

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

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**LI & FUNG LIMITED**

Incorporated in Bermuda with limited liability  
Stock Code: 494

**PROPOSALS FOR  
ADOPTION OF SHARE AWARD SCHEME  
AND GRANT OF SCHEME MANDATE  
GENERAL MANDATE TO REPURCHASE SHARES  
GENERAL MANDATE TO ISSUE SHARES  
FINAL DIVIDEND AND SPECIAL DIVIDEND  
RE-ELECTION OF DIRECTORS  
AND  
NOTICE OF ANNUAL GENERAL MEETING**

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A notice convening the 2015 annual general meeting of Li & Fung Limited to be held at Ground Floor, Hong Kong Spinners Industrial Building, Phases I & II, 800 Cheung Sha Wan Road, Kowloon, Hong Kong on 21 May 2015 at 11:30 a.m. is set out on pages 31 to 34 of this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting should you so wish.

21 April 2015

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## DEFINITIONS

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

“2014 AGM”	The annual general meeting of the Company held on 15 May 2014
“2015 AGM”	The annual general meeting of the Company to be held at Ground Floor, Hong Kong Spinners Industrial Building, Phases I & II, 800 Cheung Sha Wan Road, Kowloon, Hong Kong on 21 May 2015 at 11:30 a.m., notice of which is set out on pages 31 to 34 of this circular
“Actual Selling Price”	the actual price at which the Award Shares are sold (net of brokerage, Stock Exchange trading fee, the Securities and Futures Commission of Hong Kong transaction levy and any other applicable costs) on vesting of an Award pursuant to the Share Award Scheme or in the case of a vesting when there is an event of change in control or privatisation of the Company, the consideration receivable under the related scheme or offer
“Adoption Date”	the date on which the Share Award Scheme is adopted by the Shareholders
“Affiliate”	means a company that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the Company and includes any company which is (a) the holding company of the Company; or (b) a subsidiary of holding company of the Company; or (c) a subsidiary of the Company; or (d) a fellow subsidiary of the Company; or (e) the controlling shareholder of the Company; or (f) a company controlled by the controlling shareholder of the Company; or (g) a company controlled by the Company; or (h) an associated company of the holding company of the Company; or (i) an associated company of the Company; or (j) associated company of controlling shareholder of the Company
“associate”	has the meaning set out in the Listing Rules

## DEFINITIONS

“Award”	an award granted by the Board to a Selected Participant, which may vest in the form of Award Shares or the Actual Selling Price of the Award Shares in cash, as the Board may determine in accordance with the terms of the Scheme Rules
“Award Letter”	the letter issued by the Company to each Selected Participant in such form as determined from time to time by the Board, specifying the date on which the grant of an Award is made to a Selected Participant (being the date of the Award Letter), the number of Award Shares, the vesting criteria and conditions, the Vesting Date and such other details as they may consider necessary
“Award Period”	the period commencing on the Adoption Date, and ending on the Business Day immediately prior to the tenth (10th) anniversary of the Adoption Date
“Award Shares”	the Shares granted under the Share Award Scheme to a Selected Participant in an Award
“Board”	the board of Directors or a duly authorised committee thereof
“business day”	any day on which the Stock Exchange is open for the business of dealing in securities
“Bye-laws”	the bye-laws of the Company
“Company”	LI & FUNG LIMITED, a company incorporated in Bermuda with limited liability and whose Shares are listed on the Stock Exchange
“connected person”	has the meaning set out in the Listing Rules
“control” and “controlling shareholder”	shall have the same meanings as set out in the Code on Takeovers and Mergers and the Listing Rules respectively
“Directors”	the directors of the Company

## DEFINITIONS

“Eligible Person”	any individual, being an Employee, director, officer, consultant or advisor of any member of the Group or any Affiliate who the Board considers, in its sole discretion, to have contributed or will contribute to the Group
“Employee”	any employee (whether full-time or part-time employee) of any members of the Group or any Affiliate, provided that an employee shall not cease to be an Employee in the case of (a) any leave of absence approved by the Company or the relevant Affiliate; or (b) transfer among the Company and any Affiliates or any successor, and provided further that an Employee shall, for the avoidance of doubt, cease to be an Employee with effect from (and including) the date of termination of his or her employment
“Grant Date”	the date on which the grant of an Award is made to a Selected Participant, being the date of an Award Letter
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	15 April 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Notice”	The notice of the 2015 AGM set out on pages 31 to 34 of this circular
“Related Income”	all or such portion of cash income derived from the Award Shares (i.e., cash dividends declared and paid on the Award Shares) as may be determined by the Board from time to time (excluding any interest earned on such cash income) and held on Trust for the benefit of the Selected Participant

## DEFINITIONS

“Returned Shares”	such Award Shares that are not vested and/or are forfeited in accordance with the terms of the Share Award Scheme, or such Shares being deemed to be Returned Shares under the Scheme Rules, in each case such shares to be held by the Trustee to be applied towards future Awards in accordance with the provisions of the Scheme Rules for the purpose of the Share Award Scheme
“Scheme Mandate”	a mandate to be granted to the Directors at the 2015 AGM to allot and issue up to 3% of the total number of issued Shares as at the date of passing such resolution, details of which are set out in Appendix I of this circular
“Scheme Rules”	the rules relating to the Share Award Scheme, the principal terms of which are further described in Appendix I of this circular
“Selected Participant”	any Eligible Person approved for participation in the Share Award Scheme and who has been granted an Award pursuant to the Share Award Scheme
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	Share(s) of HK\$0.0125 each in the share capital of the Company
“Share Award Scheme”	the share award scheme proposed to be adopted by the Company in accordance with the Scheme Rules
“Shareholder(s)”	Holders of Share(s) in issue
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Code on Takeovers and Mergers
“Trust”	the trust constituted by the trust deed, to be entered into between the Company and the Trustee, to service the Share Award Scheme
“Trustee”	the trustee to be appointed by the Company for the purpose of the Trust, and initially, Computershare Hong Kong Trustees Limited, a company incorporated in Hong Kong

## DEFINITIONS

“Vesting Date”	the date or dates, as determined from time to time by the Board, on which the Award (or part thereof) is to vest in the relevant Selected Participant as set out in the relevant Award Letter, unless a different Vesting Date is deemed to occur in accordance with the Scheme Rules
“HK\$ and cents”	Hong Kong dollar and cents respectively, the lawful currency of Hong Kong
“US\$”	United States dollar, the lawful currency of the United States of America
“%”	per cent

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

*For the purposed of this circular and for illustrative purpose only, US\$ is converted into HK\$ at the rate of US\$1 to HK\$7.8. No representation is made that any amounts in US\$ has been or could be converted at the above rate or at any other rates.*

## LETTER FROM THE CHAIRMAN



# LI & FUNG LIMITED

Incorporated in Bermuda with limited liability

**Executive Directors:**

William Fung Kwok Lun

*(Group Chairman)*

Spencer Theodore Fung

*(Group Chief Executive Officer)*

Marc Robert Compagnon

**Non-executive Directors:**

Victor Fung Kwok King

*(Honorary Chairman)*

Paul Edward Selway-Swift\*

Allan Wong Chi Yun\*

Franklin Warren McFarlan\*

Martin Tang Yue Nien\*

Margaret Leung Ko May Yee\*

*\* Independent Non-executive Director*

**Registered Office:**

Canon's Court

22 Victoria Street

Hamilton HM 12

Bermuda

**Hong Kong Office:**

11th Floor

LiFung Tower

888 Cheung Sha Wan Road

Kowloon

Hong Kong

21 April 2015

**PROPOSALS FOR  
ADOPTION OF SHARE AWARD SCHEME  
AND GRANT OF SCHEME MANDATE  
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AND  
NOTICE OF ANNUAL GENERAL MEETING**

*To Shareholders,*

Dear Sirs or Madam,

**INTRODUCTION**

The purpose of this circular is to give you notice of the 2015 AGM, and information on matters to be dealt with at the 2015 AGM. They are:- (i) adoption of the Share Award Scheme and grant of the Scheme Mandate to issue Award Shares; (ii) grant of general mandate to repurchase Shares; (iii) grant of general mandate to issue Shares; (iv) payment of final dividend and special dividend and (v) re-election of Directors.



## LETTER FROM THE CHAIRMAN

### ADOPTION OF SHARE AWARD SCHEME AND GRANT OF SCHEME MANDATE

As disclosed in the announcement of the Company dated 20 April 2015, the Board has conditionally resolved to adopt the Share Award Scheme subject to (i) the approval by the Shareholders of the Share Award Scheme and the Scheme Mandate and (ii) the Listing Committee of the Stock Exchange granting the approval for the listing of, and permission to deal in, up to 3% of the total number of issued Shares as at the Adoption Date new Shares underlying any Awards which may be granted under the Share Award Scheme.

On the assumption that all the Awards granted under the Share Award Scheme shall be satisfied by the allotment and issue of new Shares by the Company, an ordinary resolution will be proposed at the 2015 AGM for the Share Award Scheme to be adopted by the Company in accordance with the Scheme Rules and to grant a mandate to the Directors to allot and issue up to not more than 3% of the total number of issued Shares as at the date of passing such resolution, in connection with the Share Award Scheme (subject to adjustment in the event of sub-division of Shares, consolidation of Shares or bonus issue in accordance with the rules of the Share Award Scheme) (i.e. the Scheme Mandate).

As at the Latest Practicable Date, there are over 800 Eligible Persons under the Share Award Scheme. Given the number of Eligible Persons, the Directors consider that the Share Award Scheme is established for a wide scope of participants. As at the Latest Practicable Date, the aggregate interests of connected persons of the Company under the Share Award Scheme is less than 30%. Accordingly, the Trustee is a third party independent of the Company and connected persons of the Company.

In the event that the aggregate interests of connected persons of the Company under the Share Award Scheme exceeds 30% at any time during the life of the Share Award Scheme, the Trustee will become a connected person of the Company under the Listing Rules. In such event, any issue and allotment of new Shares to the Trustee in satisfaction of Awards granted under the Share Award Scheme will constitute connected transactions of the Company subject to independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Principal terms of the Share Award Scheme and further information in connection with the Scheme Mandate are set out in Appendix I of this circular.

The full text of the ordinary resolution to be proposed at the 2015 AGM in relation to the adoption of the Share Award Scheme and the Scheme Mandate are set out in resolution 7 in the Notice set out on pages 33 to 34 of this circular.

So far as the Directors are aware of, as at the Latest Practicable Date, none of the Shareholders is required to abstain from voting for the ordinary resolution to approve the adoption of the Share Award Scheme and the Scheme Mandate.

### GENERAL MANDATE TO REPURCHASE SHARES

At the 2014 AGM, a general and unconditional mandate was given to the Directors to repurchase Shares of the Company on the Stock Exchange of up to 10% of the aggregate nominal amount of the issued share capital of the Company as at that date. No Shares have been repurchased pursuant to such repurchase mandate.

## LETTER FROM THE CHAIRMAN

Under the terms of the repurchase mandate and the Listing Rules, such repurchase mandate will lapse at (i) the conclusion of the 2015 AGM; or (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Companies Act 1981 of Bermuda (as amended) to be held; or (iii) the revocation by ordinary resolution of Shareholders in general meeting, whichever is the earliest, unless renewed at the 2015 AGM.

The Directors believe that a renewal of such repurchase mandate is in the interest of the Company and Shareholders. Accordingly, an ordinary resolution will be proposed at the 2015 AGM which will give the Directors a general and unconditional mandate to exercise the powers of the Company to repurchase Shares at any time until the next annual general meeting of the Company following the passing of such resolution or such earlier period as stated in the ordinary resolution up to a maximum of 10% of the number of the issued shares of the Company at the date of passing such resolution (the “**Repurchase Mandate**”).

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

The full text of the ordinary resolution to be proposed at the 2015 AGM in relation to the Repurchase Mandate is set out in resolution 5 in the Notice set out on pages 31 to 32 of this circular.

### GENERAL MANDATE TO ISSUE SHARES

At the 2014 AGM, a general and unconditional mandate was also given to the Directors to allot, issue and deal with additional Shares up to 10% of the aggregate nominal amount of the issued share capital of the Company as at that date. Such general mandate will cease to be effective at the conclusion of the 2015 AGM.

The Directors are aware of investor concerns on possible dilution of shareholders' value resulting from the exercise of the general mandate to issue Shares. Accordingly, the Directors propose, as in the previous year, to limit the general mandate to 10% of the Company's number of the issued shares as at the date of passing such resolution (the “**Issue Mandate**”).

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

The full text of the ordinary resolution to be proposed at the 2015 AGM in relation to the Issue Mandate are set out in resolution 6 in the Notice set out on pages 32 to 33 of this circular.

## LETTER FROM THE CHAIRMAN

### RE-ELECTION OF DIRECTORS

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

Accordingly, Mr Spencer Theodore Fung, Prof Franklin Warren McFarlan and Mr Martin Tang Yue Nien will retire as Directors at the 2015 AGM by rotation. Mr Spencer Theodore Fung and Mr Martin Tang Yue Nien, being eligible, will offer themselves for re-election while Prof Franklin Warren McFarlan will retire from the Board with effect from the conclusion of the 2015 AGM.

As stated in the 2012 Annual Report of the Company, Mr Paul Edward Selway-Swift will stand for re-election for a term of around one year at each annual general meeting. Accordingly, Mr Paul Edward Selway-Swift will also retire at the 2015 AGM and being eligible, will offer himself for re-election.

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

In accordance with Bye-law 101 of the Bye-laws, Mr Marc Robert Compagnon who was appointed by the Directors during the year, will also retire at the 2015 AGM and being eligible, offer himself for re-election.

Details of the Directors who are proposed to be re-elected at the 2015 AGM are set out in Appendix III of this circular.

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

### FINAL DIVIDEND AND SPECIAL DIVIDEND

The Board has recommended a final dividend of 21 HK cents per Share and a special dividend of 7 HK cents per Share subject to Shareholders' approval at the 2015 AGM.

### NOTICE OF ANNUAL GENERAL MEETING

The Notice is set out on pages 31 to 34 of this circular.

There is enclosed a form of proxy for use at the 2015 AGM. A member entitled to attend and vote at the above meeting may appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company. Whether or not you intend to be present at the 2015 AGM, you are requested to complete the form of proxy and return it to the Hong Kong office of the Company in accordance with the instructions printed

## LETTER FROM THE CHAIRMAN

thereon not less than 48 hours before the time fixed for holding the 2015 AGM. Such form of proxy for use at the 2015 AGM is also published on the Company's and HKExnews websites. Completion and return of the form of proxy will not preclude you from attending and voting in person at the 2015 AGM should you so wish.

### RECORD DATE AND BOOK CLOSURE

*Hong Kong Time*  
2015

*For determining Shareholder's right to attend and vote at 2015 AGM*

Record Date	20 May
Latest time to lodge transfer documents with Share Registrar <sup>(Note i)</sup>	4:30 p.m., 20 May

*For determining Shareholder's entitlement to the proposed final dividend  
and special dividend*

Latest time to lodge transfer documents with Share Registrar <sup>(Note i)</sup>	4:30 p.m., 27 May
Book Closure Date <sup>(Note ii)</sup>	28 to 29 May
Expected despatch date of dividend warrants	5 June

*Notes:*

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

### VOTING BY WAY OF POLL

Pursuant to Rule 13.39 of the Listing Rules, all votes of the Shareholders at the general meetings must be taken by poll. The Chairman will therefore demand a poll for every resolution put to the vote of the 2015 AGM. Pursuant to the Bye-law 78 of the Bye-laws, a poll is demanded by:-

- (i) the Chairman of the meeting; or
- (ii) at least three members present in person or by a duly authorised corporate representative or by proxy for the time being entitled to vote at the meeting; or
- (iii) any member(s) present in person or by a duly authorised corporate representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting;  
or

## LETTER FROM THE CHAIRMAN

- (iv) member(s) present in person or by a duly authorised corporate representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

The results of the poll will be published on the Company's and HKExnews websites following the 2015 AGM.

### RECOMMENDATION

The Directors believe that the proposals mentioned above, including the proposals for the adoption of the Share Award Scheme, the grant of the Scheme Mandate, the grant of the Repurchase Mandate and the grant of the Issue Mandate are in the interests of the Company and the Shareholders. Accordingly, the Board recommends the Shareholders to vote in favour of all of these resolutions to be proposed at the 2015 AGM.

Yours faithfully,  
**William Fung Kwok Lun**  
*Group Chairman*

This appendix serves to provide you with information to consider the Share Award Scheme and the Scheme Mandate.

## SHARE AWARD SCHEME

Subject to (i) the passing of the ordinary resolution to adopt the Share Award Scheme and the grant of the Scheme Mandate; and (ii) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in any Award Shares which are new shares underlying any Awards which may be granted pursuant to the Share Award Scheme, the Company will adopt the Share Award Scheme on the Adoption Date.

The following is a summary of the proposed principal terms of the Share Award Scheme:

### 1. Eligible Persons to the Share Award Scheme

Any individual, being an Employee, director, officer, consultant or advisor of any member of the Group or any Affiliate who the Board considers, in its sole discretion, to have contributed or will contribute to the Group is eligible to receive an Award.

### 2. Conditions

The Share Award Scheme is subject to:

- (i) the passing of a resolution by the Shareholders to approve the adoption of the Share Award Scheme and to authorise the Board to grant Awards under the Share Award Scheme, and to grant the Scheme Mandate; and
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, up to 3% of the total number of issued Shares as at the Adoption Date new Shares underlying any Awards which may be granted pursuant to the Share Award Scheme.

### 3. Purpose of the Share Award Scheme

The purpose of the Share Award Scheme is (i) to align the interests of Eligible Persons with those of the Group through ownership of Shares, dividends and other distributions paid on Shares and/or the increase in value of the Shares, and (ii) to encourage and retain Eligible Persons to make contributions to the long-term growth and profits of the Group.

#### 4. Awards

An Award gives a Selected Participant a conditional right, when the Award Shares vest, to obtain the Award Shares or if, based on advice from an independent tax adviser engaged by the Company, (i) it is not practicable for the Selected Participant to receive the Award in Shares solely due to legal or regulatory restrictions with respect to the Selected Participant's ability to receive the Award in Shares or the Trustee's ability to give effect to any such transfer to the Selected Participant, or (ii) the tax position of the Company or the Selected Participant would be adversely affected if the Selected Participant receives the Award in Shares, the Board will direct and procure the Trustee to sell, on-market at the prevailing market price, the number of Award Shares so vested in respect of the Selected Participant and pay the Selected Participant the net proceeds in cash arising from such sale based on the Actual Selling Price of such Award Shares. An Award includes all or such portion of cash income from dividends declared and paid in respect of those Award Shares as may be determined by the Board from time to time, but excludes any interest earned on such cash income. For the avoidance of doubt, the Board at its discretion may from time to time determine that all or part of any dividends declared and paid by the Company in relation to the Award Shares be paid to the Selected Participant even though the Award Shares have not yet vested.

#### 5. Grant of Award

##### *(a) Making the Grant*

During the Award Period, the Board may, from time to time, at their absolute discretion, select any Eligible Person to be a Selected Participant and grant an Award to such Selected Participant by way of issuing an Award Letter. The Award Letter will specify the Grant Date, the number of Award Shares underlying the Award, the vesting criteria and conditions, the Vesting Date and such other details as the Board may consider necessary.

Each grant of an Award to any Director or connected person of the Company shall be subject to the prior approval of the independent non-executive directors of the Company (excluding any independent non-executive director who is a proposed recipient of the grant of an Award). The allotment and issue of new Shares in satisfaction of Awards granted to connected persons of the Company (whether connected at Company level or subsidiary level), which constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules, will be subject to independent shareholders' approval requirements under Chapter 14A of the Listing Rules notwithstanding the approval of the Scheme Mandate.

Announcements on the allotment and issue of new Shares under the Share Award Scheme will be made in accordance with the applicable requirements of the Listing Rules when the grants are made.

*(b) Restrictions on Grants and Timing of Grants*

No grant of any Award Shares to any Selected Participant may be made in any of the following circumstances:

- (i) where any requisite approval from any applicable regulatory authorities has not been granted;
- (ii) where any member of the Group will be required under applicable securities laws, rules or regulations to issue a prospectus or other offer documents in respect of such Award or the Share Award Scheme, unless the Board determines otherwise;
- (iii) where such Award would result in a breach by any member of the Group or its directors of any applicable securities laws, rules or regulations in any jurisdiction;
- (iv) where such grant of Award would result in a breach of the Share Award Scheme Limit (as defined in paragraph 6 below) or would otherwise cause the Company to issue Shares in excess of the permitted amount in the mandate approved by the Shareholders;
- (v) where any director of the Company is in possession of unpublished inside information in relation to the Company or where dealings by directors of the Company are prohibited under any code or requirement of the Listing Rules and all applicable laws, rules or regulations;
- (vi) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; or
- (vii) during the period of 30 days immediately preceding the publication date of the half-year results or, if shorter, the period from the end of the relevant half-year period up to the publication date of the results.

**6. Maximum Number of Shares to be Granted**

The aggregate number of Shares, whether they are new Shares to be allotted and issued by the Company, Returned Shares or existing Shares to be purchased on-market by the Trustee, underlying all grants (including grants to connected persons of the Company) made pursuant to the Share Award Scheme (excluding Award Shares which have been forfeited in accordance with the Share Award Scheme) shall not exceed 3% of the total number of issued Shares as at the Adoption Date (subject to adjustment in the event of sub-division of Shares, consolidation of Shares or bonus issue in accordance with the Scheme Rules) without Shareholders' approval (the "**Share Award Scheme Limit**").



Under the Scheme Rules, there is no specified limit on the maximum number of Award Shares which may be granted to a single Selected Participant but unvested under the Share Award Scheme.

#### **7. Rights Attached to the Award**

Save that the Board at its discretion may from time to time determine that all or part of any Related Income be paid to the Selected Participants even though the Award Shares have not yet vested in such manner as it sees fit, the Selected Participant only has a contingent interest in the Award Shares underlying an Award unless and until such Award Shares are actually vested in and transferred to the Selected Participant. Accordingly, save as stated above, a Selected Participant does not have any rights to any of the Related Income until the Award Shares and Related Income are vested on and transferred to them.

The Trustee may not exercise any voting rights in respect of any Shares held under the Trust.

#### **8. Issue of Shares and/or Acquisition of Shares**

The Board shall determine whether the Awards shall be satisfied by the allotment and issue of new Shares or the acquisition of existing Shares through on-market transactions on the Grant Date. For the purposes of satisfying the Awards, the Company shall, as soon as reasonably practicable and no later than 30 Business Days from the Grant Date, (i) allot and issue new Shares to the Trustee under the Scheme Mandate and/or (ii) transfer to the Trustee the necessary funds and instruct the Trustee to acquire existing Shares through on-market transactions at the prevailing market price.

The Company shall not allot or issue new Shares to satisfy Awards granted to connected persons of the Company without, where required, the approval by disinterested Shareholders in accordance with all applicable laws and regulations (including but not limited to the Listing Rules). The costs of such allotment or purchase of Shares shall be borne by the Company.

#### **9. Vesting of Awards**

The Board may from time to time while the Share Award Scheme is in force and subject to all applicable laws, determine such vesting criteria and conditions or periods for the Award to be vested.

For the purposes of vesting of the Award, the Board may either:

- (i) direct and procure the Trustee to release from the Trust the Award Shares to the Selected Participants by transferring the number of Award Shares to the Selected Participants in such manner as determined by them from time to time; or

- (ii) to the extent that, if, based on advice from an independent tax adviser engaged by the Company, (a) it is not practicable for the Selected Participant to receive the Award in Shares solely due to legal or regulatory restrictions with respect to the Selected Participant's ability to receive the Award in Shares or the Trustee's ability to give effect to any such transfer to the Selected Participant, or (b) the tax position of the Company or the Selected Participant would be adversely affected if the Selected Participant receives the Award in Shares, the Board will direct and procure the Trustee to sell, on-market at the prevailing market price, the number of Award Shares so vested in respect of the Selected Participant and pay the Selected Participant the proceeds arising from such sale based on the Actual Selling Price of such Award Shares in cash as set out in the vesting notice.

Within a reasonable time period as agreed between the Trustee and the Board from time to time prior to any Vesting Date, the Board will send a vesting notice to the relevant Selected Participant. The Board shall forward a copy of the Vesting Notice to the Trustee and instruct the Trustee the extent to which the Award Shares held in the Trust shall be transferred and released from the Trust to the Selected Participant in the manner as determined by the Board, or be sold as soon as practicable from the vesting date. Subject to the receipt of the vesting notice and instructions from the Board, the Trustee will transfer and release the relevant Award in the manner as determined by the Board or sell the relevant Award Shares and pay the Actual Selling Price to the Selected Participant.

Any stamp duty or other direct costs and expenses arising on vesting and transfer of the Award Shares to or for the benefit of the Selected Participants shall be borne by the Company. Any taxes or other direct costs and expenses arising on the transfer of the Related Income to the Selected Participants, and any duty or other direct costs and expenses arising on the sale of the Award Shares due to the vesting shall be borne by the Selected Participant.

#### **10. Assignment of Awards**

Any Award Shares granted under the Share Award Scheme but not yet vested shall not be assignable or transferable. No Selected Participant shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any other person over or in relation to any Award, or enter into any agreement to do so.

#### **11. Change of control**

If there is an event of change in control of the Company by way of a merger, a privatisation of the Company by way of a scheme or by way of an offer, the Board shall at its sole discretion determine whether the Vesting Dates of any Awards will be accelerated.

**12. Consolidation, Sub-division, Bonus issue and Other distribution, and Open Offer**

In the event the Company undertakes a sub-division or consolidation of the Shares, corresponding changes will be made to the number of outstanding Award Shares that have been granted provided that the adjustments shall be made in such manner as the Board determines to be fair and reasonable in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Share Award Scheme for the Selected Participants, and the maximum number of Shares subject to the Share Award Scheme will be adjusted accordingly. All fractional shares (if any) arising out of such consolidation or sub-division in respect of the Award Shares of a Selected Participant shall be deemed as Returned Shares and shall not be transferred to the relevant Selected Participant on the relevant Vesting Date.

In the event of an issue of Shares by the Company credited as fully paid to the holders of the Shares by way of capitalisation of profits or reserves (including share premium account), the Shares attributable to any Award Shares held by the Trustee shall be deemed to be an accretion to such Award Shares and shall be held by the Trustee as if they were Award Shares purchased by or allotted to the Trustee hereunder, all the provisions hereof in relation to the original Award Shares shall apply to such additional Shares and the maximum number of Shares subject to the Share Award Scheme will be adjusted accordingly; unless, based on advice from an independent tax adviser engaged by the Company, (i) it is not practicable for the Selected Participant to receive the Award in Shares solely due to legal or regulatory restrictions with respect to the Selected Participant's ability to receive the Award in Shares or the Trustee's ability to give effect to any such transfer to the Selected Participant, or (ii) the tax position of the Company or the Selected Participant would be adversely affected if the Selected Participant receives such new Shares, such new Shares shall be sold and that the net proceeds arising from such sale shall be held as Related Income for the benefit of the relevant Selected Participants until vesting.

In the event of any non-cash distribution or other events not referred to above (including an open offer of new securities), or in the case of any open offer, by reason of which the Board considers an adjustment to an outstanding Award to be fair and reasonable, an adjustment shall be made to the number of outstanding Award Shares of each Selected Participant as the Board shall consider to be fair and reasonable in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Share Award Scheme for the Selected Participants. For the avoidance of doubt, the total number of Shares underlying Awards granted under the Share Award Scheme subsequent to the adjustment shall remain to be subject to the Share Award Scheme Limit, and the additional Awards shall be satisfied by existing Shares purchased through on-market transactions at the prevailing market price. The Company shall provide such funds, or such directions on application of the Returned Shares or funds of the Trust, as may be required to enable the Trustee to purchase Shares on-market at the prevailing market price to satisfy the additional Award.

In the event of a rights issue, the Trustee shall sell the nil-paid rights allotted to it and unless otherwise instructed by the Company, the Trustee shall hold the net proceeds of sale as funds of the Trust.

In the event the Company undertakes a scrip dividend scheme, the Trustee shall elect to receive the cash component, and hold such cash dividend received as (i) Related Income or funds of the Trust as directed by the Board (for the cash income derived from Award Shares) or (ii) funds of the Trust (for the cash income derived from Return Shares).

In the event an order for the winding up of the Company is made or a resolution is passed for the voluntary winding up of the Company (otherwise than for the purposes of, and followed by, an amalgamation or reconstruction in such circumstances that substantially the whole of the undertaking, assets and liabilities of the Company pass to a successor company), all the outstanding Awards not yet vested and that are granted (whether conditionally or unconditionally) to Selected Participants shall lapse with immediate effect.

**13. Retirement, Death or Permanent physical or Mental disability of an Eligible Person**

If a Selected Participant ceases to be an Eligible Person by reason of (i) retirement of the Selected Participant, (ii) death of the Selected Participant, (iii) termination of the Selected Participant's employment or contractual engagement with the Group or an Affiliate by reason of his/her permanent physical or mental disability, or (iv) termination of the Selected Participant's employment or contractual engagement with the Group by reason of redundancy, the Board may at their absolute discretion determine either that any outstanding Award Shares and Related Income not yet vested shall vest in such manner as it thinks fit or that they shall be forfeited.

If a Selected Participant, being an Employee whose employment is terminated (i) by the Group or an Affiliate by reason of the employer terminating the contract of employment without notice or payment in lieu of notice or (ii) by the Employee due to reasons other than set out in the paragraph above, or the Selected Participant having been convicted of any criminal offence involving his or her integrity or honesty, any outstanding Award Shares and Related Income not yet vested shall be immediately forfeited, unless the Board determines otherwise at its absolute discretion.

If a Selected Participant is declared bankrupt or becomes insolvent or makes any arrangements or composition with his or her creditors generally, any outstanding Award Shares and Related Income not yet vested shall be immediately forfeited, unless the Board determines otherwise at its absolute discretion.

If a Selected Participant ceases to be an Eligible Person for reasons other than those stated in the above paragraphs, any outstanding Award Shares and Related Income not yet vested shall be immediately forfeited, unless the Board determines otherwise at its absolute discretion.

**14. Alteration of the Share Award Scheme**

The Share Award Scheme may be altered in any respect (save for the Share Award Scheme Limit) by a resolution of the Board provided that no such alteration shall operate to affect adversely any subsisting rights of any Selected Participant unless otherwise provided for in the Scheme Rules, except:

- (a) with the consent in writing of Selected Participants amounting to three-fourths in nominal value of all Award Shares held by the Trustee on that date; or
- (b) with the sanction of a special resolution that is passed at a meeting of the Selected Participants amounting to three-fourths in nominal value of all Award Shares held by the Trustee on that date.

**15. Termination**

The Share Award Scheme shall terminate on the earlier of:

- (a) the end of the Award Period except in respect of any non-vested Award Shares granted hereunder prior to the expiration of the Share Award Scheme, for the purpose of giving effect to the vesting of such Award Shares or otherwise as may be required in accordance with the provisions of the Share Award Scheme; and
- (b) such date of early termination as determined by the Board provided that such termination shall not affect any subsisting rights of any Selected Participant under the Scheme Rules, provided further that for the avoidance of doubt, the change in the subsisting rights of a Selected Participant in this paragraph 15(b) refers solely to any change in the rights in respect of the Award Shares already granted to a Selected Participant; and
- (c) such date on which an order for the winding up of the Company is made or a resolution is passed for voluntary winding up of the Company (otherwise than for the purposes of, and followed by, an amalgamation or reconstruction in such circumstances that substantially the whole of the undertaking, assets and liabilities of the Company pass to a successor company).

**16. Administration of the Share Award Scheme**

The Board has the power to administer the Share Award Scheme, including but not limited to the power to construe and interpret the rules of the Share Award Scheme and the terms of the Awards granted under the Share Award Scheme, and where applicable, the Trust deed. The Board may delegate the authority to administer the Share Award Scheme (including the power to grant an Award under the Share Award Scheme and the power to further delegate its authority to administer the Share Award Scheme) to a

committee of the Board. The Board may also appoint one or more independent third party contractors to assist in the administration of the Share Award Scheme as it thinks fit.

### THE SCHEME MANDATE

Pursuant to the Scheme Rules, the total number of Shares, whether they are new Shares to be allotted or issued by the Company, Returned Shares or existing Shares to be purchased on-market by the Trustee, underlying all grants (including grants to connected persons of the Company) made pursuant to the Share Award Scheme (excluding Award Shares that have been forfeited in accordance with the Share Award Scheme) shall not exceed 3% of the total number of issued Shares as at the Adoption Date (subject to adjustment in the event of sub-division of Shares, consolidation of Shares or bonus issue in accordance with the Scheme Rules).

Assuming that (i) all the Awards granted under the Share Award Scheme shall be satisfied by the allotment and issue of new Shares by the Company and (ii) there is no change in the total number of issued Shares from the Latest Practicable Date up to the Adoption Date, the total number of issued Shares underlying all grants made to the Share Award Scheme (excluding Award Shares that are forfeited in accordance with the Share Award Scheme) shall not exceed 3% of the total number of issued Shares as at the Adoption Date.

Accordingly, an ordinary resolution will be proposed at the 2015 AGM to grant a mandate to the Directors to allot and issue up to not more than 3% of the total number of issued Shares as at the date of passing such resolution (subject to adjustment in the event of sub-division of Shares, consolidation of Shares or bonus issue in accordance with the Scheme Rules), in connection with the Share Award Scheme (i.e. the Scheme Mandate).

Shares will be issued at par value under the Scheme Mandate, and the Scheme Mandate will remain in effect throughout the Award Period, i.e. the period commencing on the Adoption Date and ending on the Business Day immediately prior to the tenth (10th) anniversary of the Adoption Date.

As at the Latest Practicable Date, the Company has a total of 8,360,398,306 issued Shares. Subject to the passing of the Scheme Mandate by the Shareholders at the 2015 AGM, the Directors would be authorised under the Scheme Mandate to allot and issue up to 250,811,949 Shares (assuming that there is no change in the total number of issued Shares from the Latest Practicable Date up to the date of the 2015 AGM). Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, all the 250,811,949 new Shares which may be allotted and issued under the Scheme Mandate and the Share Award Scheme.

Other than adjustment of the maximum number of Shares subject to the Share Award Scheme in the event of sub-division of Shares, consolidation of Shares or bonus issue as set out in “section 12. Consolidation, Sub-division, Bonus issue and Other distribution, and Open Offer” of this Appendix, the Scheme Mandate may not be renewed or refreshed unless by way of alteration of the Share Award Scheme in accordance with the Scheme Rules.

To the extent that the Share Award Scheme Limit is subsequently increased by way of alteration of the Share Award Scheme in accordance with the Scheme Rules and the Company is required to allot and issue new shares to satisfy any Awards in excess of any amount previously approved by the Shareholders, the Company shall at a general meeting propose, and the Shareholders shall consider and, if thought fit, pass an ordinary resolution approving a mandate specifying:

- (a) the maximum number of new Shares that may be issued for this purpose; and
- (b) that the Board has the power to allot and issue additional Shares in satisfaction of Awards which may be granted under the Share Award Scheme.

Such mandate will remain in effect only during the period from the passing of the ordinary resolution granting the mandate until whichever is the earlier of: (i) the expiration of the Award Period; and (ii) the revocation or variation of such mandate by an ordinary resolution of the Shareholders in a general meeting.

#### **Financial Impact on the Company**

##### *Analysis of the estimated fair value of the Shares to be issued*

The estimated fair value of all Award Shares which can be allotted and issued under the Share Award Scheme is approximately US\$261 million (equivalent to approximately HK\$2,039 million), based on the closing prices of the ordinary shares of the Company as quoted on the Stock Exchange as at the Latest Practicable Date.

##### *Impact of employee costs on the Company*

Under the accounting policies of the Company, the fair value of Award Shares granted to participants is recognized as an expense with a corresponding increase in the employee share-based compensation reserve within equity. The total fair value of the Award Shares that eventually become vested will be expensed over the vesting period. From time to time, the Group will determine the Award Shares expenses based on the best estimated number of Award Shares that could eventually meet the vesting conditions. Assuming all the Award Shares are granted and vested, the total expenses of Award Shares will be approximately US\$261 million (equivalent to approximately HK\$2,039 million).



**APPENDIX I**
**PRINCIPAL TERMS OF THE SHARE AWARD SCHEME  
AND THE SCHEME MANDATE**
**Impact on the shareholding structure of the Company**

The table below illustrated the shareholding structure of the Company (i) as at the Latest Practicable Date and (ii) immediately after exercise of the Scheme Mandate in full, assuming that (A) all the Awards granted under the Share Award Scheme will be satisfied by the allotment and issue of new Shares by the Company and (B) there are no changes to the number of Shares in issue other than changes as a result of the exercise of the Scheme Mandate:

	Shareholding as at the Latest Practicable Date		Shareholding immediately upon the exercise of the Scheme Mandate in full <sup>(1)</sup>	
	<i>Number of issued Shares</i>	<i>Approximate percentage of issued Shares (%)</i>	<i>Number of issued Shares</i>	<i>Approximate percentage of issued Shares (%)</i>
<b>Non-public shareholders</b>				
<i>Substantial shareholders</i>				
King Lun Holdings Limited	2,348,953,872 <sup>(2)</sup>	28.09	2,348,953,872 <sup>(2)</sup>	27.28
HSBC Trustee (C.I.) Limited	173,012,308 <sup>(3)</sup>	2.07	173,012,308 <sup>(3)</sup>	2.01
<i>Directors</i>				
Victor Fung Kwok King	2,814,444 <sup>(4)</sup>	0.03	2,814,444 <sup>(4)</sup>	0.03
William Fung Kwok Lun	222,637,660 <sup>(5)</sup>	2.66	222,637,660 <sup>(5)</sup>	2.59
Spencer Theodore Fung	1,408,000 <sup>(6)</sup>	0.01	1,408,000 <sup>(6)</sup>	0.01
Marc Robert Compagnon	13,189,780 <sup>(7)</sup>	0.15	13,189,780 <sup>(7)</sup>	0.15
Paul Edward Selway-Swift	112,000 <sup>(8)</sup>	0.001	112,000 <sup>(8)</sup>	0.001
Franklin Warren McFarlan	114,400 <sup>(9)</sup>	0.001	114,400 <sup>(9)</sup>	0.001
Martin Tang Yue Nien	60,000 <sup>(10)</sup>	0.001	60,000 <sup>(10)</sup>	0.001
Trustee (on trust for the Selected Participants)	–	–	250,811,949	2.91
	2,762,302,464	33.04	3,013,114,413	34.99
<b>Public Shareholders</b>	5,598,095,842	66.96	5,598,095,842	65.01
<b>Total</b>	<b>8,360,398,306</b>	<b>100.00</b>	<b>8,611,210,255</b>	<b>100.00</b>



*Notes:*

- (1) Assuming that (i) all the Awards granted under the Share Award Scheme will be satisfied by the issue and allotment of new Shares by the Company and (ii) there are no changes to the number of Shares in issue other than changes as a result of the exercise of the Scheme Mandate.
- (2) These 2,348,953,872 Shares were indirectly held by King Lun Holdings Limited ("**King Lun**"). Out of the 2,348,953,872 Shares, 2,195,727,908 Shares were directly held by King Lun's wholly owned subsidiary, Fung Holdings (1937) Limited ("**FH (1937)**"), which also through its wholly owned subsidiary, Fung Distribution International Limited ("Fung Distribution"), indirectly held the balance of 153,225,964 Shares. King Lun is a company owned as to 50% by HSBC Trustee (C.I.) Limited ("**HSBC Trustee**") as the trustee of the Trust (as defined below) and 50% by Dr William Fung Kwok Lun.
- (3) These 173,012,308 Shares were held by First Island Developments Limited, a wholly owned subsidiary of HSBC Trustee which is the trustee of a trust established for the benefit of the family members of Dr Victor Fung Kwok King (the "**Trust**").
- (4) These 2,814,444 Shares were held by Dr Victor Fung Kwok King personally. Dr Victor Fung Kwok King was also deemed to have interests in and 2,348,953,872 Shares indirectly held by King Lun as mentioned in note (2) above and 173,012,308 Shares indirectly held by HSBC Trustee as trustee of the Trust as mentioned in note (3) above.
- (5) Dr William Fung Kwok Lun held a personal interest in 146,120,260 Shares, a family interest in 108,800 Shares and a corporate interest in 26,114,400 Shares and 50,294,200 Shares held by Golden Step Limited and Step Dragon Enterprise Limited respectively (both companies being beneficially owned by Dr William Fung Kwok Lun).
- (6) These 1,408,000 Shares were held by Mr Spencer Theodore Fung personally. Mr Spencer Theodore Fung, the son of Dr Victor Fung Kwok King, was also deemed to have interests in 2,348,953,872 Shares indirectly held by King Lun as mentioned in note (2) above and 173,012,308 Shares indirectly held by HSBC Trustee as trustee of the Trust as mentioned in note (3) above.
- (7) Mr Marc Robert Compagnon held a personal interest in 900,000 Shares and a corporate interest in 12,289,780 Shares held by Profit Snow Holdings Limited, a company beneficially owned by Mr Marc Robert Compagnon.
- (8) Mr Paul Edward Selway-Swift held a personal interest in 36,000 Shares and a family interest in 60,000 Shares. The remaining 16,000 Shares were held by a trust of which Mr Paul Edward Selway-Swift is a beneficiary.
- (9) These 114,400 Shares were held by a trust established for the benefit of Professor Franklin Warren McFarlan.
- (10) These 60,000 Shares were held by a trust of which Mr Martin Tang Yue Nien was a beneficiary.

**Disclosure in future annual reports**

The Company will disclose in its future annual reports and interim reports details of the Share Award Scheme, including but not limited to, particulars of movements of the Awards granted, vested, lapsed and available for grant in the future and the impact of employee costs on the Company arising from the grant of the Awards during the relevant financial year.

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

## **SHARE CAPITAL**

As at the Latest Practicable Date, the total number of issued shares of the Company is 8,360,398,306. Subject to the passing of resolution 5 approving the Repurchase Mandate as set out in the Notice appearing on pages 31 to 32 of this circular and on the basis that no further Shares are issued or repurchased prior to the 2015 AGM, the Company would be allowed under the Repurchase Mandate to repurchase a maximum of 836,039,830 Shares until (i) the conclusion of the next annual general meeting; or (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Companies Act 1981 of Bermuda (as amended) to be held; or (iii) the revocation by ordinary resolution of Shareholders in general meeting, whichever is the earliest.

## **REASONS FOR REPURCHASE**

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

## **FUNDING OF REPURCHASES**

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

It is envisaged that a repurchase of Shares pursuant to the Repurchase Mandate (including repurchase of the maximum number of Shares under such mandate effected in full at any time during the period of the mandate) may have a material adverse impact on the working capital or gearing position of the Company as compared with the position disclosed in the audited accounts contained in the annual report for the year ended 31 December 2014 but the Directors do not intend to make repurchases pursuant to the Repurchase Mandate to such an extent.

## **DISCLOSURE OF INTERESTS**

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

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

**DIRECTORS' UNDERTAKING**

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

**SHARE PRICE**

The highest and lowest prices at which Shares were traded on the Stock Exchange in each of the twelve months prior to the Latest Practicable Date were as follows:

	Share prices (per share)	
	Highest (HK\$)	Lowest (HK\$)
<b>2014</b>		
April	12.16	11.14
May	11.76	10.46
June	11.64	10.90
July	11.76	10.00
August	10.58	9.85
September	9.84	8.72
October	9.53	8.66
November	9.50	8.60
December	8.57	7.06
<b>2015</b>		
January	7.90	7.10
February	8.01	7.16
March	8.30	7.28

**TAKEOVERS CODE**

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

As at the Latest Practicable Date, King Lun Holdings Limited is indirectly interested in approximately 28.09% of the Company's issued shares and is one of the substantial shareholders (as defined in Rule 1.01 of the Listing Rules) of the Company. Based on the said interest of King Lun Holdings Limited in the issued shares of the Company as at the Latest Practicable Date, in the event that the Directors exercise in full the power to repurchase Shares of the Company in accordance with the terms of the resolution to be proposed at the 2015 AGM, the indirect interest of King Lun Holdings Limited in the

issued shares of the Company will be increased from approximately 28.09% to approximately 31.22% and they would be obliged to make a mandatory general offer under Rule 26 of the Takeovers Code as a result of such increase. The Directors have no intention to exercise the Repurchase Mandate to such extent that would give rise to an obligation on the part of King Lun Holdings Limited to make a mandatory general offer under Rule 26 of the Takeovers Code.

**SHARE REPURCHASE MADE BY THE COMPANY**

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

The following are details of Mr Spencer Theodore Fung, Mr Paul Edward Selway-Swift, Mr Martin Tang Yue Nien and Mr Marc Robert Compagnon, all of whom will retire at the 2015 AGM in accordance with the Bye-law 110(A) and Bye-law 101 of the Bye-laws respectively and the Listing Rules and being eligible, offer themselves for re-election.

**Spencer Theodore Fung**, aged 41, is the Group Chief Executive Officer since 7 July 2014 and an Executive Director since 2008. He was previously the Group Chief Operating Officer (2012–July 2014), in charge of the global infrastructure of the Company. Before this, he was the President of LF Europe, managing the Group's European distribution business. He joined the Group in 2001. He is an independent non-executive director of Swire Properties Limited and a director of Young Presidents' Organization – Hong Kong Chapter, Limited. He is a member of the General Committee of The Hong Kong Exporters' Association and the Board of Trustees at Northeastern University. Mr Fung holds a Bachelor of Arts degree from Harvard College and Master of Science in Accounting and Master in Business Administration degrees from Northeastern University. He is a US Certified Public Accountant. Save as disclosed above, he has not held any other directorship in other listed public companies in the last three years.

Under the service contract between the Company and Mr Spencer Theodore Fung, there is no fixed period of director's service but his directorship is subject to retirement by rotation and re-election at annual general meeting of the Company in accordance with the Bye-laws. Mr Fung is entitled to director's fee of HK\$300,000 (approximately US\$38,500) per annum. Such fee is subject to regular assessment with reference to those paid by the constituent companies of Hang Seng Index and approval of the Shareholders at the annual general meeting of the Company. The emoluments to Mr Fung for 2014 are US\$648,000 per annum plus an annual discretionary bonus to be determined with reference to the Company's performance and profitability.

Mr Fung is the son of Dr Victor Fung Kwok King, Honorary Chairman, and nephew of Dr William Fung Kwok Lun, Group Chairman. As at the Latest Practicable Date and within the meaning of Part XV of the SFO, Mr Fung has personal interest of 1,408,000 Shares, trust/corporate interest of 2,521,966,180 Shares and personal interest in 9,274,000 underlying Shares of the Company.

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

**Paul Edward Selway-Swift**, aged 70, is an Independent Non-executive Director since 1992. He is Chairman of Pure Circle Ltd, a producer of natural food ingredients, which is quoted on the London Stock Exchange. He is an independent non-executive director of Global Brands Group Holding Limited whose shares are listed on the Stock Exchange. Formerly, he was Deputy Chairman of HSBC Investment Bank PLC (1996–1998), a director of The Hongkong and Shanghai Banking Corporation Limited in Hong Kong (1992–1998) and Temenos Group AG (2001–2012), and Chairman of Atlantis Investment Management (Ireland) Ltd. (2007–April 2014). Save as disclosed above, he has not held any other directorship in other listed public companies in the last three years.

Under the service contract between the Company and Mr Selway-Swift, he is appointed for a specific term of three years and as stated in the 2012 Annual Report of the Company, he will stand for re-election for a term of around one year at each annual general meeting. The director's fee under the service contract is HK\$300,000 (approximately US\$38,500) per annum, and additional annual fees are HK\$100,000 (approximately US\$12,800) and HK\$100,000 (approximately US\$12,800) as chairman of Nomination Committee and member of Audit Committee respectively. Such fees are subject to regular assessment with reference to those paid by the constituent companies of Hang Seng Index and approval of the Shareholders at the annual general meeting.

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

Save as disclosed above, Mr Selway-Swift does not have any relationship with any Directors, senior management, substantial or controlling shareholders of the Company, nor does he have any interest in the Shares which is required to be disclosed pursuant to Part XV of the SFO.

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

**Martin Tang Yue Nien**, aged 65, is an Independent Non-executive Director since 2009 and former Chairman, Asia of Spencer Stuart & Associates, a global executive search consulting firm. He is an independent non-executive director of the publicly-listed CEI Contract Manufacturing Limited and China NT Pharma Group Company Limited. He is vice chairman of the Council of The Hong Kong University of Science and Technology. Mr Tang holds a Bachelor of Science degree in Electrical Engineering from Cornell University and Master of Science in Management from the Massachusetts Institute of Technology. Save as disclosed above, he has not held any other directorship in other listed public companies in the last three years.

Under the service contract between the Company and Mr Martin Tang Yue Nien, he is appointed for a specific term of 3 years and will be subject to retirement by rotation and re-election at annual general meeting of the Company in accordance with the Bye-laws. The director's fee under the service contract is HK\$300,000 (approximately US\$38,500) per annum, and additional annual fees are HK\$100,000 (approximately US\$12,800), HK\$50,000 (approximately US\$6,400), HK\$50,000 (approximately US\$6,400) and HK\$50,000 (approximately US\$6,400), as member of the Audit Committee, Nomination Committee, Remuneration Committee and Risk Management and Sustainability Committee respectively. Such fees are subject to regular assessment with reference to those paid by the constituent companies of Hang Seng Index and approval of the Shareholders at the annual general meeting.

As at the Latest Practicable Date and within the meaning of Part XV of the SFO, Mr Tang has trust interest of 60,000 Shares.

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

**Marc Robert Compagnon**, aged 56, is an Executive Director since 1 July 2014. He is President of LF Sourcing overseeing the Group's global agency business for apparel and hardgoods. He joined the Group in 2000 at the time of the acquisition of Colby International Limited where he was Chief Merchandising Officer for 17 years and was responsible for establishing Colby's global sourcing network and sales and marketing strategies. Mr Compagnon holds a Bachelor of Arts degree from The University of Vermont. He is a member of the Board of Advisors of the School of Business Administration at The University of Vermont and a founding member of Cotton's Revolutions. Mr Compagnon is also a non-executive chairman of TheAbacaGroup, Inc. (Cebu), a hotel and restaurant management group. Save as disclosed above, he has not held any other directorship in other listed public companies in the last three years.

Under the service contract between the Company and Mr Marc Robert Compagnon, there is no fixed period of director's service but his directorship is subject to retirement by rotation and re-election at annual general meeting of the Company in accordance with the Bye-laws. Mr Compagnon is entitled to director's fee of HK\$300,000 per annum (approximately US\$38,500). Such fee is subject to regular assessment with reference to those paid by the constituent companies of Hang Seng Index and approval of the Shareholders at the annual general meeting of the Company. The emoluments to Mr Compagnon for 2014 are US\$600,000 per annum plus an annual discretionary bonus to be determined with reference to the performance of the operating group headed by him, and other benefits in kind.

As at the Latest Practicable Date and within the meaning of Part XV of the SFO, Mr Compagnon has personal interest of 900,000 Shares, corporate interest of 12,289,780 Shares and personal interest in 9,274,000 underlying Shares in the Company.

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

Save as disclosed above, there is no other matter that need to be brought to the attention of the Shareholders and there is no information to be disclosed pursuant to any of the requirements of the provisions under paragraphs 13.51(2)(h) to 13.51(2)(v) of the Listing Rules in respect of the above Directors who stand for re-election at the 2015 AGM.



## NOTICE OF ANNUAL GENERAL MEETING



# LI & FUNG LIMITED

Incorporated in Bermuda with limited liability  
Stock Code: 494

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of the Company will be held at Ground Floor, Hong Kong Spinners Industrial Building, Phases I & II, 800 Cheung Sha Wan Road, Kowloon, Hong Kong on 21 May 2015 at 11:30 a.m. for the following purposes:-

1. To receive and adopt the Audited Consolidated Accounts and the Reports of the Directors and the Auditors for the year ended 31 December 2014;
2. To declare a final dividend of 21 HK cents per share and a special dividend of 7 HK cents per share for the year ended 31 December 2014;
3. To re-elect the following Directors:-
  - (a) Mr Spencer Theodore Fung;
  - (b) Mr Paul Edward Selway-Swift;
  - (c) Mr Martin Tang Yue Nien;
  - (d) Mr Marc Robert Compagnon;
4. To re-appoint PricewaterhouseCoopers as Auditors and authorise the Board of Directors to fix their remuneration;
5. As special business, to consider and, if thought fit, pass the following resolution as an ordinary resolution:-

**"THAT:-**

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

## NOTICE OF ANNUAL GENERAL MEETING

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

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

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

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

“THAT:

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

## NOTICE OF ANNUAL GENERAL MEETING

(d) for the purposes of this Resolution:-

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

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

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

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

“**THAT:**

- (a) the adoption of the share award scheme (the “**Share Award Scheme**”) in accordance with the rules of the Share Award Scheme be and is hereby approved;
- (b) a mandate be and is hereby granted to the Directors of the Company during the Share Award Scheme Period (as defined below) to exercise all the powers of the Company to allot and issue shares of the Company underlying any awards granted under the Share Award Scheme;
- (c) the aggregate number of shares underlying all awards granted under the Share Award Scheme pursuant to the approval in sub-paragraph (b) of this resolution shall not exceed 3% of the total number of issued shares of the Company as at the date of this resolution (subject to adjustment in the event of sub-division of Shares, consolidation of Shares or bonus issue in accordance with the rules of the Share Award Scheme); and

# NOTICE OF ANNUAL GENERAL MEETING

(d) for the purposes of this resolution:-

**“Share Award Scheme Period”** means the period from the passing of this resolution until the business day immediately prior to the tenth (10th) anniversary of the passing of this resolution.”

By Order of the Board  
**Terry Wan Mei Chow**  
*Company Secretary*

Hong Kong, 21 April 2015

*Remarks:*

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

*Hong Kong Time*  
2015

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

Record Date	20 May
Latest time to lodge transfer documents with Share Registrar <sup>(Note i)</sup>	4:30 p.m., 20 May

*For determining Shareholder's entitlement to the proposed final dividend and special dividend*

Latest time to lodge transfer documents with Share Registrar <sup>(Note i)</sup>	4:30 p.m., 27 May
Book Closure Date <sup>(Note ii)</sup>	28 to 29 May
Expected despatch date of dividend warrants	5 June

*Notes:*

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