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 Unaudited Six months ended 30 June		Non-current assets (other than available-for-sale financial assets and deferred tax assets)	
			Unaudited 30 June	Audited 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.