Notes to condensed interim financial information

1 General Information

Li & Fung Limited and its subsidiaries are principally engaged in managing the supply chain for retailers and brands worldwide with more than 250 offices across 40 economies.

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

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

This condensed interim financial information is presented in US dollars, unless otherwise stated. This condensed interim financial information was approved for issue on 25 August 2016.

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 financial statements for the year ended 31 December 2015, which were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

As at 30 June 2016, the Group recorded net current liabilities of US$218,325,000 (31 December 2015: net current assets of US$6,506,000) which was primarily due to the long-term notes of US$500 million which will become due in May 2017. The Group has secured over US$700 million in committed facilities with tenure of three years up to 2019, in which US$551 million are unutilized, to provide the Group with the maximum flexibility in deciding on the timing of either refinancing or repayment of the long-term notes to reduce the Group's overall leverage.

Management of the Company has considered internally generated funds and financial resources available to the Group in adoption of going concern basis in the preparation of the interim financial information.

Except as described in (a) below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2015, as described in those annual financial statements.

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

2 Basis of Preparation and Accounting Policies (continued)

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

The following new standards and amendments to existing standards are mandatory for accounting periods beginning on or after 1 January 2016:

HKAS 1 Amendment	Disclosure Initiative
HKAS 16 and HKAS 38 Amendment	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 Amendment	Agriculture: Bearer Plants
HKAS 27 Amendment	Equity Method in Separate Financial Statements
HKFRS 10, HKFRS 12 and HKAS 28 Amendment	Investment Entities: Applying the Consolidation Exception
HKFRS 11 Amendment	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
Annual Improvements Project	Annual Improvements 2012-2014 Cycle

The application of the above new standards and amendments to existing standards 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 have been issued and are mandatory for the Group's accounting periods beginning on or after 1 January 2017 or later periods, but the Group has not early adopted them:

HKAS 7 Amendment	Disclosure Initiative[1]
HKAS 12 Amendment	Recognition of Deferred Tax Assets for Unrealised Losses[1]
HKFRS 9	Financial Instruments[2]
HKFRS 10 and HKAS 28 Amendment	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]

Notes:

1 *Effective for financial periods beginning on or after 1 January 2017*
2 *Effective for financial periods beginning on or after 1 January 2018*
3 *Effective for financial periods beginning on or after 1 January 2019*
4 *Effective date to be determined*

3 Segment Information

The Company is domiciled in Bermuda. The Group is principally engaged in managing the supply chain for retailers and brands worldwide with more than 250 offices across 40 economies spanning across the Americas, Europe, Africa and Asia Pacific. Turnover represents revenue generated from sales and services rendered at invoiced value to customers outside the Group less discounts and returns.

The Group's management (chief operating decision-maker) considers the business principally from the perspective of two global 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 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 financial statements.

3 Segment Information (continued)

	Trading Network US$'000	Logistics Network US$'000	Elimination US$'000	Total US$'000
Six months ended 30 June 2016 (Unaudited)				
Turnover	**7,649,072**	**425,073**	**(3,412)**	**8,070,733**
Total margin	**787,877**	**147,599**		**935,476**
Operating costs	**(658,723)**	**(120,315)**		**(779,038)**
Core operating profit	**129,154**	**27,284**		**156,438**
Amortization of other intangible assets				**(17,337)**
Gain on disposal of business				**7,871**
One-off reorganization costs				**(5,863)**
Operating profit				**141,109**
Interest income				**5,611**
Interest expenses				
Non-cash interest expenses				**(2,247)**
Cash interest expenses				**(44,732)**
				(46,979)
Share of profits less losses of associated companies				**1,582**
Profit before taxation				**101,323**
Taxation				**(14,595)**
Net profit for the period				**86,728**
Depreciation and amortization	**45,101**	**8,895**		**53,996**
30 June 2016 (Unaudited)				
Non-current assets (other than available-for-sale financial assets and deferred tax assets)	**3,556,076**	**655,658**		**4,211,734**

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
31 December 2015 (Audited)				
Non-current assets (other than available-for-sale financial assets and deferred tax assets)	3,890,628	656,403		4,547,031

3 Segment Information (continued)

The geographical analysis of turnover and 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
	2016	2015	2016	2015
	US$'000	US$'000	US$'000	US$'000
United States of America	**4,936,008**	5,244,933	**1,994,331**	2,024,579
Europe	**1,346,052**	1,383,281	**1,107,812**	1,161,115
Asia	**1,258,445**	1,351,615	**893,457**	1,127,532
Rest of the world	**530,228**	645,782	**216,134**	233,805
	8,070,733	8,625,611	**4,211,734**	4,547,031

Turnover consists of sales of soft goods, hard goods and logistics income as follows:

	Unaudited	
	Six months ended 30 June	
	2016	2015
	US$'000	US$'000
Soft goods	**4,868,700**	5,120,982
Hard goods	**2,776,289**	3,019,829
Logistics	**425,744**	484,800
	8,070,733	8,625,611

For the six months ended 30 June 2016, approximately 12% (2015: 14%) of the Group's total turnover is derived from a single external customer, which is wholly attributable to the Trading Network.

4 Operating Profit

Operating profit is stated after crediting and charging the following:

	Unaudited Six months ended 30 June 2016 US$'000	2015 US$'000
Crediting		
Gain on remeasurement of contingent consideration payable*	**–**	60,151
Gain on disposal of business*	**7,871**	–
Charging		
Staff costs including directors' emoluments	**504,189**	494,577
One-off reorganization costs*	**5,863**	–
Amortization of system development, software and other license costs	**6,515**	7,516
Amortization of other intangible assets*	**17,337**	17,742
Amortization of prepaid premium for land leases	**57**	64
Depreciation of property, plant and equipment	**30,087**	31,554
Net loss on disposal of property, plant and equipment	**4,553**	2,311

* *Excluded from the core operating profit*

5 Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 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 Group operates.

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

	Unaudited Six months ended 30 June 2016 US$'000	2015 US$'000
Current taxation		
– Hong Kong profits tax	**1,275**	5,895
– Overseas taxation	**16,085**	13,645
Deferred taxation	**(2,765)**	(1,674)
	14,595	17,866

6 Interim Dividend

	Unaudited Six months ended 30 June	
	2016	2015
	US$'000	US$'000
Proposed, of HK$0.11 (equivalent to US$0.014) (2015: HK$0.13 (equivalent to US$0.017)) per ordinary share *(Note)*	**119,291**	140,980

Note:
Final dividend of US$162,670,000 proposed for the year ended 31 December 2015 were paid in June 2016 (2015: final and special dividends of US$227,541,000 and US$75,847,000 respectively).

7 Earnings per Share

The calculation of basic earnings per share is based on the Group's profit attributable to Shareholders of US$72,315,000 (2015: US$148,685,000) and on the weighted average number of 8,354,869,000 (2015: 8,354,612,000) shares in issue during the period.

The diluted earnings per share for the six months ended 30 June 2016 was calculated by adjusting the weighted average number of 8,354,869,000 (2015: 8,354,612,000) ordinary shares in issue by 56,502,000 (2015: 13,871,000) to assume conversion of all dilutive potential ordinary shares granted under the Company's Share Option and Share Award Scheme. 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 Award Shares.

8 Capital Expenditure

	Intangible Assets US$'000	Property, Plant and Equipment US$'000
Six months ended 30 June 2016		
Net book amount as at 1 January 2016 (audited)	**4,266,863**	**241,626**
Additions	**8,156**	**38,335**
Disposals	**(2,913)**	**(4,659)**
Disposal of business	**(229,756)**	**(27,255)**
Amortization *(Note (b))*/depreciation charge	**(23,852)**	**(30,087)**
Exchange differences	**(62,641)**	**(4,933)**
Net Book Amount as at 30 June 2016 (unaudited)	**3,955,857**	**213,027**
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 values *(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

Notes:

(a) These were 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. The corresponding adjustments to intangible assets stated above are adjusting other assets/liabilities of the same amount for the six months ended 30 June 2015.

(b) Amortization of intangible assets included amortization of system development, software and other license costs of US$6,515,000 (2015: US$7,516,000) and amortization of other intangible assets arising from business combinations of US$17,337,000 (2015: US$17,742,000).

At 30 June 2016, no land and buildings were pledged as security for the Group's short-term bank loans (31 December 2015: US$2,545,000).

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 2016 (unaudited)	**1,207,181**	**52,292**	**8,184**	**815**	**1,268,472**
Balance at 31 December 2015 (audited)	1,595,433	83,376	7,900	2,704	1,689,413

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 2016. The fair value of the Group's trade and bills receivable balance as at 30 June 2016 has taken into account a provision of US$15.6 million for a particular customer under the Trading Network, which had filed Chapter 11 bankruptcy.

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 are often covered by customers' standby letters of credit, bank guarantees, credit insurance or under a back-to-back payment arrangement with suppliers.

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

Certain subsidiaries of the Group transferred bills receivable balances amounting to US$31,313,000 (31 December 2015: US$33,681,000) to banks in exchange for cash as at 30 June 2016. 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 2016 (unaudited)	**2,101,523**	**30,780**	**4,128**	**8,016**	**2,144,447**
Balance at 31 December 2015 (audited)	2,365,315	80,822	2,885	15,763	2,464,785

The fair values of the Group's trade and bills payable were approximately the same as their carrying values as at 30 June 2016.

11 Long-term Liabilities

	Unaudited 30 June 2016 US$'000	Audited 31 December 2015 US$'000
Long-term bank loans – unsecured	**175,000**	100,000
Long-term notes – unsecured	**1,253,550**	1,253,823
Purchase consideration payable for acquisitions	**228,933**	242,502
Other long-term liabilities	**10,460**	16,420
	1,667,943	1,612,745
Current portion of long-term notes – unsecured	**(499,578)**	–
Current portion of purchase consideration payable for acquisitions	**(74,772)**	(86,266)
	1,093,593	1,526,479

Balance of purchase consideration payable for acquisitions as at 30 June 2016 included performance-based earn-out and earn-up contingent considerations of US$169,021,000 and US$59,912,000 respectively (31 December 2015: US$181,186,000 and US$61,316,000). 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$22,893,000.

12 Share Capital, Share Options and Award Shares

	Number of Shares (in thousand)	HK$'000	Equivalent to US$'000
Authorized			
At 1 January 2016, ordinary shares of HK$0.0125 each	**12,000,000**	**150,000**	**19,231**
At 30 June 2016, ordinary shares of HK$0.0125 each	**12,000,000**	**150,000**	**19,231**
Issued and Fully Paid			
At 1 January 2016, ordinary shares of HK$0.0125 each	**8,415,447**	**105,193**	**13,487**
At 30 June 2016, ordinary shares of HK$0.0125 each	**8,415,447**	**105,193**	**13,487**

Details of Share Options granted by the Company pursuant to the 2003 Option Scheme and 2014 Option Scheme and outstanding at 30 June 2016 are as follows:

			Number of Share Options			
Grant Date	Exercise Price HK$	Exercisable Period	As at 1/1/2016	Granted	Lapsed	As at 30/06/2016
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	28,274,000	–	–	28,274,000
21/5/2015	7.49	1/1/2017–31/12/2018	29,935,000	–	–	29,935,000
21/5/2015	7.49	1/1/2018–31/12/2019	30,086,000	–	–	30,086,000
16/11/2015	5.81	1/1/2017–31/12/2018	285,000	–	–	285,000
16/11/2015	5.81	1/1/2018–31/12/2019	604,000	–	–	604,000
19/05/2016	4.27	1/1/2018–31/12/2019	–	604,000	–	604,000
		Total	105,184,000	604,000	(2,000,000)	103,788,000

NOTE:

(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$14.50 to HK$12.12 with effect from 31 August 2014.*

Subsequent to 30 June 2016, no Shares have been allotted and issued under the Share Option Scheme.

The Share Options outstanding at 30 June 2016 had a weighted average remaining contractual life of 2.71 years (31 December 2015: 3.15 years).

12 Share Capital, Share Options and Award Shares (continued)

Details of Award Shares granted by the Company pursuant to the Share Award Scheme and outstanding at 30 June 2016 are as follows:

			Number of Award Shares			
Grant Date	**Fair Value per Share HK$**	**Vesting Date**	**As at 1/1/2016**	**Granted**	**Unvested/ Forfeited**	**As at 30/06/2016**
21/5/2015	7.49	31/12/2016	13,108,100	–	(779,300)	12,328,800
21/5/2015	7.49	31/12/2017	20,097,500	–	(1,198,100)	18,899,400
21/5/2015	7.49	31/12/2018	13,914,300	–	(836,100)	13,078,200
21/5/2015	7.49	31/12/2019	6,994,300	–	(419,300)	6,575,000
16/11/2015	5.33	31/12/2016	100,600	–	(5,800)	94,800
16/11/2015	5.33	31/12/2017	346,400	–	(19,200)	327,200
16/11/2015	5.33	31/12/2018	342,100	–	(18,800)	323,300
16/11/2015	5.33	31/12/2019	245,900	–	(13,200)	232,700
19/5/2016	4.27	31/12/2016	–	10,400	–	10,400
19/5/2016	4.27	31/12/2017	–	394,500	–	394,500
19/5/2016	4.27	31/12/2018	–	381,700	–	381,700
19/5/2016	4.27	31/12/2019	–	373,400	–	373,400
		Total	55,149,200	1,160,000	(3,289,800)	53,019,400

The fair value of the Award Shares was calculated based on the market price of the Company's shares at the respective grant date.

During the period, a total of 1,160,000 Award Shares were granted. 22,000 Award Shares granted to a connected person were purchased from open market and 1,138,000 Award Shares granted to non-connected persons were applied from the 3,289,800 Award Shares which had not been vested and/or been forfeited in accordance with the terms of the Share Award Scheme.

13 Perpetual Capital Securities

On 8 November 2012, the Company issued perpetual subordinated capital securities (the "Perpetual Capital Securities") with an aggregate principal amount of US$500 million. The Perpetual Capital Securities do not have maturity date and the distribution payments can be deferred at the discretion of the Company. Therefore, the Perpetual Capital Securities are classified as equity instruments and recorded in equity in the consolidated balance sheet. The amount as at 30 June 2016 included the accrued distribution payments net off by the actual distribution to holders during the period. For the period ended 30 June 2016, the accrued distribution payment was US$3,000,000 (31 December 2015: US$3,000,000) and the actual distribution to holders was US$15,000,000 (31 December 2015: US$30,000,000).

14 Other Reserves

	Unaudited								
	Treasury Shares US$'000 *(Note (a))*	Capital Reserve US$'000 *(Note (b))*	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 2016	(13,300)	2,306	710,000	54,662	2,845	2,812	(11,129)	(193,293)	554,903
Other Comprehensive (Expense)/ Income									
Currency translation differences	–	–	–	–	–	–	–	(55,792)	(55,792)
Net fair value gains on available-for-sale financial assets, net of tax	–	–	–	–	86	–	–	–	86
Net fair value gains on cash flow hedges, net of tax	–	–	–	–	–	2,066	–	–	2,066
Remeasurements from post-employment benefits recognized in reserve, net of tax	–	–	–	–	–	–	1	–	1
Transactions with Owners in their Capacity as Owners									
Purchase of shares for Share Award Scheme	(12)	–	–	–	–	–	–	–	(12)
Employee Share Option and Share Award Scheme:									
– value of employee services	–	–	–	11,590	–	–	–	–	11,590
Transfer to capital reserves	–	61	–	–	–	–	–	–	61
Balance at 30 June 2016	(13,312)	2,367	710,000	66,252	2,931	4,878	(11,128)	(249,085)	512,903

14 Other Reserves (continued)

	Unaudited								
	Treasury Shares US$'000 *(Note (a))*	Capital Reserve US$'000 *(Note (b))*	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
Other Comprehensive Income/ (Expense)									
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 in their Capacity as Owners									
Issue of 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

Notes:

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

(b) Capital reserve represents amount set aside from the profit of certain overseas subsidiaries of the Group in accordance with local statutory requirements.

15 Disposal of Business

(a) Details of net assets of disposed business at date of disposal are set out below:

	Unaudited 2016 US$'000
Net assets disposed	
Non-current assets	**278,186**
Current assets	**537,853**
Current liabilities	**(498,443)**
Non-current liabilities	**(3,002)**
Less: Non-controlling interests	**(4,255)**
Book value of net assets disposed	**310,339**

(b) Analysis of net inflow of cash and cash equivalents in respect of disposal of business:

	Unaudited 2016 US$'000
Consideration received net of expenses paid	**290,407**
Settlement of amount due from the disposed business to the Group	**65,917**
Less: Cash and cash equivalents of the disposed business	**(55,155)**
Net inflow of cash and cash equivalents in respect of disposal of business	**301,169**

(c) Analysis of net gain on disposal of business:

	Unaudited 2016 US$'000
Estimated consideration net of expenses incurred	**318,210**
Less: Net assets disposed	**(310,339)**
Net gain on disposal of business	**7,871**

16 Contingent Liabilities

	Unaudited 30 June 2016 US$'000	Audited 31 December 2015 US$'000
Guarantees in respect of banking facilities granted to associated companies	**750**	750

17 Commitments

(a) Operating Lease Commitments

As at 30 June 2016, the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Unaudited 30 June 2016 US$'000	Audited 31 December 2015 US$'000
Within one year	**113,378**	139,170
In the second to fifth year inclusive	**184,681**	209,399
After the fifth year	**96,662**	119,010
	394,721	467,579

(b) Capital Commitments

	Unaudited 30 June 2016 US$'000	Audited 31 December 2015 US$'000
Contracted but not provided for:		
Property, plant and equipment	**3,724**	1,945
System development, software and other license costs	**479**	1,170
	4,203	3,115

18 Charges on Assets

Save as disclosed in *Note 8*, there were no charges on the Group's assets as at 30 June 2016 and 31 December 2015.

19 Related Party Transactions

The Group had the following material transactions with its related parties during the period ended 30 June 2016 and 2015:

		Unaudited	
		Six months ended 30 June	
		2016	2015
	Note	**US$'000**	US$'000
Distribution and sales of goods	*(i)*	**11,124**	10,945
Operating leases rental paid	*(ii)*	**13,276**	12,845
Turnover on buying agency services provided	*(iii)*	**628,238**	698,277
Rental and license fee paid	*(iv)*	**816**	1,117
Rental and license fee received	*(iv)*	**1,518**	1,801
Logistics related services income	*(v)*	**7,066**	5,527

Notes:

(i) 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 sales of goods was made on mutually agreed normal commercial terms with FH (1937) and its associates.

(ii) 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 charge for certain properties leased from FH (1937) and its associates during the period based on mutually agreed normal commercial terms.

(iii) 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 Group. For the six months ended 30 June 2016, the Group provided buying agency services to Global Brands Group with an aggregate turnover of approximately US$628,238,000 (2015: US$698,277,000).

(iv) 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 fee 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 Group to 31 December 2016. For the six months ended 30 June 2016, aggregate rental and license fee paid to and from one another approximated to US$2,334,000 (2015: US$2,918,000).

(v) Pursuant to the master agreement for provision of logistics-related services entered into on 20 August 2015, 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$7,066,000 (2015: US$5,527,000).

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.

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

(i) From a short-term perspective, the Group arranges foreign exchange forward contracts for hedging on operating costs in individual countries as and when appropriate; and

(ii) From a medium-to-long-term perspective, the Group manages the operations in the most cost-effective way possible within our global network.

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

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

20 Financial Risk Management (continued)

(a) Market Risk (continued)

(II) PRICE RISK

The Group is exposed to 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 investments for long-term strategic purposes and the Group's overall exposure to price risk is not significant.

At 30 June 2016 and up to the date of the Group's interim financial information, the Group held no material financial derivative instruments except for certain foreign exchange forward contracts entered into for hedging of foreign exchange risk exposure on sales and purchases transacted in different currencies ((i) above). At 30 June 2016, fair value of foreign exchange forward contracts entered into by the Group amounted to US$3,100,000 (31 December 2015: US$4,272,000), 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 dollar denominated bank borrowings and the US dollar denominated long-term notes issued. Bank borrowings at variable rates expose the Group to cash flow interest rate risk. The Group's policy is to maintain a diversified mix of variable and fixed rate borrowings based on prevailing market conditions.

20 Financial Risk Management (continued)

(b) Credit Risk

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

(i) The Group selects customers in a cautious manner. Its credit control team has implemented a risk assessment system to evaluate its customers' financial strengths prior to agreeing on the trade terms with individual customers. It is not uncommon for the Group to require securities (such as standby or commercial letter of credit, or bank guarantee) from customers who fall short of the required minimum score under its risk assessment system;

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

(iii) It has in place a system with a dedicated team and tighten policies to ensure on-time recoveries from its trade debtors; and

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

(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).

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2016:

	Level 1 US$'000	**Level 2 US$'000**	**Level 3 US$'000**	**Total US$'000**
Assets				
Available-for-sale financial assets				
– Club debentures	**–**	**–**	**3,940**	**3,940**
Derivative financial instrument used for hedging	**–**	**3,100**	**–**	**3,100**
Total Assets	**–**	**3,100**	**3,940**	**7,040**
Liabilities				
Purchase consideration payable for acquisitions	**–**	**–**	**228,933**	**228,933**
Total Liabilities	**–**	**–**	**228,933**	**228,933**

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2015:

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Assets				
Available-for-sale financial assets				
– Club debentures	–	–	3,854	3,854
Derivative financial instrument used for hedging	–	4,272	–	4,272
Total Assets	–	4,272	3,854	8,126
Liabilities				
Purchase consideration payable for acquisitions	–	–	242,502	242,502
Total Liabilities	–	–	242,502	242,502

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 were 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 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 2016 and 2015:

	2016		2015	
	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)	**242,502**	**3,854**	458,080	3,709
Fair value gains	**–**	**86**	–	76
Settlement	**(13,607)**	**–**	(15,941)	–
Remeasurement of purchase consideration payable for acquisitions	**–**	**–**	(60,151)	–
Others	**38**	**–**	3,946	19
Closing Balance as at 30 June (unaudited)	**228,933**	**3,940**	385,934	3,804

22 Approval of Interim Financial Information

The interim financial information was approved by the Board of Directors on 25 August 2016.