LI & FUNG LIMITED

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

中期業績報告 Interim Report 2015

We are Li & Fung






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Contents

On our cover:

Meet some of our management associates from The Program for Management Development

Back row (from left to right):
Kiril Popov, Dorothy Pun, Wasif Munir, Sandeep Chinthireddy

Front row (from left to right):
Tanya Yeung, Rochelle Burton, Pamela Alimurung

Photo by Larry Yeung

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*
Margaret Leung Ko May Yee*
Martin Tang Yue Nien*

* *Independent Non-executive Directors*

Chief Financial Officer
Edward Lam Sung Lai

Group Chief Compliance and Risk Management Officer
Jason Yeung Chi Wai

Company Secretary
Terry Wan Mei Chow

Auditor
PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building
Central, Hong Kong

Principal Bankers
The Hongkong and Shanghai Banking Corporation Limited

Citibank, N.A.

JPMorgan Chase Bank, N.A.

Standard Chartered Bank (Hong Kong) Limited

Legal Advisors
Mayer Brown JSM
16th-19th Floors, Prince's Building
10 Chater Road, Central, Hong Kong

Registered Office
Canon's Court, 22 Victoria Street
Hamilton HM 12, Bermuda

Hong Kong Office
11th Floor, LiFung Tower
888 Cheung Sha Wan Road
Kowloon, Hong Kong

Highlights

2015 FIRST HALF OVERVIEW

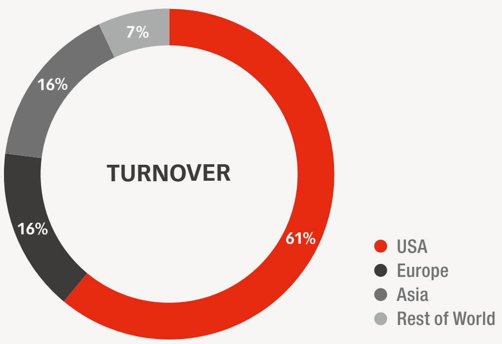
US$ 8,626M
TURNOVER

US$ 984M
TOTAL MARGIN

US$ 182M
CORE OPERATING PROFIT

GROUP GEOGRAPHICAL MARKET TURNOVER

US$ 8,626M



EARNINGS PER SHARE – BASIC

13.8 HK cents | 1.78 US cents

DIVIDENDS PER SHARE – INTERIM

13.0 HK cents | 1.7 US cents

OPERATING CASH FLOW

US$ 180M

CASH AND BANK BALANCES

US$ 315M

GEARING RATIO

28%

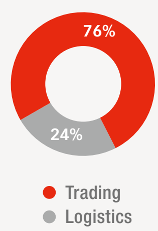
OUR OPERATIONS

25,000 +
EMPLOYEES WORLDWIDE

40 +
ECONOMIES

45%
OF OUR MANAGEMENT WORLDWIDE IS FEMALE

OUR WORKFORCE



15,000 +
FACTORIES

A letter from our Chairman

William Fung
Group Chairman

Dear Shareholders,

We are mid-way through our current Three-Year Plan (2014–2016), which remains a period of transition and investment for the Company. The spin-off of Global Brands was the first step of the transition process. During this period, the macro environment has been challenging and the retail industry has been disrupted by the impact of e-commerce. Nevertheless, we continue to invest in our business as before with the goal of building a long-term sustainable business that will weather any change in the global operating environment. In the first six months of the year, our sourcing business remained stable. In the meantime, our logistics business continued to grow strongly and our newly launched Vendor Support Services (VSS) business was ahead of plan and offering promising prospects. Going forward, Li & Fung will continue to be the leading global holistic supply chain solution provider to brands and retailers with a focus on deep product expertise.

Key Challenges and Opportunities

The emergence of e-commerce has created a new set of challenges for global brands and retailers but emerging opportunities for Li & Fung. We believe success with consumers will belong to the suppliers who provide an integrated customer experience online and offline; hence, we believe omni-channel retailing will be the predominant model of the future. We therefore expect traditional brick and mortar retailers to continue investing in e-commerce while pure plays will begin to invest in physical locations to sell or deliver to their customers. For our traditional customers, our capabilities in small-order sourcing, quick replenishment and e-logistics have helped them gain share in e-commerce and we have benefitted from their growth in the online channel. In the meantime, e-commerce pure plays primarily curate products from third-party brands and products with their own private label is still very small in scale. As the online space gets more competitive and product differentiation becomes more important, we have been working with several pure plays to develop private label solutions. In the meantime, our e-logistics business under LF Logistics has recorded robust growth on the back of rapidly rising internet business in Asia.

After three decades of export growth, China has changed policies to promote domestic consumption as a more sustainable growth engine for the future. Part of this policy change is to increase wages dramatically in this Five-Year Plan (2011–2015). This has resulted in a substantial decanting of lower value-added production out of China to less developed markets. This trend will complicate the supply chain process and disconnect raw material infrastructure in China from actual production countries. Li & Fung on the other hand has always designed sourcing with a global network approach and is already the market leader in all non-China markets. We are best positioned to manage this transition as separate sourcing for raw materials and actual manufacturing has always been part of our modus operandi. We expect this bodes well for our future competitiveness in our core business.

Prospects

Amid a challenging macroeconomic environment, I am confident that we can help our customers to navigate through tough times by leveraging on our deep product expertise and diverse sourcing base. Retailers are increasingly using multiple sourcing channels. The major criteria for selecting sourcing channel and partners will be product based and on a global basis. In addition to being customer centric, Li & Fung has deep product expertise and the biggest global network to capitalize on this trend. Our ability to improve control from raw materials to finished product, reduce overall cost and speed up time-to-market will continue to make us the partner of choice going forward.

While I remain cautious on the macro environment, our Trading Network should continue to gain market share within our core customers and convert the solid pipeline of new businesses. In our Logistics Network, we expect the current robust growth to continue as we expand our service offerings and geographic footprint. We are already the e-logistics partner of choice for numerous global consumer brands in Asia. After the initial year and a half of investment, VSS is progressing ahead of plan and is expected to generate positive returns in 2015. Our broad global vendor base gives us ready access to a new customer base that demands support, resources and expertise to drive better efficiencies to move up the value chain.

This is all part of our longer-term vision of maintaining our leadership position in the global consumer goods supply chain and continuing to be the partner of choice going forward, including for emerging new market segments like e-commerce and China private label retail. I would like to extend my gratitude to all of my colleagues around the world for their continued hard work and support to realize this goal.

William Fung Kwok Lun
Group Chairman

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I am confident that we can help our customers to navigate through tough times by leveraging on our deep product expertise and diverse sourcing base.

A letter from our CEO

> **Our unique multi-channel sourcing business model allows our customers to be nimble and flexible in a world that is changing at an increasing pace.**

Dear Shareholders,

After a year into my role as Group CEO, I would like to report on our performance for the first half of 2015.

Amid the challenging business environment, we continue to reposition ourselves to drive organic growth and achieve our Three-Year Plan's strategic objectives. I would like to outline for you some of the key highlights during the first six months of the year.

Macro Environment Remains Weak

Current macroeconomic conditions remain tough globally for our customers and our business. While we expected lower oil prices to bolster household income, increase consumer spending and offset general economic softness, these effects have been muted so far as consumer spending continues to be weak. Retail sales remain lackluster and have been boosted by the highly promotional environment. Additionally, weakness in the Eurozone and the decline in the European currencies affected our business in the region. We expect this cyclical weakness to reverse as the Eurozone resolves the issues concerning Greece. In the meantime, China's economic growth continues to slow and the recent currency moves have yet to stabilize. We have been working closely with our customers to adjust their supply chains to find solutions to mitigate these cyclical challenges and add greater value to their businesses.

Retail Environment is in Flux

The global retail industry continues to be disrupted by the rapid growth of e-commerce, which lowers the barriers to distribution globally and increases price transparency across channels and geographies. While e-commerce platform operators and pure plays benefitted from the growth in e-commerce, traditional retailers have responded by aggressively investing in their own online channels to regain lost market share. We now see brands and retailers competing both online and offline on a global basis and are using promotions to drive traffic and sales. These highly promotional activities had a negative impact on our customers and, as a result, weighed on margins in our principal business. We believe competition and promotional activities will normalize and our margins will stabilize. This disruption provides Li & Fung with a tremendous opportunity to work with our customers. Not only do many of the products we source for our traditional customers end up being sold online, we also have the opportunity to work with our online customers as they develop private labels. Additionally, we have a unique opportunity to apply supply chain data analytics and understanding of the retail landscape to help our customers maximize their sourcing and logistics strategy in the omni-channel world.

Our Focus and Performance

Given the overall retail landscape and tough macro environment, our first half results were in line with expectation. We managed to preserve our top line by growing with our core trading customers and continuing to deliver strong performance in our logistics business. This offset the downward pressure from the tough retail and deflationary environment, and depreciation in the European currencies. Our total margin percentage held up well despite margin pressure on the retailers. We remain vigilant in improving cost efficiency and productivity, however, investments made in the second half of 2014 led to an increase in operating costs. As a result, core operating profits fell during the first half of 2015.

Spencer Fung
Group Chief Executive Officer

For the remainder of 2015, we continue to focus and invest for the long-term to strengthen our global sourcing platform through a combination of infrastructure upgrades and deepening our product expertise. Importantly, we continue to execute our strategy to grow our logistics business and develop our Vendor Support Services (VSS).

Enhancing Product Expertise

We believe that in this changing retail environment, product differentiation and speed to market are increasingly important. Consumers are no longer limited by how, when and where they buy and with so much choice, they demand products that are unique and sustainable. Equally, our customers require a higher degree of product differentiation to remain competitive. We believe our focus on our core and new customers, key product verticals and innovation meets this need. At Li & Fung, we have the unique ability to apply our expertise in technology, design and development to further innovate products for our customers across all product categories. From smart furniture and beauty displays and formulation to wearable technology, we are incorporating emerging technologies and fabric innovation for our customers.

In addition to downstream demands for differentiated products, there is a corollary upstream demand for the supply chain coordination of raw materials and components. As sourcing operations continue to move out of China to other production markets, raw materials in China become disconnected from the manufacturing taking place elsewhere. Our product focused teams design and develop differentiated products for our customers, yet they also orchestrate the increasingly complex flow of raw materials, components and finished goods. Our goal is to achieve leadership in particular product categories and capture new growth opportunities.

Our multi-channel sourcing business model continues to be strong, allowing us to capture sourcing opportunities from customers that use various channels to source their merchandise. We offer flexible solutions to our customers and work with them across multiple product categories and production markets, no matter how they sell or how they want to buy from us. By tapping into our global network and expertise to manage their supply chain complexity, our customers leverage their core strengths at retail and optimize their sourcing strategies. We are fortunate to act as a trusted partner to our customers.

Growth in Logistics; Vendor Support Services (VSS) Ahead of Plan

Our Logistics Network continues to execute and grow with new customer wins, increase market share with our existing customers, and successful penetration into e-logistics and new markets. The integration of China Container Lines (CCL) was smooth and the cross-selling of global freight services has now begun. With VSS, we are converting our existing suppliers into a new customer base. By leveraging our global network and knowhow, our vendors can enhance their overall efficiency within the supply chain. This in turn, benefits all along the supply chain. We have now completed the build-out phase and VSS is progressing ahead of plan and generating positive returns.

Outlook

While we expect the macroeconomic environment to remain challenging for the rest of the year, our order book remains solid and in line with our expectations, and I am optimistic that key prospects will be converted into new businesses this year. Incremental operating costs from investments initiated in 2014 will normalize in the second half of the year. We will continue to drive operating efficiency and productivity in our operations and that should ease the pressure on our core operating profit margin for the full year.

Our logistics business remains robust, delivering strong organic growth. We continue to invest in e-logistics to take advantage of the momentum in both domestic and cross-border e-commerce. Lastly, as an organization, we are committed to focusing on our customers' needs. Our focus on product expertise will create value for our customers by helping them develop differentiated and sustainable products at quick speed to market.

We are also investing into the future with initiatives such as a presence in Silicon Valley to stay at the forefront of innovation, establishing partnership with leaders in technology, as well as thought leadership in global retail and technology to share these insights with our customers. We will be the best positioned to help our customers succeed at a time when the global retail industry is evolving.

Last but not least, I am grateful for the dedication and efforts of our employees, who live by the core values of entrepreneurship, humility and family every day.

Spencer Theodore Fung
Group Chief Executive Officer

Our performance

Results Overview

First Half 2015 Performance

Results

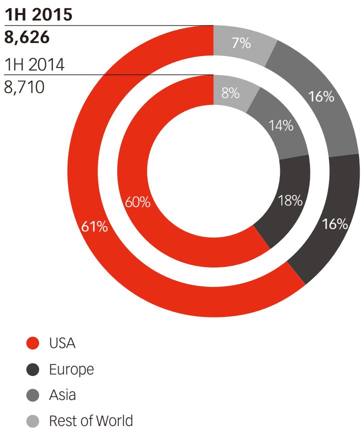
	1H 2015 US$m	1H 2014 US$m	Change %
Turnover	**8,626**	8,710	(1.0%)
Total Margin	**984**	995	(1.2%)
% of Turnover	***11.4%***	*11.4%*	
Operating Costs	**801**	768	+4.3%
% of Turnover	***9.3%***	*8.8%*	
Core Operating Profit	**182**	227	(19.7%)
% of Turnover	***2.1%***	*2.6%*	
Loss from Discontinued Operations	**–**	(98)	
Profit Attributable to Shareholders	**149**	111	+33.4%
Profit Attributable to Shareholders (ex-Loss from Discontinued Operations)	**149**	210	
% of Turnover	***1.7%***	*2.4%*	

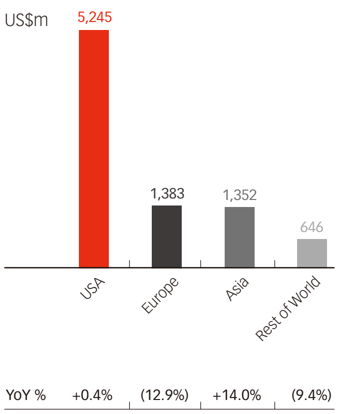
Interim Highlights

- Macro environment and global retail disruption present a mix of challenges and opportunities
- Turnover resilient despite deflationary environment and European currencies depreciation
- Core customers continue to grow and business foundation is solid with strong pipeline for new business
- Core operating profit impacted by annualization of operating costs associated with investments
- Strong growth in logistics business and Vendor Support Services (VSS) ahead of plan

Group Geographical Market Turnover

US$m





TURNOVER

During the first half of 2015, turnover held up with a 1% reduction despite our customers being affected by a subdued macroeconomic and retail environment, as well as turnover decline in Europe due to currency depreciation. Turnover in our Trading Network fell 3%. That was mainly impacted by the depreciation in the European currencies and a heightened deflationary environment, exacerbated by the drop in raw material prices. During the same period, turnover in our Logistics Network increased 36%. Turnover in the US was flat while Europe fell 13%. Turnover in Asia grew 14% and the rest of the world decreased by 9%.

The fall in oil prices was expected to be positive for consumer spending as it should leave consumers with more money to spend in other areas. However, that expected trend failed to translate into any significant improvement in retail sales in the US. Instead, much of the savings from lower oil prices were used to pay down household debts or were converted into savings. Set against this weak consumer retail environment, our US business, which represented 61% of our total turnover, remained flat.

Political uncertainty around Greece and the Eurozone intensified at the end of 2014. Negotiations on whether Greece would stay in the Eurozone and the potential knock-on effect to the rest of Europe caused a rapid decline in the value of the European currencies. While our operations are hedged from a currency perspective, our results denominated in US dollars were affected by the currency translation. During the interim period, our turnover in Europe, which accounted for 16% of our total turnover, decreased 13%.

Our turnover in Asia, which represented 16% of total turnover, increased 14%. Business in Asia was largely boosted by our logistics business, and continued to deliver strong performance with increased sales from existing customers together with new customer wins. In addition, following the acquisition of CCL last year, we have started to cross-sell global freight management services to our global customer base.

TOTAL MARGIN

Total margin declined by 1% due to the decrease in turnover, while the overall total margin percentage was stable at 11.4%. Total margin was further impacted by a larger contribution from the lower-margin global freight management business.

OPERATING COSTS

Operating costs increased by 4%, mainly attributable to the increase in costs to support the growth of our logistics business, including the full period operations of CCL, which was acquired at the end of the first half of 2014. Additionally, we strategically increased spending in 2014, which was the investment year of our current Three-Year Plan, to improve infrastructure, build out our VSS team, as well as to develop new product categories, new markets and services. The full period impact of these investments increased our operating costs in the first half of 2015. The increase in operating costs was alleviated by cost efficiencies from our existing business, which will continue going forward.

CORE OPERATING PROFIT

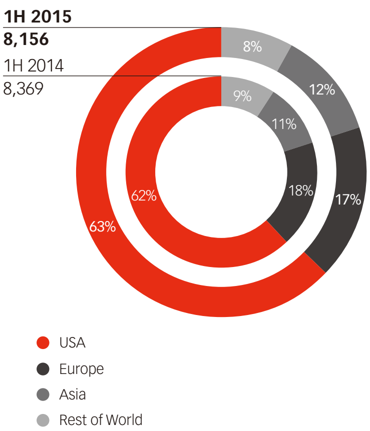
Core operating profit decreased by 20% mainly due to the margin decline in the Trading Network and increase in operating costs from the Logistics Network and investments made since 2014.

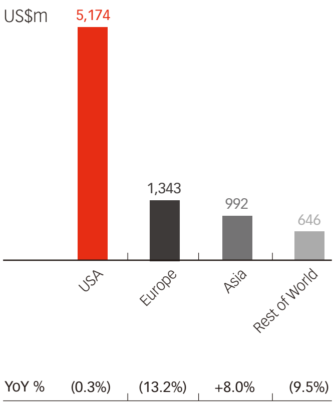
PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Profit attributable to shareholders increased by 33% from US$111 million to US$149 million, which included a non-cash gain of US$60 million on the write-back of contingent considerations during this period, as compared to US$98 million in 2014, as well as the loss from discontinued operations of US$98 million in 2014 relating to Global Brands. Excluding results from Discontinued Operations, profit attributable to shareholders decreased from US$210 million to US$149 million.

Trading Network Geographical Market Turnover

US$m





Segment Analysis

Trading Network

Results

	1H 2015 US$m	1H 2014 US$m	Change %
Turnover	**8,156**	8,369	(2.5%)
Total Margin	**855**	893	(4.3%)
% of Turnover	***10.5%***	*10.7%*	
Operating Costs	**695**	685	+1.5%
Core Operating Profit	**160**	208	(23.4%)
% of Turnover	***2.0%***	*2.5%*	

As a multi-channel sourcing supplier, our Trading Network offers customers both agency-based sourcing services and product-focused principal solutions over a wide range of product categories. We act as a strategic supply chain manager responsible for the buying needs of our brand and retail customers.

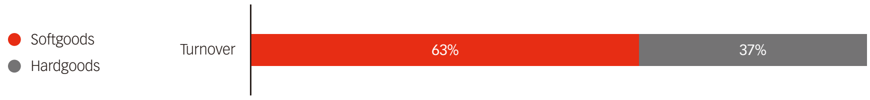
Our agency-based sourcing business provides our customers with a flexible outsourcing service and global network to optimize their sourcing strategy. That gives customers the opportunity to simplify their organization and focus on their core strengths in retail. Our principal trading business, where we operate as either a domestic (onshore) or overseas (offshore) trader, provides customers fully developed and market-ready products based on their needs and brand image.

TURNOVER

Turnover in the Trading Network, comprised of 63% softgoods and 37% hardgoods, decreased by 3%. The decline in turnover was due to multiple cyclical factors, predominately due to the negative translation impact from the weaker European currencies. The drop in oil and other raw material prices also led to an unexpected deflationary environment, which served as a headwind for our agency business. The weak and highly promotional global retail landscape resulted in a relatively muted sales environment for our customers in the first half. The European political uncertainty and the resulting decline in local currencies have impacted our business in Europe. Nevertheless, our core customers, who served as a foundation for our sourcing business, continued to grow with us. By region, turnover in our US business remained flat while turnover in our European business decreased by 13%. Turnover in Asia remained stable with 8% growth.

Our new business pipeline remains strong, and we successfully converted some new customers. Amid increasing competition in a fast-evolving retail landscape and the growing importance of e-commerce, our customers' online sales continued to increase. Many of the products we source for our customers are sold through their e-commerce channels. In addition, we continue to make inroads into e-commerce pure play customers. These customers are beginning to develop private label lines to capture higher margins on their customer traffic, and to differentiate their products from their peers. In China, many Chinese retailers are also looking to develop private and proprietary brands to stand out from their competitors, boost margins and improve customer loyalty. We have developed partnership relationships with various retailers in China to target the growing Chinese consumer retail market.

Product Mix



TOTAL MARGIN

Total margin decreased by 4% as a result of the decrease in total turnover and continued margin pressure on our principal business. We serve customers on a multi-channel sourcing basis across both agency and principal trading business and where margins differ. The continued shift in our turnover mix in the first half of 2015 impacted our overall total margin. The promotional retail environment continues to apply pressure to retailers' gross margins. As a result, our product-led principal business faced pricing pressure during this period.

OPERATING COSTS

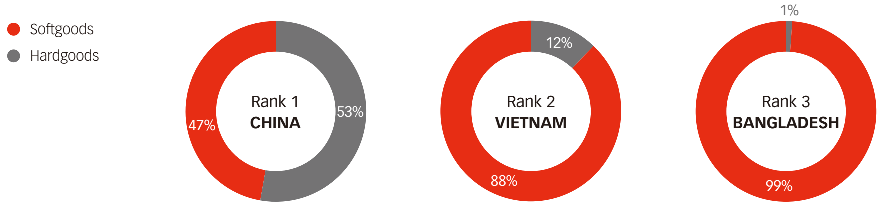
Operating costs increased by 2% as a result of annualization of the investments made last year; which was offset by the continued cost efficiency improvement throughout our global platform. While the Trading Network invested in many growth initiatives, we remained focused on controlling costs and increasing productivity through technology and other innovative processes.

CORE OPERATING PROFIT

The 23% decline in core operating profit was mainly attributable to the fall in total margin as a result of the reduction in turnover. Coupled with higher operating costs as a percentage of turnover, core operating margin decreased from 2.5% to 2.0%.

TOP SOURCING COUNTRIES

We have a global Trading Network spanning over 40 economies, giving us flexibility when moving orders between production bases. This allows us to serve our customers in the most effective and efficient way. Within this global network, our top three sourcing countries remain to be China, Vietnam and Bangladesh. While China continues to be our largest sourcing base, we have been increasingly switching from vendors located in coastal areas to those further in-land. In the meantime, we continue to expand our sourcing with vendors in the frontier markets.



Logistics Network

Results

	1H 2015 US$m	1H 2014 US$m	Change %
Turnover	**475**	349	+36.3%
Total Margin	**129**	102	+26.1%
Operating Costs	**106**	84	+27.2%
Core Operating Profit	**23**	19	+21.1%
% of Turnover	***4.8%***	*5.3%*	

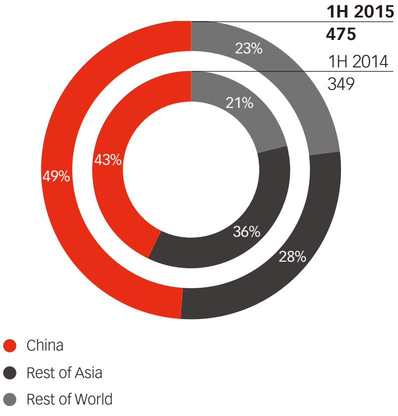
Our Logistics Network comprises of in-country logistics and global freight management businesses. It continues to be one of the Group's high growth and high potential areas.

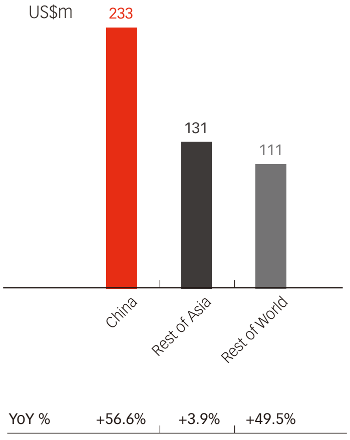
In-country logistics offers Asia-focused logistics and supply chain solutions, and specializes in the key verticals of footwear and apparel, fast-moving consumer goods, food and beverage, retail and electronics. Our Pan-Asian network and deep market knowledge allow us to customize hub-and-spoke logistics solutions for our customers. Riding on the rise of e-commerce and omni-channel retailing, we have deployed our best-in-class technology solutions to re-design our distribution center and operational flow. This has allowed our e-logistics business to optimize order fulfillment processes for both store distribution and direct-to-consumer delivery.

Global freight management offers cross-border logistics services at origin and destination to supplement our in-country logistics solutions. This is particularly relevant for our sourcing customers. The scale of this business has increased significantly following the acquisition of CCL, a leading sea-freight forwarder in China, in the first half of 2014. This increased scale has given us the volume necessary to obtain highly favorable commercial arrangements with the global ocean carriers. As a result, we can offer our customers full container loads or consolidate less-than container load freight services in a cost effective and competitive manner.

Logistics Network Geographical Market Turnover

US$m





TURNOVER

Turnover increased by 36%. All businesses and geographies experienced strong organic growth driven by new customer wins, increased market share of existing customers, new geographic entries, as well as the expanded freight forwarding business via the CCL acquisition. In addition, the design and operations of our Logistics Network and IT system are quickly differentiating us as the leader in Asian e-logistics. This allows us to benefit from the booming e-commerce segment in both domestic and cross-border sales.

Post CCL integration, we were able to offer competitive shipping rates and started to cross sell our global freight management to our sourcing customers. We are only at the very beginning of providing this incremental value-added service to our global customer base.

CORE OPERATING PROFIT

Core operating profit increased 21% and core operating margin declined from 5.3% to 4.8%. The decrease in margin mainly resulted from full period contribution from the lower-margin freight management business. Given the tremendous opportunity ahead, we have also been investing in our warehouse capacity and infrastructure to support the growth of the business.

People

As an asset-light business, our success is dependent on our people. We are very grateful for their expertise, dedication and hard work. As at 30 June 2015, we had a total workforce of 25,065, of which 6,605 were warehouse-related employees for our logistics and distribution businesses. In terms of geography, 4,031 of our employees were based in Hong Kong, 9,265 were based in Mainland China and 11,769 were based overseas.

Total manpower costs for the first half of 2015 were US$495 million, compared with US$479 million for the first half of 2014.

Balance Sheet and Capital Structure

Stable Cash Flow

We have a strong and stable cash flow conversion business, which more than adequately funded its working capital, interest expenses and capital expenditure in the first half of 2015.

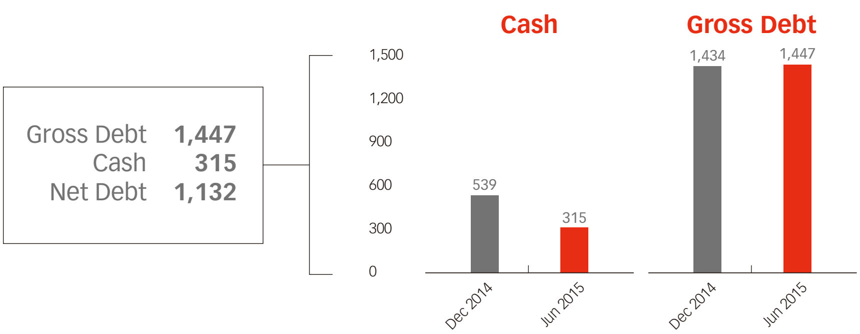
- Operating cash flow of US$180 million in line with core operating profit after working capital and depreciation adjustments and tax payments
- Capital expenditure and acquisition-related payments of US$53 million, including consideration payable for previous acquisitions
- Interest expenses paid and distribution to perpetual capital securities holders of US$60 million

Balance Sheet

Our balance sheet remained solid with a cash position of US$315 million after payment of the 2014 final and special dividends of US$303 million during the first half of 2015. Gross debt remained largely unchanged at US$1,447 million as of 30 June 2015, with weighted average tenor of over 3 years. The majority of our debt is at a fixed rate and denominated in US dollars. As a result of the payment of the 2014 final and special dividends with existing cash on hand, our net debt (total borrowings minus cash) increased from US$896 million as of 31 December 2014 to US$1,132 million as of 30 June 2015.

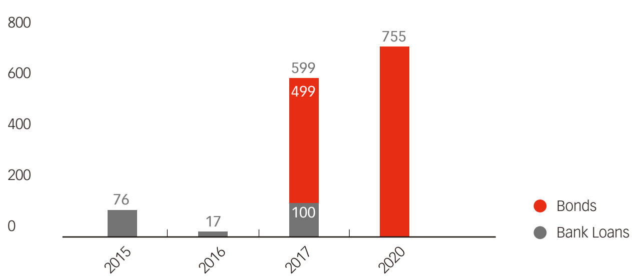
Cash and Net Debt

US$m

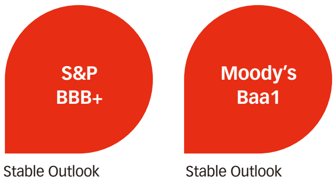


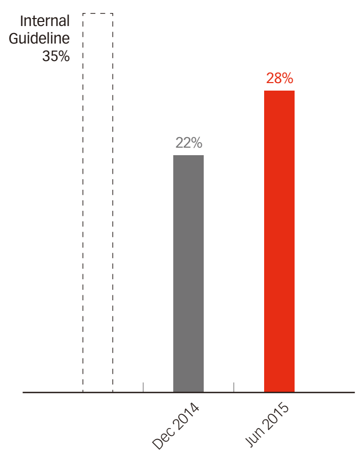
Debt Maturity Schedule

US$m



Net Gearing Ratio





Net Gearing Ratio and Net Current Assets

Our net gearing ratio, as stated in the unaudited consolidated balance sheet, was 28% as of 30 June 2015 (versus 22% as of 31 December 2014).

We continued to adopt a conservative approach in managing our balance sheet and capital structure. As at 30 June 2015, we maintained credit ratings from Moody's Baa1 (stable outlook) and Standard & Poor's BBB+ (stable outlook). We are committed to maintaining a solid balance sheet, healthy cash flow and strong credit ratios, with the overall long-term target of retaining an investment grade rating to support our growth.

Our current ratio as stated in the unaudited consolidated balance sheet was 1.0 as of 30 June 2015.

Banking Facilities

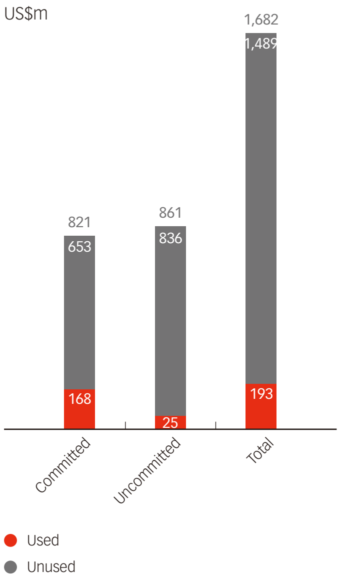
Bank Loans and Overdrafts

We had available bank loans and overdraft facilities of US$1,682 million, out of which US$821 million were committed facilities. As at 30 June 2015, US$193 million of our bank loans and overdraft facilities were drawn down, with US$168 million being committed facilities. The unused limits on bank loans and overdraft facilities amounted to US$1,489 million, with US$653 million being unused committed facilities.

Trade Finance

Our normal trading operations are well supported by circa US$2.6 billion 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. Our payment obligations on letters of credit issued to suppliers is only crystalized when our suppliers have delivered the merchandise to our customers or to us in accordance with all of the terms and conditions specified in the related contractual documents. As at 30 June 2015, approximately 26% of the bank facilities were utilized.

Unused Bank Loans



Contingent Liabilities and Goodwill

Adjustments to Purchase Consideration Payables

Given the unique nature of our acquired businesses are private enterprises relying on their respective entrepreneurs' commercial skills to drive success, we generally structure our acquisitions with incentive schemes and contingent payments. These are based on purchase consideration payables that are then tied to the future performance of the acquired businesses.

We follow 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."

Our contingent consideration payables are performance-based payments in the form of "earn-out" and "earn-up" payments. These are dependent on a set of predetermined performance targets mutually agreed with the entrepreneurs and in accordance with the sale & purchase agreement.

Earn-out payments are generally payable within three to four years upon completion of a transaction.

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.

While many of our acquired businesses remain profitable and are growing, we may still be required to make a downward fair value adjustment to certain consideration payable. That is on the condition that the acquired businesses are 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. At the same time, we may still be required to adjust the consideration payable, especially if the high performance thresholds of earn-ups are not reached. As at 30 June 2015, there were approximately US$60 million of write-back of contingent considerations, the majority of which was in the form of earn-ups.

Goodwill Impairment Tests

We performed goodwill impairment tests based on the cash generating units (CGU) which manage the acquired businesses in accordance with HKAS 36. Based on the assessment of all of the CGUs under the current operating structure, we have determined that there is no goodwill impairment as of 30 June 2015, as the recoverable amount of each CGU was in excess of its respective carrying value of the goodwill. We will continue to perform goodwill impairment tests on an ongoing basis.

Risk Management

We have 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. We have stringent policies in place to manage its credit risk with such receivables, which include, but are not limited to, the measures set out below:

- We select customers in a cautious manner. Our 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 us to require securities (such as standby or commercial letters of credit, or bank guarantees) from a small number of our customers who fall short of the required minimum score under our 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 credit risk 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 our cash balances are deposits in HK$ and US$ with major global financial institutions, and most borrowings are denominated in US$.

Our revenues and payments are transacted mainly in the same currency, and are predominantly in US$. Therefore, we do 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 we arrange hedging by means of foreign exchange forward contracts.

Our functional currency is in US$. We are subject to exchange rate exposure from translation of foreign operations' local results to US$ at average rate for the period for group consolidation. In order to mitigate the impact on selected sourcing countries that are subject to significant exchange rate exposure, we regularly review our operations in these selected countries and make necessary hedging arrangements in certain currencies against the US$. From a medium to long-term perspective, we manage our operations in the most cost effective way possible within our global network.

In general, we do not enter into foreign currency hedges with respect to non-US$ foreign operations' local result and long-term equity investments. In particular, our 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.

We strictly prohibit any financial derivative arrangement merely for speculation.

Our commitment to good 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.

Our corporate governance practices adopted during the first six months of 2015 are in line with those practices set out in our 2014 Annual Report and on our corporate website (www.lifung.com).

The Board

The Board comprises three Executive Directors, one Non-executive Director and four Independent Non-executive Directors. Details of the composition of the Board are set out in the Corporate information section on page 2.

Since 1 January 2015, the following changes in the Board and Board committees have occurred:

- Effective from the conclusion of the 2015 Annual General Meeting held on 21 May 2015, Professor Franklin Warren McFarlan retired by rotation as an Independent Non-executive Director and accordingly ceased to be a member of the Audit Committee, Nomination Committee and Remuneration Committee. In addition, Victor Fung Kwok King, Honorary Chairman and Non-executive Director, resigned as a member of Nomination Committee.
- Jason Yeung Chi Wai, Group Chief Compliance & Risk Management Officer, was appointed as a member of the Risk Management and Sustainability Committee on 1 July 2015.

Further details of changes in the information of our Directors are set out in the Other information section on page 31.

Board and Committee Meetings to Date in 2015

	Number of Meetings	Average Attendance Rate
Board	4	97%
Nomination Committee	3	100%
Audit Committee	3	100%
Risk Management and Sustainability Committee	3	100%
Remuneration Committee	2	100%

Review of Interim Financial Information

The Audit Committee has reviewed the interim financial information for the six months ended 30 June 2015 for the Board's approval.

Risk Management and Internal Control

Details of our risk management and internal control processes are set out in the Our approach to risk management section on pages 48 to 53 of our 2014 Annual Report, a copy of which is available on our website.

Based on the respective assessments made by management and the corporate governance division responsible for internal audit activities, the Audit Committee considered that for the first six months of 2015:

- The risk management and internal controls and accounting systems of the Company remain in place and functioning effectively, and are designed to provide reasonable but not absolute assurance that material assets are protected, business risks attributable to the Company are identified and monitored, material transactions are executed in accordance with management's authorization and the interim financial information is reliable for publication.
- An ongoing process is in place for identifying, evaluating and managing any significant risks faced by the Company.

Compliance with the Corporate Governance Code

The Board reviewed the Company's corporate governance practices and is satisfied that it has been in full compliance with all of the applicable code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Listing Rules throughout the first six months of 2015.

Directors' and Relevant Employees' Securities Transactions

The Company adopts 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 in line with the Model Code. Specific confirmation of compliance has been obtained from each Director for the interim reporting period and no incident of non-compliance by Directors and relevant employees was noted.

We continue to comply with our policy on Inside Information in compliance with our obligations under the SFO and Listing Rules.

Our Senior Management Team

Back row (from left to right): Richard Darling, Wai Ping Leung, Edward Lam, Marc Compagnon, Emily Mak, Gerard Raymond, Stephen Lister and Manuel Fernandez
Front row (from left to right): Henry Chan, Spencer Fung, William Fung, Victor Fung, Lale Kesebi and Joseph Phi


saying 'no' to 1,000 things." Steve Jobs
"Imagination
"I begin with an idea a
, stay in the shallow water." David Lynch
CHANEL
BOBBI BROWN LIVING BEAUTY

Directors' interests

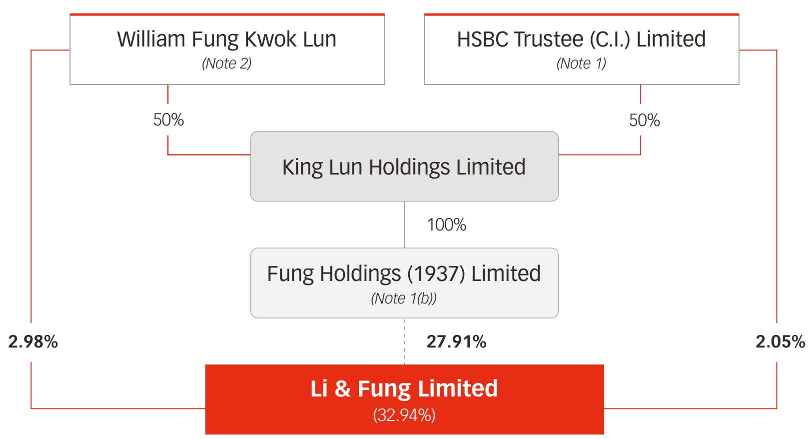
As at 30 June 2015, the Directors and chief executives of the Company and their associates had the following interests in the Shares, underlying shares and debentures of the Company and its associated corporations (as defined under Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

(A) Long Positions in Shares, Underlying Shares and Debentures of the Company

Name of Director	Number of Shares: Personal Interest	Family Interest	Trust/ Corporate Interest	Equity Derivatives (Share Options)	Total	Percentage of Issued Share Capital
Victor Fung Kwok King	2,814,444	–	2,521,966,180[1]	–	2,524,780,624	30.00%
William Fung Kwok Lun	167,120,260	108,800[2(a)]	2,425,362,472[2(b)]	7,509,000[7]	2,600,100,532	30.89%
Spencer Theodore Fung*	1,408,000	–	2,522,776,180[1&3]	12,569,000[7]	2,536,753,180	30.14%
Marc Robert Compagnon	900,000	–	12,979,780[4]	11,945,000[7]	25,824,780	0.30%
Paul Edward Selway-Swift	36,000	–	16,000[5]	–	52,000	0.00%
Martin Tang Yue Nien	–	–	60,000[6]	–	60,000	0.00%

** Son of Victor Fung Kwok King*

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



NOTES:
As at 30 June 2015,

(1) Victor Fung Kwok King and Spencer Theodore Fung were each deemed to have interests in 2,521,966,180 Shares held in the following manner:

(a) 173,012,308 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 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 50% by HSBC Trustee as trustee of the Trust and 50% by William Fung Kwok Lun.

(2) (a) Apart from 108,800 Shares, the spouse of William Fung Kwok Lun held US$2,000,000 of the perpetual subordinated capital securities of the Company.

(b) 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 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) Out of 2,522,776,180 Shares, 810,000 Shares represented the interests in Award Shares granted by the Company and remained unvested. The balance of 2,521,966,180 Shares represented the deemed interests of Spencer Theodore Fung as mentioned in Note (1) above.

(4) Out of 12,979,780 Shares, 690,000 Shares represented the interests in Award Shares granted by the Company and remained unvested. The balance of 12,289,780 Shares were held by Profit Snow Holdings Limited, a company beneficially owned by Marc Robert Compagnon.

(5) 16,000 Shares were held by a trust of which Paul Edward Selway-Swift is a beneficiary.

(6) 60,000 Shares were held by a trust of which Martin Tang Yue Nien is a beneficiary.

(7) 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 Option Schemes section stated below.

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

As at 30 June 2015, none of the Directors and chief executives of the Company or their associates had any short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (as defined under 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 Option Schemes section stated below.

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

Long-term Incentive Schemes

(A) Share Option Schemes

2003 OPTION SCHEME

Pursuant to the terms of the 2003 Option Scheme, the 2003 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 2003 Option Scheme expired on 11 May 2013 and no further options could thereafter be granted under the 2003 Option Scheme. However, all remaining provisions remain in full force and effect to govern the exercise of all the Share Options granted under the 2003 Option Scheme prior to its expiration.

As at 30 June 2015, there were Share Options relating to 16,000,000 Shares granted by the Company representing 0.19% of the issued Shares as at the date of this Report pursuant to the 2003 Option Scheme which were valid and outstanding.

2014 OPTION SCHEME

The 2014 Option Scheme was approved by the Shareholders at the annual general meeting of the Company held on 15 May 2014. As at 30 June 2015, there were Share Options relating to 90,107,000 Shares granted by the Company representing 1.07% of the issued Shares as at the date of this Report pursuant to the 2014 Option Scheme which were valid and outstanding.

Details of the Share Options granted under the 2003 Option Scheme and the 2014 Option Scheme and which remain outstanding as at 30 June 2015 are as follows:

	Number of Share Options							
	As at 1/1/2015	Granted	Lapsed	As at 30/6/2015	Exercise Price HK$	Grant Date	Exercisable Period	Pursuant to 2003 Option Scheme ("2003")/2014 Option Scheme ("2014")
William Fung Kwok Lun	412,000	–	(412,000)	–	16.90[1]	11/4/2011	1/5/2012–30/4/2015	2003
	–	2,503,000	–	2,503,000	7.49[2]	21/5/2015	1/1/2016–31/12/2017	2014
	–	2,503,000	–	2,503,000	7.49[2]	21/5/2015	1/1/2017–31/12/2018	2014
	–	2,503,000	–	2,503,000	7.49[2]	21/5/2015	1/1/2018–31/12/2019	2014
Spencer Theodore Fung	274,000	–	(274,000)	–	16.90[1]	11/4/2011	1/5/2012–30/4/2015	2003
	1,000,000	–	(1,000,000)	–	12.12[1]	22/12/2011	1/5/2013–30/4/2015	2003
	1,000,000	–	–	1,000,000	12.12[1]	22/12/2011	1/5/2014–30/4/2016	2003
	1,000,000	–	–	1,000,000	12.12[1]	22/12/2011	1/5/2015–30/4/2017	2003
	1,000,000	–	–	1,000,000	12.12[1]	22/12/2011	1/5/2016–30/4/2018	2003
	1,000,000	–	–	1,000,000	12.12[1]	22/12/2011	1/5/2017–30/4/2019	2003
	1,000,000	–	–	1,000,000	12.12[1]	22/12/2011	1/5/2018–30/4/2020	2003
	1,000,000	–	–	1,000,000	12.12[1]	22/12/2011	1/5/2019–30/4/2021	2003
	1,000,000	–	–	1,000,000	12.12[1]	22/12/2011	1/5/2020–30/4/2022	2003
	1,000,000	–	–	1,000,000	12.12[1]	22/12/2011	1/5/2021–30/4/2023	2003
	–	1,523,000	–	1,523,000	7.49[2]	21/5/2015	1/1/2016–31/12/2017	2014
	–	1,523,000	–	1,523,000	7.49[2]	21/5/2015	1/1/2017–31/12/2018	2014
	–	1,523,000	–	1,523,000	7.49[2]	21/5/2015	1/1/2018–31/12/2019	2014

	Number of Share Options							
	As at 1/1/2015	Granted	Lapsed	As at 30/6/2015	Exercise Price HK$	Grant Date	Exercisable Period	Pursuant to 2003 Option Scheme ("2003")/2014 Option Scheme ("2014")
Marc Robert Compagnon	274,000	–	(274,000)	–	16.90[1]	11/4/2011	1/5/2012–30/4/2015	2003
	1,000,000	–	(1,000,000)	–	12.12[1]	22/12/2011	1/5/2013–30/4/2015	2003
	1,000,000	–	–	1,000,000	12.12[1]	22/12/2011	1/5/2014–30/4/2016	2003
	1,000,000	–	–	1,000,000	12.12[1]	22/12/2011	1/5/2015–30/4/2017	2003
	1,000,000	–	–	1,000,000	12.12[1]	22/12/2011	1/5/2016–30/4/2018	2003
	1,000,000	–	–	1,000,000	12.12[1]	22/12/2011	1/5/2017–30/4/2019	2003
	1,000,000	–	–	1,000,000	12.12[1]	22/12/2011	1/5/2018–30/4/2020	2003
	1,000,000	–	–	1,000,000	12.12[1]	22/12/2011	1/5/2019–30/4/2021	2003
	1,000,000	–	–	1,000,000	12.12[1]	22/12/2011	1/5/2020–30/4/2022	2003
	1,000,000	–	–	1,000,000	12.12[1]	22/12/2011	1/5/2021–30/4/2023	2003
	–	1,315,000	–	1,315,000	7.49[2]	21/5/2015	1/1/2016–31/12/2017	2014
	–	1,315,000	–	1,315,000	7.49[2]	21/5/2015	1/1/2017–31/12/2018	2014
	–	1,315,000	–	1,315,000	7.49[2]	21/5/2015	1/1/2018–31/12/2019	2014
Continuous contract employee	21,358,000	–	(21,358,000)	–	16.90[1]	11/4/2011	1/5/2012–30/4/2015	2003
	1,380,000	–	(1,380,000)	–	12.71[1]	21/11/2011	1/5/2012–30/4/2015	2003
	–	23,537,000	–	23,537,000	7.49[2]	21/5/2015	1/1/2016–31/12/2017	2014
	–	25,198,000	–	25,198,000	7.49[2]	21/5/2015	1/1/2017–31/12/2018	2014
	–	25,349,000	–	25,349,000	7.49[2]	21/5/2015	1/1/2018–31/12/2019	2014
Total	41,698,000	90,107,000	(25,698,000)	106,107,000				

NOTES:

(1) *Following the spin-off and separate listing of Global Brands, the exercise price applicable to the Share Options outstanding on the record date for the distribution in specie (i.e. 7 July 2014) was adjusted from HK$20.21 to HK$16.90, from HK$14.50 to HK$12.12 and from HK$15.20 to HK$12.71 with effect from 31 August 2014.*

(2) *The closing market price per Share as at the date preceding the date on which the Share Options were granted was HK$7.29.*

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

(B) Share Award Scheme

The Share Award Scheme was approved by the Shareholders at the annual general meeting of the Company held on 21 May 2015 ("Adoption Date"). The maximum number of Shares which can be awarded under the Share Award Scheme is 3% (i.e. 250,811,949 Shares) of the total number of issued Shares as at the Adoption Date.

On 21 May 2015, a total of 62,683,000 Award Shares were awarded to eligible persons pursuant to the Share Award Scheme, and out of which 7,634,000 Award Shares were awarded to connected persons including Spencer Theodore Fung and Marc Robert Compagnon who are executive directors of the Company. The 7,634,000 Award Shares were purchased from the open market. The balance of 55,049,000 Award Shares were allotted and issued at nominal value on 22 May 2015.

As at 30 June 2015, a total of 61,923,000 Award Shares, granted pursuant to the Share Award Scheme, remained unvested. A total of 760,000 Award Shares were forfeited and held by the trustee to be applied towards future awards and accordingly, the total number of 188,888,949 Shares are available for granting in the future under the Share Award Scheme.

Substantial shareholders' interests

As at 30 June 2015, other than the interests of the Directors or chief executives of the Company as disclosed in the previous section, the following persons had interests in the Shares of the Company which are required 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]	27.91%
HSBC Trustee (C.I.) Limited	Trustee	2,521,966,180[2]	29.96%
Commonwealth Bank of Australia	Interest of controlled corporation	675,019,529	8.02%
The Capital Group Companies, Inc.	Interest of controlled corporation	666,608,400	7.92%
Aberdeen Asset Management Plc and its associates (together "the Aberdeen Group")	Investment manager	566,633,595[3]	6.73%

NOTES:
As at 30 June 2015,

(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 Victor Fung Kwok King and William Fung Kwok Lun are directors of King Lun, FH (1937) and Fung Distribution.

(2) Please refer to Note (1) under the Directors' interests section stated above.

(3) The Aberdeen Group held the Shares on behalf of accounts managed by the Aberdeen Group.

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 2015.

Other information

Changes in Information of Directors

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors since the Company's 2014 Annual Report and up to 20 August 2015, being the approval date of this Report, are set out below:

- Victor Fung Kwok King resigned as the Chairman and a director of Fung Global Institute and has been appointed as the Chairman of the Advisory Board of Asia Global Institute at The University of Hong Kong, both with effect from 1 July 2015.
- William Fung Kwok Lun resigned as a director of Fung Global Institute with effect from 1 July 2015.
- Martin Tang Yue Nien resigned as the Vice Chairman of the Council of The Hong Kong University of Science and Technology with effect from 18 June 2015.
- Allan Wong Chi Yun has been appointed as an independent non-executive director of MTR Corporation Limited with effect from 11 August 2015.

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 (2014: 13 HK cents) per Share for the six months ended 30 June 2015, absorbing a total of US$141 million (2014: US$139 million).

Closure of Register of Members

The register of members of the Company will be closed from 10 September 2015 to 11 September 2015, both days inclusive, during which period no transfer of Shares will be registered. 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 9 September 2015. Dividend warrants will be despatched on 18 September 2015. Shares of the Company will be traded ex-dividend as from 8 September 2015.

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

Hang Seng High Dividend Yield Index

MSCI Index Series

MSCI Global Sustainability Indexes

FTSE4Good Index Series

Dow Jones Sustainability Asia Pacific Index

Hang Seng Corporate Sustainability Index Series

Key Dates

20 August 2015, Announcement of the 2015 Interim Results

8 September 2015, Dividend Ex-entitlement for Shares

10 September – 11 September 2015 (both days inclusive), Closure of Register of Shareholders

18 September 2015, Payment of 2015 Interim Dividend

Registrar and Transfer Offices

Principal

Appleby Management (Bermuda) Limited
Canon's Court, 22 Victoria Street
Hamilton HM 12, Bermuda

Hong Kong Branch

Tricor Abacus Limited
Level 22, Hopewell Centre
183 Queen's Road East, Hong Kong
Telephone: (852) 2980 1333
Email: lifung-ecom@hk.tricorglobal.com

Share Information

Board lot size: 2,000 Shares

Shares outstanding as at 30 June 2015
8,415,447,306 Shares

Market capitalization as at 30 June 2015
HK$51,755,000,932

Basic earnings per Share for 2015
Interim
– Continuing Operations 1.78 US cents

Dividend per Share for 2015
Interim 13 HK cents

Enquiries from Institutional Investors and Securities Analysts:

Investor Relations | ir@lifung.com

Enquiries from Media and Potential Business Partners:

Corporate Communications | media@lifung.com

Enquiries from Shareholders to the Board:

Company Secretarial | cosec@lifung.com

Li & Fung Limited
11th Floor, LiFung Tower,
888 Cheung Sha Wan Road,
Kowloon, Hong Kong
Telephone: (852) 2300 2300

Websites

www.lifung.com | www.irasia.com/listco/hk/lifung

A Chinese version of 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.

本報告中文版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。

Independent review report

pwc

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 35 to 70, which comprises the consolidated balance sheet of Li & Fung Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2015 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, 20 August 2015

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Condensed interim financial information

Notes to condensed interim financial information

Consolidated profit and loss account

	Note	Unaudited Six months ended 30 June 2015 US$'000	 2014 US$'000
Continuing Operations			
Turnover	3	**8,625,611**	8,709,600
Cost of sales		**(7,664,676)**	(7,741,923)
Gross profit		**960,935**	967,677
Other income		**22,616**	27,450
Total margin		**983,551**	995,127
Selling and distribution expenses		**(315,139)**	(282,251)
Merchandising and administrative expenses		**(486,142)**	(485,857)
Core operating profit		**182,270**	227,019
Gain on remeasurement of contingent consideration payable	4	**60,151**	98,162
Amortization of other intangible assets		**(17,742)**	(16,632)
One-off reorganization costs		**–**	(13,363)
Other non-core operating expenses		**–**	(532)
Operating profit	3 & 4	**224,679**	294,654
Interest income		**2,971**	4,345
Interest expenses			
Non-cash interest expenses		**(3,750)**	(5,791)
Cash interest expenses		**(44,916)**	(51,085)
		(48,666)	(56,876)
Share of profits less losses of associated companies		**1,475**	675
Profit before taxation		**180,459**	242,798
Taxation	5	**(17,866)**	(18,904)
Profit for the period from Continuing Operations		**162,593**	223,894
Discontinued Operations			
Loss for the period from Discontinued Operations	15	**–**	(98,138)
Net profit for the period		**162,593**	125,756
Attributable to:			
Shareholders of the Company		**148,685**	111,421
Holders of perpetual capital securities		**15,000**	15,000
Non-controlling interests		**(1,092)**	(665)
		162,593	125,756

The notes on pages 45 to 70 form an integral part of this interim financial information.

	Note	Unaudited Six months ended 30 June 2015 US$'000	2014 US$'000
Attributable to Shareholders of the Company arising from:			
Continuing Operations		**148,685**	209,559
Discontinued Operations		**–**	(98,138)
		148,685	111,421
Earnings/(losses) per share for profit/(loss) attributable to the Shareholders of the Company during the period	*7*		
Basic		**13.8 HK cents**	10.4 HK cents
(equivalent to)		**1.78 US cents**	1.34 US cents
– from Continuing Operations		**13.8 HK cents**	19.6 HK cents
(equivalent to)		**1.78 US cents**	2.51 US cents
– from Discontinued Operations		**–**	(9.2) HK cents
(equivalent to)		**–**	(1.17) US cents
Diluted		**13.8 HK cents**	10.4 HK cents
(equivalent to)		**1.78 US cents**	1.34 US cents
– from Continuing Operations		**13.8 HK cents**	19.6 HK cents
(equivalent to)		**1.78 US cents**	2.51 US cents
– from Discontinued Operations		**–**	(9.2) HK cents
(equivalent to)		**–**	(1.17) US cents

Details of distribution in specie and dividends to Shareholders of the Company are set out in *Note 6*. The notes on pages 45 to 70 form an integral part of this interim financial information.

Consolidated statement of comprehensive income

	Unaudited Six months ended 30 June	
	2015	2014
	US$'000	US$'000
Net Profit for the Period	**162,593**	125,756
Other Comprehensive Income/(Expense):		
Items that will not be reclassified to profit or loss		
Remeasurements from post-employment benefits recognized in reserve, net of tax	**2**	(13)
Total Items that will not be Reclassified to Profit or Loss	**2**	(13)
Items that may be reclassified subsequently to profit or loss		
Currency translation differences *	**7,052**	19,084
Net fair value losses on cash flow hedges, net of tax	**(8,322)**	(1,693)
Net fair value gains on available-for-sale financial assets, net of tax	**76**	7
Total Items that may be Reclassified Subsequently to Profit or Loss	**(1,194)**	17,398
Total Other Comprehensive (Expense)/Income for the Period, Net of Tax	**(1,192)**	17,385
Total Comprehensive Income for the Period	**161,401**	143,141
Attributable to:		
Shareholders of the Company	**149,017**	128,624
Holders of perpetual capital securities	**15,000**	15,000
Non-controlling interests	**(2,616)**	(483)
Total Comprehensive Income for the Period	**161,401**	143,141
Attributable to Shareholders of the Company Arising from:		
Continuing Operations	**149,017**	227,862
Discontinued Operations	**–**	(99,238)
	149,017	128,624

* *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 45 to 70 form an integral part of this interim financial information.

Consolidated balance sheet

	Note	**Unaudited 30 June 2015 US$'000**	Audited 31 December 2014 US$'000
Non-Current Assets			
Intangible assets	*8*	**4,327,200**	4,349,083
Property, plant and equipment	*8*	**244,387**	244,907
Prepaid premium for land leases		**2,247**	2,498
Associated companies		**12,222**	11,890
Available-for-sale financial assets		**3,804**	3,709
Other receivables and deposits		**22,980**	7,570
Deferred tax assets		**34,847**	32,493
		4,647,687	4,652,150
Current Assets			
Inventories		**607,675**	565,291
Due from related companies		**638,807**	511,965
Trade and bills receivable	*9*	**1,583,973**	1,864,021
Other receivables, prepayments and deposits		**310,074**	333,743
Derivative financial instruments		**226**	11,323
Cash and bank balances		**315,034**	538,529
		3,455,789	3,824,872
Current Liabilities			
Due to related companies		**568**	48
Trade and bills payable	*10*	**2,625,273**	2,561,172
Accrued charges and sundry payables		**544,973**	692,427
Purchase consideration payable for acquisitions	*11*	**105,234**	134,468
Taxation		**48,839**	116,719
Bank advances for discounted bills	*9*	**29,641**	33,834
Short-term bank loans		**92,862**	162,850
		3,447,390	3,701,518
Net Current Assets		**8,399**	123,354
Total Assets Less Current Liabilities		**4,656,086**	4,775,504

	Note	Unaudited 30 June 2015 US$'000	Audited 31 December 2014 US$'000
Financed by:			
Share capital	*12*	**13,487**	13,398
Reserves		**2,286,510**	2,284,969
Proposed dividend		**140,980**	300,117
		2,427,490	2,585,086
Shareholders' funds attributable to the Company's Shareholders		**2,440,977**	2,598,484
Holders of perpetual capital securities	*13*	**503,000**	503,000
Non-controlling interests		**5,978**	8,594
Total Equity		**2,949,955**	3,110,078
Non-Current Liabilities			
Long-term notes	*11*	**1,254,096**	1,254,369
Purchase consideration payable for acquisitions	*11*	**280,700**	323,612
Other long-term liabilities	*11*	**108,573**	25,375
Post-employment benefit obligations		**22,297**	22,299
Deferred tax liabilities		**40,465**	39,771
		1,706,131	1,665,426
		4,656,086	4,775,504

The notes on pages 45 to 70 form an integral part of this interim financial information.

Consolidated statement of changes in equity

	Unaudited							
	Attributable to Shareholders of the Company					Holders of Perpetual Capital Securities	Non-Controlling Interests	Total Equity
	Share Capital US$'000 *(Note 12)*	Share Premium US$'000	Other Reserves US$'000 *(Note 14)*	Retained Earnings US$'000	Total US$'000	US$'000 *(Note 13)*	US$'000	US$'000
Balance at 1 January 2015	13,398	699,476	634,098	1,251,512	2,598,484	503,000	8,594	3,110,078
Comprehensive Income/(Expense)								
Profit or loss	–	–	–	148,685	148,685	15,000	(1,092)	162,593
Other Comprehensive Income/(Expense)								
Currency translation differences	–	–	8,576	–	8,576	–	(1,524)	7,052
Net fair value gains on available-for-sale financial assets, net of tax	–	–	76	–	76	–	–	76
Net fair value losses on cash flow hedges, net of tax	–	–	(8,322)	–	(8,322)	–	–	(8,322)
Remeasurements from post-employment benefits recognized in reserve, net of tax	–	–	2	–	2	–	–	2
Total other comprehensive income/(expense)	–	–	332	–	332	–	(1,524)	(1,192)
Total Comprehensive Income/(Expense)	–	–	332	148,685	149,017	15,000	(2,616)	161,401
Transactions with Owners								
Issue of shares for Share Award Scheme	89	–	(89)	–	–	–	–	–
Purchase of shares for Share Award Scheme	–	–	(7,300)	–	(7,300)	–	–	(7,300)
Employee Share Option and Share Award Scheme:								
– value of employee services	–	–	4,164	–	4,164	–	–	4,164
Distribution to holders of perpetual capital securities	–	–	–	–	–	(15,000)	–	(15,000)
Transfer to capital reserve	–	–	92	(92)	–	–	–	–
2014 final and special dividends paid	–	–	–	(303,388)	(303,388)	–	–	(303,388)
Total Transactions with Owners	89	–	(3,133)	(303,480)	(306,524)	(15,000)	–	(321,524)
Balance at 30 June 2015	13,487	699,476	631,297	1,096,717	2,440,977	503,000	5,978	2,949,955

	Unaudited							
	Attributable to Shareholders of the Company					Holders of Perpetual Capital Securities US$'000 *(Note 13)*	Non-Controlling Interests US$'000	Total Equity US$'000
	Share Capital US$'000 *(Note 12)*	Share Premium US$'000	Other Reserves US$'000 *(Note 14)*	Retained Earnings US$'000	Total US$'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/(Expense)								
Profit or loss	–	–	–	111,421	111,421	15,000	(665)	125,756
Other Comprehensive Income/(Expense)								
Currency translation differences	–	–	18,902	–	18,902	–	182	19,084
Net fair value gains on available-for-sale financial assets, net of tax	–	–	7	–	7	–	–	7
Net fair value losses 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/(Expense)	–	–	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

The notes on pages 45 to 70 form an integral part of this interim financial information.

Condensed consolidated cash flow statement

	Unaudited Six months ended 30 June 2015 US$'000	2014 US$'000
Continuing Operations		
Operating Activities		
Operating profit before working capital changes	**227,905**	259,592
Changes in working capital	**(19,330)**	(31,729)
Net cash inflow generated from operations	**208,575**	227,863
Profits tax paid	**(28,596)**	(27,219)
Net Cash Inflow from Operating Activities	**179,979**	200,644
Investing Activities		
Settlement of consideration payable for prior years acquisitions of businesses	**(15,941)**	(69,313)
Acquisitions of businesses	**–**	(36,534)
Capital expenditure	**(37,288)**	(36,814)
Other investing activities	**4,004**	5,777
Net Cash Outflow from Investing Activities	**(49,225)**	(136,884)
Net Cash Inflow before Financing Activities	**130,754**	63,760
Financing Activities		
Interest paid	**(44,916)**	(51,085)
Distribution to holders of perpetual capital securities	**(15,000)**	(15,000)
Dividends paid	**(303,388)**	(366,779)
Purchase of shares for Share Award Scheme	**(7,300)**	–
Other financing activities	**13,012**	(6,508)
Net Cash Outflow from Financing Activities	**(357,592)**	(439,372)
Decrease in Cash and Cash Equivalents from Continuing Operations *(Note)*	**(226,838)**	(375,612)
Discontinued Operations		
Increase in cash and cash equivalents from Discontinued Operations *(Note)*	**–**	626,925
(Decrease)/increase in Cash and Cash Equivalents	**(226,838)**	251,313

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

	Unaudited Six months ended 30 June	
	2015	2014
	US$'000	US$'000
(Decrease)/Increase in Cash and Cash Equivalents	**(226,838)**	251,313
Cash and Cash Equivalents at 1 January		
Continuing Operations	**538,529**	344,471
Discontinued Operations	**–**	115,088
	538,529	459,559
Effect of foreign exchange rate changes	**3,343**	(3,925)
Cash and cash equivalents transferred to assets held for distribution	**–**	(163,152)
Cash and Cash Equivalents of the Continuing Operations at 30 June	**315,034**	543,795
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	**315,034**	543,795

Movement of Cash and Cash Equivalents*

			Unaudited Six months ended 30 June 2015 US$'000		2014 US$'000
Cash and Cash Equivalents at 1 January					
Continuing Operations			**538,529**		344,471
Discontinued Operations			–		115,088
			538,529		459,559
Continuing Operations					
Decrease in cash and cash equivalents	**(226,838)**			(375,612)	
Loan repayment from Discontinued Operations	–			593,821	
Capital injection to Discontinued Operations	–			(15,000)	
Net Cash (Outflow)/Inflow from Continuing Operations			**(226,838)**		203,209
Discontinued Operations					
Increase in cash and cash equivalents	–			626,925	
Loan repayment to Continuing Operations	–			(593,821)	
Capital injection from Continuing Operations	–			15,000	
Net Cash Inflow from Discontinued Operations			–		48,104
Effect of foreign exchange rate changes			**3,343**		(3,925)
Cash and cash equivalents transferred to assets held for distribution			–		(163,152)
Cash and Cash Equivalents of Continuing Operations at 30 June			**315,034**		543,795

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

The notes on pages 45 to 70 form an integral part of this interim financial information.

Notes to condensed interim financial information

1 General Information

Li & Fung and its subsidiaries 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.

Li & Fung 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 spun-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 for the period ended 30 June 2014 were presented as Discontinued Operations.

This condensed interim financial information is presented in US$, unless otherwise stated. This condensed interim financial information was approved for issue on 20 August 2015.

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 2014, 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 2014, 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.

2 Basis of Preparation and Accounting Policies (continued)

(a) New Amendments to Existing Standards Adopted by the Group

The following new amendments to existing standards are mandatory for accounting periods beginning on or after 1 January 2015:

HKAS 19 (2011) Amendment	Defined Benefit Plans: Employee Contributions
Annual Improvements Project	Annual Improvements 2010-2012 Cycle
Annual Improvements Project	Annual Improvements 2011-2013 Cycle

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.

(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 yet effective for the accounting periods beginning 1 January 2015 and have not been early adopted:

HKAS 1 Amendment	Disclosure Initiative[1]
HKAS 16 and HKAS 38 Amendment	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
HKAS 16 and HKAS 41 Amendment	Agriculture: Bearer Plants[1]
HKAS 27 Amendment	Equity Method in Separate Financial Statements[1]
HKFRS 9	Financial Instruments[3]
HKFRS 10 and HKAS 28 Amendment	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
HKFRS 10, HKFRS 12 and HKAS 28 Amendment	Investment Entities: Applying the Consolidation Exception[1]
HKFRS 11 Amendment	Accounting for Acquisitions of Interests in Joint Operations[1]
HKFRS 14	Regulatory Deferral Accounts[1]
HKFRS 15	Revenue from Contracts with Customers[2]
Annual Improvements Project	Annual Improvements 2012-2014 Cycle[1]

NOTES:

(1) Effective for financial periods beginning on or after 1 January 2016
(2) Effective for financial periods beginning on or after 1 January 2017
(3) Effective for financial periods beginning on or after 1 January 2018

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.

In 2014, the Group accomplished a major restructuring of its operations. After the restructuring, the Group spun-off its licensed brands and controlled brands businesses primarily under Distribution Network, named as the Global Brands Group, via a distribution in specie on 8 July 2014. After the spin-off, the Group has grouped the remaining business under Distribution Network into Trading Network and continued to operate under two business networks, namely the Trading Network and the Logistics Network. The Trading Network focuses on provision of the global sourcing services via multiple channels, such as buying agent, trading-as-principal for private label merchandise and on-shore wholesale business. The Logistics Network 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 networks.

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, interest income, interest expenses, tax, 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 2015 (Unaudited)				
Turnover	8,155,545	474,969	(4,903)	8,625,611
Total margin	854,756	128,795		983,551
Operating costs	(695,063)	(106,218)		(801,281)
Core operating profit	159,693	22,577		182,270
Gain on remeasurement of contingent consideration payable				60,151
Amortization of other intangible assets				(17,742)
Operating profit				224,679
Interest income				2,971
Interest expenses				
Non-cash interest expenses				(3,750)
Cash interest expenses				(44,916)
				(48,666)
Share of profits less losses of associated companies				1,475
Profit before taxation				180,459
Taxation				(17,866)
Net profit for the period				162,593
Depreciation and amortization	48,575	8,301		56,876
30 June 2015 (Unaudited)				
Non-current assets (other than available-for-sale financial assets and deferred tax assets)	3,965,024	644,012		4,609,036

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
31 December 2014 (Audited)				
Non-current assets (other than available-for-sale financial assets and deferred tax assets)	3,974,971	640,977		4,615,948

3 Segment Information (continued)

The geographical analysis of the Continuing Operations' turnover and the Group's non-current assets (other than available-for-sale financial assets and deferred tax assets) 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
	2015	2014	**2015**	2014
	US$'000	US$'000	**US$'000**	US$'000
United States of America	**5,244,933**	5,223,830	**2,099,536**	1,981,767
Europe	**1,383,281**	1,587,430	**1,202,763**	1,264,408
Asia	**1,351,615**	1,185,490	**1,044,953**	1,116,474
Rest of the world	**645,782**	712,850	**261,784**	253,299
	8,625,611	8,709,600	**4,609,036**	4,615,948

Turnover to Continuing Operations consists of sales of softgoods, hardgoods and logistics income is as follows:

	Unaudited	
	Six months ended 30 June	
	2015	2014
	US$'000	US$'000
Softgoods	**5,120,982**	5,358,126
Hardgoods	**3,019,829**	2,989,268
Logistics	**484,800**	362,206
	8,625,611	8,709,600

For the six months ended 30 June 2015, approximately 14% (2014: 13%) of the Continuing Operations' total turnover is derived from a single external customer, which is wholly attributable to the Trading Network.

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	
	2015	2014
	US$'000	US$'000
Crediting		
Gain on remeasurement of contingent consideration payable *	**60,151**	98,162
Charging		
Staff costs including Directors' emoluments	**494,577**	479,140
Amortization of system development, software and other license costs	**7,516**	7,460
Amortization of other intangible assets *	**17,742**	16,632
Amortization of prepaid premium for land leases	**64**	71
Depreciation of property, plant and equipment	**31,554**	29,069
Loss on disposal of property, plant and equipment	**2,311**	8,547

* *Excluded from the core operating profit*

5 Taxation from Continuing Operations

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits 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 Continuing Operations operates.

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

	Unaudited Six months ended 30 June	
	2015	2014
	US$'000	US$'000
Current taxation		
– Hong Kong profits tax	**5,895**	7,404
– Overseas taxation	**13,645**	5,080
Deferred taxation	**(1,674)**	6,420
	17,866	18,904

6 Distribution in Specie and Interim Dividend

	Unaudited Six months ended 30 June	
	2015	2014
	US$'000	US$'000
Proposed, distribution in specie *(Note (a))*	**–**	2,308,188
Proposed, of HK$0.13 (equivalent to US$0.017) (2014: HK$0.13 (equivalent to US$0.017)) per ordinary share *(Note (b))*	**140,980**	139,340

NOTES:

(a) 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) Final and special dividends of US$227,541,000 and US$75,847,000 proposed for the year ended 31 December 2014 were paid in June 2015 (2014: final dividend of US$366,779,000).

7 Earnings/(Losses) per Share

The calculation of basic earnings/(losses) per share is based on the Group's profit attributable to Shareholders of US$148,685,000 (2014: US$111,421,000), which includes the Group's profit attributable to Shareholders arising from the Continuing Operations of US$148,685,000 (2014: US$209,559,000) and the Group's losses attributable to Shareholders arising from the Discontinued Operations of US$Nil (2014: US$98,138,000) and on the weighted average number of 8,354,612,000 (2014: 8,356,317,000) shares in issue during the period.

The diluted earnings per share for the six months ended 30 June 2015 was calculated by adjusting the weighted average number of 8,354,612,000 ordinary shares in issue by 13,871,000 to assume conversion of all dilutive potential ordinary shares granted under the Company's Share Option and Share Award Scheme. The diluted earnings/(losses) per share is the same as the basic earnings/(losses) per share for the period ended 30 June 2014 as the potential ordinary shares in respect of outstanding Share Options are anti-dilutive. For the determination 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 and Share Award.

8 Capital Expenditure

	Intangible Assets US$'000	Property, Plant and Equipment US$'000
Six months ended 30 June 2015		
Net book amount as at 1 January 2015 (audited)	**4,349,083**	**244,907**
Adjustments to purchase consideration payable for acquisitions and net asset value *(Note (a))*	**554**	**–**
Additions	**1,288**	**36,633**
Disposals	**(8)**	**(2,384)**
Amortization *(Note (b))*/depreciation charge	**(25,258)**	**(31,554)**
Exchange differences	**1,541**	**(3,215)**
Net Book Amount as at 30 June 2015 (unaudited)	**4,327,200**	**244,387**

8 Capital Expenditure (continued)

	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 payable for acquisitions 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 payable for acquisitions 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

NOTES:

(a) *These are adjustments to purchase consideration payable for acquisitions and net asset values related to certain acquisitions of businesses in the prior year, which were previously determined on a provisional basis. During the measurement period of twelve months following a transaction, the Group 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 were corresponding net adjustments to other assets/liabilities of approximately US$554,000 (2014: purchase consideration payable for acquisitions of US$13,258,000).*

(b) *Amortization of intangible assets included amortization of system development, software and other license costs of US$7,516,000 (2014: US$7,460,000) and amortization of other intangible assets arising from business combination of US$17,742,000 (2014: US$16,632,000).*

At 30 June 2015, land and buildings of US$2,937,000 (31 December 2014: US$3,248,000) 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 2015 (unaudited)	**1,481,619**	**73,126**	**28,562**	**666**	**1,583,973**
Balance at 31 December 2014 (audited)	1,783,736	69,773	8,580	1,932	1,864,021

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 2015.

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 and bills receivables, as the Group has a large number of customers internationally dispersed.

Certain subsidiaries of the Group transferred bills receivable balances amounting to US$29,641,000 (31 December 2014: US$33,834,000) to banks in exchange for cash as at 30 June 2015. 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 2015 (unaudited)	**2,566,824**	**41,368**	**11,832**	**5,249**	**2,625,273**
Balance at 31 December 2014 (audited)	2,491,454	55,420	12,241	2,057	2,561,172

The fair values of the Group's trade and bills payable were approximately the same as their carrying values as at 30 June 2015.

11 Long-term Liabilities

	Unaudited 30 June 2015 US$'000	Audited 31 December 2014 US$'000
Long-term bank loans – unsecured	**100,000**	17,000
Long-term notes – unsecured	**1,254,096**	1,254,369
Purchase consideration payable for acquisitions	**385,934**	458,080
Other non-current liability (non-financial liability)	**8,573**	8,375
	1,748,603	1,737,824
Current portion of purchase consideration payable for acquisitions	**(105,234)**	(134,468)
	1,643,369	1,603,356

Balance of purchase consideration payable for acquisitions as at 30 June 2015 included performance-based earn-out and earn-up contingent considerations of US$270,209,000 and US$115,725,000 respectively (31 December 2014: US$304,440,000 and US$153,640,000). Earn-out is contingent consideration that would be realized 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 realized 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$38,593,000.

12 Share Capital and Options

	Number of Shares (in Thousand)	HK$'000	Equivalent to US$'000
Authorized			
At 1 January 2015, ordinary shares of HK$0.0125 each	**12,000,000**	**150,000**	**19,231**
At 30 June 2015, ordinary shares of HK$0.0125 each	**12,000,000**	**150,000**	**19,231**
Issued and Fully Paid			
At 1 January 2015, ordinary shares of HK$0.0125 each	**8,360,398**	**104,505**	**13,398**
Issue of new shares of HK$0.0125 each pursuant to Share Award Scheme *(Note)*	**55,049**	**688**	**89**
At 30 June 2015, ordinary shares of HK$0.0125 each	**8,415,447**	**105,193**	**13,487**

NOTE:
The closing market price per Share on the date of issue of new shares on 22 May 2015 was HK$7.32 per Share.

12 Share Capital and Options (continued)

Details of Share Options granted by the Company pursuant to the 2003 Option Scheme and 2014 Option Scheme and outstanding at 30 June 2015 are as follows:

			Number of Share Options			
Grant Date	**Exercise Price HK$**	**Exercisable Period**	**As at 1/1/2015**	**Grant**	**Lapsed**	**As at 30/6/2015**
11/4/2011	16.90[1]	1/5/2012–30/4/2015	22,318,000	–	(22,318,000)	–
21/11/2011	12.71[1]	1/5/2012–30/4/2015	1,380,000	–	(1,380,000)	–
22/12/2011	12.12[1]	1/5/2013–30/4/2015	2,000,000	–	(2,000,000)	–
22/12/2011	12.12[1]	1/5/2014–30/4/2016	2,000,000	–	–	2,000,000
22/12/2011	12.12[1]	1/5/2015–30/4/2017	2,000,000	–	–	2,000,000
22/12/2011	12.12[1]	1/5/2016–30/4/2018	2,000,000	–	–	2,000,000
22/12/2011	12.12[1]	1/5/2017–30/4/2019	2,000,000	–	–	2,000,000
22/12/2011	12.12[1]	1/5/2018–30/4/2020	2,000,000	–	–	2,000,000
22/12/2011	12.12[1]	1/5/2019–30/4/2021	2,000,000	–	–	2,000,000
22/12/2011	12.12[1]	1/5/2020–30/4/2022	2,000,000	–	–	2,000,000
22/12/2011	12.12[1]	1/5/2021–30/4/2023	2,000,000	–	–	2,000,000
21/5/2015	7.49	1/1/2016–31/12/2017	–	28,878,000	–	28,878,000
21/5/2015	7.49	1/1/2017–31/12/2018	–	30,539,000	–	30,539,000
21/5/2015	7.49	1/1/2018–31/12/2019	–	30,690,000	–	30,690,000
		Total	41,698,000	90,107,000	(25,698,000)	106,107,000

NOTE:

(1) *Following the spin-off and separate listing of Global Brands, the exercise price applicable to the Share Options granted by the Company pursuant to the 2003 Option Scheme outstanding on the record date for the distribution in specie (i.e. 7 July 2014) was adjusted from HK$20.21 to HK$16.90, from HK$15.20 to HK$12.71 and from HK$14.50 to HK$12.12 with effect from 31 August 2014.*

Subsequent to 30 June 2015, no Shares have been allotted and issued under the 2014 Option Scheme.

The Share Options outstanding at 30 June 2015 had a weighted average remaining contractual life of 3.65 years (31 December 2014: 2.06 years).

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 2015 included the accrued distribution payments net off by the actual distribution to holders during the period. For the period ended 30 June 2015, the accrued distribution payment was US$3,000,000 (31 December 2014: US$3,000,000) and the actual distribution to holders was US$15,000,000 (31 December 2014: US$30,000,000).

14 Other Reserves

	Unaudited								
	Treasury Shares US$'000 *(Note (a))*	Capital Reserve US$'000	Contributed Surplus 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 2015	(6,739)	3,922	710,000	37,049	2,719	8,889	(11,066)	(110,676)	634,098
Comprehensive Income									
Currency translation differences	–	–	–	–	–	–	–	8,576	8,576
Net fair value gains on available-for-sale financial assets, net of tax	–	–	–	–	76	–	–	–	76
Net fair value losses on cash flow hedges, net of tax	–	–	–	–	–	(8,322)	–	–	(8,322)
Remeasurements from post-employment benefits recognized in reserve, net of tax	–	–	–	–	–	–	2	–	2
Transactions with Owners									
Issue of new shares for Share Award Scheme	(89)	–	–	–	–	–	–	–	(89)
Purchase of shares for Share Award Scheme	(7,300)	–	–	–	–	–	–	–	(7,300)
Employee Share Option and Share Award Scheme:									
– value of employee services	–	–	–	4,164	–	–	–	–	4,164
Transfer to capital reserves	–	92	–	–	–	–	–	–	92
Balance at 30 June 2015	**(14,128)**	**4,014**	**710,000**	**41,213**	**2,795**	**567**	**(11,064)**	**(102,100)**	**631,297**

14 Other Reserves (continued)

	Unaudited								
	Treasury Shares 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 gains on available-for-sale financial assets, net of tax	–	–	–	–	7	–	–	–	7
Net fair value losses 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 reserves	–	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

NOTES:

(a) *Treasury shares represent the excess shares issued for settlement of consideration for certain prior year acquisitions and shares issued and purchased for Share Award Scheme held by the escrow agent.*

(b) *For the six months ended 30 June 2014, US$3,000,000,000 contributed surplus was created by reduction of the share premium of the Company.*

15 Discontinued Operations

The consolidated results of Global Brands Group for the six months ended 30 June 2014 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 Discontinued Operations from Continuing Operations.

Results of the Discontinued Operations have been included in the consolidated profit and loss account as follows:

	Unaudited Six months ended 30 June 2014 US$'000
Turnover	1,348,883
Cost of sales*	(948,548)
Gross profit	400,335
Other income	32
Total margin	400,367
Selling and distribution expenses	(228,254)
Merchandising and administrative expenses	(235,391)
Core operating loss	(63,278)
Gain on remeasurement of contingent consideration payable	19,667
Amortization of other intangible assets	(24,650)
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)
Interest income	29
Interest expenses	
Non-cash interest expenses	(9,465)
Cash interest expenses	(7,007)
	(16,472)
Share of profits of joint ventures	324
Loss before taxation	(115,121)
Taxation	16,983
Net loss attributable to Shareholders of the Company	(98,138)

* *Amounts before elimination of transactions between Continuing Operations and Discontinued Operations of US$741,248,000.*

Details of other financial information of the Discontinued Operations for the six months ended 30 June 2014 were set out in 2014 interim report.

16 Contingent Liabilities

	Unaudited 30 June 2015 US$'000	Audited 31 December 2014 US$'000
Guarantees in respect of banking facilities granted to associated companies	**750**	750

17 Commitments

(a) Operating Lease Commitments

As at 30 June 2015, the Continuing Operations had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Unaudited 30 June 2015 US$'000	Audited 31 December 2014 US$'000
Within one year	**147,048**	157,535
In the second to fifth year inclusive	**250,924**	294,639
After the fifth year	**118,549**	128,321
	516,521	580,495

(b) Capital Commitments

	Unaudited 30 June 2015 US$'000	Audited 31 December 2014 US$'000
Contracted but not provided for:		
Property, plant and equipment	**13,082**	17,046
Authorized but not contracted for:		
Property, plant and equipment	**19,449**	22,738
	32,531	39,784

18 Charges on Assets

Save as disclosed in *Note 8*, there were no charges on the Group's assets as at 30 June 2015 and 31 December 2014.

19 Related Party Transactions

The Continuing Operations had the following material transactions with its related parties for the six months ended 30 June 2015 and 2014:

		Unaudited Six months ended 30 June	
	Note	**2015 US$'000**	2014 US$'000
Distribution and sale of goods	*(a)*	**10,945**	1,699
Operating leases rental paid	*(b)*	**12,845**	13,149
Turnover on buying agency services provided	*(c)*	**698,277**	–
Rental and license fees paid	*(d)*	**1,117**	–
Rental and license fees received	*(d)*	**1,801**	–
Logistics related services income	*(e)*	**5,527**	3,436

NOTES:

(a) Pursuant to the master distribution and sale of goods agreement entered into on 5 December 2014 with FH (1937) for a term of three years ending 31 December 2017, certain distribution and sale of goods were made on mutually agreed normal commercial terms with FH (1937) and its associates.

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

(c) Pursuant to the buying agency agreement entered into with Global Brands Group on 24 June 2014, the Group provided buying agency services to Global Brands Group and its associates for a term of three years from the listing date of Global Brands. For the six months ended 30 June 2015, the Group provided buying agency services to Global Brands Group with an aggregate turnover of approximately US$698,277,000.

(d) Pursuant to the master property agreement entered into with Global Brands Group on 24 June 2014, the Group and Global Brands Group had rental and license fees to and from one another for certain properties and license offices, showroom and warehouse premises on mutually agreed terms from the listing date of Global Brands to 31 December 2016. For the six months ended 30 June 2015, aggregate rental and license fees paid to and from one another approximated to US$2,918,000.

(e) The Group provided certain logistics related services to FH (1937) and its associates during the period. The aggregate service income, excluding the passed-through costs for direct freight forwarding, approximated to US$5,527,000 (2014: US$3,436,000).

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

20 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 payments were transacted mainly in the same currency, predominantly in US$. Therefore, it considers there to be 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.

The Group's functional currency is in US$. The Group is subject to exchange rate exposure from translation of foreign operations' local results to US$ at average rate for the period for group consolidation. In order to mitigate the impact on selected sourcing countries that are subject to significant exchange rate exposure, the Group regularly reviews the operations in these selected countries and makes necessary hedging arrangements in certain currencies against the US$. From a medium to long-term perspective, the Group manages the operations in the most cost effective way possible within the global network.

The Group in general does not enter into foreign currency hedges in respect to non-US$ foreign operations' local result and its long-term equity investment. In particular, the Group's net equity investments in non-US$ denominated on-shore wholesale business under the Trading Network 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.

20 Financial Risk Management (continued)

(a) Market Risk (continued)

(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 2015 and up to the date of this 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 2015, fair value of foreign exchange forward contracts entered into by the Group amounted to US$226,000 (31 December 2014: US$11,323,000), which has been reflected in full in the Group's consolidated balance sheet as derivative financial instruments assets.

(III) CASH FLOW AND FAIR VALUE INTEREST RATE RISK

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

The Group's interest rate risk arises mainly from US$ denominated bank borrowings and the US$ 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 the financial strengths of individual customers prior to agreeing on the trade terms. 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 test;

(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 credit risk system with a dedicated team and tightened policies has been established to ensure on-time recoveries from its trade debtors; and

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

20 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 facility and cash and cash equivalents) on the basis of expected cash flow.

21 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).

21 Fair Value Estimation (continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2015:

	Level 1 US$'000	**Level 2 US$'000**	**Level 3 US$'000**	**Total US$'000**
Assets				
Available-for-sale financial assets				
– Club debentures	**–**	**–**	**3,804**	**3,804**
Derivative financial instrument used for hedging	**–**	**226**	**–**	**226**
Total Assets	**–**	**226**	**3,804**	**4,030**
Liabilities				
Purchase consideration payable for acquisitions	**–**	**–**	**385,934**	**385,934**
Total liabilities	**–**	**–**	**385,934**	**385,934**

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2014:

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Assets				
Available-for-sale financial assets				
– Club debentures	–	–	3,709	3,709
Derivative financial instrument used for hedging	–	11,323	–	11,323
Total Assets	–	11,323	3,709	15,032
Liabilities				
Purchase consideration payable for acquisitions	–	–	458,080	458,080
Total Liabilities	–	–	458,080	458,080

21 Fair Value Estimation (continued)

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.

There was no significant transfer of assets between level 1, level 2 and level 3 fair value hierarchy classifications during the period.

The following summarizes the major methods and assumptions used in estimating the fair values of the significant assets and liabilities classified as level 2 or 3 and the valuation process for assets and liabilities classified as level 3:

Derivative Financial Instruments used for Hedging

The Group relies on bank valuations to determine the fair value of financial assets/liabilities which in turn are determined using discounted cash flow analysis. These valuations maximize the use of observable market data. Foreign currency exchange prices are the key observable inputs in the valuation.

Purchase Consideration Payable for Acquisitions

The Group recognizes the fair value of those purchase considerations for acquisitions, as of their respective acquisition dates as part of the consideration transferred in exchange for the acquired businesses. These fair value measurements require, among other things, significant estimation of post-acquisition performance of the acquired businesses and significant judgment on the time value of money. These calculations use cash flow projections for post-acquisition performance. The discount rate used is based on the prevailing incremental cost of borrowings of the Group from time to time ranging from 1.0% to 2.5%.

21 Fair Value Estimation (continued)

The following table presents the changes in level 3 instruments for the six months ended 30 June 2015 and 2014:

	2015		2014	
	Purchase Consideration Payable for Acquisitions US$'000	**Others US$'000**	Purchase Consideration Payable for Acquisitions US$'000	Others US$'000
Opening balance as at 1 January (audited)	**458,080**	**3,709**	1,397,999	6,333
Continuing Operations				
Fair value gains	**–**	**76**	–	7
Additions	**–**	**–**	76,487	–
Settlement	**(15,941)**	**–**	(69,313)	–
Remeasurement of purchase consideration payable for acquisitions	**(60,151)**	**–**	(98,162)	–
Others	**3,946**	**19**	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 as at 30 June (unaudited)	**385,934**	**3,804**	683,136	3,676

22 Approval of Interim Financial Information

The interim financial information was approved by the Board of Directors on 20 August 2015.

Glossary

In this Report, unless otherwise specified the following glossary applies.

"2003 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 expired on 11 May 2013
"2014 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
"associate(s)", "chief executive(s)", "connected person(s)", "substantial shareholder(s)"	each has the meaning as described in the Listing Rules
"Award Shares"	the Shares granted under the Share Award Scheme to an eligible person(s) approved for participation in the Share Award Scheme
"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 Network and Logistics Network
"Director(s)"	a director(s) of the Company
"Discontinued Operations"	Global Brands Group, the spin-off of the Company's 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 as the trustee of a trust established for the benefit of the family members of Victor Fung Kwok King

"King Lun"	King Lun Holdings Limited, a company incorporated in the British Virgin Islands owned 50% by HSBC Trustee and 50% by 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
"PRC"	the People's Republic of China
"Report"	the interim report of the Company for the half year ended 30 June 2015
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.0125 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Share Award Scheme"	the share award scheme of the Company adopted by the Shareholders at the annual general meeting of the Company held on 21 May 2015
"Share Option(s)"	the outstanding option(s) granted under the 2003 Option Scheme and/or 2014 Option Scheme
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"US$"	United States dollar(s), the lawful currency of the United States of America

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