcing, retail and merchandising systems. We regularly make investments to upgrade, enhance or replace these systems. The reliability and capacity of information systems are critical. Despite our preventative efforts, our systems are vulnerable from time to time to damage or interruption from, among other things, security breaches, computer viruses, power outages and other technical malfunctions. Any disruptions affecting our information systems, or any delays or difficulties in transitioning to new systems or in integrating them with current systems, could have a material adverse impact on our business. In addition, our ability to continue to operate our business without significant interruption in the event of a disaster or other disruption depends in part on the ability of our information systems to operate in accordance with our disaster recovery and business continuity plans.

Fluctuations in currency exchange rates may lead to volatility in our results of operations.

We prepare our combined financial statements in US dollars for reporting purposes. Foreign currency-denominated amounts such as the Euro, Renminbi and other foreign currencies are translated into US dollars. We generate a substantial majority of our turnover in the United States, and we conduct a considerable amount of business in Europe and Asia, with turnover denominated in other currencies, particularly Euro and Renminbi. Other currency-denominated cash and cash equivalents are exposed to fluctuations in the value of the US dollar against the currencies in which these cash and cash equivalents are denominated.

Typically, the majority of payments made by us for settlement of purchases with suppliers are made in US dollars. Payments made by certain customers in Europe and Asia are made in the relevant local currency. As a result, fluctuations in currency exchange rates between the US dollar and these currencies may result in volatility in our results of operations and may make it difficult to compare our results of operations from period to period.

Changes in tax laws and regulations may have an adverse impact on the taxes applicable to our business.

The countries in which we operate may implement changes to tax regimes that may affect us. These changes include changes in prevailing tax rates and practices including advance pricing agreements. Some of these changes could result in increases in our tax payments, which could adversely affect our profitability and have an adverse effect on our business, financial condition and results of operations.

Our trademark and other intellectual property rights may not be adequately protected.

We believe that our trademarks and other proprietary rights are important to our success and our competitive position. We may, however, experience conflict with various third parties who acquire or claim ownership rights in certain trademarks. We cannot assure you that the actions we have taken to establish and protect our trademarks and other proprietary rights will be adequate to prevent imitation of our products by others or to prevent others from seeking to block sales of our products as a violation of the trademarks and proprietary rights of others.

In the course of our attempts to expand into different markets, we may experience conflicts with various third parties who have acquired ownership rights in certain trademarks, which would impede our use and registration of some of our trademarks. Such conflicts are common and may arise from time to time as we pursue international expansion. In addition, the laws of certain foreign countries may not protect proprietary rights to the same extent as the laws of the United States.

Enforcing rights to our intellectual property may be difficult and expensive, and we may not be successful in combating counterfeit products and stopping infringement of our intellectual property rights, which could make it easier for competitors to capture market share. Furthermore, our efforts to enforce our trademark and other intellectual property rights may be met with defences, counterclaims and countersuits attacking the validity and enforceability of our trademark and other intellectual property rights.

If we are unsuccessful in protecting and enforcing our intellectual property rights, continued sales of such competing products by third parties could harm our brands and adversely affect our business, financial condition and results of operations.

A privacy breach could adversely affect our business.

Customers have a high expectation that we will adequately protect their information. A significant breach of customer, employee, or company data could damage our reputation and result in lost sales, fines, or lawsuits. Our business involves the receipt and storage of information about customers and employees. Our use of information is regulated at the international and US federal and state levels. The regulatory environment surrounding information security and privacy is increasingly demanding. Privacy and information security laws and regulations change from time to time, and compliance with them may result in cost increases due to necessary systems changes and the development of new processes. If we fail to comply with these laws and regulations, we could be subject to legal risk. Even if we fully comply with all laws and regulations and even though we have taken significant steps to protect information, we could still experience a data security breach and our reputation could be damaged, possibly resulting in lost future sales.

The effects of war, acts of terrorism 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 has, at times, disrupted commerce and intensified concerns regarding the United States 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. Similarly, the occurrence of one or more natural disasters, such as hurricanes, fires, floods or earthquakes could result in the closure of one or more of our distribution centres, 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, the temporary or long-term disruption in the supply of product, disruption in the transport of product from overseas, delay in the delivery of product 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.

The recognition of gain on remeasurement of contingent consideration payable relating to our acquisitions is uncertain and likely to fluctuate from time to time and may decrease significantly in the future, which may adversely impact our profitability.

Our results of operations for 2012 and 2013 include gain on remeasurement of contingent consideration payable relating to our acquisitions which are based on estimates of the future performance of acquired businesses. To comply with HKFRS, we conduct detailed reviews of all the transactions entitled to contingent consideration payments. Following these reviews, we recorded total remeasurement gains of US$108.0 million and US$74.8 million in 2012 and 2013, respectively, which reflected the amount that we would no longer be required to pay based on contractual arrangements with the seller or management estimates according to the terms and conditions of the purchase agreement.

Such gains or losses on remeasurement of contingent consideration payable do not change our cash position and, therefore, do not increase or decrease respectively our liquidity in spite of the increased or decreased profit. Therefore, such gains would not generate a flow of funds from which dividends could be paid. The amount of remeasurement gain has been, and will continue to be, subject to estimates of the performance of the underlying acquired businesses and factors outside of our control.

RISKS RELATING TO THE LISTING AND THE SPIN-OFF

The interests of the Controlling Shareholders may differ from the interests of, and their votes may disadvantage, our minority Shareholders.

Immediately following the Listing, the Controlling Shareholders will indirectly control approximately 32.78% of our total issued share capital. Accordingly, the Controlling Shareholders will, for the foreseeable future, through their voting control, be able to exercise substantial influence over our operations and business strategy, such as matters related to composition of our Board, amount and timing of dividends and other distributions, issuance of securities and adjustments to our capital structure, amendments to our Articles, and other corporate actions requiring approval of the Shareholders, including merger, consolidation or sale of our assets, or any other change of control event that may benefit our other Shareholders generally. Such voting control may discourage certain types of transactions, including those involving an actual or potential change of control of the Company.

In addition, immediately following the Listing, the Controlling Shareholders will be major shareholders of Li & Fung and a group of retail businesses, including Trinity Limited, a company listed on the Stock Exchange since November 2009 (stock code: 891), and a retailer of high-end to luxury menswear with brands, which currently has approximately 450 stores primarily in Hong Kong and China as at 31 December 2013. No non-competition undertaking is given by any of the Controlling Shareholders of the Company as the investments in Li & Fung, Trinity and other retailing investments do not pose any material risk of actual or potential competition which would have a material adverse effect on our business.

In the event that there is a divergence of our strategic and other interests from those of the Controlling Shareholders in the future, the Controlling Shareholders may exercise control over the Company in ways that conflict with the interests of our other Shareholders.

There has been no existing public market for the Shares and their liquidity and market price may fluctuate.

Prior to completion of the distribution in specie and the Listing there was no public market for, and no established price for, the Shares. The Company has applied for the listing of, and permission to deal in, the Shares on the Stock Exchange. The Listing, however, does not guarantee that an active trading market for the Shares will develop or, if it does develop, that it will be sustained following completion of the Listing or that the market price of the Shares will not fluctuate following completion of the Listing. In addition, we cannot assure you that the Listing will result in the development of an active and liquid public trading market for the Shares. Furthermore, the price and trading volume of the Shares may be volatile. Factors such as the following may affect the volume and price at which the Shares will trade:

- actual or anticipated fluctuations in our results of operations;
- news regarding recruitment or loss of key personnel by us or our competitors;
- announcements of competitive developments, acquisitions or strategic alliances in our industry;
- changes in earnings estimates or recommendations by financial analysts;
- potential litigation or regulatory investigations;
- general economic, market or regulatory conditions or other developments affecting us or our industry;
- the operating and stock price performance of other companies, other industries and other events or factors beyond our control; and

- release of lock-up or other transfer restrictions on the outstanding Shares or sales or perceived sales of additional Shares by the Company, the Controlling Shareholders or other Shareholders.

In addition, the initial price of the Shares will be determined by the market and fluctuate significantly following the listing by introduction. You should note the securities markets have from time to time experienced significant price and volume fluctuations that are not related to the operating performance of particular companies. These market fluctuations may also materially adversely affect the market price of the Shares.

Shareholders' interests in the Company's share capital may be diluted in the future.

In order to expand our business, we may consider offering and issuing additional Shares or equity-linked securities in the future, which may result in a dilution in our net tangible book value or earnings per Share. The Board has been granted an unconditional general mandate to issue Shares with an aggregate nominal value of not more than 20% of the aggregate nominal value of the ordinary share capital immediately following the Listing as described in "*Share Capital*". Currently, we do not have any plan to offer Shares or equity-linked securities.

US Holders may be subject to US federal income tax on the receipt of Shares pursuant to the Li & Fung Distribution

The Company believes that the distribution of Shares pursuant to the Li & Fung Distribution should qualify as a tax-free distribution under Section 355 of the US Internal Revenue Code of 1986, as amended (the "**Code**") and, therefore, that a US Holder (as defined below) receiving Shares in the Li & Fung Distribution (i) should not recognise any income, gain or loss upon the receipt of Shares, (ii) should apportion its tax basis in the Li & Fung Shares between such shares and the Shares received in the Spin-off in proportion to the relative fair market value of the Li & Fung Shares and the Shares on the date on which the Shares are distributed, and (iii) should have a holding period for the Shares that includes the period during which the US Holder held the Li & Fung Shares.

However, there can be no assurance the US Internal Revenue Service ("**IRS**") will not take a position that the Li & Fung Distribution does not qualify under Section 355, or that such position would not be sustained if challenged. If such a position were taken and were sustained, then US Holders would be required to treat the distribution of Shares pursuant to the Li & Fung Distribution as a dividend in an amount equal to the fair market value of the Shares on the date of receipt, would take tax basis in the Shares equal to US dollar amount included in income as a dividend and would have a holding period in the Shares that begins with the effective date of the Li & Fung Distribution.

In addition, if Li & Fung has been a passive foreign investment company or PFIC (as defined below) in any taxable year in which a US Holder has held Li & Fung Shares, any gain with respect to a US Holder's Li & Fung Shares would be taxable as ordinary income and could be subject to any additional tax. The Company does not expect Li & Fung to be a PFIC for its current tax year, and although the Company has not undertaken to determine whether Li & Fung has been a PFIC for any of its prior taxable years, it does not believe Li & Fung has been a PFIC in its recent past.

"US Holder" means, for purposes of the Spin-off a beneficial owner of Li & Fung Shares, and otherwise a beneficial owner of Shares that is, for US federal income tax purposes, (i) an citizen or individual resident of the United States, (ii) a corporation or entity treated as such created or organised under the laws of the United States or its political subdivisions, (iii) a trust subject to the control of a US person and the primary supervision of a US court or (iv) an estate the income of which is subject to US federal income tax without regard to its source.

US Holders should consult their own tax advisors as to the US federal income tax consequences to them in their particular circumstances of the receipt of Shares pursuant to the Li & Fung Distribution. See *"Appendix IV — Taxation — Certain United States Federal Income Tax Considerations — The Spin-off*".

Forward-looking information may prove inaccurate.

This listing document contains forward-looking statements and information relating to us and our operations and prospects that are based on our current beliefs and assumptions as well as information currently available to us. When used in this listing document, the words "anticipate", "believe", "expect", "intends", "plans", "prospects", "going forward" and similar expressions, as they relate to us or our business, are intended to identify forward-looking statements. Such statements reflect our current views with respect to future events and are subject to risks, uncertainties and various assumptions, including the risk factors described in this listing document. Should one or more of these risks or uncertainties materialise, or should any of the underlying assumptions prove incorrect, actual results may diverge significantly from the forward-looking statements in this listing document. We do not intend to update these forward-looking statements in addition to our on-going disclosure obligations pursuant to the Listing Rules or other requirements of the Stock Exchange.

We cannot guarantee the accuracy of certain facts and statistics contained in this listing document.

This listing document contains information and statistics related to, among other things, the United States, Europe and Asia and their respective fashion industries. Such information and statistics have been derived from various publicly available governmental and official sources and other publications generally believed to be reliable. We believe that the sources of such information and statistics are appropriate sources for such information and statistics and have taken reasonable care in the extraction and reproduction of such information and statistics. We have no reason to believe that such information or statistics are false or misleading in any material respect or that any fact has been omitted that would render such information or statistics false or misleading in any material respect. However, none of the Company, the Joint Sponsors, any of our respective directors, officers or representatives or any other person involved in the Spin-off has independently verified such information and statistics and no representation is given as to their correctness or accuracy. We cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case in other jurisdictions. Therefore, you should not unduly rely upon the industry information and statistics contained in this listing document.

We strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the Spin-off.

Prior to the publication of this listing document, there has been press and media coverage regarding us and the Spin-off. Such press and media coverage included certain operational information, financial information, financial projections, valuations and other information about us that are not contained in this listing document. There may continue to be additional press and media coverage on us and the Spin-off. We do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information appearing in publications other than this listing document is inconsistent or conflicts with the information contained in this listing document, we disclaim it, and accordingly you should not rely on any such information.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS LISTING DOCUMENT

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

RESTRICTIONS ON THE USE OF THIS LISTING DOCUMENT

This listing document is published solely in connection with the Spin-off. It may not be used for any other purpose and, in particular, no person is authorised to use or reproduce this listing document or any part thereof in connection with any offering of Shares or other securities of the Company. Accordingly, this listing document does not constitute an offer or invitation in any jurisdiction to acquire, subscribe for or purchase any of the Shares or other securities of the Company nor is it calculated to invite any offer or invitation for any of the Shares or other securities of the Company.

ABOUT THE SPIN-OFF

We have not authorised anyone to provide any information or to make any representation not contained in this listing document. You should not rely on any information or representation not contained in this listing document as having been authorised by us, the Joint Sponsors, or any of our or their respective directors, officers or representatives or any other person involved in the Spin-off.

Neither the delivery of this listing document nor the distribution of Shares pursuant to the Li & Fung Distribution should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this listing document or imply that the information contained in this listing document is correct as at any date subsequent to the date of this listing document.

The Spin-off does not involve an offering of Shares or any other securities of the Company for purchase or subscription and no money will be raised in conjunction with the Spin-off.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue following the completion of the Reorganisation. No part of the share or loan capital of the Company is listed on or dealt in on any other stock exchange. At present, the Company is not seeking or proposing to seek such listing of, or permission to deal in, the share or loan capital of the Company on any other stock exchange.

SPIN-OFF IS CONDITIONAL ON LISTING APPROVAL

The Spin-off is conditional on the board of directors of Li & Fung declaring the conditional distribution as well as the Listing Committee granting the listing of, and permission to deal in, the Shares in issue on the Main Board of the Stock Exchange. If such conditions are not satisfied, the Li & Fung Distribution will not be made and the Spin-off will not take place, in which case an announcement will be made.

COMPLIANCE WITH RULE 8.05(3) OF THE LISTING RULES

We are able to satisfy the requirements under Rule 8.05(3) of the Listing Rules.

NO CHANGE IN BUSINESS

No change in the business of the Company immediately following the Spin-off is contemplated.

HONG KONG REGISTER AND STAMP DUTY

The Company's Hong Kong branch register of members is maintained by the Hong Kong Share Registrar in Hong Kong. Dealing in the Shares on the Stock Exchange will be registered on the Company's Hong Kong branch register of members maintained in Hong Kong.

Unless the Company determines otherwise, dividends payable in Hong Kong dollars in respect of the Shares will be paid to the Shareholders listed on the Company's register of members, by way of cheque sent by ordinary post, at the Shareholder's risk, to the registered address of each Shareholder.

Dealings in the Shares on the Company's Hong Kong branch register of members maintained in Hong Kong will be subject to Hong Kong stamp duty.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the Shares on the Stock Exchange and the Company's compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisers if you are in any doubt as to the tax implications of receiving, purchasing, holding, disposing of and dealing in the Shares. We emphasise that none of us, the Joint Sponsors, any of our or their respective directors, officers or representatives or any other person involved in the Spin-off accepts responsibility for any tax effects or liabilities resulting from the receipt of, purchase, holding or disposing of, or dealing in, the Shares or your exercise of any rights attaching to the Shares.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on 9 July 2014. The Shares will be traded in board lots of 2,000 Shares each. The stock code of the Shares is 787.

The members of the Board are:

Name	Address	Nationality
Chairman and Non-executive Director		
William FUNG Kwok Lun (馮國綸)	30A & B The Harbourview 11 Magazine Gap Road Hong Kong	Chinese
Vice Chairman, Chief Executive Officer and Executive Director		
Bruce Philip ROCKOWITZ	Flat C1-3 9-11 Horizon Drive Chung Hom Kok Hong Kong	Canadian
Executive Director		
Dow Peter FAMULAK (范明禮)	Flat 1, Ground Floor Stanley Beach Terrace 10A-10B Stanley Beach Road Hong Kong	Canadian
Independent Non-executive Directors		
Paul Edward SELWAY-SWIFT	Old Rectory Upper Pendock Near Malvern Worcestershire WR13 6JP United Kingdom	British
Stephen Harry LONG	950 Park Avenue New York, New York 10028 United States	American
Hau Leung LEE (李效良)	25462 Altamont Road Los Altos Hills California 94022-4430 United States	American
Allan ZEMAN (盛智文)	House B Cape Villa 28 Cape Road Hong Kong	Chinese
Audrey Wang LO (王允默)	Flat A&B, 2nd Floor Hong Villa 12 Bowen Road Hong Kong	Chinese

For further details of each member of the Board, see "*Directors and Senior Management*".

PARTIES INVOLVED IN THE SPIN-OFF

Joint Sponsors	Goldman Sachs (Asia) L.L.C. 68th Floor, Cheung Kong Center 2 Queen's Road Central Hong Kong
	Citigroup Global Markets Asia Limited 50th Floor, Citibank Tower Citibank Plaza 3 Garden Road Central Hong Kong
	HSBC Corporate Finance (Hong Kong) Limited 1 Queen's Road Central Hong Kong
Legal Advisers to the Company	*As to Hong Kong and US laws:* Freshfields Bruckhaus Deringer 11th Floor, Two Exchange Square 8 Connaught Place Central Hong Kong
	As to Bermuda and BVI laws: Conyers Dill & Pearman 2901, One Exchange Square 8 Connaught Place Central Hong Kong
Legal Advisers to the Joint Sponsors	*As to Hong Kong laws:* Kirkland & Ellis 26th Floor, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong
Reporting Accountant	PricewaterhouseCoopers *Certified Public Accountants* 22nd Floor, Prince's Building Central Hong Kong

CORPORATE INFORMATION

Registered Office	Clarendon House 2 Church Street Hamilton HM11 Bermuda
Head Office and Principal Place of Business in Hong Kong	9th Floor, LiFung Tower 888 Cheung Sha Wan Road Kowloon Hong Kong
Joint Company Secretaries	LEONG Kwok Yee (梁國儀) *ACA (New Zealand), CA (Australia)* Flat D, 23rd Floor Kai Tien Mansion Taikoo Shing Hong Kong Terry WAN Mei Chow (温美秋) *FCIS, FCS* Flat B, 16th Floor Block 9, 600 Sai Sha Road Villa Athena Ma On Shan New Territories Hong Kong
Authorised Representatives	Bruce Philip ROCKOWITZ Flat C1-3 9-11 Horizon Drive Chung Hom Kok Hong Kong LEONG Kwok Yee (梁國儀) Flat D, 23rd Floor Kai Tien Mansion Taikoo Shing Hong Kong
Audit Committee	Stephen Harry LONG *(Chairman)* Paul Edward SELWAY-SWIFT Hau Leung LEE Allan ZEMAN Audrey Wang LO
Remuneration Committee	Hau Leung LEE *(Chairman)* William FUNG Kwok Lun Audrey Wang LO

Nomination Committee	William FUNG Kwok Lun *(Chairman)* Allan ZEMAN Stephen Harry LONG
Compliance Adviser	Somerley Capital Limited 20th Floor, China Building 29 Queen's Road Central Hong Kong
Principal Bankers ***(in alphabetical order)***	Citibank, N.A. 50th Floor, Citibank Tower Citibank Plaza 3 Garden Road Central Hong Kong HSBC Bank USA, National Association 452 Fifth Avenue New York, New York 10018 United States Standard Chartered Bank 1095 Avenue of the Americas New York, New York 10036 United States
Principal Share Registrar	Codan Services Limited Clarendon House 2 Church Street Hamilton HM11 Bermuda
Hong Kong Share Registrar	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Wan Chai Hong Kong
Company's Website	**www.globalbrandsgroup.com** *(A copy of this listing document is available on the Company's website. Except for the information contained in this listing document, none of the other information contained on the Company's website forms part of this listing document)*

HISTORY

The Group started in 2005 when Li & Fung established a wholesale business with a focus on private label and branded apparel in order to broaden its relationships with existing and new retailer customers. Founded in 1906 in Guangzhou, China, Li & Fung is a leading global sourcing firm which has expanded into a multinational group and is recognised as a leader in consumer goods design, development, sourcing and distribution and has been listed on the Stock Exchange since 1992 under the Stock Code 494.

From its origins in 2005 with some small-scale licensed brands as part of Li & Fung's wholesale business, the Group has evolved and grown into one of the world's leading branded apparel, footwear fashion accessories and related lifestyle product businesses with an independent turnover of approximately US$3.3 billion for the year ended 31 December 2013, over 50 offices and showrooms and approximately 3,000 employees across the Americas, Europe and Asia. Following completion of the Reorganisation and the Spin-off, the Group's business will be separate and independent from Li & Fung's private label wholesale, trading and logistics businesses.

KEY BUSINESS MILESTONES

2005 — 2010

We built our character business in the US between 2005 and 2009 through the acquisition of three major character licensing companies: Briefly Stated Holdings, Inc. in 2005, American Marketing Enterprises Inc. in 2007, and Wear Me Apparel LLC (doing business as Kids Headquarters) in 2009. All three companies were established companies in the design, marketing and sale of sleepwear apparel and laid a strong foundation for the Group's capabilities and portfolio of licensed characters.

Today these entities collectively hold over 150 character licences, including Hello Kitty, Angry Birds and various properties from Disney and Warner Bros.

We expanded our fashion apparel business in the US between 2007 and 2010 through the acquisition in 2007 of the assets of Regatta (U.S.A.) LLC, a leader in the design and marketing of proprietary women's apparel brands, including Daisy Fuentes and Sofia Vergara. In 2009, we acquired all of the assets of Wear Me Apparel LLC, which is a leading US-based designer, marketer, and seller of young men's and children's apparel, which established our children's fashion apparel business, and in 2010, we also entered into key licences including Sean John, which established the foundation for our men's fashion apparel business.

Building on this base, also in 2010 we formed MESH LLC, a business cooperation with Star Branding, LLC, with a focus on new brands inspired by music and/or music artists. The initial brands launched under MESH LLC included the Jennifer Lopez lifestyle brand.

We built our handbag and accessories business in the United States between 2006 and 2010. In 2006, we acquired our first owned brand, Rosetti from Rosetti Handbags & Accessories, Ltd. This acquisition brought us capabilities in the design, marketing and sale of women's handbags, purses and related accessories. Subsequently in 2008, we expanded our handbags and accessories operations with the acquisition of the women's handbag, purses and related accessories business from Van Zeeland, Inc. (owner of the Kathy Van Zeeland, B. Makowsky and Tignanello brands), which established us as the leading handbag supplier in the United States. In 2010, we acquired Cipriani Accessories, Inc. and The Max Leather Group, Inc., the holders of key licences with Calvin Klein and Michael Kors for small leather goods.

In 2006, we also expanded into home products through the acquisition of certain assets and licences of Homestead Holdings Inc.

We entered the footwear business in 2010 through the acquisition of Jimlar Corporation, a leading designer and distributor of footwear internationally. Through this acquisition, we acquired one of our key owned brands, Frye, as well as licences for Coach and Calvin Klein footwear.

2011 — 2013

During 2011 to 2013, we continued to expand with acquisitions in the United States, Europe and Asia.

In 2011, we expanded our character business with the acquisition of TVMania, a leading supplier of character merchandise across Europe. In 2012, we acquired Fashion Lab, a wholesaler for infants, kids' and women's apparel in Europe, and in 2013, we acquired SICEM International, an Italian apparel company. Each of these companies had relationships with major licensors including Disney and Sanrio. Expanding beyond our traditional children's character apparel categories, in 2012 we acquired Added Extras LLC and Lotta Luv LLC, holders of major character licenses for children's beauty products. Today, we now hold over 350 character licences in North America, Europe and Asia.

In 2011, we continued to expand our fashion apparel business with the acquisition in the United States of Fishman & Tobin, a 100 year-old company that is a leading supplier in boys' dresswear, boys' and girls' school uniforms, and boys' sportswear. We also acquired Crimzon Rose International, a company which specialises in the design, marketing and distribution of costume jewellery and accessories under brands including Erica Lyons and Daisy Fuentes. We also acquired the Ely & Walker brand, which expanded our men's fashion apparel business.

In 2012, we entered the Asian market and laid the foundation for our brand management business with the acquisition of The Mint Group, which specialises in the licensing of children's characters in Southeast Asia and provided the Group with a character business in Asia. In 2013, we also acquired RM Enterprises Group, a character licensing agency in China, Japan, Korea and Southeast Asia and consolidated our global character licensing platform with access to these markets and a wide range of character brands.

In 2013, we entered into long-term licences for Spyder, the globally recognised ski brand, and Juicy Couture, a leading contemporary casual wear and dress brand. We also continued the expansion of our footwear business with the acquisition of the Aquatalia brand.

In 2013, we continued to grow our home products business with the signing of key licences with Tommy Hilfiger Home and Jonathan Adler.

2014 We continued our growth by expanding our brand management business with the acquisition of The Licensing Company, a leading global licensing agency which represents global brands in the fashion, automobile, and food and beverage industries. We also entered into joint ventures with Iconix Brands Group in Europe and Asia to provide brand management services for a portfolio of Iconix's fashion and lifestyle brands.

OUR ACQUISITIONS

Since 2005, we have completed a number of acquisitions to expand our business. We acquired all of these companies and businesses from independent third parties and all amounts payable were determined on the basis of arm's length negotiations. Each acquisition was properly and legally completed and settled and all necessary approvals from the relevant authorities for the acquisitions were obtained.

As we typically purchase private companies run by entrepreneurs, we often structure these acquisitions with incentive provisions and contingent payments of purchase consideration linked to the future performance of the acquired businesses. These incentive provisions are referred to as an "earn-out" and "earn-up". The contingent consideration would be payable based on negotiated formulas of the acquired businesses achieving their respective base profit targets each year in the case of an earn-out or achieving certain growth targets in the case of an earn-up. Earn-out payments are generally payable within two to five years whereas earn-up payments have a higher performance target threshold and are typically payable in a period of up to three to five years following completion of a transaction.

The following table sets out certain information relating to the consideration paid and payable relating to the acquired businesses, including the initial consideration, earn-out and earn-up payments paid and payable, as at the dates and for the years indicated.

	As at and for the year ended 31 December		
	2011	2012	2013
	(US$ million)		
Total payments during the year:			
Initial payments (less cash and cash equivalents acquired) for new acquisitions	320	74	50
Earn-out and earn-up payments for prior years' acquisitions	230	210	259
	550	284	309
Consideration payable as at year end:			
Earn-out	533	384	191
Earn-up	414	441	448
	947	825	639

See "*Financial Information — Factors Affecting Results of Operations and Financial Condition — Acquisitions*" and notes 23 and 26 to the Accountant's Report set out in "*Appendix I — Accountant's Report*" for further details.

The following table sets out details of a number of our historical acquisitions:

Acquired Business	Completion Date
Briefly Stated Holdings Inc.	September 2005
Rosetti handbag division and Franco Sarto Division from Rosetti Handbags & Accessories, Ltd	July 2006
Assets of Regatta (U.S.A.) LLC, Pacific Alliance Manufacturing Group, LLC and related companies	September 2007
American Marketing Enterprises Inc.	November 2007
Women's handbag, purses and related accessories business from Van Zeeland, Inc.	December 2008
Children's apparel and young men's/women's apparel business from Wear Me Apparel LLC	December 2009
The Max Leather Group, Inc.; Cipriani Accessories, Inc.; MLG (2009) LLC	July 2010
Jimlar Corporation	September 2010
TVMania	March 2011
Crimzon Rose International, LLC and Crimzon Rose Holdings, Inc.	August 2011
Fishman & Tobin, Inc.	September 2011
Added Extras LLC	March 2012
Sicem International S.r.l.	November 2013
The Licensing Company Limited	January 2014

RECENT ACQUISITIONS AND INVESTMENTS

Since 31 December 2013, we have made three non-material acquisitions of businesses and interests in joint venture, from independent third parties to expand and develop our brand management business in the Americas, Europe and Asia.

The Licensing Company

On 13 January 2014, the Group acquired the entire issued share capital of The Licensing Company from the founders of the company and Brand Investments Vehicle 2 Limited. The founders and the executive team who worked with The Licensing Company prior to the transaction continue to work with the Group. Brand Investments Vehicle 2 Limited is a holding company for private investors in the business of investing in companies. The Directors confirm that, to the best of their knowledge, information and belief having made all reasonable enquiries, the counterparties and the ultimate beneficial owner of the counterparties were third parties independent of the Group and its connected persons.

The Licensing Company and its subsidiaries are a licensing agent and brand management consultant for brands including Coca-Cola, Jeep, Mercedes Benz, Hersheys and Peanuts, with headquarters in the United Kingdom and offices in Europe, North America and Asia. The acquisition of The Licensing Company provides us with the opportunity to continue expanding our brand management business.

The Licensing Company's financial information is prepared in accordance with UK GAAP with a financial year end of 31 March. A summary of the audited financial information of The Licensing Company for each of the two financial years immediately preceding the transaction, is as follows:

	For year ended 31 March			
	2012		2013	
	GBP million	Approximately US$ million	GBP million	Approximately US$ million
Net assets	3.0	4.7	3.9	6.2
Net profit before taxation and extraordinary items	1.5	2.4	2.5	4.0
Net profit after taxation and extraordinary items	1.0	1.5	1.7	2.7

Iconix Europe

On 13 January 2014, the Group acquired a 49% interest in Iconix Europe through an agreement between the Group and Brand Investments Vehicle 3 Limited to acquire a 50%

interest in Iconix Europe, and an agreement between the Group and Iconix Brand Group, Inc. to sell a 1% interest in Iconix Europe. Brand Investments Vehicle 3 Limited was a holding company that held a 50% interest in Iconix Europe and is beneficially owned by The Licensing Company and the private investors who held Brand Investments Vehicle 2 Limited. Iconix Brand Group, Inc. is the Group's joint venture partner for Iconix Europe and is the counterparty that originally held the other 50% interest in Iconix Europe. These transactions are regarded as one single transaction and no gain or loss was recognised. The Directors confirm that, to the best of their knowledge, information and belief having made all reasonable enquiries, the counterparties and the ultimate beneficial owner of the counterparties were third parties independent of the Group and its connected persons.

Iconix Europe is a master licensee for brands including Candie's, Joe Boxer, Rampage, Mudd, London Fog, Mossimo, Ocean Pacific, Danskin, Rocawear, Fieldcrest, Charisma, Start and Waverly. It is a Delaware corporation with operations based in London. The acquisition of the 49% interest in Iconix Europe provides us with the opportunity to continue expanding our brand management business.

Iconix Europe is not under any statutory requirement to maintain audited financial statements. A summary of the unaudited financial information of Iconix Europe LLC for each of the two financial years immediately preceding the transaction, is as follows:

	For year ended 31 December			
	2012 US$ million	**Attributable to the Group (49%)**	**2013 US$ million**	**Attributable to the Group (49%)**
Net assets	3.3	1.6	1.4	0.7
Net profit before taxation and extraordinary items.....	0.7	0.3	0.7	0.3
Net profit after taxation and extraordinary items...........	0.5	0.2	0.5	0.2

Cocaban

On 4 June 2014, the Group acquired (i) the business, including the licensing business and the merchandising business; and (ii) the assets, including all property, undertaking, rights and assets, of Cocaban. The Directors confirm that, to the best of their knowledge, information and belief having made all reasonable enquiries, the counterparties and the ultimate beneficial owner of the counterparties were third parties independent of the Group and its connected persons.

Cocaban is a licensing and brand management specialist in Korea for brands including Discovery Channel, Thomas & Friends and Bob the Builder. The acquisition of the business and assets of Cocaban provides us with the opportunity to expand our brand management business in Asia.

Cocaban is not under any statutory requirement to maintain audited financial statements. A summary of the unaudited financial information of Cocaban for each of the two financial years immediately preceding the transaction, is as follows:

	For year ended 31 December	
	2012	2013
	US$ million	US$ million
Net assets	0.1	0.3
Net profit before taxation and extraordinary items	0.1	0.2
Net profit after taxation and extraordinary items	0.1	0.2

Consideration for the acquisitions of The Licencing Company, Iconix Europe and Cocaban

The aggregate consideration payable consisted of an initial investment of US$25.3 million and additional maximum contingent consideration of US$56.0 million, which may be paid in future years depending on the future performance of the relevant businesses. A significant proportion of the aggregate initial investment and additional contingent consideration amounts are attributable to the acquisition of The Licensing Company. The consideration amounts were determined after arm's length negotiations between the counterparties and the Group after taking into account:

(i) in relation to The Licensing Company, various factors including current and projected profitability of The Licensing Company and its future growth potential through the synergies created with the Group's existing business;

(ii) in relation to Iconix Europe, the scale of Iconix Europe's licensing business platform and the potential synergies with the Group's existing business; and

(iii) in relation to Cocaban, various factors including Cocaban's track record in the industry and the potential growth of the acquired business through synergies created with the Group.

The payment of the consideration amounts were and will continue to be paid in cash and financed by the internal resources of the Group and financing. The Directors consider that the terms of each transaction were fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

FUTURE ACQUISITIONS

Following the Listing, we will continue to identify and assess potential acquisitions of companies, businesses and brands. One of our key strategies is to continue to identify and assess further brand, product, geographical and market-driven acquisitions and brand development opportunities which are attractive to us in terms of benefits from potential synergies and future growth potential. We will evaluate opportunities on the basis of criteria including geographical location, brand and product fit and market growth. We currently do not have any identified acquisition targets.

THE REORGANISATION

In preparation for the Spin-off and Listing, the Reorganisation was implemented to establish the Company and the ownership structure of the Group.

The Reorganisation was implemented in the manner described below.

(1) The following companies were incorporated as the holding companies for the Group:

   (a) the Company was incorporated in Bermuda on 4 December 2013 and became a wholly-owned subsidiary of Li & Fung on 13 December 2013;

   (b) GBG Asia and GBG International Holding were incorporated in the BVI on 6 December 2013 and became wholly-owned subsidiaries of the Company on 13 December 2013;

   (c) Global Brands (Hong Kong) was incorporated in Hong Kong on 9 December 2013 and became a wholly-owned subsidiary of GBG International Holding on 23 December 2013;

   (d) GBG International Holding Company was incorporated in the UK on 18 December 2013 and became a wholly-owned subsidiary of Global Brands (Hong Kong) on 3 January 2014; and

   (e) GBG Germany Holding was incorporated in Germany on 2 January 2014 and became a wholly-owned subsidiary of GBG International Holding Company on 17 April 2014.

(2) On 19 June 2014, GBG USA moved, through a series of distributions and contributions, LF Men's Group LLC, Ralsey Group Limited, Mighty Hurricane Holdings Inc. and all of the private label assets not related to the Group's business to Golden Horn N.V., a wholly-owned subsidiary of Li & Fung. As a result, they became part of the Li & Fung Group.

(3) On 23 June 2014, GBG USA transferred a logistics group of companies to LF Logistics Holdings Ltd., a wholly-owned subsidiary of Li & Fung, through the transfer by its subsidiary, Jimlar Corporation of all of the shares in LF Freight (USA) Inc. and its subsidiaries to LF Logistics Holdings Ltd. As a result, they became part of the Li & Fung Group.

(4) On 16 June 2014, GBG USA, through its subsidiary, Jimlar Corporation transferred the entire issued share capital of Meredith Associates Ltd to Li & Fung (B.V.I.) Ltd. As a result, they became part of the Li & Fung Group.

(5) On 19 June 2014, Millwork Holdings Co., Inc. transferred all of the interests in GBG Beauty (including subsidiaries Added Extras and Lotta Luv Beauty) to GBG USA. As a result, they became part of the Group.

(6) On 19 June 2014, GBG North America Holdings moved, through a series of distributions and contributions, Millwork Holdings Co., Inc. to Golden Horn N.V. As a result, it became part of the Li & Fung Group.

(7) On 20 June 2014, Golden Horn N.V. moved, through a series of distributions and contributions, GBG North America Holdings (including subsidiary, GBG USA) to GBG International Holding Company. As a result, it became part of the Group.

(8) On 8 May 2014, LF Europe Ltd transferred the entire issued share capital of TVMania Italy S.r.l. and Sicem International S.r.l. to GBG International Holding Company. GBG International Holding Company Limited then transferred the entire issued capital of TVMania Italy S.r.l. and Sicem International S.r.l. to Fashion Lab Ltd. As a result, they became part of the Group.

(9) On 8 May 2014, LF Europe Limited transferred the entire issued share capital of TVMania UK Limited, Fashion Lab Ltd, RTsion Limited (including its subsidiaries, Scemama International and SNC Scemama) and The Licensing Company Limited (including its direct and indirect subsidiaries, The Licensing Company International Limited, The Licensing Company North America Inc., The Licensing Company Germany GmbH, MR Licensing GmbH, The Licensing Company France, TLC Brands Limited, Puffa Brands Limited, TLCBI Headworx Limited, Headworx Worldwide Limited, TLC (HK) Limited and The Licensing Company (Shanghai) Limited) (the "**UK Shares**") to Li & Fung. Li & Fung then moved the above mentioned UK Shares through a series of contributions and transfers to GBG International Holding Company Limited. As a result, they became part of the Group.

(10) On 18 June 2014, LF Europe (Germany) GmbH, a wholly-owned subsidiary of LF Europe Ltd., moved, through a series of transfers, LF Europe (Germany) GmbH (including subsidiaries, TVM Europe GmbH, T.V.M. Design Services Ltd., LamaLoLi GmbH and LFE TVM RUS LLC) to GBG Germany Holding GmbH. As a result, they became part of the Group.

(11) On 5 February 2014, LF Centennial Pte. Ltd., transferred all of the shares of Millwork Pte. Ltd. (including subsidiaries, Millwork (Hong Kong) and Millwork (Shenzhen) Ltd) to GBG Asia. As a result, they became part of the Group.

(12) On 11 February 2014, Li & Fung (B.V.I.) Ltd. transferred all of the shares in KVZ International Limited to Millwork Pte. Ltd. As a result, it became part of the Group.

(13) On 5 February 2014, Integrated Distribution Services Group Limited through its subsidiary, LF Asia, transferred all of the shares of The Mint Group to GBG Asia. As a result, it became part of the Group.

(14) On 19 March 2014, Integrated Distribution Services Group Limited through its subsidiary, LF Asia (Hong Kong) Limited, transferred all of the shares of LF Asia (including 50% of Iconix SE Asia Limited, 49% of Iconix Europe LLC to Global Brands (Hong Kong) Limited. As a result, they became part of the Group.

(15) On 30 May 2014, Integrated Distribution Services Group Limited through its subsidiary, LF Asia (Hong Kong) Limited, transferred the entire issued share capital of New Concept International Enterprise Limited (including its subsidiary, Shanghai New Concept Trading Co., Ltd.) to LF Asia. As a result, they became part of the Group.

(16) On 3 January 2014, Integrated Distribution Services Group Limited through its subsidiary, LF Asia (Hong Kong) Limited, transferred all of the shares of Wonderful World (HK) Limited to Global Brands (Hong Kong) Limited. As a result, it became part of the Group.

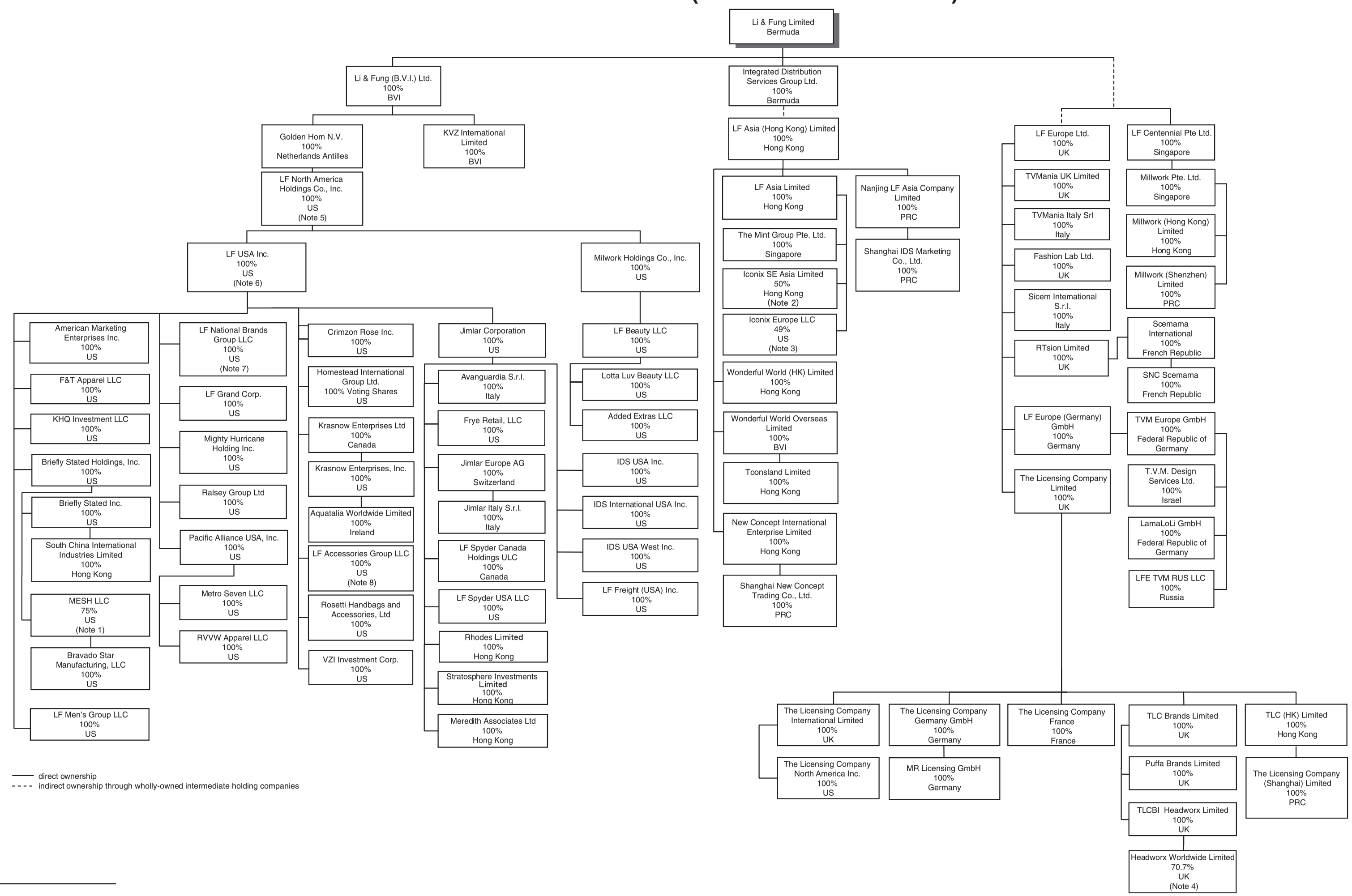
(17) On 3 January 2014, Integrated Distribution Services Group Limited through its subsidiary, Wonderful World Overseas Limited, transferred all of the shares of Toonsland Limited to Global Brands (Hong Kong). As a result, it became part of the Group.

(18) On 25 March 2014, Nanjing LF Asia Company Limited transferred the equity interest in Shanghai IDS Marketing Co., Ltd. to LF Asia. As a result, it became part of the Group.

(19) On 14 May 2014, resolutions of the sole member and resolutions of the Directors of the Company were passed where (a) the authorised share capital of the Company was increased by HK$150,000,000 by the creation of 12,000,000,000 Shares ("**New Shares**") of a nominal or par value of HK$0.0125 each (the "**Increase**"), (b) following the Increase, the Company allotted and issued 62,400 New Shares to Li & Fung Limited (the "**Issue**"), the subscription price thereof to be funded out of the Repurchase (as defined in resolution (c) below), (c) following the Issue, the Company repurchased the 100 issued shares of US$1.00 each (the "**Existing Shares**") in the capital of the Company in issue immediately prior to the Increase (the "**Repurchase**") which was paid out of the proceeds of the Issue referred to in (b) above and the Existing Shares were cancelled, and (d) following the Repurchase, the authorised but unissued share capital of the Company was diminished by the cancellation of all the 100 unissued shares of US$1.00 each in the capital of the Company (the "**Diminution of Authorised Capital**"). Accordingly, following the Diminution of Authorised Capital, the Company has an authorised share capital of HK$150,000,000 divided into 12,000,000,000 shares of HK$0.0125 each.

(20) On 8 May 2014, Li & Fung made a contribution to the Company, in exchange for which the Company issued 8,360,335,906 ordinary shares of HK$0.0125 each to Li & Fung. The contribution consisted of the UK Shares, together with promissory notes issued in favour of LF Europe Limited by GBG International Holdings Limited, the benefit of which was subsequently assigned to Li & Fung.

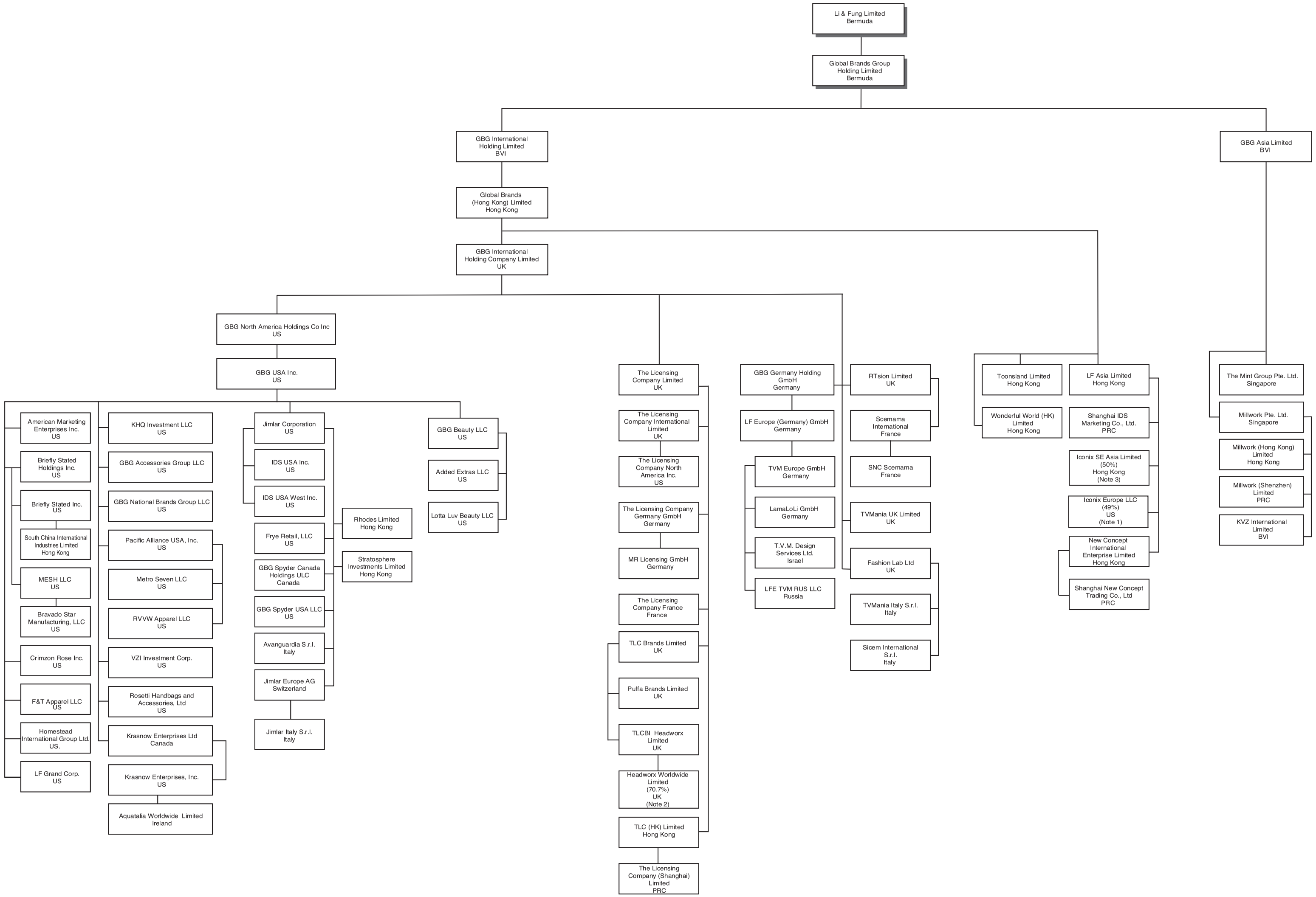
CORPORATE STRUCTURE PRIOR TO THE REORGANISATION (as at 31 March 2014)



Notes:

(1) Star Branding, LLC, a connected person, owns 25% of MESH LLC.
(2) Iconix Brand Group, Inc., an independent third party, owns 50% of Iconix SE Asia Limited.
(3) Iconix Brand Group, Inc., an independent third party, owns 51% of Iconix Europe LLC.
(4) Dr Neil Eric Rotherham, an independent third party, owns 29.3% of Headworx Worldwide Limited.
(5) LF North America Holdings Co., Inc. to be renamed GBG North America Holdings Co., Inc. during the Reorganisation.
(6) LF USA Inc. to be renamed GBG USA Inc. during the Reorganisation.
(7) LF National Brands Group LLC to be renamed GBG National Brands Group LLC during the Reorganisation.
(8) LF Accessories Group LLC to be renamed GBG Accessories Group LLC during the Reorganisation.

CORPORATE STRUCTURE FOLLOWING THE REORGANISATION AND PRIOR TO THE SPIN-OFF AND THE LISTING



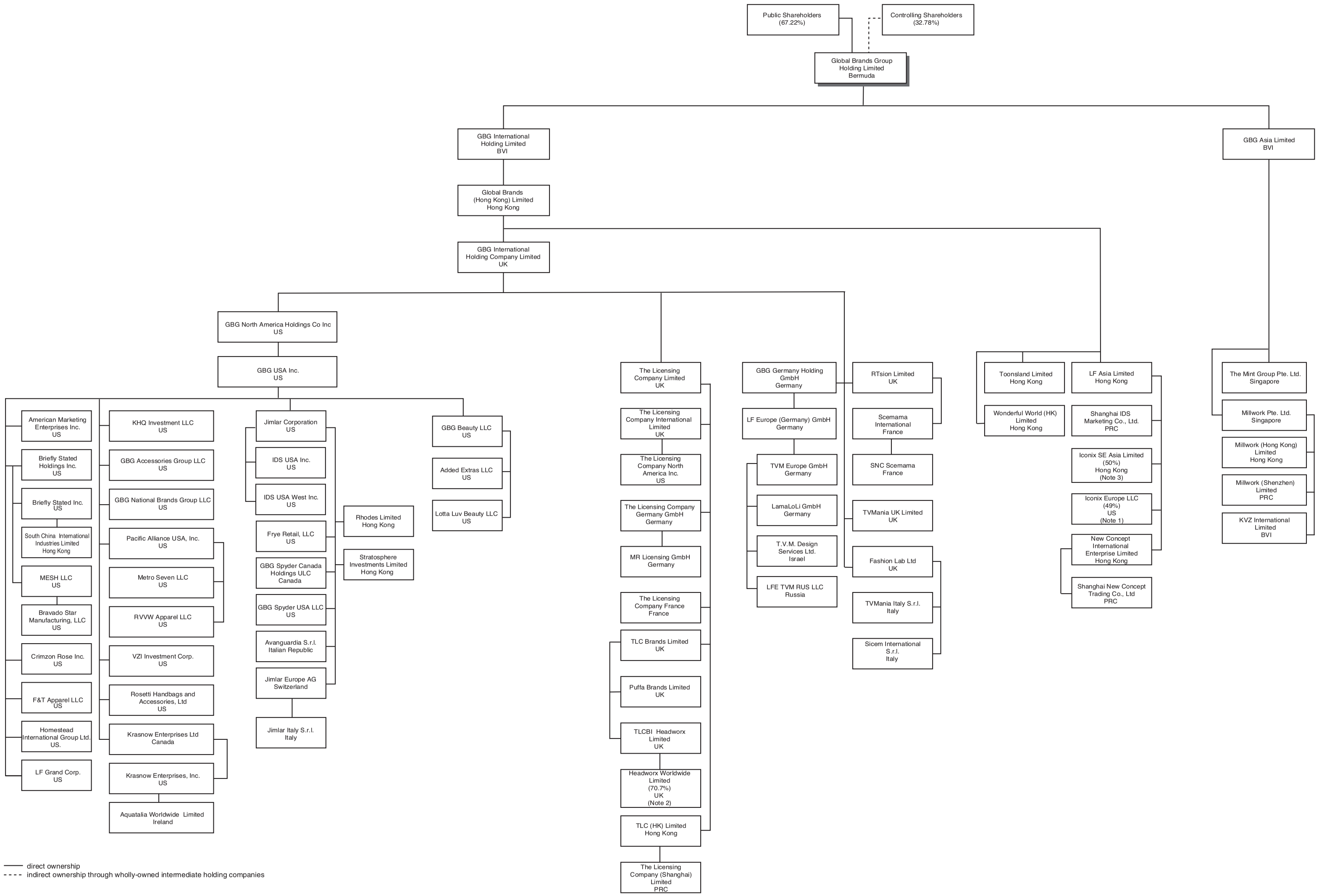
Notes:

(1) Iconix Brand Group, Inc., an independent third party, owns 51% of Iconix Europe LLC.

(2) Dr Neil Eric Rotherham, an independent third party, owns 29.3% of Headworx Worldwide Limited.

(3) Iconix Brand Group, Inc., an independent third party, owns 50% of Iconix SE Asia Limited.

CORPORATE STRUCTURE FOLLOWING THE REORGANISATION, THE SPIN-OFF AND THE LISTING



Notes:

(1) Iconix Brand Group, Inc., an independent third party, owns 51% of Iconix Europe LLC.

(2) Dr Neil Eric Rotherham, an independent third party, owns 29.3% of Headworx Worldwide Limited.

(3) Iconix Brand Group, Inc., an independent third party, owns 50% of Iconix SE Asia Limited.

THE LI & FUNG DISTRIBUTION

On 19 June 2014, the board of directors of Li & Fung announced that a meeting of the board of Li & Fung will be held on 1 July 2014 for the purpose of, among other matters, considering the declaration of a conditional distribution, being the Li & Fung Distribution. The board of Li & Fung also announced that if the conditional distribution is declared, the record date and book closure date for ascertaining the entitlements will be 7 July 2014.

The board of Li & Fung is expected to declare the Li & Fung Distribution to the Qualifying Li & Fung Shareholders, being registered holders of Li & Fung Shares whose names appear on the register of members of Li & Fung on the Record Date. The Li & Fung Distribution will be satisfied wholly by way of a distribution in specie to the Qualifying Li & Fung Shareholders of an aggregate of 8,360,398,306 Shares, the entire issued share capital of the Company, in proportion to their respective shareholdings in Li & Fung on the Record Date. Pursuant to the Li & Fung Distribution, the Qualifying Li & Fung Shareholders will be entitled to one Share for every one Li & Fung Share held on the Record Date. Fractional entitlements will be disregarded.

The Li & Fung Distribution is conditional on the board of directors of Li & Fung declaring the conditional distribution as well as on the Listing Committee granting listing of, and permission to deal in, the Shares in issue on the Main Board of the Stock Exchange. If these conditions are not satisfied, the Li & Fung Distribution will not be made and the Spin-off will not take place.

Share certificates are expected to be despatched to Qualifying Li & Fung Shareholders on 8 July 2014. Share certificates will only become valid if the Li & Fung Distribution becomes unconditional.

On 21 May 2014, Li & Fung announced that as the disposal of its shareholding interest in the Company following completion of the Spin-off will be by way of the Li & Fung Distribution alone, the Spin-off will not be a transaction by Li & Fung and accordingly there will be no requirement to comply with the notification or shareholders' approval requirements of Chapter 14 of the Listing Rules.

REASONS FOR THE SPIN-OFF

Li & Fung considers that the Spin-off is in the interests of Li & Fung and its subsidiaries (including the Group) and the Li & Fung Shareholders taken as a whole because:

Management focus and expertise

The strategy, operational capabilities, and core competencies required in the Group's business and the Li & Fung business differ significantly. Because each requires a distinct set of management expertise and technical skills, creating two companies will enable the management of each to pursue their own specific and focused strategy. The Li & Fung business will be able to concentrate on the provision of sourcing and logistics services to wholesale and retail customers, which requires sourcing skills and product development and supply chain management for retailers and brands globally. The Group's business is focused on the design and sale of branded apparel, footwear and fashion accessory products which requires fashion-forward design capabilities as well as brand development, licensing and marketing skills. The two businesses also have distinctive cost structures and business models. The Spin-off will allow for a clear separation of operations and management, allowing for a more focused strategy and efficient resource allocation at both businesses.

Eliminate risk of competing with existing Li & Fung Group customers

As the Group's business grows, its position as a brand owner and success in selling its products to retailers will increase its potential to compete with other global brands and private labels, including customers of the Li & Fung Group. By creating two independent businesses, the Spin-off will allow the continued growth and development of the Group without negatively impacting the Li & Fung Group.

Separate investor base for the Group

Through the Spin-off, the Group will be able to be valued on a standalone basis and investors will be provided with more details of the operating performance of each of the Li & Fung business and the Group's business. The Spin-off will also help to create a new investor base for the Group as we will be able to attract new investors who are seeking investments specifically in the branded products sector.

Enhanced financing flexibility

As a result of the Spin-off, the Li & Fung Group and the Group will have separate fundraising platforms in the equity, loan and debt capital markets, which will increase financing flexibility for both entities to support their respective growth. A separate listing of the Group's business will also provide clarity to the credit profile of the Group and to financial institutions who wish to analyse and lend against the credit rating of a brand-based business.

Significant Benefits to Li & Fung and the Group

Both Li & Fung and the Group will be able to grow faster by operating separately and executing their distinct growth strategies. For Li & Fung, this will allow for a simplification of the business and will help Li & Fung streamline operations into its core areas. Li & Fung will also continue to benefit from the Group's growth through a Buying Agency Agreement set out in "*Connected Transactions — Non-exempt Connected Transactions — A. Transactions with the Li & Fung Group — 1. Buying Agency Agreement*". For the Group, an uninterrupted focus on the brands business will allow our management team to fully build out the business and leverage a new dedicated capital structure able to fund our further growth and development.

The Spin-off will also bring significant benefits to Li & Fung's and the Group's many stakeholders. Customers will continue to have collaborative relationships with financially strong organisations that are focused on meeting their specific needs, and shareholders will benefit from diversifying their holdings into two strong entities with solid growth prospects.

OVERVIEW

Our Business

We are one of the world's leading branded apparel, footwear, fashion accessories and related lifestyle product companies. We design, develop, market and sell such products across both a diverse portfolio of owned and licensed brands and a wide range of product categories. Our customers are primarily retailers, including department stores, hypermarkets, off-price retailers, independent chains, specialty retailers and e-commerce channels in the Americas, Europe and Asia.

We operate two core segments, Licensed Brands and Controlled Brands.

Licensed Brands: brands in which we license the intellectual property from the brand owners or the licensors for use in selected product categories and geographies. In addition, we are developing a brand management business using our expertise to assist brand owners to expand their brands into new product categories and geographies.

Controlled Brands: brands in which we either own, or control the intellectual property under a long-term licence which gives us significant control over the development and marketing associated with the relevant brands.

Our Business Model

We have built a broad portfolio which as at the Latest Practicable Date consists of more than 350 active licences for Licensed Brands, ten active Controlled Brands and over 100 managed brands. We had total turnover of US$2.8 billion, US$3.1 billion and US$3.3 billion, for 2011, 2012 and 2013, respectively. For 2013, we generated approximately 85% of our turnover from the United States and approximately 15% from the rest of the world, and approximately 82% of our turnover derived from Licensed Brands and approximately 18% from Controlled Brands. We had EBITDA of US$298.8 million, US$54.3 million and US$295.8 million for 2011, 2012 and 2013, respectively.

We derive our revenue principally by utilising our expertise in product design, marketing and brand management to create products under our Licensed Brands and Controlled Brands which we sell to retailers. Retailers we sell to include department stores such as Nordstrom, Macy's, Kohl's and J.C. Penney, hypermarket chains such as Wal-Mart and Target, off-price retailers, independent chains, specialty retailers, customers' and brands' e-commerce channels such as macys.com and calvinklein.com and independent e-tailers such as amazon.com and zappos.com. Our brands typically have a higher level of consumer awareness and fashion value and our products attract a higher price and higher margins than comparable unbranded products. In our brand management business, we derive our revenue by taking a portion of the licence fee or royalty paid by the licensees to the brand owner.

Similar to global retailers and other brand wholesalers, we buy our products from third party suppliers, either directly through our own production teams or assisted by our buying agent, the Li & Fung Group. We use third party service providers for the transportation of finished products to our customers, including in some cases, members of the Li & Fung Group.

Our global head office is in Hong Kong and we have over 50 offices and showrooms around the world. In the United States, our main office is located in New York City, where senior management, product design and development teams and a number of our main showrooms are based. Our principal global business support functions such as finance, order process management and IT are based in Greensboro, North Carolina. In Europe, our main office is located in London, and in Asia, other than Hong Kong, our main office and showroom is located in Shanghai. As at 30 April 2014, we had approximately 3,000 employees across the Americas, Europe and Asia.

OUR COMPETITIVE STRENGTHS

We believe that our success to date and potential for future growth are attributable to the following competitive strengths:

Broad portfolio of Licensed Brands with strong relationships with licensors in multiple product categories and geographies

We are a market leader in the licensed brands business and have developed strong relationships with numerous licensors across all categories of our expertise in numerous geographies. We are a licensee of choice for well-known brands that have built a loyal following of both fashion-conscious consumers and retailers who desire high quality, well-designed products. In an environment of rapidly changing consumer fashion trends, we benefit from a balanced mix of well-established and newer brands that enable us to drive fashion trends, capture value at every stage of the brand lifecycle and broaden our appeal among different groups of customers. Our broad portfolio of over 350 active licences for Licensed Brands allows us to market our products at various price points and across multiple channels of distribution and to provide products to a wide range of consumers, while reducing our reliance on any one demographic segment, merchandise preference or distribution channel. In turn, this contributes to a steady generation of cash flow and sustainable growth for our business.

We currently design, develop and market products under licences for brands including Calvin Klein, Cole Haan, Michael Kors, Guess, Coach, Nautica, Tommy Hilfiger, Nine West and Under Armour, as well as cartoon, film and game characters, including Hello Kitty and various properties from Disney. We have long-established licensing relationships with a majority of our principal brand licensors.

Successful collection of Controlled Brands with significant growth opportunities

We own several successful brands, including Frye and Rosetti. The Frye brand is more than 150 years old with a long established heritage and reputation in the United States for producing quality leather products. This brand has a broad appeal to both fashion-conscious consumers attracted by its vintage classic styling and consumers attracted to its durability and quality. Frye's net sales grew from approximately US$92 million for 2011 to approximately US$180 million for 2013, representing a CAGR of 39.9%. We believe that Frye is a powerful brand with the potential to develop into a lifestyle brand beyond its heritage in women's and men's shoes and boots and its current geographical focus in the United States. Since 1994, the Rosetti brand has been synonymous with handbags that provide fashion and designer features at a value price point, and is one of the leading sellers of handbags by volume in the US.

We also have long-term global licensing agreements for brands including Spyder and Juicy Couture, in which we have significant control over the development and positioning of the brands. These brands are widely known, have significant name recognition with consumers and provide us with global positioning opportunities. Spyder, for example is a leading global specialty brand for high-end skiing apparel and is widely known in the winter sports market, including as the official supplier for the United States Ski Team since 1989 and the Canadian Alpine Ski Team since 2002. With Spyder, we see opportunities to expand the brand into new sport segments and casual wear. These long-term licensing relationships are a result of our expertise in developing licensed brands, as well as our reputation for producing high quality, well-designed products.

Strong brand management expertise

We have established a strong brand management expertise and are able to assist brand owners to expand their brands into new product categories and geographies. By assisting brand owners in managing their brands and expanding into non-core product lines, we also create opportunities for our business through identifying potential future Licensed Brands and Controlled Brands. We currently have over 100 brands under management, including Coca-Cola, Hersheys, Mercedes Benz and Jeep. We believe that this additional expertise further increases the value of our platform and will become an important part of the Group in the future.

Global brand platform allows us to optimise each brand's category extensions, geographic reach and economies of scale

We have built a global footprint and developed expertise across a broad range of lifestyle product categories, including fashion apparel, accessories and home, footwear and character licensing, and have an extensive network of relationships with over 1,000 customers worldwide including leading retailers such as Nordstrom, Macy's, Kohl's, J.C. Penney, Wal-Mart and Target. As a result of our broad distribution platform, we have become a licensee and supplier of choice and can more easily adapt to changes in the retail environment. We believe our strong relationships with retailers have been established through years of customer service and adherence to meeting or exceeding retailer expectations. Our global coverage allows us to become a one-stop destination for licensors that desire global roll-outs of new products. This specialised product expertise and scale in distribution attracts brands and retailers, and the resulting larger scale and brand portfolio further increases the value of our platform.

Innovative design and development capability

We have a strong in-house design and development team of over 700 personnel who design, develop and merchandise substantially all of our Licensed Brand and Controlled Brand products. For our Licensed Brands, our design and development team work closely with our licensors to create designs and styles that meet their brand requirements. Our design and development team continually monitors trends and developments in styles, fabrics and materials to enable us to quickly respond to style changes and advances in the apparel, footwear and accessories industry. Our designers conduct detailed research into developments in trends, fabric and raw materials, production development, innovation, design calendar management, quality control, technical design and packaging. We have developed a significant customer following and reputation in the industry as a result of our strong design and product development capabilities and high quality standards.

Established, high-quality global supply network

We have relationships with over 500 suppliers, primarily in China, the rest of Asia and the Americas. This extensive supply network, along with the long-term relationships we have with key suppliers, allows us to maintain our high standards of quality while also optimising pricing, logistics, and costs. Following the Spin-off, we will continue to utilise the services of the Li & Fung Group's sourcing division to source suppliers and to manage the supply chain for the majority of our business.

We maintain a rigorous quality assurance and control program to ensure that our products meet or exceed our customers' specifications and all applicable legal requirements. Working closely with our suppliers, our production team is responsible for control over the quality of our products and we retain full visibility and transparency of our suppliers at all stages of the production process. Through our own production personnel as well as our buying agent, Li & Fung, we conduct extensive testing to meet specific standards on processes, quality and compliance prior to engaging any potential supplier, and during production we will periodically visit our contracted factories to complete in-line and final testing, share production advice and help to ensure that our strict quality and compliance standards are adopted and upheld.

Highly experienced management team

We are led by an experienced senior management team, with extensive industry experience globally and the ability to leverage relationships with brands and retailers in the Americas, Europe and Asia. All members of the senior management team have long tenure in management positions in the Li & Fung Group, and five out of six members of our senior management team have been responsible for management of the Group prior to and during the Track Record Period.

OUR STRATEGY

The key points of our strategy are as follows:

Further build-out of our portfolio of Licensed Brands

We have a portfolio of over 350 active licences for Licensed Brands in the Americas, Europe and Asia. We intend to continue licensing additional brands, whether on a global, regional, or category specific basis which complement our existing portfolio and allow us to maintain a diverse mix of products, price points and distribution channels in order to reach a broad range of consumers and reduce our reliance on any one demographic segment, merchandise preference or distribution channel.

In addition, we will continue to actively monitor and manage our licence portfolio, and make decisions to add, discontinue, renew, or renegotiate licence terms for each brand based on that brand's performance, its position in the brand lifecycle and our strategic requirements. This dynamic approach to our brand portfolio allows us to respond quickly to changes in fashion and consumer preferences in the markets where we operate.

Acquire scalable brands which are capable of being globalised

We will continue to identify and assess further brand, product and geographical market-driven acquisitions and brand development opportunities which are attractive to us in terms of benefits from potential synergies and future growth potential. We also choose brands which we believe could become internationally recognised brands in their own right given the benefit of our established global infrastructure and expertise. For instance, we believe that Frye is capable of developing beyond its heritage in women's and men's shoes and boots and its current geographical focus in the United States. We believe our existing scale and management capability will enable us to successfully complete and integrate any future acquisitions.

Extend the brand platform by increasing its geographic footprint, particularly in Asia

We plan to strengthen our market positions in the Americas, Europe, and Asia and expand into additional geographical markets. In part, we will do so by acquiring or licensing strong brands in each region or by engaging with distributors and independent sales representatives to promote, market and sell a particular brand in a specific territory outside of the United States.

In particular, we intend to focus on Asia as a key region for future growth as we continue to integrate and develop the businesses we have acquired in the region since 2012, such as The Mint Group and RM Enterprises in character licensing, and The Licensing Company and our Asian joint ventures with Iconix in brand management. We see opportunities for these businesses to grow further and help drive our presence in China, Japan, Korea and Southeast Asia.

We seek to expand the international exposure of our brands through our relationships with distributors globally. For example, we are the exclusive provider to distributors of Juicy Couture products in Europe, the Middle-East and Asia. We believe that greater geographic representation will further increase the value of our platform.

Expand e-commerce distribution channels

We intend to expand our network of retailers and develop our digital platforms to satisfy growing demand for e-commerce and establish a greater presence in this area, including developing online sales platforms for our key Controlled Brands, working with our existing customers and brand licensors to increase sales of our products through their e-commerce channels and building greater relationships with independent e-tailers.

We have launched or are in the process of launching online sales platforms for our Controlled Brands, Frye and Spyder. We believe this will allow us to grow sales of these brands without the investment and fixed costs associated with building a network of retail stores.

We also intend to further expand and broaden our customer base by increasing sales of our products through the e-commerce channels operated by our customers and brand licensors such as macys.com and calvinklein.com, as well as independent e-tailers such as amazon.com and zappos.com.

Extend the brand platform by adding additional product category capabilities

We plan to expand our product categories by developing auxiliary product lines for existing brands as well as developing, acquiring or licensing new Controlled Brands offering different products within our core competencies. We believe that we will be able to leverage our expertise and experience in the apparel, footwear, handbags and accessories business, our relationships with our licensors, our own sourcing capabilities and those of our buying agent, Li & Fung, to expand our licences to new product categories. We believe that the ability to offer a broader range of category expertise to potential brand licensors will make us a more attractive partner and licensee.

Capitalise on the management focus and operational rationalisation afforded by the Spin-off

The markets in which we operate are highly competitive, and a strong focus on cost and operational efficiency is essential to our success. Through the Spin-off from Li & Fung, we will benefit from having a dedicated management team that is focused on the fashion industry and building our portfolio of Licensed Brands and Controlled Brands, which we believe will enable us to increase profitability over time.

The Spin-off will also provide us with a streamlined and simpler business model that is able to focus investment and capital on our Licensed Brands and Controlled Brands businesses, which will enable us to expand our brand portfolio and further develop our operational capabilities in design, development and marketing.

OUR BRAND PORTFOLIO

We operate two core segments, Licensed Brands and Controlled Brands, to design and develop branded apparel, footwear, handbags and accessories primarily for sales to retailers in the Americas, Europe and Asia.

Licensed Brands

We principally sell products under fashion, character and entertainment brands which we license for use in selected product categories and geographies. We work with licensors to develop products and designs in the product categories covered under the relevant licence.

We enter into brand licences that will enable us to offer a range of products targeting different price points and different distribution channels. We continue to seek other opportunities to enter into licence agreements in order to expand our product offerings under well-known labels and into new markets.

We currently design, develop and market apparel, footwear, handbags, accessories, home products and other products using Licensed Brands. We have licences for brands including Calvin Klein, Cole Haan, Michael Kors, Guess, Coach, Nautica, Tommy Hilfiger, Nine West and Under Armour, as well as cartoon, film and game characters, including Hello Kitty and various properties from Disney.

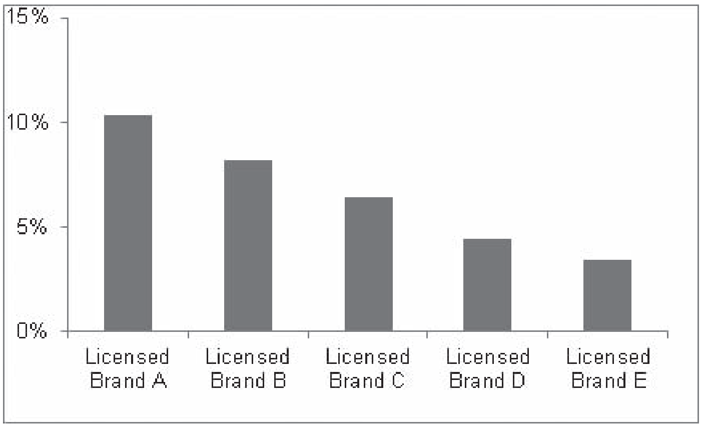
We have been approached by brand owners that desire to develop new products under their existing brands and who seek a one-stop destination to partner with a licensee who has a successful track record in developing brands and who has the geographic representation and channel network to complete global roll-outs of new products. We may also directly approach brand owners with potential new product offerings for their existing brands such as our successful engagement with Cole Haan in developing handbags and small leather goods.

We typically enter into licensing arrangements with licensors for a period of between two to eight years. Licences for fashion brands are typically longer than those we enter into for characters, which tend to have a shorter period of two years or less and are more frequently replaced. With our character licensing partners such as Disney, we typically have a portfolio of licences that changes continually to reflect the film, cartoon and entertainment properties that are popular at the time. Under our Licensed Brands, the image and direction of such brands is driven by the brand owner. Under our licence agreements, we are generally required to achieve minimum net sales of licensed products, pay guaranteed minimum royalties, make specified royalty and advertising payments (usually based on a percentage of net sales of licensed products), and to obtain approval from the licensor in relation to all design and other elements of a product prior to production. If we materially breach the terms of a licence agreement, the brand owner will have the right, but not the obligation, to terminate the licence agreement. Our ability to extend the initial term of a licence agreement is normally subject to our attaining minimum sales levels and complying with the terms of the licence agreement.

We have long-established licensing relationships with a majority of our principal brands and licensors, such as (in alphabetical order) Calvin Klein, Coach, Daisy Fuentes, Disney, Ellen Tracy, Nautica Apparel and Sean John. We regularly discuss our ongoing relationships and proposed renewals with our licensors and are currently not aware of any issues that would materially affect the renewal or replacement of our current licences for any of our principal Licensed Brands.

As at the end of 2013, we distributed products under a total of over 350 active licences. Turnover from the sale of products under Licensed Brands was approximately US$2,353 million, US$2,608 million and US$2,680 million for 2011, 2012 and 2013, respectively. We derived approximately 82% of our turnover from Licensed Brands for 2013, of which approximately 43% was attributable to the top ten licensors for Licensed Brands (which was approximately 35% of the Group's total turnover in 2013). The turnover of the top five Licensed Brands accounted for approximately 33% of the turnover from Licensed Brands for 2013 and approximately 27% of the Group's total turnover in 2013. No single Licensed Brand accounted for more than 11% of the turnover from Licensed Brands for 2013 and each Licensed Brand would involve multiple licenses with different tenors, covering different products, categories and geographies. As a result, we are not reliant on any particular Licensed Brand.

The chart below shows the top five Licensed Brands of the Group and how much they accounted for as a percentage of our turnover from Licensed Brands for 2013.



The table below sets out our principal Licensed Brands during the Track Record Period (in alphabetical order).

Licensor Group	Balance of terms of Licences from the beginning of 2014 (including renewal periods)	Licensed Brand	Product Categories	Territory
Brand Matter	12 years	Ellen Tracy	Women's activewear, yogawear, handbags, belts	United States
Christian Casey	1-8 years	Sean John	Boys' denim and related sportswear, swimwear	United States
			Men's sportswear and activewear	United States, Mexico
Coach....................	1.5 years	Coach Footwear	Women's and men's footwear	Worldwide
Dafu Productions ..	6 years	Daisy Fuentes	Apparel excluding children's apparel, swimwear and lingerie	North America
Disney	1-2 years	Multiple Disney Characters	Girls' and Women's jewellery and hair accessories	United States
		Multiple Disney Characters	Apparel, home furnishings, stationery, accessories and footwear	Continental Europe and Russia
		Spider-Man, Ironman, Thor, Captain America, The Avengers	Clothing and accessories	Continental Europe

Licensor Group	Balance of terms of Licences from the beginning of 2014 (including renewal periods)	Licensed Brand	Product Categories	Territory
		The Amazing Spider-Man 2	Clothing and accessories	Europe
		Star Wars	Apparel	France, Belgium, Netherlands, Luxembourg, Switzerland
Michael Kors	2 years	Michael Kors	Women's belts Men's cold weather accessories Women's cold weather accessories	North America
Nautica Apparel	3-5 years	NAUTICA	Boys' and Girls' apparel	North America, UK, Ireland, Germany
		NAUTICA	Boys' and Girls' apparel and accessories	China, Hong Kong, Macau, Taiwan, Southeast Asia
PVH	1-10 years	CK/Calvin Klein	"Bridge" Women's and Men's footwear	North America, Europe, Middle-East, Russia, India
		Calvin Klein Collection	Women's and Men's footwear	Worldwide
		Calvin Klein Jeans	Women's and Men's footwear	Worldwide
		Calvin Klein	"Better" Women's and Men's footwear	North America, Central America
		CK/Calvin Klein	Women's and Men's belts, Men's small leather goods	North America
		Calvin Klein (White Label)	Boy's clothing and sportswear	United States, Canada, Mexico
		Calvin Klein	Table top products	North America
		Tommy Girl	Junior sportswear	United States, Canada
		Tommy Hilfiger	Boys' and Girls' Apparel	United States, Canada

Licensor Group	Balance of terms of Licences from the beginning of 2014 (including renewal periods)	Licensed Brand	Product Categories	Territory
		Tommy Hilfiger	Home Products	United States, Canada, Mexico
		IZOD	Boys' tailored clothing, uniforms, sportswear	United States
Sanrio....................	1-2.5 years	Hello Kitty	Apparel	Russia, Belarus, Kazakhstan, Ukraine
		Hello Kitty	Children's and Teenager apparel	Spain, France, Germany
		Hello Kitty, My Melody, Tuxedosam, Little Twin Stars	Sleepwear, bras and panties	North America
		Hello Kitty	Apparel	Asia

Controlled Brands

We also sell a variety of products under brands in which we either own the intellectual property, or control it under a long-term licence which gives us significant control over the development and marketing associated with the relevant brand. Our licences for Controlled Brands are typically for a period of ten years or longer. In relation to Controlled Brands under a long-term licence, we have control over the image and direction of such brands and we generally have a broad scope and discretion as to the design and other elements of all products under such brand, but we will work with the brand owner to ensure that we have their approval as to the image and direction we take. Under our licence agreements, we are generally required to achieve minimum net sales of licensed products, pay guaranteed minimum royalties and make specified royalty and advertising payments (usually based on a percentage of net sales of licensed products). If we materially breach the terms of a licence agreement, the brand owner will have the right, but not the obligation, to terminate the licence agreement. Our ability to extend the initial term of a licence agreement is normally subject to our attaining minimum sales levels and complying with the terms of the licence agreement.

As at the end of 2013, the Group focused on four owned and six licensed Controlled Brands. Examples of these Controlled Brands include:

- Frye (owned);
- Spyder (licensed long-term for sportswear, footwear and accessories);
- Juicy Couture (licensed long-term worldwide for women's and girls' apparel and fashion accessories including jewellery);
- Rosetti (owned);
- Tignanello (owned); and
- Aquatalia (owned).

Turnover from the sale of Controlled Brands was approximately US$456 million, US$511 million and US$608 million for 2011, 2012 and 2013, respectively. The Group derived approximately 18% of its turnover from Controlled Brands for 2013.

Frye

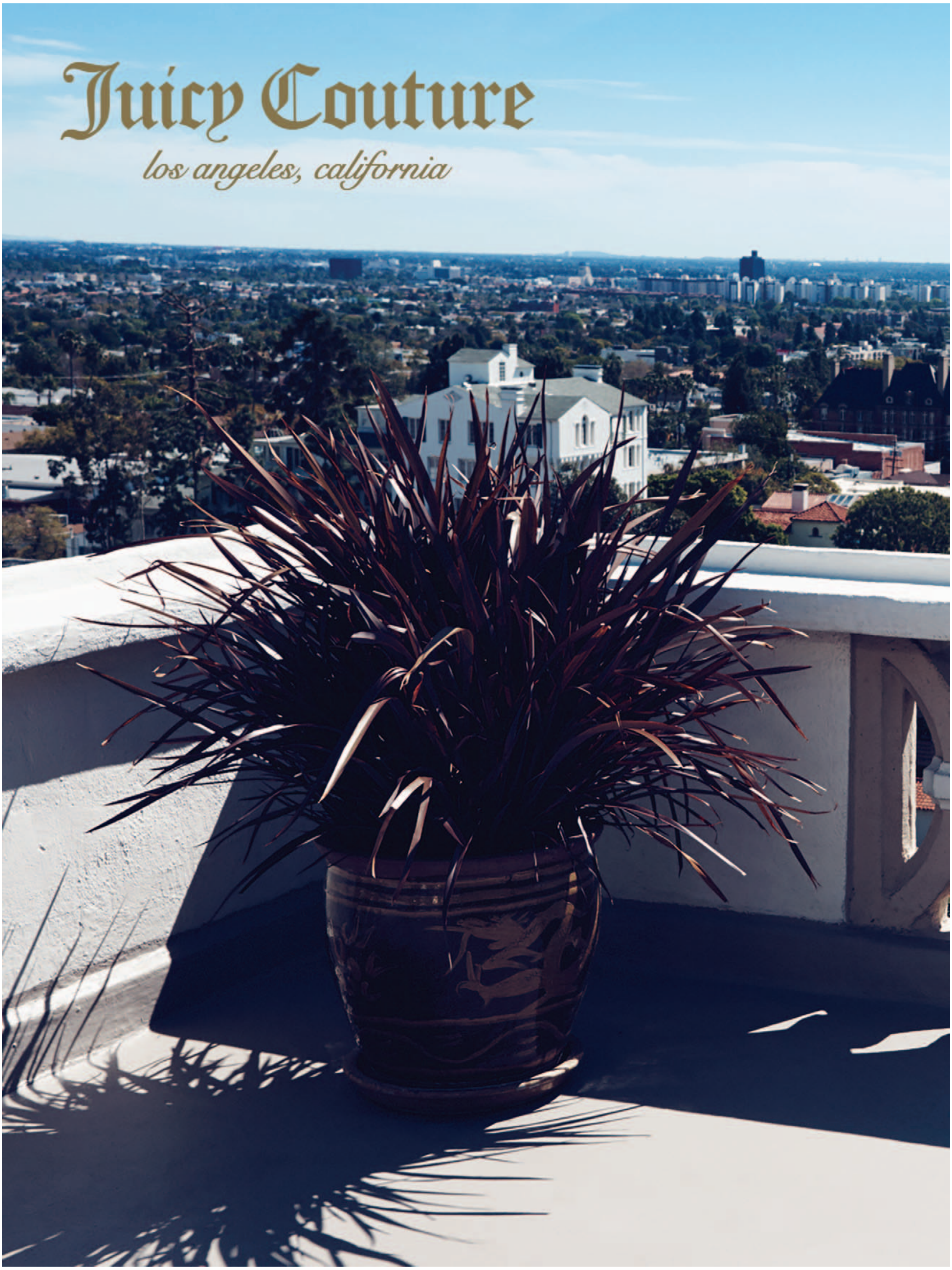
Our key owned brand is Frye, which we acquired in 2010. Frye is a brand focused on producing women's and men's leather shoes and boots. Frye is over 150 years old and has a long established heritage and reputation in the United States for producing quality leather products. Frye has a broad appeal to both fashion-conscious consumers attracted by its vintage classic styling and consumers attracted to its durability and quality. We currently have four Frye retail stores. These flagship retail stores are located in Soho in New York City; on Newbury Street in Boston, Massachusetts; Georgetown in Washington, D.C. and in the Michigan Avenue shopping district in Chicago, Illinois. We have also launched an online sales platform for Frye. We believe that Frye is a powerful brand that is capable of significant expansion with the potential to become a lifestyle brand. We expect to add more Frye retail stores in strategic locations, expand its e-commerce platform and develop the brand beyond its heritage in women's and men's shoes and boots.

Spyder

In August 2013, we entered into a long-term licensing agreement with Spyder Active Sports, Inc. (which is owned by Authentic Brands Group, LLC) that made us the exclusive licensee partner in North, South, and Central America, Europe, the Middle East and Africa for all footwear (excluding ski and snowboard boots), sportswear and clothing accessory products bearing the Spyder brand. In addition, we intend to act as lead agent to identify best-in-class partnerships for the brand in all product categories in the Asia Pacific market. Our long-term licence has a remaining duration of approximately 38 years, including renewable periods. Spyder is a leading global specialty brand for high-end skiing apparel and is widely known in the winter sports market, including as the official supplier for the United States Ski Team since 1989 and the Canadian Alpine Ski Team since 2002. We see opportunities to expand the Spyder brand internationally into new sport segments and casual wear, and to develop product categories for all seasons.

Examples of our Licensed Brands and Controlled Brands

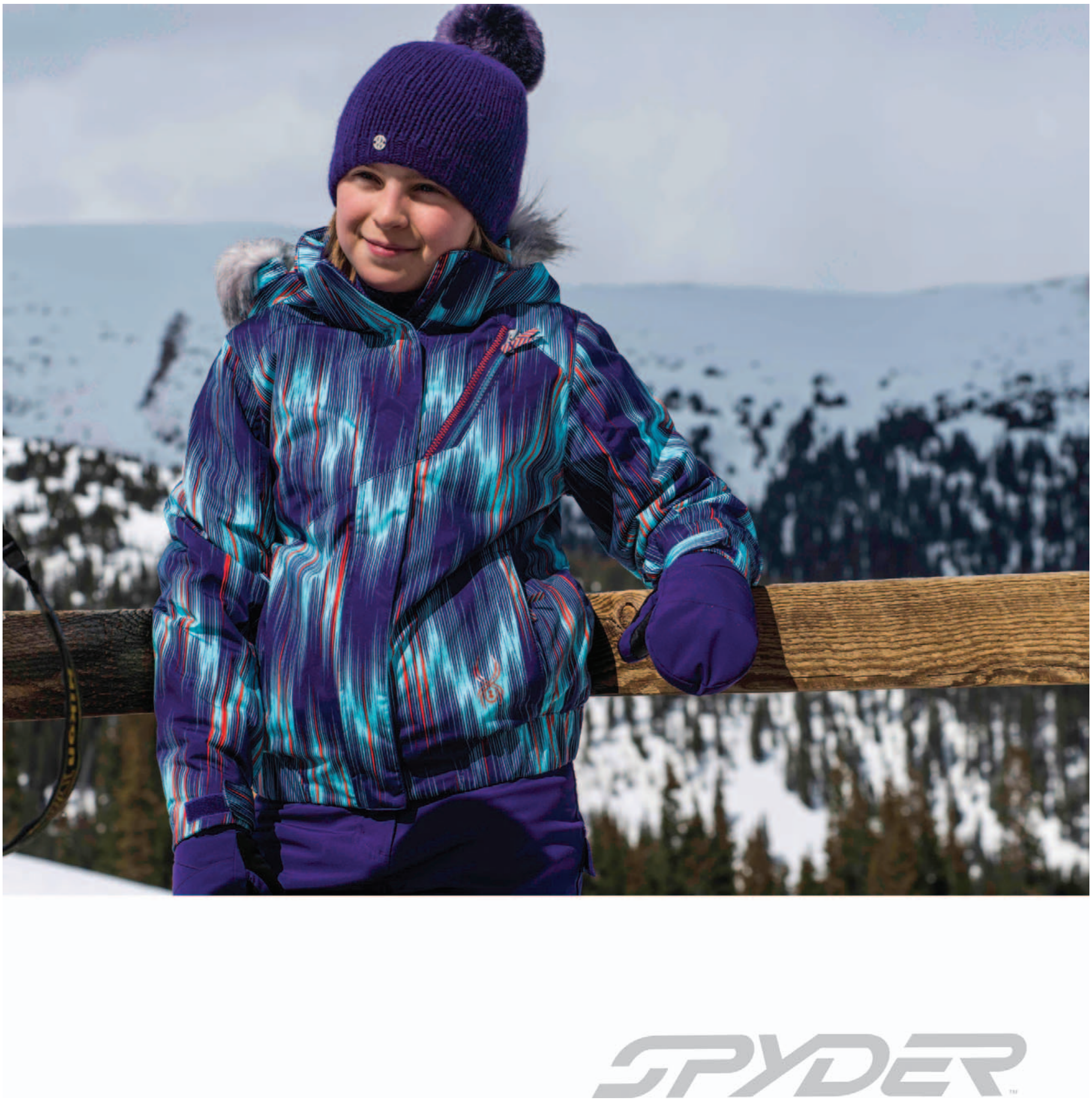
Examples of products under our Licensed Brands and Controlled Brands are set out over the next 13 pages.


Juicy Couture
los angeles, california


daisy fuentes


RACHEL ZOE


SPYDER


SPYDER


SMALL FRYE


FRYE
SINCE 1863


FRYE
SINCE 1863


FRYE
SINCE 1863


ROSETTI
America's Favorite Handbags


JONATHAN ADLER
HANDBAGS + OTHER GROOVY NECESSITIES


COLE HAAN

Brand Management

We are developing a brand management business using our expertise to assist brand owners to expand their brands into new product categories and geographies. We do so by identifying suitable product lines and third party production and licensee partners to enter into licence arrangements with the brand owners. We take a portion of the licence fee or royalty paid by the licensees to the brand owner. For example, we act as managers for brands such as "Mercedes-Benz" and "Jeep", which are both brands whose core products are motor vehicles. We assist the brand owners with licensing to third parties for the production, marketing and sales of non-core product lines such as outdoor lifestyle apparel for "Jeep" and a furniture line for "Mercedes-Benz". We earn a percentage of the royalties paid by the licensees to the brand owners of "Mercedes-Benz" and "Jeep". We currently have over 100 brands under management.

OUR PRODUCTS

We focus on four main operating groups, namely, fashion apparel, accessories and home, footwear and character licensing. Fashion apparel consists of women's, men's and children's apparel including fashion wear, casual wear and sportswear products. Accessories and home consists of women's handbags, small leather goods such as purses and wallets, cold weather accessories such as gloves and scarves, jewellery and home products such as towels and top of bed. Footwear consists of women's and men's shoes, boots and other footwear. Character licensing consists of using cartoon, film and entertainment character brands in our portfolio on a variety of children's apparel, personal care and beauty accessory products.

SALES AND MARKETING

As at 30 April 2014, we had approximately 650 sales and sales support staff. Each division has a dedicated team of sales associates that can range from associate level to senior vice president. In collaboration with the brand teams, the sales groups devise and articulate brand positioning and key strategic initiatives. Key responsibilities include: maintaining optimal relationships with existing customers, identifying new business opportunities in all channels of distribution and overseeing the development of line plans and cost structure.

Our products are sold primarily to retailers, including department stores, hypermarkets, off-price retailers, independent chains, specialty retailers and e-commerce channels in the Americas, Europe and Asia.

In the United States, we focus on sales of our products directly to retailers, which comprises the majority of our business. Outside of the United States, we may engage with third party distributors and independent sales representatives to market, promote and sell a particular brand in a specified territory, or exclusively supply distributors under distribution arrangements entered into by a brand owner with a third party distributor such as in the case of Juicy Couture.

We are focused on growing our presence in e-commerce and have launched or are in the process of launching online sales platforms for our Controlled Brands, Frye and Spyder, which we believe will allow us to grow sales for these brands without the investment and fixed costs associated with building a network of retail stores. We also intend to further expand and broaden our customer base by increasing sales of our products through the e-commerce channels operated by our customers and brand licensors such as macys.com and calvinklein.com, as well as independent e-tailers such as amazon.com and zappos.com.

Our contractual arrangements with our customers are usually governed by a specific set of terms and conditions that are entered into with each retailer, typically on the retailer's standard form including terms such as payment terms and certain discounts and allowances. The entry into these terms and conditions does not give rise to any commitment on the part of the retailer to purchase any product from the Group. A commitment to purchase product arises only at such time as the retailer issues a purchase order, typically electronically through electronic data interchange ("**EDI**"), including details of price, shipment date and quantities and specifications of the product ordered, which we can then accept. Risk and title in the products remains with us until the products reach the point of delivery specified in the applicable purchase order. Payment terms for customers are typically 30 to 60 day credit terms.

Our business is cyclical and seasonal in nature. The retail apparel industry is highly seasonal and tends to follow the following pattern: expenditures are lowest in the first quarter, increase through the year, and peak in the fourth quarter. Peak expenditures in the fourth quarter can be explained by factors such as the start of the school year in the United States, the colder weather and the holiday season. As a result, retailers usually conduct their product ordering with these seasonal factors in mind. For example, for products for the Autumn/Fall season in the United States, retailers normally place orders with us in March or April with a target that production is completed by June so that the finished products can be delivered in July or August and be available in our customers' stores.

Advertising and Promotion

Brand development is one of our core capabilities. In order to position our Licensed Brands and Controlled Brands in the marketplace, we conduct extensive advertising and marketing through runway product presentations, white space identification, marketing campaigns, brand books, celebrity relationships such as those with Jennifer Lopez and Rachel Zoe, public relations and press and social media.

For example, for Frye, we have conducted extensive marketing campaigns focused on media, public relations and channel marketing, with traditional print and outdoor advertising, as well as digital and social media initiatives on Twitter and Facebook and have featured celebrities such as Jake Gyllenhaal and Selena Gomez in publications such as "Man of the World" and "Vogue" wearing Frye boots and sponsored concerts such as the Frye Jam Sessions Concerts. In addition, we have launched or are in the process of launching online sales platforms for our Controlled Brands, Frye and Spyder, and we intend to expand and develop our digital platforms further to satisfy growing demand for e-commerce and also to broaden our customer base. We are also increasing our use of digital advertising as a means of marketing and promoting our brands and we also believe that marketing through online social media platforms such as Twitter and Facebook will help us build brand awareness in additional geographical markets and also enable us to closely monitor end consumers' fashion tastes and needs. We would then be better equipped to improve our overall product mix in order to meet the needs of end consumers in individual markets worldwide. We also believe we have developed awareness of our other owned brands primarily through our reputation, consumer acceptance and the fashion press.

Our Licensed Brand products are typically advertised and promoted by the brand licensors. Our licence agreements generally require us to pay the brand owner a fee, based on a percentage of net sales of licensed product, to pay for a portion of these marketing costs. We may also be required to spend a specified percentage of net sales of a licensed product on advertising that we place ourselves.

CUSTOMERS

Our customers are primarily retailers, including department stores such as Nordstrom, Macy's, Kohl's and J.C. Penney, hypermarket chains such as Wal-Mart and Target, off-price retailers, independent chains, specialty retailers, customers' and brands' e-commerce channels such as macys.com and calvinklein.com and independent e-tailers such as amazon.com and zappos.com.

The percentage of turnover attributable to the Group's largest customer for 2011, 2012 and 2013 was 12%, 14% and 14%, respectively. The percentage of turnover attributable to the Group's top five customers for 2011, 2012 and 2013 was 41%, 52% and 46%, respectively.

None of the Directors, their associates or any other Shareholder which (to the knowledge of the Directors) owns more than 5% of the Company's share capital as at the Latest Practicable Date had any interest in any of our five largest customers.

DESIGN AND DEVELOPMENT

Each of our Licensed Brand and Controlled Brand products begins with the design and development phase which normally takes three to five months. We continually monitor trends and developments in styles, fabrics and materials to enable us to quickly respond to style changes and advances in the apparel, footwear and accessories industry. Our representatives regularly attend trade and fashion shows in the United States, Europe and Asia and present sample items along with their evaluation of the styles expected to be in demand. We also seek input from selected customers with respect to product design. We believe that our sensitivity to the needs of retailers, coupled with the flexibility of our production capabilities and our continual monitoring of the retail market, enables us to modify designs and order specifications in a timely fashion.

Our in-house designers are responsible for the design and look of our licensed and controlled products and work with our merchandisers in designing concepts for each season in product plans, materials and designs. For our Licensed Brands and long-term licensed Controlled Brands, we also work closely with our licensors to create designs and styles for each of those brands and produce and continually refine samples for their review. Licensors generally must approve products to be sold under their brand names prior to production. However for products under our long-term licensed Controlled Brands, we generally have a broader control over design and other elements.

As at 30 April 2014, we had over 700 designers who range from assistant designer to creative director. Our design teams work within our operating groups and typically work on specific brands. Overall, our design group sets the strategic direction for each brand and manages all facets of the design development process, from concept to delivery. They ensure that the product is trend-appropriate and meets the demands of end consumers.

We continually monitor trends and developments in styles, fabrics and materials to enable us to quickly respond to style changes and advances in the apparel, footwear and accessories industry. Our designers conduct detailed research into developments in trends, fabric and raw materials, production development, innovation, design calendar management, quality control, technical design and packaging. Our sales and merchandising teams conduct a significant amount of market intelligence work in attaining consumer insights, market research, competitive analysis and product selling intelligence across all categories and channels.

PRODUCTION

Our sales of Licensed Brand and Controlled Brand products are predominantly to retailers on the basis of short-term purchase orders. Based on the volume of purchase orders received, we determine the production volume for a given product. We receive orders all year round from our customers and organise our production with our contracted suppliers in order to meet these orders. There is typically a lead time of three to five months from the order of a product to when it can be delivered to a retailer. For example, for products for the Autumn/Fall season in the US, retailers normally place orders with us in March with a target that production is completed by June for delivery in July or August.

We outsource all of our production requirements to third party suppliers and manage the production directly with the contracted suppliers or through our buying agent, Li & Fung. The price is fixed at the time we place the order with the third party suppliers. Our suppliers purchase substantially all of the raw materials such as leather, cotton, wool and other fabrics used in our products according to our specifications. While the costs of raw materials used in the products we purchase are initially borne by third party suppliers, fluctuations in market prices for raw materials have impacted our business as the fluctuations affect the prices of the products we purchase. In recent years, suppliers have increased their prices in response to rising costs of raw materials and labour. Market prices for cotton and leather have fluctuated in recent years. Leather prices increased over the course of the Track Record Period from the US Producer Price Index for hide skin leather of approximately 160 at the beginning of 2010 to approximately 220 at the end of 2013. Cotton prices on the New York Cotton Exchange increased in the second half of 2010 and the first half of 2011 to as high as US$2.14 per pound and started to return to historical levels in the second half of 2011 of around US$1.00 per pound and has varied between US$0.66 per pound and US$1.00 per pound through 2012 and 2013. As we negotiate prices for products with our third party suppliers, there is a lag in the impact of changes in market prices for raw materials. Increased prices for cotton and leather have caused the prices of products purchased from our third party suppliers to increase, particularly in 2012, which in turn resulted in significant increases in our cost of sales. We work with our third party suppliers to manage price increases. We also directly purchase raw materials in a small number of cases. In addition, our suppliers typically purchase necessary submaterials such as linings, zippers, buttons and trimming according to the parameters specified by us. Prior to commencing the manufacture of products, suppliers send us samples of raw materials or submaterials for approval. We regularly inspect and supervise the manufacture of our products in order to ensure timely delivery, maintain product quality and monitor compliance with our specifications. The manufacture of the majority of our products is performed manually. We conduct final random inspections when the products are packed for shipment, both directly and through our buying agent, Li & Fung.

We place considerable emphasis on product quality. We maintain a rigorous quality assurance and control program to ensure that our products meet or exceed our customers' specifications and all applicable legal requirements. Through our own production personnel as well as our buying agent, Li & Fung (if we have engaged them to act as buying agent for the particular product), we conduct extensive testing to meet specific standards on processes, quality and compliance, such as fire, safety, health and sustainability standards, prior to engaging any supplier.

In order to manage production and maintain the quality of our products during production, the designated quality control personnel in our production team and Li & Fung personnel (for those suppliers where they act as our buying agent), visit and audit our contracted suppliers on a periodic basis to monitor production and to communicate feedback as well as to maintain production status reporting and to conduct production engineering, testing, in-line and final inspections, total quality management, environmental assessment and vendor compliance management. At all points through the supply chain, our production personnel have oversight and management over the quality of our products. Our customers also have the right to view the results of our quality assurance and control program and to visit, inspect and evaluate the facilities we use and our warehouses.

SUPPLIERS

We have relationships with over 500 suppliers, primarily in China, the rest of Asia and the Americas. We have not entered into any long-term contractual arrangements with any supplier. We believe that the production capacity of our suppliers is adequate to meet our production needs and that alternate suppliers are available.

The percentage of purchases attributable to the Group's five largest suppliers combined was less than 30% for each of 2011, 2012 and 2013.

A significant majority of our purchases from our suppliers are completed through Li & Fung as our buying agent, who provides sourcing and supply chain management services, including recommending suppliers to match our production needs. Under the Buying Agency Agreement, we have committed to using Li & Fung to provide, and Li & Fung has committed to providing, sourcing services for no less than 50% of our total volume requirements for the term of the agreement. The ability to source up to 50% of our products under the Buying Agency Agreement gives us the flexibility to use third party providers in territories where Li & Fung does not currently have a significant presence, and also gives us the ability to benchmark Li & Fung against alternative providers and ensure that the terms it offers to us remain competitive. The Buying Agency Agreement is described further in "*Connected Transactions — Non-Exempt Connected Transactions — A. Transactions with the Li & Fung Group — 1. Buying Agency Agreement*".

DISTRIBUTION

Once production is completed, the majority of the finished items are delivered to warehouses. We operate a number of our leased warehouses and also use third party warehouses. We outsource the operations of most of our warehouses to third parties who are responsible for organising the storage of products at the warehouse; assembling, packaging and shipping products in accordance with orders on the warehouse management system; inspecting incoming products as indicated by quality control standards provided by us; and inventory management. The performance of our third party distribution service providers is monitored against a set of performance metrics including container turn time, on time shipping, fill rate, inventory accuracy and whether there are any chargebacks from customers. Some large customers such as Wal-Mart will organise their own pick up of large orders to take to their central distribution centres and in other cases we will organise the direct shipment of an order to a customer or a customer will pick up orders on an FOB basis at an overseas port and organise their own transportation.

Each of our warehouses and the third party warehouses that store our products is managed through a warehouse management system that is linked to our enterprise resource planning ("**ERP**") software, which is mainly on SAP. The two systems are continually reconciled to ensure an efficient oversight and management of inventory and distribution. When a finished product is delivered to the warehouse, a pick ticket is automatically generated on the warehouse management system based on the customer's requested delivery date. For products to be available in our customers' stores by July or August, we would typically ship the finished product to the warehouses by June. The warehouse will pick the products and prepare the shipment. Upon shipment or pick-up of the products, the shipment detail is sent through the warehouse management system to our ERP system to our order management group to review the order prior to invoicing. All invoicing is performed out of our Greensboro office and typically occurs the same day or the first business day subsequent to the shipment. Revenue is recognised at the time of shipment to customers.

We outsource the transportation of finished products to third party transportation companies. As part of our core services to our retail customers, we help manage the distribution and logistics through our vendor management capabilities such as our ERP system, warehouse management system, inventory management system, replenishment services and retailing planning services.

Under the terms and conditions that have been entered into with our major customers, we are typically responsible for arranging for the transport and shipping of the ordered product from the country of origin to the retailer designated locations through a method of transportation, route, freight consolidator, freight forwarder, shipper or carrier that has been specified by the retailer. We generally assume the risk of loss predominantly on an FOB basis when goods are delivered to a shipper and are insured against casualty losses during the shipping.

MANAGEMENT INFORMATION SYSTEMS

Our ERP system, warehouse management systems and EDI order systems consists of a range of order, financial, production and manufacturing reporting, inventory distribution and control, business performance reporting and distribution functions.

We place considerable emphasis on our management information systems to improve our efficiency in sales and inventory control. Our customers are linked directly with us through our EDI order system, which facilitates timely, accurate and efficient management of our sales. Our network of warehouses is linked to our global offices, in particular our global head office in Hong Kong, our main offices in the United States, Europe and Asia and our principal global business support office in Greensboro, North Carolina. The link between the warehouse management system and our ERP system enables us to monitor inventory levels and transaction patterns closely, and provides information which we can use to facilitate the management decision-making process.

INTELLECTUAL PROPERTY

Given the diversity of our business, we are not dependent on any one brand or trademark. We do, however, invest considerable efforts to develop and protect our owned brands, including Frye and Rosetti, and register and maintain the trademarks for these brands in multiple jurisdictions.

We also act as licensee of certain trademarks owned by third parties that are used in connection with our Licensed Brands and long-term licensed Controlled Brands. The principal brands that we license are described in "— *Our Brand Portfolio*" above.

In the future, we will continue to develop trademarks and other intellectual property rights, and take appropriate measures to protect and enforce such rights. We expect to grow our product assortment and strengthen our brands, and we will continue to file new applications as appropriate to protect our intellectual property rights.

The Directors confirm that there has not been any material infringement of our trademarks or other intellectual property as at the Latest Practicable Date.

EMPLOYEES

The table below sets out the number of employees by function and location as at 30 April 2014:

Function	North America	Europe	Asia	Total	% of Total
Design	523	149	37	709	24%
Production	224	7	23	254	9%
Selling	498	69	65	632	21%
Shipping	131	20	—	151	5%
Order Management	126	—	71[1]	197	7%
General & Administrative	611	165	245	1,021	34%
Total	2,113	410	441	2,964	
% of Total	71%	14%	15%		

Note:

(1) A significant portion supports the US business

We generally formulate our employees' compensation to include one or more elements such as salaries, bonuses, long-term incentives and benefits subject to applicable rules and regulations. In the United States, we have a 401(k) plan, which is a defined contribution plan that our US employees are eligible to participate in and separate defined contribution plans for employees in Europe and Asia. We also from time to time use temporary contract workers assigned through staffing agencies for our warehouses as well as our administrative back office business support functions. None of our employees are members of a trade union. There were no material disputes with employees during the Track Record Period.

We put significant resources into organisational learning and development and have implemented learning programmes that support our core competencies (innovation, customer focus, results and teamwork) and specifies skills delivered through e-learning software, on-line training and class seminars.

PROPERTY INTERESTS

As at 30 April 2014, we occupied over 70 properties either under leases or shared with Li & Fung Group, consisting of offices, showrooms, warehouses and retail outlets, located throughout the United States, Canada, the UK, Switzerland, France, Germany, Italy, Israel, Japan, Malaysia, Indonesia, Philippines, Korea, Singapore, Taiwan, Thailand, China and Hong Kong. Following the Listing, the properties we occupy will either be under a lease with a third party or under the terms of the Master Property Agreement. The Master Property Agreement is described further in "*Connected Transactions — Non-Exempt Connected Transactions — A. Transactions with the Li & Fung Group — 2. Master Property Agreement*."

Property Valuation

The Directors confirm that, as at 30 April 2014, no single property interest which forms part of our non-property activities had a carrying amount (within the meaning of Chapter 5 of the Listing Rules) of 15% or more of our total assets. As a result, pursuant to Chapter 5 of the Listing Rules, valuations of our properties are not required to be included in this listing document.

INSURANCE

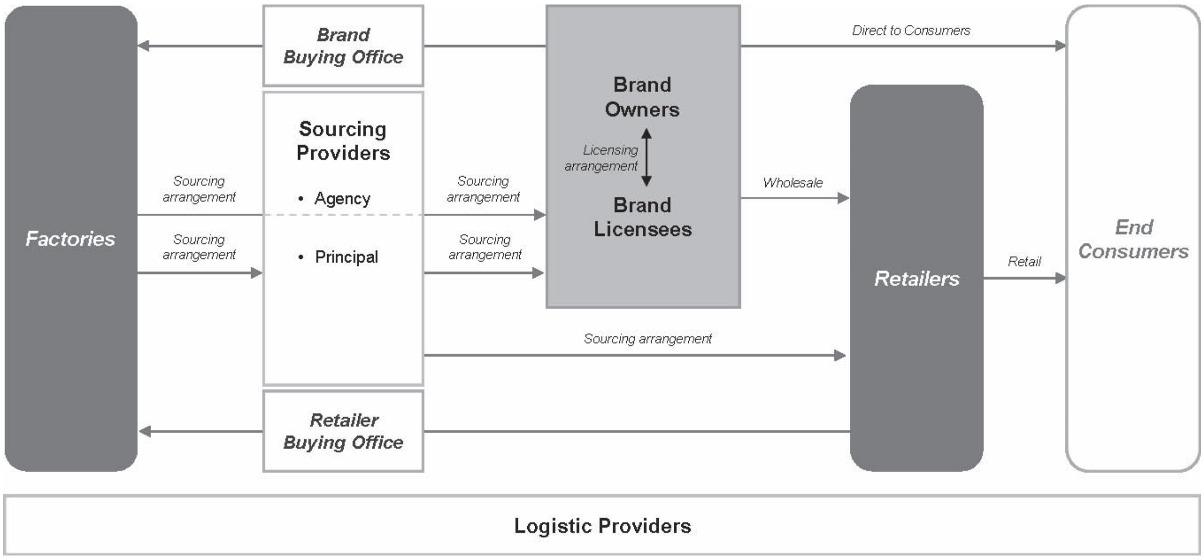
We carry a range of insurance policies across our business, including commercial property, commercial general liability, business automobile, workers compensation, marine cargo, material damage and business interruption, public and product liability, credit insurance, directors and officers, and key man life insurance policies. The Directors believe that our level of insurance coverage is consistent with industry practice.

MARKET POSITION AND COMPETITION

We believe that the sources of this information are appropriate sources for such information and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Joint Sponsors or any other party involved in the Listing and no representation is given as to its accuracy.

The Fashion Industry

We operate in the fashion industry as a leading brand owner and licensee. The chart below illustrates the main participants and the flow of goods in a typical global supply chain:



At the most basic level, brand owners design products, source from factories to produce the goods, then sell the goods to retailers (such as department stores) who in turn sell to the end consumers. Brand owners may also license selected rights to their names to brand licensees, who then design products, source from factories to produce the goods, and sell to retailers. A licence will confer the right to use a brand only in a specific geographic territory or for one or more specific product categories. For example, a North American brand owner with no expertise or retailing relationships in Asia might license its brand to a wholesale company in Asia which is better-positioned to design appropriate products and optimise the brand's retail presence in that region. In another example, a fashion brand owner with no experience in creating accessories such as handbags or small leather goods might license its brand to a wholesale company with expertise in designing, sourcing and distributing such products. Through licensing, a brand owner can monetise the value of its brands and labels beyond its core geographies and areas of expertise.

In some cases, retailers may develop their own private label brands which are sold only in their own stores. A private label owner will either design its own collections and arrange for their manufacture, or outsource those functions as described below. Typically, private label brands invest little or no marketing into developing brand identity, resulting in a lower cost base and selling price.

Apparel and Footwear Market Overview

According to Euromonitor International, the global apparel and footwear market was valued at US$1.8 trillion in 2013. Despite ongoing economic uncertainty, value sales registered a growth rate of 5.1% in 2013(1). Apparel and footwear remains largely a discretionary purchase compared to other consumer goods, making it more volatile relative to overall economic activity. The market has shown significant recovery since the 2008 economic crisis, with robust growth in emerging markets where consumers have traded up from unbranded to premium branded products. Going forward, each of the Company's key geographic segments is expected to grow at rates higher than recent historical results given the continuing recovery in the North American market and improved economic outlook in Western Europe.

Apparel and Footwear Market	Market Size	2013A-2018E Sales CAGR(2)
	(US$bn)	
North America	$403	3.5%
Western Europe	$426	2.1%
Asia Pacific	$556	8.6%
Global	$1,772	6.3%

Source: Euromonitor International

Notes:

(1) Based on fixed exchange rate

(2) Forecast growth rates are expressed in current terms

Non-traditional channels continue to re-shape the global apparel distribution landscape. The primary driver was e-commerce, which increased its share of total global apparel and footwear sales from 3.5% in 2008 to 8.3% in 2013. Given the gains of e-commerce, many companies (apparel specialist retailers, department stores, etc.) are implementing an omni-channel strategy by building-out internet retailing platforms to complement traditional formats. Despite the increased popularity of the online channel, physical store-based formats still drive overall spending worldwide.

North America Market Overview

The US remains the world's largest apparel market by country in 2013, accounting for 21% of global value sales, 91% of North America value sales and growing by 2.2%(1). Alongside a continued positive growth trend over the last few years, the US apparel market continues to undergo a distinct polarisation as consumers gravitate towards either lower priced, value-orientated apparel, or higher priced, strongly branded options. In their hunt for

Note:

(1) Based on fixed exchange rate

value, consumers have fostered the growth of outlet stores and specialty apparel discounters, both of which sell excess inventory from regular priced retailers at deeply discounted prices as well as merchandise both lower in price and quality made specifically for the outlet/discount channels.

With escalating production costs, growth in e-commerce and recessionary aftereffects, the landscape in apparel in the US is changing. Apparel marketers increasingly turn to mutually beneficial partnerships to achieve or better manage their goals. Goals vary from expansion of distribution to gaining e-commerce expertise to tapping into new customer segments. Given the potential of e-commerce, apparel marketers are making increased investments in internet retailing with a two-pronged strategy. Improving the overall online shopping experience, from browsing to buying, is aimed at reducing consumers' hesitation and improving shopper satisfaction. Meanwhile, specific strategies such as ship-from-store, integrated check-outs and partnerships with third-party solution providers help marketers to succeed in online retailing.

Western Europe Market Overview

Apparel in Western Europe showed a return to growth in 2013, with macroeconomic concerns surrounding the fiscal debt crisis dissipating and the worst of austerity measures over. The region's growth engines include one of its largest apparel markets, the UK. The lower priced segment of the apparel market has flourished in both Western Europe and the UK. Economic uncertainly has increasingly led consumers to become more price-conscious and shopping savvy. This was compounded by the growth of e-commerce, which has increased the ease of price comparisons and bargain hunting. As a result, price competition intensified and off-season discounting and promotions became larger facets of the retail environment.

Moving forward, higher-tier segments are likely to benefit from the region's demographic shifts; Western Europe is ageing faster than other regions of the world. The 50-year-old and above segment will see the largest expansion across the region's major apparel markets. With higher disposable incomes, these consumers are likely to be more willing to invest in higher priced, higher quality apparel, with brands and retailers adjusting their strategies to cater to this demographic.

Asia Pacific Market Overview

Asia Pacific remained the world's largest regional apparel market in 2013 with sales valued at US$556 billion in 2013, contributing over 31.4% of the world's total. Asia Pacific witnessed mixed performance across its markets in 2013. While China experienced a slowdown in economic growth in 2013, its contribution to Asia Pacific's apparel value sales continues to be significant. China's total apparel sales value market share within the Asia Pacific region rose from 46.2% in 2008 to 53.8% in 2013, highlighting the extent to which regional performance hinges on this single US$299 billion market. China registered an 8.5% growth rate in 2013, a drop on the previous year's 10.5% rise, which was reflective of a slower economic pace. India saw its apparel market grow significantly in 2013, making it the region's fastest growing market, however, per capita sales of apparel in 2013 were almost six times lower than in China, shedding light on the wide income disparities which prevail in the country. A similar trend was visible in Vietnam, which was Asia Pacific's second fastest growing market in 2013 after India, but had the region's lowest per capita spend.

Competition

We face competition from other producers of branded apparel, footwear and fashion accessories in the markets in which we operate. We have many competitors with respect to the sale of our type of products, primarily distributors that import products from different parts of the world.

We are not focused on direct to end consumer retail. However, we also compete indirectly with vertically integrated manufacturers that also own retail stores in overall sales of our type of products to end consumers as well as retailers in the Americas, Europe and Asia with established sourcing and manufacturing capabilities and their own private label products.

We believe that we are able to differentiate ourselves from our direct and indirect competitors through the design, style, price, quality and brand reputation of our products as well as our distribution capabilities.

RISK MANAGEMENT

The Board and senior management oversee our risk management and internal control functions and will meet periodically to assess the risks we face and formulate strategies to manage and mitigate the risks identified. Our workplace policies require all significant risk issues encountered in our operations to be escalated promptly to senior management.

Products and Production

We take active measures to manage our production. To manage our product liability risk, we place significant emphasis on quality assurance and control. Through our own production personnel as well as our buying agent, Li & Fung, we conduct extensive testing of the processes, quality and compliance prior to engaging any supplier. During production, we as well as our buying agent, Li & Fung will periodically visit and audit all the factories and complete testing and in-line and final inspections. At all points through the supply chain, our personnel have oversight and management over the quality of our products. In addition, we also carry global insurance policies on product liability. We did not conduct any material recall of our products and did not receive any material claim from our customers relating to any liability from or relating to the use of our products during the Track Record Period.

Product returns on our products are generally governed by the terms and conditions of sales with the individual retailers. For retailer complaints, we generally address this through discounts and chargebacks, which are accounted for within the Group's turnover. For end consumer complaints, our individual business units will have a designated customer service person to address/resolve consumer complaints. If the individual business unit is unable to resolve the complaint, the matter will be referred to our legal department and, in certain instances, where the consumer is claiming injury or seeking more than a nominal monetary amount, the matter is referred to our insurance company for coverage and resolution. There have been no material retailer or consumer complaints or major quality control issues during the Track Record Period.

Inventory

We have risk in holding inventory that may not be accepted by the retailer that originally ordered the products. Our management and staff actively communicate with our customers on a regular basis and monitor sales data in order to estimate customers demand for our products. Our warehouse management system is linked to our ERP software system to provide us with real time oversight of our inventory situation and give us the ability to actively manage our excess inventory. Since we distribute our products through a diverse mix and a large number of retailers at a variety of price points, we are able to dispose of excess inventory through various distribution channels, including discount retailers, smaller chains, specialty retailers and independent e-tailers. We did not have any material inventory management issues during the Track Record Period.

Customer Credit

We take on the credit risk of our customers when we sell them products. Payment terms for customers are typically 30 to 60 day credit terms. To manage this risk, a significant portion of our business is on open account terms which are often covered by credit insurance. The remaining amounts are mostly covered by customers' standby letters of credit, bank guarantees and prepayments. We have entered into an accounts receivable finance program with a third party financial services provider whereby we sell our eligible accounts receivable to the third party. The eligible accounts receivable are those that receive credit protection from CIT Group Inc. or Wells Fargo Bank, N.A. CIT Group Inc. and Wells Fargo Bank, N.A. also perform credit application, cash collection and cash application functions for our business. These institutions bear the risk of any losses related to bad debts on undisputed non-payments. In such instances, we are required to provide invoice and shipment support to prove that our obligations were entirely fulfilled and that there were no outstanding disputes. If the qualifications are met, the financial institution will remit payment to us when the invoice becomes 90 days overdue. Disputed invoices and chargebacks are not guaranteed by the financial institutions. We did not have any material losses as a result of the credit of our customers during the Track Record Period.

Licence Portfolio

We have risk in the investing of significant resources into a licensed brand. There may be risk that the reputation and image of a particular licence may be affected and damaged by many factors including the quality of the products or consumers' perception of the particular celebrity or cartoon character for that licence. To manage this risk, we maintain a diverse portfolio of Licensed Brands and actively monitor and manage our portfolio, making decisions to add, discontinue, renew, or renegotiate licences for each brand based on that brand's performance and the strategic requirements of the Group.

Currency Fluctuation

The majority of our suppliers are paid in US dollars. However, many of our customers in different parts of the world pay us in a variety of currencies, including US dollars, Pound Sterling, Euros, Renminbi, Hong Kong dollars and Canadian dollars. During the Track Record

Period, foreign exchange risk for the Group was centrally managed by Li & Fung Group's treasury team at the corporate level and we did not use derivative financial instruments to hedge currency risk although we may do so in the future to hedge risks arising from fluctuations in foreign currency exchange rates.

HEALTH, WORK SAFETY, SOCIAL AND ENVIRONMENTAL MATTERS

Occupational Health and Safety

The health and well-being of all of our people globally is a priority for our business. We strive to continually provide a safe, healthy and respectful workplace for our colleagues. We are committed to sustaining a wellness initiative that reaches all employees and their families, with a focus on promoting general health awareness, improving overall health and well-being, and encouraging all of our colleagues to be proactive in maintaining a healthy lifestyle. Our programs include an annual health and wellness fair where biometric screenings and flu shots are provided free of charge, Weight Watchers at Work, a smoking cessation program, spin and yoga classes, and financial wellness seminars. There were no material health or safety incidents or claims involving any of our employees during the Track Record Period.

Corporate Sustainability

Our corporate sustainability strategy focuses on improving the sustainability of our own operations and facilities and the work we do with customers, suppliers and our buying agent, Li & Fung. Our goal is to use resources efficiently; to add business value for our customers and their suppliers; to focus on the health and wellbeing of our colleagues; and to positively impact our communities and societies. We also work in partnership with our suppliers, customers and our buying agent, Li & Fung, on supply chain sustainability.

Code of Conduct and Business Ethics

We have initiated a code of conduct and business ethics, which covers the general principles concerning the way we conduct ourselves. This code is supported by policies and guidelines, internal training and awareness-raising initiatives.

The code of conduct includes principles concerning business integrity, ethics and good corporate governance, conflicts of interest, bribery and corruption, accurate financial information and records, insider dealing in the Company's securities, protection and use of company information and assets, accurate reporting of company information, mutually beneficial long-term relationships with stakeholders, product quality and safety, environmental protection, workplace safety, the upholding of human and labour rights such as the UN Declaration of Human Rights and the upholding of the principles of the UN Global Compact.

We are also committed to supporting the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, including its core labour conventions to eliminate forced, compulsory or child labour, to eliminate discrimination in employment and occupation, and respect for freedom of association and collective bargaining.

Code of Conduct for Suppliers

Working in close conjunction with our buying agent, Li & Fung, we have implemented a code of conduct for suppliers and a supplier compliance manual, which are based on industry standards and clearly outline the standards required for doing business with us.

To support the implementation of the code, we as well as our buying agent, Li & Fung, conduct internal training and provide training and guidance on what we provide to our suppliers. These programs have focused on issues of particular concern with topics ranging from working hours, underage labour, fire safety to environmental efficiency and lean manufacturing. Going forward, we will continue to collaborate with the relevant stakeholders to improve standards and working conditions, to source from suppliers that are committed to improving their workplace safety and sustainability performance and to providing focused resources to support these ongoing priorities.

Environment

We seek opportunities to manage efficiently the environmental footprint of our own operations and those of our suppliers. Addressing these risks as our operations expand globally is important to us. We focus on reducing our impacts by continually looking for opportunities to be more efficient, and to source and use environmentally-responsible materials in our products, and environmentally-responsible equipment, building materials and services in our buildings and operations.

We continue to support our offices and facilities around the world to adopt LEED elements whenever feasible and we also share this guidance with our suppliers. For example, for our offices in the Empire State Building in New York City, we have received certification of the 8th and 9th floors to LEED Platinum and the 7th floor to LEED Gold.

LEGAL AND REGULATORY MATTERS

Apparel and other products sold by us are subject to regulations that relate to product labelling, content and safety requirements. These include US federal regulations promulgated by the Federal Trade Commission with respect to apparel labelling and specific obligations with regard to certain materials such as wool, fur and leather. Apparel safety is regulated by the US Consumer Product Safety Commission which enforces specific requirements on the flammability of both general wearing apparel and children's sleepwear. US customs authorities impose regulations on imported goods, in particular in respect of compliance with toxic substances and chemical levels in products. Customs regulations also restrict importation of merchandise that have been produced by convict, forced, child, or indentured labour. Various US states have specific regulations on a variety of related issues including standards on marking the identity and quantity of items in packaging, as well as the use of heavy metals in packaging. We work diligently to comply with all of these requirements as well as specific US state requirements on content disclosure and labelling.

We confirm that, as at the Latest Practicable Date, there were no material breaches or violations of laws and regulations applicable to us that would have a material adverse effect on our business or financial condition taken as a whole. As at the Latest Practicable Date, we have obtained all material licences and permits necessary for our business in the jurisdictions in which we operate.

As at the Latest Practicable Date, no member of the Group or any of the Directors was engaged in any litigation, claim or arbitration of material importance and no litigation, claim or arbitration of material importance to the Group was known to the Directors to be pending or threatened against any member of the Group or the Directors.

The following discussion and analysis should be read in conjunction with the combined financial information and the notes thereto as set out in the Accountant's Report in "Appendix I — Accountant's Report" and the unaudited pro forma financial information set out in "Appendix II — Unaudited Pro Forma Financial Information". The combined financial information of the Group is reported in US dollars and has been prepared and presented in accordance with HKFRS as at and for the years ended 31 December 2011, 2012 and 2013 together with the accompanying notes.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ from those anticipated in these forward-looking statements as a result of any number of factors, including but not limited to, those set out in "Forward-Looking Statements" and "Risk Factors".

OVERVIEW

Our Business

We are one of the world's leading branded apparel, footwear, fashion accessories and related lifestyle product companies. We design, develop, market and sell such products across both a diverse portfolio of owned and licensed brands and a wide range of product categories. Our customers are primarily retailers, including department stores, hypermarkets, off-price retailers, independent chains, specialty retailers and e-commerce channels in the Americas, Europe and Asia.

We operate two core segments, Licensed Brands and Controlled Brands.

Licensed Brands: brands in which we license the intellectual property from the brand owners or the licensors for use in selected product categories and geographies. In addition, we are developing a brand management business using our expertise to assist brand owners to expand their brands into new product categories and geographies.

Controlled Brands: brands in which we either own, or control the intellectual property under a long-term licence which gives us significant control over the development and marketing associated with the relevant brands.

Our Business Model

We have built a broad portfolio which as at the Latest Practicable Date consists of more than 350 active licences for Licensed Brands, ten active Controlled Brands and over 100 managed brands. We had total turnover of approximately US$2.8 billion, US$3.1 billion and US$3.3 billion, for 2011, 2012 and 2013, respectively. For 2013, we generated approximately 85% of our turnover from the United States and approximately 15% from the rest of the world, and approximately 82% of our turnover derived from Licensed Brands and approximately 18% from Controlled Brands. We had EBITDA of US$298.8 million, US$54.3 million and US$295.8 million for 2011, 2012 and 2013, respectively.

FACTORS AFFECTING RESULTS OF OPERATIONS AND FINANCIAL CONDITION

General economic conditions and levels of consumer spending

Our turnover and profitability are affected by general economic conditions and economic conditions in the United States in particular. Economic conditions in the countries and regions in which we operate, particularly in the United States, affect levels of disposable income and consumer spending. While the overall economy showed signs of moderate recovery during 2010, difficult economic conditions returned in 2011, particularly in Europe and the United States, and continued in 2012. General economic conditions improved slowly in 2013, which we believe affected our rate of growth in 2013 as profitability improved but did not return to 2011 levels despite the strong performance of our brands.

Changes in general economic conditions, including due to political factors, trade disputes or natural events, have affected, and will continue to affect, our businesses.

Our brand portfolio

Our results of operations are directly dependent on the performance of our brand portfolio. We have built a broad portfolio which as at the Latest Practicable Date consists of more than 350 active licenses under our Licensed Brands, ten active Controlled Brands and over 100 managed brands. This portfolio allows us to market our products at various price points and across multiple channels of distribution and to provide products to a wide range of consumers, while reducing our reliance on any one demographic segment, merchandise preference or distribution channel.

While we are not dependent on any one brand, we generate a significant portion of our revenue from our top ten brands in any given year. The revenue generated by our top ten brands has remained relatively stable during the Track Record Period. The actual brands comprising our top ten brands in any given year will depend on overall demand and periodic changes in demand for certain operating groups (such as character where the release of a related movie can drive demand in any given year).

The breadth of our Licensed Brand portfolio and the growth of our Controlled Brands allow us to manage the brands and products we offer during a particular year and adapt to changing consumer demand conditions.

Internal restructuring

We have undertaken an internal restructuring of our operations to maximise the efficiency of our cost structure, integrate recent acquisitions and optimise our brand portfolio. We initiated this restructuring following the completion of a number of acquisitions prior to the Track Record Period that offered opportunities for synergies by consolidating facilities and operating costs.

As part of the internal restructuring, we centralised merchandise planning and continued to integrate our back-office services. In the United States, we have consolidated our main office in the Empire State Building in New York City, where senior management, product design and development teams and a number of our main showrooms are based. We have consolidated our principal global business support functions in Greensboro, North Carolina. The level of costs relating to such internal restructuring had a significant impact on our profitability and contributed to the core operating loss in 2012. Out of the total restructuring costs of US$80 million incurred by Li & Fung in 2012 to streamline its operations in the United States, the majority of such costs was relating to the Group, which affects our profitability in 2012. These restructuring costs were primarily incurred in 2012 with a smaller amount incurred in 2013, and such restructuring efforts had benefitted the Group's in its operating efficiency and recovery of profitability in 2013.

In 2011 and the beginning of 2012, we continued to develop our licensed brands portfolio as part of our growth strategy. In light of the challenging market environment in 2012, certain brands either did not develop as expected or experienced reduction in demand. In connection with the ongoing internal restructuring efforts to streamline operations, we further examined our overall brand portfolio and made adjustments to discontinue or downsize certain brands and redirect our resources to the remaining brands to optimize our brands portfolio while maintaining customer relationships. Specifically, as part of this operational review, we identified certain brands where market demand had shifted or which were in early stages of development and were not growing sufficiently to deliver our expected return on investment. In connection with discontinuing or downsizing these brands in our portfolio, we incurred costs including marked down payments from our customers and writedowns on unsold products as well as operating expenses. As a result, in 2012, the total costs relating to discontinued or downsized brands were approximately US$90 million, of which approximately US$63 million relating to marked down payments and unsold products which impacted our total margin, and the remaining approximately US$27 million in additional operating expenses relating mainly to early termination of licences and staff costs.

As part of the internal restructuring and discontinuation of brands, we incurred increased operating costs, and reduction in total margin, which directly affected our results of operations and financial position particularly in 2012. Our core operating profit decreased from US$177.8 million in 2011 to a loss of US$95.6 million in 2012. Our core operating profit then increased to US$133.7 million in 2013.

Overall business mix

The mix of turnover between our Licensed Brands and Controlled Brands segments and the categories and distribution channels within those segments affect our results of operations. In 2013, we derived approximately 82% and 18% of turnover from our Licensed Brands and Controlled Brands segments, respectively.

The mix between our Licensed Brands and Controlled Brands segments affects our results of operations and profitability as our Controlled Brands have been expanding in recent years. Demand for our owned-brand Frye has increased significantly in recent years, positively affecting the turnover and profitability of our Controlled Brands segment.

The mix of categories and brands within our segments also impacts our profitability as certain categories and brands tend to be more profitable than others. For example, certain categories such as footwear and accessories will be more sensitive to fluctuations in leather prices.

The mix of distribution sales channels within our segments could impact our profitability in the future. Our products are sold primarily to retailers, including department stores, hypermarkets, off-price retailers, independent chains, specialty retailers, customers' and brands' e-commerce channels and independent e-tailers in the Americas, Europe and Asia.

Ability to manage our cost of sales

We purchase from third party suppliers the products that we design and develop. The success of our business directly depends on the ability to obtain products of sufficient quality at commercially acceptable prices.

While the costs of raw materials used in the products we purchase are initially borne by third party suppliers, fluctuations in market prices for raw materials have impacted our business as the fluctuations affect the prices of the products we purchase. In recent years, suppliers have increased their prices in response to rising costs of raw materials and labour. Market prices for cotton and leather have fluctuated in recent years. Leather prices increased over the course of the Track Record Period from the US Producer Price Index for hide skin leather of approximately 160 at the beginning of 2010 to approximately 220 at the end of 2013. Cotton prices on the New York Cotton Exchange increased in the second half of 2010 and the first half of 2011 to as high as US$2.14 per pound and started to return to historical levels in the second half of 2011 of around US$1.00 per pound and has varied between US$0.66 per pound and US$1.00 per pound through 2012 and 2013. As we negotiate prices for products with our third party suppliers, there is a lag in the impact of changes in market prices for raw materials. Increased prices for cotton and leather have caused the prices of products purchased from our third party suppliers to increase, particularly in 2012, which in turn resulted in significant increases in our cost of sales. We work with our third party suppliers to manage price increases.

Our results of operations could be negatively affected if we are unable to pass along any price increases and positively affected when costs decrease or return to previous levels.

Royalty and advertising costs

Our operating expenses and profitability are affected by the royalty expenses paid to brand owners that we incur in connection with our Licensed Brands segment. We had licensing costs of US$168.8 million, US$206.2 million and US$207.7 million in 2011, 2012 and 2013, respectively.

We typically enter into licensing arrangements with licensors for a period of between two and eight years. Under our licence agreements, we are generally required to achieve minimum net sales of licensed products, pay guaranteed minimum royalties and make specified royalty and advertising payments (usually based on a percentage of net sales of licensed products).

The guaranteed minimum royalties are fixed costs for the duration of the licence while the additional royalty and advertising payments vary depending on the net sales of the licensed products. We will incur higher variable costs when licensed products perform strongly, requiring higher levels of royalty and advertising payments. When licensed products perform poorly, our profitability may be negatively affected as we are required to pay the guaranteed minimum royalties.

The levels of guaranteed minimum royalties and additional royalty and advertising payments are commercially agreed terms that vary between licensors and product categories. The mix between fixed costs and variable costs will continue to affect our profitability.

Seasonality effects

Our business is seasonal which skews our profitability towards the second half of the year. We typically incur an operating loss in the first half of the calendar year. In 2013, we had a core operating loss in the first half and generated an overall core operating profit for the year.

Demand and sales volumes in our industry are typically higher in the second half of the year due to the back-to-school period in late summer and the late autumn holiday and Christmas shopping season. To prepare for this seasonal demand, we order and ship products to our customers months in advance to ensure our products reach end customers in a timely manner. Our operating costs are more evenly distributed between the first and second half of the year.

In addition to the normal seasonality of our business in the first half of 2014, we have incurred and will continue to incur costs relating to new licences that will not generate significant turnover until the second half of the year. As described in "— *Listing expenses*", we have also incurred non-recurring expenses in 2014 in connection with the Listing.

Our results of operations, including turnover and profitability, during the first half of the year will not be reflective of our overall performance over the entire year.

Competition

We compete on the basis of brand, quality, price and distribution capabilities. As we focus on the wholesale distribution of apparel, footwear and accessories to retailers, we have many competitors with respect to the sale of our type of products, primarily distributors that import products from different parts of the world. We do not focus on end consumer retail; however, we also compete indirectly with vertically integrated manufacturers that also own retail stores in overall sales of our type of products to end consumers as well as retailers in the United States, Europe and Asia with established sourcing and manufacturing capabilities. Some of our competitors may have greater financial resources and brand recognition than we do. Our results of operations are affected by our ability to remain competitive, which in turn depends on our ability to increase our brand awareness and differentiate our products from those offered by our competitors in ways that will appeal to consumers.

Acquisitions

Historically, we have made selected acquisitions and we may continue to do so in the future. These acquisitions directly affect our results of operations and represented a significant portion of our uses of cash during the Track Record Period.

As we typically purchase private companies run by entrepreneurs, we often structure these acquisitions with incentive provisions and contingent payments of purchase consideration linked to the future performance of the acquired businesses. These incentive provisions are referred to as "earn-out" and "earn-up" depending on the nature of the performance targets. This contingent consideration would be payable based on negotiated formulas if the acquired businesses achieve their respective base year profit targets in the case of earn-out or achieve certain growth targets in the case of earn-up. Earn-out payments are generally payable within two to five years while earn-up payments have a higher performance target threshold and are typically payable in a period of up to three to five years upon completion of a transaction.

The following table sets out the typical structure of consideration for our acquisitions during the Track Record Period.

Consideration components	Time frame
Initial	at closing
Earn-out	within 2-5 years
Earn-up	within 3-5 years

The following table sets out the discounted aggregated estimated fair value of consideration for businesses acquired during each of the years during the Track Record Period, including the fixed initial consideration paid and payable and earn-out and earn-up contingent consideration.

	Year ended 31 December		
	2011	2012	2013
	(US$ million)		
Initial consideration paid	322	77	54
Initial consideration payable	—	—	16
Earn-out	270	64	75
Earn-up	226	26	38
Total consideration	818	167	183

The following table sets out certain results of operations of the acquired businesses during the year of their respective acquisitions.

	Year ended 31 December					
	2011		2012		2013	
	(US$'000, except percentages)					
	Amount	% of turnover	Amount	% of turnover	Amount	% of turnover
Turnover	304,809	10.9%	88,276	2.8%	24,706	0.8%
Core operating profit	44,464	1.6%	15,661	0.5%	4,745	0.1%
Profit after tax	22,696	0.8%	12,072	0.4%	3,046	0.1%

We record the purchase consideration payable for acquisitions relating to the earn-out and earn-up provisions as liabilities on our combined balance sheets. As at 31 December 2011, 2012 and 2013, we had outstanding contingent consideration payable for acquisitions of US$946.6 million, US$825.1 million and US$639.1 million, of which US$532.8 million, US$384.5 million and US$191.3 million was earn-out related and US$413.9 million, US$440.6 million and US$447.8 million was earn-up related, respectively. As at 31 December 2011, 2012 and 2013, the current portion due within one year of our outstanding consideration payable was US$145.9 million, US$176.8 million and US$187.2 million, respectively.

If the earn-out and earn-up targets are met, we pay the amounts due. The amount recorded as a liability is correspondingly reduced and no further remeasurement of the settled contingent consideration payable for that target is required. If certain earn-out and earn-up targets are not met, we recognise gains on the combined profit and loss accounts and make a corresponding adjustment to the contingent consideration payable. Given that the contingent consideration entitlement is usually contractual in nature and is based on a specific formula linking to a particular threshold, the underlying business performance of the acquired businesses could continue to perform and grow, yet we may still be required to adjust the consideration payable, especially if the performance thresholds of earn-ups are not reached.

To comply with HKFRS, we conduct detailed reviews of all the transactions entitled to contingent consideration payments. Following these reviews, we recorded total remeasurement gains of US$108.0 million and US$74.8 million in 2012 and 2013, respectively, which reflected the amount that we would no longer be required to pay based on contractual arrangements with the seller or management estimates according to the terms and conditions of the sale and purchase agreement. We will continue to perform regular reviews of relevant consideration payable and closely examine potential adjustments. The actual additional consideration payable will vary according to the future performance of each individual acquired business. We are not able to anticipate whether there will be a remeasurement gain in the future as the contingent consideration payables as at 31 December 2011, 2012 and 2013 reflect only our best estimates of the future performances of the business based on information available at the respective balance sheet dates. See "— *Description of Key Line Items of Combined Profit and Loss Accounts — Gain on remeasurement of contingent consideration payable*".

These acquisitions also affect our financial position as we record intangible assets, primarily goodwill, on our combined balance sheets.

The Group regularly assesses the acquired businesses to determine whether there should be any potential impairment for goodwill or intangible assets. Unlike the assessment of the potential adjustment of contingent consideration payable, which is formula-driven and based on predetermined thresholds during a specific time frame (normally two to five years), any goodwill impairment would need to be permanent in nature, when the long-term performance prospects of the acquired businesses no longer generate adequate present value cash flow to support the carrying value of the goodwill and intangible assets. Thus, the fact that an acquired company failed to meet any predetermined performance targets for contingent consideration payments is not necessarily indicative of underperformance, nor would it directly impact the carrying value of the goodwill and intangible assets on the Group's accounts. The Group has performed goodwill impairment tests in accordance with HKAS 36, and has determined that there is no goodwill impairment during the Track Record Period. The Group will continue to perform goodwill impairment tests on an on-going basis.

See notes 5, 12, 23, 25 and 26 to the Accountant's Report set out in "*Appendix I — Accountant's Report*" for further details regarding these acquisitions during the Track Record Period including the impact on our combined financial statements during the year of acquisition.

Currency fluctuations

Since we operate globally, our financial results are subject to both transaction and translation effects resulting from fluctuations in currency exchange rates.

Currency fluctuation effects on transactions

We are exposed to transaction risks with respect to our subsidiaries that generate turnover in currencies other than the US dollar. We generate the majority of our turnover in US dollars but increasingly generate turnover in other currencies including Euro, Renminbi, Hong Kong dollars and Canadian dollars. Our purchases are mainly denominated in US dollars.

During the Track Record Period, foreign exchange risk for the Group was centrally managed by Li & Fung Group's treasury team at the corporate level and we did not use derivative financial instruments to hedge currency risk although we may do so in the future to hedge risks arising from fluctuation in foreign currency exchange rates.

Currency fluctuation effects on translation

Fluctuations in the exchange rates between the US dollar and other currencies, primarily Euro, Renminbi and Hong Kong dollars, affect the translation into US dollar when we prepare our financial statements. For subsidiaries of the Group whose functional currency is not the US dollar, all assets and liabilities are translated at the exchange rates in effect at the combined balance sheets date and shareholders' equity accounts are translated at historical rates. The comprehensive adjustment resulting from translation of assets, liabilities and net assets is reported as exchange reserves, which is a separate component of equity. See "— *Quantitative and Qualitative Analysis about Market Risk — Foreign exchange risk*".

BASIS OF PREPARATION

The combined financial information of the Group has been prepared in accordance with the requirements of HKFRS, and in accordance with the basis of preparation described in note 2.1 to the Accountant's Report set out in "*Appendix I — Accountant's Report*".

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our significant accounting policies and critical accounting estimates are set out in notes 2 and 3 to the Accountant's Report set out in "*Appendix I — Accountant's Report*", respectively.

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.

We make 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.

Estimated impairment of intangible assets including goodwill

We test annually whether goodwill and other intangible assets has suffered any impairment, in accordance with the accounting policy stated in note 2.7 to the Accountant's Report set out in "*Appendix I — Accountant's Report*". The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. See note 12 to the Accountant's Report set out in "*Appendix I — Accountant's Report*".

Goodwill impairment testing is performed by management at each balance sheet date in accordance with HKAS 36 “Impairment of Assets”. According to HKAS 36, goodwill impairment testing is performed based on cash generating units (“**CGU**”) which consist of a number of acquired businesses which are usually integrated into the existing businesses of the Group for operational efficiency. Goodwill impairment testing also reflects an assessment of the long-term prospects of the acquired businesses at the CGU level. This is different from the assessment of contingent consideration payables which are based on individual acquisitions and with a significantly shorter timeframe (normally two to five years). The Company has not recognised any significant goodwill impairment during the Track Record Period.

Useful lives of intangible assets

We amortise our intangible assets with finite useful lives on a straight-line basis over their estimated useful lives. The estimated useful lives reflect management’s estimates of the periods that we intend to derive future economic benefits from the use of these intangible assets.

Income taxes

We are 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. We recognise 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.

Contingent consideration of acquisitions

Certain of our business acquisitions have involved post-acquisition performance-based contingent consideration. We follow the requirement of HKFRS 3 (Revised) “Business Combination” to recognise the fair value of those contingent considerations for acquisitions, as at 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. Contingent consideration shall be re-measured at their fair value resulting from events or factors emerging after the acquisition date, with any resulting gain or loss recognised in the combined profit and loss account in accordance with HKFRS 3 (Revised). For acquisitions completed prior to 1 January 2010, the effective date of HKFRS 3 (Revised), changes in the fair values of contingent consideration are recognised in goodwill. HKFRS 3 (Revised) is effective prospectively to business combinations for which acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

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

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

However, on an aggregate basis, if the total actual contingent consideration payables as at 31 December 2011, 2012 and 2013 are 10% higher or lower than the total contingent consideration payables estimated by management, the resulting aggregate impact to the gain or loss on remeasurement of contingent consideration payables as at 31 December 2011, 2012 and 2013 would be US$81 million, US$65 million and US$52 million respectively, and the resulting aggregate impact to goodwill on remeasurement for businesses acquired prior to 1 January 2010 would be US$14 million, US$17 million and US$12 million, respectively.

DESCRIPTION OF KEY LINE ITEMS OF COMBINED PROFIT AND LOSS ACCOUNTS

The following table sets out certain financial information from our results of operations for the years indicated.

	Year ended 31 December					
	2011		2012		2013	
	Amount	% of turnover	Amount	% of turnover	Amount	% of turnover
	(US$'000, except percentages)					
Turnover	2,808,874	100.0%	3,119,040	100.0%	3,288,132	100.0%
Cost of sales	(1,857,298)	(66.1%)	(2,268,064)	(72.7%)	(2,292,597)	(69.7%)
Gross profit	**951,576**	**33.9%**	**850,976**	**27.3%**	**995,535**	**30.3%**
Other income	653	0.0%	5,629	0.2%	14,263	0.4%
Total margin	**952,229**	**33.9%**	**856,605**	**27.5%**	**1,009,798**	**30.7%**
Selling and distribution expenses	(317,993)	(11.3%)	(412,227)	(13.2%)	(400,448)	(12.2%)
Merchandising and administrative expenses	(456,403)	(16.2%)	(539,963)	(17.3%)	(475,653)	(14.5%)
Core operating profit/(loss)(1)	**177,833**	**6.3%**	**(95,585)**	**(3.1%)**	**133,697**	**4.1%**
Gain on remeasurement of contingent consideration payable(2)	—	—	108,000	3.5%	74,752	2.3%
Amortisation of other intangible assets	(30,521)	(1.1%)	(43,453)	(1.4%)	(46,254)	(1.4%)
Gain on disposal of businesses/licensing rights	—	—	29,635	1.0%	5,317	0.2%
Other non-core operating expenses	(6,732)	(0.2%)	(2,934)	(0.1%)	(3,414)	(0.1%)
Operating profit/(loss)	**140,580**	**5.0%**	**(4,337)**	**(0.1%)**	**164,098**	**5.0%**
Interest income	108	0.0%	248	0.0%	334	0.0%
Interest expenses						
Non-cash interest expenses	(17,971)	(0.6%)	(20,740)	(0.7%)	(15,844)	(0.5%)
Cash interest expenses	(8,893)	(0.3%)	(10,741)	(0.3%)	(9,118)	(0.3%)
Share of profits of joint ventures	—	—	—	—	409	0.0%
Profit/(loss) before taxation	**113,824**	**4.1%**	**(35,570)**	**(1.1%)**	**139,879**	**4.3%**
Taxation	(13,896)	(0.5%)	63,254	2.0%	(26,351)	(0.8%)
Net profit for the year attributable to shareholders of the Company	**99,928**	**3.6%**	**27,684**	**0.9%**	**113,528**	**3.5%**

Other Financial Measure	**(unaudited) (US$'000)**					
EBITDA(3)	**298,767**	**10.6%**	**54,341**	**1.7%**	**295,806**	**9.0%**

Notes:

(1) Core operating profit is the profit before taxation generated from the Group's Licensed Brands and Controlled Brands businesses excluding share of results of joint ventures, interest income, interest expenses, tax, material gains or losses which are of capital nature or non-operational related, acquisition related costs. This also excludes gain or loss on remeasurement of contingent consideration payable and amortisation of other intangible assets which are non-cash items.

Core operating profit/(loss) is a non-HKFRS measurement which is used by the management to assess performance of operating segments, allocate resources and make strategic decisions.

(2) To comply with HKFRS, we conducted detailed reviews of all the transactions entitled to contingent consideration payments based on the market outlook and their prevailing business plans and projections. Following these reviews, we recorded total remeasurement gains of US$108.0 million and US$74.8 million in 2012 and 2013, respectively, which reflected the amount that we would no longer be required to pay based on contractual arrangements with the seller or management estimates according to the terms and conditions of the sale and purchase agreement. Among the total remeasurement gain, approximately US$108 million and US$33 million was the downward adjustment to earn-up consideration as at 31 December 2012 and 2013. The revised provisions for performance-based contingent consideration are calculated based on discounted cash flows of future consideration payment with the revision of estimated future profit of these acquired businesses. These gains were recognised as a non-core operating gain on remeasurement of contingent consideration payable.

Typically, a portion of the contingent consideration payment is conditional on whether the acquired company achieves formula-driven targets based on predetermined thresholds during a specific time frame. Unlike the assessment of the potential adjustment of contingent consideration payable, which is formula-driven and based on predetermined thresholds during a specific time frame (normally two to five years), any goodwill impairment would need to be permanent in nature, when the long-term performance prospects of the acquired businesses no longer generate adequate present value cash flow to support the carrying value of the goodwill and intangible assets. Thus, the fact that an acquired company failed to meet such targets is not necessarily indicative of underperformance, nor would it directly impact the carrying value, including goodwill, on the Company's accounts.

For further discussion regarding the impact of acquisitions on our results of operations and financial condition, including the differences between remeasurement gain and the impairment of goodwill, see "— *Factors Affecting Results of Operations and Financial Condition — Acquisitions*".

(3) EBITDA is a non-HKFRS measurement which is used by the management to assess performance of operating segments, allocate resources and make strategic decisions. The measurement basis of EBITDA is defined as net profit before net interest expenses, tax, depreciation and amortisation. This also excludes share of results of joint ventures, material gains or losses which are of capital nature or non-operational related, acquisition related costs and non-cash gain or loss on remeasurement of contingent consideration payable.

Segment Results

The following table sets out the segment results for our operating segments for the years indicated.

	Year ended 31 December		
	2011	2012	2013
	(US$'000)		
Licensed Brands			
Turnover	2,352,668	2,607,610	2,680,173
Total margin	842,285	733,806	823,207
Operating costs	(663,608)	(808,897)	(725,549)
Core operating profit/(loss)	178,677	(75,091)	97,658
Depreciation and amortisation	132,137	175,014	129,967
Controlled Brands			
Turnover	456,206	511,430	607,959
Total margin	109,944	122,799	186,591
Operating costs	(110,788)	(143,293)	(150,552)
Core operating (loss)/profit	(844)	(20,494)	36,039
Depreciation and amortisation	19,318	18,365	78,396

The following table sets out the geographical analysis of turnover and non-current assets (other than deferred tax assets) as at and for the dates and years indicated.

	Turnover			Non-current assets (other than deferred tax assets)		
	Year ended 31 December			As at 31 December		
	2011	2012	2013	2011	2012	2013
	(US$'000)			(US$'000)		
United States	2,639,643	2,865,750	2,808,141	2,676,556	2,848,257	3,027,948
Europe	103,781	154,339	350,905	203,152	261,025	332,876
Asia	65,450	98,951	129,086	51,855	72,775	132,372
	2,808,874	3,119,040	3,288,132	2,931,563	3,182,057	3,493,196

See note 4 to the Accountant's Report set out in "*Appendix I — Accountant's Report*".

Turnover

We derive turnover primarily through our Licensed Brands segment by distributing branded fashion apparel, character products, accessories and home, and footwear and Controlled Brands segment by distributing branded fashion apparel, accessories and footwear, in each case primarily to retailers. Turnover is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

Cost of sales

Cost of sales primarily represents the FOB charges for purchases of product. Cost of sales also includes the commission paid to Li & Fung as our buying agent as well as charges for freight and duty. The FOB charges included in cost of sales reflected inventory provisions of US$1.8 million, US$4.0 million and US$3.6 million in 2011, 2012 and 2013, respectively.

Gross profit and gross margin

Gross profit represents turnover less cost of sales. During the Track Record Period, gross margin from our Licensed Brands segment was typically higher than our Controlled Brands segment. Gross margin varies by the category of products sold under our segments depending on the positioning of products in different markets and distribution channels.

Other income

Other income represents miscellaneous income and fees for services performed relating to non-recurring events.

Total margin

Total margin represents gross profit plus other income.

Operating costs

Our operating expenses primarily represent staff costs, licensing costs, operating leases in respect of land and buildings, amortisation, depreciation and design and merchandising expenses. These operating costs are accounted for under selling and distribution expenses and merchandising and administrative expenses.

Selling and distribution expenses

Selling and distribution expenses primarily represent licensing costs, storage and distribution expenses, design and samples expenses, commissions, advertising and promotion, and travel and entertainment.

The following table sets out the breakdown of our selling and distribution expenses for the years indicated.

	Year ended 31 December		
	2011	2012	2013
	(US$ million)		
Licensing costs[1]	168.8	206.2	207.7
Storage and distribution expenses	54.6	83.5	95.2
Design and samples expenses	38.3	69.6	53.7
Other[2]	56.3	52.9	43.8
Selling and distribution expenses	**318.0**	**412.2**	**400.4**

Notes:

(1) Licensing costs primarily represents our royalty expenses paid. Under our licence agreements, royalty expenses generally include a portion of guaranteed minimum royalties. The guaranteed minimum royalties were capitalised as brand licences intangible assets and amortised over the licence period. Amortisation of brand licences was recognised as part of the Group's royalty expenses. The amortisation of brand licences set out in notes 12 and 25 to the Accountant's Report serves as a proxy for the payment of guaranteed minimum royalties during the Track Record Period.

(2) Other includes mainly commissions, advertising and promotion, and travel and entertainment expenses.

Merchandising and administrative expenses

Merchandising and administrative expenses primarily represent merchandising and administrative staff costs and benefits, rent and related expenses, depreciation and amortisation, IT expenses, professional fees, general administrative costs and the restructuring costs in 2012.

The following table sets out the breakdown of our merchandising and administrative expenses for the years indicated.

	Year ended 31 December		
	2011	2012	2013
	(US$ million)		
Merchandising and administrative staff costs and benefits	290.8	327.1	321.4
Rent and related expenses	70.3	87.7	76.5
Depreciation and amortisation	27.4	27.8	34.5
Other[(1)]	67.9	97.4	43.3
Merchandising and administrative expenses	**456.4**	**540.0**	**475.7**

Note:

(1) Other includes mainly IT expenses, professional fees, general administrative costs and a portion of the restructuring costs in 2012.

Core operating profit/(loss)

Core operating profit/(loss) represents total margin less selling and distribution expenses and merchandising and administrative expenses.

Core operating profit is the profit before taxation generated from our Licensed Brands and Controlled Brands businesses excluding share of results of joint ventures, interest income, interest expenses, tax, material gains or losses which are of capital nature or non-operational related, acquisition related costs. This also excludes gain or loss on remeasurement of contingent consideration payable and amortisation of other intangible assets which are non-cash items.

Core operating profit/(loss) is a non-HKFRS measurement which is used by the management to assess performance of operating segments, allocate resources and make strategic decisions.

Gain on remeasurement of contingent consideration payable

To comply with HKFRS, we conducted detailed reviews of all the transactions entitled to contingent consideration payments. Following these reviews, we recorded total remeasurement gains of US$108.0 million and US$74.8 million in 2012 and 2013, respectively, which reflected the amount that we would no longer be required to pay based on contractual arrangements with the seller or management estimates according to the terms and conditions of the sale and purchase agreement. We will continue to perform regular reviews of relevant consideration payable and closely examine potential adjustments in accordance with HKFRS 3 (Revised). The actual additional consideration payable will vary according to the future performance of each individual acquired business. We are not able to anticipate whether there will be a remeasurement gain in the future as the contingent consideration payables as at 31 December 2011, 2012 and 2013 reflect only our best estimates of the future performances of the business based on information available at the respective balance sheet dates.

See *"— Factors Affecting Results of Operations and Financial Condition — Acquisitions"* for further details.

Amortisation of other intangible assets

Amortisation of other intangible assets represents amortisation on licence agreements, customer relationships, licensor relationships, patents and trademarks and brand names.

Gain on disposal of businesses/licensing rights

Gain on disposals of businesses/licensing rights primarily represents the gain on disposal of the Roots retail business in 2012 and the net gain on the disposal of the Roots licensing rights, partially offset by the discontinuation of warehouse services provided to outside customers in the United States in 2013.

Other non-core operating expenses

Other non-core operating expenses primarily represent business acquisition-related costs.

Net interest expenses

Net interest expenses represent the net amount of interest income and interest expenses.

Interest income primarily represents interest income on bank deposits. Interest expenses will primarily represent non-cash interest expenses on purchase consideration payable for acquisitions and brand licences payable and cash interest payable on bank loans and overdrafts and factoring arrangements. We did not incur interest expenses on the non-trading amounts due to Li & Fung.

Share of profits of joint ventures

Share of profits of joint ventures represents income from joint ventures that are accounted for using the equity method. Share of profits of joint ventures primarily includes the profit shared from Iconix SE Asia, a joint venture with Iconix Brand Group.

Taxation

Taxation consists of current and deferred tax expenses for jurisdictions in which the Company and our subsidiaries are subject to tax. During the Track Record Period, Hong Kong profits tax had been provided for at the rate of 16.5% on the estimated assessable profit for the year. Taxation of overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which we operate. The Company has operations in many countries and its tax provision involves complex variables, including differing tax regulations and agreements with various countries.

During the Track Record Period, the amount of taxation charged to our combined profit and loss accounts comprised (i) Hong Kong profits tax and (ii) overseas taxation. During the Track Record Period, we made all required tax filings under the relevant tax laws and regulations in the respective jurisdictions in which we operate, paid all outstanding tax liabilities and were not subject to any material dispute with the relevant tax authorities.

The following table sets out our tax charges and credits during the Track Record Period.

	Year ended 31 December		
	2011	2012	2013
	(US$'000)		
Current taxation			
— Hong Kong profits tax	69	608	728
— Overseas taxation	(302)	(7,636)	(11,132)
(Over)/under provision in prior years	—	(1,208)	23
Deferred taxation	14,129	(55,018)	36,732
	13,896	(63,254)	26,351

The difference between the Company's statutory tax rate and our effective tax rate results primarily from the location of our operations in differing tax jurisdictions relative to the home country of the Company, Hong Kong. Our effective tax rate was 12.2% and 18.8% for 2011 and 2013, respectively. As we had a loss before taxation in 2012, we recognised US$63.3 million credited to our combined profit and loss account.

See notes 2.14, 7 and 24 to the "*Appendix I — Accountant's Report*".

EBITDA

EBITDA is a non-HKFRS measurement which is used by the management to assess performance of operating segments, allocate resources and make strategic decisions. The measurement basis of EBITDA is defined as net profit before net interest expenses, tax, depreciation and amortisation. This also excludes share of results of joint ventures, material gains or losses which are of capital nature or non-operational related, acquisition related costs and non-cash gain or loss on remeasurement of contingent consideration payable. We believe that EBITDA is a key financial indicator of our operating performance and provides useful information regarding our profitability and cash generation.

The following table reconciles profit/(loss) before taxation and net profit for the years attributable to shareholders of the Company, which are HKFRS measures, to EBITDA for the years indicated.

	Year ended 31 December		
	2011	2012	2013
		(US$'000)	
Core operating profit/(loss)	**177,833**	**(95,585)**	**133,697**
Add:			
Amortisation of computer software and system development costs	5,725	4,322	5,108
Amortisation of brand licenses and distribution rights	92,822	121,285	127,004
Depreciation of property, plant and equipment	22,387	24,319	29,997
EBITDA	**298,767**	**54,341**	**295,806**
Add/(Less):			
Amortisation of computer software and system development costs	(5,725)	(4,322)	(5,108)
Amortisation of brand licenses and distribution rights	(92,822)	(121,285)	(127,004)
Depreciation of property, plant and equipment	(22,387)	(24,319)	(29,997)
Gain on remeasurement of contingent consideration payable	—	108,000	74,752
Amortisation of other intangible assets	(30,521)	(43,453)	(46,254)
Gain on disposal of businesses/licensing rights	—	29,635	5,317
Other non-core operating expenses	(6,732)	(2,934)	(3,414)
Interest income	108	248	334
Interest expenses			
Non-cash interest expenses	(17,971)	(20,740)	(15,844)
Cash interest expenses	(8,893)	(10,741)	(9,118)
Share of profit from joint ventures	—	—	409
Profit/(loss) before taxation	**113,824**	**(35,570)**	**139,879**
Less: Taxation	(13,896)	63,254	(26,351)
Net profit for the year attributable to shareholders of the Company	**99,928**	**27,684**	**113,528**

EBITDA should not be considered in isolation or construed as a substitute for analysis of HKFRS financial measures such as operating profit/(loss) and profit/(loss) before taxation. We have included EBITDA in this listing document because we believe it provides useful supplemental information to help investors better understand underlying trends in our business. EBITDA may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to the same or similarly titled measures presented by other companies.

REVIEW OF HISTORICAL RESULTS OF OPERATIONS

2013 Compared with 2012

Turnover

Our turnover increased by US$169.1 million, or 5.4%, from US$3,119.0 million in 2012 to US$3,288.1 million in 2013. This increase primarily reflected increasing turnover from existing licensed brands and new brands added to our Licensed Brands portfolio as well as the strong performance of our Controlled Brands segment, reflecting the growth of our Frye brand and the strong performance of our Spyder brand in 2013.

Licensed Brands

Our turnover increased by US$72.6 million, or 2.8%, from US$2,607.6 million in 2012 to US$2,680.2 million in 2013. This increase was primarily due to the strong performance of brands in our character operating group as we gained market share by adding new character licenses to our portfolio as well as the strong performance from certain existing character licenses, partially offset by a decline in our footwear operating group primarily reflecting the discontinuation or downsizing of certain brands in 2012.

Controlled Brands

Our turnover increased by US$96.5 million, or 18.9%, from US$511.4 million in 2012 to US$608.0 million in 2013. This increase was primarily due to the strong performance of our Frye and Spyder brands in the footwear and fashion apparel operating groups, partially offset by decreased turnover from our accessories operating group. We entered into long-term licences for Spyder in 2013 so it only began contributing to our turnover in 2013.

Cost of sales

Our cost of sales increased by US$24.5 million, or 1.1%, from US$2,268.1 million in 2012 to US$2,292.6 million in 2013. Cost of sales increased slightly due to increased purchases of product as our business increased as well as increased labour costs incurred by our third party suppliers and passed through to us as price increases partially offset by lower raw material costs, particularly for cotton, which gradually returned to historical levels after the sharp increases in 2010 that resulted in higher prices for product in 2012.

Gross profit and gross margin

Our gross profit increased by US$144.6 million, or 17.0%, from US$851.0 million in 2012 to US$995.5 million in 2013. Gross margin increased from 27.3% in 2012 to 30.3% in 2013.

Our gross margin increased in 2013 due to the strong performance of our overall business particularly in our Controlled Brands segment which was due to the strong growth of Frye and the contribution of Spyder in 2013 as well as slower growth in costs of sales as raw material costs decreased and the discontinuation of fewer brands in 2013.

Other income

Our other income increased by US$8.6 million, or 153.4%, from US$5.6 million in 2012 to US$14.3 million in 2013. This was primarily due to a one-time gain from the termination of a licensing agency contract.

Total margin

Our total margin increased by US$153.2 million, or 17.9%, from US$856.6 million in 2012 to US$1,009.8 million in 2013. Total margin as a percentage of turnover increased from 27.5% in 2012 to 30.7% in 2013. Our total margin as a percentage of turnover recovered in 2013 for the reasons discussed above.

Licensed Brands

Our total margin from Licensed Brands increased by US$89.4 million, or 12.2%, from US$733.8 million in 2012 to US$823.2 million in 2013. Total margin as a percentage of turnover of Licensed Brands increased from 28.1% in 2012 to 30.7% in 2013. This increase was primarily due to the strong performance of brands in our fashion apparel and footwear operating groups which were optimised as part of the 2012 restructuring when we discontinued or downsized certain brands and targeted key licences in our portfolio as well as the increase in other income.

Controlled Brands

Our total margin from Controlled Brands increased by US$63.8 million, or 51.9%, from US$122.8 million in 2012 to US$186.6 million in 2013. Total margin as a percentage of turnover of Controlled Brands increased from 24.0% in 2012 to 30.7% in 2013. This increase was primarily due to the strong performance of our Frye and Spyder brands in the footwear and fashion apparel operating groups. We entered into long-term licenses for Spyder in 2013 so it only began contributing to our results of operations in 2013.

Selling and distribution expenses

Our selling and distribution expenses decreased by US$11.8 million, or 2.9%, from US$412.2 million in 2012 to US$400.4 million in 2013. This decrease was primarily due to lower design and samples expenses, as well as the reduction in licensing costs in US as offset by the increase in storage and distribution expenses and the increase in licensing expenses in Europe and Asia in 2013. Selling and distribution expenses as a percentage of turnover decreased from 13.2% in 2012 to 12.2% in 2013.

Merchandising and administrative expenses

Our merchandising and administrative expenses decreased by US$64.3 million, or 11.9%, from US$540.0 million in 2012 to US$475.7 million in 2013. Merchandising and administrative expenses as a percentage of turnover decreased from 17.3% in 2012 to 14.5% in 2013. This decrease was primarily due to the significant reduction in other costs as we incurred lower restructuring costs in 2013 and benefitted from effective cost management initiatives.

Core operating profit/(loss) and core operating profit margin

We had core operating loss of US$95.6 million in 2012, while we had core operating profit of US$133.7 million in 2013. Core operating profit margin was 4.1% in 2013. Core operating profit and core operating profit margin recovered in 2013, primarily due to the strong performance of our Licensed Brands and Controlled Brands segments as well as the decrease in operating costs related to the internal restructuring in 2013 compared to 2012.

Licensed Brands

We had core operating loss from Licensed Brands of US$75.1 million in 2012, while we had core operating profit from Licensed Brands of US$97.7 million in 2013. Core operating profit margin of Licensed Brands was 3.6% in 2013. This increase was primarily due to the decreases in the merchandising and administrative expenses and selling and distribution expenses related to the internal restructuring in 2012 that did not recur in significant amounts in 2013.

Controlled Brands

We had a core operating loss from Controlled Brands of US$20.5 million in 2012, and generated core operating profit of US$36.0 million in 2013. Core operating profit margin of Controlled Brands was 5.9% in 2013. This increase was primarily due to the strong performance of our Frye and Spyder brands in the footwear and fashion apparel operating groups and the decrease in operating costs related to the internal restructuring in 2013 compared to 2012. We entered into long-term licenses for Spyder in 2013 so it only began contributing to our results of operations in 2013.

Gain on remeasurement of contingent consideration payable

Our gain on remeasurement of contingent consideration payable decreased by US$33.2 million, or 30.8%, from US$108.0 million in 2012 to US$74.8 million in 2013. Remeasurement of contingent consideration payable was performed on a transaction by transaction basis in accordance with the measurement formulas set out in the respective sale and purchase agreements. Gain on remeasurement of contingent consideration payable as a percentage of turnover decreased from 3.5% in 2012 to 2.3% in 2013.

Amortisation of other intangible assets

Our amortisation of other intangible assets increased by US$2.8 million, or 6.4%, from US$43.5 million in 2012 to US$46.3 million in 2013, primarily related to increased amortisation on trademarks and brand names.

Gain on disposal of businesses/licensing rights

Our gain on disposal of businesses/licensing rights decreased by US$24.3 million, or 82.1%, from US$29.6 million in 2012 to US$5.3 million in 2013. This gain on disposal in 2013 reflected the net amount of the disposal of the Roots licensing rights and the discontinuation of warehouse services provided to outside customers in the United States.

Other non-core operating expenses

Our other non-core operating expenses increased by US$0.5 million, or 16.4%, from US$2.9 million in 2012 to US$3.4 million in 2013, primarily due to business acquisition-related costs.

Operating profit/(loss) and operating profit margin

We had an operating loss of US$4.3 million in 2012, while we had an operating profit of US$164.1 million in 2013. Operating profit margin was 5.0% in 2013. The increase in operating profit in 2013 was largely due to increased core operating profit which increased due to strong performance by our businesses and the decreased costs following the internal restructuring in 2012 as well as the gain on remeasurement of contingent consideration payable, partially offset by the amortisation of intangible assets.

Net interest expenses

Our net interest expenses decreased by US$6.6 million, or 21.1%, from US$31.2 million in 2012 to US$24.6 million in 2013. This decrease primarily reflected decreased non-cash interest expenses in 2013 as the amount of purchase consideration payable for acquisitions was significantly reduced.

Share of profits of joint ventures

We had share of profits of joint ventures of US$0.4 million in 2013, representing our share of profits of the Iconix SE Asia joint ventures. In 2012, we did not have any share of profits less losses of joint venture.

Profit/(loss) before taxation

We had a loss before taxation of US$35.6 million in 2012, while we had profit before taxation of US$139.9 million in 2013. Our increase in profit before taxation in 2013 was largely due to the reasons discussed above.

Taxation

We had taxation credit of US$63.3 million in 2012 due to the recognition of tax losses generated in 2012 and previously unrecognised tax losses, while we had taxation charge of US$26.4 million in 2013. Our increase in taxation in 2013 was due to the significant improvement in performance of our businesses in 2013 which generated an increase in pre-tax profits. Our effective tax rate in 2013 was 18.8%.

Net profit and net profit margin for the year

For the reasons discussed above, our net profit increased by US$85.8 million from US$27.7 million in 2012 to US$113.5 million in 2013.

2012 Compared with 2011

Turnover

Our turnover increased by US$310.2 million, or 11.0%, from US$2,808.9 million in 2011 to US$3,119.0 million in 2012. This increase primarily reflected a 10.8% increase in turnover from our Licensed Brands business as well as a 12.1% increase in turnover from our Controlled Brands business. As part of the 2012 restructuring, we spent considerable effort on optimising the existing brand portfolio which included discontinuing or downsizing certain brands toward the end of 2012 while continuing to grow our overall business.

Licensed Brands

Our turnover from Licensed Brands increased by US$254.9 million, or 10.8%, from US$2,352.7 million in 2011 to US$2,607.6 million in 2012. This increase was primarily due to the strong performance of brands in our character operating group as we gained market share by adding new character licenses to our portfolio and generating strong returns from certain existing character licences. while other operating groups positively affected our turnover despite decreased demand for certain brands in our fashion apparel and footwear operating groups.

Controlled Brands

Our turnover from Controlled Brands increased by US$55.2 million, or 12.1%, from US$456.2 million in 2011 to US$511.4 million in 2012. This increase was primarily due to the continued strong performance of our Frye brand in the footwear operating group as we increased investment in this brand, partially offset by decreased turnover from our accessories operating group.

Cost of sales

Our cost of sales increased by US$410.8 million, or 22.1%, from US$1,857.3 million in 2011 to US$2,268.1 million in 2012. Cost of sales increased primarily due to increased raw material costs, particularly for leather, incurred by our third party suppliers and passed through to us as price increases as well as costs related to the discontinuation or downsizing of certain brands in 2012.

Gross profit and gross margin

Our gross profit decreased by US$100.6 million, or 10.6%, from US$951.6 million in 2011 to US$851.0 million in 2012. Gross margin decreased from 33.9% in 2011 to 27.3% in 2012. Our gross profit and gross margin were negatively impacted by the restructuring exercise in 2012 as we downsized or discontinued certain brands in 2012 in light of the rate of development and decreased demand. This impact was partially offset by strong performances from our Licensed Brands character operating group and our Controlled Brands fashion apparel and footwear operating groups.

Other income

Our other income increased by US$5.0 million from US$0.7 million in 2011 to US$5.6 million in 2012 primarily due to an increase in consulting revenue.

Total margin

Our total margin decreased by US$95.6 million, or 10.0%, from US$952.2 million in 2011 to US$856.6 million in 2012. Total margin as a percentage of turnover decreased from 33.9% in 2011 to 27.5% in 2012. Our total margin and total margin as a percentage of turnover were negatively impacted by the restructuring exercise in 2012 as we downsized or discontinued certain brands in 2012 in light of the rate of development and decreased demand. This impact was partially offset by strong performances from our Licensed Brands character operating group and our Controlled Brands fashion apparel and footwear operating groups.

Licensed Brands

Our total margin from Licensed Brands decreased by US$108.5 million, or 12.9%, from US$842.3 million in 2011 to US$733.8 million in 2012. Total margin as a percentage of turnover of Licensed Brands decreased from 35.8% in 2011 to 28.1% in 2012. This decrease was primarily due to changes in demand for certain brands in our fashion apparel and footwear operating groups which were discontinued or downsized in late 2012 as part of the internal restructuring, partially offset by the strong performance of our character operating group.

Controlled Brands

Our total margin from Controlled Brands increased by US$12.9 million, or 11.7%, from US$109.9 million in 2011 to US$122.8 million in 2012. This increase was primarily due to the continued strong performance of our Frye brand in the footwear operating group as we increased investment in this brand. Total margin as a percentage of turnover of Controlled Brands decreased slightly from 24.1% in 2011 to 24.0% in 2012.

Selling and distribution expenses

Our selling and distribution expenses increased by US$94.2 million, or 29.6%, from US$318.0 million in 2011 to US$412.2 million in 2012. This increase was primarily due to increased licensing expenses relating to the expansion of our brand portfolio and charges relating to the discontinuation of certain brands in late 2012 as well as increased design production expenses and storage and distribution expenses. Selling and distribution expenses as a percentage of turnover increased from 11.3% in 2011 to 13.2% in 2012.

Merchandising and administrative expenses

Our merchandising and administrative expenses increased by US$83.6 million, or 18.3%, from US$456.4 million in 2011 to US$540.0 million in 2012. This increase was primarily due to increased staff costs and restructuring costs including increased rent costs as we consolidated our facilities in 2012. Merchandising and administrative expenses as a percentage of turnover increased from 16.2% in 2011 to 17.3% in 2012.

Core operating profit/(loss) and core operating profit margin

We had core operating profit of US$177.8 million in 2011, while we had core operating loss of US$95.6 million in 2012. Core operating profit margin was 6.3% in 2011. Our decrease in core operating profit margin in 2012 was largely due to the decrease in core operating profit from our Licensed Brands segment including the costs incurred in connection with the internal restructuring in 2012.

Licensed Brands

We had core operating profit from Licensed Brands of US$178.7 million in 2011, while we had core operating loss from Licensed Brands of US$75.1 million in 2012. Core operating profit margin of Licensed Brands was 7.6% in 2011. Our decrease in core operating profit and profit margin in 2012 was largely due to significant costs incurred in connection with the internal restructuring as well as the weak performance of certain licensed brands that were discontinued or downsized.

Controlled Brands

Our core operating loss from Controlled Brands increased by US$19.7 million from US$0.8 million in 2011 to US$20.5 million in 2012. This increased loss was primarily due to increased cost of sales reflecting higher raw material costs in 2012 and increased operating costs related to the internal restructuring, partially offset by the strong performance of our Frye brand in the footwear operating group as we increased investment in this brand.

Gain on remeasurement of contingent consideration payable

We had gain on remeasurement of contingent consideration payable of US$108.0 million in 2012. This remeasurement related to contingent consideration that were considered unlikely to be paid as determined in accordance with HKFRS. In 2011, we did not have any gain on remeasurement of contingent consideration payable. Gain on remeasurement of contingent consideration payable as a percentage of turnover was 3.5% in 2012.

Amortisation of other intangible assets

Our amortisation of other intangible assets increased by US$12.9 million, or 42.4%, from US$30.5 million in 2011 to US$43.5 million in 2012. This increase was primarily due to amortisation of customer relationships which increased due to the full year impact of 2011 acquisitions over 2012.

Gain on disposal of businesses/licensing rights

We had gain on disposal of businesses of US$29.6 million in 2012, representing the gain on the disposal of the Roots retail business. In 2011, we did not have any gain on disposal of businesses.

Other non-core operating expenses

Our other non-core operating expenses decreased by US$3.8 million, or 56.4%, from US$6.7 million in 2011 to US$2.9 million in 2012, primarily reflecting decreased business acquisition-related costs as the amount and size of acquisitions decreased significantly in 2012.

Operating profit/(loss) and operating profit margin

We had operating profit of US$140.6 million in 2011, while we had operating loss of US$4.3 million in 2012. Operating profit margin was 5.0% in 2011. The decrease in operating profit in 2012 primarily was due to the discontinuation certain licensed brands in 2012 in light of decreased demand as well as increased selling and distribution expenses and merchandising and administrative expenses related to the internal restructuring.

Net interest expenses

Our net interest expenses increased by US$4.5 million, or 16.7%, from US$26.8 million in 2011 to US$31.2 million in 2012. This increase primarily reflected increased non-cash interest expenses relating to brand licenses payable and increased amounts due under bank overdrafts.

Profit/(loss) before taxation

We had profit before taxation of US$113.8 million in 2011, while we had loss before taxation of US$35.6 million in 2012. The decrease in profit before taxation in 2012 was largely due to the reasons discussed above.

Taxation

We had taxation charge of US$13.9 million in 2011, while we had taxation credit of US$63.3 million in 2012. The taxation credit in 2012 was due to the loss before taxation and the recognition of previously unrecognised tax losses. Our effective tax rate in 2011 was 12.2%.

Net profit and net profit margin for the year

For the reasons discussed above, our net profit decreased by US$72.2 million, or 72.3%, from US$99.9 million in 2011 to US$27.7 million in 2012.

LIQUIDITY, CAPITAL RESOURCES AND CAPITAL RISK MANAGEMENT

Overview

Historically, our principal sources of liquidity to date have been cash generated from our operations, bank loans and overdraft facilities, and, for acquisitions and significant capital expenditure, we have obtained intercompany financing from Li & Fung in the form of shareholder loans and capital injections. Our principal uses of cash comprise operating costs, including merchandise purchases and staff costs, purchase consideration for acquisitions and capital expenditure primarily related to our facilities in the Empire State Building and Greensboro, North Carolina. We have material contingent liabilities primarily relating to contingent consideration payable on our acquisitions. In preparation for the Listing, we have entered into the New Credit Facilities which will increase our interest expenses going forward. See "— *Indebtedness — New Credit Facilities*".

As at 31 December 2011, 2012 and 2013, we had cash and cash equivalents of US$118.9 million, US$67.3 million and US$115.1 million, respectively.

Capital risk management

Our primary objectives when managing capital are (i) to safeguard our ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and (ii) to maintain an optimal capital structure to reduce the cost of capital.

We actively and regularly review and manage our capital structure, taking into consideration future capital requirements and capital efficiency, forecast profitability, forecast operating cash flows, forecast capital expenditure and projected investment opportunities. As part of this capital management, we monitor capital using our gearing ratio. For more information, see "*— Key Financial Ratios*" and note 31 to "*Appendix I — Accountant's Report*".

Working capital statement

Taking into account our cash generated from operating activities and the bank facilities available to us, the Directors believe that we have sufficient working capital for our present requirements, that is for at least the next 12 months from the date of this listing document.

CASH FLOWS

The following table sets forth our selected cash flow data for the years indicated.

	Year ended 31 December		
	2011	2012	2013
	(US$'000)		
Net cash inflow from operating activities	63,446	23,029	89,604
Net cash outflow from investing activities	(606,590)	(342,594)	(416,446)
Net cash inflow from financing activities	444,891	267,451	373,932
(Decrease)/Increase in cash and cash equivalents	(98,253)	(52,114)	47,090
Cash and cash equivalents at beginning of year	217,274	118,890	67,342
Effect of foreign exchange rate changes	(131)	566	656
Cash and cash equivalents at end of year	118,890	67,342	115,088

Net cash inflow from operating activities

Our cash inflow primarily consists of turnover generated from our operations. Our cash outflow primarily consists of cost of sales, staff costs, royalty expenses and other operating expenses.

Net cash from operating activities was US$89.6 million in 2013, which was primarily due to operating profit before working capital changes of US$292.4 million, after an increase of US$69.2 million in inventories, a US$60.0 million increase in trade and bills receivable, other receivables, prepayments and deposits and amount due from related companies and a US$67.7 million decrease in trade and bills payable, accrued charges and sundry payables and amount due to related companies. We also paid US$5.8 million in profits tax.

Net cash from operating activities was US$23.0 million in 2012, which was primarily due to operating profit before working capital changes of US$52.0 million, after a US$115.9 million decrease in trade and bills payable and accrued charges and sundry payables and amount due to related companies, which were partially offset by a US$50.6 million decrease in trade and bills receivable, other receivables, prepayments and deposits and amount due from related companies and a decrease of US$38.4 million in inventories. We also paid US$2.1 million in profits tax.

Net cash from operating activities was US$63.4 million in 2011 which was primarily due to operating profit before working capital changes of US$293.6 million, after a US$143.9 million decrease in trade and bills payable and accrued charges and sundry payables and amount due to related companies and an increase of US$97.7 million in inventories, which were partially offset by a US$16.2 million decrease in trade and bills receivable, other receivables, prepayments and deposits and amount due from related companies. We also paid US$4.7 million in profits tax.

Net cash outflow from investing activities

Our cash outflow from investing activities principally consists of consideration for acquisitions of businesses and settlement of consideration payable for acquisitions of businesses completed in previous years. Our cash inflow from investing activities primarily consists of proceeds from disposal of businesses/licensing rights.

Net cash outflow from investing activities was US$416.4 million in 2013, which primarily consisted of US$258.7 million in settlement of consideration payable for prior years acquisitions of businesses, US$50.0 million in acquisitions of businesses and US$65.4 million in purchase of property, plant and equipment (primarily consisting of renovations at our Empire State Building offices).

Net cash outflow from investing activities was US$342.6 million in 2012, which primarily consisted of US$209.8 million in settlement of consideration payable for prior years acquisitions of businesses, US$73.6 million in acquisitions of businesses and US$97.4 million in purchase of property, plant and equipment (primarily consisting of renovations at our Empire State Building offices and our warehouse facilities). This outflow was partially offset by US$41.7 million in proceeds from disposals of businesses and licensing rights.

Net cash outflow from investing activities was US$606.6 million in 2011, which primarily consisted of US$229.6 million in settlement of consideration payable for prior years acquisitions of businesses, US$320.5 million in acquisitions of businesses and US$53.6 million in purchase of property, plant and equipment (primarily consisting of renovations at the Empire State Building offices and our warehouse facilities).

Net cash inflow from financing activities

Our cash inflow from financing activities consists of funds from intercompany financing and drawdown of bank loan. Our cash outflow from financing activities consists of the repayment of intercompany financing and bank loans and interest paid.

Net cash generated from financing activities was US$373.9 million in 2013, which primarily consisted of US$225.5 million in intercompany financing, US$155.2 million in capital injection in the form of equity from Li & Fung and US$2.3 million in drawdown of bank loans, which were partially offset by US$9.1 million in interest paid.

Net cash generated from financing activities was US$267.5 million in 2012, which primarily consisted of US$335.8 million in capital injection in the form of equity from Li & Fung, which was partially offset by a US$27.6 million decrease in intercompany financing, a US$30.0 million repayment of bank loans and US$10.7 million in interest paid.

Net cash generated from financing activities was US$444.9 million in 2011, which primarily consisted of US$514.3 million in capital injection in the form of equity from Li & Fung, which was partially offset by a US$60.5 million decrease in intercompany financing and US$8.9 million in interest paid.

NET CURRENT ASSETS

The following table sets forth our current assets and current liabilities as at the dates indicated.

	As at 31 December			As at 30 April
	2011	2012	2013	2014
	(US$'000)			(unaudited)
Current assets				
Inventories	496,759	436,766	522,103	476,685
Due from related companies	5,401	34,187	19,196	33,757
Trade and bills receivables	239,785	182,632	300,844	277,384
Other receivables, prepayments and deposits	125,021	119,224	118,048	152,474
Derivative financial instrument	—	—	2,664	2,679
Tax recoverable	—	1,612	—	—
Cash and bank balances	119,369	80,981	142,869	188,420
	986,335	855,402	1,105,724	1,131,399
Current liabilities				
Due to related companies	245,769	228,049	270,886	321,179
Trade and bills payable	89,393	94,929	91,069	85,941
Accrued charges and sundry payables	145,556	179,191	224,122	174,350
Purchase consideration payable for acquisitions	145,908	176,821	187,210	192,320
Tax payable	668	—	8,731	1,188
Short term bank loans	30,000	—	2,341	519
Bank overdrafts	479	13,639	27,781	52,397
	657,773	692,629	812,140	827,894
Net current assets	328,562	162,773	293,584	303,505

We recorded net current assets of US$328.6 million, US$162.8 million and US$293.6 million as at 31 December 2011, 2012 and 2013. The decrease in the net current assets position from the end of 2011 to 2012 primarily reflected decreases in inventories and trade and other receivables related to the internal restructuring in 2012. The increase in the net current assets position from the end of 2012 to 2013 primarily reflected the strong performance of our businesses resulting in increased inventories and receivables, partially offset by increased trading portion of amount due to related companies and accrued charges and sundry payables.

The amounts due from related companies include trade receivables owed by Fung Kids (Holdings) Limited and the amounts due to related parties represent trade payables owed to subsidiaries of Li & Fung. We will continue to incur and settle these trade receivables and payables in the ordinary course of business following the Listing Date.

Our net current assets were US$303.5 million as at 30 April 2014, compared to US$293.6 million as at 31 December 2013. This increase in net current assets was primarily due to an increase in current assets, in particular the increase in other receivables, prepayments and deposits and cash and bank balances.

INDEBTEDNESS

The following table sets out the Group's indebtedness as at the respective financial position dates below:

	As at 31 December			As at 30 April
	2011	2012	2013	2014
		(US$'000)		(unaudited)
Current				
Short-term bank loans — unsecured ..	30,000	—	2,341	519
Bank overdrafts — unsecured	479	13,639	27,781	52,397
Non-current				
Non-trade portion of amount due to related companies — unsecured	425,949	392,181	593,821	726,537
Total financial indebtedness	456,428	405,820	623,943	779,453

New Credit Facilities

In preparation for the Listing, on 19 June 2014, we entered into bilateral facility agreements (the "**New Facility Agreements**") with each of Citibank, N.A., HSBC Bank USA, National Association and Standard Chartered Bank (the "**Lenders**"). Under the New Facility Agreements, the Lenders provided credit and trade facilities with an aggregate principal amount of US$845 million. Of these credit and trade facilities, an aggregate principal amount of up to US$600 million were committed New Credit Facilities. The committed New Credit Facilities consist of (i) revolving and term New Credit Facilities with an aggregate principal amount of US$500 million with a term of three years from the effective date of the relevant Facility Agreement and (ii) a revolving loan facility with a principal amount of US$100 million with a term of one year from the effective date of the relevant New Facility Agreement. The Lenders also provided uncommitted loan and trade facilities to us in an aggregate principal amount of up to US$245 million for short term working capital and trade lines with availability for one year from the effective date of the relevant New Facility Agreement (together with the committed facilities, the "**New Credit Facilities**").

We intend to draw down approximately US$730 million in net proceeds from the New Credit Facilities to fully repay the non-trading portion of the amounts due to related companies prior to the Listing. The remaining proceeds of the New Credit Facilities would be used from time to time for working capital and trade finance purposes. Upon Listing, we will no longer be a borrower under the bank loans and overdraft facilities guaranteed by Li & Fung. The New Credit Facilities are unsecured and are not guaranteed by Li & Fung or any related party.

The New Credit Facilities carry variable interest rates ranging from 1.3% to 2.1% per annum over LIBOR for the 1-year and 3-year loan tranches of the New Credit Facilities. In addition, we also incurred upfront fee and commitment fee for the unused portion of the committed facilities. The weighted average effective interest rate of the loan tranches of the New Credit Facilities is approximately 1.8% per annum over LIBOR on the assumption of full utilisation.

As the non-trading portion of the amounts due to related companies was interest-free and will be replaced with borrowings under the New Credit Facilities, our interest expenses will increase. The utilisation of the New Credit Facilities will vary from month to month. Based on LIBOR as of the Latest Practicable Date, the effective monthly interest expenses for the full utilisation of the loan tranches of the New Credit Facilities is expected to be approximately US$1.3 million. The effective monthly interest expenses will change by approximately US$0.07 million if LIBOR changes by 0.1%.

We are subject to certain restrictive covenants and customary events of default in our New Facility Agreements.

Under the New Facility Agreements, events of default include the failure to maintain a listing on the Stock Exchange and the Fung family ceasing to be the largest shareholder of the Company. The New Facility Agreements contain cross-default clauses. If any cross-default occurs, the Lenders will be entitled to accelerate repayment of all or any part of the loans from such Lender and to take action against all or any of the security for such indebtedness.

Under the New Facility Agreements, we have the following financial covenants:

(i) The ratio of EBITDA divided by cash interest expenses is greater than 5x;

(ii) Net debt (including contingent acquisition consideration payable but excluding earn-up amounts) divided by total equity must be less than 45%; and

(iii) Total equity must be at least US$1.75 billion.

Except for the New Credit Facilities, we do not have current plans to borrow additional indebtedness or enter into any material financing arrangements. For more information, see "— *Recent Developments — Repayment of Loans*".

Non-trade portion of amount due to related companies

The non-trade portion of amount due to related companies was unsecured, non-interest bearing and was not repayable within 12 months. It represented funding contributed by Li & Fung Group principally for financing, acquisition and capital expenditure purposes since the inception of our business.

We plan to fully settle the non-trade portion of amount due to related companies through repayment from amounts drawn down under the New Credit Facilities prior to Listing. For more information, see "*— Recent Developments — Repayment of Loans*".

Bank Loans and Bank Overdrafts

As at 30 April 2014, we borrowed under facilities maintained and, in most cases, co-used by the Li & Fung group and most of our bank loans and bank overdrafts were guaranteed by Li & Fung Group. In preparation for Listing, we will be removed as a borrower under all of the exiting bank loan and overdraft facilities guaranteed by Li & Fung Group. As at 30 April 2014, we had total bank loans and overdraft facilities allocated by Li & Fung Group in the amount of approximately US$93.6 million which were apportioned from the banking facilities maintained by Li & Fung Group, of which approximately US$40.7 million remained unutilised and available.

These facilities will be replaced by the New Credit Facilities. See *"— New Credit Facilities"*.

As at 31 December 2011, 2012 and 2013 and 30 April 2014, we had outstanding bank loans and bank overdrafts in the amounts of US$30.5 million, US$13.6 million, US$30.1 million and US$52.9 million, respectively.

Our bank loans and bank overdrafts are denominated principally in US dollars and Hong Kong dollars, as well as in Euros. As at 31 December 2013, the effective annual interest rate of our bank loans and bank overdrafts ranged between 1.3% and 5.0%.

The effective interest rates at the dates indicated were as follows:

	As at 31 December											
	2011				2012				2013			
	HKD	USD	EUR	GBP	HKD	USD	EUR	GBP	HKD	USD	EUR	GBP
Short-term bank loans	—	2.0%	—	—	—	—	—	—	—	—	3.8%	—
Bank overdrafts	—	—	1.3%	1.3%	—	—	1.3%	1.3%	5.0%	1.3%	1.3%	—

Our contractual repricing dates for borrowings were all three months or less. All of our short-term bank loans and bank overdrafts were due within one year.

Directors' Confirmation

As at 30 April 2014, the Directors confirm that we have been in full compliance with the relevant material covenants and restrictions under the terms of the relevant bank facilities.

Indebtedness as at 30 April 2014

As at 30 April 2014, except as disclosed in this listing document, and apart from the bank loans, non-trade portion of amount due to related companies, bank overdrafts and normal trade payables in the ordinary course of business, we did not have any other debt securities, term-loan borrowings, indebtedness, acceptance credits, hire purchase commitments, mortgages, charges, contingent liabilities, or guarantees outstanding.

Except as disclosed above including the New Credit Facilities and our removal as a borrower under facilities guaranteed by Li & Fung described above, we confirm that there had not been any material adverse change in our indebtedness and contingent liabilities since 31 December 2013 and up to the Latest Practicable Date.

CERTAIN COMBINED BALANCE SHEETS ITEMS

Intangible Assets

As at 31 December 2011, 2012 and 2013, we had intangible assets of US$2,835.9 million, US$3,006.5 million and US$3,276.0 million, respectively. These amounts comprised goodwill, brand licences and distribution rights, computer software and system development costs and other intangible assets. As at 31 December 2011, 2012 and 2013, goodwill, arising from our acquired businesses, represented the majority of our intangible assets with US$2,175.8 million, US$2,391.7 million and US$2,519.6 million, respectively.

We perform regular assessments of our acquired businesses to determine any potential impairment for both goodwill and intangible assets in accordance with HKAS 36 "Impairment of Assets". As at 31 December 2011, 2012 and 2013, we did not recognise any impairment of goodwill and intangible assets. See note 12 to the Accountant's Report set out in "*Appendix I — Accountant's Report*".

Due from/(to) related companies

The following table sets out the Group's amounts due from and due to related companies as at the dates indicated below:

	As at 31 December		
	2011	2012	2013
		(US$'000)	
Due from:			
Related companies			
— Trade[1]	5,401	9,084	19,196
— Non-trade[2]	—	25,103	—
	5,401	34,187	19,196
Due to:			
Related companies			
— Trade[1]	245,769	228,049	270,886
— Non-trade[3]	425,949	392,181	593,821
	671,718	620,230	864,707
Net liabilities owed to related parties	666,317	586,043	845,511

Notes:

(1) The amounts due from and to related companies are trading in nature and we will continue to incur and settle these trade receivables and trade payables in the ordinary course of business following the Listing Date.

(2) This amount represents consideration receivable as at 31 December 2012 arising from the disposal of the Roots' retail business in 2012 to a related company. This amount was fully settled in 2013.

(3) These amounts represent loans from related companies to fund acquisitions and significant capital expenditure. These amounts are unsecured, interest free and not repayable within 12 months.

Amounts due from related companies

As at 31 December 2011, 2012 and 2013, the balance of the Group's amount due from related companies was US$5.4 million, US$34.2 million and US$19.2 million, respectively. These amounts primarily reflected (i) trade receivables arising from purchases of kidswear by Fung Kids (Holdings) Limited from us and (ii) consideration receivable from disposal of Roots' retail business to a related company of US$25.1 million as at 31 December 2012, which was fully settled in 2013. We will continue to incur and settle the trading amounts due from related companies in the ordinary course of business following the Listing Date. For more information, see "*Relationship with the Controlling Shareholders*".

Amounts due to related companies

As at 31 December 2011, 2012 and 2013, the total balance of the Group's amount due to related companies was US$671.7 million, US$620.2 million and US$864.7 million, respectively. These amounts primarily reflected (i) trade payables to related parties related to merchandise and materials sourced from Li & Fung and (ii) loans from Li & Fung used to fund acquisitions and significant capital expenditure during the Track Record Period. We plan to settle all outstanding non-trading amounts due to related companies by repayment using proceeds from the New Credit Facilities on or prior to the Listing Date. We will continue to incur and settle the trade payables in the ordinary course of business in accordance with the Buying Agency Agreement following the Listing Date.

For further details, see note 16 to the Accountant's Report set out in "*Appendix I — Accountant's Report*". For more information, see "*Relationship with the Controlling Shareholders*".

Inventories

Our inventories primarily comprise finished goods purchased from our third party suppliers.

	As at 31 December		
	2011	**2012**	**2013**
	(US$'000, except days)		
Inventories			
Finished goods	496,759	436,766	522,103
Turnover days of inventory[1]	76.8 days	75.1 days	76.3 days

Note:

(1) Turnover days of inventory is calculated by dividing the average inventories for the relevant period by cost of sales and multiplying this figure by the number of days in the period. Average inventories equals inventories at the beginning of the period plus inventories as at the end of the period, divided by two.

Total inventories as at 31 December 2012 decreased compared to as at 31 December 2011 due to adjustments in connection with the restructuring of our licensed brand business in 2012. Total inventories as at 31 December 2013 increased compared to as at 31 December 2012 primarily due to ongoing growth of our business and decreased writedowns of inventory in 2013 when compared to the restructuring in 2012. Our turnover days of inventory remained relatively stable during the Track Record Period as inventory control and management is a primary focus of management throughout the Group.

As at 30 April 2014, approximately US$383.6 million or 73.5% of our inventories outstanding as at 31 December 2013 were sold. A substantial portion of our inventories is typically "on the water" as it is shipped months in advance of delivery to our customers.

Trade and other receivables

The following table sets out our trade, other receivables and the trading portion of amounts due from related companies and average adjusted trade and bills receivables turnover days as at the dates indicated:

	As at 31 December		
	2011	2012	2013
	(US$'000, except days)		
Trade, other receivables and amounts due from related companies			
Trade and bills receivables — net	239,785	182,632	300,844
Other receivables, prepayments and deposits	127,315	133,244	127,558
	367,100	315,876	428,402
Less:			
Non-current portion of other receivables[(1)]	—	—	(7,326)
Deposits	(2,294)	(14,020)	(2,184)
Total	364,806	301,856	418,892
Amount due from related companies — trade[(2)]	5,401	9,084	19,196
Adjusted trade and bills receivables turnover days[(3)]	27.9 days	25.6 days	28.4 days

Notes:

(1) The balance represents our investment in an unlisted convertible promissory note issued by BHB. The effective interest rate of the convertible promissory note at 31 December 2013 was 5.38%. See "— *Related Party Transactions*".

(2) All amounts due from related companies are trading in nature and we will continue to incur and settle these trade receivables in the ordinary course of business following the Listing Date.

(3) Adjusted trade and bills receivables turnover days are calculated by dividing average adjusted trade and bills receivables by turnover and multiplying the resulting value by the number of days in the period. Average adjusted trade and bills receivables equals trade and bills receivables plus trading amounts due from related companies at the beginning of the period plus trade and bills receivables plus trading amounts due from related companies as at the end of the period, divided by two.

Our trade and bills receivables were US$57.2 million lower as at 31 December 2012 compared to as at 31 December 2011 and were US$118.2 million higher as at 31 December 2013 compared to as at 31 December 2012. The changes primarily reflected trade receivables relating from acquisitions during the Track Record Period that were not included in our third party accounts receivable finance programmes. See "— *Trade Finance and Accounts Receivable Finance Programmes*". Our trade and bills receivables turnover days fluctuated slightly during the Track Record Period but remained less than our typical 30 to 60 day credit terms.

As at 30 April 2014, approximately US$292.9 million or 97.3% of our trade and bills receivables outstanding as at 31 December 2013 were settled.

Other receivables, prepayments and deposits primarily represented advances to suppliers, prepaid royalties, tenant allowances, deposits and other prepaid operating expenses. These amounts increased as at 31 December 2012 due to the increase in prepaid costs in relation to the restructuring as at 31 December 2012 and a non-current deposit paid in 2012 for an acquisition completed in 2013.

A significant portion of our business is conducted on open account terms which are often covered by credit insurance. The remaining amounts are mostly covered by customers' standby letters of credit, bank guarantees and prepayments.

We do not have a material concentration of credit risk with respect to trade receivables as the majority of the balances are covered by credit insurance. The carrying amount of these assets approximates their fair value. Trade and bills receivables which are past due at the end of the reporting period are stated at the expected recoverable amount, net of provision for estimated impairment losses for bad debts.

The following table sets forth the aging analysis of trade and bills receivables presented based on the invoice date at the end of each reporting period:

	As at 31 December		
	2011	2012	2013
		(US$'000)	
Trade and bills receivables aged			
Current to 90 days	233,624	182,205	286,865
91 to 180 days	3,404	316	10,699
181 to 360 days	1,106	49	3,179
Over 360 days	1,651	62	101
Total trade and bills receivables	239,785	182,632	300,844

Trade Finance and Accounts Receivable Finance Programmes

Our trading operations have been well supported by over US$282 million in bank trading facilities which were apportioned from the banking facilities maintained and co-used by Li & Fung Group. These facilities included mainly letters of credit and bills discounting. As at 31 December 2013, approximately 29% of the apportioned facilities were utilised.

In preparation for the Listing, we have obtained the New Credit Facilities which include US$245 million in uncommitted loan and trade facilities. Prior to the Listing, we will be removed as a borrower from the banking facilities maintained by Li & Fung. For further details, see "*— Indebtedness — New Credit Facilities*".

Our payment obligations on letters of credit issued to suppliers will only be fixed when our suppliers have shipped the product to our customers or to us.

We sell a majority of our third party trade and bills receivable to third party financial service providers as part of our accounts receivable finance programmes.

To manage our credit risk relating to trade receivables, we have entered into accounts receivable finance programmes with third party financial services providers whereby the Group sells its eligible trade and bills receivable to the third party. The eligible trade and bills receivable are those that receive credit protection from CIT Group Inc. or Wells Fargo Bank, N.A. CIT Group Inc. and Wells Fargo Bank, N.A. perform credit application, cash collection and cash application functions for the Group. These institutions bear the risk of any losses related to bad debts on undisputed non-payments. In such instances, we are required to provide invoice and shipment support to prove that our obligations were entirely fulfilled and that there were no outstanding disputes. If the qualifications are met, the financial institution will remit payment to us when the invoice becomes 90 days overdue. Disputed invoices and chargebacks are not guaranteed by the financial institutions. We did not have any material losses as a result of the credit of our customers during the Track Record Period.

We incurred costs relating to our accounts receivable finance programmes of US$13.2 million, US$15.6 million and US$12.4 million in 2011, 2012 and 2013, respectively.

Trade and other payables

The following table sets out our trade and other payables and average trade and bills payables turnover days as at the dates indicated:

	As at 31 December		
	2011	2012	2013
	(US$'000, except days)		
Trade and other payables			
Trade and bills payable	89,393	94,929	91,069
Brand license payable	45,646	43,497	41,789
Other accrued charges and sundry payables	99,910	135,694	182,333
Total	234,949	274,120	315,191
Amount due to related companies[1]	245,769	228,049	270,886
Adjusted trade and bills payable turnover days[2]	65.2 days	53.0 days	54.5 days

Notes:

(1) The amounts due to related companies are trading in nature and we will continue to incur these trade payables in the ordinary course of business following the Listing Date.

(2) Adjusted trade and bills payable turnover days is calculated by dividing average adjusted trade and bills payables by cost of sales and multiplying the resulting value by the number of days in the period. Average adjusted trade and bills payables equals trading amounts due to related companies and trade and bills payables at the beginning of the period plus trading amounts due to related companies and trade and bills payables as at the end of the period, divided by two.

The increase in trade and other payables from the end of 2011 to 2012 primarily reflected increased charges incurred due to the restructuring of our licensed brands business in 2012. The majority of our trade payables are recorded as amounts due to related companies when Li & Fung acts as our buying agent to source products from third party suppliers.

We believe including trading amounts due to related companies in our adjusted trade and bills payable turnover days more accurately reflects our overall trade payables. Including these trading amounts due to related companies, our adjusted trade and bills payable turnover days decreased by 12.2 days from 31 December 2011 to 31 December 2012 and then increased by 1.5 days from 31 December 2012 to 31 December 2013. The decrease in adjusted trade and bills payable turnover days from 31 December 2011 to 31 December 2012 were primarily due to the substantial reduction of acquisition activities in 2012, which allowed us to have more cash available for the early settlement of amounts due to related companies.

Adjusted trade and bills payable turnover days for 2012 and 2013 remained fairly stable at 53.0 days and 54.5 days, respectively.

The credit period on our trade payables was up to 90 days and we typically settle our trade payable within the applicable credit period.

As at 30 April 2014, approximately US$360.5 million or 99.6% of our trade and bills payables and the trade portion of amounts due to related companies outstanding as at 31 December 2013 were settled.

Brand licence payable was the current portion of guaranteed royalty payments relating to certain licensed brands. These amounts decreased slightly during the Track Record Period.

The fair values of our trade and other payables were approximately the same as their carrying values as at 31 December 2011, 2012 and 2013, respectively.

Other accrued charges and sundry payables comprised primarily accrued royalty payments, accrued staff costs and other operating expenses. The increase in these amounts from the end of 2011 to 2013 primarily reflected the additional other accrued charges and sundry payables from new acquisitions and the increase in accrued staff costs and royalty expenses in line with the expansion in operating scale of the Group in recent years.

The following table sets forth the aging analysis of trade and bills payables presented based on the invoice date at the end of each reporting period:

	As at 31 December		
	2011	2012	2013
	(US$'000)		
Trade and bills payables aged			
Current to 90 days	82,496	92,012	90,222
91 to 180 days	5,352	2,119	549
181 to 360 days	1,545	764	180
Over 360 days	—	34	118
Total trade and bills payables	89,393	94,929	91,069

During the Track Record Period, the aging of our trade and bills payables has remained relatively stable as over 90% of our trade and bills payables were settled within 90 days.

Derivative financial instrument

As at 31 December 2011, 2012 and 2013 and up to the date of this document, we had no derivative financial instruments except for the conversion right embedded in the BHB Convertible Note from the Group's subscription in 2013. As at 31 December 2013, the fair value of the conversion right amounted to US$2.7 million which has been reflected in full in the Group's combined balance sheets as a derivative financial instrument under current assets. See "— *Related Party Transactions*".

Long-term financial liabilities

We have a significant amount of contingent liabilities primarily representing the contingent consideration payable for acquisitions in the form of earn-out and earn-up and the brand license payables of guaranteed minimum royalties, which are recorded as non-current liabilities.

Purchase consideration payable for acquisitions

We record the purchase consideration payable for acquisitions relating to the earn-out and earn-up provisions as liabilities on our combined balance sheets. As at 31 December 2011, 2012 and 2013, we had outstanding contingent consideration payable for acquisitions of US$946.6 million, US$825.1 million and US$639.1 million, of which US$532.8 million, US$384.5 million and US$191.3 million was earn-out related and US$413.9 million, US$440.6 million and US$447.8 million was earn-up related, respectively. As at 31 December 2011, 2012 and 2013, the current portion due within one year of our outstanding consideration payable was US$145.9 million, US$176.8 million and US$187.2 million, respectively.

If the earn-out and earn-up targets are met, we pay the amounts due, the amount recorded as a liability is correspondingly reduced and no further remeasurement of the settled contingent consideration for that target is required. If the earn-out and earn-up targets are not met, we recognise gains on the combined profit and loss accounts and make corresponding adjustment to the amount recorded as a liability.

See *"— Factors Affecting Results of Operations and Financial Condition — Acquisitions"* for further details.

Brand licence payables

We record the non-current portion of brand licence payables comprising guaranteed minimum royalties under our licensed brands as non-current liabilities on our combined balance sheets. We recorded brand licence payables (non-current portion) of US$171.4 million, US$133.1 million and US$248.4 million in 2011, 2012 and 2013, respectively. These amounts incur non-cash interest that is reflected on our combined profit and loss account.

Maturity profile

The table below sets out the maturity profile of our long-term financial liabilities (including the current portion due within one year) as at the dates indicated:

	2011	2012	2013
		(US$'000)	
Within 1 year	191,554	220,318	228,999
Between 1 and 2 years	265,783	317,234	186,381
Between 2 and 5 years	531,106	428,493	411,002
Wholly repayable within 5 years	988,443	966,045	826,382
Over 5 years	175,267	35,621	102,964
	1,163,710	1,001,666	929,346

Deferred tax assets/(liabilities)

After offsetting balances within the same tax jurisdiction, the following table sets out our deferred tax assets and liabilities as at the dates indicated:

	The Group		
	As at 31 December		
	2011	2012	2013
		(US$'000)	
Deferred tax assets	212	21,546	2,272
Deferred tax liabilities	(33,682)	(22)	(22,243)
	(33,470)	21,524	(19,971)

The movement of deferred tax between reporting periods was primarily a result of (i) the recognition of previously unrecognised tax losses during 2012 and (ii) the increase in deferred tax liabilities arising from remeasurement of contingent consideration payable in 2013.

CAPITAL EXPENDITURE, COMMITMENTS AND CONTINGENT LIABILITIES

Capital expenditure

Our capital expenditure during the Track Record Period represented the purchase of fixed assets relating to leasehold improvements, furniture, fixtures and equipment, plant and machinery, and motor vehicles. We incurred these amounts principally for the renovation of our offices in the Empire State Building and purchases of equipment for our warehouse facilities.

The following table sets out our capital expenditure during the Track Record Period:

	Year ended 31 December		
	2011	2012	2013
		(US$'000)	
Leasehold improvements	13,875	60,345	51,153
Furniture, fixtures and equipment	39,724	30,208	12,152
Plant and machinery	—	6,418	68
Motor vehicles	—	455	2,057
Total capital expenditure	53,599	97,426	65,430

We have authorised and contracted for commitments relating to capital expenditure of approximately US$52.5 million as at 31 December 2013, primarily on leasehold improvements and furniture, fixtures and equipment relating to the fit-out of our offices at the Empire State Building.

Operating Lease Commitments

We lease various offices and warehouses under non-cancellable operating lease agreements. The lease terms are between 1 and 17 years. As at 31 December 2011, 2012 and 2013, we had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	As at 31 December		
	2011	2012	2013
		(US$'000)	
Within one year	60,536	51,713	49,101
In the second year to fifth year inclusive	191,757	184,332	185,416
After the fifth years	396,796	381,216	347,978
Total	649,089	617,261	582,495

During the Track Record Period, we reduced the amount of operating lease commitments by consolidating office and distribution facilities.

Capital commitments

We had the following capital commitments as at the dates indicated:

	As at 31 December		
	2011	2012	2013
		(US$'000)	
Contracted but not provided for:			
Property, plant and equipment	3,944	1,575	14,166
Computer software and system development costs	11,485	10,576	9,066
Authorised but not contracted for:			
Property, plant and equipment	51,095	53,148	8,254
Computer software and system development costs	37,096	8,496	21,034
Total	103,620	73,795	52,520

These capital commitments primarily related to renovations of our offices at the Empire State Building and the integration of our back-office facilities in Greensboro, North Carolina during the Track Record Period.

Contingent liabilities and guarantees

We are not currently involved in any material legal proceedings, nor are we aware of any pending or potential material legal proceedings involving us.

Save as disclosed above including the contingent liabilities relating to consideration for acquisitions and guaranteed minimum royalties, as at the Latest Practicable Date, we did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptance, acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

KEY FINANCIAL RATIOS

The following table sets out our key financial ratios for the periods indicated:

	As at 31 December		
	2011	2012	2013
Current ratio(1)	1.5x	1.2x	1.4x
Gearing ratio(2)	N/A	N/A	N/A
Adjusted gearing ratio(3)	16.0%	13.2%	16.7%
Net debt-to-total assets ratio(4)	N/A	N/A	N/A
Adjusted net debt-to-total assets ratio(5)	8.6%	8.0%	10.5%

Notes:

(1) Current ratio is calculated by dividing total current assets by total current liabilities.

(2) Gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including short-term bank loans and overdraft facilities (excluding the non-trade portion of amounts due to related companies), and less cash and cash equivalents). Total capital is calculated as total equity plus net debt.

(3) Adjusted gearing ratio is calculated as adjusted net debt divided by adjusted total capital. Adjusted net debt is calculated as total borrowings (including short-term bank loans, overdraft facilities and non-trade portion of amounts due to related companies, and less cash and cash equivalents). Adjusted total capital is calculated as total equity plus adjusted net debt.

(4) Net debt-to-total assets ratio is calculated by dividing net debt by the total assets, and multiplying the resulting value by 100%.

(5) Adjusted net debt-to-total assets ratio is calculated by dividing adjusted net debt by the total assets, and multiplying the resulting value by 100%.

Current Ratio

Our current ratio decreased from 1.5x in 2011 to 1.2x in 2012. This decrease was primarily due to decreased current assets reflecting decreases in inventories, trade and bills receivable and cash and bank balances. Our current ratio increased from 1.2x in 2012 to 1.4x in 2013. This increase was primarily due to increased current assets as our operations grew in 2013 following completion of the restructuring.

Gearing Ratio

Our gearing ratio was not material or meaningful during the Track Record Period as the majority of our financial indebtedness was amounts due to Li & Fung. See "— *Adjusted Gearing Ratio*".

Adjusted Gearing Ratio

Our adjusted gearing ratio decreased from 16.0% as at 31 December 2011 to 13.2% as at 31 December 2012. This decrease was primarily due to increased equity from capital injections for acquisitions in 2012. Our adjusted gearing ratio increased from 13.2% as at 31 December 2012 to 16.7% as at 31 December 2013. This increase was primarily due to increased intercompany funding in 2013 in the form of shareholders loans rather than capital injections.

Net Debt-to-Total Assets Ratio

Net debt-to-total assets ratio was not material or meaningful as advances from Li & Fung represented the majority of our financial indebtedness during the Track Record Period. See "— *Adjusted Net Debt-to-Total Assets Ratio*".

Adjusted Net Debt-to-Total Assets Ratio

Our adjusted net debt-to-total assets ratio decreased from 8.6% in 2011 to 8.0% in 2012. This decrease was primarily due to a decrease in the amount due to Li & Fung reflecting partial repayment. Our adjusted net debt-to-total assets ratio increased from 8.0% in 2012 to 10.5% in 2013. This increase was primarily due to a significant increase in the amount due to Li & Fung.

OFF BALANCE SHEET ARRANGEMENTS

Except as disclosed in this listing document including relating to the accounts receivable finance programmes, we had no off-balance sheet arrangements as at 31 December 2013 and as at the date of this listing document.

QUANTITATIVE AND QUALITATIVE ANALYSIS ABOUT MARKET RISK

Financial Risk Management

Our activities expose us 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. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on our financial performance.

Foreign exchange risk

Most of our cash balances were deposits in US dollars with major global financial institutions, and our turnover and payments were transacted predominantly in US dollar. Therefore, we consider there is no significant risk exposure in relation to foreign exchange rate fluctuations.

As at 31 December 2011, 2012 and 2013 assuming the mix of currency remains constant, the significant impact of a hypothetical 10% strengthening/weakening of the major foreign currencies, such as Euros and Pounds sterling, to which the Group had exposure had strengthened/weakened by 10%, 10% and 10%, respectively, against US and HK dollar with all other variables held constant, profit for the year and equity would have been approximately 1.3%, 16.4% and 3.8% respectively and 0.8%, 0.8% and 1.3%, respectively, higher/lower, mainly as a result of foreign exchange gains/losses on translation of foreign currencies denominated trade receivables and borrowings.

Price risk

As at 31 December 2011, 2012 and 2013 and up to the date of this document, we held no derivative financial instruments except for the conversion right embedded in the BHB Convertible Note.

Cash flow and fair value interest rate risk

As we have no significant interest-bearing assets except for the convertible promissory note with BHB, our income and operating cash flows are substantially independent of changes in market interest rates.

Our interest rate risk arises mainly from US dollar denominated bank borrowings. Bank borrowings at variable rates expose us to cash flow interest rate risk. Our policy is to maintain a diversified mix of variable and fixed rate borrowings based on prevailing market conditions.

As at 31 December 2011, 2012 and 2013, if the variable interest rates on the bank borrowings had been 0.1% higher/lower with all other variables held constant, profit for the year and equity would have been approximately US$11,000, US$21,000 and US$57,000, respectively, lower/higher, mainly as a result of higher/lower interest expenses on floating rate borrowings.

Credit risk

Credit risk mainly arises from trade and other receivables as well as our cash and bank balances. We have stringent policies in place to manage our credit risk with trade and other receivables, which include but are not limited to the measures set out below:

(i) We select customers in a cautious manner. Our credit control team has implemented a risk assessment system to evaluate our customers' financial strengths prior to agreeing at the trade terms with individual customers. It is not uncommon that we require securities, such as standby or commercial letter of credit, or bank guarantee, from a small number of our customers that fall short of the required minimum score under our risk assessment system;

(ii) A significant portion of trade receivable balances are covered by trade credit insurance or factored to external financial institutions on a non-recourse basis;

(iii) We have in place a close monitoring system with a dedicated team to ensure on-time recoveries from our trade debtors; and

(iv) Internally we have set up rigid policies on provision made for both inventories and receivables to motivate our business managers to step up efforts in these two areas so as to avoid any significant impact on their financial performance.

Our five largest customers, in aggregate, account for less than 50% of our business. Transactions with these customers are entered into within the credit limits designated by us.

As at 31 December 2011, 2012 and 2013, except for trade receivables of US$2.2 million, US$0.5 million and US$1.8 million, respectively, that were considered impaired and fully provided, none of the other financial assets including derivative financial instruments, due from related companies and other receivables and deposits was impaired as there was no recent history of default of the counterparties. The maximum exposure of these other financial assets to credit risk at the reporting date is their carrying amounts.

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 our bankers.

Management monitors rolling forecasts of our liquidity reserves (comprises undrawn borrowing facilities and cash and cash equivalents) on the basis of expected cash flow.

The table below analyses the liquidity impact of our long-term liabilities into relevant maturity groupings based on the remaining period at the date of the combined balance sheets to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	(US$'000)			
At 31 December 2011				
Bank loans	30,000	—	—	—
Purchase consideration payable for acquisitions	145,908	205,291	461,321	156,099
Brand license payable	45,646	66,206	90,444	24,613
Trade and bills payable	89,393	—	—	—
Accrued charges and sundry payables	99,910	—	—	—
Due to related companies (trade)	245,769	—	—	—
At 31 December 2012				
Purchase consideration payable for acquisitions	176,821	270,396	372,126	19,972
Brand license payable	43,497	52,252	72,868	18,038
Trade and bills payable	94,929	—	—	—
Accrued charges and sundry payables	135,694	—	—	—
Due to related companies (trade)	228,049	—	—	—
At 31 December 2013				
Bank loans	2,341	—	—	—
Purchase consideration payable for acquisitions	187,210	127,487	324,313	14,840
Brand license payable	41,789	74,772	109,960	96,537
Trade and bills payable	91,069	—	—	—
Accrued charges and sundry payables	182,333	—	—	—
Due to related companies (trade)	270,886	—	—	—

DIVIDENDS, DIVIDEND POLICY AND DISTRIBUTABLE RESERVES

Dividends

No dividend has been paid or declared by the Company since its incorporation or by the Group during the Track Record Period.

Dividend Policy

As part of our growth strategy, we currently intend to retain future earnings for use in our operations and have no intention of paying dividends for 2014. However, in future years, we may pay dividends but we have not adopted a fixed payout ratio.

Any further determination to pay dividends will be at the discretion of our Board, subject to applicable laws, and will depend on our results of operations, cash flows, financial condition, capital requirements, general business conditions, our prospects and other factors our Board considers relevant.

Our ability to pay cash dividends will also depend on the amount of distributions, if any, received by the Company from our operating subsidiaries. Certain of our subsidiaries are subject to withholding requirements and/or can only pay dividends out of distributable profits.

There can be no assurance that any dividends will be paid. Investors should consider the risk factors affecting the Group. See "*Risk Factors*" and the cautionary notice regarding forward-looking statements in "*Forward-looking Statements*".

Distributable Reserves

The Company was incorporated on 4 December 2013 and is an investment holding company carrying on no business activities. Accordingly, there was no reserve available for distribution to Shareholders as at 31 December 2011, 2012 and 2013.

RELATED PARTY TRANSACTIONS

The Directors confirm that all related party transactions during the Track Record Period were conducted on normal commercial terms and that their terms were fair and reasonable to the Group.

See "*Relationship with the Controlling Shareholders*", "*Connected Transactions*" and note 29 to the Accountant's Report set out in "*Appendix I — Accountant's Report*".

Transactions with Li & Fung as buying agent and the Buying Agency Agreement

A significant majority of our purchases from our suppliers are completed through Li & Fung as our buying agent, who provides sourcing and supply chain management services, including recommending suppliers to match our production needs. Under the Buying Agency Agreement, we have committed to using Li & Fung to provide, and Li & Fung has committed to providing, sourcing services for no less than 50% of our total volume requirements for the term of the agreement. The ability to source up to 50% of our products from other providers gives us the flexibility to use third party providers in territories where Li & Fung does not currently have a significant presence, and also gives us the ability to benchmark Li & Fung against alternative providers and ensure that the terms it offers to us remain competitive. The Buying Agency Agreement is described further in "*Connected Transactions — Non-Exempt Connected Transactions — A. Transactions with the Li & Fung Group — 1. Buying Agency Agreement*".

Cooperation arrangement with Heritage and Trinity

On 21 August 2013, we formed a business co-operation arrangement with Heritage and Trinity International Brands Limited, a related company of the ultimate holding company, for funding the Kent & Curwen business in the United States by BHB, a wholly-owned subsidiary of Heritage. Pursuant to the arrangement, we entered into a convertible promissory note purchase agreement with a maximum aggregate consideration of US$32 million in six tranches over three years. We had paid the two tranches totalling US$10 million as at 31 December 2013. For the remaining US$22 million, we are required to pay BHB by 31 August 2015, subject to certain conditions. In connection with these arrangements, we hold a convertible promissory note (the "**BHB Convertible Note**") that carries interest at 5% per annum maturing on 31 December 2027 with a right of conversion up to 51.1% of BHB's common stock during the period commencing on the earlier of either (i) the date on which sum of all payments made by us equals the maximum aggregate amount of the BHB Convertible Note; or (ii) 1 January 2016, and ending on the date occurring 90 days following the date of delivery to us of the annual audited financial statements of BHB for the fiscal year 2018.

We recognised the conversion right embedded in the BHB Convertible Note as a derivative financial instrument recorded as a current asset of US$2.7 million as at 31 December 2013. See notes 17, 29 and 32 to the Accountant's Report set out in "*Appendix I — Accountant's Report*".

NO ADDITIONAL DISCLOSURE REQUIRED UNDER THE LISTING RULES

We confirm that, as at the Latest Practicable Date, the Company is not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to Rules 13.19 of the Listing Rules.

LISTING EXPENSES

Our listing expenses include the fees of the reporting accountant, legal advisers' fees, professional fees for the Reorganisation and fees paid to the Joint Sponsors. Total listing expenses expected to be incurred in relation to the Listing are US$11.0 million, all of which is expected to be charged to the profit and loss accounts of the Group. The Company did not incur significant expenses relating to the Listing during the Track Record Period.

UNAUDITED PRO FORMA FINANCIAL INFORMATION

See "*Appendix II — Unaudited Pro Forma Financial Information*" for details, particularly relating to adjustments to our net tangible liabilities per share.

NO MATERIAL ADVERSE CHANGE

The Directors confirm that they have performed sufficient due diligence to ensure that, up to the date of this listing document, there has been no material adverse change in our financial or trading position since 31 December 2013 (being the date to which the Company's latest audited financial results were prepared) and there is no event since 31 December 2013 which would materially affect the information shown in the Accountant's Report set out in "*Appendix I — Accountant's Report*".

RECENT DEVELOPMENTS

Current trading update

Our business is seasonal which skews our profitability towards the second half of the year. We typically incur an operating loss in the first half of the calendar year. In 2013, we had a core operating loss in the first half and generated an overall core operating profit for the year.

Demand and sales volumes in our industry are typically higher in the second half of the year due to the back-to-school period in late summer and the late autumn holiday and Christmas shopping season. To prepare for this seasonal demand, we order and ship product to our customers months in advance to ensure our products reach end customers in a timely manner. Our operating costs are more evenly distributed between the first and second half of the year.

In addition to the normal seasonality of our business in the first half of 2014 we have incurred and will continue to incur costs relating to new licences that will not generate significant turnover until the second half of the year. As described in "*— Listing expenses*", we have also incurred non-recurring expenses in 2014 in connection with the Listing.

As far as the Directors are aware, there have been no material changes in the general economic and market conditions or the fashion industry in which we operate that have materially and adversely affected our results of operations or financial condition since 31 December 2013 and up to the date of this listing document.

The Directors confirm that, having performed reasonable due diligence on the Group, there has been no material adverse change in our financial or trading position or prospects since 31 December 2013 and up to the date of this listing document.

Recent acquisitions and investments

Since 31 December 2013, we have made three non-material acquisitions of businesses and interests in joint venture from independent third parties in order to expand and develop our brand management business in the Americas, Europe and Asia.

The Licensing Company

On 13 January 2014, the Group acquired the entire issued share capital of The Licensing Company from the founders of the company and Brand Investments Vehicle 2 Limited. The founders and the executive team who worked with The Licensing Company prior to the transaction continue to work with the Group. Brand Investments Vehicle 2 Limited is a holding company for private investors in the business of investing in companies. We confirm that, to the best of the directors' knowledge, information and belief having made all reasonable enquiries, the counterparties and the ultimate beneficial owner of the counterparties were third parties independent of us and our connected persons.

The Licensing Company and its subsidiaries are a licensing agent and brand management consultant for brands including Coca-Cola, Jeep, Mercedes Benz, Hersheys and Peanuts, with headquarters in the United Kingdom and offices in Europe, North America and Asia.

The acquisition of The Licensing Company provides the Group with the opportunity to continue expanding our brand management business.

The Licensing Company's financial information is prepared in accordance with UK GAAP with a financial year end of 31 March. A summary of the audited financial information of The Licensing Company for each of the two financial years immediately preceding the transaction, is as follows:

	For year ended 31 March			
	2012		2013	
	GBP million	Approximately US$ million	GBP million	Approximately US$ million
Net assets	3.0	4.7	3.9	6.2
Net profit before taxation and extraordinary items.....	1.5	2.4	2.5	4.0
Net profit after taxation and extraordinary items...........	1.0	1.5	1.7	2.7

Iconix Europe

On 13 January 2014, the Group acquired a 49% interest in Iconix Europe through an agreement between the Group and Brand Investments Vehicle 3 Limited to acquire a 50% interest in Iconix Europe, and an agreement between the Group and Iconix Brand Group, Inc. to sell a 1% interest in Iconix Europe. Brand Investments Vehicle 3 Limited was a holding company that held a 50% interest in Iconix Europe and is beneficially owned by The Licensing Company and the private investors who held Brand Investments Vehicle 2 Limited. Iconix Brand Group, Inc. is the Group's joint venture partner for Iconix Europe and is the counterparty that originally held the other 50% interest in Iconix Europe. These transactions are regarded as one single transaction and no gain or loss was recognised. We confirm that, to the best of the directors' knowledge, information and belief having made all reasonable enquiry, the counterparties and the ultimate beneficial owner of the counterparties were third parties independent of us and our connected persons.

Iconix Europe is a master licensee for brands including Candie's, Joe Boxer, Rampage, Mudd, London Fog, Mossimo, Ocean Pacific, Danskin, Rocawear, Fieldcrest, Charisma, Start and Waverly. It is a Delaware corporation with operations based in London.

The acquisition of the 49% interest in Iconix Europe provides the Group with the opportunity to continue expanding our brand management business.

Iconix Europe is not under any statutory requirement to maintain audited financial statements. A summary of the unaudited financial information of Iconix Europe LLC for each of the two financial years immediately preceding the transaction, is as follows:

	For year ended 31 December			
	2012 US$ million	Attributable to the Group (49%)	2013 US$ million	Attributable to the Group (49%)
Net assets	3.3	1.6	1.4	0.7
Net profit before taxation and extraordinary items	0.7	0.3	0.7	0.3
Net profit after taxation and extraordinary items	0.5	0.2	0.5	0.2

Cocaban

On 4 June 2014, the Group acquired (i) the business, including the licensing business and the merchandising business; and (ii) the assets, including all property, undertaking, rights and assets, of Cocaban. We confirm that, to the best of the directors' knowledge, information and belief having made all reasonable enquiry, the counterparties and the ultimate beneficial owner of the counterparties were third parties independent of us and our connected persons.

Cocaban is a licensing and brand management specialist in Korea for brands including Discovery Channel, Thomas & Friends and Bob the Builder.

The acquisition of the business and assets of Cocaban provides the Group with the opportunity to expand our brand management business in Asia.

Cocaban is not under any statutory requirement to maintain audited financial statements. A summary of the unaudited financial information of Cocaban for each of the two financial years immediately preceding the transaction, is as follows:

	For year ended 31 December	
	2012	2013
	US$ million	US$ million
Net assets	0.1	0.3
Net profit before taxation and extraordinary items	0.1	0.2
Net profit after taxation and extraordinary items	0.1	0.2

Consideration for the acquisitions of The Licencing Company, Iconix Europe and Cocaban

The aggregate consideration payable consisted of an initial investment of US$25.3 million and additional maximum contingent consideration of US$56.0 million, which may be paid in future years depending on the future performance of the relevant businesses. A significant proportion of the aggregate initial investment and additional contingent consideration amounts are attributable to the acquisition of The Licensing Company. The consideration amounts were determined after arm's length negotiations between the counterparties and the Group after taking into account (i) in relation to The Licensing Company, various factors including current and projected profitability of The Licensing Company and its future growth potential through the synergies created with the Group's existing business; (ii) in relation to Iconix Europe, the scale of Iconix Europe's licensing business platform and the potential synergies with the Group's existing business; and (iii) in relation to Cocaban, various factors including Cocaban's track record in the industry and the potential growth of the acquired business through synergies created with the Group. The payment of the consideration amounts were and will continued to be paid in cash and financed by the internal resources of the Group. The Directors consider that the terms of each transaction are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Repayment of Loans

In preparation for the Listing, on 19 June 2014, we entered into the New Facility Agreements with each of the Lenders. Under the New Facility Agreements, the Lenders provided credit and trade facilities with an aggregate principal amount of US$845 million. Of these loan and trade facilities, an aggregate principal amount of up to US$600 million were committed New Credit Facilities. The committed New Credit Facilities consist of (i) revolving and term New Credit Facilities with an aggregate principal amount of US$500 million and have a term of three years from the effective date of the relevant Facility Agreement and (ii) a revolving loan facility with a principal amount of US$100 million with a term of one year from the effective date of the relevant New Facility Agreement. The Lenders also provided uncommitted loan and trade facilities to us amounting to an aggregate principal amount of up to US$245 million for working capital and trade lines with availability for one year from the effective date of the relevant New Facility Agreement.

We intend to draw down approximately US$730 million in net proceeds from the New Credit Facilities to fully repay the non-trading portion of the amounts due to related companies prior the Listing. The remaining proceeds of the New Credit Facilities would be used from time to time for working capital and trade finance purposes. Upon Listing, we will no longer be a borrower under the bank loans and overdraft facilities guaranteed by Li & Fung. The New Credit Facilities are unsecured and are not guaranteed by Li & Fung or any related party.

The New Credit Facilities carry variable interest rates ranging from 1.3% to 2.1% per annum over LIBOR for the 1-year and 3-year loan tranches of the New Credit Facilities. In addition, we also incurred upfront fees and commitment fees for the unused portion of the committed facilities. The weighted average effective interest rate of the loan tranches of the New Credit Facilities is approximately 1.8% per annum over LIBOR on the assumption of full utilisation.

See *"— Indebtedness — New Credit Facilities"*.

SHARE CAPITAL OF THE COMPANY

The following is a description of the authorised and issued share capital of the Company immediately before and following the completion of the Listing.

		Nominal Value HK$0.0125
Authorised share capital		
12,000,000,000	Shares as at the date of this listing document	HK$150,000,000
Issued and to be issued, fully paid or credited as fully paid		
8,360,398,306	Shares in issue as at the date of this listing document	HK$104,504,979

For details of the changes in the share capital of the Company, see "*Appendix V — General Information — A. Further Information about the Company — 2. Changes in the Share Capital of the Company*".

ASSUMPTIONS

The above table assumes that the Listing becomes unconditional and does not take into account any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares as described below.

RANKING

The Shares are ordinary shares in the share capital of the Company and will rank equally in all respects with all the Shares in issue or to be issued as set out in the above table, and will qualify for all dividends and other distributions declared, made or paid by the Company following the completion of the Listing.

MANDATES GRANTED TO THE DIRECTORS

Subject to the Listing becoming unconditional, general mandates have been granted to the Directors to allot and issue Shares and to repurchase Shares. For details of such general mandates, see "*Appendix V — General Information*".

So far as is known to any Director or chief executive of the Company as at the Latest Practicable Date, immediately following the completion of the Reorganisation and Listing, the following persons (other than a Director or chief executive of the Company) will have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, once the Shares are listed on the Stock Exchange:

Interests and Long Positions in Shares

Name of Shareholder	Capacity	Number of Shares held or interested	Approximate percentage of interest (%)
HSBC Trustee (C.I.) Limited	Trustee(1)	2,520,188,580	30.14%
King Lun Holdings Limited	Interest in controlled entity(2)	2,348,953,872	28.09%
The Capital Group Companies, Inc. .	Interest of controlled corporation	833,229,518	9.97%
Sun Life Financial, Inc.	Investment manager(3)	679,135,915	8.12%
Massachusetts Financial Services Company	Investment manager(3)	679,135,915	8.12%

Notes:

(1) HSBC Trustee (C.I.) Limited is the trustee of a trust established for the benefit of family members of Dr Victor Fung Kwok King.

(2) 2,195,727,908 Shares were directly held by FH (1937) which also through its wholly-owned subsidiary, Fung Distribution International Limited, indirectly held 153,225,964 Shares. FH (1937) is a wholly-owned subsidiary of King Lun.

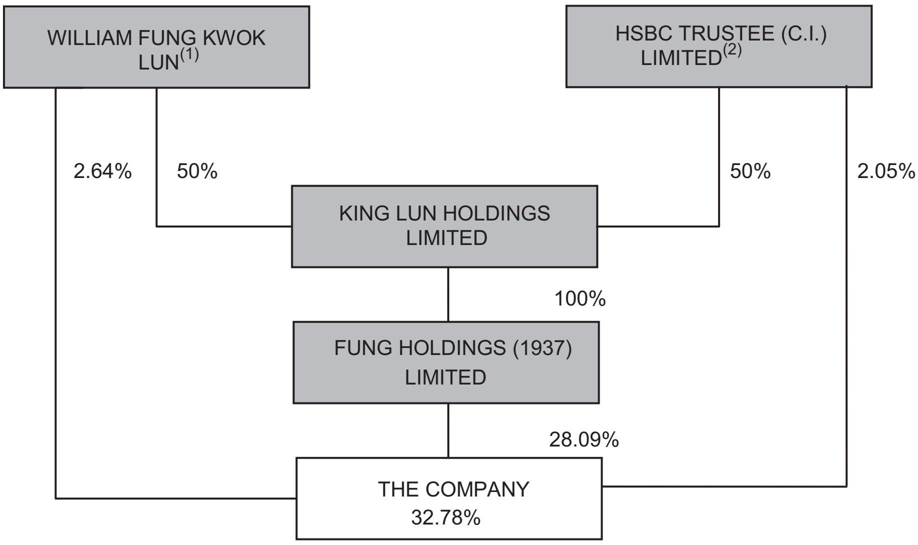
(3) Massachusetts Financial Services Company ("**MFS**") is a subsidiary of Sun Life Financial, Inc. ("**SLF**") and, accordingly, MFS's interest in 679,135,915 Shares is duplicated in the interest of SLF.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company is aware of any other person (other than a Director or chief executive of the Company) who will, immediately following the completion of the Reorganisation and Listing, have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

The Controlling Shareholders are Dr William Fung Kwok Lun, our Chairman and a non-executive Director, and a trust established for the benefit of the family members of Dr Victor Fung Kwok King. Immediately following completion of the Listing, the Controlling Shareholders will, taken together, be directly or indirectly interested so as to exercise or control the exercise of approximately 32.78% of the voting power at general meetings of the Company.

The following simplified chart illustrates the shareholding interest of Dr William Fung Kwok Lun and the shareholding interests of a trust established for the benefit of the family members of Dr Victor Fung Kwok King in the Company immediately following the Listing:



Notes:

(1) Out of 2,425,362,472 Shares in which Dr William Fung Kwok Lun is interested, 26,114,400 Shares and 50,294,200 Shares will be held by Golden Step Limited and Step Dragon Enterprise Limited respectively, which are both companies beneficially owned by Dr William Fung Kwok Lun. The balance of 2,348,953,872 Shares (representing 28.09% of the issued shares of the Company immediately following the Listing) will be indirectly held by King Lun as described in "*Substantial Shareholders*".

(2) HSBC Trustee (C.I.) Limited is the trustee of a trust established for the benefit of family members of Dr Victor Fung Kwok King.

INTERESTS OF THE CONTROLLING SHAREHOLDERS IN OTHER BUSINESSES

The Controlling Shareholders are directly and indirectly interested in a number of other businesses which focus on different segments of the supply chain such as sourcing and retail. These businesses are excluded from the Group because they are operated and managed entirely independently from the Company as separately listed and privately-held businesses, and mostly pre-date the development and acquisition by Li & Fung of the businesses which form the Group. Set out below is a brief description of the key interests of the Controlling Shareholders in other businesses together with an explanation as to why no material competition exists between the Group and each of these businesses.

As illustrated below, the other businesses in which the Controlling Shareholders have an interest (other than the Excluded Business) are of a different nature to the business carried on by the Group, and the Controlling Shareholders have no intention to inject any of these businesses into the Group in the future.

While there is the potential for end consumers to choose between the branded apparel and other products offered by the Company and the private label or branded products produced or sold by the other businesses in which the Controlling Shareholders are interested, this is an inherent feature of the fashion industry and the Directors do not consider that there is any actual or potential material competition between the Group and any of the Controlling Shareholders' other business interests, except for the Excluded Business.

Interests held through Li & Fung

The Controlling Shareholders, through the same shareholding structure set out above, are the controlling shareholders of Li & Fung, a company principally engaged in managing the supply chain for retailers and brands worldwide with over 300 offices and distribution centres in more than 40 economies spanning across the Americas, Europe, Africa and Asia.

Focus of Li & Fung following completion of the Spin-off

Following completion of the Spin-off, Li & Fung will focus primarily on the provision of sourcing and logistics services to wholesale and retail customers. The Li & Fung Group also operates in non-fashion product categories such as furniture, fireworks, toys and beauty products, which use controlled and licensed brands. However these are product categories which are distinct from, and which do not materially compete directly or indirectly with, the Group's business.

Excluded Business from the Spin-off

The Li & Fung Group also sells certain men's apparel items, principally dress shirts, under licensed brands such as Ben Sherman and US Polo as part of its private label business, where it produces similar items under customers' own brands (the "**Excluded Business**").

Although the Excluded Business involves branded apparel products, it has always been part of Li & Fung's private label business and was not injected into the Group because it functions in the same way as Li & Fung's other private label operations, involving highly commoditised products driven by high production volumes and expertise in production and supply chain management. The turnover of the Excluded Business represented less than 1% of the Group's turnover for 2013.

Since (i) the Excluded Business is operated predominately as a private label business, (ii) the required expertise and employee and management teams reside in the Li & Fung Group and (iii) the Excluded Business does not have sufficient scale to exist as a viable stand-alone business, it will stay as part of the Li & Fung Group's business and the Controlling Shareholders do not intend to inject the Excluded Business into the Group in the future.

In order to maintain a clear delineation of the respective businesses of Li & Fung and the Company following the Listing, we have entered into the Non-Competition Agreement with Li & Fung as described further in "— *Non-Competition Agreement*" below.

Interests held through Fung Retailing Limited

The Controlling Shareholders, through intermediate holding companies whose ultimate beneficial owners are Dr William Fung Kwok Lun and a trust established for the benefit of the family members of Dr Victor Fung Kwok King, are major shareholders of a group of retail businesses under the umbrella of the privately held Fung Retailing Limited, developed since 1973. Since these businesses are retail operations, they are by their nature different from the Group's wholesale business and Li & Fung's sourcing business.

These retail business interests include:

- Convenience Retail Asia Limited, a company initially listed on the GEM market in January 2001 and transferred to the Main Board of the Stock Exchange in June 2011 (stock code: 831) and engaged in the operation of a convenience store chain and a chain of bakery shops, which currently has around 600 retail shops in Hong Kong, Macau and China under the Circle K and Saint Honore brands. Since the nature of their businesses is entirely different, the Directors are of the opinion that there is no competition between Convenience Retail Asia Limited and the Group.

- Trinity Limited, a company listed on the Main Board of the Stock Exchange since November 2009 (stock code: 891), a retailer of high-end to luxury menswear with brands including Gieves & Hawkes, Kent & Curwen, Cerruti, D'URBAN and Intermezzo, which currently has around 450 stores, primarily in Hong Kong and China. Due to its focus on high-end to luxury products and retail in Hong Kong and China, the Directors are of the opinion that there is no material competition between Trinity Limited and the Group.

- Toys"R"Us (Asia) Limited, a franchise operation acquired in 2002, of which the Controlling Shareholders now only hold 30.26%, with the remaining 69.74% held by Toys"R"Us, Inc. Toys"R"Us (Asia) Limited is a specialty retailer of toys and baby products with around 200 retail locations across Hong Kong, China and south-east

Asia. Since this is a retail business and it is focused on toys and baby products, even though the business involves children's apparel, the Directors are of the opinion that there is no material competition between Toys"R"Us (Asia) Limited and the Group.

- Branded Lifestyle Holdings Limited, an Asia-based retailer of casual wear and lifestyle products under brands such as Hang Ten, H:CONNECT, Arnold Palmer, Roots and LEO, with around 1,000 company-owned and franchise retail locations in Hong Kong, China, Korea, Southeast Asia and the Middle East. Although its business involves branded apparel products, because it is a retail operation, the Directors are of the opinion that there is no material competition between Branded Lifestyle Holdings Limited and the Group.

- Fung Kids (Holdings) Limited, formed in 2011, a retailer of children's apparel, footwear and accessories under various retail brands including Stride Rite for children's footwear, Toonsland, a multi-brand retailer for children's apparel and OVS, an Italian brand for children's apparel, operating over 550 retail locations in Greater China and south-east Asia. Although its business involves children's apparel, because it is a retail operation, the Directors are of the opinion that there is no material competition between Fung Kids (Holdings) Limited and the Group.

- Suhyang Networks, a retailer of baby and children's apparel with over 200 retail locations in Korea, acquired in 2012. Since it is a retail operation based in Korea, the Directors are of the opinion that there is no material competition between Suhyang Networks and the Group.

- UCCAL Fashion Group, a retailer of apparel, footwear, bag and accessory brands such as Roberto Cavalli, A.Testoni, St John and Jockey, with around 200 retail locations in China, acquired in 2012. Since it is a retail operation focused on China, the Directors are of the opinion that there is no material competition between UCCAL Fashion Group and the Group.

Interests held through Fung Capital Limited

The Controlling Shareholders control Fung Capital Limited, a private equity fund which has acquired interests in a portfolio of businesses:

- First Heritage Brands, formed in 2011 with investment holdings in European luxury brands, including Clergerie, Delvaux and Sonia Rykiel, which have small retail operations in Europe and Asia. Since the European luxury brands held by First Heritage Brands only have small retail operations focused on high-end to luxury products in Europe and Asia, the Directors are of the opinion that there is no material competition between brands held by First Heritage Brands and the Group.

- No. 14 Savile Row Management Limited, formed in 2013, a subsidiary of Fung Capital Limited based in the UK and the holding company of various brands focused on luxury tailored apparel including Hardy Amies, Kilgour and Norman Hartnell.

Since it is an investment holding company focused on the management and development of luxury brands for luxury tailored apparel the Directors are of the opinion that there is no material competition between No. 14 Savile Row Management Limited and the Group.

- Furla China, a joint venture in China with Furla, an Italian luxury leather goods and fashion accessories brand established to develop retail boutiques for Furla's products in China. Since it is a luxury goods retail operation in China, the Directors are of the opinion that there is no material competition between Furla China and the Group.

- Tectron Limited, a company with e-commerce operations in China under the Moonbasa brand, focused on the online sale of female fashion and accessory products including clothes, lingerie, cosmetics and fashion accessories. Since it is an online retail operation in China, the Directors are of the opinion that there is no material competition between Tectron Limited and the Group.

- KTF Holdings Limited, a company with apparel, textile and household goods operations primarily serving the domestic market in Japan, including the manufacture of private label fashion and accessory products, sportswear and fabric and textile materials. Since it is primarily a private label and textiles operation serving the Japanese market, the Directors are of the opinion that there is no material competition between KTF Holdings Limited and the Group.

DELINEATION OF BUSINESSES

Delineation through different business models

The Group's business and the other businesses in which the Controlling Shareholders are interested have different business models and are pursuing different business strategies which do not compete in any material respect with each other, either directly or indirectly, for the reasons described below:

The Group's business

Following the Spin-off, the Group's business will be focused on the design and sale of branded apparel, footwear and fashion accessory products and the core competencies required are in design, marketing and brand management and development. The key drivers to the success of the Group's business are the ability to leverage popular fashion brands and create designs which appeal to consumers.

For example, when producing a line of branded footwear, our design team will work together with our brand licensors and customers to develop products that are consistent with the brand image and current fashion trends, and which will appeal to end consumers. The focus is on delivering products where the fashion, design and branding features of the product are typically of greater importance to retailers and end consumers, and which will sell at a higher price point and at a higher margin on a wholesale basis compared to private label products.

Li & Fung's business

Following the Spin-off, Li & Fung's business will be focused on the provision of sourcing and logistics services to wholesale and retail customers, where the core competencies required are in supply chain efficiency and cost management. The key drivers to the success of the Li & Fung business are the ability to achieve economies of scale and greater cost and production efficiencies.

For example, when acting as sourcing provider for a retailer's private label apparel products, the focus will typically be on selecting the most appropriate production country and factory partner to deliver products at the best value. The fashion, design and branding features of these products are typically provided by the brand owner or retailer but not Li & Fung.

Controlling Shareholders' other retail business interests

The other retail businesses in which the Controlling Shareholders are interested are principally focused on the final stage of the supply chain, the point of sale of finished products to end consumers.

The core competencies required for these businesses are in selecting and managing a portfolio of retail locations, identifying and anticipating consumer buying habits and preferences, and managing teams of customer sales and service personnel, in each case focused on a particular product segment and geographical area.

These businesses differ from the Group's business because each of them is driven by meeting the needs of end consumers in specific territories in relation to a specific brand or product category, whereas the customers of the Group's business are principally retailers.

Principal basis for delineation

The table below sets out the principal basis for delineation between the Group and the other businesses in which the Controlling Shareholders are interested which are in the apparel, footwear and fashion accessories space:

Delineation	The Group	Li & Fung	Trinity Limited	Other interests held through Fung Retailing Limited and Fung Capital Limited
Positioning	Wholesale of branded apparel, footwear and fashion accessory products	Sourcing, supply chain management, logistics	Retail of high-end to luxury menswear in Hong Kong and China	Retail of branded apparel, footwear and other fashion products
Manner of operation	Wholesale with only four retail outlets globally	No retail operation	Retail	Retail

Delineation	The Group	Li & Fung	Trinity Limited	Other interests held through Fung Retailing Limited and Fung Capital Limited
Number of retail locations	Four	None	Approximately 450	Approximately 3,200
Customer base	Primarily retailers, including department stores, hypermarkets and specialty retailers	Retailers, brand owners and wholesalers	Primarily end consumers	Primarily end consumers
Geography	Worldwide	Worldwide	Primarily Hong Kong, China, Korea and south-east Asia with a few shops in global fashion capitals. Hong Kong and China accounted for over 90% of Trinity's total revenue in 2012	Primarily Hong Kong, China, Korea, Japan and south-east Asia with a few shops in global fashion capitals
Protection from competition from other interests of Controlling Shareholders	The Company has entered into the Non-Competition Agreement with Li & Fung No non-compete is required in relation to any of the other businesses in which the Controlling Shareholders are interested	Li & Fung has entered into the Non-Competition Agreement with the Company No non-compete is required in relation to any of the other businesses in which the Controlling Shareholders are interested	No non-compete is required in relation to any of the other businesses in which the Controlling Shareholders are interested Trinity Limited has a right of first refusal to acquire the Hardy Amies business if the Controlling Shareholders decide to dispose of it	No non-compete is required in relation to any of the other businesses in which the Controlling Shareholders are interested The Controlling Shareholders have granted Trinity Limited a right of first refusal to acquire the Hardy Amies business
Reasons for not injecting Controlling Shareholders' other interests into the Group	The Group is focused on the wholesale of branded apparel, footwear and fashion accessories in the US, Europe and Asia	Not applicable as Li & Fung is a separate listed company and is entirely focused on sourcing, supply chain and logistics services	Not applicable as Trinity Limited is a separate listed company and is entirely focused on retail business in Greater China	All businesses are entirely focused on retail business in Greater China, Korea, Japan and south-east Asia

NON-COMPETITION AGREEMENT

In order to maintain a clear delineation of the respective businesses of Li & Fung and the Company following the Listing, we have entered into the Non-Competition Agreement with Li & Fung with the following key terms:

Li & Fung Restricted Activities

The Li & Fung Group will not be engaged or involved in (i) the wholesale or selling as principal of products under licensed or owned brands or (ii) the business of brand management for third party brand owners, in each case in the apparel, footwear and fashion accessory segment anywhere in the world, except for Li & Fung Exempt Activities (as defined below).

Li & Fung Exempt Activities

The Li & Fung Group will be permitted to:

(i) continue to use the licensed brands it currently uses for men's dress shirts in the Excluded Business; and

(ii) acquire a Brands Business Opportunity (as defined below) if the opportunity to do so is first referred to the Company in accordance with the terms of the Non-Competition Agreement, and a majority of the INEDs of the Company choose to decline the opportunity and consent to the Li & Fung Group acquiring it (such consent not to be unreasonably withheld, delayed or refused) (the "**Li & Fung Exempt Activities**").

Right of First Offer on Disposal of Li & Fung Exempt Activities

If Li & Fung decides to dispose of the Excluded Business or any other business carrying out the Li & Fung Exempt Activities, Li & Fung will offer such business to the Company first and provide us with 20 business days in order to evaluate and choose whether or not to accept the offer to acquire the business.

If a majority of the INEDs of the Company decide not to acquire the business carrying out the Li & Fung Exempt Activities, the Li & Fung Group shall be free to dispose of such business to a third party.

Right of First Offer on Brands Business Opportunities

If an opportunity arises for the Li & Fung Group to acquire: (i) ownership of a brand; (ii) a brand licence or (iii) a brand management business, in each case in the apparel, footwear or fashion accessory segment anywhere in the world (each a "**Brands Business Opportunity**"), Li & Fung will offer such Brands Business Opportunity to the Company first and provide us with 30 business days in order to evaluate and choose whether or not to pursue the Brands Business Opportunity.

If a majority of the INEDs of the Company decide not to pursue the Brands Business Opportunity and consent to the Li & Fung Group pursuing the Brands Business Opportunity (such consent not to be unreasonably withheld, delayed or refused), the Li & Fung Group shall have the right to do so and to own and manage such brand or business going forward.

Right of First Offer on Sourcing Opportunities

If any person approaches the Group to provide sourcing or supply chain management services on an agency basis anywhere in the world (a "**Sourcing Opportunity**"), the Company shall offer such Sourcing Opportunity to Li & Fung first and provide it with 30 business days in order to evaluate and choose whether or not to pursue the Sourcing Opportunity.

If a majority of the INEDs of Li & Fung decide not to pursue the Sourcing Opportunity and consent to the Group pursuing the Sourcing Opportunity (such consent not to be unreasonably withheld, delayed or refused), we shall have the right to do so and to manage such Sourcing Opportunity going forward, if a majority of the INEDs decide that it is in our interest to do so.

Duration

The Non-Competition Agreement will commence on the date of the Listing and will continue in force until the earlier of:

(a) the date on which the Controlling Shareholders cease to be interested, directly or indirectly, in aggregate, in at least 30% of the Shares in issue;

(b) the date on which the Controlling Shareholders cease to be interested, directly or indirectly, in at least 30% of the Li & Fung Shares in issue; and

(c) the date on which the Shares cease to be listed and traded on the Main Board of the Stock Exchange.

CORPORATE GOVERNANCE MEASURES

To minimise any potential conflicts of interest, we will adopt the following corporate governance measures to ensure compliance with the terms of the Non-Competition Agreement:

(a) ***INEDs to make decisions on all opportunities***: In the event that a business carrying out the Li & Fung Exempt Activities or a Brands Business Opportunity is offered to the Company, the decision on whether to accept or decline the opportunity, and whether to consent to Li & Fung pursuing a declined Brands Business Opportunity must be made by a majority of the INEDs.

(b) ***INEDs will constitute at least 50% of the Directors upon Listing***: No less than half of the Directors will be INEDs upon Listing.

(c) ***At least one of the INEDs will have relevant industry experience***: At least one of the INEDs will have relevant sourcing and apparel industry experience to assist the other INEDs in making decisions in relation to the Non-Competition Agreement.

(d) ***Annual INED review***: The INEDs will review and report on compliance with the terms of the Non-Competition Agreement in the Company's annual report.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

The Directors believe that the Group is capable of carrying on its business independently of the Controlling Shareholders (including any close associate thereof) after Listing for the following reasons:

Operational independence

We have entered into the Buying Agency Agreement with Li & Fung for the provision of sourcing and supply chain management services from Li & Fung following the Spin-off, as described in *"Connected Transactions"*. Under the Buying Agency Agreement Li & Fung is committed to providing no less than 50% or more of our sourcing requirements for the term of the agreement. The Directors consider this arrangement to be commercially beneficial for us for the following reasons:

- It is more cost-effective for us to outsource our sourcing and supply chain management requirements to Li & Fung under the Buying Agency Agreement given Li & Fung's business focus, scale and global network of suppliers, than if we were to carry out our own sourcing in-house.
- The percentage volume requirement provides important capacity certainty to the Group and some business certainty to Li & Fung, enabling Li & Fung to commit to providing its sourcing services to us on favourable commercial terms.
- Whilst being able to outsource our sourcing requirements to the Li & Fung Group, we know that we have the ability, expertise and financial resources to carry out sourcing ourselves or arrange for other third party sourcing providers.

The Buying Agency Agreement will not result in us becoming reliant on the Li & Fung Group for the sourcing and supply of its products and components for the following reasons:

We have full transparency and direct legal and commercial relationships with our suppliers

- We have full transparency in our supply chain of over 500 suppliers, meaning that while the Li & Fung Group may provide assistance in identifying and introducing potential suppliers to us, we are fully involved in the selection of our suppliers and enter into direct contractual and commercial relationships with these suppliers, with the Li & Fung Group acting only as our buying agent. All of our purchase agreements are entered into by us directly with our suppliers. We use the Li & Fung Group as the primary channel of contact and liaison with many of our suppliers, but we are readily able to contact and liaise with these suppliers directly and do so on a regular basis, including visiting suppliers' factories and discussing our ongoing product and quality assurance requirements with them.

We are able to expand our existing sourcing capacity if necessary

- We have, and will continue to have, our own in-house sourcing team because there are certain areas of our business where it is more cost-effective for us to carry out our own sourcing, for example when dealing with suppliers in Mexico where Li & Fung does not have a significant presence. If the Buying Agency Agreement were to terminate or Li & Fung were otherwise to cease providing sourcing services to us for any reason, we would be able to expand our in-house sourcing team and carry out more of our own sourcing requirements.

We are able to use alternative sourcing providers if necessary

- In addition to our in-house sourcing capabilities, there are other third party providers of sourcing services which we are able to use in the event that the Buying Agency Agreement were to terminate or Li & Fung were otherwise to cease providing sourcing services to us. If we are to use other third party providers of sourcing services, we would seek to negotiate terms, pricing and quality of services that are comparable or better than those offered by Li & Fung.

Other than the Buying Agency Agreement, we have no other material contractual or commercial relationships with Li & Fung or any other businesses in which the Controlling Shareholders have an interest in relation to the sourcing or supply of products or our production and operational capabilities. We have our own team of employees responsible for all aspects of our operations which are wholly separate and independent from the Controlling Shareholders' other businesses.

Financial independence

Our business has historically been funded primarily by our operating cash flow, and, for acquisitions and significant capital expenditure during the Track Record Period, we have obtained intercompany financing from Li & Fung in the form of shareholder loans and capital injections. In addition, we have been utilising certain bank loans, trade line (letters of credit) financing, as well as accounts receivable finance programmes where Li & Fung provided a parent guarantee. As at 31 December 2013, members of the Group had outstanding borrowings of approximately US$30 million under bank loans and approximately US$82 million under trade line financing facilities.

To ensure the financial independence of the Group following the Listing, we have entered into separate credit and trade finance facilities with an aggregate principal amount of US$845 million (including US$245 million in uncommitted working capital and trade lines) with external commercial lenders separate from any existing Li & Fung Group facilities and without any credit support from the Li & Fung Group, with effect from the Listing. We have also amended our existing accounts receivable finance programmes to remove Li & Fung as a guarantor. See "*Financial Information — Indebtedness — New Credit Facilities*" and "*Financial Information — Certain Combined Balance Sheet Items — Trade Finance and Accounts Receivable Finance Programmes*".

As at 31 December 2013 and 30 April 2014, outstanding non-trade inter-company loans owing by the Group to the Li & Fung Group totalled approximately US$594 million and US$727 million, respectively. All outstanding non-trade inter-company loans will be settled prior to the date of the Listing by being refinanced on Listing using external loan facilities. In addition, all outstanding inter-company balances between the Group and the Li & Fung Group will be settled on or prior to the Listing Date, save for trade receivables or trade payables owing by or to the Li & Fung Group which arise from ongoing continuing connected transactions.

A member of the Li & Fung Group has guaranteed the obligations to pay deferred consideration due under the acquisition agreement relating to certain companies that have become members of the Group. Li & Fung does not consider that this guarantee represents material support by the Li & Fung Group of the Group as we will be capable of paying all deferred consideration in full using our own resources or third party loan facilities. In any event, in connection with the Spin-off, we will facilitate the release of the Li & Fung Group from this guarantee obligation prior to Listing.

Management independence

As described in "*Directors and Senior Management*", only two of the Directors out of a total board comprising eight Directors will have overlapping roles in the Group and the Li & Fung Group following the Listing.

Details of the common directors between the Li & Fung Group and the Group are set out below. There are no overlapping executive directors between the Li & Fung Group and the Group.

Name	Company	Li & Fung
William FUNG Kwok Lun	Chairman and Non-executive Director	Group Chairman of the Li & Fung Group and Executive Director of Li & Fung
Bruce Philip ROCKOWITZ	Vice Chairman, Chief Executive Officer and Executive Director	None
Dow Peter FAMULAK	President and Executive Director	None
Paul Edward SELWAY-SWIFT.....	Independent Non-executive Director	Independent Non-executive Director of Li & Fung
Stephen Harry LONG................	Independent Non-executive Director	None
Hau Leung LEE	Independent Non-executive Director	None
Allan ZEMAN	Independent Non-executive Director	None
Audrey Wang LO	Independent Non-executive Director	None

The Company and Li & Fung have boards of directors that function independently of each other.

The Chairman and non-executive Director of the Company, Dr William Fung Kwok Lun, will remain in his existing role with Li & Fung as Group Chairman and Executive Director following the Listing. Our non-executive Director will take up a strategic role in formulating our development plans, in particular, the development of further synergies between the Group and the Li & Fung Group to the mutual benefit of both groups, but will not be involved in the daily operations or management of the Group.

The Vice Chairman, Chief Executive Officer and executive Director of the Company, Mr Bruce Philip Rockowitz, will not have any ongoing role with Li & Fung after the Listing Date and will report to the Board of Directors. He will have dedicated responsibilities for the Company and will oversee the operations of the Group.

In accordance with Rule 3.10A of the Listing Rules, half of our board of directors comprises INEDs, who are independent from the Li & Fung Group and any other listed companies in which the controlling shareholders of Li & Fung have a controlling interest. In the event of any actual or potential conflict of interest between the Li & Fung Group and the Group, the Directors who have ongoing roles with the Li & Fung Group, being Dr William Fung Kwok Lun and Mr Paul Edward Selway-Swift, will abstain from voting on the relevant board resolutions at both Li & Fung and the Group with respect to transactions between the two groups, and the other directors (including all the INEDs, other than Mr Paul Edward Selway-Swift) who collectively will have both sourcing and apparel industry and accounting or financial management expertise will be able to decide and vote on the matter.

In addition, all of our senior management team responsible for our daily operations will be independent from the Li & Fung Group:

Name	Company	Li & Fung
Bruce Philip ROCKOWITZ ...	Vice Chairman & Chief Executive Officer	None
Dow Peter FAMULAK	President	None
LEONG Kwok Yee	Chief Financial Officer	None
Jason Andrew RABIN	Chief Merchandising Officer	None
Ronald VENTRICELLI	Chief Operating Officer	None

On the basis of the arrangements described above, the Directors believe that each of the Li & Fung Group and the Group will be managed and will operate independently of each other in the interests of their respective shareholders as a whole.

Administrative independence

Following the completion of the Spin-off, we will carry out all essential administrative functions without requiring the support of the Li & Fung Group. Other than the provision of IT, administration and business support services from the Li & Fung Group to the Group on a transitional basis for a maximum period of 18 months following completion of the Spin-off as described in "*Connected Transactions — Exempt Connected Transactions*", we will be able to carry out functions such as finance and accounting, administration and operations and, human resources functions on our own from the date of the Spin-off.

We have entered into certain transactions with parties who are our connected persons and these transactions will continue following the Listing Date, thereby constituting connected transactions under the Listing Rules.

EXEMPT CONNECTED TRANSACTIONS

Following the Listing Date, the following transactions will be regarded as connected transactions exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

A. Transactions with the Li & Fung Group

We have entered into a number of transactions with members of the Li & Fung Group. Since the Controlling Shareholders, taken together are directly or indirectly interested so as to exercise or control the exercise of 30% or more of the voting power at general meetings of Li & Fung, Li & Fung and its subsidiaries will be connected persons of the Group.

1. ***Logistics services***

(a) Description of the transaction

From time to time, we use members of the Li & Fung Group to provide logistics and freight forwarding services, including brokerage and transportation services in the ordinary and usual course of our business. Each time we choose to use members of the Li & Fung Group to provide such services, we will enter into a written agreement with that member of the Li & Fung Group. These services (including the amount of service fee payable and the payment terms) are on normal commercial terms no less favourable than the terms offered by the Li & Fung Group to independent third party customers for similar services. The fees payable to the Li & Fung Group by the Group for logistics services following the Listing are not expected to exceed US$2.75 million per year.

(b) Historical transaction amounts

For each of 2011, 2012, and 2013, the aggregate fees paid to the Li & Fung Group by the Group in respect of logistics services were approximately US$1.0 million, US$1.6 million and US$2.6 million, respectively.

(c) Listing Rules requirements

As the highest relevant percentage ratio in respect of these services will be, on an annual basis, less than 0.1% and they are on normal commercial terms, they will constitute in the aggregate a de minimis continuing connected transaction exempt pursuant to Rule 14A.33(3)(a) of the Listing Rules (or Rule 14A.76(1)(a) of the Listing Rules, which will come into effect on 1 July 2014) from the reporting, announcement, annual review and independent shareholders' approval requirements in Chapter 14A of the Listing Rules.

2. ***Transitional Services Agreement***

(a) Description of the transaction

On 24 June 2014, we entered into the Transitional Services Agreement with Li & Fung for a term from the Listing Date until 31 December 2014. Under the Transitional Services Agreement, members of the Group and members of the Li & Fung Group will provide services to one another on a transitional basis in connection with administrative services such as payroll processing, expense reimbursement, managing pension plan contributions and statutory filings and benefits administration where it will take us time to achieve a full operational separation of our systems following the Spin-off.

The Transitional Services Agreement was entered into in the ordinary and usual course of our business and is on normal commercial terms. The pricing of the services provided by each party to the other under the Transitional Services Agreement will be on a cost basis. The aggregate fees payable by us and Li & Fung under the Transitional Services Agreement following the Listing are not expected to exceed US$1.0 million.

(b) Historical transaction amounts

Since the Transitional Services Agreement is a new transaction with effect from the Listing Date, there are no historical amounts for this transaction.

(c) Listing Rules requirements

As the arrangements constitute the sharing of administrative services (which are identifiable) on a cost basis, allocated to the parties on a fair and equitable basis in compliance on Rule 14A.31(8) of the Listing Rules (or Rule 14A.98 of the Listing Rules, which will come into effect on 1 July 2014), such agreement is exempt from the reporting, announcement, annual review and independent shareholders' approval requirements in Chapter 14A of the Listing Rules.

3. ***Transitional IT Agreement***

(a) Description of the transaction

On 24 June 2014, we entered into the Transitional IT Agreement with Li & Fung for a term from the Listing Date until 31 December 2015. Under the Transitional IT Agreement, members of the Group and members of the Li & Fung Group will provide services to one another on a transitional basis in connection with certain IT systems where it will take us time to achieve a full physical separation of our systems following the Spin-off. The Transitional IT Agreement was entered into in the ordinary and usual course of our business and is on normal commercial terms. The pricing of the services provided by each party to the other under the Transitional IT Agreement will be on a cost basis. The aggregate fees payable by us and Li & Fung under the Transitional IT Agreement following the Listing are not expected to exceed US$5.0 million per year.

(b) Historical transaction amounts

Because the Transitional IT Agreement is a new transaction with effect from the Listing Date, there are no historical amounts for this transaction.

(c) Listing Rules requirements

As the arrangements constitute the sharing of administrative services (which are identifiable) on a cost basis, allocated to the parties on a fair and equitable basis in compliance on Rule 14A.31(8) of the Listing Rules (or Rule 14A.98 of the Listing Rules, which will come into effect on 1 July 2014), such agreement is exempt from the reporting, announcement, annual review and independent shareholders' approval requirements in Chapter 14A of the Listing Rules.

B. Transactions with Heritage

Through our subsidiary GBG USA, we have entered into a number of agreements with Heritage Global Partners LLC ("**Heritage**") governing the business cooperation between GBG USA, Heritage and Trinity, in respect of the operation of the Kent & Curwen business in the US by British Heritage Brands, Inc. ("**BHB**"). BHB is wholly-owned by Heritage, and Heritage is wholly-owned by Star Branding, LLC. Since Star Branding, LLC owns 25% of MESH, which is a 75%-owned subsidiary of the Group, Heritage and BHB will be connected persons of the Group.

1. ***Purchase of convertible promissory notes from BHB***

(a) Description of the transaction

On 21 August 2013, GBG USA entered into an agreement to purchase convertible promissory notes from BHB in a maximum aggregate amount of US$32 million (the "**Notes**") for the purposes of funding the Kent & Curwen business in the US. The Notes have a maturity date of 31 December 2027, bear interest at 5% per annum and will be fully drawn-down by 31 August 2015. The Notes will be convertible during a period of approximately three years subsequent to the final drawdown, and if fully funded, the Notes are expected to be convertible into approximately 51.1% of BHB's common stock. At the time of purchasing the Notes, the directors of Li & Fung (including its independent non-executive directors) were of the view that the Notes were entered into on normal commercial terms after arm's length negotiations among the parties taking into account transactions of a similar nature in the market, the growth potential of the cooperation and the anticipated synergy to be created among GBG USA, Trinity and Heritage.

(b) Listing Rules requirements

The Notes represent financial assistance provided for the benefit of a connected person and are not in the ordinary and usual course of the Group's business but are on normal commercial terms. As the highest relevant percentage ratio in respect of the Notes is less than 1% and BHB is a connected person only through its relationship with our subsidiary MESH, the Notes constitute a financial assistance connected transaction exempt pursuant to Rule 14A.65(2)(b) of the Listing Rules (or Rule 14A.76(1)(b) of the Listing Rules, which will come into effect on 1 July 2014) from the reporting, announcement, annual review and independent shareholders' approval requirements in Chapter 14A of the Listing Rules.

2. ***Services agreement with BHB***

(a) Description of the transaction

On 21 August 2013, GBG USA entered into a services agreement with BHB under which GBG USA provides certain back office services and production functions to BHB including IT, HR finance and facilities support. This agreement was entered into in the ordinary and usual course of GBG USA's business and is on normal commercial terms. The annual fee payable by BHB to GBG USA for these services is the greater of: (i) an amount calculated on the basis of 2% of BHB's annual sales up to US$100 million, 0.5% of annual sales between US$100 million and US$250 million, 0.25% of annual sales between US$250 million and US$500 million and 0.1% of annual sales in excess of US$500 million; or (ii) US$750,000. The aggregate fees payable to GBG USA under this agreement following the Listing are not expected to exceed US$1.0 million per year.

(b) Historical transaction amounts

For 2013, the aggregate fees paid to GBG USA by BHB in respect of services under this agreement were approximately US$300,000.

(c) Listing Rules requirements

As the highest relevant percentage ratio in respect of this agreement will be, on an annual basis, less than 0.1% and it is on normal commercial terms, it will constitute a de minimis continuing connected transaction exempt pursuant to Rule 14A.33(3)(a) of the Listing Rules (or Rule 14A.76(1)(a) of the Listing Rules, which will come into effect on 1 July 2014) from the reporting, announcement, annual review and independent shareholders' approval requirements in Chapter 14A of the Listing Rules.

C. Transactions with Sun Fung Insurance Brokers Limited

Insurance policy

(a) Description of the transaction

On 15 January 2014, LF Asia obtained a group medical insurance policy from AIA International Limited with the assistance of Sun Fung Insurance Brokers Limited as insurance broker. This agreement was entered into in the ordinary and usual course of LF Asia's business and is on normal commercial terms. The annual premium for the period 1 January 2014 to 31 December 2014 is HK$936,246. The Group expects to continue with such transactions with Sun Fung Insurance Brokers Limited following the Listing Date and will continue to do so on an arm's length basis and on normal commercial terms.

The brother-in-law of Dr William Fung Kwok Lun is interested so as to exercise or control the exercise of 30% or more of the voting power at the general meetings of Sun Fung Insurance Brokers Limited. Accordingly, Sun Fung Insurance Brokers Limited is a connected person of the Group and the insurance broker arrangement will constitute a continuing connected transaction of the Group.

(b) Historical transaction amounts

For each of 2011, 2012, and 2013, the aggregate amount paid to Sun Fung Insurance Brokers Limited by the Group in respect of insurance policies were approximately nil, US$117,000 and US$136,000, respectively.

(c) Listing Rules requirements

As the highest relevant percentage ratio in respect of this agreement will be, on an annual basis, less than 0.1% and it is on normal commercial terms, it will constitute a de minimis continuing connected transaction exempt pursuant to Rule 14A.33(3)(a) of the Listing Rules (or Rule 14A.76(1)(a) of the Listing Rules, which will come into effect on 1 July 2014) from the reporting, announcement, annual review and independent shareholders' approval requirements in Chapter 14A of the Listing Rules.

D. Transactions with TVMania GmbH

Lease agreement with TVMania GmbH

(a) Description of the transaction

On 3 May 2011, TVM Europe GmbH, a member of the Group entered into a lease agreement with TVMania GmbH to lease a premises at 40789 Monheim, Rheinpromenade 6, Germany for a monthly rental of €21,912 plus value added tax for a fixed term of 10 years from 1 July 2011 to 30 June 2021 and the right to extend the lease term by up to five years. The lease agreement was entered into in the ordinary and usual course of the Group's business and is on normal commercial terms. The Group expects to continue with such transactions with TVMania GmbH and its subsidiaries following the Listing Date and will continue to do so on an arm's length basis and on normal commercial terms.

The directors of TVM Europe GmbH, Mr Simon Doyev and Mr Adi Haft, are interested so as to exercise or control the exercise of 30% or more of the voting power at the general meetings of TVMania GmbH. Accordingly, TVMania GmbH is a connected person of the Group and the lease agreement will constitute a continuing connected transaction of the Group.

(b) Historical transaction amounts

For each of 2011, 2012, and 2013, the aggregate rent paid to TVMania GmbH by the Group in respect of lease was approximately US$175,000, US$350,000 and US$350,000, respectively.

(c) Listing Rules requirements

As the highest relevant percentage ratio in respect of this agreement will be, on an annual basis, less than 0.1% and it is on normal commercial terms, it will constitute a de minimis continuing connected transaction exempt pursuant to Rule 14A.33(3)(a) of the Listing Rules (or Rule 14A.76(1)(a) of the Listing Rules, which will come into effect on 1 July 2014) from the reporting, announcement, annual review and independent shareholders' approval requirements in Chapter 14A of the Listing Rules.

E. Transactions with Watermelon Europe

(a) Description of the transaction

On 31 July 2012, Mr Jonathan Sieff, Ms Hayley Sieff, Mr Andrew Webster, Ms Charlotte Rakowski entered in to a share purchase agreement with LF Europe Limited, a member of the

Li & Fung Group for the sale and purchase of Fashion Lab to Li & Fung Group. As part of the agreement, Watermelon Europe agreed to undertake design work on behalf of Fashion Lab for a design fee of 2.75% of sales. The agreement was entered into on an arm's length basis and on normal commercial terms. The Group expects to continue with such transactions with Watermelon Europe following the Listing Date and will continue to do so on an arm's length basis and on normal commercial terms.

A director of Fashion Lab, Mr Jonathan Sieff is interested so as to exercise or control the exercise of 30% or more of the voting power at the general meetings of Watermelon Europe. Accordingly, Watermelon Europe is a connected person of the Group and the design fee arrangement will constitute a continuing connected transaction of the Group.

(b) Historical transaction amounts

For each of 2012 and 2013, the aggregate design fee paid to Watermelon Europe by the Group was approximately US$381,000 and US$370,000, respectively.

(c) Listing Rules requirements

As the highest relevant percentage ratio in respect of this agreement will be, on an annual basis, less than 0.1% and it is on normal commercial terms, it will constitute a de minimis continuing connected transaction exempt pursuant to Rule 14A.33(3)(a) of the Listing Rules (or Rule 14A.76(1)(a) of the Listing Rules, which will come into effect on 1 July 2014) from the reporting, announcement, annual review and independent shareholders' approval requirements in Chapter 14A of the Listing Rules.

NON-EXEMPT CONNECTED TRANSACTIONS

Following the Listing Date, the following transactions will be regarded as connected transactions exempt from independent shareholders' approval requirement but subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.

A. Transactions with the Li & Fung Group

1. ***Buying Agency Agreement***

(a) Description of the Buying Agency Agreement

(i) ***Services to be provided***

On 24 June 2014, we entered into the Buying Agency Agreement with a member of the Li & Fung Group for a term of three years from the Listing Date. Under the Buying Agency Agreement, members of the Li & Fung Group will provide sourcing and supply chain management services to members of the Group from time to time in the ordinary and usual course of our business. The services to be provided by the Li & Fung Group under the Buying Agency Agreement include: (i) providing product samples and price quotations from potential suppliers; (ii) assisting us with negotiating pricing and commercial terms with supplier; (iii) liaising with suppliers on our behalf at all stages of the production process; (iv) carrying out quality assurance and quality control inspections on suppliers; and (v) facilitating import and customs documentation for finished products.

(ii) ***Minimum commitment of 50% of our total sourcing requirements***

We have committed to using Li & Fung Group to provide, and Li & Fung Group has committed to providing, sourcing services for no less than 50% of our total sourcing requirements for the term of the agreement. The minimum commitment is expressed as a minimum of 50% of the sourcing requirements of the Group, rather than a dollar value commitment. This means that if demand for sourcing goes down, the level of commission will go down correspondingly. This gives additional protection to the minority shareholders of the Company that if business were to go down, the Company would only be obligated to use Li & Fung to fulfil 50% of its sourcing requirements and will not be tied to a specific dollar value of orders. This is preferable as it means that Li & Fung will share the downside risk in the event that the Group's sourcing requirements are lower in a particular year, rather than Li & Fung still being entitled to the same level of commission on the unused portion of a fixed dollar value commitment.

Having a minimum volume requirement under the Buying Agency Agreement is in the interests of the Group as it allows the Group to receive a high level of service and dedicated resources from Li & Fung which will meet the Group's substantial sourcing requirements in terms of both volume and complexity of product types. We expect Li & Fung to allocate approximately 1,400 dedicated personnel and a further 1,000 shared personnel across 19 offices in 10 countries in order to provide its services under the Buying Agency Agreement.

The minimum volume commitment also gives sufficient certainty on volume to allow Li & Fung to offer their services on competitive pricing terms that would not otherwise be available to the Group and therefore it is an arrangement that is commercially beneficial and in the interests of the Group.

(iii) ***Commission and Payment terms***

Under the Buying Agency Agreement, the total commission we pay to Li & Fung shall not exceed 7% of the FOB price on all products and components we source through members of the Li & Fung Group. Payment will be on basis of 60 days from shipment date. These terms are normal commercial terms, consistent with those offered by Li & Fung to independent third party customers under sourcing agreements for a similar scope and volume of services.

(iv) ***The term of the agreement and the parties' right to termination***

The term of the Buying Agency Agreement is three years from the Listing Date. Both parties will have the right to terminate with a two year notice period which can be given at any time after the end of the first year. The party who gives the termination notice will also have the option to bring forward the termination date by making a pro-rated payment in lieu of serving out the full notice period. The amount of the payment will depend on the number of months the payment in lieu relates and will be equal to such number of months multiplied by the average monthly commission paid or received for the 12 months preceding the date of the termination notice.

If the two year notice period extends the agreement beyond its three year term, the Group will set new caps for the remaining notice period to comply with the then applicable provisions of the Listing Rules relating to continuing connected transactions.

If the Group is required to terminate the Buying Agency Agreement immediately to maintain continued compliance with the Listing Rules, this can be achieved by making a payment in lieu of the entire 2 year notice period.

Prior to the expiry of the three year term, the parties will negotiate the terms of a new agreement and set new annual caps to comply with the then applicable provisions of the Listing Rules in terms of continuing connected transactions, unless notice of termination has been served.

(v) ***Provision of a two year notice period to terminate the Buying Agency Agreement***

The Directors also consider that the two year notice period for termination following the first year is reasonable and necessary given the way the apparel and footwear industries function with a lead time in many cases of up to a year in order to design, develop and produce products for retailers. It will also allow an orderly transition of the sourcing arrangements between the two parties.

For instance, the Group is currently designing, developing and sampling apparel and footwear for the Spring/Summer 2015 season, which is about 12 months from now. The Group will need to source materials as well as identify suppliers well in advance of the time of the launch of the products for that season. A two year notice period will also allow the Group sufficient time to build its own sourcing capability should it wish to do so and/or to migrate some or all of its sourcing requirements to other third party providers efficiently, without significant disruption to the Group's business and without incurring substantial additional costs.

(d) Historical transaction amounts

For each of 2011, 2012 and 2013, total commission paid to Li & Fung Group by the Group varied based on type of product sourced and were in the range of 5% to 7% on total purchases with the assistance of Li & Fung Group. Total purchases with the assistance of Li & Fung Group for each of 2011, 2012 and 2013 were approximately US$977.9 million, US$1,056.2 million and US$1,614.2 million, respectively.

(e) Annual caps on future transaction amounts

In accordance with Rule 14A.35(2) of the Listing Rules (or Rule 14A.53 of the Listing Rules, which will come into effect on 1 July 2014), we have set annual caps for the maximum aggregate commission payable under the Buying Agency Agreement between the Li & Fung Group and the Group of US$125 million, US$150 million and US$164 million for 2014, 2015 and 2016, respectively. These annual caps have been calculated on the basis of: (i) the historical commissions paid to the Li & Fung Group for sourcing and supply chain management services during the Track Record Period; (ii) the estimated future growth in our volume requirements over the term of the Buying Agency Agreement; and (iii) the estimated increase in volumes as a result of acquisitions that may occur in the coming years.

(f) Listing Rules requirements

As the highest relevant percentage ratio in respect of the Buying Agency Agreement will be, on an annual basis, more than 0.1% but less than 5% and it is on normal commercial terms, it will be exempt pursuant to Rule 14A.34(1) of the Listing Rules (or Rule 14A.76(2)(a) of the Listing Rules, which will come into effect on 1 July 2014) from the independent shareholders' approval requirement but will be subject to the reporting, announcement and annual review requirements in Chapter 14A of the Listing Rules.

2. ***Master Property Agreement***

(a) Description of the transaction

On 24 June 2014, we entered into the Master Property Agreement with Li & Fung to govern the terms on which members of the Group and members of the Li & Fung Group sub-lease and license office, showroom and warehouse premises to and from one another. The Master Property Agreement will commence on the Listing Date and expire on 31 December 2016. The Master Property Agreement is renewable by both parties for successive periods of three years thereafter, subject to compliance with the then applicable provisions of the Listing Rules.

Li & Fung Sub-leases

Members of the Group have entered into various arrangements to sub-lease and license from members of the Li & Fung Group certain office, showroom and warehouse premises in the US, Europe and Asia occupied by us where the leases have been entered into by Li & Fung Group companies (the "**Li & Fung Sub-leases**").

The Li & Fung Sub-leases were entered into in the ordinary and usual course of our business and are on normal commercial terms because the rental or licence fee payable under each Li & Fung Sub-lease is based on a proportion of the rent and other expenses (such as electricity, water, heating and real estate taxes) payable by the relevant member of the Li & Fung Group to the third party landlord under the relevant lease that reflects the proportion of the leased floor space occupied by members of the Group on a strict pass-through at cost basis. The duration of each Li & Fung Sub-lease varies depending on the duration of the underlying lease.

The following table summarises the Li & Fung Sub-leases:

Location	Description	Current annual rental	Term	Use
Second Floor, 242 Marylebone Road, London, United Kingdom	Floor area of 5,403 sq. ft.	£495,169	Expiry on 16 March 2026	Office
9/F, LiFung Tower, 868 Cheung Sha Wan, Kowloon, Hong Kong	Floor area of 8,472 sq. ft.	US$459,443	Expiry on 31 December 2016	Office

Location	Description	Current annual rental	Term	Use
10/F, Shenfubao Building, 128# Ronghua Road, Futian Free Trade Zone, Shenzhen City, China	Floor area of 2,780 sq. ft.	US$43,045	Expiry on 31 December 2015	Office
1/F & 2/F, Tower Block, LiFung Plaza, No. 2000, Yishan Road, Shanghai, China	Floor area of 38,464 sq. ft.	US$1,010,200	Month to month	Showroom
5/F, Tower Block, LiFung Plaza, No. 2000 Yishan Road, Shanghai, China	Floor area of 24,450 sq. ft.	US$599,676	Month to month	Office
1/F, Building 11, No. 2000, Yishan Road, Shanghai, China	Floor area of 1,292 sq. ft.	US$11,671	Expiry on 31 December 2014	Storage
B2, Lower Block, LiFung Plaza, No. 2000, Yishan Road, Shanghai, China	Floor area of 108 sq. ft.	US$975	Expiry on 9 January 2015	Storage
No. 112, 113, & 116, Basement Level 1, LiFung Plaza, No. 2000, Yishan Road, Shanghai, China	N/A	US$6,000	Expiry on 31 December 2014	Parking space
No. 57, 86, Ground parking lot, LiFung Plaza, No. 2000, Yishan Road, Shanghai, China	N/A	US$2,000	Expiry on 31 December 2014	Parking space
6/F, 70 Rueiguang Road, Neihu District, Taipei, Taiwan	Floor area of 1,442 sq. ft.	US$45,720	Expiry on 31 December 2014	Office
10 Raeburn Park, Block C, #01-33, Singapore 088702	Floor area of 3,355 sq. ft.	US$183,972	Expiry on 30 September 2016	Office
2/F, Lot 6, LiFung Centre Persiaran Perusahaan, Sek 23, 40300 Shah Alam, Selangor Darul Ehsan, Malaysia	Floor area of 600 sq. ft.	US$9,996	Expiry on 30 September 2026	Office

Location	Description	Current annual rental	Term	Use
Wisma 76, 17th and 22nd Floor, JL. Let. Jend. S. Parman Kav., 76 Slipi, Jakarta, Indonesia 11410	Floor area of 945 sq. ft.	US$27,516	Expiry on 30 June 2014	Office
18/F, One Corporate Center, Doña Julia Vargas Avenue Corner, Meralco Avenue, Ortigas Center, Pasig City 1605, Philippines	Floor area of 1,458 sq. ft.	US$35,154	Expiry on 15 April 2017	Office
12th Floor, Maneeya Centre Building, 518/5 Ploenchit Road, Lumpini, Pathumwan, Bangkok 10331, Thailand	Floor area of 1,385 sq. ft.	US$36,696	Expiry on 31 May 2016	Office
7th Floor, Songam Building, 84 Nonhyun Dong, Kangnam-Ku, Seoul, Korea	Floor area of 1,355 sq. ft.	US$55,797	Expiry on 31 December 2014	Office
208 Hartmann Drive, Lebanon, Tennessee	Floor area of 28,434 sq. ft.	US$81,045	Expiry on 28 February, 2016	Warehouse
188 East 78th Street, Unit 28A, New York, New York	Corporate apartment	US$226,800	Expiry on 30 June 2014	Apartment
101 Boulevard Aria, Leon, Mexico	Floor area of 5,844 sq. ft.	US$68,202	Expiry in March 2016	Warehouse

GBG Sub-leases

Members of the Group have entered into various arrangements to sub-lease and license to members of the Li & Fung Group certain office, showroom and warehouse premises in the US occupied by members of the Li & Fung Group where the leases have been entered into by members of the Group (the “**GBG Sub-leases**”).

The GBG Sub-leases were entered into in the ordinary and usual course of our business and are on normal commercial terms because the rental or licence fee payable under each GBG Sub-lease is based on a proportion of the rent and other expenses (such as electricity, water, heating and real estate taxes) payable by the relevant member of the Group to the third party landlord under the relevant lease that reflects the proportion of the leased floor space occupied by members of the Li & Fung Group on a strict pass-through at cost basis. The duration of each GBG Sub-lease varies depending on the duration of the underlying lease.

The following table summarises the GBG Sub-leases:

Location	Description	Current annual rental	Term	Use
4620 Grandover Parkway, Greensboro, North Carolina	Floor area of 9,450 sq. ft.	US$162,161	Expiring on 15 June 2022	Office
1359 Broadway, New York, New York	Floor area of 136,536 sq. ft.	US$5,091,111	16th, 17th & 18th floor expire on 31 October 2021 7th floor expire on 31 October 2023 14th and 19th floor expire on 31 October 2027	Office
3 Park Avenue, New York, New York	Entire 24th floor	US$781,000	Expire on 31 December 2015	Office
702 SE 5th Street, Bentonville, Arkansas	Floor area of 9,000 sq. ft.	US$94,500	Expire on 31 March 2017	Showroom
752 South Victory Drive, Lyons, Georgia	Mazzanine area	US$186,000	Month to month	Office/ warehouse
108 Chellin Drive, Gaffney, South Carolina	Floor area of 5,500 sq. ft.	US$66,000	Month to month	Office

(b) Historical transaction amounts

Since the Master Property Agreement and the sub-leases and licences under it are new transactions with effect from the Listing Date, there are no historical amounts for these transactions.

(c) Annual caps on future transaction amounts

In accordance with Rule 14A.35(2) of the Listing Rules (or Rule 14A.53 of the Listing Rules, which will come into effect on 1 July 2014), we have set annual caps for the maximum aggregate amount: (i) payable by the Group under the Li & Fung Sub-leases; and (ii) payable to the Group under the GBG Sub-leases for 2014, 2015 and 2016 of US$12 million, US$14 million and US$16 million, respectively. These annual caps have been estimated based on: (i) the incremental annual increases in the underlying lease agreements; and (ii) increases in other expenses as a result of inflation, increased business activity and an increase in the value of the properties.

(d) Listing Rules requirements

As the highest relevant percentage ratio in respect of the aggregate transactions under the Master Property Agreement will, on an annual basis, be more than 0.1% but less than 5% and the Master Property Agreement is on normal commercial terms, it will be exempt pursuant to Rule 14A.34(1) of the Listing Rules (or Rule 14A.76(2)(a) of the Listing Rules, which will come into effect on 1 July 2014) from the independent shareholders' approval requirement but will be subject to the reporting, announcement and annual review requirements in Chapter 14A of the Listing Rules.

B. Transactions with FH (1937) and its subsidiaries

1. ***Master Distribution Agreement***

(a) Description of the transaction

On 24 June 2014, we entered into the Master Distribution Agreement with FH (1937) for the period from the Listing Date to 31 December 2016. Under the Master Distribution Agreement, members of the Group and FH (1937) and its subsidiaries will endeavour to procure that all distribution and sales of apparel, footwear, fashion accessory and related lifestyle products by the Group to FH (1937) and its subsidiaries will be either at market rates or on terms no less favourable than those available to independent third parties on normal commercial terms and in the ordinary and usual course of their respective businesses. When determining the commercial terms of the transactions, FH (1937) or its relevant subsidiary will take into account a number of factors including (i) price; (ii) payment and credit terms; (iii) complexity of the products; (iv) production capacity; (v) delivery schedule; (vi) compliance record; and (vii) quality control capability, and will benchmark these factors with independent suppliers so as to ensure that the terms offered by the Group are fair, reasonable and competitive.

(b) Historical transaction amounts

For each of 2011, 2012 and 2013, the aggregate value of payments made by FH (1937) to the Group for purchases of apparel, footwear, fashion accessory and related lifestyle products were approximately Nil, US$29.6 million and US$40.5 million, respectively.

(c) Annual caps on future transaction amounts

In accordance with Rule 14A.35(2) of the Listing Rules (or Rule 14A.53 of the Listing Rules, which will come into effect on 1 July 2014), we have set annual caps for the maximum amounts payable under the Master Distribution Agreement between FH (1937) and the Group of US$40 million, US$45 million and US$50 million for 2014, 2015 and 2016, respectively. These annual caps have been calculated on the basis of: (i) the historical figures during the Track Record Period; and (ii) the estimated future growth in demand for apparel, footwear, fashion accessory and related lifestyle products over the term of the Master Distribution Agreement.

(d) Listing Rules requirements

As the highest relevant percentage ratio in respect of the Master Distribution Agreement will be, on an annual basis, more than 0.1% but less than 5% and it is on normal commercial terms, it will be exempt pursuant to Rule 14A.34(1) of the Listing Rules (or Rule 14A.76(2)(a) of the Listing Rules, which will come into effect on 1 July 2014) from the independent shareholders' approval requirement but will be subject to the reporting, announcement and annual review requirements in Chapter 14A of the Listing Rules.

B. Transactions with Heritage

1. ***Put/Call Option Agreement***

(a) Description of the transaction

On 21 August 2013 GBG USA entered into a put and call option agreement with Heritage under which Heritage has the option (the "**Put Option**") to require GBG USA to purchase all of its equity interest in BHB (the "**Option Interest**") and, in the event Heritage does not exercise the Put Option, GBG USA has the option (the "**Call Option**") to require Heritage to sell the Option Interest to GBG USA. The Put Option and the Call Option are only exercisable following conversion of GBG USA's Notes into common stock of BHB. Refer to "*Exempt Connected Transactions — B. Transactions with Heritage — 1. Purchase of convertible promissory notes from BHB*" above for further details of the Notes.

Put Option

Heritage may exercise the Put Option at any time during a five-year period commencing on the six months following the date on which GBG USA's Notes are converted into common stock of BHB (the "**Put Option Exercise Period**").

The purchase price to be paid in cash by GBG USA for the Option Interest on exercise of the Put Option shall be determined by using a specified formula comprising (a) a specified multiple (the "**Put Option Price Multiple**") times BHB's annual earnings before deduction for the provision of income taxes and depreciation ("**EBTD**") for certain specified base periods times 0.25, and (b) BHB's cumulative retained earnings as at the month immediately preceding the sale of the Option Interest. The aggregate purchase price to be paid by GBG USA for the entire Option Interest shall in no event be more than US$125 million (approximately HK$975 million).

Call Option

GBG USA may exercise the Call Option at any time during a five-year period commencing on the day immediately following the expiration of the Put Option Exercise Period.

The purchase price to be paid in cash by GBG USA for the Option Interest on exercise of the Call Option shall be determined by using a specified formula comprising (a) a specified multiple (which is 120% of the Put Option Price Multiple) times BHB's EBTD for certain specified base periods times 0.25, and (b) BHB's cumulative retained earnings as at the month immediately preceding the purchase of the Option Interest. The aggregate purchase price to be paid by GBG USA to Heritage for the entire Option Interest shall in no event be more than US$125 million (approximately HK$975 million).

(b) Listing Rules requirements

Since the maximum price payable by GBG USA upon exercise of the Put Option or the Call Option is US$125 million and the highest relevant percentage ratio in respect of the Put Option and the Call Option will be more than 0.1% but less than 5%, the Put Option and the Call Option will be exempt pursuant to Rule 14A.32(1) of the Listing Rules (or Rule 14A.76(2)(a) of the Listing Rules, which will come into effect on 1 July 2014) from the independent shareholders' approval requirement but will be subject to the reporting, announcement and annual review requirements in Chapter 14A of the Listing Rules.

Any exercise of the Put Option or the Call Option shall be conditional upon the Company obtaining all necessary approvals as may be required under applicable competition laws or by the Listing Rules. We will comply with the then applicable Listing Rules requirements if and when necessary in the event of any exercise of the Put Option or the Call Option.

Waiver application for non-exempt continuing connected transactions

In respect of the Buying Agency Agreement, the Master Property Agreement and the Master Distribution Agreement described in this section, as the highest applicable percentage ratio as set out in the Listing Rules is, on an annual basis, in each case expected to be more than 0.1% but less than 5%, these transactions are exempt from the independent shareholders' approval requirements pursuant to Rule 14A.32(1) of the Listing Rules (or Rule 14A.76(2)(a) of the Listing Rules, which will come into effect on 1 July 2014) but subject the reporting, announcement and annual review requirements in Chapter 14A of the Listing Rules.

As described above, we expect these non-exempt continuing connected transactions will be carried out on a continuing basis and will extend over a period of time. The Directors therefore consider that strict compliance with the announcement requirements under the Listing Rules would be impractical and unduly burdensome and would impose unnecessary administrative costs upon us.

Accordingly, we have applied for, and the Stock Exchange has granted to us, a waiver from strict compliance with the announcement requirement relating to continuing connected transactions under Rule 14A.35 of the Listing Rules (or Rule 14A.105 of the Listing Rules, which will come into effect on 1 July 2014) in respect of the Buying Agency Agreement, Master Property Agreement and the Master Distribution Agreement for the period ending on 31 December 2016.

We will, however, comply at all times with the other applicable provisions under Chapter 14A of the Listing Rules in respect these non-exempt continuing connected transactions.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those as at the date of this listing document on the continuing connected transactions referred to in this section, we will take immediate steps to ensure compliance with such new requirements.

Confirmation from Directors

The Directors (including the independent non-executive Directors) are of the view that the continuing connected transactions described in this section have been entered into in the ordinary and usual course of our business and are on normal commercial terms. The Directors (including the independent non-executive Directors) are of the view that the non-exempt continuing connected transactions described in this section have been and will be entered into in the ordinary and usual course of our business, are on normal commercial terms, are fair and reasonable and in the interests of the Shareholders as a whole, and that the proposed annual caps for the transactions referred to in this section are fair and reasonable, and in the interests of the Shareholders as a whole.

Confirmation from the Joint Sponsors

Based on the documents, information and historical figures provided by the Company and the Joint Sponsors' participation in due diligence and discussions with the Company, the Joint Sponsors are of the view that the non-exempt continuing connected transactions in respect of the Buying Agency Agreement, the Master Property Agreement and the Master Distribution Agreement described in this section have been and will be entered into in the ordinary and usual course of our business, are on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and that the proposed annual caps for these transactions referred to in this section are fair and reasonable, and in the interest of the Company and the Shareholders as a whole.

BOARD OF DIRECTORS

The Board of Directors consists of eight Directors, five of whom are independent non-executive Directors. The following table sets out certain information concerning the Directors:

Name	Age	Position	Principal Responsibilities	Date of appointment as Director	Date of Joining the Group
William FUNG Kwok Lun	65	Chairman and Non-executive Director	Giving strategic advice and guidance on the business and operations of the Group	9 May 2014	January 2005
Bruce Philip ROCKOWITZ	55	Vice Chairman, Chief Executive Officer and Executive Director	Overall strategic direction and business operations of the Group	9 May 2014	January 2005
Dow Peter FAMULAK	53	President and Executive Director	Managing the Group's business operations	9 May 2014	November 2007
Paul Edward SELWAY-SWIFT	69	Independent Non-executive Director	Responsible for giving strategic advice and guidance on the business and operations of the Group	22 June 2014	June 2014
Stephen Harry LONG	71	Independent Non-executive Director	Giving independent strategic advice and guidance to the Group	22 June 2014	June 2014

Name	Age	Position	Principal Responsibilities	Date of appointment as Director	Date of Joining the Group
Hau Leung LEE	61	Independent Non-executive Director	Giving independent strategic advice and guidance to the Group	22 June 2014	June 2014
Allan ZEMAN	65	Independent Non-executive Director	Giving independent strategic advice and guidance to the Group	22 June 2014	June 2014
Audrey WANG LO	60	Independent Non-executive Director	Giving independent strategic advice and guidance to the Group	22 June 2014	June 2014

Chairman and Non-executive Director

William FUNG Kwok Lun

Chairman and Non-executive Director

Dr William FUNG Kwok Lun, aged 65, has been the Chairman and a Non-executive Director of the Group since 9 May 2014. He is responsible for giving strategic advice and guidance on the business and operations of the Group.

Dr Fung has been the Li & Fung Group Chairman since May 2012. He has been a non-executive director of various companies within the Fung Group including Convenience Retail Asia Limited and Trinity Limited since January 2001 and December 2006, respectively. He is a director of King Lun and its wholly-owned subsidiary, FH (1937) and he is a controlling shareholder of Li & Fung.

Dr Fung is an independent non-executive director of VTech Holdings Limited, Shui On Land Limited, Sun Hung Kai Properties Limited and The Hongkong and Shanghai Hotels, Limited. He is also an independent director of Singapore Airlines Limited.

Dr Fung graduated from Princeton University with a Bachelor of Science degree in Engineering in June 1970 and from the Harvard Graduate School of Business with an MBA degree in June 1972. He was conferred Degrees of Doctor of Business Administration, *honoris causa*, by the Hong Kong University of Science and Technology and by the Hong Kong Polytechnic University in November 1999 and October 2008 respectively. He is a director of the Fung Global Institute, an independent non-profit think-tank based in Hong Kong. He was past chairman of each of the Hong Kong General Chamber of Commerce (1994-1996), the Hong Kong Exporters' Association (1989-1991) and the Hong Kong Committee for Pacific Economic Cooperation (1993-2002). He was awarded the Silver Bauhinia Star by the Hong Kong Special Administrative Region Government in 2008.

Vice Chairman, Chief Executive Officer and Executive Director

Bruce Philip ROCKOWITZ

Vice Chairman, Chief Executive Officer and Executive Director

Bruce Philip ROCKOWITZ, aged 55, has been the Vice Chairman, Chief Executive Officer and an Executive Director of the Group since 9 May 2014. He is responsible for the overall strategic direction and business operations of the Group.

Mr Rockowitz was Group President and Chief Executive Officer of the Li & Fung Group from May 2011 to June 2014. He was an Executive Director of Li & Fung from May 2001 to June 2014. He was the President of the Li & Fung Group from August 2004 to May 2011. In 1981, he joined Colby International Limited, and was the Chief Executive Officer until December 2000, when Colby was acquired by the Li & Fung Group.

Mr Rockowitz is the Non-Executive Chairman of the Pure Group, a lifestyle, fitness and yoga group operating in Hong Kong, Singapore, Taiwan and mainland China. He has been an independent non-executive director of Wynn Macau, Limited since September 2009.

Mr Rockowitz is a member of the Advisory Board for the Wharton School's Jay H Baker Retailing Center, an industry research centre for retail at the University of Pennsylvania. He is also a board member of the Educational Foundation for the Fashion Industries, the private fund-raising arm of the Fashion Institute of Technology. He has been a member of the Global Advisory Council of the Women's Tennis Association (WTA) since March 2012. In 2008, he was ranked first by Institutional Investor for the Asia's Best CEOs in the consumer category. In the years 2010 and 2011, he was ranked as one of the world's 30 best CEOs by Barron's. In October 2011, he received the 2011 Alumni Association Achievement Award from the University of Vermont. In March 2012, he was named Asia's Best CEO at Corporate Governance Asia's Asian Excellence Recognition Awards, and he was also presented with an Asian Corporate Director Recognition Award by the same organisation in 2012 and 2013.

Executive Director

Dow Peter FAMULAK

President and Executive Director

Dow Peter FAMULAK, aged 53, has been President and an Executive Director of the Group since 9 May 2014. He is responsible for managing the Group's business operations globally.

Mr Famulak joined Li & Fung in December 2000, and has assumed various senior management roles at the operating groups of Li & Fung, including being President of GBG USA (formerly known as LF USA Inc.) since December 2012, as well as being President of LF Beauty from September 2012 to April 2014 and DSG from March 2010 to August 2012, and Chief Executive Officer of LF Europe from May 2008 to December 2010.

Mr Famulak previously served as Chief Operating Officer of Colby International Limited and he was formerly a partner in the law firm of Baker & McKenzie, Hong Kong office.

Mr Famulak graduated from the University of British Columbia with a BA (Honours) in November 1983 and from the University of Saskatchewan with a bachelor of laws degree in May 1988. He was a member of The Law Society of Hong Kong between 1993 and 2002 and became a member of The Law Society of England and Wales in August 1993 and The Law Society of British Columbia (Canada) in September 1989.

Independent Non-executive Directors

Paul Edward SELWAY-SWIFT

Independent Non-executive Director

Paul Edward SELWAY-SWIFT, aged 69, has been an independent non-executive director of the Group since 22 June 2014. He is responsible for giving strategic advice and guidance on the business and operations of the Group.

Mr Selway-Swift has been an independent non-executive director of Li & Fung since June 1992. He is also the Chairman of PureCircle Ltd, a producer of natural food ingredients, which is quoted on the London Stock Exchange.

Mr Selway-Swift previously served as the Deputy Chairman of HSBC Investment Bank PLC from April 1996 to May 1998, as well as being a director of The Hongkong and Shanghai Banking Corporation Limited in Hong Kong from May 1992 to May 1998, and a director of Temenos Group AG from June 2001 to June 2012.

Stephen Harry LONG

Independent Non-executive Director

Stephen Harry LONG, aged 71, has been an Independent Non-executive Director of the Group since 22 June 2014. He is responsible for giving independent strategic advice and guidance to the Group.

Mr Long is the President and Chief Executive Officer of SHL Global Advisors LLC, an investment and advisory firm which he founded in June 2007 and a founding partner of Ansera Capital Partners, a private investment firm. He is an independent director of Citibank China, Co., Ltd. in China, a director of Gold Group Enterprises, Inc. in the United States and Moving Media Group, Inc. in Canada. He was a Trustee Emeritus of the Asia Society (New York) from October 2007 to October 2011, and was also a trustee of the Japan Society (New York).

Mr Long previously worked for Citigroup for more than 35 years, including as the President and Chief Operating Officer of Citigroup International from 2004 to 2007 and as the Chief Executive Officer of Corporate and Investment Banking of Citigroup in Asia from 1995 to 2004. Mr Long has previously served on numerous boards including Citibank N.A., Nikko Cordial Corporation in Japan and Shanghai Pudong Development Bank in China.

Hau Leung LEE

Independent Non-executive Director

Professor Hau Leung LEE, aged 61, has been an Independent Non-executive Director of the Group since 22 June 2014. He is responsible for giving independent strategic advice and guidance to the Group.

Professor Lee is the Thoma Professor of Operations, Information and Technology at the Graduate School of Business at Stanford University. He is also a faculty director of the Stanford Institute for Innovation in Developing Economies, and Director of the Strategies and Leadership in Supply Chains Executive Program.

Professor Lee is the Chairman of the Board of SCM World, which is a leading global community of senior supply chain professionals. Professor Lee is also an independent non-executive director of each of Synnex Corporation, which is listed on the New York Stock Exchange; Pericom Semiconductor Company, which is listed on the NASDAQ; 1010 Printing Group Limited and Frontier Services Group Limited, which as both listed on the Stock Exchange. He is also an independent non-executive director of Esquel Enterprises Limited, a private company based in Hong Kong.

Professor Lee has published widely and has served on the editorial boards of many international journals. He was the Editor-in-Chief of *Management Science* from 1997 to 1999 and from 2000 to 2002.

Professor Lee graduated from The University of Hong Kong with a Bachelor of Social Science degree in Economics and Statistics in November 1974, from the London School of Economics with a Master of Science degree in Operational Research in September 1975 and from the Wharton School of the University of Pennsylvania with a Doctor of Philosophy degree in Operations Research in May 1983. He was awarded an Honorary Doctor of Engineering degree by the Hong Kong University of Science and Technology in November 2006 and an Honorary Doctorate from the Erasmus University of Rotterdam in November 2008.

Allan ZEMAN

Independent Non-executive Director

Dr Allan ZEMAN, aged 65, has been an Independent Non-executive Director of the Group since 22 June 2014. He is responsible for giving independent strategic advice and guidance to the Group.

Dr Zeman is the Chairman of Lan Kwai Fong Group, a major property owner and developer in Hong Kong's Lan Kwai Fong, one of Hong Kong's popular tourist attractions and entertainment districts. Dr Zeman is Vice Chairman and an independent non-executive director of Wynn Macau, Limited, which is listed on the Stock Exchange. He is also an independent non-executive director of each of Pacific Century Premium Development Ltd, Sino Land Company Limited and Tsim Sha Tsui Properties Limited, which are all listed on the Stock Exchange.

Dr Zeman currently serves on the board of the Star Ferry Company Limited. He is also a member of the General Committee of the Hong Kong General Chamber of Commerce, the Council of Governors of the Canadian Chamber of Commerce in Hong Kong and a member of the Asian Advisory Board of the Richard Ivey School of Business, The University of Western Ontario.

Dr Zeman was the Chairman of Colby International Limited, a company which specialized in the sourcing of fashion apparel, and was involved with the company until 2000 when he sold the company to Li & Fung. Since then, Dr Zeman has not had any material business relationship with the Li & Fung Group.

Dr Zeman has been the Chairman of Hong Kong Ocean Park since July 2003. He also serves as a Member of the Board of West Kowloon Cultural District Authority and the Chairman of its Performing Arts Committee and is also an appointed member of the Economic Development Commission of Hong Kong.

Dr Zeman was awarded an Honorary Doctorate of Laws degree from the University of Western Ontario, Canada in June 2004. He was also conferred degrees of Business Administration, *honoris causa*, by City University of Hong Kong and the Hong Kong University of Science and Technology in November 2012 and in November 2012, respectively.

Audrey WANG LO

Independent Non-executive Director

Audrey WANG LO, aged 60, has been an Independent Non-executive Director of the Group since 22 June 2014. She is responsible for giving independent strategic advice and guidance to the Group.

Ms Lo is the Founder and has been a director of ALPS Advisory (HK) Limited since January 2003. She was the Managing Director and then Chairman of Julius Baer Investment Advisory (Asia) Limited from April 1995 to February 2003.

Ms Lo previously held various senior positions with Citibank NA Hong Kong from September 1983 to October 1994 and with Bank of America from January 1980 to May 1982.

Ms Lo graduated from the University of Alberta with a Bachelor of Commerce degree with Distinction in May 1976. She received her Chartered Accountant qualification in Canada in May 1979 and qualification with the Hong Kong Society of Accountants in April 1980.

Save as disclosed in "— *Directors*" above and "*Appendix V — General Information*", none of the Directors has held any other directorships in listed companies during the three years immediately prior to the Latest Practicable Date and there is no other information in respect of the Directors to be disclosed pursuant to Rules 13.51(2) of the Listing Rules or any other matter that needs to be brought to the attention of the Shareholders.

SENIOR MANAGEMENT OF THE COMPANY

The Chief Executive Officer and members of the senior management of the Group, together with our executive Directors, are responsible for the day-to-day operations and management of the business of the Group.

In addition to the executive Directors, members of the senior management of the Group include the following:

Name	Age	Position in the Group	Roles and Responsibilities	Date of Appointment as Senior Management	Date of joining the Group
Bruce Philip ROCKOWITZ	55	Vice Chairman & Chief Executive Officer	Overall strategic direction and business operations of the Group	9 May 2014	January 2005
Dow Peter FAMULAK	53	President	Managing the Group's business operations	9 May 2014	November 2007
LEONG Kwok Yee	63	Chief Financial Officer	Overall management of all aspects of the Group's finance and treasury matters	1 April 2014	April 2014
Jason Andrew RABIN	44	Chief Merchandising Officer	Overseeing the Group's merchandising strategy and global brand portfolio	1 January 2014	December 2009
Ronald VENTRICELLI	54	Chief Operating Officer	Managing the Group's overall operating platform and business support	9 May 2014	October 2004

Senior Management

LEONG Kwok Yee

Chief Financial Officer

LEONG Kwok Yee, aged 63, has been Chief Financial Officer of the Group since 1 April 2014. He is responsible for overall management of all aspects of the Group's finance and treasury matters.

Mr Leong previously served as the Chief Financial Officer of the Li & Fung Group from 1995 until August 2004. He was the Chief Financial Officer of Trinity (Management Services) Limited (formerly known as LiFung Trinity (Management) Limited) from September 2007 to January 2009. He was a director of Trinity Limited from September 2007 to August 2009. He was an Adviser of Li & Fung (Trading) Limited from February 2009 to June 2010 and was a Consultant of Fung (1937) Management Limited from July 2010 to March 2014.

Before joining Li & Fung, he was the Finance Director of Inchcape Buying Services Limited, a global sourcing network from 1990 until it was acquired by Li & Fung in 1995.

Mr Leong was an independent non-executive director of Carotech Berhad, a company that was listed on the Bursa Malaysia and delisted in May 2012, from November 2004 to May 2012, and was an independent non-executive director of its holding company, Hovid Berhad, a company listed on the Bursa Malaysia (stock code: 7213) from December 2004 to April 2014. For further details, please refer to "*General Information — D. Further Information about the Directors — 5. Further Information on certain Directors and Senior Management*" in Appendix V to this listing document.

Mr Leong became an associate of The Institute of Chartered Accountants of New Zealand and The Institute of Chartered Accountants in Australia in October 1977 and November 1979 respectively. He graduated from the University of Otago with a Bachelor of Commerce degree in May 1974 and from the Macquarie University with a Master in Business Administration in May 1989. In 2004, he was named the Best CFO in the retail sector, sell-side view by the Institutional Investor Research Group.

Jason Andrew RABIN

Chief Merchandising Officer

Jason Andrew RABIN, aged 44, has been the Chief Merchandising Officer of the Group since 1 January 2014. He is responsible for overseeing the Group's merchandising strategy and global brand portfolio.

Mr Rabin was the President of LF Asia from July 2011 to December 2013 where he managed the Group's fashion and home distribution business in Asia. He was the President of Kids Headquarters, a children's and young men's apparel manufacturer. He joined the Li & Fung Group in December 2009 when Kids Headquarters was acquired by the Li & Fung Group.

Mr Rabin graduated from the University of Miami with a Bachelor of Business Administration Degree in May 1992. Whilst Mr Rabin was President of Kids Headquarters, he accepted awards on behalf of Kids Headquarters from the children's clothing industry, including the Supplier Performance Award by Retail Category, the Ernie Awards and the International Licensing Industry Merchandisers' Association (LIMA) Licensing Excellence Award.

Ronald VENTRICELLI

Chief Operating Officer

Ronald VENTRICELLI, aged 54, has been the Chief Operating Officer of the Group since 9 May 2014. He is responsible for the Group's overall operating platform and business support.

Mr Ventricelli joined GBG USA (formerly known as LF USA Inc.) in October 2004 and was appointed the Chief Operating Officer of GBG USA in October 2006. He is responsible for the operating platform and business support of GBG USA, as well as leading various corporate acquisition transactions for GBG USA.

Mr Ventricelli was the Chief Financial Officer at each of Frederick Atkins, Inc. from 1997 to 2001 and Adrienne Vittadini, Inc. from 1989 to 1997. Prior to those positions, he worked in public accounting with KPMG on the audit side of the business.

Mr Ventricelli graduated from St. John's University, New York with a Bachelor of Science degree in 1981. He is a member of the Board of Governors at the Young Men's Association Fashion Scholarship Fund.

Company Secretary

LEONG Kwok Yee and Terry WAN Mei Chow are our joint company secretaries. Information on the waiver in relation to the appointment of joint company secretaries is set out in "*Appendix V — General Information*". Mr Leong is the Chief Financial Officer of the Group. Ms Wan is not an employee of the Company and she provides company secretarial services as an external service provider.

Mr Leong, aged 63, is the Chief Financial Officer and was appointed as Company Secretary on 22 June 2014. Please refer to "*Directors and Senior Management — Senior Management of the Company*" for details of his biography.

Ms Wan, aged 51, was appointed as Company Secretary on 22 June 2014. She has been the Group Company Secretary of Li & Fung since August 1996 and is responsible for the corporate secretarial affairs of Li & Fung Group. She graduated from the Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in November 1985 and started her career as company secretary at Ernst & Young. She became a fellow member of both The Institute of Chartered Secretaries and Administrators in England and The Hong Kong Institute of Chartered Secretaries ("**HKICS**") in February 1999. Ms Wan currently serves on the Company Secretaries Panel and Membership Committee of HKICS. She was awarded the 1st Asian Company Secretary Recognition Award by Corporate Governance Asia in November 2013.

BOARD COMMITTEES

The Board has established an audit committee, a remuneration committee and a nomination committee, details of which are set out below:

Audit Committee

The audit committee of the Board has been established in compliance with Rules 3.21 to 3.23 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee of the Board are to oversee the financial reporting system and internal control procedures of the Company, review the financial information of the Company and consider issues relating to the external auditors and their appointment.

As at the date of this listing document, the members of the audit committee of the Board are:

Stephen Harry LONG (*Chairman*)

Paul Edward SELWAY-SWIFT

Hau Leung LEE

Allan ZEMAN

Audrey Wang LO

Remuneration Committee

The remuneration committee of the Board has been established in compliance with Rules 3.25 and 3.26 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee of the Board are to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

As at the date of this listing document, the members of the remuneration committee of the Board are:

Hau Leung LEE (*Chairman*)

William FUNG Kwok Lun

Audrey Wang LO

Nomination Committee

The nomination committee of the Board has been established as recommended by the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee of the Board are to review the structure, size and composition of the Board, assess the independence of the independent non-executive Directors and to make recommendations to the Board on the appointment and removal of Directors.

As at the date of this listing document, the members of the nomination committee of the Board are:

William FUNG Kwok Lun (*Chairman*)

Allan ZEMAN

Stephen Harry LONG

REMUNERATION OF THE DIRECTORS

No remuneration was paid or is payable to any Director in his/her capacity as such during the Track Record Period. Under the current arrangements, the aggregate remuneration and benefits in kind payable to the Directors for 2014 is estimated to be approximately US$2.0 million.

For 2011, 2012 and 2013, the total remuneration received by the Directors for services to the Group amounted to approximately US$1.7 million, US$1.4 million and US$4.1 million, respectively. During the Track Record Period, no remuneration was paid to any of the Directors as an inducement to join or upon joining the Group. No compensation was paid to, or receivable by, the Directors or past directors of the Company for the loss of office as director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group. None of the Directors waived any remuneration or emoluments during the Track Record Period.

Information on the letters of appointment entered into between the Company and the Directors is set out in "*Appendix V — General Information*".

COMPLIANCE ADVISER

We have appointed Somerley Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules to provide advisory services to the Company. In compliance with Rule 3A.23 of the Listing Rules, we must consult with, and if necessary, seek advice from, the compliance adviser on a timely basis in the following circumstances:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated; and

(c) where the Stock Exchange makes an inquiry concerning unusual movements in the price or trading volume of the Shares, the possible development of a false market in the Shares or any other matters.

The term of the appointment of the compliance adviser will commence on the Listing Date and will end on the date on which the Company distributes its annual report in respect of its financial results for the first full financial year commencing after the Listing Date.

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this listing document. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

pwc 羅兵咸永道

26 June 2014

The Directors
Global Brands Group Holding Limited

Goldman Sachs (Asia) L.L.C.
Citigroup Global Markets Asia Limited
HSBC Corporate Finance (Hong Kong) Limited

Dear Sirs,

We report on the financial information of Global Brands Group Holding Limited (the "Company") and its subsidiaries (together, the "Group"), which comprises the combined balance sheets as at 31 December 2011, 2012 and 2013, and the combined profit and loss accounts, the combined statements of comprehensive income, the combined statements of changes in equity and the combined cash flow statements for each of the years ended 31 December 2011, 2012 and 2013 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of the Company and is set out in Sections I to III below for inclusion in Appendix I to the listing document of the Company dated 26 June 2014 (the "Listing Document") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company was incorporated in Bermuda on 4 December 2013 as an exempted company with limited liability under the Bermuda Companies Act. Pursuant to a group reorganisation as described in Note 1.2 of Section II headed "Reorganisation" below, which was completed on 23 June 2014, the Company became the holding company of the subsidiaries now comprising the Group (the "Reorganisation").

As at the date of this report, the Company has direct and indirect interests in the subsidiaries and joint ventures as set out in Note 34 of Section II below. All of these companies are private companies or, if incorporated or established outside Hong Kong, have substantially the same characteristics as a Hong Kong incorporated private company.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
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No audited financial statements have been prepared by the Company as it is newly incorporated and has not involved in any significant business transactions since its date of incorporation, other than the Reorganisation. The audited financial statements of the other companies now comprising the Group as at the date of this report for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their place of incorporation. The details of the statutory auditors of these companies are set out in Note 34 of Section II below.

The directors of the Company have prepared the combined financial statements of the Company and its subsidiaries now comprising the Group for the Relevant Periods, in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"). The directors of the Company are responsible for the preparation of the Underlying Financial Statements that give a true and fair view in accordance with HKFRSs. We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing (the "HKSAs") issued by the HKICPA pursuant to separate terms of engagement with the Company.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon, and on the basis set out in Note 1.3 of Section II below.

Directors' Responsibility for the Financial Information

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with the basis of presentation set out in Note 1.3 of Section II below and in accordance with HKFRSs, and for such internal control as the directors determine is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Reporting Accountant's Responsibility

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

Opinion

In our opinion, the financial information gives, for the purpose of this report and presented on the basis set out in Note 1.3 of Section II below, a true and fair view of the combined state of affairs of the Group as at 31 December 2011, 2012 and 2013 and of the Group's combined results and cash flows for the Relevant Periods then ended.

I FINANCIAL INFORMATION OF THE GROUP

The following is the financial information of the Group prepared by the directors of the Company as at 31 December 2011, 2012 and 2013 and for each of the years ended 31 December 2011, 2012 and 2013 (the "Financial Information"), presented on the basis set out in Note 1.3 below:

COMBINED PROFIT AND LOSS ACCOUNTS

	Note	Year ended 31 December		
		2011	2012	2013
		US$'000	US$'000	US$'000
Turnover	4	2,808,874	3,119,040	3,288,132
Cost of sales		(1,857,298)	(2,268,064)	(2,292,597)
Gross profit		951,576	850,976	995,535
Other income		653	5,629	14,263
Total margin		952,229	856,605	1,009,798
Selling and distribution expenses		(317,993)	(412,227)	(400,448)
Merchandising and administrative expenses		(456,403)	(539,963)	(475,653)
Core operating profit/(loss)	4	177,833	(95,585)	133,697
Gain on remeasurement of contingent consideration payable	5	—	108,000	74,752
Amortisation of other intangible assets	5	(30,521)	(43,453)	(46,254)
Gain on disposal of businesses/ licensing rights	5, 25(c)	—	29,635	5,317
Other non-core operating expenses	5	(6,732)	(2,934)	(3,414)
Operating profit/(loss)	5	140,580	(4,337)	164,098
Interest income		108	248	334
Interest expenses	6			
Non-cash interest expenses		(17,971)	(20,740)	(15,844)
Cash interest expenses		(8,893)	(10,741)	(9,118)
		113,824	(35,570)	139,470
Share of profits of joint ventures		—	—	409
Profit/(loss) before taxation		113,824	(35,570)	139,879
Taxation	7	(13,896)	63,254	(26,351)
Net profit for the year attributable to shareholders of the Company		99,928	27,684	113,528
Earnings per share				
— Basic and diluted	8	N/A	N/A	N/A
Dividends	9	—	—	—

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December		
	2011	2012	2013
	US$'000	US$'000	US$'000
Profit for the years	99,928	27,684	113,528
Other comprehensive income/(expense):			
Item that will be reclassified to profit or loss			
Currency translation differences	4,330	(144)	(3,266)
Other comprehensive income/(expense) for the years, net of tax	4,330	(144)	(3,266)
Total comprehensive income for the years			
Attributable to shareholders of the Company	104,258	27,540	110,262

COMBINED BALANCE SHEETS

	Note	As at 31 December 2011	2012	2013
		US$'000	US$'000	US$'000
Non-current assets				
Intangible assets	12	2,835,889	3,006,527	3,276,000
Property, plant and equipment	13	93,380	161,510	193,171
Joint ventures	14	—	—	14,515
Other receivables and deposits	18	2,294	14,020	9,510
Deferred tax assets	24	212	21,546	2,272
		2,931,775	3,203,603	3,495,468
Current assets				
Inventories	15	496,759	436,766	522,103
Due from related companies	16	5,401	34,187	19,196
Trade and bills receivable	18	239,785	182,632	300,844
Other receivables, prepayments and deposits	18	125,021	119,224	118,048
Derivative financial instrument	17	—	—	2,664
Tax recoverable		—	1,612	—
Cash and bank balances	19	119,369	80,981	142,869
		986,335	855,402	1,105,724
Current liabilities				
Due to related companies	16	245,769	228,049	270,886
Trade and bills payable	20	89,393	94,929	91,069
Accrued charges and sundry payables	20	145,556	179,191	224,122
Purchase consideration payable for acquisitions	23	145,908	176,821	187,210
Tax payable		668	—	8,731
Short-term bank loans	21	30,000	—	2,341
Bank overdrafts	19, 21	479	13,639	27,781
		657,773	692,629	812,140
Net current assets		328,562	162,773	293,584
Total assets less current liabilities		3,260,337	3,366,376	3,789,052

	Note	As at 31 December		
		2011	2012	2013
		US$'000	US$'000	US$'000
Financed by:				
Combined capital	22	1,517,343	1,853,241	2,021,072
Reserves		250,540	276,036	371,354
Total equity		1,767,883	2,129,277	2,392,426
Non-current liabilities				
Purchase consideration payable for acquisitions	23	800,734	648,261	451,917
Other long-term liabilities	23	232,089	196,635	328,645
Due to related companies	16	425,949	392,181	593,821
Deferred tax liabilities	24	33,682	22	22,243
		1,492,454	1,237,099	1,396,626
		3,260,337	3,366,376	3,789,052

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to shareholders of the Company				
		Reserves			
	Combined capital	Exchange reserves	Retained earnings	Total reserves	Total
	US$'000 Note 24	US$'000	US$'000	US$'000	US$'000
Balance at 1 January 2011	1,001,359	576	145,706	146,282	1,147,641
Comprehensive income					
Profit or loss	—	—	99,928	99,928	99,928
Other comprehensive income					
Currency translation differences	—	4,330	—	4,330	4,330
Total other comprehensive income	—	4,330	—	4,330	4,330
Total comprehensive income	—	4,330	99,928	104,258	104,258
Transactions with owners					
Capital injection (Note 22)	514,264	—	—	—	514,264
Acquisition of new business	1,720	—	—	—	1,720
Total transactions with owners	515,984	—	—	—	515,984
Balance at 31 December 2011	1,517,343	4,906	245,634	250,540	1,767,883

	Attributable to shareholders of the Company				
		Reserves			
	Combined capital	Exchange reserves	Retained earnings	Total reserves	Total
	US$'000 Note 24	US$'000	US$'000	US$'000	US$'000
Balance at 1 January 2012	1,517,343	4,906	245,634	250,540	1,767,883
Comprehensive income					
Profit or loss	—	—	27,684	27,684	27,684
Other comprehensive income					
Currency translation differences	—	(144)	—	(144)	(144)
Total other comprehensive income	—	(144)	—	(144)	(144)
Total comprehensive income	—	(144)	27,684	27,540	27,540
Transactions with owners					
Capital injection (Note 22)	335,821	—	—	—	335,821
Acquisition of new business	77	—	—	—	77
Dividend paid	—	—	(2,044)	(2,044)	(2,044)
Total transactions with owners	335,898	—	(2,044)	(2,044)	333,854
Balance at 31 December 2012	1,853,241	4,762	271,274	276,036	2,129,277

	Attributable to shareholders of the Company				
		Reserves			
	Combined capital	Exchange reserves	Retained earnings	Total reserves	Total
	US$'000 Note 24	US$'000	US$'000	US$'000	US$'000
Balance at 1 January 2013	1,853,241	4,762	271,274	276,036	2,129,277
Comprehensive income					
Profit or loss	—	—	113,528	113,528	113,528
Other comprehensive income					
Currency translation differences	—	(3,266)	—	(3,266)	(3,266)
Total other comprehensive income	—	(3,266)	—	(3,266)	(3,266)
Total comprehensive income	—	(3,266)	113,528	110,262	110,262
Transactions with owners					
Capital injection (Note 22)	155,180	—	—	—	155,180
Acquisition of new business	12,651	—	—	—	12,651
Dividend paid	—	—	(14,944)	(14,944)	(14,944)
Total transactions with owners	167,831	—	(14,944)	(14,944)	152,887
Balance at 31 December 2013	2,021,072	1,496	369,858	371,354	2,392,426

COMBINED CASH FLOW STATEMENTS OF THE GROUP

	Note	Year ended 31 December 2011	2012	2013
		US$'000	US$'000	US$'000
Operating activities				
Net cash inflow generated from operations	25(a)	68,162	25,105	95,440
Profits tax paid		(4,716)	(2,076)	(5,836)
Net cash inflow from operating activities		63,446	23,029	89,604
Investing activities				
Settlement of consideration payable for prior years acquisitions of businesses		(229,605)	(209,758)	(258,739)
Acquisitions of businesses	26	(320,463)	(73,560)	(49,982)
Investment in joint ventures		—	—	(7,836)
Proceeds from disposals of businesses/licensing rights, net	25(c)	—	41,657	9,589
Purchases of property, plant and equipment		(53,599)	(97,426)	(65,430)
Payments for computer software and system development costs		(3,031)	(3,755)	(14,382)
Purchases of intangible assets		—	—	(30,000)
Interest income		108	248	334
Net cash outflow from investing activities		(606,590)	(342,594)	(416,446)
Net cash outflow before financing activities		(543,144)	(319,565)	(326,842)

	Note	Year ended 31 December 2011	2012	2013
		US$'000	US$'000	US$'000
Financing activities				
(Decrease)/increase in amounts due to related companies		(60,480)	(27,629)	225,529
Capital injection	22	514,264	335,821	155,180
(Repayment)/drawdown of bank loan	25(b)	—	(30,000)	2,341
Interest paid		(8,893)	(10,741)	(9,118)
Net cash inflow from financing activities		444,891	267,451	373,932
(Decrease)/increase in cash and cash equivalents		(98,253)	(52,114)	47,090
Cash and cash equivalents at 1 January		217,274	118,890	67,342
Effect of foreign exchange rate changes		(131)	566	656
Cash and cash equivalents at 31 December		118,890	67,342	115,088
Analysis of the balances of cash and cash equivalents				
Cash and bank balances	19	119,369	80,981	142,869
Bank overdrafts	19	(479)	(13,639)	(27,781)
		118,890	67,342	115,088

II NOTES TO THE FINANCIAL INFORMATION

1 General information, reorganisation and basis of presentation

1.1 General information

The Company was incorporated in Bermuda on 4 December 2013 as an exempted company with limited liability under the Bermuda Companies Act. The address of the Company's registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

The Company is an investment holding company and its subsidiaries (together the "Group") are principally engaged in the business focuses on a portfolio of licensed brands in which the Group licenses the intellectual property from the brand owners or the licensors for use in selected product categories and geographies (the "Licensed Brands") and controlled brands in which the Group either own, or control the intellectual property under a long-term license which gives us significant control over the development and marketing associated with the relevant brands (the "Controlled Brands") to design and develop branded apparel and related products primarily for sales to retailers in the United States of America, Europe and Asia (the "Listing Business").

The ultimate holding company of the Company is Li & Fung Limited ("Li & Fung"), a company whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

1.2 Reorganisation

In preparation for the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited, the Company and other companies now comprising the Group have undergone a reorganisation (the "Reorganisation") pursuant to which group companies engaged in the Listing Business were transferred to the Company. The Reorganisation was started after the Relevant Periods and completed on 23 June 2014, the Company's principal subsidiaries and joint ventures now comprising the Group after the completion of the Reorganisation are set out in Note 34 below.

1.3 Basis of presentation

For the purpose of this report, the combined financial statements of the Group have been prepared on a basis in accordance with the principles of the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA. The combined profit and loss accounts, combined statements of comprehensive income, combined statements of changes in equity and combined cash flow statements of the Group for each of the years ended 31 December 2011, 2012 and 2013 have been prepared using the Financial Information of the companies engaged in the Listing Business, under the common control of Li & Fung and now comprising the Group as if the current group structure had been in existence throughout each of the years ended 31 December 2011, 2012 and 2013, or since the respective dates of incorporation/establishment of the combining companies, or since the date when the combining companies first came under the control of Li & Fung, whichever is a shorter period. The combined balance sheets of the Group as at 31 December 2011, 2012 and 2013 have been prepared to present the assets and liabilities of the companies now comprising the Group at these dates, as if the current group structure had been in existence as at these dates. The net assets and results of the Group were combined using the existing book values from Li & Fung's perspective.

For companies acquired from or disposed to a third party during each of the years ended 31 December 2011, 2012 and 2013, they are included in or excluded from the combined financial statements of the Group from the date of the acquisition or disposal.

Inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on combination.

Prior to the completion of the Reorganisation, certain companies under the common control of Li & Fung had engaged in the Listing Business and certain other dissimilar businesses ("Excluded Business").

The combined balance sheets include assets and liabilities that are directly related and clearly identified to the Listing Business and the combined profit and loss accounts include all revenues, related costs, expenses and charges directly generated or incurred by the Listing Business. Expenses for which specific identification method is not practicable are allocated to the Listing Business according to the ratio of the historical revenue of the Listing Business to the total revenue of the Li & Fung Group.

The directors consider that the above method of allocation and presentation provides the fairest approximation of the amounts attributable to the Financial Information of the Listing Business for the years ended 31 December 2011, 2012 and 2013.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The Financial Information 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 inclusion of financial assets and financial liabilities at fair value through profit or loss.

The preparation of the Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in Note 3.

The following new standards, new interpretations and amendments to existing standards have been issued and are mandatory for the Group's accounting periods beginning on or after 1 January 2014 or later periods, but the Group has not early adopted them:

HKFRS 10, HKFRS 12 and HKAS 27 (2011) (amendment)	Investment entities[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets[1]
HK (IFRIC) - Int 21	Levies[1]
HKAS 19 (2011) (amendment)	Defined benefit plans: Employee contributions[2]
HKFRS 9	Financial instruments[4]
HKAS 39 (amendment)	Financial instruments: Recognition and Measurement — Novation of derivatives[1]
HKFRS 14	Regulatory Deferral Accounts[3]
Annual Improvements	Project 2012 and 2013[2]

Notes:

1 Effective for annual periods beginning on or after 1 January 2014

2 Effective for annual periods beginning on or after 1 January 2015

3 Effective for annual periods beginning on or after 1 January 2016

4 Effective date is not yet determined

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

2.2 Basis of combination

(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.

Except for the Reorganisation, the Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is 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 recognises 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 recognised 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 recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill (Note 2.6). 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 recognised directly in the combined statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised 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.

Separate financial statements

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.

(b) ***Joint ventures***

Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined it to be a joint venture. Joint venture is accounted for using the equity method.

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

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

2.3 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, assessing performance of the operating segments and making strategic decisions.

2.4 Foreign currency translation

(a) ***Functional and presentation currency***

Items included in the accounts 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 Financial Information are presented in United States dollar (USD), which is the Company's functional and presentation currency.

(b) ***Transactions and balances***

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or revaluation where items are re-measured. 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 recognised in the combined profit and loss account.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised 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 recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale reserve in other comprehensive income.

(c) ***Group companies***

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

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

On combination, exchange differences arising from the translation of the net investment in foreign operations, 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 jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss.

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

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

2.5 Property, plant and equipment

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

Depreciation and impairment

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 improvements	5% - 20%
Furniture, fixtures and equipment	$6\frac{2}{3}\%$ - $33\frac{1}{3}\%$
Plant and machinery	10% - 15%
Motor vehicles	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 2.7). Subsequent costs are included in the asset's carrying amount or recognised 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 derecognised. All other repair and maintenance costs are expensed in the combined profit and loss account during the financial period in which they are incurred.

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 recognised in the combined profit and loss account.

2.6 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 at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Separately recognised 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 represent 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 of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) ***Computer software and system development costs***

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

Costs associated with developing or maintaining computer software programmes are recognised 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 recognised 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 recognised as assets are amortised over their estimated useful lives of 3 to 10 years.

(c) ***Other intangible assets arising from business combinations***

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

(d) ***Brand licenses***

Brand licenses are license contracts entered into with the brand-holders by the Group in the capacity as licensee. Brand licenses are capitalised 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 amortised based on expected usage from the date of first commercial usage over the remaining licence periods ranging from approximately 1 to 10 years.

2.7 Impairment

Impairment of non-financial assets other than investments in subsidiaries and joint ventures

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation 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 recognised 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 suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment of investments in subsidiaries and joint ventures

Impairment testing is required if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the Financial Information of the investee's net assets including goodwill.

2.8 Financial assets

Classification

The Group classifies its financial assets as loans and receivables and at fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise "trade and bills receivable", "other receivables and deposits", "cash and bank balances" and "amount due from related companies" in the combined balance sheets (Note 2.11).

Recognition and measurement

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

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

2.9 Impairment of financial assets

Assets carried at amortised cost

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

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

- Significant financial difficulty of the issuer or obligor;

- A breach of contract, such as a default or delinquency in interest or principal payments;

- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

- The disappearance of an active market for that financial asset because of financial difficulties; or

- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of borrowers in the portfolio;

  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

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

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

2.10 Inventories

Inventories comprise raw materials and finished goods and are stated at the lower of cost and net realisable 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 realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

2.11 Trade and other receivables

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

2.12 Cash and cash equivalents

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

2.13 Borrowings

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

Fees paid on the establishment of loan facilities are recognised 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 capitalised as a prepayment for liquidity services and amortised 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.

2.14 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the combined profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised 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 joint ventures 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 Financial Information. 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 realised or the deferred tax liability is settled.

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

Deferred tax is provided on temporary differences arising on investments in subsidiaries, and joint ventures, 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.

2.15 Employee benefits

(a) ***Employee leave entitlements***

Employee entitlements to annual leave are recognised 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 recognised until the time of leave.

(b) ***Discretionary bonus***

The expected costs of discretionary bonus payments are recognised 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.

(c) ***Post employment benefit obligations***

The Group participates in a number of defined contribution plans throughout the world, the assets of which are generally held in separate trustee - administrated funds.

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

(d) ***Share-based compensation***

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

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

Non-market performance vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each end of the reporting period, the Group revises its estimates on the number of options that are expected to vest based on the non-market performance and service conditions. It recognises the impact of the revision of original estimates, if any, in the combined profit and loss account, with a corresponding adjustment to employee share-based compensation reserve.

2.16 Provisions

Provisions are recognised 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 recognised 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 recognised 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 recognised as interest expense.

2.17 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 recognised 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 recognised but is disclosed in the notes to the Financial Information. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised 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 recognised but are disclosed in the notes to the Financial Information when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

2.18 Total margin

Total margin includes gross profit and other income relating to the licensed brands and controlled brands businesses.

2.19 Core operating profit

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

2.20 Revenue recognition

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

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

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

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

Operating lease rental income is recognised on a straight-line basis.

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

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

2.21 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 capitalised as part of the cost of that asset, until such time as the assets are substantially ready for their intended use or sale.

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

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

2.22 Operating leases

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

2.23 Derivative financial instrument

Derivatives financial instrument include conversion right embedded in convertible promissory note (Note 17) is initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Changes in the fair value of derivative financial instruments are recognised immediately in the combined profit and loss account. Trading derivatives are classified as a current asset or liability.

2.24 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable 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 recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.25 Dividend distribution

Dividend distribution to the shareholders of the companies now comprising the Group is recognised as a liability in the Financial Information in the period in which the dividends are approved by the shareholders or directors, where appropriate, of the respective companies.

3 Critical accounting estimates and judgments

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

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

(a) Estimated impairment of intangible assets including goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.6. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 12).

(b) Useful lives of intangible assets

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

(c) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises 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.

(d) Contingent considerations of acquisitions

Certain of the Group's business acquisitions have involved post-acquisition performance-based contingent considerations. HKFRS 3 (Revised) is effective prospectively to business combinations for which acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The Group follows the requirement of HKFRS 3 (Revised) to recognise the fair value of those contingent considerations for acquisitions, as of their respective acquisition dates as part of the consideration transferred in exchange for the acquired businesses. 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. Contingent considerations shall be re-measured at their fair value resulting from events or factors emerging after the acquisition date, with any resulting gain or loss recognised in the combined profit and loss account in accordance with HKFRS 3 (Revised). For acquisitions completed prior to 1 January 2010, the effective date of HKFRS 3 (Revised), changes in the fair values of contingent consideration are recognised in goodwill.

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

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

However, on an aggregate basis, if the total actual contingent consideration payables as at 31 December 2011, 2012 and 2013 are 10% lower or higher than the total contingent consideration payables estimated by management, the resulting aggregate impact to the gain or loss on remeasurement of contingent consideration payables made after 2010 as at 31 December 2011, 2012 and 2013 would be US$81 million, US$65 million and US$52 million respectively, and the resulting aggregate impact to the goodwill on remeasurement of contingent consideration payable for acquisitions made prior to 1 January 2010 would be US$14 million, US$17 million and US$12 million respectively.

4 Segment information

The Company is domiciled in Bermuda. The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The Group is principally engaged in business focusing on a portfolio of licensed and controlled brands to design and develop branded apparel and related products primarily for sales to retailers, mainly in the US and also in Europe and Asia. Turnover represents revenue generated from sales and services rendered at invoiced value to customers outside the Group less discounts and returns.

The Group's management (Chief Operating Decision-Maker), who is responsible for allocating resources and assessing performance of the operating segments has been identified as the executive directors that make strategic decision and considers the business principally from the perspective of two operating segments, namely Licensed Brands Segment and Controlled Brands Segment. Licensed Brands Segment principally sells products under fashion, consumer and entertainment brands which it licenses for use in selected product categories and geographies. Controlled Brands Segment sells a variety of products under brands in which the Group either owns the intellectual property or controls the intellectual property under a long-term license which gives the Group control over the development and marketing associated with the relevant brand.

The Group's management assesses the performance of the operating segments based on a measure of operating profit, referred to as core operating profit (see Note 2.19). This measurement basis includes the profit before taxation generated from the Group's licensed brands and controlled brands businesses excluding share of results of joint ventures, interest income, interest expenses, tax, material gains or losses which are of capital nature or non-operational related, acquisition related costs. This also excludes gain or loss on remeasurement of contingent consideration payable and amortisation of other intangible assets which are non-cash items. Information provided to the Group's management is measured in a manner consistent with that in these accounts.

	Licensed Brands	Controlled Brands	Total
	US$'000	US$'000	US$'000
Year ended 31 December 2011			
Turnover	2,352,668	456,206	2,808,874
Total margin	842,285	109,944	952,229
Operating costs	(663,608)	(110,788)	(774,396)
Core operating profit/(loss)	178,677	(844)	177,833
Amortisation of other intangible assets			(30,521)
Other non-core operating expenses			(6,732)
Operating profit			140,580
Interest income			108
Interest expenses			
Non-cash interest expenses			(17,971)
Cash interest expenses			(8,893)
Profit before taxation			113,824
Taxation			(13,896)
Net profit for the year			99,928
Depreciation and amortisation	132,137	19,318	151,455
31 December 2011			
Non-current assets (other than deferred tax assets)	2,140,127	791,436	2,931,563

	Licensed Brands	Controlled Brands	Total
	US$'000	US$'000	US$'000
Year ended 31 December 2012			
Turnover	2,607,610	511,430	3,119,040
Total margin	733,806	122,799	856,605
Operating costs	(808,897)	(143,293)	(952,190)
Core operating loss	(75,091)	(20,494)	(95,585)
Gain on remeasurement of contingent consideration payable			108,000
Amortisation of other intangible assets			(43,453)
Gain on disposals of businesses/ licensing rights			29,635
Other non-core operating expenses			(2,934)
Operating loss			(4,337)
Interest income			248
Interest expenses			
Non-cash interest expenses			(20,740)
Cash interest expenses			(10,741)
Loss before taxation			(35,570)
Taxation			63,254
Net profit for the year			27,684
Depreciation and amortisation	175,014	18,365	193,379
31 December 2012			
Non-current assets (other than deferred tax assets)	2,330,935	851,122	3,182,057

	Licensed Brands	Controlled Brands	Total
	US$'000	US$'000	US$'000
Year ended 31 December 2013			
Turnover	2,680,173	607,959	3,288,132
Total margin	823,207	186,591	1,009,798
Operating costs	(725,549)	(150,552)	(876,101)
Core operating profit	97,658	36,039	133,697
Gain on remeasurement of contingent consideration payable			74,752
Amortisation of other intangible assets			(46,254)
Gain on disposals of businesses/ licensing rights			5,317
Other non-core operating expenses			(3,414)
Operating profit			164,098
Interest income			334
Interest expenses			
Non-cash interest expenses			(15,844)
Cash interest expenses			(9,118)
			139,470
Share of profits of joint ventures			409
Profit before taxation			139,879
Taxation			(26,351)
Net profit for the year			113,528
Depreciation and amortisation	129,967	78,396	208,363
31 December 2013			
Non-current assets (other than deferred tax assets)	2,403,637	1,089,559	3,493,196

The geographical analysis of turnover and non-current assets (other than deferred tax assets) is as follows:

	Turnover			Non-current assets (other than deferred tax assets)		
	Year ended 31 December			As at 31 December		
	2011	2012	2013	2011	2012	2013
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
United States of America	2,639,643	2,865,750	2,808,141	2,676,556	2,848,257	3,027,948
Europe	103,781	154,339	350,905	203,152	261,025	332,876
Asia	65,450	98,951	129,086	51,855	72,775	132,372
	2,808,874	3,119,040	3,288,132	2,931,563	3,182,057	3,493,196

For the years ended 31 December 2011, 2012 and 2013, approximately 11.9%, 14.3% and 13.6% of the Group's turnover is derived from a single external customer, of which 11.1%, 13.5% and 12.8% and 0.8%, 0.8% and 0.8% are attributable to the Licensed Brands Segment and Controlled Brands Segment respectively.

5 Operating profit/(loss)

Operating profit/(loss) is stated after crediting and charging the following:

	Year ended 31 December		
	2011	2012	2013
	US$'000	US$'000	US$'000
Crediting			
Gain on remeasurement of contingent consideration payable (Note)*	—	108,000	74,752
Gain on disposals of businesses/ licensing rights (Note 25(c))*	—	29,635	5,317
Charging			
Cost of inventories sold	1,857,298	2,268,064	2,292,597
Amortisation of computer software and system development costs (Note 12)	5,725	4,322	5,108
Amortisation of brand licenses and distribution rights (Note 12)	92,822	121,285	127,004
Amortisation of other intangible assets (Note 12)*	30,521	43,453	46,254
Depreciation of property, plant and equipment (Note 13)	22,387	24,319	29,997
Loss on disposal of property, plant and equipment	1,530	590	—
Operating leases rental in respect of land and building	66,404	80,738	73,529
Provision for impaired receivables, net (Note 18)	2,335	(1,513)	1,409
Staff costs including directors' emoluments (Note 10)	307,204	367,780	369,066
Business acquisition-related costs (Note 26)*	6,732	2,934	3,414
Net exchange losses	118	438	579

* Included below the core operating profit/(loss)

Note: As at 31 December 2011, 2012 and 2013, the Group remeasured contingent considerations payable for all acquisitions with outstanding contingent consideration arrangements based on the market outlook and their prevailing business plans and projections. Accordingly, gain of approximately Nil, US$108 million and US$75 million was recognised as at 31 December 2011, 2012 and 2013. Among the total remeasurement gain, approximately Nil, US$108 million and US$33 million was the downward adjustment to earn-up consideration as at 31 December 2011, 2012 and 2013. The revised provisions for performance-based contingent considerations are calculated based on discounted cash flows of future consideration payment with the revision of estimated future profit of these acquired businesses. These gains were recognised as a non-core operating gain on remeasurement of contingent consideration payable.

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

	Year ended 31 December		
	2011	2012	2013
	US$'000	US$'000	US$'000
Audit services	788	1,097	1,124
Non-audit services			
— due diligence reviews on acquisitions	—	118	85
— taxation services	627	1,082	1,089
— others	13	76	276
Total remuneration to auditors charged to combined profit and loss account	1,428	2,373	2,574

6 Interest expenses

	Year ended 31 December		
	2011	2012	2013
	US$'000	US$'000	US$'000
Non-cash interest expenses on purchase consideration payable for acquisitions and brand license payable			
— wholly repayable within five years	15,272	20,446	15,654
— not wholly repayable within five years	2,699	294	190
Cash interest on bank loans, overdrafts and factoring arrangements			
— wholly repayable within five years	8,893	10,741	9,118
— not wholly repayable within five years	—	—	—
	26,864	31,481	24,962

7 Taxation

Hong Kong profits tax has been provided for at the rate of 16.5% for each of the years ended 31 December 2011, 2012 and 2013 on the estimated assessable profit 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/(credited) to the combined profit and loss account represents:

	Year ended 31 December		
	2011	2012	2013
	US$'000	US$'000	US$'000
Current taxation			
— Hong Kong profits tax	69	608	728
— Overseas taxation	(302)	(7,636)	(11,132)
(Over)/underprovision in prior years	—	(1,208)	23
Deferred taxation (Note 24)	14,129	(55,018)	36,732
	13,896	(63,254)	26,351

The taxation on the Group's profit/(loss) before taxation differs from the theoretical amount that would arise using the taxation rate of the home country of the Company as follows:

	Year ended 31 December		
	2011	2012	2013
	%	%	%
Calculated at a taxation rate of	16.5	16.5	16.5
Effect of different taxation rates in other countries	(6.3)	(0.5)	3.5
Overprovision in prior years	—	3.4	—
Recognition of deferred tax assets previously not recognised (Note a)	—	73.4	—
Income net of expenses/(expenses net of income) not subject to taxation (Note b)	0.6	85.0	(1.2)
Unrecognised tax loss	1.4	—	—
Effective tax rate	12.2	177.8	18.8

Notes:

(a) Certain subsidiaries in the US have merged during 2012, as a result of the merger, the tax losses brought forward can be utilised by the companies in the US under the consolidation tax filing. A previously unrecognised deferred tax assets arising from the tax losses amounting to US$26 million are recognised during 2012 accordingly.

(b) In 2012, the gain on remeasurement of contingent consideration payable of US$108 million is relating to acquisition of subsidiaries, which is a non-taxable transaction and the remeasurement gain is not subject to taxation. In 2013, the gain on remeasurement of contingent consideration payable of US$72 million is relating to an asset acquisition, which is a taxable transaction (i.e. the amortisation of goodwill and intangibles are deductible for tax purposes), the remeasurement gain is subject to taxation and a deferred tax liability is recognised for the remeasurement gain accordingly.

8 Earnings per share

No earnings per share information is presented as its inclusion, for the purpose of this Financial Information, is not considered meaningful due to the Reorganisation and the preparation of the results for each of the years ended 31 December 2011, 2012 and 2013 on a combined basis as disclosed in Note 1.3 above.

9 Dividends

No dividend has been paid or declared by the Company since its incorporation.

Dividends during each of the years ended 31 December 2011, 2012 and 2013 represented dividends declared by the companies now comprising the Group to the then equity holders of the companies for each of the years ended 31 December 2011, 2012 and 2013, after elimination of intra-group dividends. The rates for dividend and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

10 Staff costs including directors' emoluments

	Year ended 31 December		
	2011	2012	2013
	US$'000	US$'000	US$'000
Salaries and bonuses	249,354	304,814	307,669
Staff benefits	49,681	56,076	54,790
Pension costs of defined contribution plans (Note)	5,644	6,555	6,048
Employee share option expenses	2,525	335	559
	307,204	367,780	369,066

Note: There are no forfeited contributions available to reduce future contributions as at years ended 31 December 2011, 2012 and 2013.

11 Directors' and senior management's emoluments

(a) *Directors' and senior management emoluments*

The remuneration of every Director for the year ended 31 December 2011, 2012 and 2013 is set out below:

Year ended 31 December 2011						
Name of Director	Fees	Salary & allowance	Discretionary Bonuses	Other benefits (Note ii)	Employer's contribution to pension scheme	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Executive directors						
Bruce Philip Rockowitz (Note iii)	3	76	844	6	—	929
Dow Peter Famulak (Note iii)	—	78	111	—	—	189
Non-executive director						
William Fung Kwok Lun (Note iii)	3	82	526	—	—	611
Independent non-executive director						
Paul Edward Selway-Swift (Note iii)	7	—	—	—	—	7
	13	236	1,481	6	—	1,736

Year ended 31 December 2012						
Name of Director	Fees	Salary & allowance	Discretionary Bonuses	Other benefits (Note ii)	Employer's contribution to pension scheme	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Executive directors						
Bruce Philip Rockowitz (Note iii)	3	87	374	6	—	470
Dow Peter Famulak (Note iii)	—	184	317	—	—	501
Non-executive director						
William Fung Kwok Lun (Note iii)	5	94	286	—	—	385
Independent non-executive director						
Paul Edward Selway-Swift (Note iii)	9	—	—	—	—	9
	17	365	977	6	—	1,365

	Year ended 31 December 2013					
Name of Director	Fees	Salary & allowance	Discretionary bonuses	Other benefits (Note ii)	Employer's contribution to pension scheme	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Executive directors						
Bruce Philip Rockowitz (Note iii)	4	97	941	5	—	1,047
Dow Peter Famulak (Note iii)	—	932	1,533	—	2	2,467
Non-executive directors						
William Fung Kwok Lun (Note iii)	7	104	426	—	—	537
Independent non-executive director						
Paul Edward Selway-Swift (Note iii)	10	—	—	—	—	10
	21	1,133	2,900	5	2	4,061

Notes:

(i) Emoluments recognised on accrual basis in each individual year were in relation to performance and services for that year.

(ii) Other benefits include leave pay, insurance premium and club membership.

(iii) The emoluments for William Fung Kwok Lun, Bruce Philip Rockowitz, Dow Peter Famulak and Paul Edward Selway-Swift shown above for the years ended 31 December 2011, 2012 and 2013, before their appointments as directors of the Company are allocated based on their historical involvements in the Group's operations in respective years. The directors considered these allocations appropriately represents emoluments they received from the Group in their capacity as employees and/or directors to the Group during such period.

(b) ***Five highest paid individuals***

The five individuals, including senior management, whose emoluments were the highest in the Group for the year include one (2012: nil; 2011: nil) director whose emoluments are reflected in the analysis presented above. Emoluments recognised on accrual basis in each individual year were in relation to performance and services for that year. The emoluments payable to the remaining four individuals (2012: five; 2011: five) during the year are as follows:

	2011	2012	2013
	US$'000	US$'000	US$'000
Basic salaries, housing allowances, other allowances and benefits-in-kind	6,433	6,194	5,582
Discretionary bonuses	9,003	11,081	9,877
Contributions to pension scheme	50	39	40
	15,486	17,314	15,499

Emolument bands	Number of individuals		
	2011	2012	2013
HK$9,000,001 — HK$9,500,000 (approximately US$1,154,001 — US$1,218,000)	—	1	—
HK$12,000,001 — HK$12,500,000 (approximately US$1,538,001 — US$1,602,000)	—	1	—
HK$17,500,001 — HK$18,000,000 (approximately US$2,244,001 — US$2,308,000)	3	—	—
HK$23,500,001 — HK$24,000,000 (approximately US$3,013,001 — US$3,077,000)	—	—	2
HK$30,000,001 — HK$30,500,000 (approximately US$3,846,001 — US$3,910,000)	—	1	—
HK$31,000,001 — HK$31,500,000 (approximately US$3,974,001 — US$4,038,000)	1	—	1
HK$36,000,001 — HK$36,500,000 (approximately US$4,615,001 — US$4,679,000)	1	—	—
HK$39,000,001 — HK$39,500,000 (approximately US$5,000,001 — US$5,064,000)	—	1	—
HK$42,000,001 — HK$42,500,000 (approximately US$5,385,001 — US$5,449,000)	—	—	1
HK$44,000,001 — HK$44,500,000 (approximately US$5,641,001 — US$5,705,000)	—	1	—

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

12 Intangible assets

The Group

	Goodwill	Brand licenses and distribution rights	Computer software and system development costs	Other intangible assets: License agreement	Other intangible assets: Customer relationships	Other intangible assets: Licensor relationships	Other intangible assets: Patents, trademarks and brand names	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At 1 January 2011								
Cost	1,571,361	376,567	35,895	—	116,717	71,999	92,400	2,264,939
Accumulated amortisation	—	(115,747)	(3,579)	—	(13,882)	(9,358)	(7,378)	(149,944)
Net book amount	1,571,361	260,820	32,316	—	102,835	62,641	85,022	2,114,995
Year ended 31 December 2011								
Opening net book amount	1,571,361	260,820	32,316	—	102,835	62,641	85,022	2,114,995
Exchange differences	(11,298)	(269)	(5)	—	—	(2,114)	—	(13,686)
Acquisition of businesses (Note 26)	602,192	33,616	—	—	69,004	45,079	38,200	788,091
Adjustments to purchase consideration payable for acquisitions and net asset value[i]	13,549	—	—	33,100	(38,300)	—	(3,200)	5,149
Additions	—	67,377	3,031	—	—	—	—	70,408
Amortisation	—	(92,822)	(5,725)	(3,404)	(9,944)	(9,234)	(7,939)	(129,068)
Closing net book amount	2,175,804	268,722	29,617	29,696	123,595	96,372	112,083	2,835,889
At 31 December 2011								
Cost	2,175,804	479,927	38,791	33,100	147,417	114,904	127,994	3,117,937
Accumulated amortisation	—	(211,205)	(9,174)	(3,404)	(23,822)	(18,532)	(15,911)	(282,048)
Net book amount	2,175,804	268,722	29,617	29,696	123,595	96,372	112,083	2,835,889

The Group

	Goodwill	Brand licenses and distribution rights	Computer software and system development costs	Other intangible assets: License agreement	Customer relationships	Licensor relationships	Patents, trademarks and brand names	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At 1 January 2012								
Cost	2,175,804	479,927	38,791	33,100	147,417	114,904	127,994	3,117,937
Accumulated amortisation	—	(211,205)	(9,174)	(3,404)	(23,822)	(18,532)	(15,911)	(282,048)
Net book amount	2,175,804	268,722	29,617	29,696	123,595	96,372	112,083	2,835,889
Year ended 31 December 2012								
Opening net book amount	2,175,804	268,722	29,617	29,696	123,595	96,372	112,083	2,835,889
Exchange differences	8,713	485	(4)	—	—	2,161	406	11,761
Acquisition of businesses (Note 26)	119,987	435	—	—	18,100	9,128	200	147,850
Adjustments to purchase consideration payable for acquisitions and net asset value[i]	6	6,320	—	—	4,000	—	3,000	13,326
Adjustments to purchase consideration payable for acquisitions completed prior to 1 January 2010[ii]	87,192	—	—	—	—	—	—	87,192
Additions	—	85,136	3,755	—	—	—	—	88,891
Disposal of businesses (Note 25(c))	—	—	(42)	—	—	—	—	(42)
Disposals	—	(9,280)	—	—	—	—	—	(9,280)
Amortisation	—	(121,285)	(4,322)	(1,605)	(24,968)	(10,678)	(6,202)	(169,060)
Closing net book amount	2,391,702	230,533	29,004	28,091	120,727	96,983	109,487	3,006,527
At 31 December 2012								
Cost	2,391,702	556,180	40,584	33,100	168,182	126,341	133,728	3,449,817
Accumulated amortisation	—	(325,647)	(11,580)	(5,009)	(47,455)	(29,358)	(24,241)	(443,290)
Net book amount	2,391,702	230,533	29,004	28,091	120,727	96,983	109,487	3,006,527

The Group

				Other intangible assets				
	Goodwill	Brand licenses and distribution rights	Computer software and system development costs	License agreement	Customer relationships	Licensor relationships	Patents, trademarks and brand names	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At 1 January 2013								
Cost	2,391,702	556,180	40,584	33,100	168,182	126,341	133,728	3,449,817
Accumulated amortisation	—	(325,647)	(11,580)	(5,009)	(47,455)	(29,358)	(24,241)	(443,290)
Net book amount	2,391,702	230,533	29,004	28,091	120,727	96,983	109,487	3,006,527
Year ended 31 December 2013								
Opening net book amount	2,391,702	230,533	29,004	28,091	120,727	96,983	109,487	3,006,527
Exchange differences	3,141	1,037	(8)	—	25	116	317	4,628
Acquisition of businesses (Note 26)	117,189	515	—	—	6,548	14,937	8,045	147,234
Adjustments to purchase consideration payable for acquisitions and net asset value[i]	7,591	—	—	—	(767)	3,064	5,000	14,888
Additions	—	278,238	14,382	—	—	—	—	292,620
Disposals of businesses/licensing rights (Note 25(c))	—	(11,531)	—	—	—	—	—	(11,531)
Amortisation	—	(127,004)	(5,108)	(2,218)	(22,758)	(11,065)	(10,213)	(178,366)
Closing net book amount	2,519,623	371,788	38,270	25,873	103,775	104,035	112,636	3,276,000
At 31 December 2013								
Cost	2,519,623	824,439	54,958	33,100	171,941	145,032	145,945	3,895,038
Accumulated amortisation	—	(452,651)	(16,688)	(7,227)	(68,166)	(40,997)	(33,309)	(619,038)
Net book amount	2,519,623	371,788	38,270	25,873	103,775	104,035	112,636	3,276,000

Amortisation of computer software and system development cost has been expensed in merchandising and administrative expenses.

Amortisation of brand licenses and distribution rights has been expensed in selling and distribution expenses.

[i] These are adjustments to purchase consideration payable for acquisitions and net asset values related to certain acquisitions of businesses in the prior year, which were previously determined on a provisional basis. During the measurement period of twelve months following a transaction, the Group recognised adjustments to the provisional amounts as if the accounting for the business combination had been completed on the acquisition date. Save as adjustments to goodwill and other intangible assets arising from business combination stated above, there were corresponding net adjustments to purchase consideration payable for acquisitions of US$5,149,000, US$6,000 and US$4,288,000 as at 31 December 2011, 2012 and 2013, and other assets/liabilities of approximately Nil, US$13,320,000 and US$10,600,000 as at 31 December 2011, 2012 and 2013.

ii For acquisitions completed prior to 1 January 2010, the effective date of HKFRS 3 (Revised) "Business Combination" being adopted by the Group, the changes in accrued contingent considerations determined based on post-acquisition performance were made against goodwill.

Impairment test for goodwill

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

An operating segment-level summary of the goodwill allocation is presented below.

	The Group		
	As at 31 December		
	2011	2012	2013
	US$'000	US$'000	US$'000
Licensed Brands	1,542,543	1,695,604	1,786,294
Controlled Brands..........................	633,261	696,098	733,329
	2,175,804	2,391,702	2,519,623

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 end of the reporting period. Goodwill impairment review has been performed at the lowest level of CGU which generates cash flow independently. The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on a one-year financial budget approved by management, extrapolated perpetually with an estimated general long-term continuous annual growth of not more than 5%. The discount rate used of approximately 11% is pre-tax and reflect specific risks related to the relevant segments. The budgeted gross margin and net profit margins 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.

13 Property, plant and equipment

	The Group				
	Leasehold improvements	Furniture, fixtures and equipment	Plant and machinery	Motor vehicles	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
At 1 January 2011					
Cost	45,789	24,069	26,432	1,341	97,631
Accumulated depreciation	(10,477)	(23,490)	(1,873)	(332)	(36,172)
Net book amount	35,312	579	24,559	1,009	61,459
Year ended 31 December 2011					
Opening net book amount	35,312	579	24,559	1,009	61,459
Exchange differences	(100)	(51)	3	(6)	(154)
Acquisition of businesses (Note 26)	560	1,480	189	164	2,393
Additions	13,875	39,724	—	—	53,599
Disposals	(1,319)	(112)	—	(99)	(1,530)
Depreciation	(7,960)	(10,754)	(3,564)	(109)	(22,387)
Closing net book amount	40,368	30,866	21,187	959	93,380
At 31 December 2011					
Cost	58,112	67,580	27,566	1,869	155,127
Accumulated depreciation	(17,744)	(36,714)	(6,379)	(910)	(61,747)
Net book amount	40,368	30,866	21,187	959	93,380
Year ended 31 December 2012					
Opening net book amount	40,368	30,866	21,187	959	93,380
Exchange differences	110	23	—	6	139
Acquisition of businesses (Note 26)	—	155	—	—	155
Additions	60,345	30,208	6,418	455	97,426
Disposals	(76)	(299)	(107)	(108)	(590)
Disposal of businesses (Note 25(c))	(4,088)	(567)	(13)	(13)	(4,681)
Depreciation	(9,728)	(12,250)	(2,190)	(151)	(24,319)
Closing net book amount	86,931	48,136	25,295	1,148	161,510

	The Group				
	Leasehold improvements	Furniture, fixtures and equipment	Plant and machinery	Motor vehicles	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
At 31 December 2012					
Cost	112,536	94,848	32,900	1,707	241,991
Accumulated depreciation	(25,605)	(46,712)	(7,605)	(559)	(80,481)
Net book amount	86,931	48,136	25,295	1,148	161,510
Year ended 31 December 2013					
Opening net book amount	86,931	48,136	25,295	1,148	161,510
Exchange differences	116	2	1	3	122
Acquisition of businesses (Note 26)	310	283	31	52	676
Additions	51,153	12,152	68	2,057	65,430
Disposals of businesses (Note 25((c))	—	(1,452)	(3,111)	(7)	(4,570)
Depreciation	(9,869)	(15,860)	(4,133)	(135)	(29,997)
Closing net book amount	128,641	43,261	18,151	3,118	193,171
At 31 December 2013					
Cost	164,552	106,694	29,905	3,843	304,994
Accumulated depreciation	(35,911)	(63,433)	(11,754)	(725)	(111,823)
Net book amount	128,641	43,261	18,151	3,118	193,171

As at 31 December 2011, 2012 and 2013, depreciation of US$21,633,000, US$23,490,000 and US$29,429,000 and US$754,000, US$829,000 and US$568,000 has been expensed in merchandising and administrative expenses and selling and distribution expenses respectively.

14 Joint ventures

	The Group		
	As at 31 December		
	2011	2012	2013
	US$'000	US$'000	US$'000
Beginning of the year	—	—	—
Addition	—	—	14,106
Share of profits of joint ventures	—	—	409
Total interest in joint ventures	—	—	14,515

Details of the joint ventures are set out in Note 34.

15 Inventories

	The Group		
	As at 31 December		
	2011	2012	2013
	US$'000	US$'000	US$'000
Finished goods	496,759	436,766	522,103

The cost of inventories recognised as expense and included in cost of sales for the year ended 31 December 2011, 2012 and 2013 amounted to US$1,857,298,000, US$2,268,064,000 and US$2,292,597,000 respectively, which included inventory provision of US$1,828,000, US$4,036,000 and US$3,616,000.

The total provision for inventory as at 31 December 2011, 2012 and 2013 amounted to US$10,091,000, US$14,127,000 and US$17,743,000.

16 Due from/(to) related companies

	The Group		
	2011	2012	2013
	US$'000	US$'000	US$'000
Due from:			
Related companies			
- trade related (Note 1)	5,401	9,084	19,196
- non-trade related (Note 1)	—	25,103	—
	5,401	34,187	19,196
Due to:			
Related companies			
- trade related (Note 1)	245,769	228,049	270,886
- non-trade related (Note 2)	425,949	392,181	593,821
	671,718	620,230	864,707

Note 1: These amounts are unsecured, interest free and repayable on demand or repayable within twelve months. The fair values of these amounts are approximately the same as the carrying values.

Note 2: These amounts are unsecured, interest free and not repayable within twelve months.

17 Derivative financial instrument

	2011	2012	2013
	US$'000	US$'000	US$'000
Conversion right embedded in convertible promissory note (Note 32)	—	—	2,664

The conversion right embedded in convertible promissory note refers to the Group's investment in an unlisted convertible promissory note issued by British Heritage Brands ("BHB") mentioned in Note 29 (vii).

18 Trade and other receivables

	The Group		
	As at 31 December		
	2011	2012	2013
	US$'000	US$'000	US$'000
Trade and bills receivable — net	239,785	182,632	300,844
Other receivables, prepayments and deposits	127,315	133,244	127,558
	367,100	315,876	428,402
Less: non-current portion			
Other receivables (Note)	—	—	(7,326)
Deposits	(2,294)	(14,020)	(2,184)
	364,806	301,856	418,892

Note: The balance represents the Group's investment in an unlisted convertible promissory note issued by BHB mentioned in Note 29 (vii).

The convertible promissory note is denominated in US dollars.

The effective interest rate of the convertible promissory note at the balance sheet date was 5.38%.

The fair values of the Group's trade and other receivables were approximately the same as their carrying values as at 31 December 2011, 2012 and 2013.

A significant portion of the Group's business is conducted on open account which are often covered by credit insurance. The remaining accounts are mostly covered by customers' standby letters of credit, bank guarantees and prepayments. The ageing of trade and bills receivable based on invoice date is as follows:

	The Group		
	2011	2012	2013
	US$'000	US$'000	US$'000
Current to 90 days	233,624	182,205	286,865
91 to 180 days	3,404	316	10,699
181 to 360 days	1,106	49	3,179
Over 360 days	1,651	62	101
	239,785	182,632	300,844

There is no material concentration of credit risk with respect to trade receivables, as the majority of the balance are covered by credit insurance.

As of 31 December 2011, 2012 and 2013, trade receivables of US$237,483,000, US$182,462,000 and US$299,663,000 that are current or less than 90 days past due are not considered impaired. Trade receivables of US$2,302,000, US$170,000 and US$1,181,000 were past due over 90 days but not considered to be impaired. These relate to a number of independent customers for whom there is no recent history of default. The past due ageing of these trade receivables is as follows:

	The Group		
	2011	2012	2013
	US$'000	US$'000	US$'000
91 to 180 days	631	71	677
Over 180 days	1,671	99	504
	2,302	170	1,181

As of 31 December 2011, 2012 and 2013, outstanding trade receivables of US$2,161,000, US$510,000 and US$1,756,000 were considered impaired and were fully provided. The individually impaired receivables mainly relate to transactions in disputes.

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

	The Group		
	2011	2012	2013
	US$'000	US$'000	US$'000
At 1 January	—	2,161	510
Provision for receivable impairment (Note 5)	2,335	189	1,806
Receivables written off during the year as uncollectible	—	(97)	(170)
Unused amounts reversed (Note 5)	—	(1,702)	(397)
Exchange difference	(174)	(41)	7
At 31 December	2,161	510	1,756

The creation and release of provision for impaired receivables have been included in "Selling and distribution expenses" in the combined profit and loss account (Note 5). Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

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

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

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

	The Group		
	2011	2012	2013
	US$'000	US$'000	US$'000
HK dollar	3,344	3,123	14,398
US dollar	298,297	231,328	243,060
Euro dollar	41,135	35,791	110,872
Pound sterling	3,697	11,587	11,521
Renminbi	8,243	14,237	25,622
Malaysia Ringgit	—	357	7
Others	10,090	5,433	13,412
	364,806	301,856	418,892

19 Cash and cash equivalents

	The Group		
	2011	2012	2013
	US$'000	US$'000	US$'000
Cash and bank balances	119,369	80,981	142,869
Bank overdrafts — Unsecured (Note 21)	(479)	(13,639)	(27,781)
	118,890	67,342	115,088

The effective interest rate at 31 December 2011, 2012 and 2013 on bank balances was 0.2%, 0.3% and 0.2% per annum, respectively; these deposits have an average maturity period of 2 days, 2 days and 2 days, respectively.

20 Trade and other payables

	The Group		
	As at 31 December		
	2011	2012	2013
	US$'000	US$'000	US$'000
Trade and bills payable	89,393	94,929	91,069
Brand license payable (Note 23)	45,646	43,497	41,789
Other accrued charges and sundry payables	99,910	135,694	182,333
	145,556	179,191	224,122
	234,949	274,120	315,191

The fair values of the Group's trade and other payables were approximately the same as their carrying values as at 31 December 2011, 2012 and 2013.

At 31 December 2011, 2012 and 2013, the ageing of trade and bills payable based on invoice date is as follows:

	The Group		
	2011	2012	2013
	US$'000	US$'000	US$'000
Current to 90 days	82,496	92,012	90,222
91 to 180 days	5,352	2,119	549
181 to 360 days	1,545	764	180
Over 360 days	—	34	118
	89,393	94,929	91,069

21 Bank borrowings

	The Group		
	2011	2012	2013
	US$'000	US$'000	US$'000
Short-term bank loans			
— Unsecured	30,000	—	2,341
Bank overdrafts (Note 19)			
— Unsecured	479	13,639	27,781
Total bank borrowings	30,479	13,639	30,122

As at 31 December 2011, 2012 and 2013 the carrying amounts of the Group's borrowings approximated their fair values.

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

	2011				2012				2013			
	HKD	USD	EUR	GBP	HKD	USD	EUR	GBP	HKD	USD	EUR	GBP
Short-term bank loans	—	2.0%	—	—	—	—	—	—	—	—	3.8%	—
Bank overdrafts	—	—	1.3%	1.3%	—	—	1.3%	1.3%	5.0%	1.3%	1.3%	—

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

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

	The Group		
	2011	2012	2013
	US$'000	US$'000	US$'000
HK dollar	—	—	21,522
US dollar	30,000	—	22
Euro dollar	55	11,334	8,578
Pound Sterling	424	2,305	—
	30,479	13,639	30,122

22 Combined capital

Combined capital as at each balance sheet date represents the combined capital of the companies now comprising the Group after elimination of inter-company investments.

Included in the combined capital amounting to US$514,264,000, US$335,821,000 and US$155,180,000 represent the additional paid-in capital injected by the ultimate holding company during the year ended 31 December 2011, 2012 and 2013 respectively, which are considered as equity in nature pursuant to the Board minutes of the respective related companies.

23 Long-term liabilities

	The Group		
	2011	2012	2013
	US$'000	US$'000	US$'000
Purchase consideration payable for acquisitions	946,642	825,082	639,127
Brand license payable	217,068	176,584	290,219
Other non-current liability (non-financial liability)	60,667	63,548	80,215
	1,224,377	1,065,214	1,009,561
Less:			
Current portion of purchase consideration payable for acquisitions	(145,908)	(176,821)	(187,210)
Current portion of brand license payable (Note 20)	(45,646)	(43,497)	(41,789)
	1,032,823	844,896	780,562

Purchase consideration payable for acquisitions are unsecured and interest-free.

Purchase consideration payable for acquisitions as at 31 December 2011, 2012 and 2013 amounted to US$946,642,000, US$825,082,000 and US$639,127,000, of which US$532,780,000, US$384,475,000 and US$191,307,000 respectively were primarily earn-out and US$413,862,000, US$440,607,000 and US$447,820,000 respectively were earn-up. Earn-out is contingent consideration that would be realised if the acquired businesses achieve their respective base year profit targets, calculated on certain predetermined basis, during the designated periods of time. Earnup is contingent consideration that would be realised if the acquired businesses achieve certain growth targets, calculated based on the base year profits, during the designated periods of time.

Earn-out and earn-up of certain acquisitions were remeasured during the year, details are set out in Note 5 in which the remeasurement was related to acquisition made after 1 January 2010 and Note 12 in which the remeasurement was related to acquisition made prior to 1 January 2010.

The maturity of the financial liabilities is as follows:

	The Group		
	2011	2012	2013
	US$'000	US$'000	US$'000
Within 1 year	191,554	220,318	228,999
Between 1 and 2 years	265,783	317,234	186,381
Between 2 and 5 years	531,106	428,493	411,002
Wholly repayable within 5 years	988,443	966,045	826,382
Over 5 years	175,267	35,621	102,964
	1,163,710	1,001,666	929,346

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

	The Group		
	2011	2012	2013
	US$'000	US$'000	US$'000
Purchase consideration payable for acquisitions	800,734	648,261	451,917
Brand license payable	171,422	133,087	248,430
	972,156	781,348	700,347

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

	The Group		
	2011	2012	2013
	US$'000	US$'000	US$'000
US dollar	1,006,808	820,185	690,738
Pound sterling	—	38,675	41,754
Euro dollar	134,935	129,477	160,153
Others	21,967	13,329	36,701
	1,163,710	1,001,666	929,346

24 Deferred taxation

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% for the years ended 2011, 2012 and 2013.

The movement on the net deferred tax liabilities/(assets) is as follows:

	The Group		
	2011	2012	2013
	US$'000	US$'000	US$'000
At 1 January	19,379	33,470	(21,524)
Charged/(credited) to combined profit and loss account (Note 7)	14,129	(55,018)	36,732
Acquisition of businesses (Note 26)	(38)	25	4,762
Exchange differences	—	(1)	1
At 31 December	33,470	(21,524)	19,971

Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through future taxable profits is probable. As of 31 December 2011, 2012 and 2013, the Group has unrecognised tax losses of US$74,000,000, Nil and Nil, respectively, to carry forward against future taxable income, and will expire during 2012-2031. Deferred tax assets for these tax losses are not recognised as it is not probable that related tax assets will be utilised in the foreseeable future.

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:

The Group

Deferred tax assets	Provisions			Decelerated tax depreciation allowances			Tax losses			Others			Total		
	2011	2012	2013	2011	2012	2013	2011	2012	2013	2011	2012	2013	2011	2012	2013
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
As at 1 January	20,348	41,871	66,971	—	—	—	10,557	7,806	56,303	—	—	—	30,905	49,677	123,274
Credited/(charged) to combined profit and loss account	21,523	25,100	14,756	—	—	—	(2,789)	48,494	(10,607)	—	—	—	18,734	73,594	4,149
Acquisition of businesses/ subsidiaries	—	—	2,232	—	—	126	38	—	—	—	—	368	38	—	2,726
Exchange differences	—	—	—	—	—	—	—	3	—	—	—	—	—	3	—
As at 31 December	41,871	66,971	83,959	—	—	126	7,806	56,303	45,696	—	—	368	49,677	123,274	130,149

Deferred tax liabilities	Accelerated tax depreciation allowances			Intangible assets arising from business combinations			Others			Total		
	2011	2012	2013	2011	2012	2013	2011	2012	2013	2011	2012	2013
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
As at 1 January	2,662	18,250	22,882	47,622	64,897	78,868	—	—	—	50,284	83,147	101,750
Charged/(credited) to combined profit and loss account	15,588	4,605	(12,887)	17,275	13,971	53,768	—	—	—	32,863	18,576	40,881
Acquisition of businesses/subsidiaries	—	25	—	—	—	7,488	—	—	—	—	25	7,488
Exchange differences	—	2	1	—	—	—	—	—	—	—	2	1
As at 31 December	18,250	22,882	9,996	64,897	78,868	140,124	—	—	—	83,147	101,750	150,120

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

	The Group		
	As at 31 December		
	2011	2012	2013
	US$'000	US$'000	US$'000
Deferred tax assets	212	21,546	2,272
Deferred tax liabilities	(33,682)	(22)	(22,243)
	(33,470)	21,524	(19,971)

	The Group		
	As at 31 December		
	2011	2012	2013
	US$'000	US$'000	US$'000
The amounts shown in the combined balance sheets include the following:			
Deferred tax assets to be recovered after more than 12 months	—	17,237	2,272
Deferred tax assets to be recovered within 12 months	212	4,309	—
Deferred tax liabilities to be settled after more than 12 months	29,600	20	17,924
Deferred tax liabilities to be settled within 12 months	4,082	2	4,319

25 Notes to the combined cash flow statement

(a) *Reconciliation of profit/(loss) before taxation to net cash inflow generated from operations*

	2011	2012	2013
	US$'000	US$'000	US$'000
Profit/(loss) before taxation	113,824	(35,570)	139,879
Interest income	(108)	(248)	(334)
Interest expenses	26,864	31,481	24,962
Depreciation	22,387	24,319	29,997
Amortisation of computer software and system development costs	5,725	4,322	5,108
Amortisation of brand licenses and distribution rights	92,822	121,285	127,004
Amortisation of other intangible assets	30,521	43,453	46,254
Loss on disposal of property, plant and equipment	1,530	590	—
Gain on disposals of businesses/ licensing rights	—	(29,635)	(5,317)
Share of profits of joint ventures	—	—	(409)
Gain on remeasurement adjustment of contingent consideration payable	—	(108,000)	(74,752)
Operating profit before working capital changes	293,565	51,997	292,392
(Increase)/decrease in inventories	(97,656)	38,414	(69,223)
Decrease/(increase) in trade and bills receivable, other receivables, prepayments and deposits and amount due from related companies	16,199	50,567	(60,026)
Decrease in trade and bills payable, accrued charges and sundry payables, brand license payables and amount due to related companies	(143,946)	(115,873)	(67,703)
Net cash inflow generated from operations	68,162	25,105	95,440

(b) ***Analysis of changes in financing during the year***

	2011		2012		2013	
	Combined capital	Bank loans	Combined capital	Bank loans	Combined capital	Bank loans
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At 1 January	1,001,359	30,000	1,517,343	30,000	1,853,241	—
Capital injection from related company	514,264	—	335,821	—	155,180	—
Acquisition of businesses	1,720	—	77	—	12,651	—
Gross (repayment)/ drawdown of bank loans	—	—	—	(30,000)	—	2,341
At 31 December	1,517,343	30,000	1,853,241	—	2,021,072	2,341

(c) ***Disposals of businesses/licensing rights***

Details of net assets of disposed businesses/licensing rights at date of disposal are set out below:

	2012	2013
	US$'000	US$'000
Net assets disposed		
Intangible assets (Note 12)		
— Computer software and system development	42	—
— Brand licenses and distribution rights	—	11,531
Property, plant and equipment (Note 13)	4,681	4,570
Inventory	26,844	—
Trade and bills receivable	14,736	—
Other receivables, prepayments and deposits	2,936	—
Cash and bank balances	6,448	—
Trade and bills payable	(4,781)	—
Accrued charges and sundry payables	(6,483)	—
Brand license payable	—	(11,829)
Taxation	(850)	—
Book value of net assets disposed	43,573	4,272

Analysis of net inflow of cash and cash equivalents in respect of the disposal:

	2012	2013
	US$'000	US$'000
Consideration received	74,548	18,585
Consideration receivables	(25,103)	—
Costs incurred in respect of the disposal	(1,340)	(8,996)
Cash and cash equivalents disposed	(6,448)	—
Net inflow of cash and cash equivalents in respect of disposals of businesses/licensing rights	41,657	9,589

Analysis of gain on disposals of businesses/licensing rights:

	2012	2013
	US$'000	US$'000
Consideration net of costs incurred	73,208	9,589
Less: Net assets disposed	(43,573)	(4,272)
Gain on disposal of businesses/licensing rights (Note 5)	29,635	5,317

Note: No disposal of businesses/licensing rights for the year ended 31 December 2011.

26 Business combinations

During the period, the Group completed a series of acquisitions to expand the Group's existing scale of operation and enlarge the Group's market presence. The ultimate holding company of the Group was not required to make any announcement in accordance with Chapter 14 of the Listing Rules for any individual acquisition completed during the period since none of the acquisitions on a standalone basis, would be of sufficient material to be recognised as a notifiable transaction, and accordingly, no disclosure is provided for the details and impact of any individual acquisition. On a collective basis, the discounted aggregate estimated fair value of considerations payable for the acquired businesses in 2013 amounted to US$183 million (2012: US$167 million; 2011: US$818 million), which included initial consideration paid and payable of US$54 million (2012: US$77 million; 2011: US$322 million) and US$16 million (2012: Nil; 2011: Nil), and performance-based earn-out and earn-up contingent considerations of US$75 million (2012: US$64 million; 2011: US$270 million) and US$38 million (2012: US$26 million; 2011: US$226 million) respectively. These fair value were determined based on applying agreed multiples to the estimated post-acquisition performance of the acquired businesses and time value of money. The estimated aggregate undiscounted total consideration for acquisition completed in 2013 amounted to approximately US$190 million (2012: US$173 million; 2011: US$835 million) with undiscounted initial considerations paid and payable of approximately US$54 million (2012: US$77 million; 2011: US$322 million) and US$16 million (2012: Nil; 2011: Nil) and aggregate potential undiscounted performance-based contingent consideration payable, which could range from nil to US$120 million (2012: US$96 million; 2011: US$513 million).

For the acquisitions completed in 2011, their contributions to the Group in 2011, the contributions and the results of these acquisitions and the Group as if these acquisitions had occurred on 1 January 2011 are as follows:

	Contribution of the acquired businesses for the year ended 31 December 2011	Contribution of the acquired businesses as if the acquisitions had occurred on 1 January 2011	Group results as if the acquisitions had occurred on 1 January 2011
	US$'000	US$'000	US$'000
Turnover	304,809	671,222	3,175,287
Core operating profit	44,464	79,934	213,303
Profit after tax	22,696	40,099	114,657

For the acquisitions completed in 2012, their contributions to the Group in 2012, the contributions and the results of these acquisitions and the Group as if these acquisitions had occurred on 1 January 2012 are as follows:

	Contribution of the acquired businesses for the year ended 31 December 2012	Contribution of the acquired businesses as if the acquisitions had occurred on 1 January 2012	Group results as if the acquisitions had occurred on 1 January 2012
	US$'000	US$'000	US$'000
Turnover	88,276	135,463	3,166,227
Core operating profit/(loss)	15,661	18,294	(92,952)
Profit after tax	12,072	12,298	26,933

For the acquisitions completed in 2013, their contributions to the Group in 2013, the contributions and the results of these acquisitions and the Group as if these acquisitions had occurred on 1 January 2013 are as follows:

	Contribution of the acquired businesses for the year ended 31 December 2013	Contribution of the acquired businesses as if the acquisitions had occurred on 1 January 2013	Group results as if the acquisitions had occurred on 1 January 2013
	US$'000	US$'000	US$'000
Turnover	24,706	131,445	3,394,871
Core operating profit	4,745	20,838	149,790
Profit after tax	3,046	12,272	120,322

Details of net assets acquired, goodwill and acquisition-related costs are as follows:

	2011	2012	2013
	US$'000	US$'000	US$'000
Purchase consideration	817,709	166,694	182,853
Less: Fair value of net assets acquired*	(215,517)	(46,707)	(65,664)
Goodwill (Note 12)	602,192	119,987	117,189
Acquisition-related costs (included in other non-core operating expenses in the combined profit and loss account for the years ended 31 December 2011, 2012 and 2013)	6,732	2,934	3,414

* As at 31 December 2011, 2012 and 2013, verification of individual assets/liabilities of the acquired businesses is in progress and the Group has not finalised the fair value assessments. The relevant fair value of individual assets/liabilities stated above are provisional.

The goodwill is attributable to the acquired workforces, the profitability and the synergies expected to arise from the acquired businesses.

The initial carrying amounts of the assets and liabilities, other than intangible assets arising from business combinations, of the acquired businesses approximate their fair values at respective acquisition dates and are as follows:

	2011	2012	2013
	US$'000	US$'000	US$'000
Net assets acquired:			
Intangible assets (Note 12)[i]			
— Customer relationships	69,004	18,100	6,548
— Licensor relationships	45,079	9,128	14,937
— Trademarks	38,200	200	8,045
— Brand licenses and distribution rights	33,616	435	515
Property, plant and equipment (Note 13)	2,393	155	676
Inventories	114,510	5,265	16,114
Trade and bills receivable[ii]	137,771	14,219	42,328
Other receivables, prepayments and deposits	22,011	11,993	12,223
Derivative financial instruments — liabilities	—	—	(179)
Cash and bank balances	1,171	3,384	4,609
Tax recoverable/(payables)	153	(775)	(354)
Trade and bills payable	(48,459)	(7,356)	(17,014)
Accrued charges and sundry payables	(199,970)	(8,016)	(18,022)
Deferred tax assets/(liabilities) (Note 24)	38	(25)	(4,762)
Fair value of net assets acquired	215,517	46,707	65,664

i Intangible assets arising from business combinations represent customer relationships, trademarks, licensor relationships, brand licenses and distribution rights and various other smaller intangible assets. The Group has engaged external valuers to perform fair value assessments on these intangible assets in accordance with HKAS 38 "Intangible Assets" and HKFRS 3 "Business Combination".

ii The fair value of trade and bills receivables with a fair value of US$137,771,000, US$14,219,000 and US$42,328,000 as at 31 December 2011, 2012 and 2013 which are expected to be collectible in full.

Details of these acquisitions are as follows:

Name	Date of acquisition	Business nature
Beyond Productions, LLC	January 2011	A leading designer and licensor of women's fashion apparel and accessories
TVMania	May 2011	A leading Pan-European supplier of character licensed and branded merchandise with the most comprehensive set of licenses across Europe
Crimzon Rose International	August 2011	One of the leading companies that designs, sources, markets and distributes costume jewellery and accessories under its own brands or licenses
Fishman and Tobin, Inc.	September 2011	A children's apparel company and a key supplier to the boy's dresswear market, specialised in boy's dresswear, boys and girls school uniforms, boys sportswear and men's dresswear
Wonderful World (HK) Ltd	September 2011	Operates children apparel and toys businesses in Greater China
Added Extras LLC	March 2012	A leading marketer of licensed youth cosmetics and personal care products
Fashion Lab Limited	July 2012	A dynamic license apparel wholesaler for infants, kids and women segments in Europe
Lotta Luv	July 2012	Focuses on licensed and branded lip balms and personal care products for youths
Mint Group	December 2012	Specialised in the licensing business for children characters in Southeast Asia
RM Enterprises Group	June 2013	A leading licensing agency for the development and promotion of character licensing in Greater China, South Korea, Japan and South East Asia

Name	Date of acquisition	Business nature
New Concept	September 2013	A high-end soft home textile company with nationwide distribution in China
Jiangsu Soho (Jeep Kids)	November 2013	A licensee and distributor of Jeep Kids brand in China
Sicem International	November 2013	A leading licensing company specialised in character licenses in Italy
RTsion	November 2013	Exclusive sales agent for TV Mania in France
Krasnow Enterprises	December 2013	A Canadian-based woman footwear company, which is specialised in weatherproof, stain resistant technology in Italian leather and suede

Analysis of the net outflow of cash and cash equivalents in respect of the acquisitions:

	2011	2012	2013
	US$'000	US$'000	US$'000
Purchase consideration	817,709	166,694	182,853
Purchase consideration payable for acquisitions*	(496,075)	(89,750)	(128,262)
Cash and cash equivalents acquired	(1,171)	(3,384)	(4,609)
Net outflow of cash and cash equivalents in respect of the acquisitions	320,463	73,560	49,982

* Balances are the discounted aggregate estimated fair value of deferred and contingent considerations payable for the acquired businesses as at respective acquisition dates. As at 31 December 2011, 2012 and 2013, the balance included initial consideration payable of Nil, Nil and US$16 million, performance-based earn-out of US$270 million, US$64 million and US$75 million and earn-up contingent considerations of US$226 million, US$26 million and US$38 million, respectively. Final amounts of consideration settlements will be determined based on future performance of the acquired businesses.

27 Commitments

(a) *Operating lease commitments*

The Group leases various offices and warehouses under non-cancellable operating lease agreements. The lease terms are between 1 and 17 years. At 31 December 2011, 2012 and 2013, the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	The Group		
	2011	2012	2013
	US$'000	US$'000	US$'000
Within one year	60,536	51,713	49,101
In the second to fifth year inclusive	191,757	184,332	185,416
After the fifth year	396,796	381,216	347,978
	649,089	617,261	582,495

(b) *Capital commitments*

	The Group		
	2011	2012	2013
	US$'000	US$'000	US$'000
Contracted but not provided for:			
Property, plant and equipment	3,944	1,575	14,166
Computer software and system development costs	11,485	10,576	9,066
Authorised but not contracted for:			
Property, plant and equipment	51,095	53,148	8,254
Computer software and system development costs	37,096	8,496	21,034
	103,620	73,795	52,520

Capital commitment in a joint venture is disclosed in Note 29(vii).

28 Charges on assets

As at 31 December 2011, 2012 and 2013, there were no charges on the assets and undertakings of the Group.

29 Related party transactions

In addition to the transactions and balances disclosed elsewhere in the financial statements, the Group had the following material transactions with its related parties during the years ended 31 December 2011, 2012 and 2013:

		The Group		
		2011	2012	2013
	Notes	US$'000	US$'000	US$'000
The ultimate holding company and its subsidiaries:				
Continuing transactions:				
Purchases	(i)	977,911	1,056,194	1,614,158
Direct freight forwarding costs passed through and service fee charged	(ii)	7,782	9,913	26,921
Operating leases rental income	(iii)	5,646	4,873	4,127
Related companies of the ultimate holding company:				
Continuing transactions:				
Operating leases rental paid	(iii)	237	1,295	1,605
Distribution and sales of goods	(iv)	2,816	26,451	57,711
Non-continuing transactions:				
Divestment of apparel retailing business	(v)	—	22,400	—
Disposal of apparel and accessories retail brand	(vi)	—	52,148	—
Convertible promissory notes	(vii)	—	—	10,000
Sales of licensing rights	(viii)	—	—	18,000

Notes:

(i) The gross purchase amount stated, which was made on normal commercial terms and conditions mutually agreed between the Group and the subsidiaries of the ultimate holding company, includes inventory costs and service fee up to 7% thereon varied according to categories of products.

(ii) The invoiced value represents direct freight forwarding costs passed through and service fee charged by subsidiaries of the ultimate holding company. The service fee charged to the Group for the year ended 31 December 2011, 2012 and 2013 amounted to US$1,044,000, US$1,565,000 and US$2,565,000 respectively.

(iii) The operating leases rental was charged by subsidiaries and a related company of the ultimate holding company of the Group, respectively, based on mutually agreed terms.

(iv) The distribution and sales of goods was made on normal commercial terms and conditions mutually agreed between the Group and the related companies of the ultimate holding company.

(v) On 19 January 2012, the Group entered into a sales and purchase agreement based on mutually agreed terms with a related company of the ultimate holding company for its divestment of certain apparel retailing business.

(vi) On 16 December 2012, the Group entered into a sales and purchase agreement based on mutually agreed terms with a related company of the ultimate holding company for the disposal of retail of apparel and accessories of the "Roots" brand.

(vii) On 21 August 2013, the Group formed a business co-operation arrangement based on mutually agreed terms with Heritage Global Partners, LLC ("Heritage") and Trinity International Brands Limited, a related company of the ultimate holding company, for launching Kent & Curwen brand in the United States, which is conducted under BHB, a wholly-owned subsidiary of Heritage. Pursuant to the arrangement, the Group entered into a convertible promissory note purchase agreement (the "Note Purchase Agreement") with BHB to contribute a maximum aggregate amount of US$32,000,000 in six tranches over three years with the first and second tranches of US$6,750,000 and US$3,250,000 already paid as at 31 December 2013. For the remaining US$22,000,000, the Group is required to pay BHB by 31 August 2015, subject to satisfaction of the relevant benchmarks as prescribed under the Note Purchase Agreement. The convertible promissory note (the "Note") carries interest at 5% per annum maturing on 31 December 2027 with a right of conversion up to 51.06% equity interest of BHB during the period commencing on the earlier of either (i) the date on which sum of all payments made by the Group equals the maximum aggregate amount of the Note; or (ii) 1 January 2016, and ending on the date occurring 90 days following the date of delivery to the Group of the annual audited financial statements of BHB for the fiscal year 2018.

(viii) On 26 December 2013, the Group entered into a sales and purchase agreement based on mutually agreed terms with Fung Retailing Limited for the sales of the Roots License Right at the consideration of US$18 million. After the Completion, the Group may be entitled to additional contingent payments over the seven financial years ending 31 December 2020 of up to US$13.6 million in aggregate if certain turnover targets for the underlying business of the License Rights are achieved.

30 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 minimise potential adverse effects on the Group's financial performance.

(a) ***Market risk***

(i) *Foreign exchange risk*

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

At 31 December 2011, 2012 and 2013, if the major foreign currencies, such as Euro dollar, Sterling Pound and Renminbi, to which the Group had exposure had strengthened/weakened by 10%, 10% and 10% respectively against US and HK dollar with all other variables held constant, profit for the year and equity would have been approximately 1.3%, 16.4% and 3.8% respectively and 0.8%, 0.8% and 1.3% respectively higher/lower, mainly as a result of foreign exchange gains/losses on translation of foreign currencies denominated trade receivables and borrowings.

(ii) *Price risk*

At 31 December 2011, 2012 and 2013 and up to the report date of the accounts, the Group held no material financial derivative instruments except for the conversion right embedded in convertible promissory note.

(iii) *Cash flow and fair value interest rate risk*

As the Group has no significant interest-bearing assets except for the convertible promissory note with BHB, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

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

At 31 December 2011, 2012 and 2013, if the variable interest rates on the bank borrowings had been 0.1% higher/lower with all other variables held constant, profit for the year and equity would have been approximately US$11,000, US$21,000 and US$57,000 respectively 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 as well as cash and bank balances of the Group.

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

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

(i) The Group selects customers in a cautious manner. Its credit control team has implemented a risk assessment system to evaluate its customers' financial strengths prior to agreeing at the trade terms with individual customers. It is not uncommon that the Group requires securities (such as standby or commercial letter of credit, or bank guarantee) from a small number of its customers that fall short of the required minimum score under its Risk Assessment System;

(ii) A significant portion of trade receivable balances are covered by trade credit insurance or factored to external financial institutions on a non- recourse basis;

(iii) It has in place a close monitoring system with a dedicated team to ensure on-time recoveries from its trade debtors;

(iv) Internally it has set up rigid policies on provision made for both inventories and receivables to motivate its business managers to step up efforts in these two areas so as to avoid any significant impact on their financial performance.

The Group's five largest customers, in aggregate, account for less than 50% of the Group's business. Transactions with these customers are entered into within the credit limits designated by the Group.

At 31 December 2011, 2012 and 2013, except for trade receivables of US$2,161,000, US$510,000 and US$1,756,000, respectively, were considered impaired and fully provided, none of the other financial assets including derivative financial instrument (Note 17), due from related companies (Note 16) and other receivables and deposits (Note 18) impaired as there is no recent history of default of the counterparties. The maximum exposure of these other financial assets to credit risk at the reporting date is their carrying amounts.

(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 analyses the liquidity impact of the Group's long-term liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. These amounts will not reconcile to the amounts disclosed on the combined balance sheets and in Note 23 for long-term liabilities.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	US$'000	US$'000	US$'000	US$'000
The Group				
At 31 December 2011				
Bank loans	30,000	—	—	—
Purchase consideration payable for acquisitions	145,908	205,291	461,321	156,099
Brand license payable...	45,646	66,206	90,444	24,613
Trade and bills payable.	89,393	—	—	—
Accrued charges and sundry payables.........	99,910	—	—	—
Due to related companies (trade)	245,769	—	—	—

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	US$'000	US$'000	US$'000	US$'000
At 31 December 2012				
Purchase consideration payable for acquisitions	176,821	270,396	372,126	19,972
Brand license payable	43,497	52,252	72,868	18,038
Trade and bills payable	94,929	—	—	—
Accrued charges and sundry payables	135,694	—	—	—
Due to related companies (trade)	228,049	—	—	—
At 31 December 2013				
Bank loans	2,341	—	—	—
Purchase consideration payable for acquisitions	187,210	127,487	324,313	14,840
Brand license payable	41,789	74,772	109,960	96,537
Trade and bills payable	91,069	—	—	—
Accrued charges and sundry payables	182,333	—	—	—
Due to related companies (trade)	270,886	—	—	—

Note: The amounts due to related companies (non-trade related) of US$425,949,000, US$392,181,000 and US$593,821,000 as at 31 December 2011, 2012 and 2013 respectively are not repayable within twelve months.

31 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 bank borrowings (including short-term bank loans (Note 21), and less cash and cash equivalents (Note 19)). Total capital is calculated as total equity, as shown in the combined balance sheets, plus net debt.

The Group's strategy is to maintain a gearing ratio not exceeding 35%. The gearing ratios at 31 December 2011, 2012 and 2013 were as follows:

	2011	2012	2013
	US$'000	US$'000	US$'000
Short-term bank loans (Note 21)	30,000	—	2,341
Bank overdrafts (Note 21)	479	13,639	27,781
	30,479	13,639	30,122
Less: Cash and bank balances (Note 19)	(119,369)	(80,981)	(142,869)
Net cash	(88,890)	(67,342)	(112,747)
Total equity	1,767,883	2,129,277	2,392,426
Total capital	1,678,993	2,061,935	2,279,679
Gearing ratio	N/A	N/A	N/A
Due to related companies (non-trade related)	425,949	392,181	593,821
Adjusted net debts	337,059	324,839	481,074
Adjusted total capital	2,104,942	2,454,116	2,873,500
Adjusted gearing ratio (Note)	16.0%	13.2%	16.7%

Note: Adjusted gearing ratio is calculated as adjusted net debt divided by adjusted total capital. Adjusted net debt is calculated as total borrowings (including short-term bank loans, overdraft facilities and non-trade portion of amounts due to related companies, and less cash and cash equivalents). Adjusted total capital is calculated as total equity plus adjusted net debt.

32 Fair value estimation

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

- 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 2011.

	Level 1	Level 2	Level 3	Total
	US$'000	US$'000	US$'000	US$'000
Liabilities				
Purchase consideration payable for acquisitions (Note 23)	—	—	946,642	946,642

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2012.

	Level 1	Level 2	Level 3	Total
	US$'000	US$'000	US$'000	US$'000
Liabilities				
Purchase consideration payable for acquisitions (Note 23)	—	—	825,082	825,082

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2013.

	Level 1	Level 2	Level 3	Total
	US$'000	US$'000	US$'000	US$'000
Assets				
Derivative financial instrument (Note 17)	—	—	2,664	2,664
Liabilities				
Purchase consideration payable for acquisitions (Note 23)	—	—	639,127	639,127

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 maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

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

Specific valuation techniques used to value financial instruments include:

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

The following table presents the changes in level 3 instruments for the year ended 31 December 2011.

	Purchase consideration payable for acquisitions
	US$'000
Opening balance	682,444
Additions	496,075
Settlement	(229,605)
Others	(2,272)
Closing balance	946,642

The following table presents the changes in level 3 instruments for the year ended 31 December 2012.

	Purchase consideration payable for acquisitions
	US$'000
Opening balance	946,642
Additions	89,750
Settlement	(209,758)
Remeasurement of acquisitions payable	(108,000)
Others	106,448
Closing balance	825,082

The following table presents the changes in level 3 instruments for the year ended 31 December 2013.

	Balance of purchase consideration payable for acquisitions	Derivative financial instrument	Total
	US$'000	US$'000	US$'000
Opening balance	825,082	—	825,082
Additions	128,262	2,664	130,926
Settlement	(258,739)	—	(258,739)
Remeasurement of acquisitions payable	(74,752)	—	(74,752)
Others	19,274	—	19,274
Closing balance	639,127	2,664	641,791

The discount rate used to compute the fair value is based on the then prevailing incremental cost of borrowings of the Group from time to time ranging from 1.0% to 2.5%.

33 Events after balance sheet date

In January 2014, the Group acquired The Licensing Company Limited ("TLC"), a global licensing agent based in UK. In the same month, the Group also acquired TLC's related business, Iconix Europe LLC, a licensing agent and brand management consultant.

In June 2014, the Group acquired the business and assets of Cocaban Co. Ltd., a licensing brand management specialist in Korea.

34 Principal subsidiaries and joint ventures

Note		Place of Incorporation and operation	Issued and fully paid share capital	Percentage of equity held by the Company				Principal activities
				31 December				
				2011	2012	2013	Date of report	
	Principal subsidiaries							
	Held indirectly							
	Added Extras LLC	United States	Capital contribution US$1	—	100	100	100	Wholesaling
	American Marketing Enterprises Inc.	United States	Common stock US$1,000	100	100	100	100	Wholesaling
	Aquatalia Worldwide Limited	Republic of Ireland	Ordinary EUR1	—	—	100	100	Wholesaling
	Avanguardia S.r.l.	Italy	Registered capital EUR26,000	100	100	100	100	Research, design and logistical advice
	Bravado Star Manufacturing, LLC	United States	Capital contribution US$1	75	75	75	75	Wholesaling
	Briefly Stated Holdings, Inc.	United States	Common stock US$1,000	100	100	100	100	Investment holding
	Briefly Stated Inc.	United States	Common stock US$3,000	100	100	100	100	Wholesaling
	Crimzon Rose Inc.	United States	Common stock US$1	100	100	100	100	Wholesaling
	F&T Apparel LLC	United States	Capital contribution US$1	100	100	100	100	Wholesaling
	Fashion Lab Ltd	England	Ordinary GBP200	—	100	100	100	Brand licensing and design

		Place of Incorporation and operation	Issued and fully paid share capital	Percentage of equity held by the Company				Principal activities
				31 December				
				2011	2012	2013	Date of report	
	Frye Retail, LLC	United States	Capital contribution US$1	100	100	100	100	Retailing and wholesaling
	GBG Asia Limited	British Virgin Islands	Ordinary US$1	—	—	100	100	Investment holding
	GBG International Holding Company Limited (Effective date of acquisition: 3 Jan 2014)	England	Ordinary US$1	—	—	—	100	Investment holding
	GBG International Holding Limited	British Virgin Islands	Ordinary US$1	—	—	100	100	Investment holding
	Homestead International Group Ltd.	United States	Voting common stock US$901 Non-voting common stock US$99	100 voting	100 voting	100 voting	100 voting	Importer
	IDS International USA Inc.	United States	Common stock US$1	100	100	100	—	Logistics and Supply Chain Management
	IDS USA Inc.	United States	Common stock US$1	100	100	100	100	Provision of logistics services
	IDS USA West Inc.	United States	Common stock US$144,000	100	100	100	100	Provision of logistics services
	Jimlar Corporation	United States	Common stock US$974.260769	100	100	100	100	Wholesaling
(1)	Jimlar Europe AG	Switzerland	Registered capital CHF335,000	100	100	100	100	Wholesaling

	Place of Incorporation and operation	Issued and fully paid share capital	Percentage of equity held by the Company				Principal activities
			31 December				
			2011	2012	2013	Date of report	
Jimlar Italy S.r.l.	Italy	Registered capital EUR10,000	100	100	100	100	Wholesaling
KHQ Investment LLC	United States	Capital contribution US$100	100	100	100	100	Wholesaling
Krasnow Enterprises Ltd	Canada	Class "B" voting stock 100,000 Class "D" non-voting stock 25	—	—	100	100	Wholesaling
Krasnow Enterprises, Inc.	United States	Common stock US$1,000	—	—	100	100	Wholesaling
KVZ International Limited	British Virgin Islands	Ordinary US$1	100	100	100	100	Investment holding
LamaLoLi GmbH	Germany	EUR25,000	100	100	100	100	Wholesaling
GBG Accessories Group LLC	United States	Capital contribution US$1	100	100	100	100	Export trading
LF Asia Limited	Hong Kong	Ordinary HK$2	100	100	100	100	Provision of management services
GBG Beauty LLC	United States	Capital contribution US$1	—	100	100	100	Investment holding
LF Europe (Germany) GmbH	Germany	EUR25,000	100	100	100	100	Investment holding
LF Grand Corp.	United States	US$1	100	100	100	100	Investment holding

	Place of Incorporation and operation	Issued and fully paid share capital	Percentage of equity held by the Company				Principal activities
			31 December				
			2011	2012	2013	Date of report	
GBG National Brands Group LLC	United States	Capital contribution US$1	100	100	100	100	Design and marketing
GBG North America Holdings Co., Inc.	United States	Common stock US$1	100	100	100	100	Investment holding
GBG Spyder Canada Holdings ULC	Canada	Common shares CAD$100	—	—	100	100	Wholesaling
GBG Spyder USA LLC	United States	Capital contribution US$1	—	—	100	100	Wholesaling
GBG USA Inc.	United States	Common stock US$751,767,801 9.5% Preferred stock US$0.17	100	100	100	100	Distribution and wholesaling
LFE TVM RUS LLC	Russia	RUB10,000	100	100	100	100	Wholesaling
Lotta Luv Beauty LLC	United States	Capital contribution US$1	—	100	100	100	Brand and licensing
MESH LLC	United States	Capital contribution US$1	75 (Note)	75 (Note)	75 (Note)	75 (Note)	Wholesaling
Metro Seven LLC	United States	Capital contribution US$1	100	100	100	100	Wholesaling

Note: The Group effectively holds 100% equity interest in the subsidiary.

	Place of Incorporation and operation	Issued and fully paid share capital	Percentage of equity held by the Company				Principal activities
			31 December				
			2011	2012	2013	Date of report	
Millwork (Hong Kong) Limited	Hong Kong	Ordinary HK$1	100	100	100	100	Provision of design, concept development services and back office administration services
Millwork (Shenzhen) Limited	The People's Republic of China	RMB3,000,000	100 foreign-owned enterprise	100 foreign-owned enterprise	100 foreign-owned enterprise	100 foreign-owned enterprise	Export trading services
Millwork Pte. Ltd.	Singapore	Ordinary S$10,000	100	100	100	100	Export trading
New Concept International Enterprise Limited	Hong Kong	Ordinary HK$200	—	—	100	100	Distribution of home textile products
Pacific Alliance USA, Inc.	United States	Common stock US$1	100	100	100	100	Wholesaling
Rhodes Limited	Hong Kong	Ordinary US$1,000	100	100	100	100	Export trading and sourcing
Rosetti Handbags and Accessories, Ltd	United States	Common stock US$1	100	100	100	100	Wholesaling
RTsion Limited	England	Ordinary GBP1	—	—	100	100	Investment holding
RVVW Apparel LLC	United States	Capital contribution US$1	100	100	100	100	Wholesaling
Scemama International	France	Ordinary EUR8,000	—	—	100	100	Investment Holding
Shanghai IDS Marketing Co., Ltd.	The People's Republic of China	RMB1,000,000	100	100	100	100	Wholesaling

		Place of Incorporation and operation	Issued and fully paid share capital	Percentage of equity held by the Company				Principal activities
				31 December				
				2011	2012	2013	Date of report	
	Shanghai New Concept Trading Co., Ltd.	The People's Republic of China	Registered capital US$200,000	—	—	100 foreign-owned enterprise	100 foreign-owned enterprise	Distribution of home textile products
(1)	Sicem International SRL	Italy	Equity shares EUR300,000	—	—	100	100	Licensed apparel
	SNC Scemama	France	Ordinary EUR3,048.98	—	—	100	100	Sales Agent
	South China International Industries Limited	Hong Kong	Ordinary HK$1	100	100	100	100	Wholesaling
	Stratosphere Investments Limited	Hong Kong	Ordinary US$2	100	100	100	100	Export trading and sourcing
(1)	T.V.M. Design Services Ltd	Israel	Ordinary NIS100	100	100	100	100	Design and marketing
	The Mint Group Pte. Ltd.	Singapore	Ordinary S$100	—	100	100	100	Sub-licensing
	Toonsland Limited	Hong Kong	Ordinary HK$200,000	100	100	100	100	Distribution of children's apparel and accessories
	TVM Europe GmbH	Germany	EUR25,000	100	100	100	100	Wholesaling
(1)	TVMania Italy S.r.l.	Italy	EUR10,000	100	100	100	100	Wholesaling
	TVMania UK Limited	England	Ordinary GBP2	100	100	100	100	Wholesaling
	VZI Investment Corp.	United States	Common stock US$1	100	100	100	100	Wholesaling
	Wonderful World (HK) Limited	Hong Kong	Ordinary HK$2	100	100	100	100	Corporate administration and holding of trademarks
	The Licensing Company Limited	England	Ordinary "A" £13.05018 Ordinary "B" £1.27535	—	—	—	100	Licensing and brand management

	Place of Incorporation and operation	Issued and fully paid share capital	Percentage of equity held by the Company				Principal activities
			31 December				
			2011	2012	2013	Date of report	
The Licensing Company International Limited	England	Ordinary £133	—	—	—	100	Licensing and brand management
The Licensing Company North America Inc.	United States	US$10	—	—	—	100	Licensing and brand management
The Licensing Company Germany GmbH	Germany	€25,564,59	—	—	—	100	Licensing and brand management
MR Licensing GmbH	Germany	€25,000	—	—	—	100	Investment holding
The Licensing Company France	France	€40,500	—	—	—	100	Licensing and brand management
TLC Brands Limited	England	£2	—	—	—	100	Brand ownership and management
TLCBI Headworx Limited	England	£1	—	—	—	100	Brand ownership
Puffa Brands Limited	England	£10,000	—	—	—	100	Brand ownership and management
TLC (HK) Limited	Hong Kong	HK$200	—	—	—	100	Licensing and brand management
The Licensing Company (Shanghai) Limited	The People's Republic of China	US$100,000	—	—	—	100	Licensing and brand management

		Place of Incorporation and operation	Issued and fully paid share capital	Percentage of equity held by the Company				Principal activities
				31 December				
				2011	2012	2013	Date of report	
	Principal joint ventures							
(2)	Iconix SE Asia Limited	Hong Kong	Ordinary HK$2	—	—	50	50	Licensing
(2)	Iconix Europe LLC	United States	Capital contribution US$88,000,000	—	—	—	49	Licensing

Notes:

(1) Subsidiaries not audited by PricewaterhouseCoopers.

(2) The joint ventures are not audited by PricewaterhouseCoopers.

The statutory audits of principal subsidiaries that are not audited by PricewaterhouseCoopers were as followings:

Name	Name of statutory auditors		
	2011	2012	2013
Jimlar Europe AG	BDO	BDO	BDO
Sicem International SRL	N/A	N/A	Ernst & Young
T.V.M. Design Services Ltd.	Katzav Findgold & Co.	Katzav Findgold & Co.	Katzav Findgold & Co.
TVMania Italy S.r.l.	N/A	Gildo Scaruffi	PricewaterhouseCoopers Italy

III. FINANCIAL INFORMATION OF THE COMPANY

The Company was incorporated on 4 December 2013 in Bermuda with an authorised capital of 100 ordinary shares of US$1.00 each and has not entered into any significant business transaction other than the Reorganisation. As at 31 December 2013, the Company had an amount due from the holding company of US$100 and an issued capital of US$100.

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2013 up to the date of this report. No dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2013.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

The information set out in this Appendix does not form part of the Accountant's Report prepared by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set out in Appendix I to this listing document, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with "Financial Information" and the Accountant's Report set out in Appendix I.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS/(LIABILITIES)

The following unaudited pro forma statement of adjusted net tangible assets/(liabilities) of the Group, which has been prepared in accordance with Rule 4.29 of the Listing Rules, is for illustrative purposes only, and is set forth to illustrate the effect of the Listing on our combined net tangible assets/(liabilities) as of 31 December 2013 as if the Listing had taken place on 31 December 2013.

This unaudited pro forma statement of adjusted net tangible assets/(liabilities) have been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of our combined net tangible assets/(liabilities) as of 31 December 2013 or any future date following the completion of the Listing. It is prepared based on our audited combined financial information as of 31 December 2013 as set forth in the Accountant's Report in Appendix I to this listing document, and adjusted as described below. This unaudited pro forma statement of adjusted net tangible assets/(liabilities) does not form part of the Accountant's Report as set forth in Appendix I to this listing document.

	Audited combined net tangible assets/(liabilities) attributable to shareholders of the Company as of 31 December 2013(1)	**Estimated expenses relating to the Listing(2)**	**Unaudited pro forma adjusted net tangible assets/(liabilities) attributable to shareholders of the Company(3)(4)**	**Unaudited pro forma adjusted net tangible assets/(liabilities) attributable to shareholders of the Company per Share**	
	US$'000	**US$'000**	**US$'000**	**US$**	**HK$**
Based on 8,360,398,306 Shares in issue immediately prior to the Listing	(883,574)	(11,000)	(894,574)	(0.107)	(0.835)

Notes:

(1) The audited combined net tangible assets/(liabilities) attributable to shareholders of the Company as of 31 December 2013 has been extracted from the Accountant's Report set forth in Appendix I to this listing document which is based on the audited combined net assets of the Group attributable to shareholders of the Company of US$2,392.4 million with an adjustment for the intangible assets as of 31 December 2013 of US$3,276.0 million.

(2) The estimated expenses relating to the Listing mainly include professional fees payable to the Joint Sponsors, our legal advisers, the legal advisers to the Joint Sponsors, and the Reporting Accountant.

(3) The unaudited pro forma adjusted net tangible assets/(liabilities) attributable to shareholders of the Company per Share is arrived at after the adjustment referred to in note (2) above and on the basis that 8,360,398,306 Shares were in issue immediately prior to the Listing but takes no account of any Shares which will be allotted and issued or repurchased by the Company pursuant to the general mandate to issue Shares or repurchase Shares as described in "Share Capital".

(4) No adjustment has been made to reflect any trading results or other transactions entered into subsequent to 31 December 2013.

(5) For the purpose of this unaudited pro forma adjusted net tangible assets, the amounts stated in United States dollars are converted into Hong Kong dollars at a rate of US$1.00 to HK$7.8. No representation is made that United States dollars have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

(6) The unaudited pro forma adjusted net assets attributable to shareholders of the Company per Share is US$0.285 (equivalent to approximately HK$2.222), which is based on the audited combined net assets of the Group attributable to shareholders of the Company as at 31 December 2013 of US$2,392.4 million after the adjustment referred to in note (2) above and on the basis that 8,360,398,306 shares were in issue immediately prior to the Listing referred to in note (3) above.

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this listing document.

羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION INCLUDED IN A LISTING DOCUMENT

TO THE DIRECTORS OF GLOBAL BRANDS GROUP HOLDING LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Global Brands Group Holding Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets/(liabilities) of the Group as at 31 December 2013, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's listing document dated 26 June 2014, in connection with the initial listing of shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2 of the listing document.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the initial listing of shares of the Company on the Group's financial position as at 31 December 2013 as if the initial listing of shares of the Company had taken place at 31 December 2013. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial information as at 31 December 2013, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

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We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant complies with ethical requirements and plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a listing document is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the initial listing of shares of the Company at 31 December 2013 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 26 June 2014

Set out below is a summary of certain provisions of the Memorandum of Association and the Bye-laws of the Company and of certain aspects of Bermuda company law.

1. MEMORANDUM OF ASSOCIATION

The Memorandum of Association states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the Company is an exempted company as defined in the Bermuda Companies Act. The Memorandum of Association also sets out the objects for which the Company was formed which are unrestricted and that the Company has the capacity, rights, powers and privileges of a natural person. As an exempted company, the Company will be carrying on business outside Bermuda from a place of business within Bermuda.

In accordance with and subject to section 42A of the Bermuda Companies Act, the Memorandum of Association empowers the Company to purchase its own shares and pursuant to its Bye-laws, this power is exercisable by the Board of Directors upon such terms and subject to such conditions as it thinks fit.

2. BYE-LAWS

The Bye-laws were conditionally adopted on 22 June 2014. The following is a summary of certain provisions of the Bye-laws:

(a) Directors

(i) ***Power to allot and issue shares and warrants***

Subject to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Subject to the Bermuda Companies Act, any preference shares may be issued or converted into shares that are liable to be redeemed, at a determinable date or at the option of the Company or, if so authorised by the Memorandum of Association, at the option of the holder, on such terms and in such manner as the Company before the issue or conversion may by ordinary resolution determine. The Board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Bermuda Companies Act, the Bye-laws, any direction that may be given by the Company in general meeting and, where applicable, the rules of any Designated Stock Exchange (as defined in the Bye-laws) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the Board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) ***Power to dispose of the assets of the Company or any of its subsidiaries***

There are no specific provisions in the Bye-laws relating to the disposal of the assets of the Company or any of its subsidiaries.

(iii) ***Compensation or payments for loss of office***

Payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) ***Loans and provision of security for loans to Directors***

There are no provisions in the Bye-laws relating to the making of loans to Directors. However, the Bermuda Companies Act contains restrictions on companies making loans or providing security for loans to their directors, the relevant provisions of which are summarised in the paragraph headed “Bermuda Company Law” in this Appendix.

(v) ***Financial assistance to purchase shares of the Company***

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Bye-laws) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(vi) ***Disclosure of interests in contracts with the Company or any of its subsidiaries***

A Director may hold any other office or place of profit with the Company (except that of auditor of the Company) in conjunction with his office of Director for such period and, subject to the Bermuda Companies Act, upon such terms as the Board may determine, and may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Bye-laws. A Director may be or become a director or other officer of, or a member of, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Bye-laws, the Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Bermuda Companies Act and to the Bye-laws, no Director or proposed or intending Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the Board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the Board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or other proposal in which he or any of his close associates (as defined in the Bye-laws) is materially interested but this prohibition shall not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or any of his close associates any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or any of his close associates, as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vii) ***Remuneration***

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such remuneration (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the Board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably incurred or expected to be incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration provided for by or pursuant to any other Bye-law. A Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The Board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependants or any class or classes of such persons.

The Board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependants, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependants are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the Board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(viii) ***Retirement, appointment and removal***

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or, subject to authorisation by the members in general meeting, as an addition to the existing board but so that the number of Directors so appointed shall not exceed any maximum number determined from time to time by the members in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Members after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) provided that the notice of any such meeting convened for the purpose of removing a Director shall contain a statement of the intention to do so and be served on such Director 14 days before the meeting and, at such meeting, such Director shall be entitled to be heard on the motion for his removal. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors unless otherwise determined from time to time by members of the Company.

The Board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period (subject to their continuance as Directors) and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments (but without prejudice to any claim for damages that such Director may have against the Company or vice versa). The Board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the Board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ix) ***Borrowing powers***

The Board may from time to time at its discretion exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Bermuda Companies Act, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(b) Alterations to constitutional documents

The Bye-laws may be rescinded, altered or amended by the Directors subject to the confirmation of the Company in general meeting. The Bye-laws state that a special resolution shall be required to alter the provisions of the Memorandum of Association, to confirm any such rescission, alteration or amendment to the Bye-laws or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Bermuda Companies Act:

(i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;

(ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares as the directors may determine;

(iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association;

(v) change the currency denomination of its share capital;

(vi) make provision for the issue and allotment of shares which do not carry any voting rights; and

(vii) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may, by special resolution, subject to any confirmation or consent required by law, reduce its authorised or issued share capital or, save for the use of share premium as expressly permitted by the Bermuda Companies Act, any share premium account or other undistributable reserve.

(d) Variation of rights of existing shares or classes of shares

Subject to the Bermuda Companies Act, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Bye-laws relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons or (in the case of a member being a corporation) its duly authorised representative holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or (in the case of a member being a corporation) its duly authorised representative or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

(e) Special resolution-majority required

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than 21 clear days and not less than 10 clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designed Stock Exchange (as defined in the Bye-laws), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than 21 clear days and not less than 10 clear business days has been given.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Bye-laws, at any general meeting on a poll every member present in person or by proxy or (being a corporation) by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share.

A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by a proxy shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee) is a member of the Company it may authorise such persons as it thinks fit to act as its representative at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee) as if such person was the registered holder of the shares held by that clearing house (or its nominee) in respect of the number and class of shares specified in the relevant authorisation including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Bye-laws), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year other than the year in which its statutory meeting is convened at such time (within a period of not more than 15 months after the holding of the last preceding annual general meeting unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Bye-laws)) and place as may be determined by the Board.

(h) Accounts and audit

The Board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the provisions of the Bermuda Companies Act or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or, subject to the Bermuda Companies Act, at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right of inspecting any accounting record or book or document of the Company except as conferred by law or authorised by the Board or the Company in general meeting.

Subject to the Bermuda Companies Act, a printed copy of the Directors' report, accompanied by the combined balance sheets and combined profit and loss accounts, including every document required by law to be annexed thereto, made up to the end of the applicable financial year and containing a summary of the assets and liabilities of the Company under convenient heads and a statement of income and expenditure, together with a copy of the auditors' report, shall be sent to each person entitled thereto at least 21 days before the date of the general meeting and at the same time as the notice of annual general meeting and laid before the Company at the annual general meeting in accordance with the requirements of the Bermuda Companies Act provided that this provision shall not require a copy of those documents to be sent to any person whose address the Company is not aware or to more than one of the joint holders of any shares or debentures; however, to the extent permitted by and subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Bye-laws), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Subject to the Bermuda Companies Act, at the annual general meeting or at a subsequent special general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the members appoint another auditor. Such auditor may be a member but no Director or officer or employee of the Company shall, during his continuance in office, be eligible to act as an auditor of the Company. The remuneration of the auditor shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than Bermuda. If the auditing standards of a country or jurisdiction other than Bermuda are used, the financial statements and the report of the auditor should disclose this fact and name such country and jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than 21 clear days and not less than 20 clear business days and any special general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least 21 clear days and not less than 10 clear business days. All other special general meetings shall be called by notice of at least 14 clear days and not less than 10 clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such.

(j) Transfer of shares

All transfers of shares may be effected in any manner permitted by and in accordance with the rules of the Designated Stock Exchange by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange or in such other form as the Board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee, by hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The Board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The Board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in Bermuda or such other place in Bermuda at which the principal register is kept in accordance with the Bermuda Companies Act.

The Board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The Board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Bye-laws) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificates and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in an appointed newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Bye-laws), at such times and for such periods as the Board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole 30 days in any year.

(k) Power for the Company to purchase its own shares

The Bye-laws supplement the Company's Memorandum of Association (which gives the Company the power to purchase its own shares) by providing that the power is exercisable by the Board upon such terms and conditions as it thinks fit.

(l) Power for any subsidiary of the Company to own shares in the Company

There are no provisions in the Bye-laws relating to ownership of shares in the Company by a subsidiary.

(m) Dividends and other methods of distribution

Subject to the Bermuda Companies Act, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board. The Company in general meeting may also make a distribution to its members out of contributed surplus (as ascertained in accordance with the Bermuda Companies Act). No dividend shall be paid or distribution made out of contributed surplus if to do so would render the Company unable to pay its liabilities as they become due or the realisable value of its assets would thereby become less than its liabilities.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to a member by the Company on or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the Board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit. The Company may also upon the recommendation of the Board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the Board and shall revert to the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company. In addition, a proxy or proxies representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.

(o) Call on shares and forfeiture of shares

Subject to the Bye-laws and to the terms of allotment, the Board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or instalments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the Board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the Board may serve not less than 14 clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect.

Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding 20% per annum as the Board determines.

(p) Inspection of register of members

The register and branch register of members shall be open to inspection between 10:00 a.m. and 12:00 noon during business hours by members of the public without charge at the registered office or such other place in Bermuda at which the register is kept in accordance with the Bermuda Companies Act, unless the register is closed in accordance with the Bermuda Companies Act.

(q) Quorum for meetings and separate class meetings

For all purposes the quorum for a general meeting shall be two members present in person or (in the case of a member being a corporation) by its duly authorised representative or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Bye-laws relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Bermuda law, as summarised in paragraph 4(e) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Bermuda Companies Act, divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

The Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Bye-laws) giving notice of its intention to sell such shares and a period of three months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Bye-laws), has elapsed since such advertisement and the Designated Stock Exchange (as defined in the Bye-laws) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Other provisions

The Bye-laws provide that to the extent that it is not prohibited by and is in compliance with the Bermuda Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

The Bye-laws also provide that the Company is required to maintain at its registered office a register of directors and officers in accordance with the provisions of the Bermuda Companies Act and such register is open to inspection by members of the public without charge between 10:00 a.m. and 12:00 noon during business hours.

3. VARIATION OF MEMORANDUM OF ASSOCIATION AND BYE-LAWS

The Memorandum of Association may be altered by the Company in general meeting. The Bye-laws may be amended by the Directors subject to the confirmation of the Company in general meeting. The Bye-laws state that a special resolution shall be required to alter the provisions of the Memorandum of Association or to confirm any amendment to the Bye-laws or to change the name of the Company. For these purposes, a resolution is a special resolution if it has been passed by a majority of not less than three-fourths of the votes cast by such members of the Company as, being entitled to do so, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 21 clear days' and not less than ten clear business days' notice specifying the intention to propose the resolution as a special resolution has been duly given. Except in the case of an annual general meeting, the requirement of 21 clear days' notice may be waived by a majority in number of the members having the right to attend and vote at the relevant meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

4. BERMUDA COMPANY LAW

The Company is incorporated in Bermuda and, therefore, operates subject to Bermuda law. Set out below is a summary of certain provisions of Bermuda company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Bermuda company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Share capital

The Bermuda Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account", to which the provisions of the Bermuda Companies Act relating to a reduction of share capital of a company shall apply as if the share premium account was paid up share capital of the company except that the share premium account may be applied by the company:

(i) in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares;

(ii) in writing off:

(aa) the preliminary expenses of the company; or

(bb) the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; or

(iii) in providing for the premiums payable on redemption of any shares or of any debentures of the company.

In the case of an exchange of shares the excess value of the shares acquired over the nominal value of the shares being issued may be credited to a contributed surplus account of the issuing company.

The Bermuda Companies Act permits a company to issue preference shares and subject to the conditions stipulated therein to convert those preference shares into redeemable preference shares.

The Bermuda Companies Act includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. Where provision is made by the memorandum of association or bye-laws for authorising the variation of rights attached to any class of shares in the company, the consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required, and where no provision for varying such rights is made in the memorandum of association or bye-laws and nothing therein precludes a variation of such rights, the written consent of the holders of three-fourths of the issued shares of that class or the sanction of a resolution passed as aforesaid is required.

(b) Financial assistance to purchase shares of a company or its holding company

There is no longer any statutory restriction in Bermuda on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in accordance with their fiduciary duties to the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(c) Purchase of shares and warrants by a company and its subsidiaries

A company may, if authorised by its memorandum of association or bye-laws, purchase its own shares. Such purchases may only be effected out of the capital paid up on the purchased shares or out of the funds of the company otherwise available for dividend or distribution or out of the proceeds of a fresh issue of shares made for the purpose. Any premium payable on a purchase over the par value of the shares to be purchased must be provided for out of funds of the company otherwise available for dividend or distribution or out of the company's share premium account. Any amount due to a shareholder on a purchase by a company of its own shares may (i) be paid in cash; (ii) be satisfied by the transfer of any part of the undertaking or property of the company having the same value; or (iii) be satisfied partly under (i) and partly under (ii).

Any purchase by a company of its own shares may be authorised by its Board of directors or otherwise by or in accordance with the provisions of its bye-laws. Such purchase may not be made if, on the date on which the purchase is to be effected, there are reasonable grounds for believing that the company is, or after the purchase would be, unable to pay its liabilities as they become due. The shares so purchased may either be cancelled or held as treasury shares. Any purchased shares that are cancelled will, in effect, revert to the status of authorised but unissued shares.

If shares of the company are held as treasury shares, the company is prohibited to exercise any rights in respect of those shares, including any right to attend and vote at meetings, including a meeting under a scheme of arrangement, and any purported exercise of such a right is void. No dividend shall be paid to the company in respect of shares held by the company as treasury shares; and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) shall be made to the company in respect of shares held by the company as treasury shares. Any shares allotted by the company as fully paid bonus shares in respect of shares held by the company as treasury shares shall be treated for the purposes of the Bermuda Companies Act as if they had been acquired by the company at the time they were allotted.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Bermuda law that a company's memorandum of association or its bye-laws contain a specific provision enabling such purchases.

Under Bermuda law, a subsidiary may hold shares in its holding company and in certain circumstances, may acquire such shares. A company, whether a subsidiary or a holding company, may only purchase its own shares if it is authorised to do so in its memorandum of association or bye-laws pursuant to section 42A of the Bermuda Companies Act.

(d) Dividends and distributions

A company may not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realisable value of the company's assets would thereby be less than its liabilities. Contributed surplus is defined for purposes of section 54 of the Bermuda Companies Act to include the proceeds arising from donated shares, credits resulting from the redemption or conversion of shares at less than the amount set up as nominal capital and donations of cash and other assets to the company.

(e) Protection of minorities

Class actions and derivative actions are generally not available to shareholders under the laws of Bermuda. The Bermuda courts, however, would ordinarily be expected to permit a shareholder to commence an action in the name of a company to remedy a wrong done to the company where the act complained of is alleged to be beyond the corporate power of the company or is illegal or would result in the violation of the company's memorandum of association and bye-laws. Furthermore, consideration would be given by the court to acts that are alleged to constitute a fraud against the minority shareholders or, for instance, where an act requires the approval of a greater percentage of the company's shareholders than actually approved it.

Any member of a company who complains that the affairs of the company are being conducted or have been conducted in a manner oppressive or prejudicial to the interests of some part of the members, including himself, may petition the court which may, if it is of the opinion that to wind up the company would unfairly prejudice that part of the members but that otherwise the facts would justify the making of a winding up order on just and equitable grounds, make such order as it thinks fit, whether for regulating the conduct of the company's affairs in future or for the purchase of shares of any members of the company by other members of the company or by the company itself and in the case of a purchase by the company itself, for the reduction accordingly of the company's capital, or otherwise. Bermuda law also provides that the company may be wound up by the Bermuda court, if the court is of the opinion that it is just and equitable to do so. Both these provisions are available to minority shareholders seeking relief from the oppressive conduct of the majority, and the court has wide discretion to make such orders as it thinks fit.

Except as mentioned above, claims against a company by its shareholders must be based on the general laws of contract or tort applicable in Bermuda.

A statutory right of action is conferred on subscribers of shares in a company against persons, including directors and officers, responsible for the issue of a prospectus in respect of damage suffered by reason of an untrue statement therein, but this confers no right of action against the company itself. In addition, such company, as opposed to its shareholders, may take action against its officers including directors, for breach of their statutory and fiduciary duty to act honestly and in good faith with a view to the best interests of the company.

(f) Management

The Bermuda Companies Act contains no specific restrictions on the power of directors to dispose of assets of a company, although it specifically requires that every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Furthermore, the Bermuda Companies Act requires that every officer should comply with the Bermuda Companies Act, regulations passed pursuant to the Bermuda Companies Act and the bye-laws of the company. The directors of a company may, subject to the bye-laws of the company, exercise all the powers of the company except those powers that are required by the Bermuda Companies Act or the bye-laws to be exercised by the members of the company.

(g) Accounting and auditing requirements

The Bermuda Companies Act requires a company to cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company.

Furthermore, it requires that a company keeps its records of account at the registered office of the company or at such other place as the directors think fit and that such records shall at all times be open to inspection by the directors or the resident representative of the company. If the records of account are kept at some place outside Bermuda, there shall be kept at the office of the company in Bermuda such records as will enable the directors or the resident representative of the company to ascertain with reasonable accuracy the financial position of the company at the end of each three month period, except that where the company is listed on an appointed stock exchange, there shall be kept such records as will enable the directors or the resident representative of the company to ascertain with reasonable accuracy the financial position of the company at the end of each six month period.

The Bermuda Companies Act requires that the directors of the company must, at least once a year, lay before the company in general meeting financial statements for the relevant accounting period. Further, the company's auditor must audit the financial statements so as to enable him to report to the members. Based on the results of his audit, which must be made in accordance with generally accepted auditing standards, the auditor must then make a report to the members. The generally accepted auditing standards may be those of a country or jurisdiction other than Bermuda or such other generally accepted auditing standards as may be appointed by the Minister of Finance of Bermuda under the Bermuda Companies Act; and where the generally accepted auditing standards used are other than those of Bermuda, the report of the auditor shall identify the generally accepted auditing standards used. All members of the company are entitled to receive a copy of every financial statement prepared in accordance with these requirements, at least five days before the general meeting of the company at which the financial statements are to be tabled. A company the shares of which are listed on an appointed stock exchange may send to its members summarised financial statements instead. The summarised financial statements must be derived from the company's financial statements for the relevant period and contain the information set out in the Bermuda Companies Act. The summarised financial statements sent to the company's members must be accompanied by an auditor's report on the summarised financial statements and a notice stating how a member may notify the company of his election to receive financial statements for the relevant period and/or for subsequent periods.

The summarised financial statements together with the auditor's report thereon and the accompanied notice must be sent to the members of the company not less than 21 days before the general meeting at which the financial statements are laid. Copies of the financial statements must be sent to a member who elects to receive the same within seven days of receipt by the company of the member's notice of election.

(h) Auditors

Unless the requirement to appoint an auditor is waived by all of the shareholders and all of the directors, either in writing or at the general meeting, any auditor appointed shall hold office until a successor is appointed by the members or if the members fail to do so until the directors appoint a successor.

A person, other than an incumbent auditor, shall not be capable of being appointed auditor at a general meeting unless notice in writing of an intention to nominate that person to the office of auditor has been given not less than 21 days before the general meeting. The company must send a copy of such notice to the incumbent auditor and give notice thereof to the members not less than seven days before the general meeting. An incumbent auditor may, however, by notice in writing to the secretary of the company waive the requirements of the foregoing.

Where an auditor is appointed to replace another auditor, the new auditor must seek from the replaced auditor a written statement as to the circumstances of the latter's replacement. If the replaced auditor does not respond within 15 days, the new auditor may act in any event. An appointment as auditor of a person who has not requested a written statement from the replaced auditor is voidable by a resolution of the shareholders at a general meeting. An auditor who has resigned, been removed or whose term of office has expired or is about to expire, or who has vacated office is entitled to attend the general meeting of the company at which he is to be removed or his successor is to be appointed; to receive all notices of, and other communications relating to, that meeting which a member is entitled to receive; and to be heard at that meeting on any part of the business of the meeting that relates to his duties as auditor or former auditor.

(i) Exchange control

An exempted company is usually designated as "non-resident" for Bermuda exchange control purposes by the Bermuda Monetary Authority. Where a company is so designated, it is free to deal in currencies of countries outside the Bermuda exchange control area which are freely convertible into currencies of any other country. The permission of the Bermuda Monetary Authority is required for the issue of shares and securities by the company and the subsequent transfer of such shares and securities. In granting such permission, the Bermuda Monetary Authority accepts no responsibility for the financial soundness of any proposals or for the correctness of any statements made or opinions expressed in any document with regard to such issue. Before the company can issue or transfer any further shares and securities in excess of the amounts already approved, it must obtain the prior consent of the Bermuda Monetary Authority.

The Bermuda Monetary Authority has granted general permission for the issue and transfer of shares and securities to and between persons regarded as resident outside Bermuda for exchange control purposes without specific consent for so long as any equity securities, including shares, are listed on an appointed stock exchange (as defined in the Bermuda Companies Act). Issues to and transfers involving persons regarded as "resident" for exchange control purposes in Bermuda will be subject to specific exchange control authorisation.

(j) Taxation

Under present Bermuda law, no Bermuda withholding tax on dividends or other distributions, nor any Bermuda tax computed on profits or income or on any capital asset, gain or appreciation will be payable by an exempted company or its operations, nor is there any Bermuda tax in the nature of estate duty or inheritance tax applicable to shares, debentures or other obligations of the company held by non-residents of Bermuda. Furthermore, a company may apply to the Minister of Finance of Bermuda for an assurance, under the Exempted Undertakings Tax Protection Act 1966 of Bermuda, that no such taxes shall be so applicable until 31 March 2035, although this assurance will not prevent the imposition of any Bermuda tax payable in relation to any land in Bermuda leased or let to the company or to persons ordinarily resident in Bermuda.

(k) Stamp duty

An exempted company is exempt from all stamp duties except on transactions involving "Bermuda property". This term relates, essentially, to real and personal property physically situated in Bermuda, including shares in local companies (as opposed to exempted companies). Transfers of shares and warrants in all exempted companies are exempt from Bermuda stamp duty.

(l) Loans to directors

Bermuda law prohibits the making of loans by a company to any of its directors or to their families or companies in which they hold more than a 20% interest, without the consent of any member or members holding in aggregate not less than nine-tenths of the total voting rights of all members having the right to vote at any meeting of the members of the company. These prohibitions do not apply to:

(a) anything done to provide a director with funds to meet the expenditure incurred or to be incurred by him for the purposes of the company, provided that the company gives its prior approval at a general meeting or, if not, the loan is made on condition that it will be repaid within six months of the next following annual general meeting or in the case of a company that has made an election to dispense with annual general meetings in accordance with the Bermuda Companies Act, at or before the next following general meeting which shall be convened within 12 months of the authorisation of the making of the loan, if the loan is not approved at or before such meeting,

(b) in the case of a company whose ordinary business includes the lending of money or the giving of guarantees in connection with loans made by other persons, anything done by the company in the ordinary course of that business, or

(c) any advance of moneys by the company to any officer or auditor under Section 98(2)(c) of the Bermuda Companies Act which allows the company to advance moneys to an officer or auditor of the company for the costs incurred in defending any civil or criminal proceedings against them, on condition that the officer or auditor shall repay the advance if any allegation of fraud or dishonesty is proved against them.

If the approval of the company is not given for a loan, the directors who authorised it will be jointly and severally liable for any loss arising therefrom.

(m) Inspection of corporate records

Members of the general public have the right to inspect the public documents of a company available at the office of the Registrar of Companies in Bermuda which will include the company's certificate of incorporation, its memorandum of association (including its objects and powers) and any alteration to the company's memorandum of association. The members of the company have the additional right to inspect the bye-laws of a company, minutes of general meetings and the company's audited financial statements. Minutes of general meetings of a company are also open for inspection by directors of the company without charge for not less than two hours during business hours each day. The register of members of a company is open for inspection by members of the public without charge. The company is required to maintain its share register in Bermuda but may, subject to the provisions of the Bermuda Companies Act, establish a branch register outside Bermuda. Any branch register of members established by the company is subject to the same rights of inspection as the principal register of members of the company in Bermuda. Any person may on payment of a fee prescribed by the Bermuda Companies Act require a copy of the register of members or any part thereof which must be provided within 14 days of a request. Bermuda law does not, however, provide a general right for members to inspect or obtain copies of any other corporate records.

A company is required to maintain a register of directors and officers at its registered office and such register must be made available for inspection for not less than two hours in each day by members of the public without charge. If summarised financial statements are sent by a company to its members pursuant to section 87A of the Bermuda Companies Act, a copy of the summarised financial statements must be made available for inspection by the public at the registered office of the company in Bermuda.

(n) Winding up

A company may be wound up by the Bermuda court on application presented by the company itself, its creditors or its contributors. The Bermuda court also has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Bermuda court, just and equitable that such company be wound up.

A company may be wound up voluntarily when the members so resolve in general meeting, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above. Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

Where, on a voluntary winding up, a majority of directors make a statutory declaration of solvency, the winding up will be a members' voluntary winding up. In any case where such declaration has not been made, the winding up will be a creditors' voluntary winding up.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators within the period prescribed by the Bermuda Companies Act for the purpose of winding up the affairs of the company and distributing its assets. If the liquidator at any time forms the opinion that such company will not be able to pay its debts in full, he is obliged to summon a meeting of creditors.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting requires at least one month's notice published in an appointed newspaper in Bermuda.

In the case of a creditors' voluntary winding up of a company, the company must call a meeting of creditors of the company to be summoned on the day following the day on which the meeting of the members at which the resolution for winding up is to be proposed is held. Notice of such meeting of creditors must be sent at the same time as notice is sent to members. In addition, such company must cause a notice to appear in an appointed newspaper on at least two occasions.

The creditors and the members at their respective meetings may nominate a person to be liquidator for the purposes of winding up the affairs of the company provided that if the creditors nominate a different person, the person nominated by the creditors shall be the liquidator. The creditors at the creditors' meeting may also appoint a committee of inspection consisting of not more than five persons.

If a creditors' winding up continues for more than one year, the liquidator is required to summon a general meeting of the company and a meeting of the creditors at the end of each year to lay before such meetings an account of his acts and dealings and of the conduct of the winding up during the preceding year. As soon as the affairs of the company are fully wound up, the liquidator must make an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon shall call a general meeting of the company and a meeting of the creditors for the purposes of laying the account before such meetings and giving an explanation thereof.

5. GENERAL

Conyers Dill & Pearman, the Company's legal advisers on Bermuda law, have sent to the Company a letter of advice summarising certain aspects of Bermuda company law. This letter, together with a copy of the Bermuda Companies Act, is available for inspection as referred to in "*Appendix VI — Documents available for inspection*". Any person wishing to have a detailed summary of Bermuda company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

The following summary of certain Hong Kong, Bermuda and United States tax consequences of the purchase, ownership and disposition of the Shares is based upon the laws, regulations, rulings and decisions now in effect, all of which are subject to change (possibly with retroactive effect). The summary 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 Shares and does not purport to apply to all categories of prospective investors, some of whom may be subject to special rules. Prospective investors should consult their own tax advisers concerning the application of Hong Kong and other tax laws to their particular situation as well as any consequences of the purchase, ownership and disposition of the Shares arising under the laws of any other taxing jurisdiction.

The taxation of the Company and that of the Shareholders is described below. Where Hong Kong, Bermuda and United States tax laws are discussed, these are merely an outline of the implications of such laws.

Investors should note that the following statements are based on advice received by the Company regarding taxation laws, regulations and practice in force as at the date of this listing document, which may be subject to change.

A. OVERVIEW OF TAX IMPLICATIONS IN HONG KONG

1. Hong Kong Taxation of the Company

Profits Tax

The Company will be subject to Hong Kong profits tax in respect of profits arising in or derived from Hong Kong at the current rate of 16.5%. Dividend income derived by the Company from its subsidiaries will be excluded from Hong Kong profits tax.

2. Hong Kong Taxation of Shareholders

Dividends

No tax is imposed in Hong Kong in respect of dividends in the Company pays to the Shareholders. Dividends paid to the Shareholders are free of withholding taxes in Hong Kong.

Capital Gains and Profits Tax

Hong Kong profits tax will not be payable by any Shareholders (other than Shareholders carrying on a trade, profession or business in Hong Kong and holding the Shares for trading purposes) on any capital gains made on the sale or other disposal of the Shares.

Stamp Duty

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.1% on the higher of the consideration for or the market value of the Shares, will be payable by the purchaser on every purchase, and by the seller on every sale, of Shares, whether or not the sale or purchase is on or off the Stock Exchange (in other words, a total of 0.2% is currently payable on a typical sale and purchase transaction involving the Shares). In addition, a fixed duty of HK$5.00 is currently payable on any instrument of transfer of Shares.

Estate Duty

Pursuant to the Revenue (Abolition of Estate Duty) Ordinance 2005, Hong Kong estate duty was abolished effective from 11 February 2006. No Hong Kong estate duty is payable by Shareholders in relation to the Shares owned by them upon death and no estate clearance papers are needed for an application for a grant of representation in respect of Shareholders whose deaths occur on or after 11 February 2006.

B. OVERVIEW OF TAX IMPLICATIONS IN OTHER JURISDICTIONS

1. Taxation in Bermuda

Under the present Bermuda law, there is no stamp duty payable in Bermuda on transfer of Shares.

2. Certain United States Federal Income Tax Considerations

The following discussion is a summary of certain US federal income tax considerations under present law of the distribution of Shares pursuant to the Li & Fung Distribution and the ownership and disposition of Shares, in each case, by a US Holder (as defined below). This summary deals only with Holders receiving Shares in the Spin-off that use the US dollar as their functional currency and that hold Li & Fung Shares as, and will hold Shares received in the Li & Fung Distribution as, capital assets. This summary does not address tax considerations applicable to investors subject to special rules, such as persons that will own immediately after the Spin-off (directly, indirectly or constructively) 10% or more by vote or value of the Company's equity interests, certain financial institutions, dealers or traders, insurance companies, tax exempt entities, persons holding their Shares as part of a hedge, straddle, conversion, constructive sale or other integrated transaction. It also does not address US state and local tax considerations.

THE STATEMENTS ABOUT US FEDERAL INCOME TAX CONSIDERATIONS ARE MADE IN CONNECTION WITH THE SPIN-OFF AND THE LISTING. NO TAXPAYER CAN RELY ON THEM TO AVOID TAX PENALTIES. EACH QUALIFYING LI & FUNG SHAREHOLDER AND PROSPECTIVE PURCHASER SHOULD SEEK ADVICE FROM AN INDEPENDENT TAX ADVISER ABOUT THE TAX CONSEQUENCES UNDER ITS OWN PARTICULAR CIRCUMSTANCES OF PARTICIPATING IN THE SPIN-OFF AND THE OWNERSHIP AND DISPOSITION OF THE SHARES UNDER THE LAWS OF BERMUDA, HONG KONG, THE PRC, THE UNITED STATES AND ITS CONSTITUENT JURISDICTIONS AND ANY OTHER JURISDICTION WHERE THE QUALIFYING LI & FUNG SHAREHOLDERS AND PROSPECTIVE PURCHASER MAY BE SUBJECT TO TAXATION.

As used here, "US Holder" means, for purposes of the Spin-off a beneficial owner of Li & Fung Shares, and otherwise a beneficial owner of Shares that is, for US federal income tax purposes, (i) an citizen or individual resident of the United States, (ii) a corporation or entity treated as such created or organised under the laws of the United States or its political subdivisions, (iii) a trust subject to the control of a US person and the primary supervision of a US court or (iv) an estate the income of which is subject to US federal income tax without regard to its source.

As used here, "Non-US Holder" means a beneficial owner of Shares that is neither a US Holder nor a partnership (or other entity treated as a partnership for US federal income tax purposes).

The tax consequences to a partner in a partnership (or other entity treated as a partnership for US federal income tax purposes) acquiring, holding or disposing of Shares generally will depend on the status of the partner and the activities of the partnership. Partners of a partnership holding Shares should consult their own tax advisers about the US federal income tax consequences to them of the partnership participating in the Spin-off and acquiring, owning and disposing of Shares. The Company believes, and this discussion assumes that the Company is not a Passive Foreign Investment Company (a "**PFIC**").

The Spin-off

The Company believes that the distribution of Shares pursuant to the Li & Fung Distribution should qualify as a tax-free distribution under Section 355 of the US Internal Revenue Code of 1986, as amended ("**Code**") and therefore that, except as described in the following two paragraphs, a US Holder (as defined above) receiving Shares in the Li & Fung Distribution (i) should not recognise any income, gain or loss upon the receipt of Shares, (ii) should apportion its tax basis in the Li & Fung Shares between such shares and the Shares received in the Spin-off in proportion to the relative fair market value of the Li & Fung Shares and the Shares on the date on which the Shares are distributed, and (iii) should have a holding period for the Shares that includes the period during which the US Holder held the Li & Fung Shares.

However, there can be no assurance the IRS will not take a position that the Li & Fung Distribution does not qualify under Section 355, or that such position would not be sustained if challenged. If such a position were taken and were sustained, then US Holders would be required to treat the distribution of Shares pursuant to the Li & Fung Distribution as a dividend in an amount equal to the fair market value of the Shares on the date of receipt, would take tax basis in the Shares equal to US dollar amount included in income as a dividend and would have a holding period in the shares that begins with the effective date of the Li & Fung Distribution. The dividend generally would be treated as from sources outside the United States for foreign tax credit purposes. Any amount included as a dividend should not be eligible for the dividends-received deduction generally allowed to US corporations or for the reduced rate of tax on qualified dividend income available to certain non-corporate US Holders.

In addition, if Li & Fung has been a passive foreign investment company or PFIC for the current taxable year or any prior taxable year in which a US Holder has held Li & Fung Shares then, even where the Li & Fung Distribution qualifies under Section 355 of the Code, such US Holder would recognise any gain (but not loss) with respect to such US Holder's Li & Fung Shares as though such shares had been disposed of in a fully taxable transaction at their market value on the date of the Spin-off.

Gain recognised by such US Holder would be allocated ratably over the US Holder's holding period for the Li & Fung Shares, the amount allocated to the current taxable and to any year before Li & Fung became a PFIC would be taxed as ordinary income and the amount allocated to each other taxable year would be subject to tax at the highest tax rate in effect for individuals or corporations, as appropriate, in the relevant taxable year and an interest charge would be imposed on the tax with respect to each such taxable year.

The Company does not expect Li & Fung to be a PFIC for its current tax year, and although the Company has not undertaken to determine whether Li & Fung has been a PFIC for any of its prior taxable years, it does not believe Li & Fung has been a PFIC in its recent past. Li & Fung would have been a PFIC in any taxable year in which either (i) at least 75% of its gross income is "passive income" or (ii) at least 50% of the quarterly average market value of its assets is attributable to assets that produce or are held to produce "passive income." In applying these tests, Li & Fung would be treated as having held its proportionate share of the assets and receiving its proportionate share of the income of any other corporation in which Li & Fung owned at least 25% by value of the shares.

Passive income for this purpose generally includes dividends, interest, royalties, rent and capital gains. Whether an entity is a PFIC is determined annually, and its status could change based on changes in its assets, income, activities and the structure through which it holds property.

If the Shares are not considered received in a tax-free distribution under Section 355 of the Code and Li & Fung were classified as a PFIC for the current taxable year or any prior taxable year while a US holder held its stock, then the amount of the dividend treated received by such US Holder on the distribution of the Shares in the Li & Fung Distribution would be taxable under the rules just described with respect to gains.

A. FURTHER INFORMATION ABOUT THE COMPANY

1. Incorporation

The Company was incorporated in Bermuda under the Bermuda Companies Act with limited liability on 4 December 2013. The Company has established a principal place of business in Hong Kong at 9th Floor, LiFung Tower, 888 Cheung Sha Wan Road, Kowloon, Hong Kong and was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) on 2 May 2014, with LEONG Kwok Yee appointed as the Hong Kong authorised representative of the Company on 9 May 2014 for acceptance on behalf of the Company of service of process and any notices required to be served on the Company in Hong Kong.

As the Company was incorporated in Bermuda, its operations are subject to the Bermuda Companies Act and to its constitution which comprises the Memorandum of Association and the Bye-laws of the Company. A summary of the relevant sections of the Memorandum of Association and the Bye-laws of the Company and the relevant aspects of the Bermuda Companies Act is set out in "*Appendix III — Summary of the Constitution of the Company and Bermuda Company Law*".

2. Changes in the Share Capital of the Company

As at the date of incorporation of the Company, the authorised share capital of the Company was US$100 divided into 100 ordinary shares with a par value of US$1.00 each.

Pursuant to a Director's resolution passed on 13 December 2013, 100 ordinary shares of US$1.00 were allotted and issued credited as fully paid to Li & Fung as the initial subscriber.

On 14 May 2014, resolutions of the sole member and resolutions of the Directors of the Company were passed where (a) the authorised share capital of the Company was increased by HK$150,000,000 by the creation of 12,000,000,000 Shares ("**New Shares**") of a nominal or par value of HK$0.0125 each (the "**Increase**"), (b) following the Increase, the Company allotted and issued 62,400 New Shares to Li & Fung Limited (the "**Issue**"), the subscription price thereof to be funded out of the Repurchase (as defined in resolution (c) below), (c) following the Issue, the Company repurchased the 100 issued shares of US$1.00 each (the "**Existing Shares**") in the capital of the Company in issue immediately prior to the Increase (the "**Repurchase**") which was paid out of the proceeds of the Issue referred to in (b) above and the Existing Shares were cancelled, and (d) following the Repurchase, the authorised but unissued share capital of the Company was diminished by the cancellation of all the 100 unissued shares of US$1.00 each in the capital of the Company (the "**Diminution of Authorised Capital**"). Accordingly, following the Diminution of Authorised Capital, the Company has an authorised share capital of HK$150,000,000 divided into 12,000,000,000 shares of HK$0.0125 each.

On 8 May 2014, Li & Fung made a contribution to the Company, in exchange for which the Company issued 8,360,335,906 ordinary shares of HK$0.0125 each to Li & Fung. The contribution consisted of the UK Shares, together with promissory notes issued in favour of LF Europe Limited by GBG International Holdings Limited, the benefit of which was subsequently assigned to Li & Fung.

Save as disclosed above and in "*— Written Resolutions of the Sole Shareholder*" below, there has been no alteration in the share capital of the Company since the date of its incorporation.

3. Changes in the Share Capital of the Company's Principal Subsidiaries

The Company's principal subsidiaries are set out in *"Appendix I — Accountant's Report"*. The following alterations in the share capital of the Company's principal subsidiaries have taken place from the date falling two years before the date of this listing document up to the Latest Practicable Date:

GBG International Holding Limited

On 13 December 2013, one ordinary share of US$1.00 was allotted and issued to Global Brands Group Holding Limited, credited as fully paid, in consideration of US$1.00 paid by Global Brands Group Holding Limited.

GBG Germany Holding GmbH

On 2 January 2014, 25,000 shares of EUR1.00 each were allotted and issued to Cormoran GR1 GmbH as the initial shareholder.

Global Brands (Hong Kong) Limited

On 9 December 2013, one ordinary share of US$1.00 was allotted and issued to Blear Services Limited as initial subscriber, credited as fully paid, in consideration of US$1.00 paid by Blear Services Limited.

GBG Asia Limited

On 13 December 2013, one ordinary share of US$1.00 was allotted and issued to Global Brands Group Holding Limited, credited as fully paid, in consideration of US$1.00 paid by Global Brands Group Holding Limited.

Iconix SE Asia Limited

On 10 September 2013, one ordinary share of HK$1.00 was allotted and issued to Blear Services Limited as initial subscriber, credited as fully paid, in consideration of HK$1.00 paid by Blear Services Limited.

On 30 September 2013, one ordinary share of HK$1.00 was transferred from Blear Services Limited to Iconix Brand Group, Inc., in consideration of HK$1.00 paid by Iconix Brand Group, Inc.

On 30 September 2013, one ordinary share of HK$1.00 was allotted and issued to Iconix Brand Group, Inc., credited as fully paid, in consideration of HK$1.00 paid by Iconix Brand Group, Inc.

On 30 September 2013, one ordinary share of HK$1.00 was transferred from Iconix Brand Group, Inc. to LF Asia Limited, in consideration of HK$1.00 paid by LF Asia Limited.

On 25 October 2013, 49 ordinary shares of HK$1.00 each were allotted and issued to Iconix Brand Group, Inc., credited as fully paid, in consideration of HK$49.00 paid by Iconix Brand Group, Inc.

On 25 October 2013, 49 ordinary shares of HK$1.00 each were allotted and issued to LF Asia Limited, credited as fully paid, in consideration of HK$49.00 paid by LF Asia Limited.

GBG Beauty LLC

On 29 June 2012, 100 units of membership interest were allotted and issued to Millwork Holdings Co., Inc., credited as paid in full, in consideration of US$10.00 paid by Millwork Holdings Co., Inc.

Lotta Luv Beauty LLC

On 29 June 2012, 100% of the membership interest were allotted and issued to GBG Beauty LLC, credited as paid in full to GBG Beauty LLC as the initial member.

GBG Spyder Canada Holdings ULC

On 5 September 2013, 100 common shares, without par value, were allotted and issued to Jimlar Corporation, credited as paid in full, in consideration of CAN$1.00 paid by Jimlar Corporation.

GBG Spyder USA LLC

On 22 August 2013, 100% of the membership interest were allotted and issued to Jimlar Corporation, credited as paid in full to Jimlar Corporation as the initial member.

4. Subsidiaries

Details of the subsidiaries of the Company are set out in "*Appendix I — Accountant's Report*".

The following subsidiaries have been incorporated within two years immediately preceding the date of this listing document:

Name of Subsidiary	Place of Incorporation	Date of Incorporation
GBG International Holding Company Limited	United Kingdom	18 December 2013
GBG International Holding Limited	BVI	6 December 2013
GBG Germany Holding GmbH	Germany	2 January 2014
Global Brands (Hong Kong) Limited	Hong Kong	9 December 2013
GBG Asia Limited	BVI	6 December 2013
GBG Spyder Canada Holdings ULC	Canada	5 September 2013
GBG Spyder USA LLC	United States	22 August 2013
GBG Beauty LLC	United States	29 June 2012
Lotta Luv Beauty LLC	United States	29 June 2012

Save as set out above and in "*Appendix I — Accountant's Report*", there has been no alteration in the share capital of the subsidiaries of the Company within two years immediately preceding the date of this listing document.

5. Written Resolutions of the Sole Shareholder

(a) On 14 May 2014, resolutions of the Company were passed by Li & Fung, the then sole shareholder of the Company, and resolutions of the Directors of the Company were passed where (a) the authorised share capital of the Company was increased by HK$150,000,000 by the creation of 12,000,000,000 Shares ("**New Shares**") of a nominal or par value of HK$0.0125 each (the "**Increase**"), (b) following the Increase, the Company allotted and issued 62,400 New Shares to Li & Fung Limited (the "**Issue**"), the subscription price thereof to be funded out of the Repurchase (as defined in resolution (c) below), (c) following the Issue, the Company repurchased the 100 issued shares of US$1.00 each (the "**Existing Shares**") in the capital of the Company in issue immediately prior to the Increase (the "**Repurchase**") which was paid out of the proceeds of the Issue referred to in (b) above and the Existing Shares were cancelled, and (d) following the Repurchase, the authorised but unissued share capital of the Company was diminished by the cancellation of all the 100 unissued shares of US$1.00 each in the capital of the Company (the "**Diminution of Authorised Capital**"). Accordingly, following the Diminution of Authorised Capital, the Company has an authorised share capital of HK$150,000,000 divided into 12,000,000,000 shares of HK$0.0125 each.

(b) On 22 June 2014, resolutions of the sole members were passed, pursuant to which, among other things:

(i) the Company's amended and restated Bye-laws were conditionally approved and adopted, effective upon the Listing; and

(ii) subject to the "lock-up" provisions under Rule 10.08 of the Listing Rules, a general unconditional mandate was granted to the Directors to issue or agree (conditionally or unconditionally) to allot, issue and deal with the Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for the Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers, provided that the aggregate nominal value of the Shares allotted or agreed to be allotted by the Directors other than pursuant to a (i) rights issue or (ii) any scrip dividend scheme of similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares or (iii) a specific authority granted by the Shareholders in general meeting, shall not exceed the aggregate of:

(1) 20% of the aggregate nominal value of the share capital of the Company in issue immediately following the completion of the Reorganisation and the Listing; and

(2) the aggregate nominal value of the share capital of the Company repurchased by the Company (if any) under the general mandate to repurchase Shares referred to in paragraph (iii) below,

such mandate to remain in effect during the period from the passing of the resolution until the earliest of (A) the conclusion of the next annual general meeting of the Company, (B) the end of the period within which the Company is required by the Bye-laws or any applicable laws to hold its next annual general meeting or (C) the date on which the resolution is varied or revoked by an ordinary resolution of the Shareholders in general meeting (the "**Relevant Period**"); and

(iii) a general unconditional mandate was granted to the Directors to exercise all the powers of the Company to repurchase Shares on the Stock Exchange, or on any other Stock Exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in accordance with all applicable laws and the requirements of the Listing Rules, with an aggregate nominal value of not more than 10% of the aggregate nominal value of the Company's share capital in issue immediately following the completion of the Reorganisation and the Listing, such mandate to remain in effect during the Relevant Period.

6. Repurchases by the Company of its own securities

This section sets out information required by the Stock Exchange to be included in this listing document concerning the repurchase by the Company of its own securities.

(a) *Provisions of the Listing Rules*

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

(i) *Shareholders' Approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

(ii) *Source of Funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum of Association and the Bye-laws of the Company, the Listing Rules and the applicable laws of Bermuda. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, any repurchases by the Company may be made out of the Company's funds legally permitted to be used in this connection, including funds which would otherwise be available for dividend or distribution, out of the Company's share premium account, out of the proceeds of a new issue of Shares made for the purpose of the repurchase or, if authorised by the Bye-laws and subject to all applicable law, out of capital. Any amount of premium payable on the purchase over the par value of the Shares to be repurchased must be provided out of the funds which would otherwise be available for dividend or distribution or from sums standing to the credit of the Company's share premium account.

(iii) *Trading Restrictions*

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) *Status of Repurchased Shares*

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed.

(v) *Suspension of Repurchase*

A listed company may not make any repurchase of securities after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (1) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (2) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) *Reporting Requirements*

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchase, where relevant, and the aggregate prices paid.

(vii) *Connected Persons*

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their associates and a connected person is prohibited from knowingly selling his securities to the company.

(b) ***Reasons for Repurchases***

The Directors believe that the ability to repurchase Shares is in the interests of the Company and the Shareholders. Repurchases may, depending on the circumstances, result in an increase in the net assets and/or earnings per Share. The Directors have sought the grant of a general mandate to repurchase Shares to give the Company the flexibility to do so if and when appropriate. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by the Directors at the relevant time having regard to the circumstances then pertaining.

(c) ***Funding of Repurchases***

In repurchasing securities, the Company may only apply funds lawfully available for such purpose in accordance with its Memorandum of Association and the Bye-laws, the Listing Rules and the applicable laws of Bermuda.

There could be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in this listing document) in the event that the repurchase mandate were to be carried out in full at any time during the share repurchase period. However, the Directors do not propose to exercise the general mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

(d) ***General***

The exercise in full of the repurchase mandate, on the basis of 8,360,398,306 Shares in issue immediately following the completion of the Reorganisation and the Listing, could accordingly result in up to approximately 836,039,830 Shares being repurchased by the Company during the period prior to:

(i) the conclusion of the next annual general meeting of the Company; or

(ii) the end of the period within which the Company is required by the Bye-laws or any applicable law to hold its next annual general meeting; or

(iii) when varied or revoked by an ordinary resolution of the Shareholders in general meeting,

whichever is the earliest.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to the Company.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the Listing Rules and the applicable laws in Hong Kong.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of the Company is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the repurchase mandate.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

No connected person of the Company has notified the Company that he or she has a present intention to sell Shares to the Company, or has undertaken not to do so, if the repurchase mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS

1. Summary of Material Contracts

The Group has entered into the following contract (not being a contract entered into in the ordinary course of business) within the two years immediately preceding the date of this listing document that are or may be material:

(a) the Non-Competition Agreement.

2. Intellectual Property

As at the Latest Practicable Date, we had registered or applied for registration of the following intellectual property rights which are or may be material in relation to our business:

A. ***Trademarks***

(i) As at the Latest Practicable Date, the Group had registered the following material trademarks:

Trademark		Type and Class	Registered Owner	Place of Registration	Registration Number	Expiry Date
AQUATALIA	AQUATALIA	IC 035. US 100 101 102. G & S: On-line retail store services, namely, footwear	Krasnow Enterprises Ltd.	United States	4,349,879	11 June 2019
AQUATALIA	AQUATALIA	IC 025. US 022 039. G & S: Footwear, namely, boots, sandals, pumps and sneakers	Krasnow Enterprises Ltd.	United States	4,349,882	11 June 2019
	AQUATALIA BY MARVIN K.	IC 025. US 022 039. G & S: footwear, namely shoes, boots, sandals, rubbers and overshoes	Krasnow Enterprises Ltd.	United States	1,997,049	27 August 2016

Trademark	Type and Class	Registered Owner	Place of Registration	Registration Number	Expiry Date
AQUATALIA BY MARVIN K. SACCHETTO	IC 025. US 022 039. G & S: Footwear	Krasnow Enterprises Ltd.	United States	4,526,551	6 May 2020
	25	Jimlar Corporation	Hong Kong	199808115	20 May 2024
	18	Jimlar Corporation	Hong Kong	19812130	7 January 2015
	25	Jimlar Corporation	Hong Kong	19810652	24 November 2023
FRYE	IC 025. US 022 039. G & S: Clothing and wearing apparel, namely, vests and jackets	Jimlar Corporation	United States	86018533 (pending application; notice of allowance issued 11 March 2014)	11 September 2014
FRYE FF	IC 025. US 022 039. G & S: Clothing and wearing apparel namely shirts, T-shirts, pants, vests, jackets and jeans ("Color is not claimed as a feature of the mark. The mark consists of the wording "FRYE" appearing above a rectangular box containing the stylized letters "FF"; both of these are inside a box.")	Jimlar Corporation	United States	86018564 (pending application; notice of allowance issued 4 February 2014)	4 August 2014
FRYE DAYS	IC 025. US 022 039. G & S: CLOTHING, NAMELY, TOPS, T-SHIRTS, PANTS, JEANS, OUTERWEAR, NAMELY, JACKETS AND COATS, AND FOOTWEAR, NAMELY, BOOTS AND SHOES	Jimlar Corporation	United States	85/032,172 (pending application; notice of allowance issued 28 June 2011)	28 June 2014
FRYE	IC 018. US 001 002 003 022 041. G & S: Small leather goods, namely, wallets, leather change purses, leather business card cases, leather jewellery pouches, leather key fobs. FIRST USE: 20090814. FIRST USE IN COMMERCE: 20090814	Jimlar Corporation	United States	3,759,339	9 March 2016

Trademark	Type and Class	Registered Owner	Place of Registration	Registration Number	Expiry Date
FRYE FF	IC 018. US 001 002 003 022 041. G & S: Handbags, shoulder bags, tote bags, clutches, satchels, travel bags, briefcases, toiletry bags sold empty. FIRST USE: 20090318. FIRST USE IN COMMERCE: 20090318 IC 025. US 022 039. G & S: Footwear, namely, shoes and boots. FIRST USE: 20100923. FIRST USE IN COMMERCE: 20100923	Jimlar Corporation	United States	3,932,607	15 March 2017
FRYE FF	IC 018. US 001 002 003 022 041. G & S: Small leather goods, namely, wallets, leather change purses, leather passport cases, leather business card cases, leather cases sold empty for holding shaving utensils. FIRST USE: 20090815. FIRST USE IN COMMERCE: 20090815	Jimlar Corporation	United States	3,894,900	21 December 2016
FRYE	IC 025. US 022 039. G & S: Belts. FIRST USE: 20110110. FIRST USE IN COMMERCE: 20110110	Jimlar Corporation	United States	4,042,593	18 October 2017
FRYE	IC 018. US 001 002 003 022 041. G & S: Shoulder bags, tote bags, clutches, satchels, travel bags, briefcases, toiletry bags sold empty. FIRST USE: 20060900. FIRST USE IN COMMERCE: 20100923	Jimlar Corporation	United States	4,019,887	30 August 2017
FRYE FF	IC 025. US 022 039. G & S: Shirts. FIRST USE: 20120305. FIRST USE IN COMMERCE: 20120305	Jimlar Corporation	United States	4,179,733	24 July 2018
FRYE	IC 025. US 022 039. G & S: Clothing, namely, shirts, namely, t-shirts. FIRST USE: 20120305. FIRST USE IN COMMERCE: 20120305	Jimlar Corporation	United States	4,150,364	29 May 2018

Trademark	Type and Class	Registered Owner	Place of Registration	Registration Number	Expiry Date
FF	IC 018. US 001 002 003 022 041. G & S: LEATHER BAGS, NAMELY, DUFFLE BAGS, PURSES BRIEFCASES and SMALL LEATHER GOODS, NAMELY, WALLETS. FIRST USE: 20030601. FIRST USE IN COMMERCE: 20030601 IC 025. US 022 039. G & S: CLOTHING, NAMELY, FOOTWEAR. FIRST USE: 19780000. FIRST USE IN COMMERCE: 19780000	Jimlar Corporation	United States	3,039,511	10 January 2016
FRYE FF	IC 014. US 002 027 028 050. G & S: JEWELRY, NAMELY, PENDANTS, NECKLACES, BRACELETS, RINGS, EARRINGS AND BELT BUCKLES OF PRECIOUS METALS. FIRST USE: 20060706. FIRST USE IN COMMERCE: 20060706	Jimlar Corporation	United States	3,149,259	24 September 2016
FRYE	IC 014. US 002 027 028 050. G & S: JEWELRY, NAMELY, PENDANTS, NECKLACES, BRACELETS, RINGS, EARRINGS and BELT BUCKELS OF PRECIOUS METALS. FIRST USE: 20060706. FIRST USE IN COMMERCE: 20060706	Jimlar Corporation	United States	3,149,258	24 September 2016
FRYE	003. US 001 004 006 050 051 052. G & S: Shoe and boot polish and waxes. FIRST USE: 20050608. FIRST USE IN COMMERCE: 20050608	Jimlar Corporation	United States	2,998,603	20 September 2015
FRYE	IC 025. US 022 039. G & S: boots and shoes of leather and/or synthetic materials. FIRST USE: 19520101. FIRST USE IN COMMERCE: 19520101	Jimlar Corporation	United States	2,191,093	22 September 2018

Trademark	Type and Class	Registered Owner	Place of Registration	Registration Number	Expiry Date
SMALL FRYE	IC 025. US 022 039. G & S: footwear, namely boots. FIRST USE: 19960100. FIRST USE IN COMMERCE: 19960100	Jimlar Corporation	United States	1,990,286	30 July 2016
FRYE	IC 025. US 022 039. G & S: Footwear. FIRST USE: 19780000. FIRST USE IN COMMERCE: 19780000	Jimlar Corporation	United States	1,244,640	5 July 2023
FRYE	IC 025. US 039. G & S: WEARING APPAREL-NAMELY, SHIRTS AND PANTS. FIRST USE: 19761012. FIRST USE IN COMMERCE: 19761012	Jimlar Corporation	United States	1,084,873	7 February 2018
FRYE	IC 018. US 003. G & S: HANDBAGS. FIRST USE: 19760827. FIRST USE IN COMMERCE: 19760827	Jimlar Corporation	United States	1,093,784	20 June 2018
ROSETTI	IC 018. US 001 002 003 022 041. G & S: Handbags, mini bags, wallets, travel bags, tote bags, pocket books, diaper bags, computer bags, cellular phone jackets. FIRST USE: 19940900. FIRST USE IN COMMERCE: 19940900	GBG USA Inc.	United States	3,741,427	26 January 2016
ROSETTI NEW YORK	IC 018. US 001 002 003 022 041. G & S: Handbags, backpacks, bookbags, carry-on bags, clutch bags, diaper bags, duffel bags, overnight bags, shoulder bags, tote bags, travel bags, computer bags, wallets, mini bags, belt bags. FIRST USE: 19970100. FIRST USE IN COMMERCE: 19970100	GBG USA Inc.	United States	2,332,198	21 March 2020

Trademark	Type and Class	Registered Owner	Place of Registration	Registration Number	Expiry Date
TIGNANELLO	IC 018. US 001 002 003 022 041. G & S: leather goods, namely, handbags, purses, wallets and purse accessories, namely, billfolds	KVZ International Limited	United States	2,246,878	25 May 2019

(ii) As at the Latest Practicable Date, the Group had applied for registration of the following material trademarks:

Trademark	Type and Class	Name of Applicant	Place of Application	Application Date
GLOBAL BRANDS GROUP	18, 25	GBG USA Inc.	Hong Kong	28 March 2014
GLOBAL BRANDS GROUP	18, 25	GBG USA Inc.	Hong Kong	28 March 2014
GLOBAL BRANDS GROUP	IC 018. US 001 002 003 022 041. G & S: Leather and imitations of leather, and goods made of these materials and not included in other classes; animal skins, hides; trunks and travelling bags; umbrellas and parasols; walking sticks; whips, harness and saddlery IC 025. US 022 039. G & S: Clothing, footwear, headgear	GBG USA Inc.	United States	28 March 2014
利標/利标	35	GBG International Holding Limited	Hong Kong	24 June 2014

C. DOMAIN NAMES

As at the Latest Practicable Date, the Group had registered the following material domain names:

Domain Name	Registered Owner	Expiry Date
www.globalbrandsgroup.com	Li & Fung (Trading) Limited	18 January 2021
www.rosetti.com......................	GBG USA	20 June 2015
www.thefryecompany.com.........	Jimlar Corporation	12 December 2014

D. FURTHER INFORMATION ABOUT THE DIRECTORS

1. Disclosure of Interests

Immediately following the completion of the Reorganisation and the Listing, assuming no changes in the shareholdings of the Directors in Li & Fung after the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares and the underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), (ii) will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (iii) will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange, will be as follows:

Long position in the Shares

	Number of Shares				
Name of Director or chief executive	Personal interest	Family interest	Trust/ Corporate interest	Total	Approximate percentage (%)
William Fung Kwok Lun	144,342,660	108,800	2,425,362,472 *(Note 1)*	2,569,813,932	30.73%
Bruce Philip Rockowitz	7,625,600	—	88,714,780 *(Note 2)*	96,340,380	1.15%
Paul Edward Selway-Swift	36,000	60,000	16,000 *(Note 3)*	112,000	0.00%

Notes:

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

(2) 88,714,780 Shares in the Company were held by Hurricane Millennium Holdings Limited, a company beneficially owned by a trust established for the benefit of family members of Mr Bruce Philip Rockowitz.

(3) 16,000 Shares in the Company were held by a trust of which Mr Paul Edward Selway-Swift is a beneficiary.

Short position in the Shares

None of the Directors or the chief executive of the Company will, immediately following the completion of the Reorganisation and the Listing, have an interest or short position in the Shares and the underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), (ii) will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (iii) will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange.

2. Particulars of Letters of Appointment

Each non-executive Director and each of the independent non-executive Directors has entered into a letter of appointment with the Company for a period commencing on the Listing Date for a term of approximately three years until the conclusion of the Company's first annual general meeting following April 2017, subject to termination by the Director or the Company, the requirements of the Listing Rules and the provisions of retirement and rotation of Directors under the Bye-laws.

Each of the executive Directors has entered into a letter of appointment with the Company for a period commencing on the Listing Date and subject to termination by the Director or the Company, the requirements of the Listing Rules and the provisions of retirement and rotation of Directors under the Bye-laws.

Pursuant to the terms of the letter of appointment entered into between each Director on the one part and the Company on the other part, the annual director's fees payable by the Company to each of them (including chairman of the Board) are HK$300,000, and a non-executive Director or an independent non-executive Director will receive from the Company an additional fee of HK$100,000 for being a member of the Audit Committee and HK$200,000 for being chairman of the Audit Committee, HK$50,000 for being a member of the Remuneration Committee, HK$50,000 for being a member of the Nomination Committee and HK$100,000 for being chairman of the Remuneration Committee or the Nomination Committee.

The director's fees payable by the Company to each Director are subject to increase or reduction as shall be determined or approved by the Board or the Shareholders.

Each of the Directors is entitled to reimbursement from the Company for all necessary and reasonable out-of-pocket expenses properly incurred in connection with the performance and discharge of his/her duties under his/her letter of appointment.

Save as disclosed above, none of the Directors has entered into any service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

3. Directors' Remuneration

For details of the Directors' remuneration, see "*Directors and Senior Management — Remuneration of the Directors*".

4. Personal Guarantees

The Directors have not provided personal guarantees in favour of lenders in connection with banking facilities granted to the Group.

5. Further information on certain Directors and Senior Management

On 5 March 2013, Carotech Berhad and Hovid Berhad and their respective directors, including Mr Leong Kwok Yee, were publicly reprimanded by the Bursa Malaysia Securities Berhad for breaching the listing requirements of the Bursa Malaysia Securities Berhad by failing to ensure their announcement dated 30 August 2010 on the unaudited fourth quarter and year end results for the financial year ended 30 June 2010 took into account certain adjustments that were subsequently announced on 29 October 2010 in the audited year end results.

All the directors on the boards of each of Carotech Berhad and Hovid Berhad, including Mr Leong, were fined a total of RM400,000 (approximately US$124,000), out of which Mr Leong, being an independent non-executive director of both Carotech Berhad and Hovid Berhad, was fined a total of RM75,000 (approximately US$23,250).

No further action was taken against Mr Leong and he continued to serve on the board of Hovid Berhad until April 2014. The Directors and the Joint Sponsors are of the view that the above incident is not material to the Group and does not affect the suitability of Mr Leong to serve as a member of the senior management of the Group.

6. Disclaimers

Save as disclosed in this listing document:

(a) None of the Directors has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this listing document, acquired or disposed of by, or leased to, any member of the Group, or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

(b) None of the Directors is materially interested in any contract or arrangement subsisting at the date of this listing document which is significant in relation to the business of the Group.

(c) None of the Directors has any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

(d) None of the Controlling Shareholders and the Directors are interested in any business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the business of the Group.

(e) So far as is known to the Directors, none of the Directors or their associates or any Shareholders of the Company who are expected to be interested in 5% or more of the issued share capital of the Company has any interest in the five largest customers or the five largest suppliers of the Group.

E. WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation of the Listing, the Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

1. Waiver in Relation to Non-Exempt Continuing Connected Transactions

The Company has entered into certain transactions which will constitute continuing connected transactions under the Listing Rules following the completion of the Listing. The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the announcement requirements in respect of these continuing connected transactions under Chapter 14A of the Listing Rules. For further details of these continuing connected transactions and the waiver, please see *"Connected Transactions"*.

2. Waiver in Relation to Disclosure of Financial Information on Businesses Acquired Since the Track Record Period under Rule 4.04(2) and 4.04(4)(a)

The Group has acquired or agreed to acquire certain businesses since the Track Record Period. The Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 4.04(2) and 4.04(4)(a) of the Listing Rules to disclose the results and balance sheets for these businesses for each of the three financial years immediately preceding the issue of this listing document, on the basis that: (i) these businesses do not represent material acquisitions by the Group as these acquisitions do not individually or in the aggregate constitute a discloseable transaction for the Company under Rule 14.08 of the Listing Rules and each of the assets, profit and revenue ratios for the acquisitions on an individual and aggregate basis as calculated under Rule 14.07 of the Listing Rules is below 5%; (ii) the financial information required under the Listing Rules in respect of these businesses is not available and that there is a lack comparability of information; (iii) alternative disclosure on each of these businesses has been provided in this listing document; and (iv) the acquisitions are supported by Listing Decision HKEx LD78-1.

3. Waiver in Relation to the Appointment of Joint Company Secretaries

The Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirement of a company secretary under Rule 3.28 and Rule 8.17 of the Listing Rules on the grounds that we will appoint Mr Leong Kwok Yee and Ms Terry Wan Mei Chow as the joint company secretaries.

Mr Leong is an associate of The Institute of Chartered Accountants of New Zealand and The Institute of Chartered Accountants in Australia. He was formerly a certified public accountant in Hong Kong and a full member of the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). He will seek reinstatement as a Hong Kong certified public accountant with the HKICPA and it is expected that his membership will be considered and reinstated in July 2014. In the event that Mr Leong is able to reinstate his status as a Hong Kong certified public accountant, the joint company secretary arrangement shall be in place initially until the later of (i) his reinstatement as a Hong Kong certified public accountant; and (ii) the first interim results announcement of the Company following the listing of the Company's Shares on the Main Board of the Stock Exchange.

If Mr Leong is unable to reinstate his status as a Hong Kong certified public accountant, the joint company secretary arrangement shall be in place for an initial period of three years. Upon the expiry of the three-year period, the qualifications and experience of Mr Leong and the need for the on-going assistance of Ms Wan will be further evaluated by the Company, and the Company will then endeavour to demonstrate to the Stock Exchange's satisfaction that Mr Leong, having had the benefit of Ms Wan's assistance for the immediately preceding three years, has acquired "relevant experience" within the meaning of Note 2 to Rule 3.28 of the Listing Rules such that a further waiver from Rule 8.17 of the Listing Rules will not be necessary. As a member of The Hong Kong Institute of Chartered Company Secretaries, Ms Wan meets the relevant requirement of Note 1 to Rule 3.28 of the Listing Rules.

F. UNDERTAKINGS TO THE STOCK EXCHANGE PURSUANT TO THE LISTING RULES

1. Undertakings by the Company

Pursuant to Rule 10.08 of the Listing Rules, the Company has undertaken to the Stock Exchange that the Company will not issue any further Shares or securities convertible into equity securities of the Company (whether or not of a class already listed) or enter into any agreement to such issue within six months from the Listing Date (whether or not such issues of Shares or securities will be completed within six months from the commencement of dealing), except in the circumstances provided under Rule 10.08 of the Listing Rules.

2. Undertakings by the Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange and to the Company that except pursuant to the Li & Fung Distribution, it will not and will procure that the relevant registered holders will not:

(a) in the period commencing on the date by reference to which disclosure of its shareholding is made in this listing document and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it is shown by this listing document to be the beneficial owner; and

(b) in the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights interests or encumbrances in respect of, any of the Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be the controlling shareholder of the Company,

in each case, save as permitted under the Listing Rules.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange and to the Company that within the period commencing on the date by reference to which disclosure of its shareholding in the Company is made in this listing document and ending on the date which is 12 months from the date on which dealings in the Shares commence on the Stock Exchange, it will:

(i) when it pledges or charges any Shares beneficially owned by it in favour of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform the Company of such pledge or charge together with the number of Shares so pledged or charged; and

(ii) when it receives indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged Shares will be disposed of, immediately inform the Company of such indications.

G. OTHER INFORMATION

1. Estate Duty

The Directors have been advised that no material liability for estate duty is likely to fall on the Group in Hong Kong.

2. Litigation

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against the Group, that would have a material adverse effect on its business, results of operations or financial condition.

3. No Material Adverse Change

The Directors confirm that there has been no material adverse change in the financial or trading position or prospects of the Group since 31 December 2013 (being the date to which the Company's latest audited financial statements were made up).

4. Joint Sponsors

The Joint Sponsors have made an application on behalf of the Company to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the Shares in issue and to be issued as described in this listing document.

All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

Each of the Joint Sponsors, save for HSBC Corporate Finance (Hong Kong) Limited, satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

HSBC Corporate Finance (Hong Kong) Limited does not satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules because one of the subsidiaries of HSBC Holdings plc, the ultimate parent company of HSBC Corporate Finance (Hong Kong) Limited, holds an interest in the issued share capital of Li & Fung which could result in HSBC Holdings plc and its subsidiaries holding indirectly more than 5% of the Shares in issue on the Listing Date.

Save as disclosed above, none of the Joint Sponsors holds or will hold directly or indirectly more than 5% of the Shares in issue on the Listing Date.

The Joint Sponsors' fees in relation to the Listing are approximately US$1.6 million.

5. Registration Procedures

The register of members of the Company will be maintained in Bermuda by Codan Services Limited and a Hong Kong branch register of members of the Company will be maintained in Hong Kong by Tricor Investor Services Limited. Save where the Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, the Hong Kong branch register of members of the Company and may not be lodged in Bermuda.

6. Preliminary Expenses

The total preliminary expenses of the Company are estimated to be approximately US$8,500 and are payable by the Company.

7. Promoter

The Company has no promoter. Save as disclosed above, within the two years immediately preceding the date of this listing document, no cash, securities or other benefits have been paid, allotted or given to the promoters in connection with the Spin-off or the related transactions described in this listing document.

8. Qualifications and Consents of Experts

The qualifications of the experts which have given opinions or advice which are contained in, or referred to in, this listing document are as follows:

Name of Expert	Qualifications
Goldman Sachs (Asia) L.L.C.	Licensed under the SFO to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance), Type 7 (providing automated trading services) and Type 9 (asset management) regulated activities
Citigroup Global Markets Asia Limited	Licensed under the SFO to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on future contracts), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) regulated activities
HSBC Corporate Finance (Hong Kong) Limited	Licensed under the SFO to conduct Type 6 (advising on corporate finance) regulated activity
PricewaterhouseCoopers	Certified Public Accountants
Conyers Dill & Pearman	Bermuda legal advisers to the Company

Each of Goldman Sachs (Asia) L.L.C., Citigroup Global Markets Asia Limited, HSBC Corporate Finance (Hong Kong) Limited, PricewaterhouseCoopers and Conyers Dill & Pearman has given and has not withdrawn its written consent to the issue of this listing document with the inclusion of its report and/or letter and/or opinion and/or references to its name included herein in the form and context in which they respectively appear.

Save as disclosed in this listing document, none of the experts named above has any shareholding interests in the Company or any of its subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company or any of its subsidiaries.

9. Miscellaneous

(a) Save as disclosed in *“History and Reorganisation”*, *“Information about this Listing Document and the Spin-off”*, *“The Li & Fung Distribution and the Spin-off”* and in this appendix, within the two years preceding the date of this listing document, no share or loan capital of the Company or any of its subsidiaries has been issued or has been agreed to be issued fully or partly paid either for cash or for a consideration other than cash.

(b) No share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.

(c) No founders, management or deferred shares of the Company or any of its subsidiaries have been issued or have been agreed to be issued.

(d) None of the equity and debt securities of the Company is listed or dealt with on any other stock exchange nor is any listing or permission to deal being or proposed to be sought.

(e) The Company has no outstanding convertible debt securities or debentures.

(f) The English text of this listing document shall prevail over the Chinese text.

(g) There has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 12 months preceding the date of this listing document.

(h) No commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of the Group.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Freshfields Bruckhaus Deringer at 11th Floor, Two Exchange Square, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this listing document:

(a) the Memorandum of Association and the Bye-laws of the Company;

(b) the Accountant's Report and the report on the unaudited pro forma financial information prepared by PricewaterhouseCoopers, the texts of which are set out in *"Appendix I — Accountant's Report"* and *"Appendix II — Unaudited Pro Forma Financial Information"*, respectively;

(c) the audited combined financial statements of the Group for the years ended 31 December 2011, 2012 and 2013;

(d) the letter from Conyers Dill & Pearman, the Company's Bermuda legal adviser, summarising the constitution of the Company and certain aspects of Bermuda Company Law referred to in *"Appendix III — Summary of the Constitution of the Company and Bermuda Company Law"*;

(e) the Bermuda Companies Act;

(f) the material contract referred to in *"Appendix V — General Information — B. Further Information about the Business — 1. Summary of Material Contracts"*; and

(g) the written consents referred to in "*Appendix V — General Information — G. Other Information — 8. Qualifications and Consents of Experts*".

In this listing document, unless the context otherwise requires, the following expressions shall have the following meanings.

A. DEFINITIONS

"**Added Extras**"	Added Extras LLC, a company incorporated in the United States on 1 March 2012 and a wholly-owned subsidiary of GBG USA
"**AME**"	American Marketing Enterprises Inc., a company incorporated in the United States on 16 April 1993 and a wholly-owned subsidiary of GBG USA
"**Bermuda Companies Act**"	the Companies Act 1981 of Bermuda, as amended or supplemented from time to time
"**Board**" or "**Board of Directors**"	the board of directors of the Company
"**Briefly Stated**"	Briefly Stated Holdings Inc., a company incorporated in the United States on 19 January 2001 and a wholly-owned subsidiary of GBG USA
"**business day**"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
"**Buying Agency Agreement**"	the buying agency agreement entered into by Millwork Pte. Ltd. (a member of the Group) and LF Centennial Pte Ltd. (a member of the Li & Fung Group) on 24 June 2014, details of which are set out in "*Connected Transactions — Non-Exempt Connected Transactions — A. Transactions with the Li & Fung Group — 1. Buying Agency Agreement*"
"**BVI**"	the British Virgin Islands
"**Bye-laws**"	the bye-laws of the Company conditionally adopted on 22 June 2014 and which will become effective upon listing, as amended from time to time, a summary of which is set out in *"Appendix III — Summary of the Constitution of the Company and Bermuda Company Law"*
"**CCASS**"	the Central Clearing and Settlement System established and operated by HKSCC
"**CCASS Account**"	a securities account maintained by a CCASS Participant with CCASS
"**CCASS Clearing Participant**"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant

"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"Cocaban"	Cocaban Co. Ltd., a company established in October 2005 and headquarted in Seoul, South Korea, and is an independent third party
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time
"Company"	Global Brands Group Holding Limited (利標品牌有限公司), a company incorporated in Bermuda with limited liability on 4 December 2013
"Completion Date"	has the meaning ascribed to it in *"History and Reorganisation — Our Acquisitions"*
"Connected Person"	has the meaning set out in the Listing Rules
"Controlled Brand"	a brand in which we either own the intellectual property or control the intellectual property under a long-term licence which gives us significant control over the development and marketing associated with the relevant brand
"Controlling Shareholders"	a holder of not less than 30% of the issued Shares which, immediately following the completion of the Listing, refers to Dr William Fung Kwok Lun and a trust established for the benefit of the family members of Dr Victor Fung Kwok King
"Directors"	the directors of the Company
"EBITDA"	EBITDA is a non-HKFRS measurement which is used by the management to assess performance of operating segments, allocate resources and make strategic decisions. The measurement basis of EBITDA is defined as net profit before net interest expenses, tax, depreciation and amortisation. This also excludes share of results of joint ventures, material gains or losses which are of capital nature or non-operational related, acquisition related costs and non-cash gain or loss on remeasurement of contingent consideration payable

"**Euromonitor International**"	Euromonitor International Ltd., a company incorporated in the United Kingdom on 31 January 1972 and an independent third party provider of business intelligence on business, countries and consumers
"**Fashion Lab**"	Fashion Lab Ltd, a company incorporated in the United Kingdom on 17 September 2009 and a wholly-owned subsidiary of GBG International Holding Company
"**FH (1937)**"	Fung Holdings (1937) Limited (formerly known as Li & Fung (1937) Limited), a company incorporated in Hong Kong on 28 December 1937 and is a wholly-owned subsidiary of King Lun, a Substantial Shareholder and is a Connected Person of the Group
"**GBG Asia**"	GBG Asia Limited, a company incorporated in BVI on 6 December 2013 and a wholly-owned subsidiary of the Company
"**GBG Beauty**"	GBG Beauty LLC, a company incorporated in the United States on 29 June 2012 that was formerly known as LF Beauty LLC and a wholly-owned subsidiary of GBG USA
"**GBG Germany Holding**"	GBG Germany Holding GmbH, a company incorporated in Germany on 2 January 2014 and a wholly-owned subsidiary of GBG International Holding Company
"**GBG International Holding**"	GBG International Holding Limited, a company incorporated in BVI on 6 December 2013 and a wholly-owned subsidiary of the Company
"**GBG International Holding Company**"	GBG International Holding Company Limited, a company incorporated in the United Kingdom on 18 December 2013 and a wholly-owned subsidiary of the Company
"**GBG North America Holdings**"	GBG North America Holdings Co., Inc., a company incorporated in the United States on 28 August 2009 that was formerly known as LF North America Holdings Co., Inc. and a wholly-owned subsidiary of GBG International Holding Company
"**GBG USA**"	GBG USA Inc., a corporation incorporated in the United States on 20 November 1986 that was formerly known as LF USA Inc. and a wholly-owned subsidiary of the Company
"**Global Brands (Hong Kong)**"	Global Brands (Hong Kong) Limited, a company incorporated in Hong Kong on 9 December 2013 and a wholly-owned subsidiary of the Company

"**Group**", "**we**", "**our**" or "**us**"	the Company and its subsidiaries, as if the Reorganisation had been completed
"**HKFRS**"	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
"**HKSCC**"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"**HKSCC Nominees**"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC, in its capacity as nominee for HKSCC (or any successor thereto) as operator of CCASS and any successor, replacement or assign of HKSCC Nominees Limited as nominee for the operator of CCASS
"**Hong Kong Share Registrar**"	Tricor Investor Services Limited
"**Iconix Europe**"	Iconix Europe LLC, a company incorporated in the United States on 16 December 2009 and is 49% owned by LF Asia
"**Iconix SE Asia**"	Iconix SE Asia Limited, a company incorporated in Hong Kong on 10 September 2013 and is 50% owned by LF Asia
"**independent third party**"	an individual or a company who is not connected (within the meaning of the Listing Rules) with the Company or the directors, chief executive or substantial shareholder of the Company or any of its subsidiaries or any of their respective associates
"**INED**"	Independent Non-executive Director
"**Jimlar Corporation**"	Jimlar Corporation, a company incorporated the United States on 31 October 1962 and a wholly-owned subsidiary of GBG USA
"**Joint Sponsors**"	Goldman Sachs (Asia) L.L.C., Citigroup Global Markets Asia Limited and HSBC Corporate Finance (Hong Kong) Limited
"**King Lun**"	King Lun Holdings Limited, a company incorporated in the BVI on 4 October 1988 and a Substantial Shareholder whose shareholders are Dr William Fung Kwok Lun and HSBC Trustee (C.I.) Limited, the trustee of a trust established for the benefit of the family members of Dr Victor Fung Kwok King

"KVZ International Limited"	KVZ International Limited, a company incorporated in BVI on 29 August 2008 and a wholly-owned subsidiary of Millwork Pte. Ltd.
"LamaLoLi GmbH"	LamaLoLi GmbH, a company incorporated in the Federal Republic of Germany on 5 September 2007 and a wholly-owned subsidiary of TVM Europe GmbH
"Latest Practicable Date"	24 June 2014, being the latest practicable date for the purpose of ascertaining certain information contained in this listing document prior to its publication
"LF Asia"	LF Asia Limited, a company incorporated in Hong Kong on 28 November 2003 and a wholly-owned subsidiary of Global Brands (Hong Kong)
"LFE TVM RUS LLC"	LFE TVM RUS Limited, a company incorporated in Russia on 7 November 2007 and a wholly-owned subsidiary of TVM Europe GmbH
"Li & Fung"	Li & Fung Limited, a company incorporated on 25 October 1991 under the laws of Bermuda, the shares of which are listed on the Stock Exchange (stock code: 00494), and the sole shareholder of the Company prior to completion of the Spin-off and is a Connected Person of the Group
"Li & Fung Distribution"	a conditional distribution expected to be declared by Li & Fung to be satisfied by way of a distribution in specie of an aggregate of 8,360,398,306 Shares to Qualifying Li & Fung Shareholders, subject to the satisfaction of the condition described in "*The Li & Fung Distribution and Spin-off*"
"Li & Fung Group"	Li & Fung and its subsidiaries
"Li & Fung Shareholder"	a registered holder of Li & Fung Shares
"Li & Fung Shares"	ordinary shares with par value of HK$0.0125 each in the share capital of Li & Fung
"LIBOR"	London interbank offered rate
"Licensed Brand"	a brand in which the Group licenses the intellectual property from the brand owners or the licensors for use in selected product categories and geographies
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Committee"	the listing committee of the Stock Exchange

"**Listing Date**"	the date, expected to be on or about 9 July 2014, on which the Shares are first listed and from which dealings in the Shares are permitted to take place on the Main Board of the Stock Exchange
"**Listing Rules**"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"**Lotta Luv Beauty**"	Lotta Luv Beauty LLC, a company incorporated in the United States on 29 June 2012 and a wholly-owned subsidiary of GBG Beauty
"**Master Distribution Agreement**"	the master agreement relating to distribution and sale of goods entered into by the Company and FH(1937) on 24 June 2014, details of which are set out in "*Connected Transactions — Non-Exempt Connected Transactions — B. Transactions with FH(1937) and its subsidiaries — 1. Master Distribution Agreement*"
"**Master Property Agreement**"	the master property agreement entered into by the Company and Li & Fung on 24 June 2014, details of which are set out in "*Connected Transactions — Non-Exempt Connected Transactions — A. Transactions with the Li & Fung Group — 2. Master Property Agreement*"
"**Memorandum of Association**"	The memorandum of association of the Company, as amended from time to time, a summary of which is set out in *"Appendix III — Summary of the Constitution of the Company and Bermuda Company Law"*
"**MESH**"	MESH LLC, a company incorporated in the United States on 24 May 2010 and is 25% owned by Star Branding, LLC and 75% owned by the Group
"**Millwork (Hong Kong)**"	Millwork (Hong Kong) Limited, a company incorporated in Hong Kong on 3 December 2004 and a wholly-owned subsidiary of Millwork Pte. Ltd.
"**Millwork Pte. Ltd.**"	Millwork Pte. Ltd., a company incorporated in the Republic of Singapore on 16 February 2009 and a wholly-owned subsidiary of GBG Asia
"**Millwork (Shenzhen) Ltd**"	Millwork (Shenzhen) Limited, a company incorporated in the PRC on 23 May 2011 and a wholly-owned subsidiary of Millwork Pte. Ltd.

"**MR Licensing GmbH**"	MR Licensing GmbH, a company incorporated in the Federal Republic of Germany on 23 August 2000 and a wholly-owned subsidiary of The Licensing Company Germany GmbH
"**New Concept International Enterprise Limited**"	New Concept International Enterprise Limited, a company incorporated in Hong Kong on 20 October 2004 and a wholly-owned subsidiary of LF Asia Limited
"**Non-Competition Agreement**"	the non-competition agreement entered into between Li & Fung and the Company dated 24 June 2014, the details of which are set out in *"Relationship with the Controlling Shareholders — Non-Competition Agreement"*
"**PRC**" or "**China**"	the People's Republic of China, but for the purposes of this listing document only, except where the context requires, references in this listing document to PRC or China exclude Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"**Principal Register of Members**"	the principal register of members of the Company maintained in Bermuda
"**Puffa Brands Limited**"	Puffa Brands Limited, a company incorporated in the United Kingdom on 24 April 2009 and a wholly-owned subsidiary of The Licensing Company Limited
"**Qualifying Li & Fung Shareholders**"	Li & Fung Shareholders whose names appeared in the register of members of Li & Fung on the Record Date
"**Record Date**"	Monday, 7 July 2014, being the record date for determining the entitlements to the Li & Fung Distribution
"**Register of Members**"	the Principal Register of Members, the Hong Kong Register of Members and any other branch register of members of the Company
"**Reorganisation**"	the reorganisation of the Group in preparation for the Listing, details of which are set out in *"History and Reorganisation — The Reorganisation"*
"**RTsion Limited**"	RTsion Limited, a company incorporated in the United Kingdom on 20 December 2012 and a wholly-owned subsidiary of GBG International Holding Company
"**Scemama International**"	Scemama International, a company incorporated in the French Republic on 3 May 2002 and a wholly-owned subsidiary of RTsion Limited

"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Shanghai IDS Marketing Co., Ltd."	Shanghai IDS Marketing Co., Ltd., a company incorporated in the PRC on 10 September 2010 and a wholly-owned subsidiary of LF Asia
"Shanghai New Concept Trading Co., Ltd."	Shanghai New Concept Trading Co., Ltd., a company incorporated in the PRC on 10 July 2009 and a wholly-owned subsidiary of New Concept International Enterprise Limited
"Shareholders"	holders of any Shares or persons registered in the Register of Members as holders of Shares and, where the registered holder of Shares is HKSCC Nominees, shall also include, where the context so admits, the CCASS Participants whose CCASS Accounts are deposited with the Shares.
"Shares"	ordinary shares with a nominal value of HK$0.0125 each in the share capital of the Company
"SICEM"	Sicem International SRL, a company incorporated in the Italian Republic on 5 February 1998 and a wholly-owned subsidiary of Fashion Lab
"SNC Scemama"	SNC Scemama, a company incorporated in the French Republic on 19 September 1996 and a wholly-owned subsidiary of Scemama International
"Spin-off"	the spin-off of the Company by way of the Listing to be effected by the Li & Fung Distribution
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Substantial Shareholder"	a holder of 10% or more of the issued Shares
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"The Licensing Company"	The Licensing Company Limited, a company incorporated in the United Kingdom on 16 January 1996 and a wholly-owned subsidiary of GBG International Holding Company Limited
"The Licensing Company France"	The Licensing Company France, a company incorporated in the French Republic on 4 October 2000 and a wholly-owned subsidiary of The Licensing Company

"**The Licensing Company Germany GmbH**"	The Licensing Company Germany GmbH, a company incorporated in the Federal Republic of Germany on 18 April 1989 and a wholly-owned subsidiary of The Licensing Company
"**The Licensing Company International Limited**"	The Licensing Company International Limited, a company incorporated in the United Kingdom on 17 February 2000 and a wholly-owned subsidiary of The Licensing Company
"**The Licensing Company North America Inc.**"	The Licensing Company North America Inc., a company incorporated in the United States on 11 May 2000 and a wholly-owned subsidiary of The Licensing Company International Limited
"**The Licensing Company (Shanghai) Limited**"	The Licensing Company (Shanghai) Limited, a company incorporated in the PRC on 18 September 2012 and a wholly-owned subsidiary of TLC (HK) Limited
"**The Mint Group**"	The Mint Group Pte. Ltd., a company incorporated in the Republic of Singapore on 5 December 2003 and a wholly-owned subsidiary of GBG Asia
"**TLC Brands Limited**"	TLC Brands Limited, a company incorporated in the United Kingdom on 10 October 2008 and a wholly-owned subsidiary of The Licensing Company
"**TLC (HK) Limited**"	TLC (HK) Limited, a company incorporated in Hong Kong on 26 July 2011 and a wholly-owned subsidiary of The Licensing Company
"**Toonsland Limited**"	Toonsland Limited, a company incorporated in Hong Kong on 2 June 1992 and a wholly-owned subsidiary of Global Brands (Hong Kong) Limited
"**Track Record Period**"	the three years ended 31 December 2013
"**Transitional IT Agreement**"	the IT transitional services agreement entered into by the Company and Li & Fung on 24 June 2014, details of which are set out in "*Connected Transactions — Exempt Connected Transactions — A. Transactions with the Li & Fung Group — 3. Transitional IT Agreement*"
"**Transitional Services Agreement**"	the transitional services agreement entered into by the Company and Li & Fung on 24 June 2014, details of which are set out in "*Connected Transactions — Exempt Connected Transactions — A. Transactions with the Li & Fung Group — 2. Transitional Services Agreement*"

"**T.V.M. Design Services Ltd.**"	T.V.M. Design Services Ltd., a company incorporated in Israel on 16 June 1997 and a wholly-owned subsidiary of TVM Europe GmbH
"**TVMania Italy S.r.l.**"	TVMania Italy S.r.l., a company incorporated in the Italian Republic on 2 July 2009 and a wholly-owned subsidiary of GBG International Holding Company
"**TVMania UK Limited**"	TVMania UK Limited, a company incorporated in the United Kingdom on 11 October 1999 and a wholly-owned subsidiary of GBG International Holding Company
"**TVM Europe GmbH**"	TVM Europe GmbH, a company incorporated in the Federal Republic of Germany on 19 April 2011 and a wholly-owned subsidiary of GBG International Holding Company
"**UK Shares**"	has the meaning ascribed to it in "*History and Reorganisation — The Reorganization*"
"**US**" or "**United States**"	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
"**US dollars**" or "**US$**"	United States dollars, the lawful currency of the United States
"**US Securities Act**"	the United States Securities Act of 1933, as amended
"**Watermelon Europe**"	Watermelon Europe Limited, a company incorporated in the United Kingdom on 19 April 2014 and a Connected Person of the Company
"**Wonderful World (HK) Limited**"	Wonderful World (HK) Limited, a company incorporated in Hong Kong on 26 February 1997 and a wholly-owned subsidiary of Global Brands (Hong Kong) Limited

B. GLOSSARY

"**CAGR**"	Compound Annual Growth Rate, which means the year-over-year growth rate over a specified period of time
"**e-commerce**"	a type of business model, or segment of a larger business model, that enables a firm or individual to conduct business over an electronic network, typically the internet
"**e-tailer**"	an online retailer
"**FOB**"	Free On Board, an Incoterm which means that the seller delivers the goods on board the vessel nominated by the buyer at the named port of shipment. The risk of loss of or damage to the goods passes when the goods are on board the vessel, and the buyer bears all costs from that moment onwards
"**Incoterms**"	International Commercial Terms issued by the International Chamber of Commerce in 2010. Incoterms are an internationally recognised standard and are used worldwide in international and domestic contracts for the sale of goods
"**LEED**"	Leadership in Energy and Environmental Design
"**retail business**"	the business of selling goods to end consumers, as such term is commonly understood in the fashion industry
"**wholesale business**"	the business of selling goods to retailers, industrial, commercial, institutional and other professional business users, as such term is commonly understood in the fashion industry

In this listing document, the English language names of certain entities are provided for identification purposes and for your convenience only. Some of these entities do not have registered English language names and, accordingly, in the event of any inconsistency, the Chinese names, German names, Russian names, French names, Italian names, Korean names or Dutch names (as the case may be) shall prevail.

In this listing document, unless the context otherwise requires, the terms "**associate**", "**connected person**", "**connected transaction**", "**controlling shareholder**", "**subsidiary**" and "**substantial shareholder**" shall have the meanings given to such terms in the Listing Rules.

In this listing document, unless otherwise stated, amounts denominated in Hong Kong dollars and Malaysian Ringgits have been translated into US dollars at an exchange rate of US$1.00 = HK$7.80 and US$1.00 = RM3.23 respectively. Certain amounts denominated in Hong Kong dollars and Malaysian Ringgits have been translated into US dollars at an exchange rate of HK$1.00 = US$0.13 and RM1.00 = US$0.31 respectively, in each case for illustrative purposes only. Such conversions shall not be construed as representations that amounts in Hong Kong dollars, Malaysian Ringgits or US dollars were or could have been or could be converted into Hong Kong dollars, Malaysian Ringgits or US dollars (as the case may be) at such rates or any other exchange rates on such date or any other date.

Certain amounts and percentage figures included in this listing document have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

GLOBAL BRANDS GROUP
利標品牌有限公司