LI & FUNG LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 494

INTERIM REPORT

09

中期業績報告




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CORPORATE INFORMATION

NON-EXECUTIVE DIRECTORS

Victor FUNG Kwok King, *Chairman*
Paul Edward SELWAY-SWIFT*
Allan WONG Chi Yun*
Franklin Warren McFARLAN*
Makoto YASUDA*
Martin TANG Yue Nien*

* *Independent Non-executive Directors*

EXECUTIVE DIRECTORS

William FUNG Kwok Lun, *Managing Director*
Bruce Philip ROCKOWITZ
Annabella LEUNG Wai Ping
Spencer Theodore FUNG

GROUP CHIEF COMPLIANCE OFFICER

James SIU Kai Lau

COMPANY SECRETARY

Terry WAN Mei Chow

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Citibank, N.A.
JPMorgan Chase Bank, N.A.
Standard Chartered Bank (Hong Kong) Limited

LEGAL ADVISORS

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

AUDITOR

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

REGISTERED OFFICE

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

HONG KONG OFFICE

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

HIGHLIGHTS

HALF YEAR RESULTS TO 30 JUNE 2009

(HK$ millions)	**2009**	2008	**Change**
Turnover	**46,292**	47,393	**-2%**
Core Operating Profit	**1,697**	1,532	**+11%**
As % of Turnover	**3.67%**	3.23%	
Profit attributable to shareholders of the Company	**1,397**	1,238	**+13%**
Earnings per Share – Basic	**38.3 HK cents**	36.0 HK cents	**+6%**
Dividend per Share	**26 HK cents**	24 HK cents	**+8%**

HIGHLIGHTS

- Solid net profit growth for 1H 2009 in a challenging environment
- Achieved significant operating cost savings and delivered solid operating leverage in the first six months
- Core operating margin and net margin improved from last year
- Turnover affected by customer insolvencies in 2008 and 1H 2009
- Overall financial strength remains very strong
- We see many acquisition and outsourcing opportunities

CHAIRMAN'S STATEMENT

The first half of 2009 was a volatile and challenging time for the world economy. The global downturn has significantly impacted markets around the world and inevitably affected the businesses of Li & Fung, its customers and suppliers.

In response to this, the Group reinforced its already strong financial position and focused on expanding market share with new customers via its business strategy of acquisitions and new outsourcing deals. The placement of new shares in May further strengthened the Group's balance sheet to pursue such endeavours, and to protect against market turbulence.

As a result, despite the unfavourable market conditions, Li & Fung continued to make progress towards the targets set in its 2008-2010 Three Year Plan – a goal to which the Group remains committed.

PERFORMANCE

In the first half of the year, while Group turnover decreased by 2% to HK$46,292 million, profit attributable to shareholders increased by 13% to HK$1,397 million compared to the same period last year (HK$1,238 million for 2008). With the issue of new shares in May, earnings per share were 38.3 HK cents compared with 36 HK cents for 2008.

The Board of Directors has resolved to declare an interim dividend of 26 HK cents per share (2008: 24 HK cents).

MARKET & BUSINESS

The economic downturn has caused many customers to revise their business models in favour of lighter inventories and shorter lead times. While in the short term, downward adjustment of inventory levels hurt our business in the last quarter of 2008 and the first quarter of 2009, these trends ultimately benefit Li & Fung's business model – which provides flexibility, supply chain expertise and an extensive global network to customers – and should not only bring about positive bottom-line results but also position the Group well for when the economy recovers.

One growth area that will be important for the Group moving forward is its burgeoning portfolio of customers with national labels or private labels, many of whom are passing on sourcing responsibilities to Li & Fung in order to better leverage Li & Fung's advantages in this increasingly global and competitive trading environment. Along with organic growth and strategic acquisitions, this increased activity in outsourcing will be an important growth driver for the Group.

Li & Fung works with a wide range of customers and leading brands around the world, and such a diverse portfolio has continued to position the Group well in these current times of uncertainty. The Group has also maintained good relationships with its suppliers worldwide and will continue to nurture these as a key part of its long-term success.

The difficult business environment has continued to affect our customers and suppliers. While the Group's exposure to such distress has been limited, it is important to note that the Group takes very seriously its business relationships and is assisting both our customer partners and supplier partners in any way we can.

PROSPECTS

There have been recent signs that the downward movement of the global economy may be slowing and that it may begin to turn at the beginning of 2010. Rising exports and falling imports in the US indicate that the global trading decline may also be slowing. And while the world has been dealing with a deflationary economic environment, the recent upswing in commodities prices signals this could change in the near future.

Consumer sentiment in the US remains weak, however, and volatile market conditions for the rest of this year will continue to have a significant effect on the global economy and businesses everywhere as governments and companies seek to drive growth and stimulate demand.

It was heartening that the participants in the G20 Summit pledged to increase trade finance and support multilateralism through the completion of the Doha round, thereby avoiding the protectionist sentiment that threatens to slow the world's recovery. The Group looks forward to seeing the implementation of this plan for the benefit of businesses and nations around the world.

The Group also thanks and applauds its talented and hardworking staff, whose contributions have been invaluable as we navigate the economic storm and position ourselves for a brighter future ahead.

Victor FUNG Kwok King
Chairman

Hong Kong, 13 August 2009

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS REVIEW

Due to a continuing soft consumer market, Group turnover decreased by 2% to US$5,935 million (approximately HK$46 billion), which reflects the weakness in consumer markets and some customer insolvencies announced earlier.

Core operating profit increased by 11% from the previous year and core operating profit margin increased to 3.67% from 3.23%. This can be attributed to our success in reducing operating costs in line with the target we set at the start of 2009. Overall operating costs have declined in the first six months, including selling expenses and travelling costs.

Profit attributable to shareholders reached HK$1,397 million for the first half of 2009, an increase of 13% over 2008.

We are very pleased to have delivered solid operating leverage in the first six months through our persistent cost control initiative, and we are committed to continue doing so for the rest of the year.

Total margin decreased by 1%, but as a percentage of turnover it increased from 11.50% in 2008 to 11.65% in 2009. This reflects better margin contribution from the US onshore business.

In May 2009, the Group placed 120.29 million shares at a price of HK$22.55 per share. The placing raised approximately HK$2,682 million, and the proceeds will primarily be used for general working capital purposes and to support the Group's continued business expansion.

SEGMENTAL ANALYSIS

For the first half of 2009, softgoods and hardgoods accounted for 71% and 29% of turnover respectively. **Softgoods** turnover was flat, reflecting the weak business sentiment of some of our existing customers as well as the loss in turnover from a few customers who earlier filed for bankruptcy or insolvency. At the same time, it also reflected positive contributions from Liz Claiborne.

Turnover from the **hardgoods** business fell by 7%, reflecting loss in revenue from customers like KB Toys, who filed for bankruptcy last year, price deflation, as well as overall weak market sentiment.

Geographically, the **US** remains the Group's key export market, representing 61% of total turnover during the period under review. Turnover fell slightly by 1%, but operating profit increased by 21%, which can be attributed to new contributions from Van Zeeland and Liz Claiborne that helped offset the soft market sentiment overall.

Europe accounted for 30% of turnover, reflecting a decline of 5%. Operating profit declined by 13%, which was mainly due to the decline in turnover from Arcandor, who filed for insolvency during the first half of this year.

Turnover in other markets such as **Canada, Central and Latin America**, and **Australasia** accounted for 3%, 1% and 3% respectively. Turnover growth for these markets was at -4%, -9%, and 2%, and operating profit was -5%, -7% and -0.4% respectively. **Japan** and the rest of the world, which represented turnover share of 2%, experienced a fall of 8% in turnover and a fall of 19% in operating profit.

ACQUISITIONS

We are committed to continue our acquisition strategy. So far this year, we have completed three small roll-up acquisitions.

In March 2009, the Group acquired JMI, based in Shanghai China. JMI specializes in high-end technical products such as gloves, outerwear, knitwear and accessories. This transaction will provide attractive synergies and will enable us to provide product extension possibilities for our existing customers.

In the same month, the Group acquired Shubiz in the UK. Shubiz is a long-established and leading designer and supplier of ladies' fashion footwear to leading retailers, principally in the UK. This deal has helped grow our footwear presence in Europe and will facilitate our building of an integrated Pan European footwear business.

In June 2009, the Group further acquired Clearskies Ltd., the sourcing operation of Shubiz based in China.

OUTSOURCING DEALS

In February 2009, Li & Fung announced it had agreed to enter into a long-term, exclusive Buying Agency Agreement whereby the Group would act as the primary global apparel and accessories sourcing agent for all brands in the Liz Claiborne Inc. portfolio, including Lucky Brand, Juicy Couture, Kate Spade and Isaac Mizrahi-designed Liz Claiborne New York with the exception of the jewelry product lines. Li & Fung is also Mexx's exclusive sourcing agent. The Group took over the sourcing operations of Liz Claiborne and paid Liz Claiborne an amount equal to US$83 million. This was a very strategic deal that would enhance the overall sourcing platform in Li & Fung's brands business. It also represents one of the best portfolios of high-profile brands in the world and is a great addition to Li & Fung's existing customer base.

In addition, we have also completed an outsourcing deal with Wolverine/Merrell in the US in April this year, with respect to their apparel sourcing worldwide.

PROGRESS ON THE THREE-YEAR PLAN 2008-2010

Although the external operating environment is undoubtedly challenging, we remain committed to our current Three-Year Plan 2008-2010 targets, i.e. a turnover target of US$20 billion, a core operating profit target of US$1 billion, and an operating leverage target of doubling core operating profit percentage growth over turnover percentage growth (i.e. 2x).

We are also pleased to report that our effort in driving operating leverage has started to bear fruit as we saw solid positive operating leverage in the first six months this year, which was largely the result of our cost control initiatives.

We expect that the strong pipeline of outsourcing deals and acquisitions will continue to provide new sources of growth in the coming years.

The Group's financial strength continues to be highly resilient. We have maintained our strong credit ratings from Moody's and Standard & Poor's at A3 (stable) and A- (stable) respectively. Li & Fung continues to enjoy healthy cash flow and has strong credit ratios. For details, please refer to the following "Financial Position and Liquidity" section.

FINANCIAL POSITION AND LIQUIDITY

The Group continued to be in a strong financial position for the period under review with cash and cash equivalents amounting to HK$3,028 million at the end of June 2009.

Normal trading operations were well supported by more than HK$19 billion in bank trading facilities. In addition, the Group had available bank loans and overdraft facilities of HK$4,268 million, out of which HK$1,480 million were committed facilities. At 30 June 2009, only HK$353 million of the Group's bank loans and overdraft facilities was utilized, and no drawdown was made out of the committed facilities.

At balance sheet date, the Group's gearing ratio was about 6%, calculated as net debt divided by total capital. The Group's gearing ratio decreased from December 2008 of 14% as the Group's total equity was further strengthened by a private placing completed during the period with net proceeds of approximately HK$2,682 million. Net debt of HK$1,065 million is calculated as total borrowings (including short-term bank loans of HK$223 million and long term notes of HK$3,870 million) less cash and cash equivalents of HK$3,028 million. Total capital is calculated as total equity of HK$16,406 million plus net debt. The current ratio was 1.3, based on current assets of HK$21,199 million and current liabilities of HK$16,132 million.

IMPACT OF CHANGES IN ACCOUNTING STANDARDS

New standards and amendments to standards with significant impact to information disclosure of the interim financial report are set out below. These new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2009.

- HKAS 1 (revised), "Presentation of financial statements". The revised standard prohibits the presentation of items of income and expenses (that is "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity. All "non-owner changes in equity" are required to be shown in a performance statement. The interim financial report has been prepared under the revised disclosure requirements and a consolidated profit and loss account and a consolidated statement of comprehensive income have been presented.
- HKFRS 8, "Operating segments". HKFRS 8 replaces HKAS 14, "Segment reporting". It requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes.

CREDIT RISK MANAGEMENT

Credit risk mainly arises from trade and other receivables and cash and bank balances of the Group.

Most of the Group's cash and cash equivalents are held in major global financial institutions.

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

(i) A significant portion of business is secured by back-to-back payment arrangement or covered by letters of credit, customers' standby letters of credit, bank guarantees or credit insurance;

(ii) Certain trade receivable balances on open account term are factored to external financial institutions without recourse;

(iii) The Group's credit control team makes ongoing assessment of each individual customer and vendor and determines the credit limits based on, among other factors, their trading and settlement history and their respective financial background.

FOREIGN EXCHANGE RISK MANAGEMENT

Most of the Group's cash balances were deposits in HK$ and US$ with major global financial institutions, and most of the Group's assets, liabilities, revenues and payments were held in either HK$ or US$. Therefore, we consider that the risk exposure to foreign exchange rate fluctuations is minimal.

Foreign exchange risks arising from sales and purchases transacted in different currencies are managed by the Group treasury, with the use of foreign exchange forward contracts. Pursuant to the Group policy in place, foreign exchange forward contracts, or any other financial derivatives, are entered into by the Group for hedging purposes. The Group has not entered into any financial derivatives for speculation.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

At the date of this announcement, the Group has disputes with the Hong Kong Inland Revenue ("HKIR") involving additional tax assessments amounting to approximately HK$1,599 million on both the non-taxable claim of certain non-Hong Kong sourced income ("Offshore Claim") and the deduction claim of marketing expenses ("Deduction Claim") for the years of assessment from 1992/1993 to 2007/2008.

The Commissioner of the HKIR issued a determination on 14 June 2004 to one of its subsidiaries, Li & Fung (Trading) Limited ("LFT"), confirming additional tax assessments totaling HK$333 million relating to the years of assessment from 1992/93 to 2001/02. Under further legal advice from the Group's counsel, the directors believe that the Group has meritorious defence to appeal against the Commissioner's determination. Accordingly, LFT served a notice of appeal to the Board of Review on 13 July 2004. The appeal was heard before the Board of Review in January 2006.

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

The Group has considered the reasoning of the Board of Review Decision and, having obtained professional advice, decided to lodge an appeal against the Board of Review Decision in respect of the Deduction Claim. An application requiring the Board of Review to state a case on questions of law for the opinion of the High Court was made by LFT on 10 July 2009.

On the other hand, the HKIR also lodged an appeal against the Board of Review Decision in respect of the Offshore Claim. An application requiring the Board of Review to state a case on questions of law for the opinion of the High Court was made by the HKIR on 10 July 2009.

Based on the assessment from the Group's legal counsel on the merit of LFT's further appeal in respect of the Deduction Claim and the HKIR's further appeal in respect of the Offshore Claim, the directors consider that no material tax liabilities will finally crystallise and sufficient tax provision has been made in the accounts in this regard.

Other than the above, there are no material contingent liabilities or off-balance sheet obligations.

HUMAN RESOURCES

At the end of June 2009, the Group had a total workforce of 13,905, of whom 3,336 were based in Hong Kong and 10,569 were located overseas. The Group offers its staff competitive remuneration schemes. In addition, bonuses and share options are also granted to eligible staff based on individual and Group performance.

The Group is committed to nurturing a learning culture in the organization. Emphasis is placed on learning and development as the Group's success is dependent upon the efforts of a skilled and motivated workforce. Training programs have been developed to align with the profiles of different job levels and functions. In particular, there are two key resourcing programs, the Management Trainee Program and the Merchandising Development Program. The Management Trainee Program, first launched in 2003, is a global corporate management program aimed at attracting and developing high-potential university graduates to become our future leaders through accelerated career development opportunities. The program is now six years old, and over 143 trainees recruited from around the world are participating in the program. The Merchandising Development Program, first launched in February 2006, is a corporate resourcing program developed in collaboration with Hong Kong Polytechnic University (HKPU) to obtain industry recognition and establish industry standards for merchandising skill sets. This program has expanded to also cover the Shanghai office. As of July 2009, 56 trainees in Hong Kong graduated from the program and received their diplomas from HKPU.

In 2009 the Group successfully launched a new key corporate initiative called "Building Skills for Growth" that aims to build new skills or upgrade the existing skills of our people in order to sustain personal and organization growth. Currently at the pioneer phase, a 9-month, full-time design support training program has been developed in partnership with Hong Kong Polytechnic University, the New York Fashion Institute of Technology and Paris Institut Français De La Mode. This design support training program commenced in June 2009, and 56 staff members are participating in the program.

Another arm of "Building Skills for Growth" is the Merchandising Skills Program. The first in-house, tailor-made merchandising program under this initiative was launched in the Shenzhen office in June 2009. This is a 'core skill' merchandising program to equip merchandisers with practical, job-related skills that support business growth. The program will be launched in other high-growth locations in the near future.

Total staff costs for the first half of 2009 were HK$2,165 million, compared with HK$2,150 million for the same period of 2008.

CORPORATE GOVERNANCE

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

Corporate governance practices adopted by the Company during the six-month period to 30 June 2009 are in line with those practices set out in the Company's 2008 Annual Report.

THE BOARD

The Board is currently composed of the Group Non-Executive Chairman, the Group Executive Managing Director, three Executive Directors and five Independent Non-executive Directors.

In order to reinforce their respective independence, accountability and responsibility, the role of the Group Chairman is separate from that of the Group Managing Director. Their respective responsibilities are clearly established and defined by the Board in writing.

The Board held **seven** meetings to date in 2009 (with an **average attendance rate of 88%**) to discuss the overall strategy as well as the operation and financial performance of the Group.

The Board has established the following committees (all chaired by Independent Non-executive Director or Non-executive Director) with defined terms of reference (available to shareholders upon request), which are of no less exacting terms than those set out in the Code on Corporate Governance Practices of the Listing Rules: the Nomination Committee, the Audit Committee, the Risk Management Committee and the Compensation Committee.

NOMINATION COMMITTEE

The Nomination Committee was established in August 2001 and is chaired by the Group Non-Executive Chairman. Its written terms of reference cover recommendations to the Board on the appointment of Directors, evaluation of board composition and the management of board succession with reference to certain guidelines as endorsed by the Committee. These guidelines include appropriate professional knowledge and industry experience, personal ethics, integrity and personal skills, and time commitments of members.

The Committee met **twice** to date in 2009 (with a **100% attendance rate**) to review the board composition and the nomination of directors to fill board vacancies in 2009. Its current members include:

Dr Victor FUNG Kwok King – *Committee Chairman*
Mr Paul Edward SELWAY-SWIFT*
Mr Makoto YASUDA*

AUDIT COMMITTEE

The Audit Committee was established in 1998 to review the Group's financial reporting, internal controls and corporate governance issues and make relevant recommendations to the Board. All Committee members possess appropriate professional qualifications, accounting or related financial management expertise as required under the Listing Rules.

The Audit Committee met **three** times to date in 2009 (with an **average attendance rate of 94%**) to review with senior management and the Company's internal and external auditors, the Group's significant internal controls and financial matters as set out in the Committee's written terms of reference. The Committee's review covers the audit plans and findings of internal and external auditors, external auditor's independence, the Group's accounting principles and practices, goodwill assessment, listing rules and statutory compliance, connected transactions, internal controls, risk management and financial reporting matters (including the interim financial report for the six months ended 30 June 2009 for the Board's approval). Its current members include:

Mr Paul Edward SELWAY-SWIFT* – *Committee Chairman*
Dr Victor FUNG Kwok King
Mr Allan WONG Chi Yun*
Professor Franklin Warren McFARLAN*
Mr Makoto YASUDA*
Mr Martin TANG Yue Nien* (appointed on 2 February 2009)

RISK MANAGEMENT COMMITTEE

The Risk Management Committee was established in August 2001 and is chaired by the Group's Non-Executive Chairman. Its written terms of reference include offering recommendations to the Board on the Group's risk management and internal control systems. The Committee reports to the Board in conjunction with the Audit Committee. The Risk Management Committee met **once** to date in 2009 (with a **100% attendance rate**) to review risk management procedures pertinent to the Group's significant investments and operations. Its current members include:

Dr Victor FUNG Kwok King – *Committee Chairman*
Dr William FUNG Kwok Lun
Mr Bruce Philip ROCKOWITZ
Mr James SIU Kai Lau (Group Chief Compliance Officer)

COMPENSATION COMMITTEE

The Compensation Committee was formed in 1993 and is chaired by an Independent Non-executive Director. The Committee's responsibilities as set out in its written terms of reference include approving the remuneration policy for all Directors and senior executives, and the granting and allocation of share options to employees under the Company's Share Option Scheme. It annually reviews the Group's remuneration policy. The Committee met **three** times to date in 2009 (with an **average attendance rate of 92%**) to review and approve all Executive Directors' (including the Group Managing Director) remuneration packages and the granting and allocation of share options under the current Three-Year Plan (2008-2010). Its current members include:

Mr Allan WONG Chi Yun* – *Committee Chairman*
Dr Victor FUNG Kwok King
Professor Franklin Warren McFARLAN*
Mr Martin TANG Yue Nien* (appointed on 2 February 2009)

* *Independent Non-executive Director*

CODE OF CONDUCT AND BUSINESS ETHICS

The Group's **reputation capital** is built on its long-established standards of ethics in conducting business. Guidelines of the Group's core business ethical practices as endorsed by the Board are set out in the **Company's Code of Conduct and Business Ethics for all Directors and staff**. For ease of reference and as a constant reminder, a copy of the latest guidelines is posted in the Company's internal electronic portal for reference by all staff.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for maintaining a sound and an effective system of internal controls in Li & Fung and for reviewing its effectiveness. Such system is designed to manage the risk of failure to achieve corporate objectives. It aims to provide reasonable but not absolute assurance against material misstatement, loss or fraud. Qualified personnel throughout the Group maintain and monitor these systems of controls on an ongoing basis.

The Group operates within an established control environment, which is consistent with the principles outlined in *Internal Control and Risk Management – A Basic Framework* issued by the Hong Kong Institute of Certified Public Accountants. The scope of internal control for the Group relates to three major areas: effectiveness and efficiency of operations; reliability of financial reporting; and compliance with applicable laws and regulations. Details of the Company's internal control and risk management processes are set out in Corporate Governance Section on pages 27 to 29 of the Company's 2008 Annual Report.

Based on the assessments made by senior management and the Group's Corporate Governance Division (Internal Audit) for the six months ended 30 June 2009, the Audit Committee considered that:

- the internal controls and accounting systems of the Group were in place and functioning effectively and were designed to provide reasonable assurance that material assets were protected, business risks attributable to the Group were identified and monitored, material transactions were executed in accordance with management's authorization and the accounts were reliable for publication.

- there was an ongoing process in place for identifying, evaluating and managing the significant risks faced by the Group.

COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES

The Group has adopted stringent procedures governing Directors' securities transactions in compliance with the Model Code as set out in Appendix 10 of the Listing Rules. Specific confirmation has been obtained from each Director to confirm compliance with the Model Code for the six months ended 30 June 2009. No incident of non-compliance by Directors was noted by the Company for the six months ended 30 June 2009. Relevant employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with written guidelines on no less exacting terms than the Model Code.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has been in compliance with the applicable code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules throughout the period ended 30 June 2009.

CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY

Li & Fung has developed a Supplier Code of Conduct to be observed by its approved suppliers around the globe. The Code is a set of standards based on local and national laws and regulations, and International Labor Organization core conventions. These standards include underage labor, forced/prison labor, wages and compensation, working hours, discrimination, disciplinary practices, freedom of association, health and safety, environment, and the right of access. A copy of the Code is available at our corporate website *(www.lifung.com)*.

Li & Fung is a member of Business for Social Responsibility (BSR), an international US-based non-profit organization whose mission is to promote socially responsible business practices, innovation and collaboration that demonstrate respect for ethical values, people, community and the environment.

Li & Fung is an active member of BSR's Ethical Sourcing Working Group, a sector-specific working group that focuses on supply chain labor standards issues and meets periodically to address common industry challenges and work on collaborative projects. Li & Fung also joined BSR's Clean Cargo Working Group (CCWG). CCWG develops voluntary environmental management guidelines and measures to help evaluate and improve the performance of freight transport. Members included leading multinational manufacturers and retailers (shippers), freight carriers (ocean, road, rail and air service providers) that are dedicated to integrating environmentally and socially responsible business practices into transportation management.

Li & Fung has also been an AB member of Supplier Ethical Data Exchange (SEDEX) since 2006. SEDEX uses the latest technology to enable companies to maintain and share data on labor practices in the supply chain.

Li & Fung is a participant in the United Nation's Global Compact initiative, which embraces and supports a set of core values in the areas of human rights, labor standards, the environment and anti-corruption. The initiative achieves this through the dissemination of good practices based on certain universal principles derived from international conventions and declarations – the Ten Principles. These cover the respect of and support for the protection of human rights, abstinence from human rights abuses, freedom of association, elimination of all forms of forced and child labor, elimination of discrimination in employment, promotion of environmental responsibility, and the elimination of corruption.

Li & Fung has been included as a constituent member of the FTSE4Good Index Series from FTSE Group (UK) since 2005 recognizing Li & Fung's commitment to high corporate social responsibility standards. In 2009, Li & Fung is also included in the Dow Jones Sustainability Asia Pacific Index which tracks the leading sustainability-driven companies.

Details of the Company's corporate social responsibility and sustainability practices are set out on pages 30 to 33 of the Company's 2008 Annual Report.

INVESTOR RELATIONS AND COMMUNICATIONS

The Company has a proactive policy of promoting investor relations and communications by maintaining regular dialogues with institutional shareholders and analysts. Management has attended investor meetings on a regular basis and participated in a number of major investor conferences in Asia and North America. The Company is followed by a large number of analysts and many of them publish reports on the Company regularly. Webcasts of results presentations given to analysts have also been made available on our corporate website *(www.lifung.com)*.

The Company continues to utilize its corporate website to further promote effective communication. The website disseminates shareholder information and other relevant financial and non-financial information electronically on a timely basis.

INFORMATION TECHNOLOGY

The Company's commitments to supporting Information Technology investments continued in 2009 with specific focus on application systems supporting business growth, process efficiency and business partner integrations. Details of Information Technology investments are set out on pages 34 to 35 of the Company's 2008 Annual Report.

STAFF AND COMMUNITY

As a global Supply Chain Management service provider, Li & Fung recognizes that human capital is a key asset to the sustained growth and profitability of the Company. The Group therefore places due emphasis on resourcing, development and retention of our staff. Details of Human Resources practices are set out in Management Discussion and Analysis section of this 2009 Interim Report and on pages 35 to 37 of the Company's 2008 Annual Report.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Victor FUNG Kwok King
Group Non-Executive Chairman
Chairman of Nomination Committee and Risk Management Committee

Aged 63. Brother of Dr William Fung Kwok Lun and father of Mr Spencer Theodore Fung. Group Chairman of Li & Fung group companies including the Company and the publicly listed Integrated Distribution Services Group Limited and Convenience Retail Asia Limited. A director of King Lun Holdings Limited, a substantial shareholder of the Company. Joined the Group in 1973 as Manager and became Managing Director of the Group's export trading business in 1977. Became Group Managing Director in 1981 and Group Chairman in 1989. Holds Bachelor and Master Degrees in Electrical Engineering from the Massachusetts Institute of Technology, and a Doctorate in Business Economics from Harvard University. An independent non-executive director of BOC Hong Kong (Holdings) Limited, CapitaLand Limited in Singapore and Baosteel Group Corporation in the People's Republic of China. Retired as independent non-executive director of Orient Overseas (International) Limited, and non-executive director of Hup Soon Global Corporation Limited both in April 2009. Chairman of International Chamber of Commerce. A member of Chinese People's Political Consultative Conference. Became vice chairman of China Centre for International Economic Exchanges since March 2009. A member of the Commission on Strategic Development of the Hong Kong Government. Chairman of The Council of The University of Hong Kong, the Greater Pearl River Delta Business Council and the Hong Kong–Japan Business Co-operation Committee. From 1991 to 2000, Chairman of the Hong Kong Trade Development Council. From 1996 to 2003, the Hong Kong representative on the APEC Business Advisory Council. From 1999 to 2008, Chairman of the Hong Kong Airport Authority. Awarded the Gold Bauhinia Star in 2003 for distinguished service to the community.

William FUNG Kwok Lun
Group Managing Director

Aged 60. Brother of Dr Victor Fung Kwok King and uncle of Mr Spencer Theodore Fung. Group Managing Director since 1986. Joined the Group in 1972 and became a Director of the Group's export trading business in 1976. Graduated from Princeton University with a Bachelor of Science degree in Engineering. Holds an MBA degree from the Harvard Graduate School of Business. Degrees of Doctor of Business Administration, *honoris causa*, were conferred by the Hong Kong University of Science & Technology and by the Hong Kong Polytechnic University. A non-executive director of HSBC Holdings PLC. An independent non-executive director of VTech Holdings Limited and Shui On Land Limited. A non-executive director of various companies within the Li & Fung Group including Convenience Retail Asia Limited and Integrated Distribution Services Group Limited. A director of King Lun Holdings Limited and its wholly owned subsidiary, Li & Fung (1937) Limited, a substantial shareholder of the Company. Past Chairman of the Hong Kong General Chamber of Commerce, the Hong Kong Exporters' Association and the Pacific Economic Cooperation Committee. Awarded the Silver Bauhinia Star by the Hong Kong Special Administrative Region Government in 2008.

Bruce Philip ROCKOWITZ
President

Aged 50. An Executive Director since 2001 and President of the Group since 2004 when he took over day to day oversight of the Group's operations. Co-founded Colby International Limited in 1981 and was the President and Chief Executive Officer until 2000 when Colby was acquired by Li & Fung. Member of the Advisory Board for the Wharton Business School's Jay H Baker Retailing Initiative, an industry center at University of Pennsylvania focused on retail business. In December 2008, ranked first by Institutional Investor for the Asia, Best CEOs in the consumer category. Non-Executive Chairman of the Pure Group, a lifestyle, fitness and yoga group operating throughout Asia.

DIRECTORS (CONTINUED)

Paul Edward SELWAY-SWIFT
Independent Non-Executive Director
Chairman of Audit Committee

Aged 65. An Independent Non-executive Director since 1992. Chairman of Pure Circle Ltd, a producer of natural food ingredients, which is quoted on the London Stock Exchange. Also, Chairman of Atlantis Investment Management (Ireland) Ltd. A director of several other companies including Alba PLC (name changed to “Harvard International PLC” on 1 April 2009) and Temenos Group AG. Formerly, Deputy Chairman of HSBC Investment Bank PLC, a director of The Hong Kong and Shanghai Banking Corporation Limited in Hong Kong, Chairman of Singer & Friedlander Group PLC, a banking and investment management group, and Novae Group PLC, a specialist insurance group.

Allan WONG Chi Yun
Independent Non-Executive Director
Chairman of Compensation Committee

Aged 58. An Independent Non-executive Director since 1999. Chairman and Group Chief Executive Officer of VTech Holdings Limited. Co-founded VTech Group in 1976. Holds a Bachelor of Science degree in Electrical Engineering from the University of Hong Kong, a Master of Science degree in Electrical and Computer Engineering from the University of Wisconsin and an honorary degree of Doctor of Technology from the Hong Kong Polytechnic University. A council member of the University of Hong Kong, an independent non-executive director of both the Bank of East Asia Limited and China-Hongkong Photo Products Holdings Limited.

Franklin Warren McFARLAN
Independent Non-Executive Director

Aged 71. An Independent Non-executive Director since 1999. Changed from Baker Foundation Professor to Professor Emeritus of Business Administration at Harvard University as of 1 July 2009. Appointed as Guest Professor and Co-Director of the China Business Case Center at Tsinghua University-SEM in 2009. A Professor at the Harvard Graduate School of Business Administration since 1973. Formerly, Faculty Chairman of Advanced Management Program and Chairman of Executive Education Programs. Graduated from the Harvard Business School with a doctorate. Senior Associate Dean from 1990 – 2004. An independent non-executive director of Computer Sciences Corporation and thinkorswim Group Inc.

Makoto YASUDA
Independent Non-Executive Director

Aged 71. An Independent Non-executive Director since 2001. Chairman and Chief Executive of international advisory firm Yasuda Makoto & Co., Ltd. Engaged in private equity investment and management activities in Asia for more than 35 years. An independent non-executive director of other companies including Yamatake Corporation. Formerly, Director & Executive Vice President of Private Investment Company for Asia (PICA) S.A. Graduated from Gakushuin University and University of Illinois.

DIRECTORS (CONTINUED)

Martin TANG Yue Nien
Independent Non-Executive Director

Aged 60. An Independent Non-executive Director since 2 February 2009. Former Chairman, Asia of Spencer Stuart & Associates, a global executive search-consulting firm. An independent non-executive director of CEI Contract Manufacturing Ltd, a Singapore publicly-listed company. Ceased to be a member of the Professional Service Advisory Committee of the Hong Kong Trade Development Council as of 1 April 2009. Holds a Bachelor of Science degree in Electrical Engineering from Cornell University and Master of Science in Management from the Massachusetts Institute of Technology.

Annabella LEUNG Wai Ping
Executive Director

Aged 56. An Executive Director since 2000. Responsible for the LF Seven business stream, managing the Group's European apparel accounts. Formerly, the Regional Director of North Asia Apparel for Inchcape, a global sourcing network acquired by the Company in 1995. Holds a Master of Science degree in Biology from Northeastern University. Serving on the Softgoods Sub-committee of The Hong Kong Exporters' Association, Advisory Board of the Hong Kong Export Credit Insurance Corporation and the Vetting Committee for the Professional Services Development Assistance Scheme of Commerce, Industry And Technology Bureau.

Spencer Theodore FUNG
Executive Director

Aged 36. An Executive Director since 2008. Joined the Group in 2001. An executive director of Li & Fung (Trading) Limited, a wholly-owned subsidiary of the Company and in charge of a business unit with 800 staff in 19 countries and responsible for overall sourcing strategy and operating effectiveness of the unit. Holds a Bachelor of Arts degree from Harvard College and Master of Science in Accounting and Master in Business Administration degrees from Northeastern University. A U.S. Certified Public Accountant. The son of Dr. Victor Fung Kwok King, Group Chairman, and nephew of Dr. William Fung Kwok Lun, Group Managing Director.

GROUP CHIEF COMPLIANCE OFFICER

James SIU Kai Lau

Aged 65. Joined the Group in 1993 as Chief Financial Officer and as the Chief Compliance Officer since 1996. An executive director of Li & Fung (1937) Limited, the controlling shareholder of the Li & Fung Group of companies including publicly listed Integrated Distribution Services Group Limited and Convenience Retail Asia Limited of which he is also their respective Group Chief Compliance Officers. Formerly, partner-in-charge (1981 – 1989) of the Hong Kong audit practice of Coopers & Lybrand (currently PricewaterhouseCoopers) specializing in advising corporate clients on mergers, acquisitions, finance and on public listings. Community work included having served as member of the Supervisory Board of the Hong Kong Housing Society and Chairman of its Audit Committee (2001 – 2006) and a member of the Professional Accountants in Business Committee of the Hong Kong Institute of Certified Public Accountants (2002 – 2006). A member of the Securities and Futures Commission Dual Filing Advisory Group. The Deputy Chairman of the Corporate Governance Committee of the Hong Kong Institute of Certified Public Accountants (2007). A Fellow of both the Institute of Chartered Accountants in Australia and the Hong Kong Institute of Certified Public Accountants. A Fellow member of the Hong Kong Institute of Directors. Holds a Bachelor of Economics degree from University of Tasmania, Australia.

SENIOR MANAGEMENT

Henry CHAN

Executive Director of Li & Fung (Trading) Limited

Aged 59. Responsible for the LF One business stream, managing the Group's hardlines business world-wide. Joined the Group in 1972. An Executive Director of the Company from 1992 to May 2009. Graduated from The University of Hong Kong with a Bachelor of Social Science degree. Holds an MBA degree from The Chinese University of Hong Kong. A member of The Hong Kong Institute of Directors.

Danny LAU Sai Wing

Executive Director of Li & Fung (Trading) Limited

Aged 57. Responsible for the LF Ten business stream, managing the Group's US apparel, brands and specialty stores business. Graduated from the University of Kansas with a Bachelor of Science Degree in Business and Accounting. First job in garment manufacturing before joining Li & Fung in 1981. An Executive Director of the Company from 1992 to May 2009. A director of the Clothing Technology Demonstration Centre Co Ltd. from 1995 to 2003. Past community work includes having served as a committee member of the Government's Workplace English Campaign, the Hong Kong Exporters' Association and Clothing Industry Training Authority.

Richard Nixon DARLING

President of LF USA

Aged 56. President of LF USA business stream and responsible for the Group's U.S. Onshore business strategy which holds a portfolio of well known proprietary brands, entertainment and fashion licenses and private label brands for U.S. retailers. The founder of The Millwork Trading Co., Ltd (now known as "LF USA Inc."), a joint venture with Li & Fung that became a wholly owned subsidiary in 1999. Serves on the Board of Directors of "Fashion Delivers", a charitable organization that assists children and families in distressed situations, the Board of Directors of the American Apparel and Footwear Association, the leading industry trade group, as well as, serving as a Board member for the Fashion Institute of Technology's Educational Foundation for the Fashion Industries.

Marc Robert COMPAGNON

Executive Director of Li & Fung (Trading) Limited

Aged 50. Responsible for the LF Eight business stream, managing the Group's U.S. department store business, U.S. wholesale apparel sourcing as well as the Group's branded apparel business. Joined the Group in 2000 at the time of the acquisition of Colby International Limited where he was Chief Merchandising Officer for 17 years and was responsible for establishing Colby's global sourcing network and sales and marketing strategies. Holds a Bachelor of Science degree from the University of Vermont. Non-Executive Chairman of Cebu Dream Realized, INC, a hotel and restaurant group.

SENIOR MANAGEMENT (CONTINUED)

Dow Peter FAMULAK

Chief Executive Officer of LF Europe/Executive Director of Li & Fung (Trading) Limited

Aged 48. Chief Executive Officer of LF Europe and in charge of the Group's European onshore business. Also co-leading the Group's health, beauty and cosmetic initiative with Guy d'Auriol. Joined the Group in 2000 at the time of the acquisition of Colby International Limited where he was an Executive Vice President. Former partner in the law firm of Baker & McKenzie, Hong Kong office where he worked from 1992 until he joined Colby. Graduated from the University of British Columbia with a BA Economics (Honours) and from law school at the University of Saskatchewan. A member of The Law Society of Hong Kong, The Law Society of England and Wales and The Law Society of British Columbia (Canada).

Emily MAK MOK Oi Wai

Executive Director of Li & Fung (Trading) Limited

Aged 48. Responsible for the LF Three business stream, managing the Group's department store, mass market, supermarket and specialty store apparel business in the Americas, as well as the Southern Hemisphere and Japan. Joined the Group in 2000 with the acquisition of Colby International Limited where Emily was the Chief Operating Officer and directly responsible for the operational and merchandising matters for Colby's apparel business worldwide. Graduated from The University of Hong Kong with a Bachelor of Social Sciences degree.

Guy d'AURIOL

Chief Executive Officer of LF Beauty

Aged 47. Chief Executive Officer of LF Beauty and co-leading the Group's global health, beauty and cosmetic initiative with Dow Famulak. Joined the Group in 2007 at the time of acquisition of CGroup – a company which he had co-founded with his brother Yan d'Auriol in 1985. Engaged in the Supply Chain Management of beauty and cosmetic products for premier cosmetics brands and retailers worldwide for over 20 years.

Lale KESEBI

Executive Director of Li & Fung (Trading) Limited

Aged 40. An executive director of Li & Fung (Trading) Limited since 1 March 2009. Responsible for the Group's corporate operations teams including legal, logistics, vendor compliance, human resources, corporate services and internal corporate communications. Joined the Group in 2003. Holds a Bachelor of Science (Honours) degree and a Bachelor of Law degree from Dalhousie University. Past member of The Law Society of British Columbia (Canada). Formerly, Chair of the Canadian Chamber of Commerce's Business Policy & Government Relations committee and the Debenture and Scholarship committee of the Canadian International School in Hong Kong.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

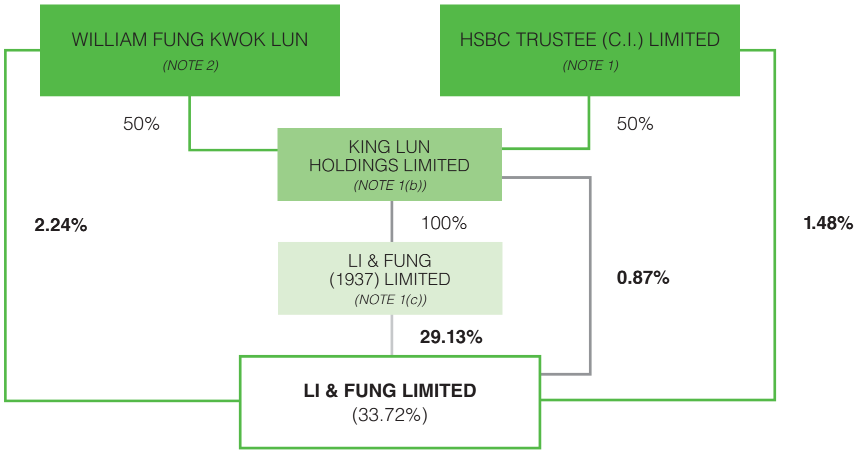
As at 30 June 2009, the directors and chief executives of the Company and their associates had the following interests in the shares of HK$0.025 each ("Shares") and underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("the Model Code"):

(A) LONG POSITION IN SHARES AND UNDERLYING SHARES OF THE COMPANY

	Number of Shares					
	Personal interest	Family interest	Trust/ Corporate Interest	Equity derivatives (share options)	Total	Percentage of issued share capital
Victor Fung Kwok King	–	–	1,184,370,880[1]	–	1,184,370,880	31.48%
William Fung Kwok Lun	69,531,330	4,400	1,140,703,080[2]	2,640,000[3]	1,212,878,810	32.24%
Spencer Theodore Fung*	176,000	–	1,184,370,880[1]	704,000[3]	1,185,250,880	31.51%
Bruce Philip Rockowitz	2,032,800	–	21,411,510[4]	35,175,880[5]	58,620,190	1.55%
Annabella Leung Wai Ping	4,848,000	–	–	1,790,000[3]	6,638,000	0.17%
Franklin Warren McFarlan	–	–	57,200[6]	–	57,200	0.00%

* *Son of Dr Victor Fung Kwok King*

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



NOTES:

As at 30 June 2009,

(1) each of Dr Victor Fung Kwok King and Mr Spencer Theodore Fung was deemed to have interests in 1,184,370,880 Shares held in the following manner:

(a) 55,825,000 Shares were directly held by HSBC Trustee (C.I.) Limited as trustee of a trust established for the benefit of the family members of Dr Victor Fung Kwok King (the "Trust").

(b) 32,945,880 Shares were directly held by King Lun Holdings Limited ("King Lun"), a private company incorporated in the British Virgin Islands owned as to 50% by HSBC Trustee (C.I.) Limited as trustee of the Trust and 50% by Dr William Fung Kwok Lun.

(c) 1,095,600,000 Shares were indirectly held by King Lun through its wholly-owned Hong Kong incorporated subsidiary, Li & Fung (1937) Limited ("LF (1937)").

(2) 12,157,200 Shares of these 1,140,703,080 Shares were held by Golden Step Limited, a company beneficially owned by Dr William Fung Kwok Lun. The balance of 1,128,545,880 Shares were directly and indirectly held by King Lun as mentioned in *Note (1) (b) and (c)* above.

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

(4) 21,411,510 Shares in the Company were held by Hurricane Millennium Holdings Limited ("HMHL"), a company beneficially owned by a trust which had been set up for the benefit of family members of Mr Bruce Philip Rockowitz.

(5) these interests represented:

(a) the beneficial interest of Mr Bruce Philip Rockowitz in 2,230,000 underlying shares in respect of share options granted by the Company to Mr Bruce Philip Rockowitz, the details of which are set out in the Share Options section stated below; and

(b) the deemed interest of Mr Bruce Philip Rockowitz in 32,945,880 underlying shares in the Company in respect of options granted by King Lun to HMHL to purchase such shares in the Company in six tranches during the period from 25 December 2008 to 24 December 2019 with each tranche having an exercisable period of six years pursuant to an agreement made between King Lun and HMHL.

(6) 57,200 Shares in the Company were held by a trust established for the benefit of Professor Franklin Warren McFarlan.

(B) SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

By virtue of the SFO, each of Dr Victor Fung Kwok King, Dr William Fung Kwok Lun and Mr Spencer Theodore Fung was taken as at 30 June 2009 to have short position through King Lun, in which all of them were deemed to have interests as disclosed above, in respect of an aggregate of 32,945,880 underlying Shares, representing 0.87% of the total issued share capital of the Company. Such interest constitutes, for the purposes of the SFO, a short position of King Lun under unlisted physically settled equity derivative which arise under an agreement made between King Lun and HMHL pursuant to which options were granted by King Lun to HMHL to purchase such shares in the Company in six tranches during the period from 25 December 2008 to 24 December 2019, with each tranche having an exercisable period of six years.

Save as disclosed above, as at 30 June 2009, none of the directors and chief executive of the Company or their associates had any short position in the Shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Mode.

(C) SHARE OPTIONS

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

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

SHARE OPTIONS

SHARE OPTION SCHEME

At the 2003 Annual General Meeting of the Company held on 12 May 2003, a share option scheme (the "Option Scheme") of the Company was adopted by the shareholders of the Company. As at 30 June 2009, there are options relating to 144,101,700 Shares granted by the Company pursuant to the Option Scheme which are valid and outstanding.

Movement of the share options under the Option Scheme during the period is as follows:

	Number of Share Options						Exercise		
	As at 1/1/2009	Granted	Exercised[1]	Cancelled	Lapsed	As at 30/6/2009	Price HK$	Grant Date	Exercisable Period
William Fung Kwok Lun	880,000	–	(880,000)	–	–	–	13.45	20/6/2005	20/6/2009 – 19/6/2012
	880,000	–	–	–	–	880,000	25.55	24/1/2008	01/3/2009 – 28/2/2011
	880,000	–	–	–	–	880,000	25.55	24/1/2008	01/3/2010 – 29/2/2012
	880,000	–	–	–	–	880,000	25.55	24/1/2008	01/3/2011 – 28/2/2013
Bruce Philip Rockowitz	440,000	–	–	–	–	440,000	13.45	20/6/2005	20/6/2008 – 19/6/2011
	440,000	–	–	–	–	440,000	13.45	20/6/2005	20/6/2009 – 19/6/2012
	450,000	–	–	–	–	450,000	25.55	24/1/2008	01/3/2009 – 28/2/2011
	450,000	–	–	–	–	450,000	25.55	24/1/2008	01/3/2010 – 29/2/2012
	450,000	–	–	–	–	450,000	25.55	24/1/2008	01/3/2011 – 28/2/2013
Annabella Leung Wai Ping	440,000	–	–	–	–	440,000	13.45	20/6/2005	20/6/2009 – 19/6/2012
	450,000	–	–	–	–	450,000	25.55	24/1/2008	01/3/2009 – 28/2/2011
	450,000	–	–	–	–	450,000	25.55	24/1/2008	01/3/2010 – 29/2/2012
	450,000	–	–	–	–	450,000	25.55	24/1/2008	01/3/2011 – 28/2/2013
Spencer Theodore Fung	100,000	–	(100,000)	–	–	–	13.45	20/6/2005	20/6/2008 – 19/6/2011
	176,000	–	–	–	–	176,000	13.45	20/6/2005	20/6/2009 – 19/6/2012
	176,000	–	–	–	–	176,000	25.55	24/1/2008	01/3/2009 – 28/2/2011
	176,000	–	–	–	–	176,000	25.55	24/1/2008	01/3/2010 – 29/2/2012
	176,000	–	–	–	–	176,000	25.55	24/1/2008	01/3/2011 – 28/2/2013

	Number of Share Options						Exercise		
	As at 1/1/2009	Granted	Exercised[1]	Cancelled	Lapsed	As at 30/6/2009	Price HK$	Grant Date	Exercisable Period
Continuous contract	962,000	–	(904,000)	–	(58,000)	–	8.36	23/5/2003	23/5/2006 – 22/5/2009
Employees	115,400	–	(5,400)	–	–	110,000	9.00	20/8/2004	20/8/2006 – 19/8/2009
	6,132,000	–	(414,200)	–	–	5,717,800	13.45	20/6/2005	20/6/2007 – 19/6/2010
	14,440,800	–	(2,267,600)	–	(176,000)	11,997,200	13.45	20/6/2005	20/6/2008 – 19/6/2011
	19,242,000	–	(1,838,000)	–	(165,000)	17,239,000	13.45	20/6/2005	20/6/2009 – 19/6/2012
	222,200	–	–	–	–	222,200	13.72	23/1/2006	20/6/2007 – 19/6/2010
	812,000	–	(35,000)	–	–	777,000	13.72	23/1/2006	20/6/2008 – 19/6/2011
	1,117,000	–	(220,000)	–	–	897,000	13.72	23/1/2006	20/6/2009 – 19/6/2012
	10,000	–	(2,000)	–	–	8,000	15.65	19/6/2006	20/6/2007 – 19/6/2010
	1,214,000	–	(172,000)	–	–	1,042,000	15.65	19/6/2006	20/6/2008 – 19/6/2011
	1,905,000	–	(100,000)	–	(100,000)	1,705,000	15.65	19/6/2006	20/6/2009 – 19/6/2012
	1,889,000	–	–	–	–	1,889,000	25.50	02/2/2007	20/6/2008 – 19/6/2011
	6,610,000	–	–	–	(165,000)	6,445,000	25.50	02/2/2007	20/6/2009 – 19/6/2012
	1,467,000	–	–	–	(55,000)	1,412,000	29.93	13/7/2007	20/6/2009 – 19/6/2012
	24,796,000	–	–	(29,500)	(390,000)	24,376,500	25.55	24/1/2008	01/3/2009 – 28/2/2011
	24,796,000	–	–	–	(802,000)	23,994,000	25.55	24/1/2008	01/3/2010 – 29/2/2012
	24,796,000	–	–	–	(802,000)	23,994,000	25.55	24/1/2008	01/3/2011 – 28/2/2013
	2,531,000	–	–	(29,500)	(237,000)	2,264,500	30.00	21/5/2008	01/3/2009 – 28/2/2011
	1,784,000	–	–	–	(354,000)	1,430,000	30.00	21/5/2008	01/3/2010 – 29/2/2012
	1,784,000	–	–	–	(354,000)	1,430,000	30.00	21/5/2008	01/3/2011 – 28/2/2013
	1,287,100	–	–	–	(92,000)	1,195,100	26.20	13/8/2008	01/3/2009 – 28/2/2011
	1,880,700	–	–	–	(153,000)	1,727,700	26.20	13/8/2008	01/3/2010 – 29/2/2012
	1,880,700	–	–	–	(153,000)	1,727,700	26.20	13/8/2008	01/3/2011 – 28/2/2013
	–	2,729,000[2]	–	–	–	2,729,000	17.22	24/2/2009	01/3/2010 – 29/2/2012
	–	2,408,000[2]	–	–	–	2,408,000	17.22	24/2/2009	01/3/2011 – 28/2/2013

NOTES:

(1) The weighted average closing market price per Share immediately before the dates on which the Share Options were exercised was HK$20.62.

(2) The closing market price per Share as at the date preceding the date on which the share options were granted was HK$17.50.

(3) The above options granted are recognized as expenses in the accounts in accordance with the Company's accounting policy as set out in the annual accounts for the year ended 31 December 2008. Other details of share options granted by the Company are set out in *Note 12* to the accounts.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

As at 30 June 2009, other than the interests of the directors or chief executive of the Company as disclosed above, the following persons had interests in the Shares of the Company which fall to be disclosed to the Company under Section 336 of the SFO:

Name of Shareholder	Capacity	Number of Shares	Percentage of issued share capital
Long Positions			
King Lun Holdings Limited	Beneficial owner (32,945,880) Interest of controlled corporation (1,095,600,000)[1]	1,128,545,880	30.00%
HSBC Trustee (C.I.) Limited	Trustee (1,184,370,880)	1,184,370,880[2]	31.48%
Janus Capital Management LLC	Investment manager	248,427,460	6.60%
JPMorgan Chase & Co.	Beneficial owner (5,755,769) Investment manager (83,337,126) Custodian corporation/approved lending agent (125,289,137)	214,382,032	5.69%
Short Positions			
King Lun Holdings Limited	Beneficial owner	32,945,880[3]	0.87%
HSBC Trustee (C.I.) Limited	Trustee	32,945,880[4]	0.87%
JPMorgan Chase & Co.	Beneficial owner (4,280,000) Investment manager (434,000)	4,714,000	0.12%
Lending Pool			
JPMorgan Chase & Co.	Custodian corporation/approved lending agent	125,289,137	3.33%

NOTES:

(1) 1,095,600,000 Shares were held by LF (1937) which is a wholly owned subsidiary of King Lun. Both of Dr Victor Fung Kwok King and Dr William Fung Kwok Lun were directors of King Lun and LF (1937).

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

(3) This short position represented King Lun's short position in 32,945,880 underlying shares which constituted unlisted physically settled equity derivatives pursuant to arrangement as described in the Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures section stated above.

(4) HSBC Trustee (C.I.) Limited was taken to have short position in the same underlying shares held by King Lun.

Save as disclosed above, the Company had not been notified of any short positions being held by any substantial shareholder in the Shares or underlying shares of the Company as at 30 June 2009.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

INTERIM DIVIDEND

The Board of Directors has resolved to declare an interim dividend of 26 HK cents (2008: 24 HK cents) per Share for the six months ended 30 June 2009 absorbing a total of HK$978 million (2008: HK$832 million).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 10 September 2009 to 16 September 2009, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch registrars, Tricor Abacus Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 9 September 2009. Dividend warrants will be despatched on 17 September 2009.

INDEPENDENT REVIEW REPORT

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

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

INTRODUCTION

We have reviewed the interim financial report set out on pages 30 to 51, which comprises the consolidated balance sheet of Li & Fung Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2009 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial report in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial report based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 13 August 2009

CONDENSED INTERIM FINANCIAL REPORT

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	UNAUDITED SIX MONTHS ENDED 30 JUNE 2009 HK$'000	2008 HK$'000
Turnover	*3*	**46,292,167**	47,393,271
Cost of sales		**(41,109,934)**	(42,106,599)
Gross profit		**5,182,233**	5,286,672
Other income		**213,088**	165,435
Total margin		**5,395,321**	5,452,107
Selling expenses		**(707,508)**	(942,538)
Merchandising expenses		**(2,654,853)**	(2,636,235)
Administrative expenses		**(336,101)**	(341,123)
Core operating profit		**1,696,859**	1,532,211
Other non-core operating (expenses)/income		**(47,929)**	5,777
Operating profit	*3 & 4*	**1,648,930**	1,537,988
Interest income		**35,620**	42,026
Interest expenses		**(211,651)**	(236,577)
Share of profits less losses of associated companies		**11,276**	10,608
Profit before taxation		**1,484,175**	1,354,045
Taxation	*5*	**(88,202)**	(116,008)
Profit after taxation		**1,395,973**	1,238,037
Attributable to:			
Shareholders of the Company		**1,396,641**	1,237,951
Minority interest		**(668)**	86
		1,395,973	1,238,037
Interim dividend	*6*	**978,494**	831,664
Earnings per share for profit attributable to the shareholders of the Company during the period	*7*		
– basic		**38.3 HK cents**	36.0 HK cents
– diluted		**38.1 HK cents**	35.6 HK cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	UNAUDITED SIX MONTHS ENDED 30 JUNE 2009 HK$'000	2008 HK$'000
Profit for the period	*13*	**1,395,973**	1,238,037
Other comprehensive income			
Disposal of available-for-sale financial assets	*13*	**–**	(32,077)
Net fair value gains/(losses) of available-for-sale financial assets, net of tax	*13*	**2,909**	(1,163)
Net fair value (losses)/gains on cash flow hedges, net of tax	*13*	**(43,434)**	2,119
Currency translation differences	*13*	**65,706**	59,348
Total comprehensive income for the period		**1,421,154**	1,266,264
Total comprehensive income attributable to:			
Shareholders of the Company		**1,421,892**	1,266,025
Minority interest		**(738)**	239
		1,421,154	1,266,264

CONSOLIDATED BALANCE SHEET

	Note	UNAUDITED 30 JUNE 2009 HK$'000	AUDITED 31 DECEMBER 2008 HK$'000
Non-current assets			
Intangible assets	*8*	**15,509,609**	14,602,129
Property, plant and equipment	*8*	**1,198,299**	1,283,063
Prepaid premium for land leases		**2,496**	2,548
Associated companies		**34,377**	23,740
Available-for-sale financial assets		**22,765**	20,189
Deferred tax assets		**107,274**	111,441
		16,874,820	16,043,110
Current assets			
Inventories		**2,172,976**	2,328,948
Due from related companies		**102,639**	83,954
Trade and bills receivable	*9*	**13,826,175**	14,715,430
Other receivables, prepayments and deposits		**1,938,884**	2,027,576
Derivative financial instruments		**–**	34,814
Cash and bank balances		**3,158,686**	2,275,272
		21,199,360	21,465,994
Current liabilities			
Derivative financial instruments		**69,914**	–
Trade and bills payable	*10*	**11,724,495**	12,666,975
Accrued charges and sundry payables		**1,953,460**	2,771,908
Balance of purchase consideration payable for acquisitions to be settled by cash	*11*	**1,147,992**	1,178,118
Balance of purchase consideration payable for acquisitions to be settled by shares issued and held by escrow agent	*11*	**116,174**	81,278
Taxation		**465,909**	465,727
Bank advances for discounted bills	*9*	**300,901**	312,693
Short-term bank loans		**222,847**	278,217
Bank overdrafts		**130,457**	93,307
		16,132,149	17,848,223
Net current assets		**5,067,211**	3,617,771
Total assets less current liabilities		**21,942,031**	19,660,881

	Note	**UNAUDITED 30 JUNE 2009 HK$'000**	AUDITED 31 DECEMBER 2008 HK$'000
Financed by:			
Share capital	*12*	**94,034**	90,853
Reserves		**15,364,592**	12,121,852
Proposed dividend		**978,494**	1,199,369
	13	**16,343,086**	13,321,221
Shareholders' funds attributable to the Company's shareholders		**16,437,120**	13,412,074
Minority interest	*13*	**(30,899)**	(29,720)
Total equity		**16,406,221**	13,382,354
Non-current liabilities			
Long-term liabilities	*11*	**5,062,702**	5,760,075
Balance of purchase consideration payable for acquisitions to be settled by shares issued and held by escrow agent	*11*	**347,876**	382,772
Post-employment benefit obligations		**24,766**	23,766
Deferred tax liabilities		**100,466**	111,914
		21,942,031	19,660,881

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	UNAUDITED SIX MONTHS ENDED 30 JUNE 2009 HK$'000	2008 HK$'000
Total equity as at 1 January		**13,382,354**	9,864,264
Total comprehensive income for the period		**1,421,154**	1,266,264
Issue of shares upon a private placing	*12, 13*	**2,681,667**	–
Final dividends paid	*13*	**(1,200,280)**	(1,727,959)
Employee share option scheme:			
– value of employee services	*13*	**31,960**	75,923
– shares issued	*12*	**174**	282
– share premium on issue of new shares	*13*	**89,192**	138,326
Total equity as at 30 June		**16,406,221**	9,617,100

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	UNAUDITED SIX MONTHS ENDED 30 JUNE	
	2009	2008
	HK$'000	HK$'000
Net cash inflow from operating activities	**1,223,192**	1,076,615
Net cash outflow from investing activities	**(1,479,626)**	(877,318)
Net cash (outflow) / inflow before financing activities	**(256,434)**	199,297
Net cash inflow / (outflow) from financing activities	**1,118,349**	(106,832)
Increase in cash and cash equivalents	**861,915**	92,465
Cash and cash equivalents at 1 January	**2,181,965**	1,267,104
Effect of foreign exchange rate changes	**(15,651)**	1,617
Cash and cash equivalents at 30 June	**3,028,229**	1,361,186
Analysis of the balances of cash and cash equivalents:		
Cash and bank balances	**3,158,686**	1,468,612
Bank overdrafts	**(130,457)**	(107,426)
	3,028,229	1,361,186

NOTES TO CONDENSED INTERIM FINANCIAL REPORT

1 GENERAL INFORMATION

Li & Fung Limited ("the Company") and its subsidiaries (together, "the Group") is engaged in export trading of consumer products. The Group operates globally and has sourcing network covers over 80 offices in more than 40 economies.

The Company is 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 of Hong Kong Limited.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed interim financial report (the "interim financial report") has been reviewed by the Company's audit committee and the Company's auditor, PricewaterhouseCoopers, 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").

This interim financial report has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the HKICPA. This interim financial report should be read in conjunction with the annual accounts for the year ended 31 December 2008, which had been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

Except as described below, the accounting policies applied are consistent with those of the annual accounts for the year ended 31 December 2008, 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.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2009.

- HKAS 1 (revised), "Presentation of financial statements". The revised standard prohibits the presentation of items of income and expenses (that is "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity. All "non-owner changes in equity" are required to be shown in a performance statement.

  Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the consolidated profit and loss account and consolidated statement of comprehensive income).

  The Group has elected to present two statements: a consolidated profit and loss account and a consolidated statement of comprehensive income. The interim financial report has been prepared under the revised disclosure requirements.

- HKFRS 8, "Operating segments". HKFRS 8 replaces HKAS 14, "Segment reporting". It requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes.

  Operating segments are reported in a manner consistent with the internal reporting provided to management.

  Goodwill is allocated by management to groups of cash-generating units on a segment level. The adoption of HKFRS 8 has not resulted in any changes in reportable segment or additional goodwill impairment. There has been no further impact on the measurement of the Group's assets and liabilities. Comparatives for 2008 have been restated.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

- Amendment to HKFRS 7, "Financial instruments: disclosures". The amendment increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures about financial instruments and requires some specific quantitative disclosures for those instruments classified in the lowest level in the hierarchy. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. It also requires a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. The Group will make additional relevant disclosures in its accounts ending 31 December 2009.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2009, but are not currently relevant for the Group.

- HKAS 23 (amendment), "Borrowing costs".
- HKFRS 2 (amendment), "Share-based payment".
- HKAS 32 (amendment), "Financial instruments: Presentation".
- HK(IFRIC) 9 (amendment), "Reassessment of embedded derivatives" and HKAS 39 (amendment), "Financial instruments: Recognition and measurement".
- HK(IFRIC) 13, "Customer loyalty programmes".
- HK(IFRIC) 15, "Agreements for the construction of real estate".
- HK(IFRIC) 16, "Hedges of a net investment in a foreign operation".
- HKAS 39 (amendment), "Financial instruments: Recognition and measurement".

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2009 and have not been early adopted:

- Amendment to HKAS 39, "Financial instruments: Recognition and measurement" on eligible hedged items, effective for annual periods beginning on or after 1 July 2009. The Group will apply HKAS 39 (amendment) from 1 January 2010.
- HKFRS 3 (revised), "Business combinations" and consequential amendments to HKAS 27, "Consolidated and separate financial statements", HKAS 28, "Investments in associates" and HKAS 31, "Interests in joint ventures", effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. Management is assessing the impact of the new requirements regarding acquisition accounting, consolidation and associates on the Group. The Group does not have any joint ventures.

  The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the minority interest in the acquiree either at fair value or at the minority interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply HKFRS 3 (revised) to all business combinations from 1 January 2010.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

- HK(IFRIC) 17, "Distributions of non-cash assets to owners", effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as it has not made any non-cash distributions.
- HK(IFRIC) 18, "Transfers of assets from customers", effective for transfer of assets received on or after 1 July 2009. This is not relevant to the Group, as it has not received any assets from customers.

HKICPA's improvements to HKFRS have been published in May 2009, which have introduced certain amendments to those standards set out below. These amendments are not effective for the financial year beginning 1 January 2009 and have not been early adopted. The Group is assessing the impact of these amendments and will apply these amendments from 1 January 2010.

- HKFRS 2 "Share-based payments"
- HKFRS 5 "Non-current assets held for sale and discontinued operations"
- HKFRS 8 "Operating segments"
- HKAS 1 "Presentation of financial statements"
- HKAS 7 "Statement of cash flows"
- HKAS 17 "Leases"
- HKAS 36 "Impairment of assets"
- HKAS 38 "Intangible assets"
- HKAS 39 "Financial instruments: Recognition and measurement"
- HK(IFRIC) 9 "Reassessment of embedded derivatives"
- HK(IFRIC) 16 "Hedges of a net investment in a foreign operation"

3 SEGMENT INFORMATION

The Group's management considers the business principally from a geographic perspective. Business reportable operating segments identified are the United States of America, Europe, Canada, Australasia, Central and Latin America and Rest of the world.

The Group's management assesses the performance of the operating segments based on a measure of adjusted operating profit. This measurement basis includes profit of the operating segments before share of results of associated companies, interest income, interest expenses and tax, but excludes material gain or loss which is of capital nature or non-recurring nature such as gain or loss on disposal or impairment provision on property, plant and equipment, investments, goodwill or other assets. Other information provided to the Group's management is measured in a manner consistent with that in the accounts.

3 SEGMENT INFORMATION (CONTINUED)

Total assets exclude deferred tax and available-for-sale financial assets, both of which are managed on a central basis. These are part of the reconciliation to total balance sheet assets.

	TURNOVER SIX MONTHS ENDED 30 JUNE		OPERATING PROFIT SIX MONTHS ENDED 30 JUNE		DEPRECIATION & AMORTIZATION SIX MONTHS ENDED 30 JUNE		ADDITIONS TO NON-CURRENT ASSETS (OTHER THAN FINANCIAL INSTRUMENTS AND DEFERRED TAX ASSETS) SIX MONTHS ENDED 30 JUNE	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000	**2009 HK$'000**	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Principal markets:								
United States of America	**28,385,749**	28,554,456	**1,251,518**	1,031,583	**188,458**	127,001	**659,890**	342,492
Europe	**13,678,224**	14,438,657	**304,418**	349,954	**45,280**	46,446	**373,909**	139,968
Canada	**1,484,453**	1,540,704	**53,844**	56,625	**3,381**	3,149	**31,303**	14,936
Australasia	**1,236,828**	1,218,292	**42,537**	42,697	**2,799**	2,490	**26,073**	11,810
Central and Latin America	**609,506**	670,334	**22,017**	23,609	**1,395**	1,370	**12,856**	6,498
Rest of the world	**897,407**	970,828	**22,525**	27,743	**1,953**	1,984	**18,884**	9,412
	46,292,167	47,393,271	**1,696,859**	1,532,211	**243,266**	182,440	**1,122,915**	525,116
Other non-core operating (expenses)/income			**(47,929)**	5,777				
			1,648,930	1,537,988				
Interest income			**35,620**	42,026				
Interest expenses			**(211,651)**	(236,577)				
Share of profits less losses of associated companies			**11,276**	10,608				
Profit before taxation			**1,484,175**	1,354,045				
Taxation			**(88,202)**	(116,008)				
Profit for the period			**1,395,973**	1,238,037				

	SEGMENT ASSETS		INTEREST IN ASSOCIATED COMPANIES (INCLUDED IN SEGMENT ASSETS)	
	30 JUNE 2009 HK$'000	31 DECEMBER 2008 HK$'000	**30 JUNE 2009 HK$'000**	31 DECEMBER 2008 HK$'000
Principal markets:				
United States of America	**24,603,337**	25,292,589	**28,787**	17,897
Europe	**10,698,205**	9,392,146	**5,590**	5,843
Canada	**881,425**	887,261	**–**	–
Australasia	**758,986**	639,498	**–**	–
Central and Latin America	**375,354**	446,760	**–**	–
Rest of the world	**626,834**	719,220	**–**	–
	37,944,141	37,377,474	**34,377**	23,740
Available-for-sale financial assets	**22,765**	20,189		
Deferred tax assets	**107,274**	111,441		
Total assets per balance sheet	**38,074,180**	37,509,104		

3 SEGMENT INFORMATION (CONTINUED)

The Company is domiciled in Bermuda. The result of its turnover from external customers for the six months ended 30 June 2009 and 30 June 2008 and the total of non-current assets other than financial instruments and deferred tax assets (there are no employment benefit assets and rights arising under insurance contracts) as at 30 June 2009 and 30 June 2008 were wholly located in other countries.

Turnover consists of sales of softgoods and hardgoods as follows:

	UNAUDITED SIX MONTHS ENDED 30 JUNE	
	2009	2008
	HK$'000	HK$'000
Softgoods	**32,835,790**	32,983,015
Hardgoods	**13,456,377**	14,410,256
	46,292,167	47,393,271

For the six months ended 30 June 2009, approximately 12% (2008: 12%) of the Group's turnover is derived from a single external customer. This turnover is attributable to United States of America segment.

4 OPERATING PROFIT

Operating profit is stated after charging/(crediting) the following:

	UNAUDITED SIX MONTHS ENDED 30 JUNE	
	2009	2008
	HK$'000	HK$'000
Gain on disposal of available-for-sale financial assets	**–**	(31,022)
Amortization of computer software and system development costs	**4,715**	6,094
Amortization of intangible assets arising from business combination	**47,929**	25,245
Amortization of brand licenses	**56,476**	40,019
Depreciation of property, plant and equipment	**134,146**	111,082
Loss on disposal of property, plant and equipment	**6,035**	2,133
Employee share option expenses	**31,960**	75,923

5 TAXATION

Hong Kong profits tax has been provided for at the rate of 16.5% (2008: 16.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged/(credited) to the consolidated profit and loss account represents:

	UNAUDITED SIX MONTHS ENDED 30 JUNE	
	2009 HK$'000	2008 HK$'000
Current taxation		
– Hong Kong profits tax	**33,784**	55,487
– Overseas taxation	**61,792**	57,656
Deferred taxation	**(7,374)**	2,865
	88,202	116,008

At the date of approval of the accounts, the Group has disputes with the Hong Kong Inland Revenue ("HKIR") involving additional tax assessments amounting to approximately HK$1,599 million on both the non-taxable claim of certain non-Hong Kong sourced income ("Offshore Claim") and the deduction claim of marketing expenses ("Deduction Claim") for the years of assessment from 1992/93 to 2007/08.

The Commissioner of the HKIR issued a determination on 14 June 2004 to one of its subsidiaries, Li & Fung (Trading) Limited ("LFT"), confirming additional tax assessments totaling HK$333 million relating to the years of assessment from 1992/93 to 2001/02. Under further legal advice from the Group's counsel, the directors believe that the Group has meritorious defence to appeal against the Commissioner's determination. Accordingly, LFT served a notice of appeal to the Board of Review on 13 July 2004. The appeal was heard before the Board of Review in January 2006.

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

The Group has considered the reasoning of the Board of Review Decision and, having obtained professional advice, decided to lodge an appeal against the Board of Review Decision in respect of the Deduction Claim. An application requiring the Board of Review to state a case on questions of law for the opinion of the High Court was made by LFT on 10 July 2009.

On the other hand, the HKIR also lodged an appeal against the Board of Review Decision in respect of the Offshore Claim. An application requiring the Board of Review to state a case on questions of law for the opinion of the High Court was made by the HKIR on 10 July 2009.

Based on the assessment from the Group's legal counsel on the merit of LFT's further appeal in respect of the Deduction Claim and the HKIR's further appeal in respect of the Offshore Claim, the directors consider that no material tax liabilities will finally crystallise and sufficient tax provision has been made in the accounts in this regard.

6 INTERIM DIVIDEND

	UNAUDITED SIX MONTHS ENDED 30 JUNE	
	2009	2008
	HK$'000	HK$'000
Proposed, of HK$0.26 (2008: HK$0.24) per ordinary share	**978,494**	831,664

A dividend of HK$1,199,839,000 proposed for the year ended 31 December 2008 was paid in May 2009 (2008: HK$1,727,959,000).

7 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK$1,396,641,000 (2008: HK$1,237,951,000) and on the weighted average number of 3,650,964,000 (2008: 3,436,596,000) shares in issue during the period.

Diluted earnings per share is calculated by adjusting the weighted average number of 3,650,964,000 (2008: 3,436,596,000) ordinary shares in issue by 12,983,000 (2008: 42,121,000) to assume conversion of all dilutive potential ordinary shares granted under the Company's Option Scheme. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

8 CAPITAL EXPENDITURE

	Intangible assets				Property, plant and equipment
	Intangible assets arising from business combination HK$'000	**Brand licenses HK$'000**	**Computer software and system development costs HK$'000**	**Total HK$'000**	**Total HK$'000**
Six months ended 30 June 2009					
Net book amount as at 1 January 2009	14,414,553	132,241	55,335	14,602,129	1,283,063
Additions	–	63,361	80,479	143,840	165,440
Acquisition of businesses/subsidiaries	809,704	–	–	809,704	3,931
Adjustments to purchase consideration and net assets value	(109,440)	–	–	(109,440)	–
Reclassifications	–	–	98,856	98,856	(98,856)
Disposals	–	–	–	–	(29,103)
Amortization/depreciation charge	(47,929)	(56,476)	(4,715)	(109,120)	(134,146)
Exchange adjustment	73,432	–	208	73,640	7,970
Net book amount as at 30 June 2009	**15,140,320**	**139,126**	**230,163**	**15,509,609**	**1,198,299**

9 TRADE AND BILLS RECEIVABLE

The ageing analysis of trade and bills receivable is as follows:

	Current to 90 days HK$'000	91 to 180 days HK$'000	181 to 360 days HK$'000	Over 360 days HK$'000	Total HK$'000
Balance at 30 June 2009	**11,366,052**	**1,315,812**	**941,488**	**202,823**	**13,826,175**
Balance at 31 December 2008	12,928,272	1,704,988	75,776	6,394	14,715,430

All trade and bills receivable are either repayable within one year or on demand. Accordingly, the fair value of the Group's trade and bills receivables are approximately the same as the carrying value.

A significant portion of the Group's business are 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 are on open account terms which is often covered by customers' standby letters of credit, bank guarantees, credit insurance or under a back-to-back payment arrangement with suppliers.

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

Certain subsidiaries of the Group transferred bills receivable balances amounting to HK$300,901,000 (31 December 2008: HK$312,693,000) to banks in exchange for cash as at 30 June 2009. The transactions have been accounted for as collateralized bank advances.

As at 30 June 2009, trade receivables of HK$117,662,000 (31 December 2008: HK$87,063,000) were pledged as security for the Group's borrowings.

10 TRADE AND BILLS PAYABLE

The ageing analysis of trade and bills payable is as follows:

	Current to 90 days HK$'000	91 to 180 days HK$'000	181 to 360 days HK$'000	Over 360 days HK$'000	Total HK$'000
Balance at 30 June 2009	**10,260,649**	**875,723**	**321,009**	**267,114**	**11,724,495**
Balance at 31 December 2008	12,161,586	361,607	41,221	102,561	12,666,975

The fair value of the Group's trade and bills payables are approximately the same as the carrying value.

11 LONG-TERM LIABILITIES

	UNAUDITED 30 JUNE 2009 HK$'000	AUDITED 31 DECEMBER 2008 HK$'000
Long-term loans from minority shareholders	**38,867**	38,867
Long-term bank loans	**–**	234,230
Balance of purchase consideration payable for acquisitions	**2,240,351**	2,733,700
Long-term notes – unsecured	**3,870,449**	3,868,574
License royalty payables	**139,527**	122,881
Balance of purchase consideration payable for acquisitions to be settled by shares issued and held by escrow agent	**464,050**	464,050
	6,753,244	7,462,302
Current portion of balance of purchase consideration payable for acquisitions	**(1,147,992)**	(1,178,118)
Current portion of license royalty payables	**(78,500)**	(60,059)
Current portion of balance of purchase consideration payable for acquisitions to be settled by shares issued and held by escrow agent	**(116,174)**	(81,278)
	5,410,578	6,142,847

12 SHARE CAPITAL AND OPTIONS

	No. of shares (in thousand)	**HK$'000**
Authorized		
At 1 January 2009, ordinary shares of HK$0.025 each	4,000,000	100,000
At 30 June 2009, ordinary shares of HK$0.025 each	**4,000,000**	**100,000**
Issued and fully paid		
At 1 January 2009, ordinary shares of HK$0.025 each	3,634,128	90,853
Issue of shares upon a private placing *(Note (a))*	120,290	3,007
Exercise of share options *(Note (b))*	6,938	174
At 30 June 2009, ordinary shares of HK$0.025 each	**3,761,356**	**94,034**

12 SHARE CAPITAL AND OPTIONS (CONTINUED)

NOTES:

(a) Pursuant to a placing agreement dated 5 May 2009, Li & Fung (1937) Limited, a substantial shareholder of the Company, placed 120,290,000 existing shares of HK$0.025 each in the share capital of the Company to not less than six independent professional, institutional and/or individual investors at a price of HK$22.55 per share and to subscribe from the Company for the same number of shares at the same price before taking into account the placing commission and other expenses borne or incurred by Li & Fung (1937) Limited in relation to the placing and/or the subscription. The net proceeds of the subscription amounted to approximately HK$2,681,667,000 was used by the Company as general working capital of the Group which may include funding future business development and acquisitions by the Group from time to time.

(b) Details of share options granted by the Company pursuant to the Share Option Scheme and the share options outstanding at 30 June 2009 are as follows:

	Exercise		Number of Share Options					
Grant Date	Price HK$	Exercisable period	As at 1/1/2009	Granted	Exercised	Lapsed	Cancelled	As at 30/6/2009
23/5/2003	8.36	23/5/2006 – 22/5/2009	962,000	–	(904,000)	(58,000)	–	–
20/8/2004	9.00	20/8/2006 – 19/8/2009	115,400	–	(5,400)	–	–	110,000
20/6/2005	13.45	20/6/2007 – 19/6/2010	6,132,000	–	(414,200)	–	–	5,717,800
20/6/2005	13.45	20/6/2008 – 19/6/2011	14,980,800	–	(2,367,600)	(176,000)	–	12,437,200
20/6/2005	13.45	20/6/2009 – 19/6/2012	21,178,000	–	(2,718,000)	(165,000)	–	18,295,000
23/1/2006	13.72	20/6/2007 – 19/6/2010	222,200	–	–	–	–	222,200
23/1/2006	13.72	20/6/2008 – 19/6/2011	812,000	–	(35,000)	–	–	777,000
23/1/2006	13.72	20/6/2009 – 19/6/2012	1,117,000	–	(220,000)	–	–	897,000
19/6/2006	15.65	20/6/2007 – 19/6/2010	10,000	–	(2,000)	–	–	8,000
19/6/2006	15.65	20/6/2008 – 19/6/2011	1,214,000	–	(172,000)	–	–	1,042,000
19/6/2006	15.65	20/6/2009 – 19/6/2012	1,905,000	–	(100,000)	(100,000)	–	1,705,000
02/2/2007	25.50	20/6/2008 – 19/6/2011	1,889,000	–	–	–	–	1,889,000
02/2/2007	25.50	20/6/2009 – 19/6/2012	6,610,000	–	–	(165,000)	–	6,445,000
13/7/2007	29.93	20/6/2009 – 19/6/2012	1,467,000	–	–	(55,000)	–	1,412,000
24/1/2008	25.55	01/3/2009 – 28/2/2011	26,752,000	–	–	(390,000)	(29,500)	26,332,500
24/1/2008	25.55	01/3/2010 – 29/2/2012	26,752,000	–	–	(802,000)	–	25,950,000
24/1/2008	25.55	01/3/2011 – 28/2/2013	26,752,000	–	–	(802,000)	–	25,950,000
21/5/2008	30.00	01/3/2009 – 28/2/2011	2,531,000	–	–	(237,000)	(29,500)	2,264,500
21/5/2008	30.00	01/3/2010 – 29/2/2012	1,784,000	–	–	(354,000)	–	1,430,000
21/5/2008	30.00	01/3/2011 – 28/2/2013	1,784,000	–	–	(354,000)	–	1,430,000
13/8/2008	26.20	01/3/2009 – 28/2/2011	1,287,100	–	–	(92,000)	–	1,195,100
13/8/2008	26.20	01/3/2010 – 29/2/2012	1,880,700	–	–	(153,000)	–	1,727,700
13/8/2008	26.20	01/3/2011 – 28/2/2013	1,880,700	–	–	(153,000)	–	1,727,700
24/2/2009	17.22	01/3/2010 – 29/2/2012	–	2,729,000	–	–	–	2,729,000
24/2/2009	17.22	01/3/2011 – 28/2/2013	–	2,408,000	–	–	–	2,408,000

Subsequent to 30 June 2009, 2,081,800 Shares have been allotted and issued under the Option Scheme.

13 RESERVES

	Attributable to shareholders of the Company										
	Share premium HK$'000	Shares held by escrow agent for settlement of acquisition consideration HK$'000	Capital reserve HK$'000	Employee share-based compensation reserve HK$'000	Revaluation reserve HK$'000	Hedging reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Sub-total HK$'000	Minority interests HK$'000	Total HK$'000
Balance at 1 January 2008	7,037,463	(464,050)	23,823	190,410	27,135	(7,731)	175,406	2,826,593	9,809,049	(31,053)	9,777,996
2007 final dividend paid	–	–	–	–	–	–	–	(1,727,959)	(1,727,959)	–	(1,727,959)
Currency translation differences	–	–	–	–	–	–	(485,165)	–	(485,165)	(603)	(485,768)
Transfer to capital reserve	–	–	1,484	–	–	–	–	(1,484)	–	–	–
Disposal of available-for-sale financial assets	–	–	–	–	(32,077)	–	–	–	(32,077)	–	(32,077)
Net fair value gains on cash flow hedges	–	–	–	–	–	8,674	–	–	8,674	–	8,674
Impairment of available-for-sale financial assets	–	–	–	–	4,942	–	–	–	4,942	–	4,942
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	183	183
Profit for the year	–	–	–	–	–	–	–	2,421,936	2,421,936	1,753	2,423,689
Issue of shares upon a private placing	3,874,557	–	–	–	–	–	–	–	3,874,557	–	3,874,557
Employee share option scheme:											
– value of employee services	–	–	–	85,747	–	–	–	–	85,747	–	85,747
– proceeds from shares issued	193,303	–	–	–	–	–	–	–	193,303	–	193,303
– transfer to share premium	35,055	–	–	(35,055)	–	–	–	–	–	–	–
2008 interim dividend paid	–	–	–	–	–	–	–	(831,786)	(831,786)	–	(831,786)
Reserves	11,140,378	(464,050)	25,307	241,102	–	943	(309,759)	1,487,931	12,121,852	(29,720)	12,092,132
Proposed dividend	–	–	–	–	–	–	–	1,199,369	1,199,369	–	1,199,369
At 31 December 2008	11,140,378	(464,050)	25,307	241,102	–	943	(309,759)	2,687,300	13,321,221	(29,720)	13,291,501

	Attributable to shareholders of the Company										
	Share premium HK$'000	Shares held by escrow agent for settlement of acquisition consideration HK$'000	Capital reserve HK$'000	Employee share-based compensation reserve HK$'000	Revaluation reserve HK$'000	Hedging reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Sub-total HK$'000	Minority interests HK$'000	Total HK$'000
Balance at 1 January 2009, as per above	11,140,378	(464,050)	25,307	241,102	–	943	(309,759)	2,687,300	13,321,221	(29,720)	13,291,501
2008 final dividend paid	–	–	–	–	–	–	–	(1,199,839)	(1,199,839)	(441)	(1,200,280)
Currency translation differences	–	–	–	–	–	–	65,776	–	65,776	(70)	65,706
Net fair value gains on available-for-sale financial assets	–	–	–	–	2,909	–	–	–	2,909	–	2,909
Net fair value losses on cash flow hedges	–	–	–	–	–	(43,434)	–	–	(43,434)	–	(43,434)
Profit for the period	–	–	–	–	–	–	–	1,396,641	1,396,641	(668)	1,395,973
Issue of shares upon a private placing	2,678,660	–	–	–	–	–	–	–	2,678,660	–	2,678,660
Employee share option scheme:											
– value of employee services	–	–	–	31,960	–	–	–	–	31,960	–	31,960
– proceeds from shares issued	89,192	–	–	–	–	–	–	–	89,192	–	89,192
– transfer to share premium	16,597	–	–	(16,597)	–	–	–	–	–	–	–
Reserves	13,924,827	(464,050)	25,307	256,465	2,909	(42,491)	(243,983)	1,905,608	15,364,592	(30,899)	15,333,693
Proposed dividend	–	–	–	–	–	–	–	978,494	978,494	–	978,494
At 30 June 2009	**13,924,827**	**(464,050)**	**25,307**	**256,465**	**2,909**	**(42,491)**	**(243,983)**	**2,884,102**	**16,343,086**	**(30,899)**	**16,312,187**

14 BUSINESS COMBINATIONS

During the period, the Group completed several acquisitions with a total estimated consideration of approximately HK$802,467,000.

On 23 February 2009, the Group entered into an agreement to acquire the sourcing operations of Liz Claiborne Inc. and its affiliates in Asia (collectively referred to as "LIZ"). LIZ is one of the leading designers and retailers of fashion brands based in the United States. LIZ sells a variety of apparel, accessories and fragrance products for men, women and children. Products are offered under retail-based brands and wholesale-based brands and are sold through its retail and outlet stores and wholesale distribution channels.

On 19 March 2009, the Group entered into an agreement to acquire Shubiz Limited ("Shubiz"), which is based in UK and principally engaged in design and supply of ladies' fashion footwear to retailers.

In March 2009, the Group also completed acquisition of JMI, which is a business based in Shanghai China specializing in high-end and technical products such as gloves, outerwear, knitwear and accessories.

Individual acquisitions of LIZ, Shubiz, JMI and certain other smaller acquisitions, and their aggregate, have no significant contribution to the revenue and profit of the Group from either their dates of acquisitions or for the six months ended 30 June 2009, had their acquisitions occurred on 1 January 2009.

Details of provisional net assets acquired and goodwill are as follows:

	Total HK$'000
Purchase consideration:	
Consideration	802,467
Direct expenses relating to the acquisitions	39,000
Total purchase consideration	841,467
Less: preliminary fair value of net assets acquired	(147,530)
Goodwill	693,937

The goodwill is attributable to the profitability and the synergies expected to arise from the acquired businesses.

As at the date of this interim report, the Group has yet to finalize the fair value amounts of the net identifiable assets acquired. The Group expects to finalize the purchase price allocations before December 2009.

14 BUSINESS COMBINATIONS (CONTINUED)

The carrying amounts of the assets and liabilities, other than intangible assets arising from business combinations, of the acquired businesses approximate their preliminary fair values and are as follows:

	Total HK$'000
Net assets acquired	
Intangible assets	115,767
Property, plant and equipment	3,931
Inventories	20,670
Trade and bills receivable	46,598
Other receivables, prepayments and deposits	5,480
Taxation	2,697
Cash and bank balances	7,033
Trade and bills payables	(13,979)
Accrued charges and sundry payables	(15,479)
Bank advance for discounted bills	(15,724)
Deferred taxation	(73)
Bank overdrafts	(9,391)
Preliminary fair value of net assets acquired	147,530

15 CONTINGENT LIABILITIES

	UNAUDITED 30 JUNE 2009 HK$'000	AUDITED 31 DECEMBER 2008 HK$'000
Guarantees in respect of banking facilities granted to associated companies	**5,850**	5,850

16 COMMITMENTS

(A) OPERATING LEASE COMMITMENTS

At 30 June 2009, the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	UNAUDITED 30 JUNE 2009 HK$'000	AUDITED 31 DECEMBER 2008 HK$'000
Within one year	**386,591**	384,813
In the second to fifth year inclusive	**754,712**	696,506
After the fifth year	**689,498**	541,580
	1,830,801	1,622,899

(B) CAPITAL COMMITMENTS

	UNAUDITED 30 JUNE 2009 HK$'000	AUDITED 31 DECEMBER 2008 HK$'000
Contracted but not provided for:		
Property, plant and equipment	**88,279**	161,507

17 RELATED PARTY TRANSACTIONS

Pursuant to certain sale and leaseback agreements and some other properties tenancy agreements entered into by the Group with certain entities indirectly wholly owned by Dr William Fung Kwok Lun and a trust established for the family of Dr Victor Fung Kwok King, the Group paid rental of HK$60,546,000 (2008: HK$52,799,000) for the six months ended 30 June 2009.

On 23 May 2008, the Company entered into the 2008 Logistics Agreement (the "2008 Logistics Agreement") with LF 1937, a substantial shareholder of the Company, pursuant to which LF 1937 and certain other entities, such as Integrated Distribution Services Group Limited, with LF 1937 as a common substantial shareholder would provide a variety of logistics services to the Group. The 2008 Logistics Agreement covers the scope of services contemplated under the original PB Logistics Agreement entered into on 14 September 2007 between the Group and Integrated Distribution Services Group Limited. In respect of the 2008 Logistics Agreement the Group paid logistics service charges of HK$58,950,000 (2008: HK$38,610,000) for the six months ended 30 June 2009.

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

18 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

The Group operates globally with almost all of its sales and purchases traded in foreign currencies, mostly in US dollar. HK dollar is pegged to US dollar at a range between 7.75 to 7.85, the foreign exchange exposure between US dollar and HK dollar is therefore limited.

The Group is exposed to foreign exchange risk arising from various currency exposures mainly to the extent of its receivables and payables in currencies other than US dollar, such as Euro dollar and Sterling Pound. To minimize such risks, sales and purchases are generally transacted in same currency.

Foreign exchange risk arising from sales and purchases transacted in different currencies are managed by the Group treasury with the use of foreign exchange forward contracts. Pursuant to the Group policy in place, foreign exchange forward contracts, or any other financial derivatives, are entered into by the Group for hedging purposes. The Group has not entered into any financial derivatives for speculation.

The Group's cash is mainly kept in either HK dollar or US dollar to minimize the foreign exchange risk.

(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 maintained these equity securities investments for long-term strategic purpose and the Group's overall exposure to price risk is not significant.

At 30 June 2009 and up to the date of the Group's interim report, 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 2009, fair value of foreign exchange forward contracts entered into by the Group amounted to HK$69,914,000, which have been reflected in full in the Group's consolidated balance sheet as derivative financial instruments (liabilities).

(iii) Cash flow and fair value interest rate risk

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

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

18 FINANCIAL RISK MANAGEMENT (CONTINUED)

(B) CREDIT RISK

Credit risk mainly arises from trade and other receivables and cash and bank of the Group.

Most of the Group's cash and cash equivalents are held in major global financial institutions.

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

(i) A significant portion of business is secured by back-to-back payment arrangement or covered by letters of credit, customers' standby letters of credit, bank guarantees or credit insurance;

(ii) Certain trade receivable balances on open account term are factored to external financial institutions without recourse;

(iii) The Group's credit control team makes assessment of each individual customer and vendor and determines the credit limits based on, among other factors, their trading and settlement history and their respective financial background.

(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.

19 APPROVAL OF INTERIM FINANCIAL REPORT

The interim financial report was approved by the Board of Directors on 13 August 2009.

INFORMATION FOR INVESTORS

LISTING INFORMATION

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

INDEX CONSTITUENT

Hang Seng Index
MSCI Index Series
FTSE4Good Index Series

KEY DATES

13 August 2009
Announcement of 2009 Interim Results

10 September 2009 to 16 September 2009
(both days inclusive)
Closure of Register of Shareholders

17 September 2009
Payment of 2009 Interim Dividend

REGISTRAR & TRANSFER OFFICES

Principal:
The Bank of Bermuda Limited
6 Front Street, Hamilton HM 11, Bermuda

Hong Kong Branch:
Tricor Abacus Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

SHARE INFORMATION

Board lot size: 2,000 shares

Shares outstanding as at 30 June 2009
3,761,355,786 shares

Market Capitalization as at 30 June 2009
HK$78,236,200,349

Earnings per share for 2009

Interim	38.3 HK cents

Dividend per share for 2009

Interim	26 HK cents

INVESTOR RELATIONS CONTACT

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