LI & FUNG LIMITED

(Incorporated in Bermuda with limited liability)
Stock Code: 494

中期業績報告 Interim Report 2014

Contents

Corporate information

Executive Directors

William FUNG Kwok Lun
Spencer Theodore FUNG
Marc Robert COMPAGNON

Non-executive Directors

Victor FUNG Kwok King
Paul Edward SELWAY-SWIFT*
Allan WONG Chi Yun*
Franklin Warren McFARLAN*
Martin TANG Yue Nien*
FU Yuning*
Margaret LEUNG KO May Yee*

** Independent Non-executive Directors*

Group Chief Compliance Officer

Srinivasan PARTHASARATHY

Chief Financial Officer

Edward LAM Sung Lai

Company Secretary

Terry WAN Mei Chow

Auditor

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Certified Public Accountants
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Principal Bankers

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Highlights

(US$ million)	**2014**	2013 (Restated)	Change
Turnover	**8,710**	8,467	+3%
Total margin	**995**	985	+1%
As % of turnover	***11.4%***	*11.6%*	
Core Operating Profit	**227**	249	(9%)
As % of turnover	***2.6%***	*2.9%*	
Loss from Discontinued Operations	**(98)**	(49)	N/A
Profit attributable to Shareholders	**111**	96	+16%
Profit attributable to Shareholders (excluding loss from Discontinued Operations)	**210**	145	+45%
Earnings per Share – Basic (excluding loss from Discontinued Operations)	**19.6 HK cents**	13.5 HK cents	
(equivalent to)	**2.51 US cents**	1.73 US cents	
Dividend per Share	**13 HK cents**	15 HK cents	

- Successful spin-off of Global Brands
- Simplification of business back to core business of sourcing and logistics
- Turnover increased by 3% to US$8,710 million despite weak retail market and geo-political uncertainties
- Investments in 2014 to position for organic growth, resulting in core operating profit decrease of 9% to US$227 million
- Profit attributable to Shareholders (excluding loss of discontinued operations) increased by 45% to US$210 million
- Vendor Support Services set up to focus on sustainability of the global supply chain

Chairman's statement

2014 marks the first year of our current Three-Year Plan (2014-16) which outlines our key strategies to strengthen our position as the world's leading global supply chain manager for consumer goods.

We began implementation of the Plan by successfully spinning-off our brands and licensing business, Global Brands, as a standalone entity. The separation of Global Brands enables the newly listed company to focus on growing its brand business with the support of Li & Fung's global sourcing network, while enabling Li & Fung to continue to leverage on Global Brands's growth as a key customer. We believe the reorganization into two companies operating in distinctly different areas of business will deliver long-term benefits to both Li & Fung and Global Brands as well as to shareholders of both companies.

The Spin-off also highlights Li & Fung's determination to simplify and focus on our core business as a pureplay supply chain management company. As part of this transition, Spencer Fung has assumed the role of Group CEO of Li & Fung, effective July 2014, while Bruce Rockowitz has become the CEO of Global Brands. Spencer, Bruce and the senior management team have worked very closely for many years and the succession planning for this transition has been part of that process. Having spent over 13 years in different parts of our company, and most recently as our Group COO, Spencer has been deeply involved in our business and was instrumental in developing our new Three-Year Plan. He is the fourth generation of the Fung family to lead this great company.

Going forward, Li & Fung will continue to position itself as a pureplay supply chain management company with low volatility, maintaining our dominance in the global consumer goods sourcing arena. Whether a customer wishes to use our sourcing services on a buying agency basis at factory cost plus our commission, or on a principal-to-principal basis FOB country of origin, or on a wholesale basis landed, duty-paid in the customer's country; different operating platforms in Li & Fung's sourcing network will cater to each customers' needs. The same customer may work with us in multiple ways. In addition, our Logistics business offers our customers a complete logistics solution, supporting our customer on an in-country basis or in freight forwarding. I believe we have the right strategy, platform and team in place to lead Li & Fung on the path towards sustainable growth while increasing shareholder value.

Performance

In the first half of 2014, export market conditions remain challenging despite some improvement in consumer confidence in selected regions. A prolonged winter during the first quarter negatively impacted US retail sales in the first six months of 2014. Economic recovery in the Eurozone showed varied progress and the UK and Germany continued to lead the region while the performance of other European countries lagged. A slowdown in the broader economy negatively affected consumer sentiment in China and various geo-political events in several Southeast Asian countries added to slow down of our business in Asia.

Despite this challenging environment, turnover increased by 3% while our total margin was up slightly at 1%. As with previous Three-Year Plans, the first year is when we invest in people, new initiatives and infrastructure that usually result in an increase in operating costs and this holds true as we gear up to reach our Three-Year Plan targets set for 2016. Hence, core operating profit decreased by 9% to US$227 million mainly due to those additional investments. Profit attributable to Shareholders (excluding the loss from Global Brands) increased by 45% to US$210 million and we ended the first half of 2014 with a solid cash balance of US$544 million. The Board has resolved to declare an interim dividend of 13 HK cents per share (2013 interim: 15 HK cents).

Looking to the second half of 2014, we anticipate that the pace of global economic growth will be tepid, political uncertainties abound and the outlook remains mixed with both challenges and opportunities.

Key Challenges and Opportunities

China, our key production country, is undergoing a major structural reform as it shifts away from an export-driven economy to a more domestic consumption-oriented growth model. Policy driven increases in minimum wage across the country has impacted labor costs in recent years. The consequential shift of production to more remote parts of China as well as to South and Southeast Asia has also begun. However, this shift is slow as new supply chains need to be built and industrial safety and political events in markets like Bangladesh and Vietnam affected their production in the first half of this year. We expect this production shift to accelerate in the year ahead and Li & Fung is well-positioned to facilitate and benefit from this trend. Our large sourcing network already covers and is well established in all of the alternative markets to China. As production shifts to these countries, we will be supplying factories there with raw materials, primarily and initially from China.

While China, as a market to sell to, will be a huge potential market for Li & Fung in the future, in the near term, there is a slowdown in the broader economy which has negatively affected consumer spending. This trend is reflected in the slower growth recorded by our LF Asia business in the first half. However, our Logistics business in China and throughout Asia continues to grow strongly, increasing market share. The longer term prospect of an expanding middle class in Asia bodes well for both LF Asia and LF Logistics with their pan-Asian footprint.

With global online sales surpassing US$1 trillion, the ability to integrate online and offline sales channels has become the key differentiator of success for brands and retailers globally. As a key sourcing partner for these brands and retailers, our ability is no longer judged by cost alone, but by a combination of speed, flexibility and services that can adapt to the evolving needs of our customers, characterized by shorter lead times, a more complex assortment of products, and the ability to do more online. We have been helping our existing traditional brand and retail customers to manage this e-commerce progression, providing them with efficient omni-channel sourcing solutions. E-commerce pureplays are relatively new in the retail market and the majority is still trying to increase customer penetration levels and improve profitability. Some are going in the direction of developing their own private label businesses, and we are starting to help them develop their sourcing. We believe that over time, this sector will grow in importance to us.

In January of this year, we announced a whole new initiative in our relationship with our vendor base. Instead of working with vendors as a part of our customer oriented supply chains, we will treat them as customers in their own right and offer, a whole range of vendor-related services such as procurement support for raw materials and parts, compliance training, risk management, product testing and trade credit services. Our Vendor Support Services business unit has been up and running since the early part of the year to coordinate and consolidate our existing teams under one umbrella. Especially in view of the anticipated migration of production, we are able to offer advice, training and services to assist vendors in achieving required international standards both in terms of upgrading their own capabilities as well as benefiting Li & Fung's business and customers.

Prospects

Whilst developed markets such as the US and Europe will continue their modest recovery, consumption growth will largely come from Asia, particularly China. Over the next three years, we will devote our resources to growing our businesses organically, broadening our client base and expanding services to existing customers. By treating our vendor base as an important client, we will build a stronger link for our supply chain and produce an additional revenue stream for the business. Our new freight forwarding platform will complement existing sourcing services and we will focus on enhancing cross-selling and nurturing our Logistics business. Our established business presence and in-depth local market knowledge will best position us to take advantage of the growing affluence across Asian markets.

With our global presence and multi-channel sourcing platform, we are well-equipped to capture opportunities in the value chain. We see tremendous opportunities to win new customers and cross-sell between our operating groups to grow our business. It is a truly exciting time for Li & Fung and we are confident in our ability to achieve the goals that we have set forth in the current Three-Year Plan.

William FUNG Kwok Lun
Group Chairman

Hong Kong, 21 August 2014

We connect the supply chain to bring our customers the goods they rely on every day.

Management discussion and analysis

Business Review

2014 marks the start of a new chapter for Li & Fung (the "Group") as we continue to solidify our leading position in global supply chain management. As set out in our current Three-Year Plan announced in March, we have reorganized our various operating groups in order to set the stage for our next phase of organic growth. The license and brand business of the Group, named the Global Brands Group, was subsequently spun-off via a 100% distribution in specie with a listing on the Stock Exchange on 9 July 2014. Global Brands will continue to be a vital part of Li & Fung, but in a new way as a valuable customer.

The new, simplified Li & Fung Group will continue to build on its core competencies to maintain its dominant market position in consumer product sourcing by effectively managing the complexities of the global supply chain with the complementary capabilities of an expanded logistics business, to provide comprehensive sourcing and logistics solutions to our customers.

Our Business Model

Our business is to provide global sourcing for our key brands and retail customers through our extensive worldwide network of factories and suppliers, producing a diverse range of products from apparel and accessories to furniture and beauty items.

At Li & Fung, we pride ourselves as being the sourcing partner of choice in providing best-in-class sourcing and logistics solutions for brands and retailers. We focus on three attributes to guide our business to create value in services we provide to our customers.

1. One-stop Shop for Brands and Retailers

The sourcing supply chains have become increasingly complex over the years. Within this complex environment, Li & Fung simplifies the procurement process by providing comprehensive solutions to manage our customers' entire supply chain, starting from product design and raw materials procurement, to vendor compliance, production monitoring and warehouse logistics, to the final delivery of goods. We have a broad product range, from hardgoods to softgoods, and operate on a produce-to-order basis. We cater to every buying and product sourcing needs of our diverse customer base whether they source under an agency or principal basis, and whether goods are shipped on a free-on-board (FOB) or landed-duty-paid (LDP) basis.

End-to-end Supply Chain Management

2. Scale and Efficiency

The demand for shorter lead times and a wider assortment of products, combined with the broad geographic dispersal of production facilities across a large number of emerging markets, has made effective supply chain management a critical priority. For retailers and brands, operating and managing their supply chain is typically not a core competency and requires substantial resources in terms of fixed cost and management time.

Our Group operates on a scale unparalleled to that of any individual customers' in-house sourcing offices. With our global network and extensive local presence in over 40 countries, we are able to realize significant operating leverage and cost savings. Our scale enables us to consolidate orders and procurement decisions, allocate production globally, standardize factory compliance and quality assurance, plan logistics arrangements, and offer our customers the most competitive pricing for their sourcing needs.

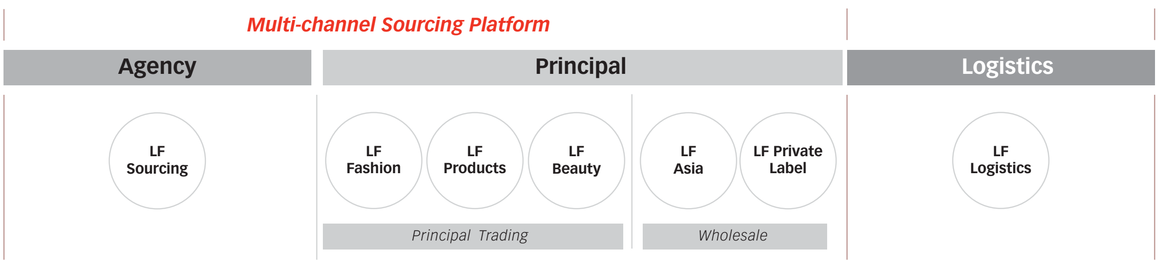
3. Flexibility and Risk Diversification

As production is primarily based in emerging markets, the global supply chain is prone to uncertainty and disruption. We witnessed this in the first half of 2014 with the riots in Vietnam and the military coup in Thailand. The Group's flexibility in adapting to the changing needs of the market and our ability to react quickly with solutions to any issues in the supply chain are an important part of the value we bring as a sourcing partner. Our on-the-ground teams, the large amount of transactions we engage in each day and our globally connected systems provide us with valuable insight into market dynamics and real time analysis on the production capacity and the quality of our global network of suppliers. This powerful knowledge and insight support our supply chain planning and management processes, including raw material procurement, order allocation and transfer and distribution of goods, to ensure that we achieve optimal utilization and minimize risks of disruption in each element of the supply chain. Our network provides flexibility and risk diversification in an uncertain world.

Recent Reorganization

Following the spin-off of Global Brands, we are focused on further simplifying our organization. As a result, Li & Fung reorganized its businesses into two Networks: Trading and Logistics. The Trading Network focuses on providing global sourcing solutions for customers' brands on an agency or principal basis, while the Logistics Network encompasses our in-country logistics as well as recently enhanced freight forwarding capabilities.

Together, our two Networks form a multi-channel sourcing platform to serve all of the buying needs of our customers, regardless of whether they are national brands or private labels, require on-shore or off-shore services, or sell via physical retail or e-commerce channels. This platform places us in a unique position to capture additional market share for each of our businesses through our vast global network, product diversity and economies of scale.



Strategy in Action

As we look ahead to our current Three-Year Plan (2014-2016), we believe the following themes will be the key drivers of our growth:

1 Organic Growth

2 New Geographies and Channel Expansion

3 Vendor Support Services

- *Organic growth:* Through our current platform, we will further strengthen our organic growth initiatives by focusing on gaining new customers and developing additional business with existing customers. We continue to invest in nurturing long-term relationships with our customers to stay ahead of their needs by a deeper understanding of their business challenges and opportunities and supply chain requirements. We try our best to maximize the share-of-wallet of our existing customers by exploring new ideas to improve efficiencies in their supply chain, offering differentiated products and services and developing innovative solutions, such as RFID and customer analytics.

- *New geographies and channel expansion:* Traditionally, Li & Fung's business was centered on Europe and US markets. In the previous Three-Year Plan (2011-2013), we broadened our geographic focus by laying the groundwork to capture growing consumer purchasing power in Asia and other countries. This focus will continue to be an important part of our new Three-Year Plan. In addition, our customers worldwide are facing new challenges and opportunities presented by the growth of e-commerce. Li & Fung is expanding our capabilities to support our customers in this new channel of distribution in both the sourcing and logistics businesses.

- *Vendor Support Services ("VSS"):* Treating vendors as customers will open up a whole new arena of opportunities for Li & Fung in this Three-Year Plan. While VSS already has a potential client base of over 15,000 suppliers that have existing relationships with Li & Fung, our addressable market is essentially the entire global vendor base. Our dedicated VSS teams are devoting considerable resources on the ground to support and upgrade our vendor base to meet the highest standards of sustainability and safety in order to enable their factories to move up the value chain. The services that we provide include safety and compliance training and audits; fabric, trims and accessories procurement; product development; trade credit services; handling of letters of credit; product liability insurance and other technical or operations support. Our aim is to develop a holistic relationship with our existing vendors, deepen our local knowledge and partner with additional vendors in new locations around the world. Our focus on this area will further enhance the overall sustainability of the supply chain. In the long-term, we believe our efforts will increase vendor loyalty, strengthen our supply chain and enhance the quality of service we offer to our customers, all of which creates a win-win situation for every stakeholder in the supply chain.

An important goal of the strategies and initiatives that we are undertaking is to create sustainable value for our Shareholders by focusing on the three key priorities:

1 Generate Free Cash Flow	**2 Improve ROIC**	**3 Return Cash to Shareholders**

- Generate free cash flow with lower working capital requirement and decrease payments for acquisition payable
- Improve return on invested capital via organic growth and prioritizing investments
- Return cash to Shareholders by maintaining a high dividend payout policy as well as potentially through other forms

Results Overview

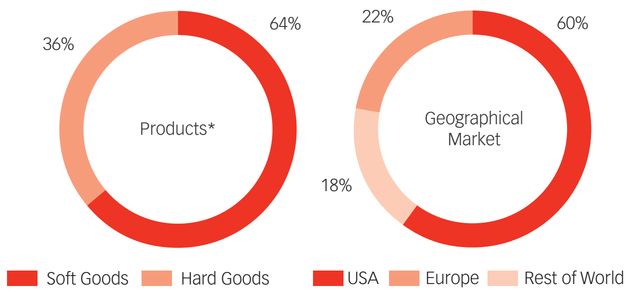
	1H2014 US$m	1H2013 US$m	Change US$m	%
Turnover	**8,710**	8,467	243	*+3%*
Total margin	**995**	985	10	*+1%*
	11.4%	*11.6%*		
Operating costs	**768**	736	32	*+4%*
Core operating profit	**227**	249	(21)	*(9%)*
	2.6%	*2.9%*		
Profit Attributable to Shareholders (ex-Loss from Discontinued Operations)	**210**	145	65	*+45%*
EPS (HK cents)	***19.6***	*13.5*		*+45%*

2014 is a year of transition and investment. We have reorganized our three Networks and completed the spin-off of Global Brands and made investments in our operations to position the Group for organic growth. As Global Brands was spun-off in July 2014, we have restated our financials and reclassified Global Brands as discontinued operations in the interim results of 2014. Our discussion of the results therefore does not include contribution from Global Brands for the six months ended both 30 June 2013 and 30 June 2014.

Li & Fung achieved solid results in the first half of 2014 amidst a mixed economic landscape. We delivered modest growth in turnover and total margin. As with previous Three-Year Plans, the first year is when we invest in people and initiatives that usually result in increase in operating costs as we gear up to reach our Three-Year Plan targets set for 2016. While we are investing in new employees in new markets and services, new offices, and IT infrastructure to support the organic growth in the business over the next three years, the investments will negatively impact our core operating profit in 2014.

Key financial highlights for the six months ended 30 June 2014, as compared to the same period in the previous year, are as follows:

- Total turnover increased by 3% to US$8,710 million on the back of moderate growth in the Trading Network and a 44% increase in turnover in the Logistics Network
- Total margin was largely stable and increased by 1% to US$995 million, due to softness in our Principal business
- Core operating profit decreased by 9% to US$227 million, and core operating profit margin decreased from 2.9% to 2.6%, mainly as a result of strategic additional expenditure on people, infrastructure and service initiatives geared towards delivering on the full Three-Year Plan
- Profit attributable to Shareholders (excluding results from discontinued operations) increased by 45% to US$210 million, which included a non-cash gain of US$98 million on the write-back of contingent considerations



* Turnover of Trading Network only

For the six months ended 30 June 2014, the Trading Network accounted for 96% of the Group's turnover and 92% of core operating profit. Softgoods and hardgoods accounted for 64% and 36% of the Trading Network's turnover respectively.

Geographically, the US continued to be the Group's key export market, representing 60.0% of total turnover and up slightly from 59.6% in the same period last year. Overall US turnover grew by 3.5%, mainly driven by the strong growth in retail sales of key customers in home furniture and kids wear products. Europe stayed flat at 18.2% of total turnover (versus 18.0% in first half 2013) with turnover growing by 4.2% as compared to last year, leveraging on the growth of the European business of Global Brands.

Rest of world accounted for 21.8% of total turnover (versus 22.4% in first half 2013). Asia accounted for 13.6% of total turnover, slightly down from 14.3% in the same period last year. China alone accounted for 7.8% against 8.2% last year, mainly from the slower growth in the wholesale business in the first six months of the year, but this was offset by new customer wins in our Trading business and contribution of our new freight-forwarding acquisition. The rest of Asia accounted for 5.8% of total turnover down from 6.1% in the first half 2013 due to the slower growth of the region combined with political uncertainties in Thailand in the first half. Turnover percentage in the rest of the regions remained flat at 8.2% (versus 8.1% in first half 2013) as Canada, Australasia and Central and Latin America continued to deliver steady growth from their respective underlying economies whilst South Africa and Middle East reported a decline.

As part of our current Three-Year Plan reorganization, Li & Fung has begun investing in resources and operating expenses for Vendor Support Services, as well as for new products, services and infrastructure to drive the geographic expansion of our operating groups. We have also incurred one-time reorganization costs relating to redundancies and asset write-offs to formulate our current multi-channel sourcing platform and facilitate the spin-off of Global Brands.

The first half of 2014 was characterized by a general weakness in retail sales and uncertain political and macroeconomic conditions. The outlook of our key markets, US and Europe, continues to be uncertain and we expect market conditions to remain challenging. We have witnessed customers buying closer and closer to the season. While we have good visibility in back-to-school and early holiday season orders, we have less visibility in Q4 and Spring season orders. Most customers are delaying order decisions until they get better indications about consumer confidence in Q3. Furthermore, the recent Russia and Ukraine crisis has reduced foreign travel by Russian nationals, which is starting to impact the European retail markets favored by Russian tourists. This development is still in the early stages and we are monitoring the situation carefully. In China, which remains Asia's most important economy, the government's focus on fighting corruption and its pull back on being an export driven economy is impacting consumption in the short term. However, we still see ample opportunities in this market over the long term. In the second half of 2014, we will continue to focus our efforts on capturing market share and new customer wins to provide catalysts for further strengthening our business. At the same time, we will continue to implement our plans for organic growth and invest in key strategic areas to support our Three-Year Plan.

Strong Liquidity Profile

Li & Fung relies on a strong and stable cash flow conversion business to fund its working capital, dividends, interest expenses and capital expenditures.

As disclosed in our 2013 annual consolidated results, we started this year with a cash and bank balances of US$460 million. Excluding the US$115 million cash and bank balances belonging to Global Brands, the pro forma cash and bank balances for the Group was US$344 million at the beginning of 2014. Our cash balance rose by US$199 million to US$544 million by the end of June 2014 mainly due to:

- Operating cashflow of US$201 million, which is in line with core operating profit after tax payments
- Capital expenditure and acquisition-related payments of US$143 million, including consideration payable for previous acquisitions and new acquisitions such as China Container Lines
- US$594 million shareholders' loans repayment from Global Brands, offset by capital injection of US$15 million to Global Brands
- Dividends paid for the 2013 financial year final dividend of US$367 million
- Interest expenses paid and distribution to perpetual capital securities holders of US$66 million

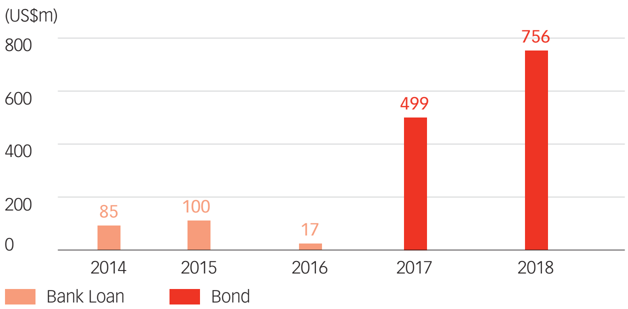
As of 30 June 2014, we have available bank loans and overdraft facilities of US$1,618 million, out of which US$202 million were drawn down. The unused limits amounted to US$1,416 million, with US$704 million being unused committed facilities.

Given that our priority to return cash to Shareholders and that we have the ability to generate positive cash flow, the Group's approach is to maintain a reasonable cash balance only at a level to fund seasonal working capital needs on an on-going basis. Hence, we have proposed an interim dividend of 13 HK cents per share (or US$139 million in total) and shall explore additional options of distributing cash to Shareholders.

Solid Balance Sheet

Our financial position remained strong with a cash position of US$544 million, and a decrease in the Group's net debt (total borrowings minus cash) from US$1,006 million as of 31 December 2013 to US$913 million as of 30 June 2014. The Group's gross debt was US$1,457 million as of 30 June 2014, with a weighted average tenor of over 4 years. The majority of our debt is at a fixed rate and denominated in US dollars.

Below is the debt maturity profile of the Group as of 30 June 2014:



Our net gearing ratio as stated in the unaudited consolidated balance sheet was 15% as of 30 June 2014 (versus 15% as of 31 December 2013). If we assumed that the spin-off and distribution of Global Brands had occurred on 31 December 2013 or 30 June 2014, our total equity would decrease to US$3,177 million or US$3,024 million respectively. Our pro forma net debt would be US$1,119 million as of 31 December 2013 and US$913 million as of 30 June 2014. Our pro forma net gearing would be 26% as of 31 December 2013 and 23% as of 30 June 2014.

The Group continued to adopt a conservative approach in managing its balance sheet and capital structure with a solid equity base, low gearing, and strong investment-grade credit ratings. As at 30 June 2014, the Group maintained credit ratings from Moody's and Standard & Poor's of Baa1 (stable outlook) and BBB+ (stable outlook) respectively.

Network Segmentation

Following our reorganization, Li & Fung is now structured into two Business Networks:

Trading Network

The Trading Network comprises our agency, principal trading and on-shore wholesale businesses.

Our Agency business is the Group's core business and continued to be the biggest turnover contributor in the first half of the year. LF Sourcing, the sole operating group under the Agency business, enters into long-term strategic buying agreements with customers and oversees and manages the entire global sourcing process. This provides customers with full transparency and control in their supply chains.

Our Principal business is organized into Principal Trading, which is comprised of three operating groups, LF Fashion, LF Products and LF Beauty, and Wholesale, which is comprised of LF Asia and LF Private Label. This structure allows for a greater degree of product specialization within our team and closer alignment with the needs of our customers. Depending on customers' requests, we are able to act as a wholesaler (deliver products to countries on an on-shore basis) or as a principal (customers trade at sourcing countries on FOB basis), always providing customized end-to-end and value-added services in either arrangement. Irrespective of the arrangement, customers rely on our extensive product knowledge and deep expertise to manage their supply chains.

	1H2014	1H2013	Change	
	US$m	US$m	US$m	%
Turnover	**8,369**	8,232	137	*+2%*
Total margin	**893**	894	(1)	–
	10.7%	*10.9%*		
Operating costs	**685**	660	24	*+4%*
Core operating profit	**208**	234	(26)	*(11%)*
	2.5%	*2.8%*		

From a geographical perspective, the US represented approximately 62% of the Trading Network's total turnover, with Europe and Rest of World representing 18% and 20%, respectively.

In the US, total turnover increased by 3.5% as LF Products' home furniture business benefitted from a recovering US housing market; however this was offset by the lackluster demand in fashion and apparel products in our US on-shore wholesale business. Total turnover in Europe increased by 2.1% as we continued to see a mild recovery in the UK and Germany. Total turnover in rest of the world decreased by 4.0% as LF Asia faced an economic slowdown in China and political disruption in Thailand.

Following completion of the reorganization, management is able to refocus on delivering organic growth and reaping the synergistic benefits of product development and cross-selling in the second half of this year. In first half of 2014, we started a number of new sourcing deals with major customers in the US and achieved new customer gains via cross-selling. For instance, LF Asia secured the China on-shore distribution business for Coty, which is a key customer of LF Beauty, despite an economic slowdown in China.

Total margin for the Trading Network was flat and percentage to turnover remained similar at 10.7% (first half 2013: 10.9%). Operating costs increased year-on-year to US$685 million, mainly from the full period operating costs of Whalen Furniture, which we acquired in May 2013, and the increase in investments in human resources and product development capabilities in our Principal Trading and Wholesale businesses to provide holistic solutions to our customers. We also invested in resources for our Vendor Support Services as a medium to long-term strategy to improve our operational efficiencies and supply chain sustainability. The 11% decline in core operating profit to US$208 million, representing a decrease of US$26 million from the same period last year, was mainly attributed to the above reasons.

The Group maintains a global Trading Network covering more than 40 economies, which allows for flexibility when moving orders from one production country to another to handle capacity constraints and satisfy customers' needs. Within this global network, the top three sourcing countries for the Group remained China, Vietnam, and Bangladesh. China held its position as the Group's largest sourcing country with softgoods and hardgoods accounting for 49% and 51%, respectively, while Vietnam and Bangladesh continued to be the second and third largest sourcing countries, with 91% and 99% being softgoods respectively.

Logistics Network

The Logistics Network comprises our in-country logistics and freight forwarding businesses.

In-country logistics offers Asia-focused in-country logistics solutions and specializes in key verticals, namely footwear and apparel, fast-moving consumer goods, retail and food and beverage.

Freight forwarding offers cross-border logistics services at origin and destination to supplement our in-country logistics solutions. The scale of this business has increased significantly subsequent to the acquisition of China Container Line, a leading sea-freight forwarder in China, in first half of 2014.

	1H2014	1H2013	**Change**	
	US$m	US$m	US$m	%
Turnover	**349**	243	106	*+44%*
Total margin	**102**	90	12	*+13%*
Operating costs	**84**	76	7	*+10%*
Core operating profit	**19**	14	4	*+31%*
	5.3%	*5.9%*		

In the first half of 2014, the Logistics Network continued to demonstrate robust growth with a 44% increase in turnover and a 31% increase in core operating profit compared to the same period in 2013. This strong set of results comes from organic growth through new business wins and cross-selling across Networks, as well as from the acquisition of China Container Line. For first half 2014, 43% of the turnover was from China, 36% of the turnover was from the rest of Asia, and 21% of the turnover came from the rest of the world.

Core operating profit increased by 31% while core operating margin declined from 5.9% to 5.3% as a result of the acquisition of China Container Line. Compared with our existing in-country logistics business, freight forwarding has a lower operating margin in line with the industry.

The successful integration of the newly acquired freight forwarding business will accelerate the growth of the logistics business and provide synergies with the rest of our businesses. This in turn should benefit the Group in terms of both revenue growth and profitability. We will sustain our organic growth momentum supplemented by strategic acquisition in freight forwarding.

Discontinued Operation – Global Brands

With the spin-off of Global Brands, its first half 2014 results have been reclassified to discontinued operations. Global Brands' business, cash flow and profitability are typically skewed towards the second half of the year due to the impact of seasonality on its distribution business. With the increase in operating expenses associated with the launch of new brands in the second half of 2014, as well as costs incurred in relation to the reorganization and listing, Global Brands recorded a loss of US$98 million for the six months ended 30 June 2014, as compared to a loss of US$49 million for the first half of 2013.

Contingent Liabilities and Goodwill

Adjustments to Purchase Consideration Payables

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

The Group follows a stringent internal financial and accounting policy in evaluating potential adjustment to the estimated fair value of purchase consideration payable in accordance with the accounting standard HKFRS 3 (Revised) "Business Combination." The Group's contingent consideration payables are performance based payments in the form of "earn-out" and "earn-up" depending on a set of predetermined performance targets mutually agreed with the entrepreneurs in accordance with the sale & purchase agreement. Earn-out payments are generally payable within three to four years whereas earn-up payments have a higher performance target threshold and are typically payable over a period of up to five to six years upon completion of a transaction. As at 30 June 2014, the Group had outstanding contingent consideration payables of US$683 million, of which US$492 million was primarily earn-out and US$192 million was earn-up.

While many of its acquired businesses remain profitable and are growing, the Group may still be required to make a downward fair value adjustment to certain consideration payable should the acquired businesses be unable to achieve the predetermined performance threshold within the specific timeframe as stipulated in the sale & purchase agreement. Given that the contingent consideration entitlement is usually contractual in nature and is based on a specific formula linking to a particular threshold, the underlying business performance of the acquired businesses could continue to perform and grow, yet the Group may still be required to adjust the consideration payable, especially if the high performance thresholds of earn-ups are not reached. For the six months ending 30 June 2014, there was approximately US$98 million of write-back of contingent considerations.

Goodwill Impairment Tests

The Group performed goodwill impairment tests based on the cash generating units ("CGU") which manage the acquired businesses in accordance with HKAS 36. Based on the Group's assessment of all of the CGUs under the current operating structure, the Group has determined that there is no goodwill impairment as of 30 June 2014, as the recoverable amount of each CGU was in excess of its respective carrying value of the goodwill. The Group will continue to perform goodwill impairment tests on an on-going basis.

Banking Facilities

Trade Finance

The Group's normal trading operations are well supported by over US$2,600 million in bank trading facilities including mainly letters of credit issued to suppliers and bills discounting. A letter of credit is a common means of payment to suppliers to support cross-border trades. The Group's payment obligations on letters of credit issued to suppliers will only be crystallized when our suppliers have shipped the merchandise to our customers or to the Group in accordance with all of the terms and conditions specified in the related contractual documents. As at 30 June 2014, approximately 34% of the bank trade facilities were utilized.

Bank Loans and Overdrafts

The Group (excluding the Global Brands) had available bank loans and overdraft facilities of US$1,618 million, out of which US$821 million were committed facilities. As at 30 June 2014, US$202 million of the Group's bank loans and overdraft facilities were drawn down, with US$117 million being committed facilities. The unused limits on bank loans and overdraft facilities amounted to US$1,416 million, with US$704 million being unused committed facilities.

Bank Loans and Overdraft Facilities as of 30 June 2014:

	Limit US$m	Outstanding US$m	Unused Limit US$m
Committed	821	117	704
Uncommitted	797	85	712
Total	1,618	202	1,416

Net Current Assets

As the spin-off and listing of the Global Brands was completed on 9 July 2014, its assets and liabilities were recorded as "assets held for distribution" and "liabilities held for distribution" in our balance sheet and amounted to US$4,795 million and US$2,029 million respectively as of 30 June 2014.

Our current ratio as stated in the audited consolidated balance sheet was 1.1 as of 31 December 2013. Assuming the Spin-off and distribution occurred on 30 June 2014, the Group has a pro-forma current ratio of 1.0. The pro-forma current ratio is calculated based on current assets of US$3,685 million (including US$478 million trade receivable from Global Brands arising from our sourcing arrangement with them) and the current liabilities of US$3,613 million.

Risk Management

The Group has strict policies governing accounting control, credit and foreign exchange risk and treasury management.

Credit Risk Management

Credit risk mainly arises from trade and other receivables. The Group has stringent policies in place to manage its credit risk with such receivables, which include, but are not limited to, the measures set out below:

- The Group selects customers in a cautious manner. Its credit control team has implemented a risk assessment system to evaluate the financial strength of individual customers prior to agreeing on trade terms. It is not uncommon for the Group to require securities (such as standby or commercial letters of credit, or bank guarantees) from a small number of its customers who fall short of the required minimum score under its Risk Assessment System;

- A significant portion of trade receivable balances are covered by trade credit insurance or factored to external financial institutions on a non-recourse basis;
- A new system with a dedicated team and tightened policies has been established to ensure on-time recoveries from trade debtors; and
- Rigid internal policies which govern provisions made for both inventories and receivables are in place to motivate business managers to step up their efforts in these two areas and to avoid any significant impact on their financial performance.

Foreign Exchange Risk Management

Most of the Group's cash balances are deposits in HK$ and US$ with major global financial institutions, and most of the Group's borrowings are denominated in US$.

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

While the Group's net revenue is substantially in US$, we are exposed to currency fluctuations on operating costs in sourcing countries such as China, Bangladesh, Vietnam, Korea and India to a certain extent. We manage such foreign currency risks through the following measures:

- From a short-term perspective, we arrange foreign exchange forward contracts for hedging on operating costs in individual countries as and when appropriate; and
- From a medium-to-long-term perspective, we manage our sourcing operations in the most cost effective way possible within our global network.

The Group in general does not enter into foreign currency hedges with respect to its long-term equity investment. In particular, the Group's net equity investments in non-US$ denominated on-shore wholesale businesses are subject to unrealized translation gain or loss on consolidation. Fluctuation of relevant currencies against the US$ will result in unrealized gain or loss from time to time, which is reflected as movement in exchange reserve in the consolidated statement of changes in equity.

The Group strictly prohibits any financial derivative arrangement merely for speculation.

Tax Dispute Update

As at the date of this Report, the Group has disputes with the Hong Kong Inland Revenue Department ("HKIR") involving additional tax assessments amounting to approximately US$251 million on both the non-taxable claim of certain non-Hong Kong sourced income ("Offshore Claim") and the deduction claim of marketing expenses ("Deduction Claim") for the years of assessment from 1992/93 to 2012/13.

The Commissioner of the HKIR issued a determination on 14 June 2004 to one of our subsidiaries, Li & Fung (Trading) Limited ("LFT"), confirming additional tax assessments totaling US$43 million relating to the years of assessment from 1992/93 to 2001/02. Based upon professional advice then obtained, the directors believed that the Group had meritorious reasons to justify appealing against the Commissioner's determination. Accordingly, LFT lodged a notice of appeal to the Board of Review on 13 July 2004. The appeal was heard before the Board of Review in January 2006.

The Board of Review issued its decision on 12 June 2009 ("the Board of Review Decision") and held partially in favour of LFT. It agreed that the Offshore Claim for the years of assessment from 1992/93 to 2001/02 is valid. In other words, the relevant assessments in respect of such Offshore Claim should be annulled. On the other hand, the Board of Review disagreed with the Deduction Claim for the years of assessment from 1992/93 to 2001/02. Therefore, the relevant assessments in respect of such Deduction Claim should be confirmed.

The Group considered the reasoning of the Board of Review Decision and, having obtained professional advice, decided to lodge an appeal against the Board of Review Decision in respect of the Deduction Claim.

The HKIR also lodged an appeal against the Board of Review Decision in respect of the Offshore Claim.

On 19 March 2010, the Board of Review stated a case on questions of law in respect of both LFT's appeal on the Deduction Claim, and the HKIR's appeal on the Offshore Claim. On 1 April 2010, both LFT and HKIR transmitted the stated case to the High Court for determination.

The appeal by HKIR in respect of the Board of Review Decision on the Offshore Claim was dismissed by the Court of First Instance on 18 April 2011, which upheld the Board of Review Decision. LFT was also awarded costs of the appeal by the Court of First Instance.

On 16 May 2011, the HKIR lodged an appeal against the judgment of the Court of First Instance to the Court of Appeal, which was heard by the Court of Appeal on 14 and 15 February 2012. On 19 March 2012, the Court of Appeal delivered its judgment. It upheld the judgment of the Court of First Instance, dismissed HKIR's appeal and awarded costs of the appeal of LFT. Any appeal against the judgment of the Court of Appeal to the Court of Final Appeal requires permission of the Court of Appeal or the Court of Final Appeal. As no application for such permission was submitted by the HKIR within the prescribed time limit, the Court of Appeal judgment on the Offshore Claim is considered final.

Regarding LFT's appeal on the Deduction Claim, upon the consent of the parties, the Court of First Instance has remitted the case stated to the Board of Review and directed it to make further findings of fact and to determine certain issues. As at the date of this Report, further direction and decisions from the Board of Review are awaited.

The Group has also filed objections with HKIR against the remaining additional tax assessments of US$208 million. The case before the Board of Review and eventually the Court of Appeal only applies to the additional tax assessments in respect of LFT for the years of assessment from 1992/93 to 2001/02. The Group's dispute with HKIR regarding the remaining additional tax assessments in respect of certain other subsidiaries for the years of assessment from 1992/93 to 2001/02, and in respect of the Group for the period after the 2001/02 assessment years is ongoing and has not yet been determined. Such dispute is therefore not yet before the Board of Review, and no hearing is currently scheduled.

Based on the assessment of the Group's professional advisers on the merits of LFT's further appeal in respect of the Deduction Claim and HKIR's further appeal in respect of the Offshore Claim (which has now been dismissed by the Court of Appeal), and having taken into account the impact and ramification that the Board of Review Decision has on the tax affairs of LFT, the directors consider that no material tax liabilities will finally crystallize and sufficient tax provision has been made in the accounts in this regard.

On 11 June 2010, the Group also applied for a judicial review of the decision of the Commissioner of the HKIR rejecting LFT's application for an unconditional holdover of tax for the year of assessment 2008/09 pending the determination of the objection lodged with the HKIR. The Group purchased tax reserve certificates in respect of LFT for the year of assessment 2008/09 as directed by the Commissioner of the HKIR pending the decision of the judicial review application. As at the date of this Report, the hearing date for the judicial review application is yet to be fixed.

People

As at 30 June 2014, Li & Fung had a total workforce of 28,793. Excluding Global Brands, we have a total of 25,797 employees, of whom 6,439 are warehouse operations employees. In terms of geography, 4,078 employees were based in Hong Kong, 9,402 were based in Mainland China and 12,317 were based overseas.

Total manpower costs excluding Global Brands for the first half of 2014 were US$479 million, compared with US$435 million for the first half of 2013.

Corporate governance

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

Corporate governance practices adopted by the Company during the six-month period to 30 June 2014 are in line with those practices set out in the Company's 2013 annual report and on the Company's corporate website (*www.lifung.com*).

The Board

The Board is currently composed of three Executive Directors, one Non-executive Director and six Independent Non-executive Directors.

The role of the Group Chairman is separate from that of the Group Chief Executive Officer. This is to enhance their respective independence, accountability and responsibility.

The Board is responsible for setting up the overall strategy as well as reviewing the operation and financial performance of the Group. The Board held five meetings to date in 2014 (with an average attendance rate of 91%).

Board Committees

The Board has established the following committees (all chaired by an Independent Non-executive Director or a Non-executive Director) with defined terms of reference (available on Li & Fung's corporate website), which are on no less exacting terms than those set out in the Corporate Governance Code of the Listing Rules:

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

Nomination Committee

The Nomination Committee was established to make recommendations to the Board on the appointment of Directors, evaluate the Board composition (including Board diversity), assess the independence of Independent Non-executive Directors, manage Board succession and monitor the training and continuous professional development of Directors and senior management.

The Committee met three times to date in 2014 (with an average attendance rate of 94%). Its current members include:

Mr Paul Edward SELWAY-SWIFT* – *Committee Chairman*
Dr Victor FUNG Kwok King
Dr William FUNG Kwok Lun (appointed on 15 May 2014)
Professor Franklin Warren McFARLAN*
Mr Martin TANG Yue Nien* (appointed on 15 May 2014)
Dr FU Yuning*

Audit Committee

The Audit Committee was established to review the Group's financial reporting, internal controls and corporate governance issues and make relevant recommendations to the Board. All Committee members possess appropriate professional qualifications, accounting or related financial management expertise as required under the Listing Rules.

The Audit Committee met three times to date in 2014 (with an average attendance rate of 94%) to review with management and the Company's internal and external auditors, the Group's significant internal controls and financial matters as set out in the Committee's written terms of reference and make relevant recommendations to the Board.

The Committee's review covers the audit plans and findings of internal and external auditors, the external auditor's independence and performance, provision of non-audit services by our external auditor, the Group's accounting principles and practices, goodwill assessment, Listing Rules and statutory compliance, connected transactions, internal controls, risk management, treasury, financial reporting matters (including the interim financial information for the six months ended 30 June 2014 for the Board's approval) and the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function as well as their training programmes and budget. Its current members include:

Mrs Margaret LEUNG KO May Yee* (appointed as Committee Chairman on 15 May 2014)
Mr Paul Edward SELWAY-SWIFT* (resigned as Committee Chairman on 15 May 2014 and remains as Committee member)
Mr Allan WONG Chi Yun*
Professor Franklin Warren McFARLAN*
Mr Martin TANG Yue Nien*
Dr FU Yuning*

Risk Management and Sustainability Committee

The Risk Management and Sustainability Committee was established to make recommendations to the Board on the Group's risk management and internal control systems, and review of the Group's practices and strategies on corporate responsibility and sustainability. The Committee reports to the Board in conjunction with the Audit Committee.

The Risk Management and Sustainability Committee met three times to date in 2014 (with an average attendance rate of 89%) to review risk management procedures pertinent to the Group's significant investments and operations. The scope of review covers receivables management, credit risk management, inventory management, goodwill assessment, tax compliance issues, litigation exposures, acquisitions and integration, other operational and financial risk management as well as corporate responsibility and sustainability. Its current members include:

Dr Victor FUNG Kwok King – *Committee Chairman*
Mr Allan WONG Chi Yun* (appointed on 15 May 2014)
Dr William FUNG Kwok Lun
Mr Spencer Theodore FUNG
Mr Marc Robert COMPAGNON (appointed on 1 July 2014)
Mr Srinivasan PARTHASARATHY (Group Chief Compliance Officer)

Remuneration Committee

The Remuneration Committee was established to make recommendation to the Board on the remuneration policy for all Directors and senior management, including the grant of share options to employees under the Company's share option scheme, and determine the remuneration packages of individual Executive Directors and senior management. It annually reviews the Group's remuneration policy. Details of the Company's remuneration policy for Executive Directors, senior management and Non-executive Directors are set out in the Corporate Governance section on the Company's corporate website (*www.lifung.com*).

The Committee met two times to date in 2014 (with a 100% attendance rate) to review and determine all Executive Directors' and senior management's remuneration packages and the grant of share options under the Three-Year Plan 2014–2016. Its current members include:

Mr Allan WONG Chi Yun* – *Committee Chairman*
Dr Victor FUNG Kwok King
Professor Franklin Warren McFARLAN*
Mr Martin TANG Yue Nien*

* *Independent Non-executive Director*

Risk Management and Internal Control

The Board is responsible for maintaining a sound and effective system of risk management and internal controls in Li & Fung and for reviewing its effectiveness. Such system is designed to manage the risk of failure to achieve corporate objectives. It aims to provide reasonable but not absolute assurance against material misstatement, loss or fraud. Details of the Company's risk management and internal control processes are set out in the Corporate Governance section on pages 38 to 41 of the Company's 2013 annual report.

The Group's Internal Audit team within the Corporate Governance Division (CGD), under the supervision of the Group Chief Compliance Officer, independently reviews the compliance with the Group's policies and guidelines as well as legal and regulatory requirements, the internal controls and evaluates their adequacy and effectiveness. The Group Chief Compliance Officer reports all major findings and recommendations to the Audit Committee on a regular basis.

Based on the respective assessments made by management and the Group's CGD, the Audit Committee considered that for the six months ended 30 June 2014:

- the internal controls and accounting systems of the Group were in place and functioning effectively and were designed to provide reasonable assurance that material assets were protected, business risks attributable to the Group were identified and monitored, material transactions were executed in accordance with management's authorization and the interim financial information were reliable for publication.
- there was an ongoing process in place for identifying, evaluating and managing the significant risks faced by the Group.

Code of Conduct and Business Ethics

The Group's reputation capital is built on its long-established standards of ethics in conducting business. Guidelines of the Group's core business ethical practices as endorsed by the Board are set out in the Company's *Code of Conduct and Business Ethics* ("Code") (available at Li & Fung's corporate website) for all Directors and staff. All the staff are requested to abide by the Code and regular Code of Conduct trainings are also conducted for staff to reiterate the importance and principles of proper business ethics. For ease of reference and as a constant reminder, the Code is posted in the Company's internal electronic portal for reference by all staff.

Compliance with the Corporate Governance Code

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has been in full compliance with all of the applicable code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2014.

Directors' and Relevant Employees' Securities Transactions

The Group has adopted stringent procedures governing Directors' securities transactions in compliance with the Model Code. Relevant employees who are likely to be in possession of unpublished price-sensitive information ("Inside Information") of the Group are also subject to compliance with written guidelines on no less exacting terms than the Model Code. Specific confirmation of compliance has been obtained from each Director and relevant employee for the six months ended 30 June 2014. No incident of non-compliance by Directors and relevant employees was noted by the Company for the six months ended 30 June 2014.

The Company has also established a policy on Inside Information to comply with its obligation under the SFO and the Listing Rules.

Investor Relations and Communications

Li & Fung has a proactive policy for promoting investor relations and communications by maintaining regular dialogue and fair disclosure with Shareholders, fund managers, analysts and the media. Management attends investor meetings on a regular basis and has participated in a number of major investor conferences locally and overseas. The Group is followed by a large number of analysts, and many of them publish reports on it regularly.

Li & Fung's corporate website (*www.lifung.com*), which features a dedicated Investors section, facilitates effective communication with Shareholders, investors and other stakeholders, making corporate information and other relevant financial and non-financial information available electronically and on a timely basis. This includes extensive information about the Group's performance and activities via the annual report, interim report, press releases and announcements. Webcasts of presentation for interim and annual results briefings as well as presentations given by senior management at investor conferences have also been made available.

Information Technology

The development of the Advanced Shipping Notification (ASN) module within Total Sourcing was the logical extension of the vendor platform to leverage the confirmed shipment data not just for vendor payment and customer updates but also to use this data in the creation of packing lists, carton labels and electronic data interchange (EDI) to receiving locations for more accurate and faster receipt processes, thus supporting more efficient supply chain processes and providing the vendor network an integrated alternative to existing ASN solutions in the market. Initial pilots are underway.

Work continues to leverage data from transactions and to deliver it as management information through business intelligence dashboards internally, with plans to make such dashboards available to customers.

With the successful Spin-off and separate listing of Global Brands, focus was given to the decoupling of infrastructure and Enterprise Resource Planning (ERP) systems.

Security and Disaster Recovery Planning audits were conducted and successfully passed. Centralization and consolidation of systems to our data center continues, this together with support of the business growth has led to strategic investments in communications and storage.

Alignment with the business Three-Year Plan 2014-2016 of vendor evaluations for Freight Management and Transportation Management Systems are underway.

Infrastructure investments have been in further centralization and consolidation of servers for both production and backup in separate centers, core protection companywide and infrastructure continue to support the growth in EDI. Internet Protocol Telephony has been extended from the desk to smart devices.

Sustainability

Sustainability is an integral part of Li & Fung's business, and our Sustainability Strategy has continued to evolve since its introduction in 2011. Our industry also continues to develop as worker safety, health and well-being, climate change, resource scarcity, and increasing demands for transparency and accountability, become issues driving change in how we do business and how we engage with our customers, suppliers, and communities.

Our Sustainability Strategy guides our actions towards 2016 and is built on four pillars: supply chain sustainability; our people; our footprint; and our communities. Examples of our ongoing efforts to transform how we work at Li & Fung and effect change within our industry and the communities in which we live and work are highlighted below.

Supply Chain Sustainability

Our initiatives to enhance supply chain sustainability focus on partnering with our customers and suppliers to add value along our supply chains by: (1) managing risk and furthering compliance, (2) sourcing responsibly, and (3) collaborating for more sustainable supply chains.

We continue to implement our risk management and compliance framework, spearheaded by our *Code of Conduct for Suppliers* and its companion *Supplier Compliance Manual*. Our framework is based on global industry standards, and implemented through our rigorous assessment and auditing tools and compliance scorecards. The implementation of that framework is supported by global training, guidance, online tools and resources, and tailored capacity-building programs for our suppliers.

We support our customers' specific sustainability strategies and we direct our business to strategic suppliers that share our commitment to responsible sourcing. For instance, we offer sourcing options ranging from organic cotton to recycled material inputs and Forest Stewardship Council™ (FSC™)[1] – certified wood and packaging.

[1] *FSC license number FSC-C022427*

We are actively engaged with our industry peers to set common standards and work collaboratively to enhance sustainability and bring value to our supply chains through initiatives with Business for Social Responsibility, the Sustainable Apparel Coalition, and the Global Social Compliance Programme. Since 2013, we continue to expand our fire safety program for vendors, and to work with our customers to improve conditions through the Alliance for Bangladesh Worker Safety and the Bangladesh Accord on Fire and Building Safety.

Our People

Our people power our business and we are committed to their well-being and to supporting their growth and development. As part of that commitment: (1) we have rolled out a core engagement initiative called, "Connect, Appreciate, Respond and Encourage", (2) we have programs that provide care and support for the well-being of our people, and (3) we have initiatives that help our people build rewarding long-term careers at Li & Fung.

We actively engage our people to connect, communicate and share, both in person and through our online communities, to build our vision of one global family. We encourage our leaders to embrace the values that drive our business, and invest in our people by providing training and leadership opportunities for them to grow, learn, and develop as they build their careers at Li & Fung.

Our Footprint

We manage our operations responsibly to reduce our environmental impact and raise awareness to effect change. We focus on: (1) designing and building sustainable workplaces, (2) responsibly managing our operations, and (3) supporting our people to champion positive change.

Responsibly managing our carbon footprint continues to be a priority for Li & Fung and we have initiatives in place to: build and maintain sustainable offices and facilities; reduce our consumption of electricity, fuel, water, refrigerants, paper and other resources; retrofit our offices with efficient equipment, lighting and other fixtures; and share best practices and offer support to both our people, to reduce consumption, and to our vendors, to implement resource-saving opportunities.

Our Communities

The initiatives under the community pillar are designed to engage and empower our people to meaningfully contribute to the communities where we live and work. We focus on: (1) strategically supporting the needs of communities where we live and work, (2) providing resources to support our people who want to make a difference, and (3) sharing knowledge and taking action that demonstrate our commitment.

Working together with our customers, vendors and community partners to create positive impacts along our supply chain and in the communities around the world where we live and do business, remains a strategic priority for our company. We support our people who actively organize meaningful, hands-on initiatives to support local needs. For instance, raising awareness and providing support for issues related to health and well-being, donating items to people in need, conducting community-focused environmental campaigns, and providing disaster relief, among others. We also want to positively contribute to the lives of students and young people by sharing our time and expertise through career workshops, job shadowing, mentorships and internships.

Growing a sustainable business is one of three focus areas of our Three-Year Plan and a significant factor in how we contribute to economic development around the world and to the well-being of those along our supply chains. On our journey towards creating a more sustainable business, we are building on the solid foundation established by our Sustainability Strategy to enhance our tools, resources and partnerships, and achieve more impactful change. At Li & Fung, making a difference is embedded in our values. Conducting our business transparently and sourcing responsibly, is simply good business.

Directors and senior management

Directors

Victor FUNG Kwok King
Honorary Chairman
Chairman of Risk Management and Sustainability Committee

Aged 68. Brother of Dr William Fung Kwok Lun and father of Mr Spencer Theodore Fung. Group Chairman of the Fung Group, a Hong Kong-based multinational which comprises major subsidiaries in trading, logistics, distribution and retailing. They include publicly-listed Trinity Limited, Convenience Retail Asia Limited, Global Brands Group Holding Limited and the Company. Honorary Chairman of the Company after stepping down as Group Chairman since May 2012. Joined the Group in 1973 as Manager and became Managing Director of the Group's export trading business in 1977. Became Group Managing Director in 1981 and Group Chairman in 1989. A director of King Lun Holdings Limited and Fung Holdings (1937) Limited, which are substantial shareholders of the Company. Holds Bachelor and Master degrees in Electrical Engineering from the Massachusetts Institute of Technology, and a Doctorate in Business Economics from Harvard University. An independent non-executive director of Chow Tai Fook Jewellery Group Limited (Hong Kong), Koc Holding A.S. (Turkey) and China Petrochemical Corporation (People's Republic of China). Founding Chairman of the Fung Global Institute, an independent non-profit think-tank based in Hong Kong. Completed his term as Honorary Chairman of the International Chamber of Commerce ("ICC") end of June 2013, but continues to chair the World Trade Agenda Initiative of ICC's G20 Advisory Group. A member of the Chinese People's Political Consultative Conference and a vice chairman of China Centre for International Economic Exchanges. A member of the Economic Development Commission of the Hong Kong Government. Chairman of the Hong Kong Trade Development Council (1991–2000), the Hong Kong representative on the APEC Business Advisory Council (1996–2003), Chairman of the Hong Kong Airport Authority (1999–2008), Chairman of The Council of The Hong Kong University (2001–2009), Chairman of the Hong Kong – Japan Business Co-operation Committee (2004–2010), Chairman of the Greater Pearl River Delta Business Council (2004–end of February 2013), a member of the Commission on Strategic Development of the Hong Kong Government (2005–June 2012), Chairman of ICC (2008–2010) and a member of WTO Panel on Defining the Future of Trade (2012–April 2013). An independent non-executive director of BOC Hong Kong (Holdings) Limited (2002–June 2014). In 2003 and 2010, the Hong Kong Government awarded Dr Fung the Gold Bauhinia Star and the Grand Bauhinia Medal respectively for his distinguished service to the community.

William FUNG Kwok Lun
Group Chairman

Aged 65. Brother of Dr Victor Fung Kwok King and uncle of Mr Spencer Theodore Fung. Group Chairman since May 2012. Executive Deputy Chairman from 2011 to May 2012 and before that, Group Managing Director from 1986 to 2011. Joined the Group in 1972 and became a Director of the Group's export trading business in 1976. Graduated from Princeton University with a Bachelor of Science degree in Engineering. Holds an MBA degree from the Harvard Graduate School of Business. Degrees of Doctor of Business Administration, *honoris causa*, were conferred by the Hong Kong University of Science & Technology and by the Hong Kong Polytechnic University. An independent non-executive director of VTech Holdings Limited, Shui On Land Limited, Sun Hung Kai Properties Limited, The Hongkong and Shanghai Hotels, Limited and Singapore Airlines Limited. Chairman and non-executive director of Global Brands Group Holding Limited whose shares listed on The Stock Exchange of Hong Kong Limited on 9 July 2014 and a non-executive director of Convenience Retail Asia Limited and Trinity Limited, all within the Fung Group. A director of King Lun Holdings Limited and its wholly owned subsidiary, Fung Holdings (1937) Limited, substantial shareholders of the Company. A director of the Fung Global Institute, an independent non-profit think-tank based in Hong Kong. Past Chairman of the Hong Kong General Chamber of Commerce (1994–1996), the Hong Kong Exporters' Association (1989–1991) and the Pacific Economic Cooperation Committee (1993–2002). Awarded the Silver Bauhinia Star by the Hong Kong Special Administrative Region Government in 2008.

Directors (continued)

Spencer Theodore FUNG
Group Chief Executive Officer

Aged 41. Group Chief Executive Officer since 7 July 2014 and Executive Director since 2008. Previously Group Chief Operating Officer (2012–July 2014), in charge of the global infrastructure of the Company. Before this, President of LF Europe, managing the Group's European distribution business. Joined the Group in 2001. An independent non-executive director of Swire Properties Limited. A director of Young Presidents' Organization. A member of the General Committee of The Hong Kong Exporters' Association and the Board of Trustees at Northeastern University. Holds a Bachelor of Arts degree from Harvard College and Master of Science in Accounting and Master in Business Administration degrees from Northeastern University. A US Certified Public Accountant. The son of Dr Victor Fung Kwok King, Honorary Chairman, and nephew of Dr William Fung Kwok Lun, Group Chairman.

Marc Robert COMPAGNON
Executive Director and President of LF Sourcing

Aged 55. Executive Director since 1 July 2014. President of LF Sourcing overseeing the Group's global agency business for apparel and hard goods. 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. Holds a Bachelor of Arts degree from the University of Vermont. 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. Non-executive chairman of TheAbacaGroup, Inc. (Cebu), a hotel and restaurant management group.

Paul Edward SELWAY-SWIFT
Independent Non-executive Director
Chairman of Nomination Committee

Aged 70. An Independent Non-executive Director since 1992. Chairman of Pure Circle Ltd, a producer of natural food ingredients, which is quoted on the London Stock Exchange. An independent non-executive director of Global Brands Group Holding Limited whose shares listed on The Stock Exchange of Hong Kong Limited on 9 July 2014. Formerly, 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).

Allan WONG Chi Yun
Independent Non-executive Director
Chairman of Remuneration Committee

Aged 63. An Independent Non-executive Director since 1999. Chairman and Group Chief Executive Officer of VTech Holdings Limited. Co-founded VTech Group in 1976. Holds a Bachelor of Science degree in Electrical Engineering from The University of Hong Kong, a Master of Science degree in Electrical and Computer Engineering from the University of Wisconsin and an Honorary Doctorate of Technology from the Hong Kong Polytechnic University. Deputy Chairman and independent non-executive director of The Bank of East Asia, Limited. An independent non-executive director of China-Hongkong Photo Products Holdings Limited. Awarded the Silver Bauhinia Star and the Gold Bauhinia Star in 2003 and 2008 respectively.

Directors (continued)

Margaret LEUNG KO May Yee
Independent Non-executive Director
Chairman of Audit Committee

Aged 62. An Independent Non-executive Director since 2013. Deputy chairman, managing director and an executive director of Chong Hing Bank Limited. Former vice-chairman and chief executive of Hang Seng Bank Limited, chairman of Hang Seng Bank (China) Limited, a director of various subsidiaries of Hang Seng Bank Limited, a director of The Hongkong and Shanghai Banking Corporation Limited and the Group General Manager of HSBC Holdings plc. An independent non-executive director of First Pacific Company Limited, Sun Hung Kai Properties Limited, Hong Kong Exchanges and Clearing Limited, QBE Insurance Group Limited and China Construction Bank Corporation. Formerly, an independent non-executive director of Swire Pacific Limited (2008–2012) and Hutchison Whampoa Limited (2009–2012). Holds a Bachelor's Degree in Economics, Accounting and Business Administration from The University of Hong Kong.

Franklin Warren McFARLAN
Independent Non-executive Director

Aged 76. An Independent Non-executive Director since 1999. Baker Foundation Professor and Professor Emeritus of Business Administration at Harvard University. Guest Professor and Co-Director of the China Business Case Center at Tsinghua University-SEM. A Professor at the Harvard Graduate School of Business Administration since 1973. Formerly, Faculty Chairman of Advanced Management Program (1975–1978) and Chairman of Executive Education Programs (1977–1980). Senior Associate Dean (1990–2004). An independent non-executive director of Computer Sciences Corporation (1989–2012). Graduated from the Harvard Business School with a doctorate.

Martin TANG Yue Nien
Independent Non-executive Director

Aged 65. An Independent Non-executive Director since 2009. Former Chairman, Asia of Spencer Stuart & Associates, a global executive search consulting firm. An independent non-executive director of the publicly-listed CEI Contract Manufacturing Limited and China NT Pharma Group Company Limited. Vice Chairman of the Council of The Hong Kong University of Science and Technology. Holds a Bachelor of Science degree in Electrical Engineering from Cornell University and Master of Science in Management from the Massachusetts Institute of Technology.

FU Yuning
Independent Non-executive Director

Aged 57. An Independent Non-executive Director since 2011. Chairman of China Resources (Holdings) Company Limited since 23 April 2014. Graduated from Dalian Institute of Technology in the PRC with a Bachelor Degree in Port and Waterway Engineering. Holds a Doctorate Degree in Mechanical Engineering from Brunel University, United Kingdom where he also worked as a Post-Doctorate research fellow briefly. Formerly, Chairman of China Merchants Group Limited (2010–April 2014), China Merchants Holdings (International) Company Limited (1999–May 2014) and China Merchants Bank Co., Ltd. (1999–July 2014), and an independent non-executive director of Sino Land Company Limited (2005–2011) and CapitaLand Limited (2009–2012).

Group Chief Compliance Officer

Srinivasan PARTHASARATHY

Aged 57. Group Chief Compliance Officer of the Company since 2011. Also, the Group Chief Compliance Officer of Fung Holdings (1937) Limited, a substantial shareholder of the Company and of the Fung Group of companies including Convenience Retail Asia Limited, Trinity Limited and Global Brands Group Holding Limited of which he is also their respective Group Chief Compliance Officer. With over 30 years of experience and held various financial and commercial positions within the Fung Group since 1999, and the Inchcape Group before that, in Hong Kong, Singapore, the UK and the Middle East. A Commerce Graduate of Bombay University and qualified as a Chartered Accountant in India, securing fourth position in the All India Merit Rankings. A Fellow Member of the Chartered Institute of Management Accountants, UK.

Chief Financial Officer

Edward LAM Sung Lai

Aged 48. Chief Financial Officer of the Group since 2012, overseeing the Group's global finance functions, including corporate finance, treasury, investor relations, financial planning and analysis, risk management, and financial reporting. Over 20 years of experience in banking, finance, and accounting. Prior to joining Li & Fung, held various senior corporate and investment banking positions at Citi and Morgan Stanley, and practiced public accounting at Coopers & Lybrand. Holds an MBA degree from The University of Chicago, *high honors*, and a Bachelor of Business Administration degree from The University of Texas at Austin, *highest honors*. A US Certified Public Accountant, and a member of Takeovers and Mergers Panel of Securities and Futures Commission of Hong Kong.

Senior Management

Annabella LEUNG Wai Ping
President of LF Fashion

Aged 61. President of LF Fashion managing the Group's apparel and fashion accessories principal business globally. Formerly, the Regional Director of North Asia Apparel for Inchcape, a global sourcing network acquired by the Company in 1995. An Executive Director of the Company from 2000 to May 2010. Holds a Master of Science degree in Biology from Northeastern University. Chairman of the Vetting Committee for the Professional Services Development Assistance Scheme of Commerce and Economic Development Bureau and a member of the Personalized Vehicle Registration Marks Vetting Committee. Formerly served on various advisory boards for the Hong Kong Exporters' Association, Hong Kong Trade Development Council, Clothing Industry Training Authority and Hong Kong Export Credit Insurance Corporation.

Emily MAK MOK Oi Wai
Chief Administrative Officer

Aged 53. Chief Administrative Officer since January 2014 and responsible for global hub operations, human resources, corporate services and various strategic projects of the Group. Joined the Group in 2000 with the acquisition of Colby International Limited where Emily was the Chief Operating Officer and directly responsible for the operational and merchandising matters for Colby's apparel business worldwide. After that, managing the Group's department store, mass market, supermarket and specialty store apparel business in the Americas, Southern Hemisphere and Japan. Prior to her current role, President of LF USA Sourcing, managing all Asia operations of LF USA. Graduated from The University of Hong Kong with a Bachelor of Social Sciences degree.

Senior Management (continued)

Gerard Jan RAYMOND

President of LF Beauty and LF Asia

Aged 57. President of LF Asia managing the Group's food, health, beauty and cosmetics wholesale and distribution business in Asia. Also, President of LF Beauty overseeing the Asia-based operations of the Group's beauty and cosmetic business. Previously, an Executive Vice President, Distribution and Regional Managing Director of Integrated Distribution Services Group Limited. Joined the Group in 2003. Educated in Australia with a Bachelor's degree in Business. A Fellow of the Australian Marketing Institute.

Henry CHAN

President of LF Products

Aged 64. President of LF Products managing the Group's hardlines principal business globally. Joined the Group in 1972. An Executive Director of the Company from 1992 to May 2009. Graduated from The University of Hong Kong with a Bachelor of Social Science degree. Holds an MBA degree from The Chinese University of Hong Kong. A member of The Hong Kong Institute of Directors and also a member of the advisory Board of the MBA Programmes of the Faculty of Business Administration, The Chinese University of Hong Kong.

Joseph Chua PHI

President of LF Logistics

Aged 51. President of LF Logistics managing the Group's logistics, freight, and supply chain management businesses. An Executive Director of Integrated Distribution Services Group Limited from 2004 to April 2011. Joined the Group in 1999. Graduated *magna cum laude* from the University of The Philippines (UP) with a Bachelor of Science degree in Industrial Engineering and attained an MBA degree with top honors from the same university. Member of Phi Kappa Phi and Pi Gamma Mu international honor societies. 2011 recipient of UP College of Business Administration Distinguished Alumnus Award. 2013 recipient of UP Industrial Engineering Alumni Award and UP Alumni Engineers Global Achievement Award for Logistics. Co-convener of the Li & Fung China Advisory Council. Chairman of GS1 Hong Kong. Director of GS1 Management Board. Member of the Advisory Committee, Centre for Marketing and Supply Chain Management at Hong Kong University of Science and Technology (HKUST). Adjunct Professor of Information Systems, Business Statistics and Operations Management at HKUST. Member of Supply Chain 50, an association of the top supply chain professionals in the world.

Senior Management (continued)

Lale KESEBI

Chief Communications Officer & Head of Strategic Engagement

Aged 45. Chief Communications Officer & Head of Strategic Engagement since January 2014 and responsible for the global corporate communications with all internal and external stakeholders of the Company and leading the development of strategy on key initiatives aligning the organization to the Company's goals. Joined the Group in 2003. Holds a Bachelor of Science (Honours) degree and a Bachelor of Law degree from Dalhousie University. Past member of The Law Society of British Columbia (Canada). Currently, Co-chair of the Alumni Network Steering Committee of the Mentoring Programme for Women Leaders of The Women's Foundation in Hong Kong. Chair of the Corporate Sustainability Committee of the Company. Formerly, Chair of the Canadian Chamber's Business Policy & Government Relations committee and the Debenture and Scholarship committee of the Canadian International School in Hong Kong.

Richard Nixon DARLING

Head of Government and Public Affairs

Aged 61. Head of Government and Public Affairs overseeing the Group's government relations, public affairs and supply chain sustainability on global industry and multi-stakeholder initiatives. Prior to his current role, president of DSG overseeing the Group's dedicated sourcing group servicing Wal-Mart globally. The founder of The Millwork Trading Co., Ltd, a joint venture with Li & Fung that became a wholly owned subsidiary in 1999. Board member of the American Apparel and Footwear Association, K.I.D.S./Fashion Delivers (formerly known as "Fashion Delivers") and the University of Arkansas and a member of the Board of Governors of Parsons The New School for Design (formerly known as "Parsons School of Design").

Robert Stephen LISTER

President of LF Private Label

Aged 57. President of LF Private Label managing the Group's wholesale and distribution business in US and Europe. Chief Operating Officer of LF Europe since 2009 and became President in 2013. Before that, Group Chief Executive of Peter Black Holdings plc, a public company listed on the London Stock Exchange which was privatized in 2000 and part of its business was acquired by the Company in 2007. A Fellow of The Institute of Chartered Accountants in England & Wales.

Directors' interests and short positions in shares, underlying shares and debentures

As at 30 June 2014, the Directors and chief executives of the Company and their associates had the following interests in the Shares and underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

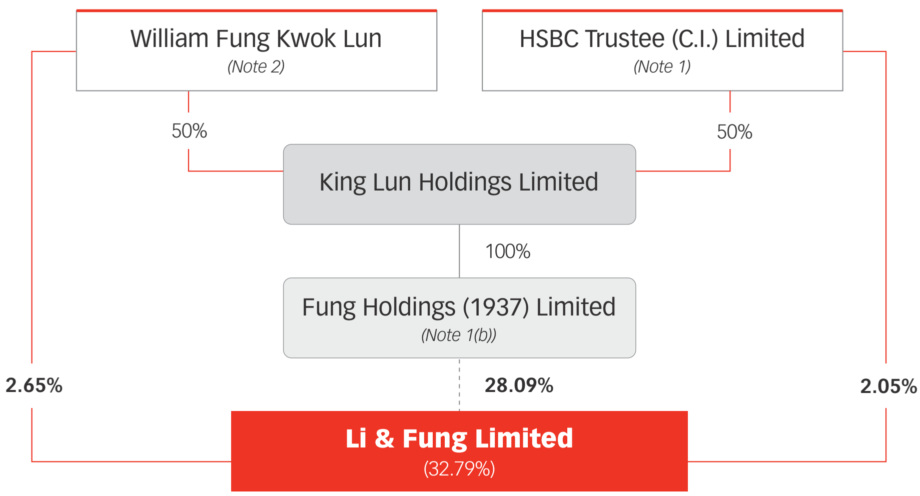
(A) Long Position in Shares and Underlying Shares of the Company

	Number of Shares					
Name of Directors	**Personal interest**	**Family interest**	**Trust/ Corporate interest**	**Equity derivatives (Share Options)**	**Total**	**Percentage of issued share capital**
Victor Fung Kwok King	2,814,444	–	2,520,188,580[1]	–	2,523,003,024	30.17%
William Fung Kwok Lun	144,342,660	108,800	2,425,362,472[2]	412,000[3]	2,570,225,932	30.74%
Spencer Theodore Fung*	1,408,000	–	2,520,188,580[1]	9,274,000[3]	2,530,870,580	30.27%
Bruce Philip Rockowitz[#]	7,625,600	–	88,714,780[4]	412,000[5]	96,752,380	1.15%
Paul Edward Selway-Swift	36,000	60,000	16,000[6]	–	112,000	0.00%
Franklin Warren McFarlan	–	–	114,400[7]	–	114,400	0.00%
Martin Tang Yue Nien	–	–	60,000[8]	–	60,000	0.00%

* *Son of Dr Victor Fung Kwok King*

[#] *Resigned as Executive Director of the Company with effect from 1 July 2014*

The following simplified chart illustrates the deemed interests of Dr Victor Fung Kwok King and Mr Spencer Theodore Fung under *Note (1)* below and the interest of Dr William Fung Kwok Lun under *Note (2)* below:



NOTES:
As at 30 June 2014,

(1) each of Dr Victor Fung Kwok King and Mr Spencer Theodore Fung was deemed to have interests in 2,520,188,580 Shares held in the following manner:

(a) 171,234,708 Shares were indirectly held by HSBC Trustee (C.I.) Limited ("HSBC Trustee") through its wholly owned subsidiary, First Island Developments Limited. HSBC Trustee is the trustee of a trust established for the benefit of the family members of Dr Victor Fung Kwok King (the "Trust"); and

(b) 2,195,727,908 Shares were directly held by Fung Holdings (1937) Limited ("FH (1937)"), a wholly owned subsidiary of King Lun Holdings Limited ("King Lun"), and 153,225,964 Shares were indirectly held by FH (1937) through its wholly owned subsidiary, Fung Distribution International Limited ("Fung Distribution"). King Lun is a company owned as to 50% by HSBC Trustee as trustee of the Trust and 50% by Dr William Fung Kwok Lun.

(2) 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, both companies were beneficially owned by Dr William Fung Kwok Lun. The balance of 2,348,953,872 Shares were indirectly held by King Lun as mentioned in *Note (1)(b)* above.

(3) these interests represented the interests in underlying shares in respect of Share Options granted by the Company to these Directors as beneficial owners, the details of which are set out in the Share Options section stated below.

(4) 88,714,780 Shares were held by Hurricane Millennium Holdings Limited ("HMHL"), a company beneficially owned by a trust which had been set up for the benefit of family members of Mr Bruce Philip Rockowitz.

(5) (a) these interests represented the beneficial interest of Mr Bruce Philip Rockowitz in 412,000 underlying shares in respect of Share Options granted by the Company to Mr Bruce Philip Rockowitz, the details of which are set out in the Share Options section stated below; and

(b) the options granted by King Lun to HMHL to purchase 10,891,760 underlying shares in the Company during the period from 25 December 2013 to 24 December 2019 pursuant to an agreement made between King Lun and HMHL have been exercised on 24 April 2014.

(6) 16,000 Shares were held by a trust of which Mr Paul Edward Selway-Swift is a beneficiary.

(7) 114,400 Shares were held by a trust established for the benefit of Professor Franklin Warren McFarlan.

(8) 60,000 Shares were held by a trust of which Mr Martin Tang Yue Nien was a beneficiary.

(B) Short Positions in Shares and Underlying Shares of the Company

As at 30 June 2014, none of the Directors and chief executives of the Company or their associates had any short position in the Shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

(C) Share Options

The interests of the Directors and chief executives in the Share Options (being regarded as unlisted physically settled equity derivatives) are detailed in the Share Options section stated below.

Save as disclosed above, at no time during the period, the Directors and chief executives (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for Shares (or warrants or debentures, if applicable) of the Company or its associated corporations required to be disclosed pursuant to the SFO.

Share Options

Share Option Schemes

Pursuant to the terms of the Option Scheme, the Option Scheme is valid and effective for a period of 10 years commencing on the adoption date and expiring on the tenth anniversary of the adoption date. Accordingly, the Option Scheme had been expired on 11 May 2013, and no further options could thereafter be granted under the Option Scheme. However, all remaining provisions will remain in full force and effect to govern the exercise of all the options granted under the Option Scheme prior to its expiration.

As at 30 June 2014, there were Share Options relating to 50,972,000 Shares granted by the Company representing 0.6% of the issued shares of the Company as at the date of this Report pursuant to the Option Scheme which were valid and outstanding.

At the 2014 annual general meeting of the Company held on 15 May 2014, the New Option Scheme was adopted by the Shareholders. No option has been granted by the Company pursuant to the New Option Scheme for the period ended 30 June 2014.

Details of the Share Options granted under the Option Scheme and remain outstanding as at 30 June 2014 are as follows:

	Number of Share Options					
	As at 1/1/2014	**Cancelled**	**As at 30/6/2014**	**Exercise Price HK$**	**Grant Date**	**Exercisable Period**
William Fung Kwok Lun	540,000	(128,000)	412,000	20.21	11/4/2011	01/5/2012 – 30/4/2015
	540,000	(540,000)	–	20.21	11/4/2011	01/5/2013 – 30/4/2015
	1,350,000	(1,350,000)	–	20.21	11/4/2011	01/5/2014 – 30/4/2016
Bruce Philip Rockowitz#	540,000	(128,000)	412,000	20.21	11/4/2011	01/5/2012 – 30/4/2015
	540,000	(540,000)	–	20.21	11/4/2011	01/5/2013 – 30/4/2015
	1,350,000	(1,350,000)	–	20.21	11/4/2011	01/5/2014 – 30/4/2016
Spencer Theodore Fung	360,000	(86,000)	274,000	20.21	11/4/2011	01/5/2012 – 30/4/2015
	360,000	(360,000)	–	20.21	11/4/2011	01/5/2013 – 30/4/2015
	900,000	(900,000)	–	20.21	11/4/2011	01/5/2014 – 30/4/2016
	1,000,000	–	1,000,000	14.50	22/12/2011	01/5/2013 – 30/4/2015
	1,000,000	–	1,000,000	14.50	22/12/2011	01/5/2014 – 30/4/2016
	1,000,000	–	1,000,000	14.50	22/12/2011	01/5/2015 – 30/4/2017
	1,000,000	–	1,000,000	14.50	22/12/2011	01/5/2016 – 30/4/2018
	1,000,000	–	1,000,000	14.50	22/12/2011	01/5/2017 – 30/4/2019
	1,000,000	–	1,000,000	14.50	22/12/2011	01/5/2018 – 30/4/2020
	1,000,000	–	1,000,000	14.50	22/12/2011	01/5/2019 – 30/4/2021
	1,000,000	–	1,000,000	14.50	22/12/2011	01/5/2020 – 30/4/2022
	1,000,000	–	1,000,000	14.50	22/12/2011	01/5/2021 – 30/4/2023
Continuous contract employee	31,420,000	(9,926,000)	21,494,000	20.21	11/4/2011	01/5/2012 – 30/4/2015
	31,964,000	(31,964,000)	–	20.21	11/4/2011	01/5/2013 – 30/4/2015
	79,626,000	(79,626,000)	–	20.21	11/4/2011	01/5/2014 – 30/4/2016
	2,033,000	(653,000)	1,380,000	15.20	21/11/2011	01/5/2012 – 30/4/2015
	4,228,000	(4,228,000)	–	15.20	21/11/2011	01/5/2013 – 30/4/2015
	9,457,000	(9,457,000)	–	15.20	21/11/2011	01/5/2014 – 30/4/2016
	2,000,000	–	2,000,000	14.50	22/12/2011	01/5/2013 – 30/4/2015
	2,000,000	–	2,000,000	14.50	22/12/2011	01/5/2014 – 30/4/2016
	2,000,000	–	2,000,000	14.50	22/12/2011	01/5/2015 – 30/4/2017
	2,000,000	–	2,000,000	14.50	22/12/2011	01/5/2016 – 30/4/2018
	2,000,000	–	2,000,000	14.50	22/12/2011	01/5/2017 – 30/4/2019
	2,000,000	–	2,000,000	14.50	22/12/2011	01/5/2018 – 30/4/2020
	2,000,000	–	2,000,000	14.50	22/12/2011	01/5/2019 – 30/4/2021
	2,000,000	–	2,000,000	14.50	22/12/2011	01/5/2020 – 30/4/2022
	2,000,000	–	2,000,000	14.50	22/12/2011	01/5/2021 – 30/4/2023
	3,742,000	(3,742,000)	–	15.09	26/6/2012	01/5/2013 – 30/4/2015
	8,357,000	(8,357,000)	–	15.09	26/6/2012	01/5/2014 – 30/4/2016
	813,000	(813,000)	–	13.04	12/11/2012	01/5/2013 – 30/4/2015
	3,014,000	(3,014,000)	–	13.04	12/11/2012	01/5/2014 – 30/4/2016

Resigned as Executive Director of the Company with effect from 1 July 2014

NOTES:

(1) None of the Share Options were exercised or lapsed during the period ended 30 June 2014.

(2) Details of Share Options granted by the Company are set out in *Note 12* to the condensed interim financial information.

Interests and short positions of substantial shareholders in shares and underlying shares

As at 30 June 2014, other than the interests of the Directors or chief executives of the Company as disclosed above, the following persons had interests in the Shares of the Company which fall to be disclosed to the Company under Section 336 of the SFO:

Name of Shareholder	Capacity	Number of Shares	Percentage of issued share capital
Long Positions			
King Lun Holdings Limited	Interest of controlled corporation	2,348,953,872[1]	28.09%
HSBC Trustee (C.I.) Limited	Trustee	2,520,188,580[2]	30.14%
The Capital Group Companies, Inc.	Interest of controlled corporation	833,229,518	9.97%
Sun Life Financial, Inc.	Investment manager	679,135,915[3]	8.12%
Massachusetts Financial Services Company	Investment manager	679,135,915[3]	8.12%

NOTES:

As at 30 June 2014,

(1) 2,195,727,908 Shares were directly held by FH (1937) which also through its wholly owned subsidiary, Fung Distribution, indirectly held 153,225,964 Shares. FH (1937) is a wholly owned subsidiary of King Lun. Both of Dr Victor Fung Kwok King and Dr William Fung Kwok Lun are directors of King Lun, FH (1937) and Fung Distribution.

(2) Please refer to *Note (1)* under the Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures section stated above.

(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 are duplicated in the interest of SLF.

Save as disclosed above, the Company had not been notified of any short positions being held by any substantial shareholder in the Shares or underlying shares of the Company as at 30 June 2014.

Other information

Purchase, Sale or Redemption of the Company's Listed Securities

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

Interim Dividend

The Board has resolved to declare an interim dividend of 13 HK cents (2013: 15 HK cents) per Share for the six months ended 30 June 2014 absorbing a total of US$139 million (2013: US$161 million).

Closure of Register of Members

The register of members of the Company will be closed from 11 September 2014 to 12 September 2014, both days inclusive, during which period no transfer of Shares will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch registrar, Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 10 September 2014. Dividend warrants will be despatched on 19 September 2014. Shares of the Company will be traded ex-dividend as from 8 September 2014.

Independent review report

羅兵咸永道

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
TO THE BOARD OF DIRECTORS OF LI & FUNG LIMITED
(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 44 to 79, which comprises the consolidated balance sheet of Li & Fung Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2014 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 August 2014

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
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Condensed interim financial information

Consolidated profit and loss account

	Note	Unaudited Six months ended 30 June 2014 US$'000	2013 US$'000 (Restated)
Continuing Operations			
Turnover	*3*	**8,709,600**	8,466,817
Cost of sales		**(7,741,923)**	(7,511,789)
Gross profit		**967,677**	955,028
Other income		**27,450**	29,790
Total margin		**995,127**	984,818
Selling and distribution expenses		**(282,251)**	(270,931)
Merchandising and administrative expenses		**(485,857)**	(465,377)
Core operating profit		**227,019**	248,510
Gain on remeasurement of contingent consideration payable	*4*	**98,162**	–
Amortization of other intangible assets		**(16,632)**	(14,995)
One-off reorganization costs		**(13,363)**	–
Other non-core operating expenses		**(532)**	(998)
Operating profit	*3 & 4*	**294,654**	232,517
Interest income		**4,345**	9,218
Interest expenses			
Non-cash interest expenses		**(5,791)**	(5,224)
Cash interest expenses		**(51,085)**	(50,307)
		(56,876)	(55,531)
Share of profits less losses of associated companies		**675**	815
Profit before taxation		**242,798**	187,019
Taxation	*5*	**(18,904)**	(27,091)
Profit for the period from Continuing Operations		**223,894**	159,928
Discontinued Operations			
Loss for the period from Discontinued Operations	*15*	**(98,138)**	(48,524)
Net profit for the period		**125,756**	111,404
Attributable to:			
Shareholders of the Company		**111,421**	96,370
Non-controlling interests			
Holders of perpetual capital securities		**15,000**	15,000
Other Shareholders		**(665)**	34
		125,756	111,404

The notes on pages 54 to 79 form an integral part of this interim financial information.

		Unaudited Six months ended 30 June	
	Note	**2014 US$'000**	2013 US$'000 (Restated)
Attributable to shareholders of the Company arising from:			
Continuing Operations		**209,559**	144,894
Discontinued Operations		**(98,138)**	(48,524)
		111,421	96,370
Earnings/(losses) per share for profit/(loss) attributable to shareholders of the Company during the period	*7*		
– basic from Continuing Operations		**19.6 HK cents**	13.5 HK cents
(equivalent to)		**2.51 US cents**	1.73 US cents
– basic from Discontinued Operations		**(9.2) HK cents**	(4.5) HK cents
(equivalent to)		**(1.17) US cents**	(0.58) US cents
– diluted from Continuing Operations		**19.6 HK cents**	13.5 HK cents
(equivalent to)		**2.51 US cents**	1.73 US cents
– diluted from Discontinued Operations		**(9.2) HK cents**	(4.5) HK cents
(equivalent to)		**(1.17) US cents**	(0.58) US cents

Details of dividends to shareholders of the Company are set out in *Note 6*. The notes on pages 54 to 79 form an integral part of this interim financial information.

Consolidated statement of comprehensive income

	Unaudited Six months ended 30 June 2014 US$'000	2013 US$'000 (Restated)
Net profit for the period	**125,756**	111,404
Other comprehensive income/(expenses):		
Items that will not be reclassified to profit or loss		
Remeasurements from post-employment benefits recognized in reserve, net of tax	**(13)**	432
Total items that will not be reclassified to profit or loss	**(13)**	432
Items that may be reclassified subsequently to profit or loss		
Currency translation differences*	**19,084**	(59,690)
Net fair value (loss)/gain on cash flow hedges, net of tax	**(1,693)**	3,979
Net fair value gain on available-for-sale financial assets, net of tax	**7**	193
Total items that may be reclassified subsequently to profit or loss	**17,398**	(55,518)
Other comprehensive income/(expenses) for the period, net of tax	**17,385**	(55,086)
Total comprehensive income for the period	**143,141**	56,318
Attributable to:		
Shareholders of the Company	**128,624**	41,697
Non-controlling interests		
Holders of perpetual capital securities	**15,000**	15,000
Other Shareholders	**(483)**	(379)
Total comprehensive income for the period	**143,141**	56,318
Attributable to shareholders of the Company arising from:		
Continuing Operations	**227,862**	92,760
Discontinued Operations	**(99,238)**	(51,063)
	128,624	41,697

* *Exchange differences resulting from translation of the results and financial positions of the Group entities with functional currencies other than the Group's presentation currency.*

The notes on pages 54 to 79 form an integral part of this interim financial information.

Consolidated balance sheet

	Note		Unaudited 30 June 2014 US$'000		Audited 31 December 2013 US$'000
Non-current assets					
Intangible assets	*8*		**4,450,698**		7,608,556
Property, plant and equipment	*8*		**244,081**		439,599
Prepaid premium for land leases			**2,776**		2,789
Associated companies			**11,365**		7,598
Joint ventures			**–**		14,515
Available-for-sale financial assets			**3,676**		3,669
Other receivables and deposits			**6,150**		15,623
Deferred tax assets			**55,802**		75,364
			4,774,548		8,167,713
Current assets					
Inventories			**633,344**		1,100,486
Due from related companies			**32,605**		67,670
Trade and bills receivable		**2,052,744**		2,220,841	
Less: Intragroup trade and bills receivable with Discontinued Operations		**(478,065)**		–	
Trade and bills receivable, net	*9*		**1,574,679**		2,220,841
Other receivables, prepayments and deposits			**422,838**		446,520
Derivative financial instruments			**–**		2,664
Cash and bank balances			**543,795**		459,559
			3,207,261		4,297,740
Assets held for distribution	*15*		**4,795,090**		–
Current liabilities					
Due to related companies			**12,693**		14,682
Trade and bills payable	*10*		**2,493,230**		2,552,495
Accrued charges and sundry payables			**539,799**		837,790
Purchase consideration payable for acquisitions	*11*		**237,711**		409,512
Taxation			**101,796**		127,035
Derivative financial instruments			**5,425**		8,275
Bank advances for discounted bills	*9*		**37,547**		38,190
Short-term bank loans			**184,937**		94,145
			3,613,138		4,082,124
Liabilities held for distribution	*15*		**2,028,837**		–
Net current assets			**2,360,376**		215,616
Total assets less current liabilities			**7,134,924**		8,383,329

	Note	Unaudited 30 June 2014 US$'000	Audited 31 December 2013 US$'000
Financed by:			
Share capital	*12*	**13,398**	13,398
Reserves		**2,339,033**	4,658,811
Proposed dividend	*6*	**139,340**	364,428
Proposed distribution in specie	*6*	**2,308,188**	–
		4,786,561	5,023,239
Shareholders' funds attributable to the Company's shareholders		**4,799,959**	5,036,637
Non-controlling interests			
Holders of perpetual capital securities	*13*	**503,000**	503,000
Other Shareholders		**9,565**	10,048
Total equity		**5,312,524**	5,549,685
Non-current liabilities			
Long-term notes	*11*	**1,254,642**	1,254,915
Purchase consideration payable for acquisitions	*11*	**445,425**	988,487
Other long-term liabilities	*11*	**31,022**	471,779
Post-employment benefit obligations		**24,343**	24,330
Deferred tax liabilities		**66,968**	94,133
		1,822,400	2,833,644
		7,134,924	8,383,329

The notes on pages 54 to 79 form an integral part of this interim financial information.

Consolidated statement of changes in equity

	Unaudited							
	Attributable to shareholders of the Company					Non-controlling interests		
	Share capital US$'000	Share premium US$'000	Other reserves US$'000 *(Note 14)*	Retained earnings US$'000	Total US$'000	Holders of perpetual capital securities US$'000	Other Shareholders US$'000	Total Equity US$'000
Balance at 1 January 2014	13,398	3,699,476	6,503	1,317,260	5,036,637	503,000	10,048	5,549,685
Comprehensive income								
Profit or loss	–	–	–	111,421	111,421	15,000	(665)	125,756
Other comprehensive income								
Currency translation differences	–	–	18,902	–	18,902	–	182	19,084
Net fair value gain on available-for-sale financial assets, net of tax	–	–	7	–	7	–	–	7
Net fair value loss on cash flow hedges, net of tax	–	–	(1,693)	–	(1,693)	–	–	(1,693)
Remeasurements from post-employment benefits recognized in reserve, net of tax	–	–	(13)	–	(13)	–	–	(13)
Total other comprehensive income	–	–	17,203	–	17,203	–	182	17,385
Total comprehensive income	–	–	17,203	111,421	128,624	15,000	(483)	143,141
Transactions with owners								
Employee share option scheme:								
– value of employee services	–	–	1,477	–	1,477	–	–	1,477
Distribution to holders of perpetual capital securities	–	–	–	–	–	(15,000)	–	(15,000)
Share premium reduction	–	(3,000,000)	3,000,000	–	–	–	–	–
Transfer to capital reserve	–	–	87	(87)	–	–	–	–
2013 final dividend paid	–	–	–	(366,779)	(366,779)	–	–	(366,779)
Total transactions with owners	–	(3,000,000)	3,001,564	(366,866)	(365,302)	(15,000)	–	(380,302)
Balance at 30 June 2014	13,398	699,476	3,025,270	1,061,815	4,799,959	503,000	9,565	5,312,524

	Unaudited							
	Attributable to shareholders of the Company					Non-controlling interests		
	Share capital US$'000	Share premium US$'000	Other reserves US$'000 *(Note 14)*	Retained earnings US$'000	Total US$'000	Holders of perpetual capital securities US$'000	Other Shareholders US$'000	Total Equity US$'000
Balance at 1 January 2013	13,396	3,697,012	(12,504)	924,288	4,622,192	504,415	10,713	5,137,320
Comprehensive income								
Profit or loss	–	–	–	96,370	96,370	15,000	34	111,404
Other comprehensive expenses								
Currency translation differences	–	–	(59,277)	–	(59,277)	–	(413)	(59,690)
Net fair value gain on available-for-sale financial assets, net of tax	–	–	193	–	193	–	–	193
Net fair value gain on cash flow hedges, net of tax	–	–	3,979	–	3,979	–	–	3,979
Remeasurements from post-employment benefits recognized in reserve, net of tax	–	–	432	–	432	–	–	432
Total other comprehensive expenses	–	–	(54,673)	–	(54,673)	–	(413)	(55,086)
Total comprehensive income	–	–	(54,673)	96,370	41,697	15,000	(379)	56,318
Transactions with owners								
Employee share option scheme:								
– value of employee services	–	–	1,937	–	1,937	–	–	1,937
– proceeds from shares issued	2	1,933	–	–	1,935	–	–	1,935
– transfer to share premium	–	531	(531)	–	–	–	–	–
Distribution to holders of perpetual capital securities	–	–	–	–	–	(16,415)	–	(16,415)
2012 final dividend paid	–	–	–	(171,495)	(171,495)	–	–	(171,495)
Total transactions with owners	2	2,464	1,406	(171,495)	(167,623)	(16,415)	–	(184,038)
Balance at 30 June 2013	13,398	3,699,476	(65,771)	849,163	4,496,266	503,000	10,334	5,009,600

The notes on pages 54 to 79 form an integral part of this interim financial information.

Condensed consolidated cash flow statement

	Note	Unaudited Six months ended 30 June 2014 US$'000	2013 US$'000 (Restated)
Continuing Operations			
Operating activities			
Operating profit before working capital changes		**259,592**	284,215
Changes in working capital		**(31,729)**	74,001
Net cash inflow generated from operations		**227,863**	358,216
Profits tax paid		**(27,219)**	(19,951)
Net cash inflow from operating activities		**200,644**	338,265
Investing activities			
Settlement of consideration payable for prior years acquisitions of businesses		**(69,313)**	(78,284)
Acquisitions of businesses		**(36,534)**	(21,411)
Capital expenditure		**(36,814)**	(29,224)
Other investing activities		**5,777**	68,810
Net cash outflow from investing activities		**(136,884)**	(60,109)
Net cash inflow before financing activities		**63,760**	278,156
Financing activities			
Net proceeds from issuance of shares		**–**	1,935
Interest paid		**(51,085)**	(50,307)
Distribution to holders of perpetual capital securities		**(15,000)**	(16,415)
Dividends paid		**(366,779)**	(171,495)
Other financing activities		**(6,508)**	(20,711)
Net cash outflow from financing activities		**(439,372)**	(256,993)
(Decrease)/increase in cash and cash equivalents from Continuing Operations *(Note)*		**(375,612)**	21,163
Discontinued Operations			
Increase/(decrease) in cash and cash equivalents from Discontinued Operations *(Note)*	*15*	**626,925**	(282,331)
Increase/(decrease) in cash and cash equivalents		**251,313**	(261,168)

NOTE: *Change in cash and cash equivalents before financing activities between Continuing Operations and Discontinued Operations*

	Unaudited Six months ended 30 June	
	2014	2013
	US$'000	US$'000
		(Restated)
Increase/(decrease) in cash and cash equivalents	**251,313**	(261,168)
Cash and cash equivalents at 1 January		
Continuing Operations	**344,471**	613,037
Discontinued Operations	**115,088**	67,342
	459,559	680,379
Effect of foreign exchange rate changes	**(3,925)**	(442)
Cash and cash equivalents transferred to assets held for distribution	**(163,152)**	–
Ending cash and cash equivalents of Continuing Operations as of 30 June	**543,795**	418,769
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	**543,795**	418,769

Movement of cash and cash equivalents*

		Unaudited Six months ended 30 June		
		2014		2013
		US$'000		US$'000
				(Restated)
Cash and cash equivalents at 1 January				
Continuing Operations		***344,471***		*613,037*
Discontinued Operations		***115,088***		*67,342*
		459,559		*680,379*
Continuing Operations				
(Decrease)/increase in cash and cash equivalents	***(375,612)***		*21,163*	
Loan repayment from/(finance to) Discontinued Operations	***593,821***		*(151,424)*	
Capital injection to Discontinued Operations	***(15,000)***		*(94,907)*	
		203,209		*(225,168)*
Discontinued Operations				
Increase/(decrease) in cash and cash equivalents	***626,925***		*(282,331)*	
Loan (repayment to)/finance from Continuing Operations	***(593,821)***		*151,424*	
Capital injection from Continuing Operations	***15,000***		*94,907*	
		48,104		*(36,000)*
Effect of foreign exchange rate changes		***(3,925)***		*(442)*
Cash and cash equivalents transferred to assets held for distribution		***(163,152)***		*–*
Ending cash and cash equivalents of Continuing Operations as of 30 June		***543,795***		*418,769*

* *Additional information to illustrate the cashflow effect including financing activities between the Continuing Operations and the Discontinued Operations.*

The notes on pages 54 to 79 form an integral part of this interim financial information.

Notes to condensed interim financial information

1 General information

Li & Fung Limited ("the Company") and its subsidiaries (together, "the Group") are principally engaged in managing the supply chain for retailers and brands worldwide from over 300 offices and distribution centers in more than 40 economies.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.

The Company's shares are listed on the Stock Exchange.

On 8 July 2014, the Group spin-off its licensed brands and controlled brands businesses, named as the Global Brands Group, via a distribution in specie. The financial results of the Global Brands Group was presented as Discontinued Operations and prior period comparatives have been restated accordingly.

This condensed interim financial information is presented in US dollars, unless otherwise stated. This condensed interim financial information was approved for issue on 21 August 2014.

2 Basis of preparation and accounting policies

The unaudited condensed interim financial information (the "interim financial information") has been reviewed by the Company's audit committee and, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), by the Company's auditor, PricewaterhouseCoopers.

This interim financial information has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting" issued by the HKICPA and Appendix 16 of the Listing Rules. This interim financial information should be read in conjunction with the annual accounts for the year ended 31 December 2013, which were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

Except as described in (a) below, the accounting policies applied are consistent with those of the annual accounts for the year ended 31 December 2013, as described in those annual accounts.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) New standards, new interpretations and amendments to existing standards adopted by the Group

The following new standards, new interpretations and amendments to existing standards are mandatory for accounting periods beginning on or after 1 January 2014:

HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendment	Investment Entities
HKAS 32 Amendment	Offsetting Financial Assets and Financial Liabilities
HKAS 36 Amendment	Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 Amendment	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

The application of the above new or revised HKFRSs in the current interim period has had no material effect on the amounts reported in the interim financial information and/or disclosures set out in the interim financial information.

2 Basis of preparation and accounting policies (continued)

(b) New standards and amendments to existing standards that have been issued but are not yet effective and have not been early adopted by the Group

The following new standards and amendments to existing standards relevant to the Group have been issued but are not effective for the accounting periods beginning 1 January 2014 and have not been early adopted:

HKAS 16 and HKAS 38 Amendment	Clarification of Acceptable Methods of Depreciation and Amortization[2]
HKAS 19 (2011) Amendment	Defined Benefit Plans: Employee Contributions[1]
HKFRS 9	Financial Instruments[4]
HKFRS 11 Amendment	Accounting for Acquisitions of Interests in Joint Operations[2]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]
Annual Improvements Project	Annual Improvements 2010-2012 Cycle[1]
Annual Improvements Project	Annual Improvements 2011-2013 Cycle[1]

NOTES:

(1) Effective for financial periods beginning on or after 1 January 2015
(2) Effective for financial periods beginning on or after 1 January 2016
(3) Effective for financial periods beginning on or after 1 January 2017
(4) Effective date to be determined

3 Segment information

The Company is domiciled in Bermuda. The Group is principally engaged in managing the supply chain for retailers and brands worldwide with over 300 offices and distribution centers in more than 40 economies spanning across the Americas, Europe, Africa and Asia. Turnover represents revenue generated from sales and services rendered at invoiced value to customers outside the Continuing Operations less discounts and returns.

During the period, the Group has accomplished a major restructuring of its operations. After the restructuring, the Group spin-off its licensed brands and controlled brands businesses, named as the Global Brands Group, via a distribution in specie on 8 July 2014. The Group after the Spin-off will continue to operate under two segments, namely the Trading Segment and the Logistics Segment. The Trading Segment focuses on provision of the global sourcing services via multiple channels, either as buying agent or trading-as-principal for private label merchandise. The Logistics Segment focuses on provision of logistics solutions and freight forwarding services. The Group's Management (Chief Operating Decision-Maker) considers the business principally from the perspective of the two segments. Prior period comparative segment information has been restated to conform with the current period presentation accordingly.

The Group's management assesses the performance of the operating segments based on a measure of operating profit, referred to as core operating profit. This measurement basis includes profit of the operating segments before share of results of associated companies and joint ventures, interest income, interest expenses and tax, but excludes material gains or losses which are of capital nature or non operational related, acquisition related cost. This also excludes any gain or loss on remeasurement of contingent consideration payable and amortization of other intangible assets which are non-cash items. Other information provided to the Group's management is measured in a manner consistent with that in the accounts.

3 Segment information (continued)

	Trading Network US$'000	Logistics Network US$'000	Elimination US$'000	Total US$'000
Six months ended 30 June 2014 (Unaudited)				
Turnover	8,368,938	348,530	(7,868)	8,709,600
Total margin	892,958	102,169		995,127
Operating costs	(684,584)	(83,524)		(768,108)
Core operating profit	208,374	18,645		227,019
Gain on remeasurement of contingent consideration payable				98,162
Amortization of other intangible assets				(16,632)
One-off reorganization costs				(13,363)
Other non-core operating expenses				(532)
Operating profit				294,654
Interest income				4,345
Interest expenses				
Non-cash interest expenses				(5,791)
Cash interest expenses				(51,085)
				(56,876)
Share of profits less losses of associated companies				675
Profit before taxation				242,798
Taxation				(18,904)
Net profit for the period from Continuing Operations				223,894
Loss for the period from Discontinued Operations				(98,138)
Net profit for the period				125,756
Depreciation and amortization	51,958	1,274		53,232
30 June 2014 (Unaudited)				
Non-current assets (other than available-for-sale financial assets and deferred tax assets)	4,091,055	624,015		4,715,070

3 Segment information (continued)

	Trading Network US$'000 (Restated)	Logistics Network US$'000 (Restated)	Elimination US$'000 (Restated)	Total US$'000 (Restated)
Six months ended 30 June 2013 (Unaudited)				
Turnover	8,231,516	242,719	(7,418)	8,466,817
Total margin	894,417	90,401		984,818
Operating costs	(660,130)	(76,178)		(736,308)
Core operating profit	234,287	14,223		248,510
Amortization of other intangible assets				(14,995)
Other non-core operating expenses				(998)
Operating profit				232,517
Interest income				9,218
Interest expenses				
Non-cash interest expenses				(5,224)
Cash interest expenses				(50,307)
				(55,531)
Share of profits less losses of associated companies				815
Profit before taxation				187,019
Taxation				(27,091)
Net profit for the period from Continuing Operations				159,928
Loss for the period from Discontinued Operations				(48,524)
Net profit for the period				111,404
Depreciation and amortization	45,077	4,807		49,884
31 December 2013 (Audited)				
Non-current assets (other than available-for-sale financial assets and deferred tax assets)	N/A	N/A		8,088,680

3 Segment information (continued)

The geographical analysis of turnover and non-current assets (other than available-for-sale financial assets and deferred tax assets) of the Continuing Operations is as follows:

	Turnover		Non-current assets (other than available-for-sale financial assets and deferred tax assets)	
	Unaudited		**Unaudited**	Audited
	Six months ended 30 June		**30 June**	31 December
	2014	2013	**2014**	2013
	US$'000	US$'000 (Restated)	**US$'000**	US$'000
United States of America	**5,223,830**	5,048,400	**2,052,310**	4,944,414
Europe	**1,587,430**	1,523,602	**1,344,254**	1,591,060
China	**677,909**	691,226	**542,005**	610,412
Rest of Asia	**507,581**	518,715	**495,021**	608,445
Canada	**278,561**	274,806	**110,017**	137,699
Australasia	**214,343**	200,303	**84,595**	88,845
Central and Latin America	**171,236**	154,366	**67,630**	84,554
South Africa and Middle East	**48,710**	55,399	**19,238**	23,251
	8,709,600	8,466,817	**4,715,070**	8,088,680

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

	Unaudited	
	Six months ended 30 June	
	2014	2013
	US$'000	US$'000 (Restated)
Softgoods	**5,358,126**	5,217,492
Hardgoods	**2,989,268**	2,993,074
Logistics	**362,206**	256,251
	8,709,600	8,466,817

For the six months ended 30 June 2014, approximately 13.0% (2013 (restated): 14.0%) of the Continuing Operations' turnover is derived from a single external customer, which was wholly attributable to the Trading Network.

Financial information for the Discontinued Operations is set out in *Note 15*.

4 Operating profit from Continuing Operations

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

	Unaudited Six months ended 30 June	
	2014	2013
	US$'000	US$'000 (Restated)
Crediting:		
Gain on remeasurement of contingent consideration payable*	**98,162**	–
Charging:		
Staff costs including directors' emoluments	**479,140**	434,820
Amortization of brand licenses	**4,965**	3,759
Depreciation of property, plant and equipment	**29,069**	28,975
Amortization of other intangible assets*	**16,632**	14,995
Amortization of computer software and system development costs	**2,495**	2,081
Loss/(gain) on disposal of property, plant and equipment	**8,547**	(123)
Amortization of prepaid premium for land leases	**71**	74

* *Included below the core operating profit*

5 Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the consolidated profit and loss account represents:

	Unaudited Six months ended 30 June	
	2014	2013
	US$'000	US$'000 (Restated)
Current taxation		
– Hong Kong profits tax	**7,404**	8,574
– Overseas taxation	**5,080**	6,663
Deferred taxation	**6,420**	11,854
	18,904	27,091

5 Taxation (continued)

As at the date of this Report, the Group has disputes with the Hong Kong Inland Revenue Department ("HKIR") involving additional tax assessments amounting to approximately US$251 million on both the non-taxable claim of certain non-Hong Kong sourced income ("Offshore Claim") and the deduction claim of marketing expenses ("Deduction Claim") for the years of assessment from 1992/93 to 2012/13.

The Commissioner of the HKIR issued a determination on 14 June 2004 to one of our subsidiaries, Li & Fung (Trading) Limited ("LFT"), confirming additional tax assessments totaling US$43 million relating to the years of assessment from 1992/93 to 2001/02. Based upon professional advice then obtained, the directors believed that the Group had meritorious reasons to justify appealing against the Commissioner's determination. Accordingly, LFT lodged a notice of appeal to the Board of Review on 13 July 2004. The appeal was heard before the Board of Review in January 2006.

The Board of Review issued its decision on 12 June 2009 ("the Board of Review Decision") and held partially in favour of LFT. It agreed that the Offshore Claim for the years of assessment from 1992/93 to 2001/02 is valid. In other words, the relevant assessments in respect of such Offshore Claim should be annulled. On the other hand, the Board of Review disagreed with the Deduction Claim for the years of assessment from 1992/93 to 2001/02. Therefore, the relevant assessments in respect of such Deduction Claim should be confirmed.

The Group considered the reasoning of the Board of Review Decision and, having obtained professional advice, decided to lodge an appeal against the Board of Review Decision in respect of the Deduction Claim.

On the other hand, the HKIR also lodged an appeal against the Board of Review Decision in respect of the Offshore Claim.

On 19 March 2010, the Board of Review stated a case on questions of law in respect of both LFT's appeal on the Deduction Claim, and the HKIR's appeal on the Offshore Claim. On 1 April 2010, both LFT and the HKIR transmitted the stated case to the High Court for determination.

The appeal by the HKIR in respect of the Board of Review Decision on the Offshore Claim was dismissed by the Court of First Instance on 18 April 2011, which upheld the Board of Review Decision. LFT was also awarded costs of the appeal by the Court of First Instance.

On 16 May 2011, the HKIR lodged an appeal against the judgment of the Court of First Instance to the Court of Appeal, which appeal was heard by the Court of Appeal on 14 and 15 February 2012. On 19 March 2012, the Court of Appeal delivered its judgment. It upheld the judgment of the Court of First Instance, dismissed the HKIR's appeal and awarded costs of the appeal of LFT. Any appeal against the judgment of the Court of Appeal to the Court of Final Appeal requires permission of the Court of Appeal or the Court of Final Appeal. As no application for such permission was submitted by the HKIR within the prescribed time limit, the Court of Appeal judgment on the Offshore Claim is considered as final.

As regards LFT's appeal on the Deduction Claim, upon the consent of the parties, the Court of First Instance has remitted the case stated to the Board of Review and directed it to make further findings of fact and to determine certain issues. As at the date of this Report, further directions/decisions from the Board of Review are awaited.

The Group has also filed objections with the HKIR against the remaining additional tax assessments of US$208 million. The case before the Board of Review and eventually the Court of Appeal only applies to the additional tax assessments in respect of LFT for the years of assessment from 1992/93 to 2001/02. The Group's dispute with the HKIR regarding the remaining additional tax assessments in respect of certain other subsidiaries for the years of assessment from 1992/93 to 2001/02, and in respect of the Group for the period after the 2001/02 assessment years, is ongoing and has not yet been determined. Such dispute is therefore not yet before the Board of Review, and no hearing is currently scheduled.

5 Taxation (continued)

Based on the assessment of the Group's professional advisers on the merits of LFT's further appeal in respect of the Deduction Claim and the HKIR's further appeal in respect of the Offshore Claim (which has now been dismissed by the Court of Appeal), and having taken into account the impact and ramification that the Board of Review Decision has on the tax affairs of LFT, the directors consider that no material tax liabilities will finally crystallize and sufficient tax provision has been made in the accounts in this regard.

On 11 June 2010, the Group also applied for a judicial review of the decision of the Commissioner of the HKIR rejecting LFT's application for an unconditional holdover of tax for the year of assessment 2008/09 pending the determination of the objection lodged with the HKIR. The Group purchased tax reserve certificates in respect of LFT for the year of assessment 2008/09 as directed by the Commissioner of the HKIR pending the decision of the judicial review application. As at the date of this Report, the hearing date for the judicial review application is yet to be fixed.

6 Distribution in specie and interim dividend

	Unaudited Six months ended 30 June	
	2014	2013
	US$'000	US$'000
Proposed, distribution in specie *(Note (a))*	**2,308,188**	–
Proposed, of HK$0.13 (equivalent to US$0.017) (2013: HK$0.15 (equivalent to US$0.019)) per ordinary share *(Note (b))*	**139,340**	160,777

NOTES:

(a) On 20 March 2014, the Company submitted a proposal to the Stock Exchange in accordance with Practice Note 15 of Listing Rules for the spin-off of the Discontinued Operations by way of introduction achieved by distribution in specie of the entire shares of Global Brands.

On 15 May 2014, the Company submitted the listing application form (Form A1) to the Stock Exchange to apply for the listing of, and permission to deal in, the shares of Global Brands on the Main Board of the Stock Exchange.

On 1 July 2014, the Board of the Company declared a conditional distribution in specie of all of the issued share capital of Global Brands. The net assets value attributable to the Discontinued Operations subject to the distribution in specie, amounted to approximately US$2,308,188,000 as of 30 June 2014.

(b) A dividend of US$366,779,000 proposed for the year ended 31 December 2013 was paid in May 2014 (2013: US$171,495,000).

7 Earnings/(losses) per share

The calculation of basic earnings/(losses) per share is based on the Group's profit attributable to Shareholders arising from the Continuing Operations of US$209,559,000 (2013 (restated): US$144,894,000) and the Group's losses attributable to Shareholders arising from the Discontinued Operations of US$98,138,000 (2013 (restated): US$48,524,000) and on the weighted average number of 8,356,317,000 (2013: 8,356,156,000) shares in issue during the period.

The diluted earnings/(losses) per share is the same as the basic earnings/(losses) per share for the six months ended 30 June 2014 as the potential ordinary shares in respect of outstanding share options are anti-dilutive. Diluted earnings/(losses) per share for the six months ended 30 June 2013 was calculated by adjusting the weighted average number of 8,356,156,000 ordinary shares in issue by 70,000 to assume conversion of all dilutive potential ordinary shares granted under the Company's Option Scheme. For the calculation of dilutive potential ordinary share granted under the Company, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

8 Capital expenditure

	Intangible assets US$'000	Property, plant and equipment US$'000
Six months ended 30 June 2014		
Net book amount as at 1 January 2014 (audited)	**7,608,556**	**439,599**
Continuing Operations		
Acquisitions of businesses	**97,491**	**–**
Adjustments to purchase consideration and net asset value *(Note (a))*	**13,258**	**–**
Additions	**14,667**	**28,772**
Disposals	**(1,135)**	**(8,547)**
Amortization *(Note (b))*/depreciation charge	**(24,092)**	**(29,069)**
Exchange differences	**17,953**	**6,497**
Discontinued Operations		
Acquisitions of businesses	**75,235**	**454**
Adjustments to purchase consideration and net asset value	**14,581**	**–**
Additions	**142,210**	**24,085**
Disposals	**–**	**(1,734)**
Amortization/depreciation charge	**(100,260)**	**(21,361)**
Exchange differences	**9,710**	**335**
Transferred to assets held for distribution	**(3,417,476)**	**(194,950)**
Net book amount as at 30 June 2014 (unaudited)	4,450,698	244,081

8 Capital expenditure (continued)

	Intangible assets US$'000 (Restated)	Property, plant and equipment US$'000 (Restated)
Six months ended 30 June 2013		
Net book amount as at 1 January 2013 (audited)	7,058,406	418,624
Continuing Operations		
Acquisitions of businesses	362,365	4,796
Adjustments to purchase consideration and net asset value *(Note (a))*	32,884	(727)
Additions	5,735	25,860
Disposals	(4,922)	(1,927)
Amortization *(Note (b))*/depreciation charge	(20,835)	(28,975)
Exchange differences	(39,885)	(8,913)
Discontinued Operations		
Acquisitions of businesses	7,753	–
Adjustments to purchase consideration and net asset value	1,206	–
Additions	53,409	36,799
Disposals	–	(4,529)
Amortization/depreciation charge	(76,136)	(15,123)
Exchange differences	(12,489)	7
Net book amount as at 30 June 2013 (unaudited)	7,367,491	425,892

NOTES:

(a) *These are adjustments to purchase considerations 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, the Group recognized adjustments to the provisional amounts as if the accounting for the business combination had been completed at the acquisition date. Save as adjustments to intangible assets stated above, there was a corresponding net increase in purchase consideration of US$13,258,000. During the six months ended 30 June 2013, save as adjustments to intangible assets and property, plant and equipment stated above, there were a corresponding net increase in purchase consideration of US$10,432,000 and a net decrease in other net assets/liabilities of approximately US$21,725,000.*

(b) *Amortization of intangible assets included amortization of computer software and system development costs of US$2,495,000 (2013 (restated): US$2,081,000), amortization of brand licenses of US$4,965,000 (2013 (restated): US$3,759,000) and amortization of other intangible assets arising from business combination of US$16,632,000 (2013 (restated): US$14,995,000).*

At 30 June 2014, land and buildings of US$3,598,000 (31 December 2013: US$3,589,000) were pledged as security for the Group's short-term bank loans.

9 Trade and bills receivable

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

	Current to 90 days US$'000	91 to 180 days US$'000	181 to 360 days US$'000	Over 360 days US$'000	Total US$'000
Balance at 30 June 2014 (unaudited)	**1,498,442**	**63,703**	**10,915**	**1,619**	**1,574,679**
Balance at 31 December 2013 (audited)	2,112,726	93,213	9,569	5,333	2,220,841

All trade and bills receivable are either repayable within one year or on demand. Accordingly, the fair values of the Group's trade and bills receivable were approximately the same as their carrying values as at 30 June 2014.

A significant portion of the Group's business is on sight letter of credit, usance letter of credit up to a tenor of 120 days, documents against payment or customers' letter of credit to suppliers. The balance of the business is on open account terms which is often covered by customers' standby letters of credit, bank guarantees, credit insurance or under a back-to-back payment arrangement with suppliers.

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

Certain subsidiaries of the Group transferred bills receivable balances amounting to US$37,547,000 (31 December 2013: US$38,190,000) to banks in exchange for cash as at 30 June 2014. The transactions have been accounted for as collateralized bank advances.

10 Trade and bills payable

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

	Current to 90 days US$'000	91 to 180 days US$'000	181 to 360 days US$'000	Over 360 days US$'000	Total US$'000
Balance at 30 June 2014 (unaudited)	**2,439,698**	**37,388**	**9,049**	**7,095**	**2,493,230**
Balance at 31 December 2013 (audited)	2,452,932	66,220	6,725	26,618	2,552,495

The fair values of the Group's trade and bills payable were approximately the same as their carrying values as at 30 June 2014.

11 Long-term liabilities

	Unaudited 30 June 2014 US$'000	Audited 31 December 2013 US$'000
Long-term bank loans – unsecured	**17,000**	116,640
Long-term notes – unsecured	**1,254,642**	1,254,915
Purchase consideration payable for acquisitions	**683,136**	1,397,999
Brand license payable	**21,410**	307,380
Other non-current liability (non-financial liability)	**332**	88,598
	1,976,520	3,165,532
Current portion of purchase consideration payable for acquisitions	**(237,711)**	(409,512)
Current portion of brand license payable	**(7,720)**	(40,839)
	1,731,089	2,715,181

Purchase consideration payable for acquisitions as at 30 June 2014 included performance-based earn-out and earn-up contingent considerations of US$491,595,000 and US$191,541,000 respectively (31 December 2013: US$693,549,000 and US$704,450,000). Earn-out is contingent consideration that would be payable if the acquired businesses achieve their respective base year profit target, calculated on certain predetermined basis, during the designated periods of time. Earn-up is contingent consideration that would be payable if the acquired businesses achieve certain growth targets, calculated based on the base year profits, during the designated periods of time.

The basis of the contingent consideration differs for each acquisition; generally however the contingent consideration reflects a specified multiple of the post-acquisition financial 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 businesses.

However, if the total actual contingent consideration payables 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 recognized to the profit and loss account would be US$68,186,000, and the resulting aggregate impact to the goodwill would be US$128,000.

12 Share capital and options

	No. of shares (in thousand)	HK$'000	Equivalent to US$'000
Authorized			
At 1 January 2014, ordinary shares of HK$0.0125 each	**12,000,000**	**150,000**	**19,231**
At 30 June 2014, ordinary shares of HK$0.0125 each	**12,000,000**	**150,000**	**19,231**
Issued and fully paid			
At 1 January 2014, ordinary shares of HK$0.0125 each	**8,360,398**	**104,505**	**13,398**
Exercise of share options	**–**	**–**	**–**
At 30 June 2014, ordinary shares of HK$0.0125 each	**8,360,398**	**104,505**	**13,398**

Details of Share Options granted by the Company pursuant to the Option Scheme and outstanding at 30 June 2014 are as follows:

			Number of Share Options		
Grant Date	**Exercise Price HK$**	**Exercisable period**	**As at 1/1/2014**	**Cancelled**	**As at 30/6/2014**
11/4/2011	20.21	1/5/2012–30/4/2015	32,860,000	(10,268,000)	22,592,000
11/4/2011	20.21	1/5/2013–30/4/2015	33,404,000	(33,404,000)	–
11/4/2011	20.21	1/5/2014–30/4/2016	83,226,000	(83,226,000)	–
21/11/2011	15.20	1/5/2012–30/4/2015	2,033,000	(653,000)	1,380,000
21/11/2011	15.20	1/5/2013–30/4/2015	4,228,000	(4,228,000)	–
21/11/2011	15.20	1/5/2014–30/4/2016	9,457,000	(9,457,000)	–
22/12/2011	14.50	1/5/2013–30/4/2015	3,000,000	–	3,000,000
22/12/2011	14.50	1/5/2014–30/4/2016	3,000,000	–	3,000,000
22/12/2011	14.50	1/5/2015–30/4/2017	3,000,000	–	3,000,000
22/12/2011	14.50	1/5/2016–30/4/2018	3,000,000	–	3,000,000
22/12/2011	14.50	1/5/2017–30/4/2019	3,000,000	–	3,000,000
22/12/2011	14.50	1/5/2018–30/4/2020	3,000,000	–	3,000,000
22/12/2011	14.50	1/5/2019–30/4/2021	3,000,000	–	3,000,000
22/12/2011	14.50	1/5/2020–30/4/2022	3,000,000	–	3,000,000
22/12/2011	14.50	1/5/2021–30/4/2023	3,000,000	–	3,000,000
26/6/2012	15.09	1/5/2013–30/4/2015	3,742,000	(3,742,000)	–
26/6/2012	15.09	1/5/2014–30/4/2016	8,357,000	(8,357,000)	–
12/11/2012	13.04	1/5/2013–30/4/2015	813,000	(813,000)	–
12/11/2012	13.04	1/5/2014–30/4/2016	3,014,000	(3,014,000)	–
		Total	208,134,000	(157,162,000)	50,972,000

Subsequent to 30 June 2014, no Shares have been allotted and issued under the Option Scheme.

13 Perpetual capital securities

On 8 November 2012, the Company issued perpetual subordinated capital securities (the "Perpetual Capital Securities") with an aggregate principal amount of US$500 million. The Perpetual Capital Securities do not have maturity date and the distribution payments can be deferred at the discretion of the Company. Therefore, the Perpetual Capital Securities are classified as equity instruments and recorded in equity in the consolidated balance sheet. The amount as at 30 June 2014 included the accrued distribution payments net of the actual distribution to holders during the period. For the period ended 30 June 2014, the accrued distribution payment was US$3,000,000 (31 December 2013: US$3,000,000) and the actual distribution to holders was US$15,000,000 (31 December 2013: US$31,415,000).

14 Other reserves

	Unaudited								
	Treasury share US$'000 *(Note (a))*	Capital reserve US$'000	Contributed surplus US$'000 *(Note (b))*	Employee share-based compensation reserve US$'000	Revaluation reserve US$'000	Hedging reserve US$'000	Defined benefit obligation reserve US$'000	Exchange reserve US$'000	Total US$'000
Balance at 1 January 2014	(6,739)	3,835	–	36,821	2,679	(1,413)	(10,338)	(18,342)	6,503
Comprehensive income									
Currency translation differences	–	–	–	–	–	–	–	18,902	18,902
Net fair value gain on available-for-sale financial assets, net of tax	–	–	–	–	7	–	–	–	7
Net fair value loss on cash flow hedges, net of tax	–	–	–	–	–	(1,693)	–	–	(1,693)
Remeasurements from post-employment benefits recognized in reserve, net of tax	–	–	–	–	–	–	(13)	–	(13)
Transactions with owners									
Employee share option scheme:									
– value of employee services	–	–	–	1,477	–	–	–	–	1,477
Share premium reduction	–	–	3,000,000	–	–	–	–	–	3,000,000
Transfer to capital reserve	–	87	–	–	–	–	–	–	87
Balance at 30 June 2014	(6,739)	3,922	3,000,000	38,298	2,686	(3,106)	(10,351)	560	3,025,270

14 Other reserves (continued)

	Unaudited							
	Treasury share US$'000 *(Note (a))*	Capital reserve US$'000	Employee share-based compensation reserve US$'000	Revaluation reserve US$'000	Hedging reserve US$'000	Defined benefit obligation reserve US$'000	Exchange reserve US$'000	Total US$'000
Balance at 1 January 2013	(6,739)	3,742	33,830	2,608	(1,015)	(14,778)	(30,152)	(12,504)
Comprehensive income								
Currency translation differences	–	–	–	–	–	–	(59,277)	(59,277)
Net fair value gain on available-for-sale financial assets, net of tax	–	–	–	193	–	–	–	193
Net fair value gain on cash flow hedges, net of tax	–	–	–	–	3,979	–	–	3,979
Remeasurements from post-employment benefits recognized in reserve, net of tax	–	–	–	–	–	432	–	432
Transactions with owners								
Employee share option scheme:								
– value of employee services	–	–	1,937	–	–	–	–	1,937
– transfer to share premium	–	–	(531)	–	–	–	–	(531)
Balance at 30 June 2013	(6,739)	3,742	35,236	2,801	2,964	(14,346)	(89,429)	(65,771)

NOTES:

(a) Treasury share represents the excess share issued for settlement of consideration for certain prior year acquisitions held by the escrow agent.

(b) During the period, US$3,000,000,000 contributed surplus was created by reduction of the share premium of the Company.

15 Discontinued Operations and assets/liabilities held for distribution

The consolidated assets and liabilities related to Global Brands Group have been presented as held for distribution. Approval of the Stock Exchange was obtained on 8 July 2014 for the spin-off and separate listing for Global Brands Group.

The consolidated results of Global Brands Group are presented in the consolidated profit and loss account as Discontinued Operations in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". The consolidated statement of comprehensive income and condensed consolidated cash flow statement distinguish the Discontinued Operations from the Continuing Operations. Comparative figures have been restated.

(a) Results of the Discontinued Operations have been included in the consolidated income statement as follows:

	Unaudited Six months ended 30 June	
	2014	2013
	US$'000	US$'000
Turnover	**1,348,883**	1,330,008
Cost of sales*	**(948,548)**	(940,481)
Gross profit	**400,335**	389,527
Other income	**32**	–
Total margin	**400,367**	389,527
Selling and distribution expenses	**(228,254)**	(179,119)
Merchandising and administrative expenses	**(235,391)**	(235,764)
Core operating loss	**(63,278)**	(25,356)
Gain on remeasurement of contingent consideration payable	**19,667**	–
Amortization of other intangible assets	**(24,650)**	(21,691)
Professional fee for Spin-off	**(11,860)**	–
One-off reorganization costs for Spin-off	**(16,880)**	–
Other non-core operating expenses	**(2,001)**	–
Operating loss	**(99,002)**	(47,047)
Interest income	**29**	227
Interest expenses		
Non-cash interest expenses	**(9,465)**	(7,886)
Cash interest expenses	**(7,007)**	(4,412)
	(16,472)	(12,298)
Share of profits of joint ventures	**324**	–
Loss before taxation	**(115,121)**	(59,118)
Taxation	**16,983**	10,594
Net loss attributable to shareholders of the Company	**(98,138)**	(48,524)

* *Amounts before elimination of transactions between Continuing Operations and Discontinued Operations of US$741,248,000 (2013: US$668,078,000).*

15 Discontinued Operations and assets/liabilities held for distribution (continued)

(a) Results of the Discontinued Operations have been included in the consolidated income statement as follows: (continued)

Operating loss is stated after charging the following:

	Unaudited Six months ended 30 June 2014 US$'000	2013 US$'000
Staff costs including directors' emoluments	**178,904**	190,065
Amortization of brand licenses	**73,252**	51,902

(b) Segment information

Turnover of the Discontinued Operations consisting of sales of Licensed Brands and Controlled Brands are as follows:

	Unaudited Six months ended 30 June 2014 US$'000	2013 US$'000
Controlled Brands	**196,400**	200,279
Licensed Brands	**1,152,483**	1,129,729
	1,348,883	1,330,008

The geographical analysis of turnover and non-current assets (other than deferred tax assets) of the Discontinued Operations are as follows:

	Turnover Unaudited Six months ended 30 June		Non-current assets (other than deferred tax assets)	
	2014	2013	**Unaudited 30 June 2014**	Audited 31 December 2013
	US$'000	US$'000	**US$'000**	US$'000
United States of America	**1,089,313**	1,175,009	**3,048,649**	–
Europe	**190,327**	105,649	**349,096**	–
Asia	**69,243**	49,350	**248,626**	–
	1,348,883	1,330,008	**3,646,371**	–

15 Discontinued Operations and assets/liabilities held for distribution (continued)

(c) Assets and liabilities of the Discontinued Operations

The consolidated assets and liabilities related to the Discontinued Operations have been presented as held for distribution, following the Spin-off and separate listing. The Discontinued Operations' assets and liabilities were measured at the lower of carrying amount and fair value less cost to sell at the date of held for sale classification. The major classes of assets and liabilities of the Discontinued Operations are as follows:

			Unaudited 30 June 2014 US$'000
i)	**Assets held for distribution**		
	Intangible assets		**3,417,476**
	Property, plant and equipment		**194,950**
	Other non-current assets		**39,723**
	Trade and other receivables		**394,715**
	Other current assets*		**748,226**
	Total		**4,795,090**
ii)	**Liabilities held for distribution**		
	Trade and other payables	**758,027**	
	Less: Intragroup trade and other payables with Continuing Operations	**(478,065)**	
	Trade and other payables, net*		**279,962**
	Other current liabilities		**238,509**
	Other non-current liabilities		**881,521**
	Purchase consideration payable for acquisitions		**628,845**
	Total		**2,028,837**

* *Amounts adjusted to eliminate impact of transactions between the Continuing Operations and the Discontinued Operations.*

(d) Cumulative expense recognized in other comprehensive income relating to the Discontinued Operations

	Unaudited Six months ended 30 June **2014** **US$'000**	 2013 US$'000
Currency translation differences	**1,100**	2,539

15 Discontinued Operations and assets/liabilities held for distribution (continued)

(e) An analysis of the cash flows of the Discontinued Operations is as follows:

	Unaudited Six months ended 30 June 2014 US$'000	2013 US$'000
Net cash generated from/(used in) operating activities	**23,395**	(121,531)
Net cash used in investing activities	**(114,576)**	(156,388)
Net cash generated from/(used in) financing activities*	**718,106**	(4,412)
Total cash flow	**626,925**	(282,331)

* *Amounts adjusted to eliminate impact from financing activities between the Discontinued Operations and the Continuing Operations.*

(f) Commitments

(i) Operating lease commitments

As at 30 June 2014, the Discontinued Operations had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Unaudited 30 June 2014 US$'000	Audited 31 December 2013 US$'000
Within one year	**56,270**	49,101
In the second to fifth year inclusive	**198,219**	185,416
After the fifth year	**355,434**	347,978
	609,923	582,495

(ii) Capital commitments

	Unaudited 30 June 2014 US$'000	Audited 31 December 2013 US$'000
Contracted but not provided for:		
Property, plant and equipment	**7,543**	14,166
Computer software and system development costs	**8,505**	9,066
Authorised but not contracted for:		
Property, plant and equipment	**4,113**	8,254
Computer software and system development costs	**4,639**	21,034
	24,800	52,520

15 Discontinued Operations and assets/liabilities held for distribution (continued)

(g) Related party transactions

	Unaudited Six months ended 30 June	
	2014	2013
	US$'000	US$'000
Distribution and sales of goods *(Note 20(ii))*	**12,480**	20,199
Convertible promissory notes *(Note)*	**14,000**	–

NOTE:

On 21 August 2013, the Group via GBG USA Inc. (formerly known as LF USA Inc, which is now part of the Global Brands Group) formed a business co-operation arrangement based on mutually agreed terms with Heritage Global Partners, LLC ("Heritage") and Trinity International Brands Limited, an associate of FH (1937), for launching Kent & Curwen brand in the United States, which is conducted under BHB, a wholly-owned subsidiary of Heritage. Pursuant to the arrangement, GBG USA Inc. 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, second and third tranches of US$6,750,000, US$3,250,000 and US$4,000,000 were already paid as at 30 June 2014.

For the remaining US$18,000,000, GBG USA Inc. 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 GBG USA Inc. 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 GBG USA Inc. of the annual audited financial statements of BHB for the fiscal year 2018.

16 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.

In January 2014, the Group acquired The Licensing Company Limited, a global licensing agent based in UK.

In April 2014, the Group acquired China Container Line Limited, a global sea freight forwarders based in China.

In June 2014, the Group acquired the business and assets of Cocaban Co. Ltd., a licensing brand management specialist in Korea.

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 recognized as a notifiable transaction, and, accordingly no disclosure is provided for the details and impact of any individual acquisition.

17 Contingent liabilities

	Unaudited 30 June 2014 US$'000	Audited 31 December 2013 US$'000
Guarantees in respect of banking facilities granted to associated companies	**750**	750

18 Commitments

(a) Operating lease commitments

As at 30 June 2014, the Continuing Operations had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Unaudited 30 June 2014 US$'000	Audited 31 December 2013 US$'000 (Restated)
Within one year	**139,784**	115,186
In the second to fifth year inclusive	**250,250**	238,809
After the fifth year	**81,026**	89,482
	471,060	443,477

(b) Capital commitments

	Unaudited 30 June 2014 US$'000	Audited 31 December 2013 US$'000 (Restated)
Contracted but not provided for:		
Property, plant and equipment	**3,096**	5,445
Computer software and system development costs	**–**	102
Authorized but not contracted for:		
Property, plant and equipment	**16,617**	4,640
	19,713	10,187

19 Charges on assets

Save as disclosed in *Note 8*, there were no charges on the Continuing Operation's assets as at 30 June 2014 and 31 December 2013.

20 Related party transactions

The Continuing Operations had the following material transactions with its related parties during the period ended 30 June 2014 and 2013:

		Unaudited Six months ended 30 June	
		2014	2013
	Notes	**US$'000**	US$'000 (Restated)
Operating leases rental paid	*(i)*	**13,149**	13,071
Distribution and sales of goods	*(ii)*	**1,699**	1,710

(i) Pursuant to the renewal of the master agreement for leasing of properties on 6 December 2013 with FH (1937) for a term of three years ending 31 December 2016, the Group had rental charge for certain properties leased from FH (1937) and its associates during the period based on mutually agreed terms.

(ii) Pursuant to the master distribution and sales of goods agreement entered into on 19 January 2012 with FH (1937) for a term of three years ending 31 December 2014, certain distribution and sales of goods was made on normal commercial terms and conditions with FH (1937) and its associates based on mutually agreed terms.

Save as above, the Group had no material related party transactions during the period.

21 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk, and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

(a) Market Risk

(i) Foreign Exchange Risk

Most of the Group's cash balances were deposits in HK$ and US$ with major global financial institutions, and most of the Group's borrowings were denominated in US$.

The Group's revenues and related payments are transacted mainly in the same currency, predominantly in US$. Therefore, it considers there is no significant risk exposure in relation to foreign exchange rate fluctuations. There are small portions of sales and purchases transacted in different currencies, for which the Group arranges hedging by means of foreign exchange forward contracts.

While the Group's net revenue is substantially in US$, we are exposed to currency fluctuation on operating costs in sourcing countries such as China, Bangladesh, Vietnam, Korea and India to a certain extent. We manage such foreign currency risks through the following measures:

(1) From a short-term perspective, we arrange foreign exchange forward contracts for hedging on operating costs in individual countries as and when appropriate; and

(2) From a medium-to-long-term perspective, we manage our sourcing operations in the most cost-effective way within our global network.

21 Financial risk management (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

The Group in general does not enter into foreign currency hedges in respect of its long-term equity investment. In particular, the Group's net equity investments in non-US dollar-denominated on-shore wholesale businesses are subject to unrealized translation gain or loss on consolidation. Fluctuation of relevant currencies against the US dollar will result in unrealized gain or loss from time to time, which is reflected as movement in exchange reserve in the consolidated statement of changes in equity.

The Group strictly prohibits any financial derivative arrangement merely for speculation.

(ii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet as available-for-sale financial assets. The Group maintains these equity securities investments for long-term strategic purposes and the Group's overall exposure to price risk is not significant.

At 30 June 2014 and up to the date of the Group's interim financial information, the Group held no material financial derivative instruments except for certain foreign exchange forward contracts entered into for hedging of foreign exchange risk exposure on sales and purchases transacted in different currencies (*(i)* above). At 30 June 2014, the fair value of foreign exchange forward contracts entered into by the Group amounted to US$5,425,000 (31 December 2013: US$8,275,000), which has been reflected in full in the Group's consolidated balance sheet as derivative financial instruments liabilities.

(iii) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises mainly from US dollar denominated bank borrowings and the US dollar denominated long-term notes issued. Bank borrowings at variable rates expose the Group to cash flow interest rate risk. The Group's policy is to maintain a diversified mix of variable and fixed rate borrowings based on prevailing market conditions.

(b) Credit risk

Credit risk mainly arises from trade and other receivables. The Group has stringent policies in place to manage its credit risk with such 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 on the trade terms with individual customers. It is not uncommon for the Group to require securities (such as standby or commercial letter of credit, or bank guarantee) from a small number of its customers who 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 new system with a dedicated team and tighten policies to ensure on-time recoveries from its trade debtors; and

(iv) It has set up rigid policies internally on provisions made for both inventories and receivables to motivate its business managers to step up their efforts in these two areas so as to avoid any significant impact on their financial performance.

21 Financial risk management (continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash on hand and the availability of funding through an adequate amount of committed credit facilities from the Group's bankers.

Management monitors rolling forecasts of the Group's liquidity reserve (comprises undrawn borrowing facilities and cash and cash equivalents) on the basis of expected cash flow.

22 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2014.

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Assets				
Available-for-sale financial assets				
– Club debentures	–	–	3,676	3,676
Total assets	–	–	3,676	3,676
Liabilities				
Derivative financial instruments used for hedging	–	5,425	–	5,425
Purchase consideration payable for acquisitions	–	–	683,136	683,136
Total liabilities	–	5,425	683,136	688,561

22 Fair value estimation (continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2013.

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Assets				
Available-for-sale financial assets				
– Club debentures	–	–	3,669	3,669
– Derivative financial instrument	–	–	2,664	2,664
Total assets	–	–	6,333	6,333
Liabilities				
Derivative financial instruments used for hedging	–	8,275	–	8,275
Purchase consideration payable for acquisitions	–	–	1,397,999	1,397,999
Total liabilities	–	8,275	1,397,999	1,406,274

The fair values of financial instruments traded in active markets are based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair values of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) are determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of forward foreign exchange 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.

22 Fair value estimation (continued)

The following table presents the changes in level 3 instruments for the six months ended 30 June 2014.

	Purchase consideration payable for acquisitions US$'000	Others US$'000
Opening balance	**1,397,999**	**6,333**
Continuing Operations		
Fair value gains	**–**	**7**
Additions	**76,487**	**–**
Settlement	**(69,313)**	**–**
Remeasurement of purchase consideration payable for acquisitions	**(98,162)**	**–**
Others	**15,252**	**–**
Discontinued Operations		
Additions	**60,227**	**–**
Settlement	**(69,306)**	**–**
Remeasurement of purchase consideration payable for acquisitions	**(19,667)**	**–**
Others	**18,464**	**–**
Transferred to assets/liabilities held for distribution	**(628,845)**	**(2,664)**
Closing balance	**683,136**	**3,676**

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%.

The group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There were no other changes in valuation techniques during the period.

23 Event after balance sheet date

The spin-off of the Discontinued Operations achieved through a distribution in specie of the entire issued share capital of Global Brands was completed by the Group on 8 July 2014 which then became a separate listing company on the Stock Exchange. The transaction is expected to give rise to no substantial gain or loss to the Group's financial results.

24 Approval of interim financial information

The interim financial information was approved by the Board on 21 August 2014.

Information for investors

Listing Information

Listing:	Hong Kong Exchange
Stock code:	494
Ticker Symbol	
Reuters:	0494.HK
Bloomberg:	494 HK Equity

Index Constituent

Hang Seng Index
MSCI Index Series
FTSE4Good Index Series
Dow Jones Sustainability Asia/Pacific Index
Hang Seng Corporate Sustainability Index Series

Key Dates

21 August 2014
Announcement of 2014 Interim Results

8 September 2014
Dividend Ex-entitlement for Shares

11 September 2014 to 12 September 2014
(both days inclusive)
Closure of Register of Members

19 September 2014
Payment of 2014 Interim Dividend

Registrar & Transfer Offices

Principal

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6 Front Street, Hamilton HM 11, Bermuda

Hong Kong Branch

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Level 22, Hopewell Centre
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Telephone: (852) 2980 1333
e-mail: *lifung-ecom@hk.tricorglobal.com*

Share Information

Board lot size: 2,000 Shares

Shares outstanding as at 30 June 2014
8,360,398,306 Shares

Market capitalization as at 30 June 2014
HK$95,977,372,553

Basic earnings/(losses) per Share for 2014

Interim	
– Continuing Operations	2.51 US cents
– Discontinued Operations	(1.17) US cents

Dividend per Share for 2014

Interim	13 HK cents

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This Report can be downloaded from the Company's website and can be obtained from the Company's Hong Kong branch share registrar, Tricor Abacus Limited. In the event of any difference, the English version prevails.
本報告可從本公司網站下載，及向本公司於香港之股份過戶登記處卓佳雅柏勤有限公司索取。如中英版本有任何差異，請以英文版本為準。

Glossary

In this Report, unless the context otherwise requires, the following terms shall have the meanings set out below:

"associate(s)", "chief executive(s)", "connected person(s)", "substantial shareholder(s)"	each has the meaning ascribed to it in the Listing Rules
"Board"	the board of Directors of the Company
"Company", "Li & Fung"	Li & Fung Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
"Continuing Operations"	Trading Segment and Logistics Segment
"Director(s)"	the director(s) of the Company
"Discontinued Operations"	Global Brands Group, the spin-off of its licensed brands and controlled brands business
"FH (1937)"	Fung Holdings (1937) Limited, a company incorporated in Hong Kong, which is a substantial shareholder of the Company
"Fung Distribution"	Fung Distribution International Limited, a company incorporated in the British Virgin Islands, which is a wholly-owned subsidiary of FH (1937)
"Global Brands"	Global Brands Group Holding Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
"Global Brands Group"	Global Brands and its subsidiaries
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of PRC
"HSBC Trustee"	HSBC Trustee (C.I.) Limited, acting in its capacity of the trustee of a trust established for the benefit of the family members of Dr Victor Fung Kwok King
"King Lun"	King Lun Holdings Limited, a company incorporated in the British Virgin Islands owned as to 50% by HSBC Trustee and 50% by Dr William Fung Kwok Lun
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	Model Code for Securities Transactions by Directors of Listed Companies under Appendix 10 of the Listing Rules
"New Option Scheme"	the share option scheme of the Company adopted by the Shareholders at the annual general meeting of the Company held on 15 May 2014
"Option Scheme"	the share option scheme of the Company adopted by the Shareholders at the annual general meeting of the Company held on 12 May 2003 which had expired on 11 May 2013

"PRC"	the People's Republic of China
"Report"	the interim report of the Company for the half year ended 30 June 2014
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.0125 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Share Option(s)"	the outstanding option(s) granted under the Option Scheme
"Spin-off"	the spin-off of Global Brands by way of distribution in specie by the Company of 100% of the shares of Global Brands and separate listing of the shares of Global Brands on the Main Board of the Stock Exchange on 9 July 2014
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"US$"	United States dollar(s), the lawful currency of the United States of America

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