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 around 250 offices across more than 40 economies.

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

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

This condensed interim financial information is presented in US dollars, unless otherwise stated. This condensed interim financial information was approved for issue on 24 August 2017.

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 2016, which were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

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) and (b) below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016, 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) Amendments to Existing Standards Adopted by the Group

The following amendments to existing standards are mandatory for accounting periods beginning on or after 1 January 2017:

HKAS 7 Amendment	Disclosure Initiative
HKAS 12 Amendment	Recognition of Deferred Tax Assets for Unrealised Losses
HKFRS 12 Amendment	Disclosure of Interest in Other Entities

The application of the above 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 Standard that is Early Adopted by the Group

Early adoption of HKFRS 15, Revenue from Contracts with Customers

The Group has elected to apply HKFRS 15 Revenue from Contracts with Customers as issued in July 2014. In accordance with the transition provisions in HKFRS 15, the new rules have been adopted retrospectively and comparative figures have been restated. HKFRS 15 replaces the previous revenue standards.

The accounting policies for the Group's main types of revenue are explained in Note 3.

The impact of the adoption of HKFRS 15 on the Group are as follows:

(i) HKFRS 15 provides clear guidance to determine the timing of control of goods transferred to customers. This change has resulted in decrease in retained earnings as at 1 January 2016 and 31 December 2016 by US$17,457,000, increase in other receivables as at 1 January 2016 and 31 December 2016 by US$11,176,000 and US$11,587,000 respectively, increase in sundry payables as at 1 January 2016 and 31 December 2016 by US$31,803,000 and US$32,358,000 respectively and decrease in exchange reserve as at 1 January 2016 and 31 December 2016 by US$3,170,000 and US$3,314,000 respectively.

(ii) HKFRS 15 provides guidance on determining whether the nature of the promise in the contract is a performance obligation to provide the specified goods or services itself or to arrange for those goods or services to be provided by the other party. This change has resulted in decrease in turnover and cost of sales for the six months period ended 30 June 2016 by US$87,230,000.

2 Basis of Preparation and Accounting Policies (continued)

(c) The following new standards, new interpretations and amendments to existing standards have been issued and are mandatory for the Group's accounting periods beginning on or after 1 January 2018 or later periods, but the Group has not early adopted them:

HKAS 40 Amendment	Transfer of Investment Property[1]
HKFRS 2 Amendment	Classification and Measurement of Share-based Payment Transactions[1]
HKFRS 9	Financial Instruments[1]
HKFRS 10 and HKAS 28 Amendment	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKFRS 16	Leases[2]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]
Annual Improvement Project	Annual Improvements 2014-2016 Cycle[1]

NOTES:

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

3 Revenue Recognition

(a) Turnover from Sales of Goods

Turnover from sales of goods are primarily generated by the Supply Chain Solutions of the Services segment and the Products segment. Supply Chain Solutions provides end-to-end sourcing solutions of goods through the global network to a diverse portfolio of global brands and retail customers, while Products segment focuses on Sweaters, Furniture and Beauty product verticals and onshore wholesale businesses.

Revenue are recognised when control of the goods has transferred, being when the goods are delivered to the customers, the customers has full discretion over the channel and price to sell the goods, and there is no unfulfilled obligation that could affect the customers' acceptance of the goods. Delivery occurs when the goods have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the goods in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. Revenue is shown net of value-added tax, returns, claims and discounts and after eliminating sales within the Group.

The goods are often sold with volume rebate based on aggregate sales over a specific period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume rebate. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A contract liability is recognised for expected volume rebate payable to customers in relation to sales made until the end of the reporting period.

A contract liability is also recognised when the customers pay deposits before the Group transfers control of the goods to the customers.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

3 Revenue Recognition (continued)

(b) Services Fee from Logistics Business

Logistics business of the Services segment includes in-country logistics and global freight management. In-country logistics business offers logistics services including distribution center management, order management and local transportation. Global freight management offers full services international freight solutions. Service income is recognized in the accounting period in which the provision of services occurs. Customers are invoiced upon the completion of services or on a regular basis.

Some contracts include multiple performance obligations and do not include any integration services. They are therefore accounted for as separate performance obligation. Revenue from each of the performance obligations is recognised at the stand-alone service price.

No element of financing is deemed present as the sales are made with a credit term up to 120 days, which is consistent with market practice.

4 Segment Information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision-maker, the Executive Committee, is responsible for allocating resources and assessing performance of the operating segments.

The Company is domiciled in Bermuda. The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda and its Hong Kong office is at 11/F, Li Fung Tower, 888 Cheung Sha Wan Road, Kowloon, Hong Kong. The Group is principally engaged in managing the supply chain for retailers and brands worldwide with around 250 offices across more than 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.

In 2016, the Group divested the Asia consumer and healthcare distribution business from the Trading Network segment to refocus resources on core businesses.

During the period, the Group has reorganized the business and its reporting structure into two new segments, namely Services and Products. The Services segment focuses on provision of the Supply Chain Solutions and Logistics services. The Products segment focuses on Sweaters, Furniture and Beauty product verticals and on-shore wholesale businesses. The Group's management (Chief Operating Decision-Maker) considers the business principally from the perspective of these two new segments. Prior year/period comparative segment information has been restated to conform with the current period presentation accordingly.

4 Segment Information (continued)

The Group's management assesses the performance of the operating segments based on a measure of operating profit, referred to as core operating profit. This measurement basis includes profit of the operating segments before share of results of associated companies and joint venture, interest income, interest expenses, taxation, material gains or losses, which are of capital nature, non-operational related or 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 interim financial information.

	Services US$'000	Products US$'000	Elimination US$'000	Total US$'000
Six months ended 30 June 2017 (Unaudited)				
Turnover	**5,812,935**	**1,473,757**	**(23,098)**	**7,263,594**
Total margin	**517,491**	**317,500**		**834,991**
Operating costs	**(380,476)**	**(284,400)**		**(664,876)**
Core operating profit	**137,015**	**33,100**		**170,115**
Gain on remeasurement of contingent consideration payable				**29,645**
Amortization of other intangible assets				**(17,513)**
Operating profit				**182,247**
Interest income				**6,898**
Interest expenses				
Non-cash interest expenses				**(2,451)**
Cash interest expenses				**(34,586)**
				(37,037)
Share of profits less losses of associated companies and joint venture				**1,174**
Profit before taxation				**153,282**
Taxation				**(20,766)**
Net profit for the period				**132,516**
Depreciation and amortization	**25,141**	**25,467**		**50,608**
30 June 2017 (Unaudited)				
Non-current assets (other than available-for-sale financial assets and deferred tax assets)	**1,837,877**	**2,347,818**		**4,185,695**

4 Segment Information (continued)

	Services US$'000 (Restated)	Products US$'000 (Restated)	Divested Asia Consumer and Healthcare Distribution Business US$'000 (Restated)	Elimination US$'000 (Restated)	Total US$'000 (Restated)
Six months ended 30 June 2016 (Unaudited)					
Turnover	5,837,393	1,603,838	565,920	(23,648)	7,983,503
Total margin	507,199	341,220	87,057		935,476
Operating costs	(401,519)	(294,872)	(82,647)		(779,038)
Core operating profit	105,680	46,348	4,410		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	23,188	26,240	4,568		53,996
31 December 2016 (Audited)					
Non-current assets (other than available-for-sale financial assets and deferred tax assets)	1,823,726	2,334,147	N/A		4,157,873

4 Segment Information (continued)

During the period, the Group has Services and Products as its new segments. Supplementary analysis for the Services segment by Supply Chain Solutions and Logistics Services is as follows:

	Unaudited Six months ended 30 June	
	2017 US$'000	2016 US$'000
Turnover		
Supply Chain Solutions	**5,325,596**	5,416,408
Logistics Services	**489,728**	425,073
Elimination	**(2,389)**	(4,088)
	5,812,935	5,837,393

	Unaudited Six months ended 30 June	
	2017 US$'000	2016 US$'000
Core Operating Profit		
Supply Chain Solutions	**104,359**	78,396
Logistics Services	**32,656**	27,284
	137,015	105,680

The geographical analysis of turnover to external customers and 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)	
	2017 US$'000	2016 US$'000 (Restated)	**Unaudited 30 June 2017 US$'000**	Audited 31 December 2016 US$'000
United States of America	**4,710,228**	4,892,308	**1,968,431**	1,985,433
Europe	**1,397,635**	1,319,022	**1,130,235**	1,066,770
Asia	**696,953**	1,249,945	**893,283**	907,012
Rest of the world	**458,778**	522,228	**193,746**	198,658
	7,263,594	7,983,503	**4,185,695**	4,157,873

4 Segment Information (continued)

Turnover to external customers consists of sales of goods of Supply Chain Solutions business, logistics services income, sales of goods of Products Segment, and sales of goods of the divested Asia consumer and healthcare distribution business as follows:

	Unaudited Six months ended 30 June	
	2017 US$'000	2016 US$'000
Sales of goods of Supply Chain Solutions business	**5,316,924**	5,391,904
Logistics services income	**481,112**	425,744
Sales of goods of Products Segment	**1,465,558**	1,599,935
Sales of goods of divested Asia consumer and healthcare distribution business	**–**	565,920
	7,263,594	7,983,503

Turnover to external customers consists of sales of soft goods, hard goods and logistics services income as follows:

	Unaudited Six months ended 30 June	
	2017 US$'000	2016 US$'000 (Restated)
Sales of soft goods	**4,645,818**	4,774,621
Sales of hard goods	**2,136,664**	2,783,138
Logistics services income	**481,112**	425,744
	7,263,594	7,983,503

For the six months ended 30 June 2017, approximately 13% (2016: 12%) of the Group's total turnover is derived from a single external customer, of which 13% (2016: 12%) and less than 1% (2016: less than 1%) are attributable to the Services segment and Products segment respectively.

5 Operating Profit

Operating profit is stated after crediting and charging the following:

	Unaudited Six months ended 30 June	
	2017 US$'000	2016 US$'000
Crediting		
Gain on remeasurement of contingent consideration payable*	**29,645**	–
Gain on disposal of business* (Note)	**–**	7,871
Charging		
Staff costs including directors' emoluments	**455,041**	504,189
One-off reorganization costs*	**–**	5,863
Amortization of system development, software and other license costs	**5,614**	6,515
Amortization of other intangible assets*	**17,513**	17,337
Amortization of prepaid premium for land leases	**4**	57
Depreciation of property, plant and equipment	**27,477**	30,087
Net (gain)/loss on disposal of property, plant and equipment	**(86)**	4,553

* Excluded from the core operating profit

NOTE:
Details of financial information of the disposal of business for the six months ended 30 June 2016 were set out in 2016 Annual Report.

6 Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 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	
	2017 US$'000	2016 US$'000
Current taxation		
– Hong Kong profits tax	**4,949**	1,275
– Overseas taxation	**20,879**	16,085
Deferred taxation	**(5,062)**	(2,765)
	20,766	14,595

7 Interim Dividend

	Unaudited Six months ended 30 June	
	2017 **US$'000**	2016 US$'000
Proposed, of HK$0.11 (equivalent to US$0.014) (2016: HK$0.11 (equivalent to US$0.014)) per ordinary share (Note)	**120,064**	119,291

NOTE:
Final dividend of US$130,136,000 proposed for the year ended 31 December 2016 were paid in June 2017 (2016: final dividend of US$162,670,000).

8 Earnings per Share

The calculation of basic earnings per share is based on the Group's profit attributable to Shareholders of US$100,955,000 (2016: US$72,315,000) and on the weighted average number of 8,366,875,000 (2016: 8,354,869,000) shares in issue during the period.

The diluted earnings per share for the six months ended 30 June 2017 was calculated by adjusting the weighted average number of 8,366,875,000 (2016: 8,354,869,000) ordinary shares in issue by 48,572,000 (2016: 56,502,000) 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 vesting of Award Shares.

9 Capital Expenditure

	Intangible Assets US$'000	Property, Plant and Equipment US$'000
Six months ended 30 June 2017		
Net book amount as at 1 January 2017 (audited)	**3,896,973**	**221,550**
Additions	**13,693**	**23,799**
Disposals	**–**	**(408)**
Amortization (Note)/depreciation charge	**(23,127)**	**(27,477)**
Exchange differences	**36,774**	**4,961**
Net Book Amount as at 30 June 2017 (unaudited)	**3,924,313**	**222,425**
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)/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

NOTE:
Amortization of intangible assets included amortization of system development, software and other license costs of US$5,614,000 (2016: US$6,515,000) and amortization of other intangible assets arising from business combinations of US$17,513,000 (2016: US$17,337,000).

At 30 June 2017, no land and buildings were pledged as security for the Group's short-term bank loans (31 December 2016: Nil).

10 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 2017 (unaudited)	**1,421,527**	**44,314**	**15,686**	**10,803**	**1,492,330**
Balance at 31 December 2016 (audited)	1,442,127	87,280	15,154	2,647	1,547,208

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 2017.

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$6,090,000 (31 December 2016: US$22,773,000) to banks in exchange for cash as at 30 June 2017. The transactions have been accounted for as collateralized bank advances.

11 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 2017 (unaudited)	**2,147,616**	**44,143**	**19,559**	**12,308**	**2,223,626**
Balance at 31 December 2016 (audited)	2,003,134	60,532	10,814	9,395	2,083,875

The fair values of the Group's trade and bills payable were approximately the same as their carrying values as at 30 June 2017.

12 Long-term Liabilities

	Unaudited 30 June 2017 US$'000	Audited 31 December 2016 US$'000
Long-term notes – unsecured	**752,945**	1,253,277
Purchase consideration payable for acquisitions	**129,334**	161,536
Other long-term liabilities	**28,921**	32,589
	911,200	1,447,402
Current portion of long-term notes – unsecured	**–**	(499,819)
Current portion of purchase consideration payable for acquisitions	**(68,590)**	(67,794)
	842,610	879,789

Balance of purchase consideration payable for acquisitions as at 30 June 2017 included performance-based earn-out and earn-up contingent considerations of US$107,829,000 and US$21,505,000 respectively (31 December 2016: US$105,598,000 and US$55,938,000). 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 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$12,933,000.

13 Share Capital, Share Options and Award Shares

	Number of Shares (in thousand)	HK$'000	Equivalent to US$'000
Authorized			
At 1 January 2017, ordinary shares of HK$0.0125 each	**12,000,000**	**150,000**	**19,231**
At 30 June 2017, ordinary shares of HK$0.0125 each	**12,000,000**	**150,000**	**19,231**
Issued and Fully Paid			
At 1 January 2017, ordinary shares of HK$0.0125 each	**8,415,447**	**105,193**	**13,487**
At 30 June 2017, 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 2017 are as follows:

			Number of Share Options			
Grant Date	Exercise Price HK$	Exercisable Period	As at 1/1/2017	Granted	Lapsed	As at 30/6/2017
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	27,670,000	–	–	**27,670,000**
21/5/2015	7.49	1/1/2017-31/12/2018	28,727,000	–	–	**28,727,000**
21/5/2015	7.49	1/1/2018-31/12/2019	28,878,000	–	–	**28,878,000**
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**
19/5/2016	4.27	1/1/2018-31/12/2019	604,000	–	–	**604,000**
		Total	100,768,000	–	(2,000,000)	**98,768,000**

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 2017, no Shares have been allotted and issued under the 2003 Option Scheme and 2014 Option Scheme.

The Share Options outstanding at 30 June 2017 had a weighted average remaining contractual life of 1.75 years (31 December 2016: 2.21 years).

13 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 2017 are as follows:

			Number of Award Shares				
Grant Date	**Fair Value per Share HK$**	**Vesting Date**	**As at 1/1/2017**	**Granted**	**Vested**	**Unvested/ Forfeited**	**As at 30/6/2017**
21/5/2015	7.49	31/12/2017	18,269,500	–	–	(676,700)	**17,592,800**
21/5/2015	7.49	31/12/2018	12,634,400	–	–	(478,300)	**12,156,100**
21/5/2015	7.49	31/12/2019	6,350,900	–	–	(240,700)	**6,110,200**
16/11/2015	5.33	31/12/2017	312,700	–	–	(28,000)	**284,700**
16/11/2015	5.33	31/12/2018	309,100	–	–	(27,800)	**281,300**
16/11/2015	5.33	31/12/2019	222,800	–	–	(20,600)	**202,200**
19/5/2016	4.27	31/12/2017	382,800	–	–	(24,600)	**358,200**
19/5/2016	4.27	31/12/2018	370,600	–	–	(23,600)	**347,000**
19/5/2016	4.27	31/12/2019	362,600	–	–	(23,000)	**339,600**
14/11/2016	3.53	31/12/2017	67,600	–	–	–	**67,600**
14/11/2016	3.53	31/12/2018	64,700	–	–	–	**64,700**
14/11/2016	3.53	31/12/2019	64,700	–	–	–	**64,700**
		Total	39,412,400	–	–	(1,543,300)	**37,869,100**

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

Subsequent to 30 June 2017, a total of 69,865,000 Award Shares were granted in which 8,734,000 Award Shares were granted to connected persons and 61,131,000 Award Shares were granted to non-connected persons. The trustee of the Share Award Scheme held 10,702,818 Shares which can be applied to satisfy 4,080,918 Award Shares to connected persons and 6,621,900 Award Shares to non-connected persons in accordance with the terms of the Share Award Scheme. Accordingly, 4,653,082 Shares were purchased from the open market to satisfy Awards to connected persons, and 54,509,100 new Shares were allotted and issued on 13 July 2017 to satisfy Awards to non-connected persons pursuant to the terms of the Share Award Scheme.

14 Perpetual Capital Securities

On 3 November 2016 and 8 November 2012, the Company issued perpetual subordinated capital securities (the "Perpetual Capital Securities") with an aggregate principal amount of US$650 million and US$500 million respectively. 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 amounts as at 30 June 2017 and 31 December 2016 included the accrued distribution payments.

15 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 2017, as previously reported	**(11,653)**	**2,785**	**710,000**	**65,749**	**3,155**	**7,185**	**(14,120)**	**(331,651)**	**431,450**
Impact of adoption of HKFRS 15	–	–	–	–	–	–	–	(3,314)	(3,314)
Balance at 1 January 2017, as restated	**(11,653)**	**2,785**	**710,000**	**65,749**	**3,155**	**7,185**	**(14,120)**	**(334,965)**	**428,136**
Other Comprehensive Income/(Expenses)									
Currency translation differences	–	–	–	–	–	–	–	40,371	40,371
Net fair value gains on available-for-sale financial assets, net of tax	–	–	–	–	89	–	–	–	89
Net fair value losses on cash flow hedges, net of tax	–	–	–	–	–	(13,511)	–	–	(13,511)
Transactions with Owners in their Capacity as Owners									
Employee Share Option and Share Award Scheme:									
– value of employee services	–	–	–	6,173	–	–	–	–	6,173
Transfer to capital reserve	–	130	–	–	–	–	–	–	130
Balance at 30 June 2017	**(11,653)**	**2,915**	**710,000**	**71,922**	**3,244**	**(6,326)**	**(14,120)**	**(294,594)**	**461,388**

15 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 2016, as previously reported	(13,300)	2,306	710,000	54,662	2,845	2,812	(11,129)	(193,293)	554,903
Impact of adoption of HKFRS 15	–	–	–	–	–	–	–	(3,170)	(3,170)
Balance at 1 January 2016, as restated	(13,300)	2,306	710,000	54,662	2,845	2,812	(11,129)	(196,463)	551,733
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
Remeasurement 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 reserve	–	61	–	–	–	–	–	–	61
Balance at 30 June 2016, as restated	(13,312)	2,367	710,000	66,252	2,931	4,878	(11,128)	(252,255)	509,733

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.

16 Contingent Liabilities

	Unaudited 30 June 2017 US$'000	Audited 31 December 2016 US$'000
Guarantees in respect of banking facilities granted to associated companies	**750**	750

17 Commitments

(a) Operating Lease Commitments

As at 30 June 2017, the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Unaudited 30 June 2017 US$'000	Audited 31 December 2016 US$'000
Within one year	**141,768**	115,096
In the second to fifth year inclusive	**259,497**	227,061
After the fifth year	**72,540**	84,476
	473,805	426,633

(b) Capital Commitments

	Unaudited 30 June 2017 US$'000	Audited 31 December 2016 US$'000
Contracted but not provided for:		
Property, plant and equipment	**8,476**	2,665
System development, software and other license costs	**5,420**	3,134
	13,896	5,799

18 Related Party Transactions

The Group had the following material transactions with its related parties during the period ended 30 June 2017 and 2016:

		Unaudited Six months ended 30 June	
	Note	**2017 US$'000**	2016 US$'000
Distribution and sales of goods	(i)	**10,051**	11,124
Operating leases rental and license fee paid	(ii)	**12,868**	13,276
Operating leases rental and license fee received	(ii)	**502**	–
Sourcing and supply chain management services	(iii)	**607,929**	628,238
Rental and license fee paid	(iv)	**–**	816
Rental and license fee received	(iv)	**–**	1,518
Logistics related services income	(v)	**7,495**	7,066
Sourcing and supply chain management services	(vi)	**10,977**	–

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 or sub-leasing and/or licensing arrangement dated 14 November 2016 entered into with FH (1937) and its associates for a term of three years ending 31 December 2019, 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. For the six months ended 30 June 2017, aggregate operating lease rental and license fee paid to and from one another approximated to US$13,370,000 (2016: US$13,276,000).

(iii) Pursuant to the buying agency agreement entered into with Global Brands Group on 24 June 2014, the Group provided sourcing and supply chain management 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 2017, the Group provided sourcing and supply chain management services to Global Brands Group with an aggregate income of approximately US$607,929,000 (2016: US$628,238,000).

(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. In view of expiry of the Existing Master Lease Agreement, the Company has entered into the Renewal Master Lease Agreement as aforementioned in (ii). 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.

(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$7,495,000 (2016: US$7,066,000).

(vi) Pursuant to the sourcing and supply chain management agreement entered into with Trinity on 7 June 2017, the Group provided sourcing and supply chain management services to Trinity and its associates for a term from 1 June 2017 to 31 December 2019. For the six months ended 30 June 2017, the commission received for sourcing and supply chain management services to Trinity was US$998,000 (2016: Nil) and the underlying FOB value of the ordered products was US$9,979,000 (2016: Nil).

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

19 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 are HK dollar and US dollar deposits with major global financial institutions and most of the Group's borrowings are denominated in US dollars.

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

For transactions that are subject to foreign exchange risk, the Group fully hedges its foreign currency exposure once it receives confirmed orders or enters into customer transactions. To mitigate the impact from changes in foreign exchange rates, the Group regularly reviews its operations in these countries and makes necessary hedging arrangements in certain currencies against the US dollar.

However, the Group does not enter into foreign currency hedges with respect to the local financial results and long-term equity investments of its non-US dollar foreign operations for either income statements or balance sheet reporting purposes. Since the Group's functional currency is the US dollar, it is subject to exchange rate exposure from the translation of foreign operations' local results to US dollars at the average rate for the period of group consolidation. The Group's net equity investments in non-US dollar-denominated businesses are also 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.

From a medium-to long-term perspective, the Group manages the operations in the most cost-effective way possible within its global network. The Group strictly prohibits any financial derivative arrangement merely for speculation.

(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 2017 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. At 30 June 2017, fair value of foreign exchange forward contracts entered into by the Group amounted to US$10,834,000 (31 December 2016: US$10,697,000 assets), which has been reflected in full in the Group's consolidated balance sheet as derivative financial instruments liabilities.

19 Financial Risk Management (continued)

(a) Market Risk (continued)

(iii) CASH FLOW AND FAIR VALUE INTEREST RATE RISK

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

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

(b) Credit Risk

Credit risk mainly arises from trade and other receivables. The Group's principal trading business carries a higher credit risk profile given that it is acting as a supplier and therefore takes full counterparty risk of its customers in terms of accounts receivable and inventory. In addition, as the Group provides working capital solutions to the vendors via LF Credit by selectively settling accounts payable earlier at a discount, it also assumes direct counterparty risk of its customers for such receivables. With the increased insolvency risk among global brands and retail customers, the Group has deployed a global credit risk management framework with tightened risk profile, and applied prudent policies to manage its credit risk with such receivables that 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 strength 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 customers who fall short of the required minimum score under the 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 established a credit risk system with a dedicated team, and tightened policies to ensure on-time recoveries from trade debtors; and

(iv) The Group has put in place rigid internal policies that govern provisions made for both inventories and receivables to motivate business managers to step up the efforts in these two areas, and to avoid any significant impact on its 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 facilities and cash and cash equivalents) on the basis of expected cash flow.

20 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 2017.

	Level 1 US$'000	**Level 2 US$'000**	**Level 3 US$'000**	**Total US$'000**
Asset				
Available-for-sale financial assets				
– Club debentures	**–**	**–**	**4,253**	**4,253**
Total Asset	**–**	**–**	**4,253**	**4,253**
Liabilities				
Purchase consideration payable for acquisitions	**–**	**–**	**129,334**	**129,334**
Derivative financial instrument used for hedging	**–**	**10,834**	**–**	**10,834**
Total Liabilities	**–**	**10,834**	**129,334**	**140,168**

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2016.

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Assets				
Available-for-sale financial assets				
– Club debentures	–	–	4,164	4,164
Derivative financial instrument used for hedging	–	10,697	–	10,697
Total Assets	–	10,697	4,164	14,861
Liability				
Purchase consideration payable for acquisitions	–	–	161,536	161,536
Total Liability	–	–	161,536	161,536

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.

20 Fair Value Estimation (continued)

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 at the time of acquisitions, which approximated to 2.5%.

20 Fair Value Estimation (continued)

The following table presents the changes in level 3 instruments for the six months ended 30 June 2017 and 2016.

	2017		2016	
	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)	**161,536**	**4,164**	242,502	3,854
Fair value gains	**–**	**89**	–	86
Settlement	**(6,025)**	**–**	(13,607)	–
Remeasurement of purchase consideration payable for acquisitions	**(29,645)**	**–**	–	–
Others	**3,468**	**–**	38	–
Closing balance as at 30 June (unaudited)	**129,334**	**4,253**	228,933	3,940

21 Approval of Interim Financial Information

The interim financial information was approved by the Board of Directors on 24 August 2017.