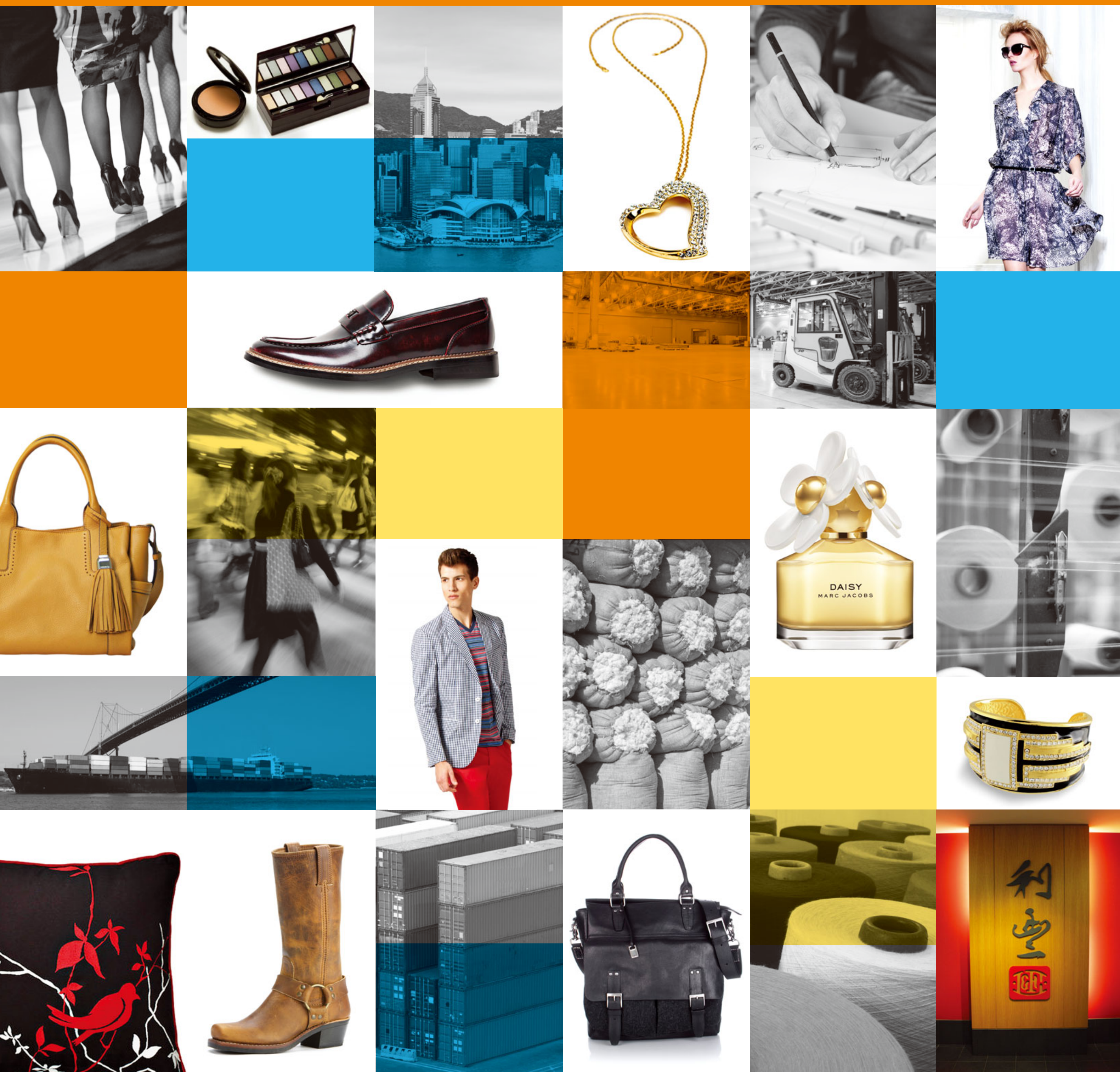
LI & FUNG LIMITED

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

中期業績報告
INTERIM REPORT 2012



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CORPORATE INFORMATION

NON-EXECUTIVE DIRECTORS

Victor FUNG Kwok King, *Honorary Chairman*
Paul Edward SELWAY-SWIFT*
Allan WONG Chi Yun*
Franklin Warren McFARLAN*
Martin TANG Yue Nien*
Benedict CHANG Yew Teck
FU Yuning*

* *Independent Non-executive Directors*

EXECUTIVE DIRECTORS

William FUNG Kwok Lun, *Group Chairman*
Bruce Philip ROCKOWITZ, *Group President & Chief Executive Officer*
Spencer Theodore FUNG, *Group Chief Operating Officer*

GROUP CHIEF COMPLIANCE OFFICER

Srinivasan PARTHASARATHY

COMPANY SECRETARY

Terry WAN Mei Chow

LEGAL ADVISORS

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

REGISTERED OFFICE

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

HONG KONG OFFICE

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

PRINCIPAL BANKERS

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

AUDITOR

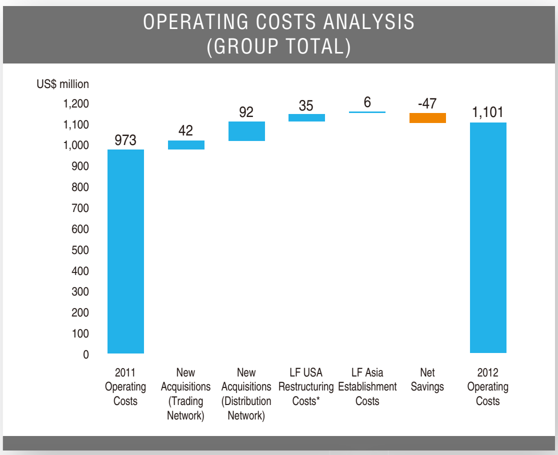
PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building, Central
Hong Kong

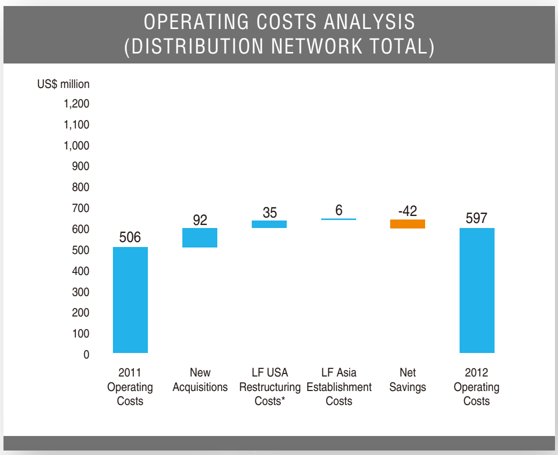
HIGHLIGHTS

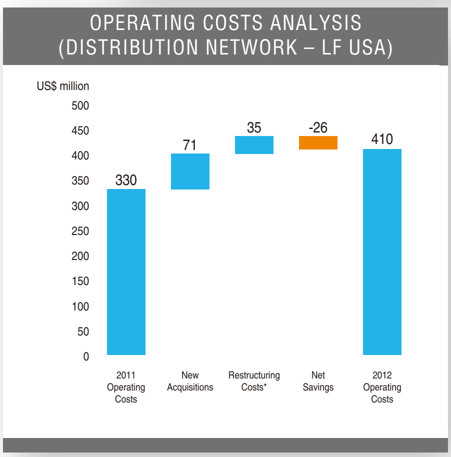
HALF YEAR RESULTS TO 30 JUNE 2012

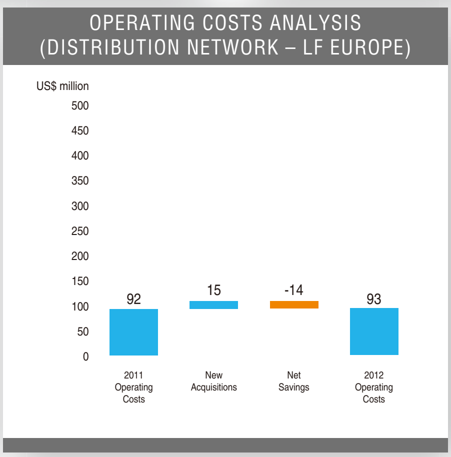
(US$ million)	**2012**	2011	**Change**
Turnover	**9,128**	8,798	**+4%**
Core Operating Profit	**221**	282	**-22%**
As % of Turnover	**2.43%**	3.21%	
Profit attributable to shareholders of the Company	**312**	236	**+33%**
Earnings per Share – Basic	**3.80 US cents**	2.92 US cents	**+30%**
Dividend per Share	**15 HK cents**	19 HK cents	**-21%**

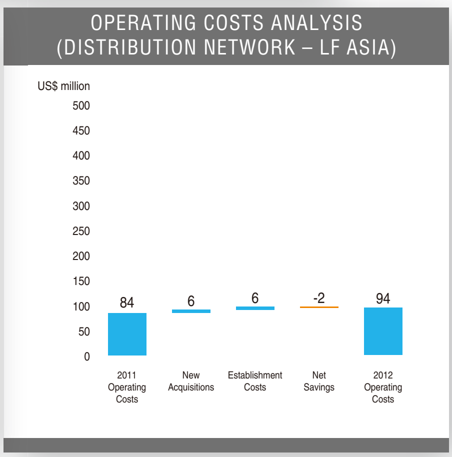
- Turnover increased by 4% to US$9,128 million, reflecting market share gains in USA and tough market conditions in Europe
- The Company continued to make inroads in capturing growing Asian markets
- Cross-selling momentum continued amongst all three Business Networks of Trading, Logistics and Distribution, but will be reflected in second half of 2012 and into 2013
- Profit Attributable to Shareholders up 33% to US$312 million
- Core Operating Profit was down by 22% to US$221 million, due to slower than expected turnaround of LF USA's business and the investment into LF Asia's Fashion & Home platform
- Operating costs increased by 13% or US$128 million (rise from US$973 million to US$1,101 million). The increase was mainly attributable to net cost increase by the Distribution Network of US$91 million (rise from US$506 million to US$597 million), out of which US$92 million came from acquisitions. In addition, there were restructuring costs of LF USA incurred during the period of approximately US$35 million. The Company had net savings on operating costs of US$47 million, out of which US$26 million came from LF USA. The operating costs analyses are set out in charts below:











* *The balance included relocation costs, severance payments, rentals for vacated space and consultancy fee incurred for LF USA's restructuring exercise.*

CHAIRMAN'S STATEMENT

It is my great pleasure to present Li & Fung's interim report for 2012, my first as Chairman of the Group. I have assumed this role at a very exciting time. There are certainly many macroeconomic challenges, but there are a number of trends and developments that bode well for the continued development of our business, which my predecessor, Dr. Victor Fung, oversaw with such great skill and care during his 23 years at the helm. With our proven long-term business strategies and strong leadership in key markets around the world, the company should continue to progress steadily in our current Three-Year Plan 2011-2013.

PERFORMANCE

In the first half of the year, Group turnover increased by 4% to US$9,128 million. Profit attributable to shareholders was US$312 million, an increase of 33% compared to the same period last year (US$236 million). Earnings per share were 3.80 US cents compared with 2.92 US cents for the first half of 2011. Core operating profit was down by 22% to US$221 million due to a slower than expected turnaround of LF USA's business and the investment into LF Asia's Fashion & Home platform. The drop in core operating profit was offset by a gain from a reduction in contingent consideration payable on acquisitions.

The Board of Directors has resolved to declare an interim dividend of 15 HK cents per share (2011 interim: 19 HK cents), in line with the decline in core operating profit.

MARKET & BUSINESS

While Li & Fung has emerged strongly from the global financial tsunami, culminating in a record year with over US$20 billion in turnover in 2011, the global business environment remains challenging in the first half of 2012.

Our biggest market, the US, is recovering, but at a much slower pace than originally anticipated for an election year. Europe and the Euro zone, accounting for about 20% of our business, is mired in uncertainty over fiscal imbalances and pending governmental corrective measures with no clear resolution in sight. This uncertainty has heavily affected our customers' confidence to buy. The bright spot remains our new foray into Asia as a market to sell to rather than just a market to source from.

In this tough operating environment where organic growth in the markets is hard to come by, the Group benefits from its long established two pronged strategy of both growth via organic growth and acquisitions. The Group weighs more heavily to one side or the other depending on the prevailing business environment and market conditions. Hence, in the past two to three years, when organic growth opportunities were low, but the acquisition opportunities were plentiful and at low prices, the Group did many acquisitions. This approach drives long-term results and enables us to maintain progress on achieving our Three-Year Plan targets, both quantitative and strategic.

Meanwhile, one of the most exciting developments in our current Three-Year Plan has been the formation and reorganization of our business into three Business Networks – Trading, Logistics and Distribution. Not only does this more clearly define our business but it reveals a huge potential for organic growth by enabling us to sell across these three platforms. Only a fraction of Li & Fung's approximately 7,700 customers currently cross over multiple business areas, and there is substantial potential for cross-selling between each Network. The Group has every confidence that we will be able to reap the full benefits of this cross-selling activity in our current Three-Year Plan.

Another focus of our current Three-Year Plan is to develop Asia – especially China – as a market. Recent developments in Asia's consumer markets present a high potential for long-term growth, and the Group's strategy to realize this potential is progressing well. This strategy was kick started by the acquisition of IDS in October 2010 which brought to the Group a wholesale distribution network in Asia, LF Asia, as well as a mainly Asia-based logistics network, LF Logistics. Both operations are growing well in the first half of 2012 and will be significant profit contributions in the rest of this Three-Year Plan.

SUPPORTING THE BUSINESS

There has been major back end activity in the first half year in supporting the front end business challenges and reorganization outlined above.

The smooth and successful integration of our biggest acquisition to date, IDS, and well as the large number of other acquisitions made last year has been a top priority. Important initiatives were undertaken to build capacity in the Human Resources, Training, Information Technology, and Finance and Accounting areas.

PROSPECTS

Unfortunately, we feel that the present increasingly complex and uncertain macroeconomic environment, including events in the Euro zone, will continue throughout this year with the attendant uncertainties continuing to impact our customers.

There is still concern on the threat of increasing trade protectionism, born out of the economic downturn and the stalled Doha round of negotiations. There is concern on how impending regulatory changes on banks and the financial sector may adversely affect the real economy.

Despite these concerns, the Group remains committed to achieving the strategic and financial goals set out in our Three-Year Plan 2011-2013.

In closing, I would like to reiterate what a privilege it is to serve as the chairman of Li & Fung, alongside a highly experienced and capable leadership team. I look forward to working closely together with all our colleagues as we enter the second half of our Three-Year Plan 2011-2013 and strive to finish the Plan a much stronger and more diversified company amid a challenging environment.

William FUNG Kwok Lun
Chairman

Hong Kong, 9 August 2012

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS REVIEW

The Group's turnover in the first six months of 2012 increased by 4% to US$9,128 million (approximately HK$71 billion), reflecting market share gains in USA and tough market conditions in Europe.

The Group continues to pursue growth with its twin strategy of organic and acquisitions growth. The Group has about 7,700 customers and is continuously obtaining new customers. In addition, the Group's Distribution Network has continued to make inroads in capturing growing Asian markets through LF Asia.

Furthermore, cross-selling momentum continues amongst all three Business Networks of Trading, Logistics and Distribution. The Group is confident that with its established market leadership, Li & Fung is in a unique position to gain market share in the coming years.

- Total margin increased by 5% to US$1,322 million, increasing as a percentage of turnover from 14.3% to 14.5%
- Profit attributable to shareholders reached US$312 million, representing an increase of 33% compared to same period of 2011
- Core operating profit decreased by 22% to US$221 million; core operating profit margin decreased from 3.2% to 2.4%

Core operating profit decreased due to slower than expected turnaround of LF USA's business and the investment into LF Asia's Fashion & Home platform. While core operating profit is relatively weak in the first half of 2012, the Group is very focused on taking the necessary steps to improve the second half results and set the stage for 2013, the last year of its current Three-Year Plan.

Profit attributable to shareholders increased by 33% to US$312 million, reflecting a write-back of estimated contingent considerations for two previous acquisitions made in 2010. The write-back was due to the actual and latest estimated contingent payments of purchase considerations being below our estimations as at 31 December 2011.

SEGMENTAL ANALYSIS

THREE NETWORKS SEGMENTATION

The Group's business is organized according to three Business Networks: Trading, Logistics and Distribution.

The **Trading Network** represented 70% of total turnover, and was up 4% from the same period last year. The Trading Network continued to gain market share throughout the first half of the year and its margin continued to hold up. The growth also reflected positive contribution from two large acquisitions last year: Loyaltex and True Innovations. Core operating profit decreased 3% from last year, reflecting higher operating costs associated with recent acquisitions compared to same period last year.

The **Logistics Network** accounted for 2% of total turnover, and increased 5% from the same period last year. Core operating profit grew by 82% from the same period last year. The business has experienced a remarkable turnaround since being acquired by Li & Fung. It has leveraged the existing customer base of the Group and grown organically by adding new customers via cross Network selling.

The **Distribution Network** represented 28% of total turnover, and it saw an increase of 6% compared to the same period last year. Core operating profit dropped by 78% from the same period last year, reflecting that the margin for the LF USA business has been negatively impacted by the higher cost of leather and hardware for the footwear and handbag business, as well as the fact that expenses increased due to LF USA's restructuring cost, plus investment into LF Asia's Fashion & Home platform. LF Asia continues to track well in building a platform for branded consumer products in Asia.

SOFTGOODS & HARDGOODS SEGMENTATION

For the first six months of 2012, softgoods and hardgoods accounted for 64% and 34% of turnover respectively. Logistics represented approximately 2%. **Softgoods** turnover grew 4%, which was largely due to the organic growth of some existing customers, together with contributions from acquisitions such as Fishman & Tobin, Crimzon Rose, Loyaltex and TVMania.

Turnover from the **hardgoods** business increased by 4%, which was attributed mainly to the organic growth of some existing customers, together with contributions from acquisitions such as Exim Designs and True Innovations.

GEOGRAPHICAL SEGMENTATION

Geographically, the **US** continued to be the Group's key export market, representing 62% of total turnover during the period under review, compared to 58% in 2011. The increase was largely from acquisitions such as Fishman & Tobin, Crimzon Rose, and Loyaltex. Period on period, turnover increased by 11%, reflecting growth in both the trading and distribution businesses.

Europe accounted for 18% of turnover, compared to 22% in 2011. The drop in percentage of total turnover was attributed to the increase from other markets, in particular the US and China. Turnover dropped by 13% comparing with same period last year, which was mainly attributed to weaker overall consumer sentiment in Europe.

Asia (including Japan) accounted for 13% of the Group's turnover, of which, **China** accounted for 6% with turnover growing by 6% period on period. This reflected the flow of business in LF Asia and LF Logistics.

Turnover in **Canada, Australasia, and Central & Latin America** accounted for 3%, 2% and 1% of the Group's total turnover respectively. Turnover declined in Canada and Australasia by 9% and 19% respectively, but Central & Latin America recorded 32% turnover growth. **South Africa & the Middle East** represented less than 1% of Group's turnover, an increase of 23% in turnover from the same period last year.

ACQUISITIONS

During the first half of 2012, the Group signed 4 acquisitions for the Group's Trading Network. Turnover and profit before tax from newly acquired companies were approximately US$110 million and US$24 million respectively for 2011.

The new additions to Li & Fung's Trading Network include the acquisitions of Algreta Solutions Limited, Palamon (International) Ltd., Added Extras, LLC and Dragon Concept HK Ltd.

Algreta Solutions Limited (trading as Catalyst) was acquired in February and is a source tagging recycling solution provider with the capability to apply electronic article surveillance (EAS) tags on retail merchandise at the manufacturing source. With this acquisition, the Group is able to offer its customers cost-saving solutions that increase the effectiveness of security tagging, enhance efficiency of store labor and reduce retail shrink through the supply chain.

In March Li & Fung acquired Palamon (International) Ltd., a leading role-play, costumes and party accessories trading company servicing mass retailers and toy retailers. The acquisition brings in talent and expertise in the costume and party categories, which will complement the Group's product offerings in the seasonal and kids businesses.

During the same month Li & Fung acquired Added Extras, LLC, a leading marketer of licensed youth cosmetics and personal care products based in New York. The acquisition further broadens the Group's capabilities and product categories, and it further expands our beauty business.

In June the Group acquired Dragon Concept HK Ltd., a design driven virtual manufacturer supplying fashion bags, shoes and accessories to the mid-tier and high-end markets. The acquisition further strengthens Li & Fung's expertise and knowledge in product development and the production of bags, shoes and accessories, and it creates synergies with its existing business.

LICENSING DEALS

During first six months of 2012, the Group signed 6 licensing deals.

In the men's & kids apparel area, the Group signed a licensing agreement with Geoffrey Beene for their men's sportswear in April and with Nautica for their dress shirts in June. In the women's apparel area, Li & Fung completed a number of licensing agreements with proprietary brands, namely Narciso Rodriguez, which is exclusive at Kohl's and Marilyn Monroe, which is exclusive at Macy's. The Group also entered into licensing agreements with Lulu Guinness and Jonathan Adler in the accessories and home area, both exclusive at JC Penney.

THE CURRENT THREE-YEAR PLAN 2011-2013

The targets of this current Three-Year Plan 2011-2013 are to achieve aggregate Core Operating Profit of US$1.5 billion by 2013, with Trading, Logistics and Distribution expected to contribute US$0.7 billion, US$0.1 billion and US$0.7 billion respectively. The Group is committed to these targets notwithstanding the prevailing global macroeconomic uncertainties. We believe our long-established market position across the supply chain network puts us in a unique position to optimize opportunities for healthy growth in the future.

Li & Fung will also continue to monitor market conditions to ensure the continuing strength of its franchise, and to meet its responsibilities to all stakeholders, including customers, employees, vendors and shareholders.

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

PEOPLE

As of 30 June 2012, the Group had a total workforce of 28,198, of whom 4,360 were based in Hong Kong and 23,838 were located overseas and in mainland China.

At Li & Fung, we recognize that our asset base resides in the talent, enterprise and creativity of our people. We believe that investing in our people is about investing in the future and our goal is to inspire people and build a culture and environment in which they can grow and succeed.

LEARNING AND DEVELOPMENT

Our learning and development programs aim to strengthen core functional and management capabilities of our people through a variety of structured training programs, peer-to-peer learning, mentoring, on-the-job training, e-learning modules, and other initiatives. As of June 2012 we had a record of 33,435 visits to access our online learning tools and 11,602 participants attended formal learning classes or took part in e-learning.

Total manpower costs for the six months ending 30 June 2012 were US$628 million, compared with US$556 million for the same period in 2011.

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 US$306 million as of the end of June 2012. Normal trading operations were well supported by more than US$2.5 billion in bank trading facilities. In addition, the Group had available bank loans and overdraft facilities of US$1,297 million, out of which US$584 million were committed facilities. As of 30 June 2012, only US$257 million of the Group's bank loan and overdraft facilities was drawn down, out of which utilization of committed facilities was US$225 million.

At the balance sheet date, the Group's gearing ratio was 21%, calculated as net debt divided by total capital. Net debt of US$1,206 million was calculated as total borrowings (i.e. the aggregate of long-term bonds and bank loans of US$1,512 million) less cash and cash equivalents of US$306 million. Total capital was calculated as total equity of US$4,458 million plus net debt. The current ratio was 1.1, based on current assets of US$3,958 million and current liabilities of US$3,758 million.

CREDIT RISK MANAGEMENT

Credit risk mainly arises from trade and other receivables.

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 arrangements with vendors 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 an ongoing assessment of each counter party and determines the credit limits based on, among other factors, their trading and settlement history as well as 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 through the use of foreign exchange forward contracts. Pursuant to the Group policy, 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

As of the date of this interim financial report, the Group has disputes with the Hong Kong Inland Revenue ("HKIR") involving additional tax assessments amounting to approximately US$247 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 2010/11.

The Commissioner of the HKIR issued a determination on 14 June 2004 to one of our subsidiaries, Li & Fung (Trading) Limited ("LFT"), confirming additional tax assessments totalling US$43 million relating to the years of assessment from 1992/93 to 2001/02. Based upon professional advice then obtained, the directors believed that the Group had meritorious reasons to justify appealing against the Commissioner's determination. Accordingly, LFT lodged 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 its decision on 12 June 2009 ("the Board of Review 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. In other words, the relevant assessments in respect of such Offshore Claim should 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. Therefore, the relevant assessments in respect of such Deduction Claim should be confirmed.

The Group 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.

On the other hand, the HKIR also lodged an appeal against the Board of Review Decision in respect of the Offshore Claim.

On 19 March 2010, the Board of Review stated a case on questions of law in respect of both LFT's appeal on the Deduction Claim, and the HKIR's appeal on the Offshore Claim. On 1 April 2010, both LFT and the HKIR transmitted the stated case to the High Court for determination.

The appeal by the HKIR in respect of the Board of Review Decision on the Offshore Claim was dismissed by the Court of First Instance on 18 April 2011, which upheld the Board of Review Decision. LFT was also awarded costs of the appeal.

On 16 May 2011, the HKIR lodged an appeal against the judgment of the Court of First Instance to the Court of Appeal, which appeal was heard by the Court of Appeal on 14 and 15 February 2012. On 19 March 2012, the Court of Appeal delivered its judgment. It upheld the judgment of the Court of First Instance, and dismissed the HKIR's appeal. Any appeal against the judgment of the Court of Appeal to the Court of Final Appeal will require permission of the Court of Appeal or the Court of Final Appeal. As no application for such permission was submitted by the HKIR before the deadline, the Court of Appeal judgment on the Offshore Claim is considered as final.

As regards LFT's appeal on the Deduction Claim, upon the consent of the parties, the Court of First Instance has remitted the case stated to the Board of Review and directed it to make further findings of fact and to determine certain issues. As of the date of this interim financial report, further directions/decisions from the Board of Review are awaited.

The Group has also filed objections with the HKIR against the remaining additional tax assessments of US$204 million. The case before the Board of Review and now the Court of Appeal only applies to the additional tax assessments in respect of LFT for the years of assessment from 1992/93 to 2001/02. The Group's dispute with the HKIR regarding the remaining additional tax assessments in respect of certain other subsidiaries for the years of assessment from 1992/93 to 2001/02, and in respect of the Group for the period after the 2001/02 assessment years, is ongoing and has not yet been determined. Such dispute is therefore not yet before the Board of Review, and no hearing is currently scheduled.

Based on the assessment of the Group's professional advisers on the merits of LFT's further appeal in respect of the Deduction Claim and the HKIR's further appeal in respect of the Offshore Claim (which has now been dismissed by the Court of Appeal), and having taken into account the impact and ramification that the Board of Review Decision has on the tax affairs of LFT, the directors consider that no material tax liabilities will finally crystallize and sufficient tax provision has been made in the accounts in this regard.

On 11 June 2010, the Group also applied for a judicial review of the decision of the Commissioner of the HKIR rejecting LFT's application for an unconditional holdover of tax for the year of assessment 2008/09 pending the determination of the objection lodged with the HKIR. The Group purchased tax reserve certificates in respect of LFT for the year of assessment 2008/09 as directed by the Commissioner of the HKIR pending the decision of the judicial review application. As of the date of this interim financial report, the hearing date for the judicial review application is yet to be fixed.

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

CORPORATE GOVERNANCE

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

Corporate governance practices adopted by the Company during the six-month period to 30 June 2012 are in line with those practices set out in the Company's 2011 Annual Report and on the Company's corporate website (*www.lifung.com*).

THE BOARD

The Board is currently composed of the Group Chairman, Honorary Chairman, Group President and Chief Executive Officer, Group Chief Operating Officer, five Independent Non-executive Directors and one Non-executive Director.

The role of the Group Chairman is separate from that of Group President and Chief Executive Officer. This is to enhance their respective independence, accountability and responsibility.

The Board is responsible for setting up the overall strategy as well as reviewing the operation and financial performance of the Group. The Board held **six** meetings to date in 2012 (with an **average attendance rate of 90%**).

BOARD COMMITTEES

The Board has established the following committees (all chaired by Independent Non-executive Director or Non-executive Director) with defined terms of reference, which are on no less exacting terms than those set out in the Corporate Governance Code of the Listing Rules:

- Nomination Committee
- Audit Committee
- Risk Management and Sustainability Committee
- Remuneration Committee

NOMINATION COMMITTEE

The Nomination Committee was established to make recommendations to the Board on the appointment of Directors, evaluation of board composition, assessment of the independence of Independent Non-executive Directors and the management of board succession.

The Committee met **three times** to date in 2012 (with a **100% attendance rate**) to review the board composition, the retirement of directors by rotation, the re-appointment of retiring directors at 2012 Annual General Meeting and the nomination of directors to fill board vacancies in 2012, and to assess the independence of Independent Non-executive Directors. Its current members include:

Mr Paul Edward SELWAY-SWIFT* – *Committee Chairman*
Dr Victor FUNG Kwok King
Professor Franklin Warren McFARLAN*
Dr FU Yuning*

AUDIT COMMITTEE

The Audit Committee was established 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 2012 (with a **100% attendance rate**) to review with 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 and make relevant recommendations to the Board.

The Committee's review covers the audit plans and findings of internal and external auditors, external auditor's independence and performance, provision of non-audit services by our external auditor, the Group's accounting principles and practices, goodwill assessment, listing rules and statutory compliance, connected transactions, internal controls, risk management, treasury, financial reporting matters (including the interim financial report for the six months ended 30 June 2012 for the Board's approval) and the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function as well as their training programmes and budget. Its current members include:

Mr Paul Edward SELWAY-SWIFT* – *Committee Chairman*
Mr Allan WONG Chi Yun*
Professor Franklin Warren McFARLAN*
Mr Martin TANG Yue Nien*
Dr FU Yuning*

RISK MANAGEMENT AND SUSTAINABILITY COMMITTEE

The Risk Management and Sustainability Committee was established to make recommendations to the Board on the Group's risk management and internal control systems, and the Group's practices and strategies on corporate responsibility and sustainability. The Committee reports to the Board in conjunction with the Audit Committee.

The Risk Management and Sustainability Committee met **three times** to date in 2012 (with an **average attendance rate of 87%**) to review risk management procedures pertinent to the Group's significant investments and operations. The scope of review covers receivables management, credit risk management, inventory management, goodwill assessment, tax compliance issues, litigation exposures, acquisitions and integration, contingency plans, other operational and financial risk management as well as corporate responsibility and sustainability. Its current members include:

Dr Victor FUNG Kwok King – *Committee Chairman*
Mr Martin TANG Yue Nien*
Dr William FUNG Kwok Lun
Mr Bruce Philip ROCKOWITZ
Mr Spencer Theodore FUNG (appointed on 14 May 2012)
Mr Srinivasan PARTHASARATHY (Group Chief Compliance Officer)

REMUNERATION COMMITTEE

The Remuneration Committee was established to approve the remuneration policy for all Directors and senior executives, and the grant of share options to employees under the Company's Share Option Scheme. It annually reviews the Group's remuneration policy. Details of the Company's remuneration policy for Executive Directors, Senior Management and Non-executive Directors are set out in the Corporate Governance Section on the Company's corporate website (*www.lifung.com*).

The Committee met **three times** to date in 2012 (with a **100% attendance rate**) to review and approve all Executive Directors' and Senior Management's remuneration packages and the grant of share options under the current Three-Year Plan (2011-2013). 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*

* *Independent Non-executive Director*

RISK MANAGEMENT AND INTERNAL CONTROL

The interim financial information is reviewed by the external auditor and an unmodified review report on the interim financial information has been issued.

The Board is responsible for maintaining a sound and an effective system of risk management and 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. Details of the Company's risk management and internal control processes are set out in the Corporate Governance Section on pages 31 to 34 of the Company's 2011 Annual Report.

The Group's Internal Audit team within the **Corporate Governance Division** (CGD), under the supervision of our Group Chief Compliance Officer, independently reviews the internal controls and evaluates their adequacy, effectiveness and compliance. Our Group Chief Compliance Officer **reports all major findings and recommendations to the Audit Committee** on a regular basis.

Based on the respective assessments made by management and the Group's CGD, the Audit Committee considered that for the six months ended 30 June 2012:

- 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 interim financial information were reliable for publication.

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

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**. All the staff are briefed and requested to abide by the Code. For ease of reference and as a constant reminder, the Code is posted in the Company's internal electronic portal for reference by all staff.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has been in full compliance with all of the applicable code provisions set out in the Code on Corporate Governance Practices (effective until 31 March 2012) and Corporate Governance Code (effective from 1 April 2012) contained in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2012.

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. 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. Specific confirmation has been obtained from each Director and relevant employee to confirm compliance with the Model Code for the six months ended 30 June 2012. No incident of non-compliance by Directors and relevant employees was noted by the Company for the six months ended 30 June 2012.

INVESTOR RELATIONS AND COMMUNICATIONS

Li & Fung has a proactive policy for promoting investor relations and communications by maintaining regular dialogue and fair disclosure with institutional shareholders, fund managers, analysts and the media. Management attends investor meetings on a regular basis and has participated in a number of major investor conferences in Asia and North America. The Group is followed by a large number of analysts, and many of them publish reports on it regularly.

Li & Fung's corporate website (*www.lifung.com*), which features a dedicated Investor Relations section, facilitates effective communication with shareholders, investors and other stakeholders, making corporate information and other relevant financial and non-financial information available electronically and on a timely basis. This includes extensive information about the Group's performance and activities via the Annual Report, Interim Report, press releases and announcements. Webcasts of presentation for interim and annual results briefings as well as presentations given by senior management at investor conferences have also been made available.

In order to promote better communications with stakeholders, the Group revamped its corporate website in 2011. With a fresh look and feel, and a host of new, interactive functions, the website provides easily accessible information about Li & Fung. In June 2011, Li & Fung also conducted an Analyst Day in Hong Kong, facilitating discussion between analysts and investors and the Group's senior management team, including the Executive Deputy Chairman (title as of 2011), the Group President and Chief Executive Officer, and nine Presidents of the major business units. A webcast of the event was also made available on Li & Fung's corporate website.

INFORMATION TECHNOLOGY

The Vendor Portal as a strategic platform continues to be enhanced and was extended to automatically organize scanned documents by contract eliminating printing and manual intervention, both green and productive. At the same time consumerable leveraging having been applied to hangers, helping to drive compliance, is being extended to include any consumerable.

As part of a larger supply chain project, the Vendor Portal is being integrated in to a larger shipment platform for the benefit of the vendors and users of our logistics services.

In support of the direct model for LF Asia – Food, Health, Beauty & Cosmetics, further investment was made in mobile devices and extended functionality to support sales and retail store data capture and analysis.

Decision Support Systems in the form of the internal dashboard were enhanced, converting transactional data in to relevant, accurate and timely information accessible online at any time.

While face to face meetings remain the main source of interaction with our customers, eCatalog has been developed to provide our customers with a supplementary medium for their online sourcing. This has been successfully launched with a number of sites and is gaining momentum.

The global Wi-Fi standardization across all offices has made for seamless connectivity transition between offices and least cost routing to reduce data roaming costs while overseas.

In addition within infrastructure, as part of our continuous improvement and End User Experience Programs, investments are being made in end user devices to improve desktop and laptop performance.

SUSTAINABILITY

In the first half of 2012, we continued to implement our Sustainability Strategy, which focuses on what we can do to reduce our environmental footprint, to engage and enhance the well being and development of our colleagues, to support the communities where we operate, and to enhance the sustainability performance of our supply chain.

Within our own operations, we made additional investments in energy-efficient retrofits and continued to encourage reduced energy, water and paper consumption. We revamped our intranet site to make sustainability more accessible to our colleagues and also expanded our learning and development and employee welfare programs. We launched an enhanced community engagement initiative to increase and measure the strategic depth and impact of our global initiatives for community building, entrepreneurship and human capital development, environmental protection and disaster relief.

Implementing our revised *Code of Conduct for Suppliers* and our *Supplier Compliance Manual* since January 2012 has been a significant priority with our suppliers and customers. To support this, we are refining our compliance assessment and verification tools and processes, and focusing on training and capacity building programs, to both identify and address gaps in meeting our Code requirements. Going forward, we are launching a dedicated website with resources for our suppliers to improve compliance and sustainability performance, expanding our dialogue on sustainability with our customers and suppliers as part of our business, and providing additional onsite support to improve human resource management, lean manufacturing, health and safety and environmental performance. In support of industry-wide efforts to further sustainability in supply chains, we remain actively involved in the Sustainable Apparel Coalition, the Global Social Compliance Programme, the International Labour Organization's Better Work program and Business for Social Responsibility.

Our priority remains to build our business by working in partnership with our customers, suppliers, colleagues and industry partners to operate more sustainably, to improve working conditions and environmental performance in our supply chain, and to provide more sustainable sourcing options.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Victor FUNG Kwok King
Honorary Chairman
Chairman of Risk Management and Sustainability Committee

Aged 66. Brother of Dr William Fung Kwok Lun and father of Mr Spencer Theodore Fung. Honorary Chairman since May 2012 and before that, Group Chairman from 1989 to May 2012. Group Chairman of Fung Retailing Group which includes publicly listed Convenience Retail Asia Limited and Trinity Limited. A director of King Lun Holdings Limited and its wholly owned subsidiary, Fung Holdings (1937) Limited (formerly known as Li & Fung (1937) Limited), substantial shareholders 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. Founding Chairman of the Fung Global Institute, an independent and non-profit think-tank. An independent non-executive director of BOC Hong Kong (Holdings) Limited and Chow Tai Fook Jewellery Group Limited in Hong Kong, Baosteel Group Corporation in the People's Republic of China and Koc Holding A.S. in Turkey. An independent non-executive director of China Petrochemical Corporation in the People's Republic of China since 1 April 2012. Honorary Chairman of International Chamber of Commerce. A member of the WTO Panel on Defining the Future of Trade since 13 April 2012. A member of Chinese People's Political Consultative Conference. A vice chairman of China Centre for International Economic Exchanges. A member of the Commission on Strategic Development of the Hong Kong Government. Chairman of the Greater Pearl River Delta Business Council. Chairman of the Hong Kong Trade Development Council (1991 – 2000). Hong Kong representative on the APEC Business Advisory Council (1996 – 2003). Chairman of the Airport Authority Hong Kong (1999 – 2008). Chairman of The Council of The University of Hong Kong (2001 – 2009). Chairman of the International Chamber of Commerce (2008 – 2010). Chairman of the Hong Kong – Japan Business Co-operation Committee (2004 – 2010). Awarded the Gold Bauhinia Star in 2003 and Grand Bauhinia Medal in 2010 for distinguished service to the community.

William FUNG Kwok Lun
Group Chairman

Aged 63. Brother of Dr Victor Fung Kwok King and uncle of Mr Spencer Theodore Fung. Group Chairman since May 2012. Executive Deputy Chairman from 2011 to May 2012 and before that, Group Managing Director from 1986 to 2011. 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. An independent non-executive director of VTech Holdings Limited, Shui On Land Limited, Sun Hung Kai Properties Limited and The Hongkong and Shanghai Hotels, Limited. An independent director of Singapore Airlines Limited. A non-executive director of various companies within the Fung Retailing Group including Convenience Retail Asia Limited and Trinity Limited. A director of King Lun Holdings Limited and its wholly owned subsidiary, Fung Holdings (1937) Limited (formerly known as Li & Fung (1937) Limited), substantial shareholders of the Company. A director of the Fung Global Institute, an independent and non-profit think-tank. 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.

DIRECTORS (CONTINUED)

Bruce Philip ROCKOWITZ
Group President and Chief Executive Officer

Aged 53. Group President and Chief Executive Officer since 2011. An Executive Director since 2001 and in 2004, took over day to day oversight of the Group's operations as President. In 1981, co-founded Colby International Limited, a large Hong Kong buying agent, and was the Chief Executive Officer until 2000 when Colby was acquired by Li & Fung. Member of the Advisory Board for the Wharton School's Jay H Baker Retailing Center, an industry research center for retail at the University of Pennsylvania. Board member of the Educational Foundation for the Fashion Industries, the private fund-raising arm of the Fashion Institute of Technology. A member of the Global Advisory Council of the Women's Tennis Association (WTA). Non-Executive Chairman of the Pure Group, a lifestyle, fitness and yoga group operating in Hong Kong, Singapore and Taiwan. An independent non-executive director of Wynn Macau, Limited. In December 2008, ranked first by Institutional Investor for the Asia's Best CEOs in the consumer category. In the years 2010 and 2011, ranked as one of the world's 30 best CEOs by Barron's. In 2011, received the 2011 Alumni Achievement Award from the University of Vermont. In 2012, named Asia's Best CEO at Corporate Governance Asia's Excellence Recognition Awards, and also presented with an Asian Corporate Director Recognition Award by the same organization.

Spencer Theodore FUNG
Group Chief Operating Officer

Aged 39. Group Chief Operating Officer since April 2012 and Executive Director since 2008, in charge of the global infrastructure of the Company. Before this, President of LF Europe, managing the Group's European distribution business. Joined the Group in 2001. 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, Honorary Chairman, and nephew of Dr William Fung Kwok Lun, Group Chairman.

Paul Edward SELWAY-SWIFT
Independent Non-executive Director
Chairman of Audit Committee and Nomination Committee

Aged 68. 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. Retired as director of Temenos Group AG since 13 June 2012. Formerly, Deputy Chairman of HSBC Investment Bank PLC, a director of The Hongkong and Shanghai Banking Corporation Limited in Hong Kong and Harvard International PLC, Chairman of Singer & Friedlander Group PLC, a banking and investment management group, and Novae Group PLC, a specialist insurance group.

DIRECTORS (CONTINUED)

Allan WONG Chi Yun
Independent Non-executive Director
Chairman of Remuneration Committee

Aged 61. 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 Doctorate of Technology from the Hong Kong Polytechnic University. A board member of the Airport Authority Hong Kong. Deputy Chairman and independent non-executive director of The Bank of East Asia, Limited. An independent non-executive director of China-Hongkong Photo Products Holdings Limited. Awarded the Silver Bauhinia Star and the Gold Bauhinia Star in 2003 and 2008 respectively.

Franklin Warren McFARLAN
Independent Non-executive Director

Aged 74. An Independent Non-executive Director since 1999. Baker Foundation Professor and Professor Emeritus of Business Administration at Harvard University. Guest Professor and Co-Director of the China Business Case Center at Tsinghua University-SEM. 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 to 2004. Retired as an independent non-executive director of Computer Sciences Corporation on 7 August 2012. An independent non-executive director of thinkorswim Group Inc from 2004 to 2009.

Martin TANG Yue Nien
Independent Non-executive Director

Aged 63. An Independent Non-executive Director since 2009. Former Chairman, Asia of Spencer Stuart & Associates, a global executive search consulting firm. An independent non-executive director of the publicly-listed CEI Contract Manufacturing Ltd and China NT Pharma Group Limited. Holds a Bachelor of Science degree in Electrical Engineering from Cornell University and Master of Science in Management from the Massachusetts Institute of Technology.

Benedict CHANG Yew Teck
Non-executive Director

Aged 58. A Non-executive Director since 2011. Previously, group managing director of Integrated Distribution Services Group Limited ("IDS") which was privatized on 29 October 2010. A director of IDS from 2003 to April 2011. A director of Fung Holdings (1937) Limited (formerly known as Li & Fung (1937) Limited), a substantial shareholder of the Company. Graduated from the University of Surrey, United Kingdom, with a Bachelor of Science Degree (First Class Honours) in Marine Engineering. Chairman of the Advisory Committee of the Li & Fung Institute of Supply Chain Management and Logistics of The Chinese University of Hong Kong. A member of the Advisory Board of the School of Information Systems, Singapore Management University.

DIRECTORS (CONTINUED)

FU Yuning
Independent Non-executive Director

Aged 55. An Independent Non-executive Director since 2011. Chairman of China Merchants Group Limited, China Merchants Holdings (International) Company Limited and China Merchants Bank Co., Ltd. Retired as an independent non-executive director of CapitaLand Limited on 30 April 2012. Graduated from Dalian Institute of Technology in the PRC with a Bachelor Degree in Port and Waterway Engineering. Holds a Doctorate Degree in Mechanical Engineering from Brunel University, United Kingdom where he also worked as a Post-Doctorate research fellow briefly. Formerly, Chairman of China Merchants Energy Shipping Co., Ltd. and China International Marine Containers (Group) Co., Ltd., and formerly, also an independent non-executive director of Sino Land Company Limited and Integrated Distribution Services Group Limited.

GROUP CHIEF COMPLIANCE OFFICER

Srinivasan PARTHASARATHY

Aged 55. Group Chief Compliance Officer of the Company since 2011. Also, the Group Chief Compliance Officer of Fung Holdings (1937) Limited (formerly known as Li & Fung (1937) Limited), a substantial shareholder of the Company and of the Fung Retailing Group of companies including Convenience Retail Asia Limited and Trinity Limited of which he is also their respective Group Chief Compliance Officer. With 30 years of experience and held various financial and commercial positions within the Fung Group since 1999, and the Inchcape Group before that, in Hong Kong, Singapore, the UK and the Middle East. A Commerce Graduate of Bombay University and qualified as a Chartered Accountant in India, securing fourth position in the All India Merit Rankings. A Fellow Member of the Chartered Institute of Management Accountants, UK.

SENIOR MANAGEMENT

Henry CHAN
President of LF Products

Aged 62. President of LF Products managing the Group's hardlines principal business globally. 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 and also a member of the advisory Board of the MBA Programmes of the Faculty of Business Administration, The Chinese University of Hong Kong.

Annabella LEUNG Wai Ping
President of LF Fashion

Aged 59. President of LF Fashion managing the Group's apparel and fashion accessories principal business globally. Formerly, the Regional Director of North Asia Apparel for Inchcape, a global sourcing network acquired by the Company in 1995. An Executive Director of the Company from 2000 to May 2010. Holds a Master of Science degree in Biology from Northeastern University. Served on various advisory boards in the Hong Kong Exporters' Association, Hong Kong Trade Development Council, Clothing Industry Training Authority, and Hong Kong Export Credit Insurance Corporation. Now serving as Chairman of the Vetting Committee for the Professional Services Development Assistance Scheme of Commerce and Economic Development Bureau.

SENIOR MANAGEMENT (CONTINUED)

Richard Nixon DARLING
President of LF USA

Aged 59. President of LF USA overseeing the Group's distribution model in the U.S. which has built a unique portfolio of well-known consumer and fashion brands, licensed and private label products. 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 as Chairman of the Board of Directors of the American Apparel and Footwear Association and as a board member for "Fashion Delivers" and Board of Governors for the Parson's School of Design.

Marc Robert COMPAGNON
President of LF Sourcing

Aged 53. President of LF Sourcing overseeing the Group's global agency business for apparel and hard goods as well as the sourcing for the Group's distribution 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. Founding member of Cotton's Revolutions, and the Global Apparel, Footwear and Textile Initiative (GAFTI). Non-Executive Chairman of Cebu Dream Realized, INC, a hotel and restaurant group.

Dow Peter FAMULAK
President of LF Europe, DSG & LF Beauty

Aged 51. President of LF Europe, managing the Group's European distribution business. Also, President of the DSG group of companies, a dedicated sourcing group servicing Wal-Mart globally, and President of LF Beauty, the Group's health, beauty and cosmetic business. 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
President of LF USA Sourcing

Aged 51. President of LF USA Sourcing, managing all Asia operations of LF USA. 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. After that, managing the Group's department store, mass market, supermarket and specialty store apparel business in the Americas, Southern Hemisphere and Japan. Prior to her current role, the Chief Operating Officer of the DSG group of companies, a dedicated sourcing group servicing Wal Mart globally. Graduated from The University of Hong Kong with a Bachelor of Social Sciences degree.

SENIOR MANAGEMENT (CONTINUED)

Joseph Chua PHI
President of LF Logistics

Aged 49. President of LF Logistics managing the Group's logistics, freight services, and supply chain management businesses. An Executive Director of Integrated Distribution Services Group Limited from 2004 to April 2011. Joined the Group in 1999. Graduated *magna cum laude* from the University of The Philippines with a Bachelor of Science degree in Industrial Engineering and attained an MBA degree with top honors from the same university. Member of Phi Kappa Phi and Pi Gamma Mu international honor societies. Co-convener of the Li & Fung China Advisory Council. Chairman of GS1 Hong Kong. Director of GS1 Management Board. Member of the Advisory Committee, Centre for Marketing and Supply Chain Management at Hong Kong University of Science and Technology (HKUST). Member of Supply Chain 50, an association of the top supply chain professionals in the world.

Gerard Jan RAYMOND
President of LF Asia – Food, Health, Beauty & Cosmetics

Aged 55. President of LF Asia managing the Group's food, health, beauty and cosmetics distribution business in Asia. Previously, an Executive Vice President, Distribution and Regional Managing Director of Integrated Distribution Services Group Limited. Joined the Group in 2003. Educated in Australia with a Bachelor's degree in Business. A Fellow of the Australian Marketing Institute.

Jason Andrew RABIN
President of LF Asia – Fashion & Home

Aged 42. President of LF Asia managing the Group's fashion and home distribution business in Asia. The founder of Kids Headquarters, children's and young men's apparel manufacturer, which he began in 1994. Joined the Group in 2009 when Kids Headquarters was acquired by Li & Fung. Graduated from the University of Miami in 1992. Received awards from the children's clothing industry, such as SPARC, Ernie Awards & LIMA.

Lale KESEBI
Executive Director of Li & Fung (Trading) Limited

Aged 43. Executive Director of Li & Fung (Trading) Limited. Responsible for the Group's corporate operations teams including legal, 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's Business Policy & Government Relations committee and the Debenture and Scholarship committee of the Canadian International School in Hong Kong. Currently, a member of the Steering Committee for the Mentoring Programme for Women Leaders of The Women's Foundation in Hong Kong. Chair of the Corporate Sustainability Committee of the Company.

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

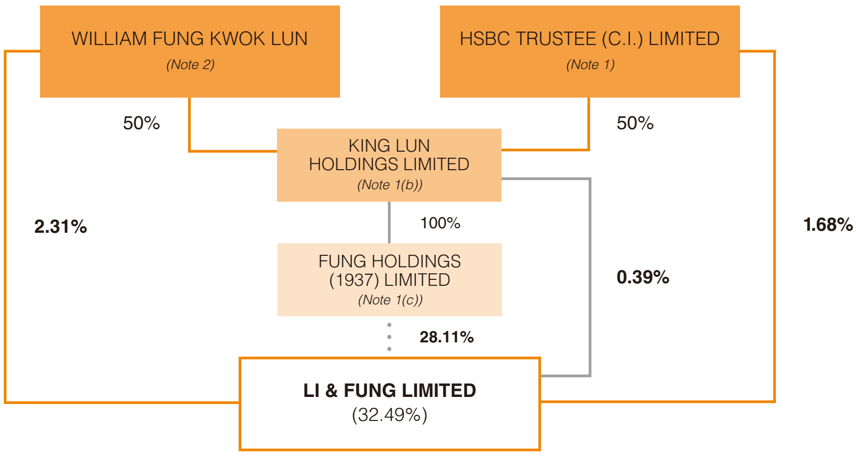
As at 30 June 2012, the directors and chief executives of the Company and their associates had the following interests in the shares of HK$0.0125 each ("Shares") and underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities 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 of Hong Kong Limited (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	2,814,444	–	2,522,697,340[1]	–	2,525,511,784	30.22%
William Fung Kwok Lun	144,342,660	8,800	2,427,871,232[2]	2,430,000[3]	2,574,652,692	30.81%
Spencer Theodore Fung*	1,408,000	–	2,522,697,340[1]	11,326,000[3]	2,535,431,340	30.34%
Bruce Philip Rockowitz	7,625,600	–	49,823,020[4]	36,221,760[5]	93,670,380	1.12%
Paul Edward Selway-Swift	16,000	40,000	16,000[6]	–	72,000	0.00%
Franklin Warren McFarlan	–	–	114,400[7]	–	114,400	0.00%
Martin Tang Yue Nien	–	–	40,000[8]	–	40,000	0.00%
Benedict Chang Yew Teck	4,053,200	–	–	–	4,053,200	0.04%

* *Son of Dr Victor Fung Kwok King*

The following simplified 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 2012,

(1) each of Dr Victor Fung Kwok King and Mr Spencer Theodore Fung was deemed to have interests in 2,522,697,340 Shares held in the following manner:

(a) 140,851,708 Shares were indirectly held by HSBC Trustee (C.I.) Limited ("HSBC Trustee") through its wholly owned subsidiary, First Island Developments Limited. HSBC Trustee is the trustee of a trust established for the benefit of the family members of Dr Victor Fung Kwok King (the "Trust");

(b) 32,891,760 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 as trustee of the Trust and 50% by Dr William Fung Kwok Lun; and

(c) 2,195,727,908 Shares were directly held by Fung Holdings (1937) Limited (formerly known as Li & Fung (1937) Limited) ("FH (1937)"), a wholly owned subsidiary of King Lun, and 153,225,964 Shares were indirectly held by FH (1937) through its wholly owned subsidiary, Li & Fung (Distribution) Limited ("LFD").

(2) out of 2,427,871,232 Shares, 26,114,400 Shares and 19,911,200 Shares were held by Golden Step Limited and Step Dragon Enterprise Limited, both companies were beneficially owned by Dr William Fung Kwok Lun. The balance of 2,381,845,632 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) 49,823,020 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 3,330,000 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 32,891,760 underlying shares in the Company in respect of options granted by King Lun to HMHL to purchase such shares in the Company in three tranches during the period from 25 December 2011 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) 16,000 Shares in the Company were held by a trust of which Mr. Paul Edward Selway-Swift is a beneficiary.

(7) 114,400 Shares in the Company were held by a trust established for the benefit of Professor Franklin Warren McFarlan.

(8) 40,000 Shares in the Company were held by a trust of which Mr Martin Tang Yue Nien was a beneficiary.

(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 2012 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 32,891,760 underlying Shares, representing 0.39% 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 109,891,760 Shares in the Company in ten tranches during the period from 25 December 2004 to 24 December 2019, with each tranche having an exercisable period of six years.

Save as disclosed above, as at 30 June 2012, 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 Code.

(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 2012, there are options relating to 249,501,400 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								
	As at 1/1/2012	Granted	Exercised[1]	Cancelled	Lapsed	As at 30/06/2012	Exercise Price	Grant Date	Exercisable Period
William Fung Kwok Lun	540,000	–	–	–	–	540,000	20.21	11/4/2011	01/5/2012 – 30/4/2015
	540,000	–	–	–	–	540,000	20.21	11/4/2011	01/5/2013 – 30/4/2015
	1,350,000	–	–	–	–	1,350,000	20.21	11/4/2011	01/5/2014 – 30/4/2016
Bruce Philip Rockowitz	450,000	–	(450,000)	–	–	–	12.77	24/1/2008	01/3/2010 – 29/2/2012
	900,000	–	–	–	–	900,000	12.77	24/1/2008	01/3/2011 – 28/2/2013
	540,000	–	–	–	–	540,000	20.21	11/4/2011	01/5/2012 – 30/4/2015
	540,000	–	–	–	–	540,000	20.21	11/4/2011	01/5/2013 – 30/4/2015
	1,350,000	–	–	–	–	1,350,000	20.21	11/4/2011	01/5/2014 – 30/4/2016
Spencer Theodore Fung	352,000	–	(352,000)	–	–	–	12.77	24/1/2008	01/3/2010 – 29/2/2012
	352,000	–	–	–	–	352,000	12.77	24/1/2008	01/3/2011 – 28/2/2013
	354,000	–	–	–	–	354,000	20.76	25/3/2010	01/3/2011 – 28/2/2013
	360,000	–	–	–	–	360,000	20.21	11/4/2011	01/5/2012 – 30/4/2015
	360,000	–	–	–	–	360,000	20.21	11/4/2011	01/5/2013 – 30/4/2015
	900,000	–	–	–	–	900,000	20.21	11/4/2011	01/5/2014 – 30/4/2016
	1,000,000	–	–	–	–	1,000,000	14.50	22/12/2011	01/5/2013 – 30/4/2015
	1,000,000	–	–	–	–	1,000,000	14.50	22/12/2011	01/5/2014 – 30/4/2016
	1,000,000	–	–	–	–	1,000,000	14.50	22/12/2011	01/5/2015 – 30/4/2017
	1,000,000	–	–	–	–	1,000,000	14.50	22/12/2011	01/5/2016 – 30/4/2018
	1,000,000	–	–	–	–	1,000,000	14.50	22/12/2011	01/5/2017 – 30/4/2019
	1,000,000	–	–	–	–	1,000,000	14.50	22/12/2011	01/5/2018 – 30/4/2020
	1,000,000	–	–	–	–	1,000,000	14.50	22/12/2011	01/5/2019 – 30/4/2021
	1,000,000	–	–	–	–	1,000,000	14.50	22/12/2011	01/5/2020 – 30/4/2022
	1,000,000	–	–	–	–	1,000,000	14.50	22/12/2011	01/5/2021 – 30/4/2023
Continuous contract employee	5,336,000	–	(5,226,000)	–	(110,000)	–	6.72	20/6/2005	20/6/2009 – 19/6/2012
	924,000	–	(924,000)	–	–	–	6.86	23/1/2006	20/6/2009 – 19/6/2012
	420,000	–	(320,000)	–	(100,000)	–	7.82	19/6/2006	20/6/2009 – 19/6/2012
	2,688,000	–	(1,956,000)	–	(732,000)	–	12.75	02/2/2007	20/6/2009 – 19/6/2012
	872,000	–	(872,000)	–	–	–	14.96	13/7/2007	20/6/2009 – 19/6/2012
	23,902,800	–	(19,020,800)	(2,882,000)	(2,000,000)	–	12.77	24/1/2008	01/3/2010 – 29/2/2012
	35,871,000	–	(6,367,000)	–	–	29,504,000	12.77	24/1/2008	01/3/2011 – 28/2/2013
	1,344,000	–	(984,000)	(180,000)	(180,000)	–	15.00	21/5/2008	01/3/2010 – 29/2/2012
	2,206,000	–	(522,000)	–	–	1,684,000	15.00	21/5/2008	01/3/2011 – 28/2/2013
	1,552,300	–	(895,600)	(408,800)	(247,900)	–	13.10	13/8/2008	01/3/2010 – 29/2/2012
	2,602,800	–	(608,400)	–	–	1,994,400	13.10	13/8/2008	01/3/2011 – 28/2/2013
	684,000	–	(116,000)	(416,000)	(152,000)	–	8.61	24/2/2009	01/3/2010 – 29/2/2012
	1,604,000	–	(412,000)	–	–	1,192,000	8.61	24/2/2009	01/3/2011 – 28/2/2013
	2,241,000	–	(1,998,800)	(90,400)	(151,800)	–	13.90	14/8/2009	01/3/2010 – 29/2/2012
	3,616,400	–	(1,272,200)	–	–	2,344,200	13.90	14/8/2009	01/3/2011 – 28/2/2013
	4,512,600	–	–	–	–	4,512,600	20.76	25/3/2010	01/3/2011 – 28/2/2013
	2,357,200	–	–	–	–	2,357,200	22.42	15/11/2010	01/3/2011 – 28/2/2013
	31,420,000	–	–	–	–	31,420,000	20.21	11/4/2011	01/5/2012 – 30/4/2015
	31,964,000	–	–	–	–	31,964,000	20.21	11/4/2011	01/5/2013 – 30/4/2015
	79,626,000	–	–	–	–	79,626,000	20.21	11/4/2011	01/5/2014 – 30/4/2016
	2,039,000	–	(6,000)	–	–	2,033,000	15.20	21/11/2011	01/5/2012 – 30/4/2015
	4,228,000	–	–	–	–	4,228,000	15.20	21/11/2011	01/5/2013 – 30/4/2015
	9,457,000	–	–	–	–	9,457,000	15.20	21/11/2011	01/5/2014 – 30/4/2016
	2,000,000	–	–	–	–	2,000,000	14.50	22/12/2011	01/5/2013 – 30/4/2015
	2,000,000	–	–	–	–	2,000,000	14.50	22/12/2011	01/5/2014 – 30/4/2016
	2,000,000	–	–	–	–	2,000,000	14.50	22/12/2011	01/5/2015 – 30/4/2017
	2,000,000	–	–	–	–	2,000,000	14.50	22/12/2011	01/5/2016 – 30/4/2018
	2,000,000	–	–	–	–	2,000,000	14.50	22/12/2011	01/5/2017 – 30/4/2019
	2,000,000	–	–	–	–	2,000,000	14.50	22/12/2011	01/5/2018 – 30/4/2020
	2,000,000	–	–	–	–	2,000,000	14.50	22/12/2011	01/5/2019 – 30/4/2021
	2,000,000	–	–	–	–	2,000,000	14.50	22/12/2011	01/5/2020 – 30/4/2022
	2,000,000	–	–	–	–	2,000,000	14.50	22/12/2011	01/5/2021 – 30/4/2023
	–	3,789,000[2]	–	(47,000)	–	3,742,000	15.09	26/6/2012	01/5/2013 – 30/4/2015
	–	8,447,000[2]	–	(90,000)	–	8,357,000	15.09	26/6/2012	01/5/2014 – 30/4/2016

NOTES:

(1) The weighted average closing market price per Share immediately before the dates on which the Share Options were exercised was HK$17.22.

(2) The closing market price per Share as at the date preceding the date on which the share options were granted was HK$14.42.

(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 2011. 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 2012, 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 (32,891,760) Interest of controlled corporation (2,348,953,872)[1]	2,381,845,632	28.50%
HSBC Trustee (C.I.) Limited	Trustee	2,522,697,340[2]	30.18%
Janus Capital Management LLC	Investment manager	566,265,325	6.77%
JPMorgan Chase & Co.	Beneficial owner (18,993,879) Investment manager (175,101,236) Custodian corporation/approved lending agent (369,505,655)	563,600,770	6.74%
Deutsche Bank Aktiengesellschaft	Beneficial owner (47,078,250) Investment manager (1,699,115) Person having a security interest in shares (54,114,660) Custodian corporation/approved lending agent (503,259,143)	606,151,168	7.25%
Short Positions			
King Lun Holdings Limited	Beneficial owner	32,891,760[3]	0.39%
HSBC Trustee (C.I.) Limited	Trustee	32,891,760[4]	0.39%
JPMorgan Chase & Co.	Beneficial owner	5,653,879	0.06%
Deutsche Bank Aktiengesellschaft	Beneficial owner (38,039,486) Person having a security interest in shares (28,417,210)	66,456,696	0.79%
Lending Pool			
JPMorgan Chase & Co.	Custodian corporation/approved lending agent	369,505,655	4.42%
Deutsche Bank Aktiengesellschaft	Custodian corporation/approved lending agent	503,259,143	6.02%

NOTES:

(1) 2,195,727,908 Shares were directly held by FH (1937) which also through its wholly owned subsidiary, LFD, indirectly held 153,225,964. FH (1937) was 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, FH (1937) and LFD.

(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 32,891,760 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 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 2012.

OTHER INFORMATION

CHANGES IN DIRECTOR'S EMOLUMENTS

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in the emoluments of Directors since the Company's 2011 Annual Report are as follows:

– With effect from 1 April 2012, the annual base salary of Mr Spencer Theodore Fung has been revised to HK$5,000,000 and his annual discretionary bonus will be determined with reference to the Company's performance and profitability.

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 15 HK cents (2011: 19 HK cents) per Share for the six months ended 30 June 2012 absorbing a total of US$161 million (2011: US$197 million).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 29 August 2012 to 30 August 2012, 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 share registrar, Tricor Abacus Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 28 August 2012. Dividend warrants will be despatched on 5 September 2012. Shares of the Company will be traded ex-dividend as from 27 August 2012.

INDEPENDENT REVIEW REPORT

羅兵咸永道

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

INTRODUCTION

We have reviewed the interim financial report set out on pages 30 to 55, which comprises the consolidated balance sheet of Li & Fung Limited ("Company") and its subsidiaries (together, the "Group") as at 30 June 2012 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial 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, 9 August 2012

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

CONDENSED INTERIM FINANCIAL REPORT

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	UNAUDITED SIX MONTHS ENDED 30 JUNE 2012 US$'000	2011 US$'000
Turnover	*3*	**9,127,651**	8,798,218
Cost of sales		**(7,846,338)**	(7,581,215)
Gross profit		**1,281,313**	1,217,003
Other income		**40,763**	37,991
Total margin		**1,322,076**	1,254,994
Selling and distribution expenses		**(410,999)**	(350,939)
Merchandising expenses		**(629,774)**	(564,050)
Administrative expenses		**(59,848)**	(57,564)
Core operating profit		**221,455**	282,441
Gain on remeasurement of contingent consideration payable		**198,295**	–
(Loss)/gain on disposal of businesses/subsidiary	*17*	**(303)**	46,544
Gain on disposal of properties/property holding subsidiary		**–**	13,670
Other non-core operating expenses		**(34,315)**	(24,549)
Operating profit	*3 & 4*	**385,132**	318,106
Interest income		**10,578**	6,567
Interest expenses			
Non-cash interest expenses		**(12,018)**	(11,008)
Cash interest expenses		**(54,255)**	(50,561)
		(66,273)	(61,569)
Share of profits less losses of associated companies		**1,262**	1,499
Profit before taxation		**330,699**	264,603
Taxation	*5*	**(18,056)**	(28,154)
Profit for the period		**312,643**	236,449
Attributable to:			
Shareholders of the Company		**312,280**	235,523
Non-controlling interests		**363**	926
		312,643	236,449
Earnings per share for profit attributable to the shareholders of the Company during the period	*7*		
– basic		**3.80 US cents**	2.92 US cents
– diluted		**3.79 US cents**	2.90 US cents

Details of dividends to shareholders of the Company are set out in *Note 6*.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	UNAUDITED SIX MONTHS ENDED 30 JUNE	
	2012	2011
	US$'000	US$'000
Profit for the period	**312,643**	236,449
Other comprehensive (expense)/income:		
Currency translation differences	**(217)**	20,009
Net fair value loss on cash flow hedges, net of tax	**(4,457)**	(4,881)
Net fair value gain on available-for-sale financial assets, net of tax	**30**	129
Net actuarial loss from post employment benefits recognized in reserve, net of tax	**(85)**	–
Realization of revaluation reserve on disposal of available-for-sale financial assets, net of tax	**75**	–
Other comprehensive (expense)/income for the period, net of tax	**(4,654)**	15,257
Total comprehensive income for the period	**307,989**	251,706
Attributable to:		
Shareholders of the Company	**307,679**	250,526
Non-controlling interests	**310**	1,180
Total comprehensive income for the period	**307,989**	251,706

CONSOLIDATED BALANCE SHEET

	Note	UNAUDITED 30 JUNE 2012 US$'000	AUDITED 31 DECEMBER 2011 US$'000
Non-current assets			
Intangible assets	*8*	**6,738,713**	6,525,999
Property, plant and equipment	*8*	**369,629**	325,432
Prepaid premium for land leases		**3,041**	3,144
Associated companies		**8,230**	7,015
Available-for-sale financial assets		**65,591**	70,574
Deposits		**18,271**	12,537
Deferred tax assets		**29,281**	24,148
		7,232,756	6,968,849
Current assets			
Inventories		**1,074,685**	1,035,788
Due from related companies		**28,901**	16,948
Trade and bills receivable	*9*	**2,094,319**	2,004,542
Other receivables, prepayments and deposits		**446,309**	454,310
Derivative financial instruments		**7,097**	13,743
Cash and bank balances		**307,054**	426,240
		3,958,365	3,951,571
Current liabilities			
Due to related companies		**12,456**	12,675
Trade and bills payable	*10*	**2,400,943**	2,336,991
Accrued charges and sundry payables		**575,269**	734,213
Balance of purchase consideration payable for acquisitions to be settled by cash	*11*	**492,602**	323,712
Balance of purchase consideration payable for acquisitions to be settled by shares issued and held by escrow agent		**–**	1,764
Taxation		**86,202**	103,006
Bank advances for discounted bills	*9*	**33,717**	40,298
Short-term bank loans		**156,457**	111,936
Bank overdrafts		**558**	225
		3,758,204	3,664,820
Net current assets		**200,161**	286,751
Total assets less current liabilities		**7,432,917**	7,255,600

CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	UNAUDITED 30 JUNE 2012 US$'000	AUDITED 31 DECEMBER 2011 US$'000
Financed by:			
Share capital	12	**13,392**	12,987
Reserves		**4,274,245**	3,566,195
Proposed dividend		**160,717**	354,611
		4,434,962	3,920,806
Shareholders' funds attributable to the Company's shareholders		**4,448,354**	3,933,793
Non-controlling interests		**10,033**	4,813
Total equity		**4,458,387**	3,938,606
Non-current liabilities			
Long-term notes	11	**1,255,734**	1,256,007
Balance of purchase consideration payable for acquisitions settled by cash	11	**1,304,593**	1,646,664
Other long-term liabilities	11	**345,680**	348,351
Post-employment benefit obligations		**13,099**	13,096
Deferred tax liabilities		**55,424**	52,876
		2,974,530	3,316,994
		7,432,917	7,255,600

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited						
	Attributable to shareholders of the Company						
	Share capital US$'000	Share premium US$'000	Other reserves US$'000 *(Note 13)*	Retained earnings US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at 1 January 2012	12,987	3,114,097	(27,439)	834,148	3,933,793	4,813	3,938,606
Comprehensive income							
Profit or loss	–	–	–	312,280	312,280	363	312,643
Other comprehensive income							
Currency translation differences	–	–	(164)	–	(164)	(53)	(217)
Net fair value gain on available-for-sale financial assets, net of tax	–	–	30	–	30	–	30
Net fair value loss on cash flow hedges, net of tax	–	–	(4,457)	–	(4,457)	–	(4,457)
Net actuarial loss from post employment benefits recognized in reserve, net of tax	–	–	(85)	–	(85)	–	(85)
Realization of revaluation reserve on disposal of available-for-sale financial assets, net of tax	–	–	75	–	75	–	75
Total other comprehensive income	–	–	(4,601)	–	(4,601)	(53)	(4,654)
Total comprehensive income	–	–	(4,601)	312,280	307,679	310	307,989
Transactions with owners							
Issue of shares upon a private placing	337	497,923	–	–	498,260	–	498,260
Employee share option scheme:							
– value of employee services	–	–	5,629	–	5,629	–	5,629
– proceeds from shares issued	68	65,160	–	–	65,228	–	65,228
– transfer to share premium	–	14,644	(14,644)	–	–	–	–
Release of shares held by escrow agent for settlement of acquisition consideration	–	–	1,764	–	1,764	–	1,764
Transfer to capital reserve	–	–	124	(124)	–	–	–
Capitalization of loan from non-controlling interests	–	–	–	–	–	4,910	4,910
2011 final dividend paid	–	–	–	(363,999)	(363,999)	–	(363,999)
Total transactions with owners	405	577,727	(7,127)	(364,123)	206,882	4,910	211,792
Balance at 30 June 2012	13,392	3,691,824	(39,167)	782,305	4,448,354	10,033	4,458,387

	Unaudited						
	Attributable to shareholders of the Company						
	Share capital US$'000	Share premium US$'000	Other reserves US$'000 *(Note 13)*	Retained earnings US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at 1 January 2011	12,899	3,015,794	(22,868)	620,204	3,626,029	6,049	3,632,078
Comprehensive income							
Profit or loss	–	–	–	235,523	235,523	926	236,449
Other comprehensive income							
Currency translation differences	–	–	19,755	–	19,755	254	20,009
Net fair value gain on available-for-sale financial assets, net of tax	–	–	129	–	129	–	129
Net fair value loss on cash flow hedges, net of tax	–	–	(4,881)	–	(4,881)	–	(4,881)
Total other comprehensive income	–	–	15,003	–	15,003	254	15,257
Total comprehensive income	–	–	15,003	235,523	250,526	1,180	251,706
Transactions with owners							
Employee share option scheme:							
– value of employee services	–	–	7,256	–	7,256	–	7,256
– proceeds from shares issued	83	76,116	–	–	76,199	–	76,199
– transfer to share premium	–	17,757	(17,757)	–	–	–	–
Transfer to capital reserve	–	–	74	(74)	–	–	–
2010 final dividend paid	–	–	–	(269,851)	(269,851)	–	(269,851)
Total transactions with owners	83	93,873	(10,427)	(269,925)	(186,396)	–	(186,396)
Balance at 30 June 2011	12,982	3,109,667	(18,292)	585,802	3,690,159	7,229	3,697,388

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	UNAUDITED SIX MONTHS ENDED 30 JUNE	
	2012	2011
	US$'000	US$'000
Net cash (outflow)/inflow from operating activities	**(12,074)**	212,548
Net cash outflow from investing activities	**(290,870)**	(477,705)
Net cash outflow before financing activities	**(302,944)**	(265,157)
Net cash inflow/(outflow) from financing activities	**184,266**	(97,444)
Decrease in cash and cash equivalents	**(118,678)**	(362,601)
Cash and cash equivalents at 1 January	**426,015**	940,232
Effect of foreign exchange rate changes	**(841)**	(4,230)
Cash and cash equivalents at 30 June	**306,496**	573,401
Analysis of the balances of cash and cash equivalents:		
Cash and bank balances	**307,054**	574,934
Bank overdrafts	**(558)**	(1,533)
	306,496	573,401

NOTES TO CONDENSED INTERIM FINANCIAL REPORT

1 GENERAL INFORMATION

Li & Fung Limited ("the Company") and its subsidiaries (together, "the Group") are principally engaged in managing the supply chain for retailers and brands worldwide from over 300 offices and distribution centers in more than 40 economies.

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

The Company's shares are listed on The Stock Exchange of Hong Kong Limited.

These condensed interim financial report are presented in US dollars, unless otherwise stated. This condensed interim financial report was approved for issue on 9 August 2012.

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, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), by the Company's auditor, PricewaterhouseCoopers.

This interim financial report has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the HKICPA and Appendix 16 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited. This interim financial report should be read in conjunction with the annual accounts for the year ended 31 December 2011, which were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The preparation of interim financial report requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim financial report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated accounts for the year ended 31 December 2011.

Except as described in (a) below, the accounting policies applied are consistent with those of the annual accounts for the year ended 31 December 2011, 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.

(a) New and amended standards adopted by the Group

The following new and amended standards and interpretations of HKFRSs are mandatory for accounting periods beginning on or after 1 January 2012 but are not relevant to the Group's operations:

HKAS 12 (amendment)	Deferred tax: recovery of underlying assets
HKFRS 1 (amendment)	Severe hyperinflation and removal of fixed dates for first-time adopters
HKFRS 7 (amendment)	Disclosures – Transfers of financial assets

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(b) The following are new standards, new interpretations and amendments to standards and interpretations relevant to the Group that have been issued but are not effective for the accounting period beginning 1 January 2012 and have not been early adopted:

HKAS 1 (amendment)	Presentation of financial statements [1]
HKAS 19 (2011)	Employee benefits [2]
HKAS 27 (2011)	Separate financial statements [2]
HKAS 28 (2011)	Investments in associates and joint ventures [2]
HKAS 32 (amendment)	Financial instruments: Presentation – Offsetting financial assets and financial liabilities [3]
HKFRS 7 (amendment)	Financial instruments: Presentation – Offsetting financial assets and financial liabilities [2]
HKFRS 7 and 9 (amendments)	Mandatory effective date and transition disclosures [4]
HKFRS 9	Financial instruments [4]
HKFRS 10	Consolidated financial statements [2]
HKFRS 11	Joint arrangements [2]
HKFRS 12	Disclosures of interests in other entities [2]
HKFRS 13	Fair value measurement [2]
HK(IFRIC) – Int 20	Stripping costs in the production phase of a surface mine [2]
Fourth annual improvements Project (2011)	Improvements to HKFRS published in June 2012 [2]

NOTES:

(1) Effective for financial periods beginning on or after 1 July 2012
(2) Effective for financial periods beginning on or after 1 January 2013
(3) Effective for financial periods beginning on or after 1 January 2014
(4) Effective for financial periods beginning on or after 1 January 2015

3 SEGMENT INFORMATION

The Company is domiciled in Bermuda. The Group is principally engaged in managing the supply chain for retailers and brands worldwide from over 300 offices and distribution centers in more than 40 economies. Turnover represents revenue generated from sales and services rendered at invoiced value to customers outside the Group less discounts and returns.

The Group's management (Chief Operating Decision-Maker) considers the business principally from the perspective of three global Networks, namely Trading Network, Logistics Network and Distribution Network. Trading Network is the operating segment that focuses on the global sourcing business. Logistics Network is the operating segment that runs both the Group's international and domestic logistics services networks globally. Distribution Network is the operating segment that operates the onshore distribution businesses in the US, Pan-European and Asian regions.

The Group's management assesses the performance of the operating segments based on the core 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 any 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, gain on remeasurement of contingent consideration payable or acquisition-related costs. Other information provided to the Group's management is measured in a manner consistent with that in the interim financial report. Certain prior period comparatives of segment information have been reclassified to conform to the current period presentation.

3 SEGMENT INFORMATION (CONTINUED)

	Trading Network US$'000	Logistics Network US$'000	Distribution Network US$'000	Elimination US$'000	Total US$'000
Six months ended 30 June 2012 (Unaudited)					
Turnover	7,230,367	223,672	2,901,322	(1,227,710)	9,127,651
Total margin	621,620	87,367	613,089		1,322,076
Operating costs	(420,988)	(82,934)	(596,699)		(1,100,621)
Core operating profit	200,632	4,433	16,390		221,455
Gain on remeasurement of contingent consideration payable					198,295
Loss on disposal of businesses					(303)
Other non-core operating expenses					(34,315)
Operating profit					385,132
Interest income					10,578
Interest expenses					
Non-cash interest expenses					(12,018)
Cash interest expenses					(54,255)
					(66,273)
Share of profits less losses of associated companies					1,262
Profit before taxation					330,699
Taxation					(18,056)
Profit for the period					312,643
Depreciation & amortization	22,911	5,177	110,786		138,874
30 June 2012 (Unaudited)					
Non-current assets (other than available-for-sale financial assets and deferred tax assets)	2,159,066	528,139	4,450,679		7,137,884

3 SEGMENT INFORMATION (CONTINUED)

	Trading Network US$'000	Logistics Network US$'000	Distribution Network US$'000	Elimination US$'000	Total US$'000
Six months ended 30 June 2011 (Unaudited)					
Turnover	6,958,287	212,791	2,739,438	(1,112,298)	8,798,218
Total margin	591,083	84,360	579,551		1,254,994
Operating costs	(384,425)	(81,920)	(506,208)		(972,553)
Core operating profit	206,658	2,440	73,343		282,441
Gain on disposal of businesses/ subsidiary					46,544
Gain on disposal of properties/ property holding subsidiary					13,670
Other non-core operating expenses					(24,549)
Operating profit					318,106
Interest income					6,567
Interest expenses					
Non-cash interest expenses					(11,008)
Cash interest expenses					(50,561)
					(61,569)
Share of profits less losses of associated companies					1,499
Profit before taxation					264,603
Taxation					(28,154)
Profit for the period					236,449
Depreciation & amortization	18,617	8,643	71,416		98,676
31 December 2011 (Audited)					
Non-current assets (other than available-for-sale financial assets and deferred tax assets)	2,012,456	525,483	4,336,188		6,874,127

3 SEGMENT INFORMATION (CONTINUED)

The geographical analysis of turnover and non-current assets (other than available-for-sale financial assets and deferred tax assets) are as follows:

	TURNOVER UNAUDITED SIX MONTHS ENDED 30 JUNE		NON-CURRENT ASSETS (OTHER THAN AVAILABLE-FOR-SALE FINANCIAL ASSETS AND DEFERRED TAX ASSETS)	
			UNAUDITED 30 JUNE	AUDITED 31 DECEMBER
	2012	2011	**2012**	2011
	US$'000	US$'000	**US$'000**	US$'000
United States of America	**5,665,567**	5,091,299	**4,537,636**	4,255,844
Europe	**1,677,718**	1,928,269	**1,268,667**	1,324,471
China	**555,485**	526,253	**450,893**	436,051
Rest of Asia	**599,293**	601,366	**630,128**	624,440
Canada	**293,262**	321,196	**116,621**	111,368
Australasia	**148,431**	184,313	**56,634**	60,770
Central and Latin America	**134,906**	102,269	**58,053**	45,072
South Africa and Middle East	**52,989**	43,253	**19,252**	16,111
	9,127,651	8,798,218	**7,137,884**	6,874,127

Turnover to external parties consists of sales of softgoods, hardgoods and logistics income are as follows:

	UNAUDITED SIX MONTHS ENDED 30 JUNE	
	2012	2011
	US$'000	US$'000
Softgoods	**5,827,892**	5,611,282
Hardgoods	**3,102,413**	2,995,679
Logistics	**197,346**	191,257
	9,127,651	8,798,218

For the six months ended 30 June 2012, approximately 14.7% (2011: 12.1%) of the Group's turnover is derived from a single external customer, of which, 13.1% (2011: 10.6%) and 1.6% (2011: 1.5%) are attributable to the Trading Network and Distribution Network segments respectively.

4 OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	UNAUDITED SIX MONTHS ENDED 30 JUNE	
	2012	2011
	US$'000	US$'000
Crediting		
Gain on remeasurement of contingent consideration payable *(Note)*	**198,295**	–
Charging		
Amortization of computer software and system development costs	**3,659**	3,220
Amortization of brand licenses	**65,314**	42,672
Amortization of other intangible assets	**32,144**	22,164
Amortization of prepaid premium for land leases	**75**	38
Depreciation of property, plant and equipment	**37,682**	30,582
Loss on disposal of plant and equipment	**240**	1,243
Staff costs including directors' emoluments	**628,321**	556,134

NOTE: During the period, the Group remeasured contingent considerations payable for all acquisitions with outstanding contingent consideration arrangements. Based on the market outlook and the prevailing business plans and projections, the provisions for performance-based contingent considerations for the acquisitions of Visage Group Limited and HTP Group completed in 2010 were remeasured and reduced by US$198,295,000 in aggregate. The revised provisions for performance-based contingent considerations are calculated based on discounted cash flows with the revision of estimated future profit of these acquired businesses. These decreases in provision for contingent consideration were recognized as non-core operating gain on remeasurement of contingent consideration payable.

5 TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

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

	UNAUDITED SIX MONTHS ENDED 30 JUNE	
	2012	2011
	US$'000	US$'000
Current taxation		
– Hong Kong profits tax	**3,842**	4,418
– Overseas taxation	**16,884**	27,417
Deferred taxation	**(2,670)**	(3,681)
	18,056	28,154

As of the date of this interim financial report, the Group has disputes with the Hong Kong Inland Revenue ("HKIR") involving additional tax assessments amounting to approximately US$247 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 2010/11.

5 TAXATION (CONTINUED)

The Commissioner of the HKIR issued a determination on 14 June 2004 to one of our subsidiaries, Li & Fung (Trading) Limited ("LFT"), confirming additional tax assessments totalling US$43 million relating to the years of assessment from 1992/93 to 2001/02. Based upon professional advice then obtained, the directors believed that the Group had meritorious reasons to justify appealing against the Commissioner's determination. Accordingly, LFT lodged 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 its decision on 12 June 2009 ("the Board of Review 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. In other words, the relevant assessments in respect of such Offshore Claim should 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. Therefore, the relevant assessments in respect of such Deduction Claim should be confirmed.

The Group 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.

On the other hand, the HKIR also lodged an appeal against the Board of Review Decision in respect of the Offshore Claim.

On 19 March 2010, the Board of Review stated a case on questions of law in respect of both LFT's appeal on the Deduction Claim, and the HKIR's appeal on the Offshore Claim. On 1 April 2010, both LFT and the HKIR transmitted the stated case to the High Court for determination.

The appeal by the HKIR in respect of the Board of Review Decision on the Offshore Claim was dismissed by the Court of First Instance on 18 April 2011, which upheld the Board of Review Decision. LFT was also awarded costs of the appeal.

On 16 May 2011, the HKIR lodged an appeal against the judgment of the Court of First Instance to the Court of Appeal, which appeal was heard by the Court of Appeal on 14 and 15 February 2012. On 19 March 2012, the Court of Appeal delivered its judgment. It upheld the judgment of the Court of First Instance, and dismissed the HKIR's appeal. Any appeal against the judgment of the Court of Appeal to the Court of Final Appeal will require permission of the Court of Appeal or the Court of Final Appeal. As no application for such permission was submitted by the HKIR before the deadline, the Court of Appeal judgment on the Offshore Claim is considered as final.

As regards LFT's appeal on the Deduction Claim, upon the consent of the parties, the Court of First Instance has remitted the case stated to the Board of Review and directed it to make further findings of fact and to determine certain issues. As of the date of this interim financial report, further directions/decisions from the Board of Review are awaited.

The Group has also filed objections with the HKIR against the remaining additional tax assessments of US$204 million. The case before the Board of Review and now the Court of Appeal only applies to the additional tax assessments in respect of LFT for the years of assessment from 1992/93 to 2001/02. The Group's dispute with the HKIR regarding the remaining additional tax assessments in respect of certain other subsidiaries for the years of assessment from 1992/93 to 2001/02, and in respect of the Group for the period after the 2001/02 assessment years, is ongoing and has not yet been determined. Such dispute is therefore not yet before the Board of Review, and no hearing is currently scheduled.

5 TAXATION (CONTINUED)

Based on the assessment of the Group's professional advisers on the merits of LFT's further appeal in respect of the Deduction Claim and the HKIR's further appeal in respect of the Offshore Claim (which has now been dismissed by the Court of Appeal), and having taken into account the impact and ramification that the Board of Review Decision has on the tax affairs of LFT, the directors consider that no material tax liabilities will finally crystallize and sufficient tax provision has been made in the accounts in this regard.

On 11 June 2010, the Group also applied for a judicial review of the decision of the Commissioner of the HKIR rejecting LFT's application for an unconditional holdover of tax for the year of assessment 2008/09 pending the determination of the objection lodged with the HKIR. The Group purchased tax reserve certificates in respect of LFT for the year of assessment 2008/09 as directed by the Commissioner of the HKIR pending the decision of the judicial review application. As of the date of this interim financial report, the hearing date for the judicial review application is yet to be fixed.

6 INTERIM DIVIDENDS

	UNAUDITED SIX MONTHS ENDED 30 JUNE	
	2012	2011
	US$'000	US$'000
Proposed, of US$0.019 (equivalent to HK$0.15) (2011: US$0.024 (equivalent to HK$0.19)) per ordinary share	**160,717**	197,360

A dividend of US$363,999,000 proposed for the year ended 31 December 2011 was paid in May 2012 (2011: US$269,851,000).

7 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of US$312,280,000 (2011: US$235,523,000) and on the weighted average number of 8,220,235,000 (2011: 8,070,223,000) shares in issue during the period.

Diluted earnings per share is calculated by adjusting the weighted average number of 8,220,235,000 (2011: 8,070,223,000) ordinary shares in issue by 16,223,000 (2011: 52,128,000), to assume conversion of all dilutive potential ordinary shares granted under the Company's Option Scheme. For the calculation of dilutive potential ordinary share granted under the Company, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

8 CAPITAL EXPENDITURE

	Intangible assets US$'000	Property, plant and equipment US$'000
Six months ended 30 June 2012		
Net book amount as at 1 January 2012	6,525,999	325,432
Adjustments to purchase consideration and net asset value *(Note (a))*	(22,149)	–
Adjustments to purchase consideration for acquisitions completed prior to 1 January 2010 *(Note (b))*	87,192	–
Additions	68,054	81,907
Acquisition of businesses/subsidiaries	175,828	3,170
Disposal of businesses	–	(1,365)
Disposals	–	(983)
Amortization *(Note (c))*/depreciation	(101,117)	(37,682)
Exchange differences	4,906	(850)
Net book amount as at 30 June 2012 (unaudited)	**6,738,713**	**369,629**

NOTES:

(a) These are adjustments to purchase considerations and net asset values related to certain acquisitions of businesses/subsidiaries in the prior year, which were previously determined on a provisional basis. During the measurement period, the Group recognized adjustments to the provisional amounts as if the accounting for the business combination had been completed at the acquisition date. Save as adjustments to intangible assets stated above, there were corresponding net adjustments to purchase consideration of US$29,278,000 and other assets/liabilities of approximately US$7,129,000.

(b) For acquisitions completed prior to 1 January 2010, the effective date of HKFRS 3 (Revised) "Business Combination" being adopted by the Group, changes in accrued contingent considerations determined based on post-acquisition performance were made against goodwill.

(c) Amortization of intangible assets included amortization of computer software and system development costs of US$3,659,000, amortization of brand licenses of US$65,314,000 and amortization of other intangible assets arising from business combination of US$32,144,000.

9 TRADE AND BILLS RECEIVABLE

The ageing of trade and bills receivable based on invoice date is as follows:

	Current to 90 days US$'000	91 to 180 days US$'000	181 to 360 days US$'000	Over 360 days US$'000	Total US$'000
Balance at 30 June 2012 (unaudited)	**1,991,922**	**79,705**	**10,003**	**12,689**	**2,094,319**
Balance at 31 December 2011 (audited)	1,879,710	100,825	13,178	10,829	2,004,542

All trade and bills receivable are either repayable within one year or on demand. Accordingly, the fair values of the Group's trade and bills receivable approximates their carrying values.

A significant portion of the Group's business is on sight letter of credit, usance letter of credit up to a tenor of 120 days, documents against payment or customers' letter of credit to suppliers. The balance of the business is on open account terms and is often covered by customers' standby letters of credit, bank guarantees, credit insurance or under a back-to-back payment arrangement with suppliers.

9 TRADE AND BILLS RECEIVABLE (CONTINUED)

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 discounted bills receivable balances amounting to US$33,717,000 (31 December 2011: US$40,298,000) to banks in exchange for cash as at 30 June 2012. The transactions have been accounted for as collateralized bank advances.

As at 30 June 2012, trade receivables of US$21,750,000 (31 December 2011: US$8,820,000) were pledged as security for the Group's borrowings.

10 TRADE AND BILLS PAYABLE

The ageing of trade and bills payable based on invoice date is as follows:

	Current to 90 days US$'000	91 to 180 days US$'000	181 to 360 days US$'000	Over 360 days US$'000	Total US$'000
Balance at 30 June 2012 (unaudited)	**2,339,192**	**46,940**	**8,258**	**6,553**	**2,400,943**
Balance at 31 December 2011 (audited)	2,254,085	56,542	7,474	18,890	2,336,991

The fair values of the Group's trade and bills payable approximates their carrying values.

11 LONG-TERM LIABILITIES

	UNAUDITED 30 JUNE 2012 US$'000	AUDITED 31 DECEMBER 2011 US$'000
Long-term loans from non-controlling shareholders	**–**	4,910
Long-term bank loans – unsecured	**100,000**	105,489
Long-term notes – unsecured	**1,255,734**	1,256,007
Balance of purchase consideration payable for acquisitions to be settled by cash	**1,797,195**	1,970,376
License royalty payable	**214,306**	225,036
Other non-current liability (non-financial liability)	**66,193**	66,530
	3,433,428	3,628,348
Current portion of balance of purchase consideration payable for acquisitions to be settled by cash	**(492,602)**	(323,712)
Current portion of license royalty payable	**(34,819)**	(53,614)
	2,906,007	3,251,022

Balance of purchase consideration payable for acquisitions to be settled by cash as at 30 June 2012 included performance-based earnout and earnup contingent consideration of US$926,494,000 and US$870,701,000, respectively (31 December 2011: US$1,073,257,000 and US$897,119,000). Earnout is contingent consideration that would be realized if the acquired businesses achieve their respective base year profit target, calculated on certain predetermined basis, during the designated periods of time. Earnup is contingent consideration that would be realized if the acquired businesses achieve certain growth targets, calculated based on the base year profits, during the designated periods of time.

11 LONG-TERM LIABILITIES (CONTINUED)

Earnout and earnup of certain acquisitions were remeasured during the period, details are set out in *Note 4* and *Note 8* to the interim financial report.

The basis of the contingent consideration differs for each acquisition; generally however the contingent consideration reflects a specified multiple of the post-acquisition financial profitability of the acquired business. Consequently, the actual additional consideration payable will vary according to the future performance of each individual acquired business, and the liabilities provided reflect estimates of such future performances. Due to the number of acquisitions for which additional consideration remains outstanding and the variety of basis of determination, it is not practicable to provide any meaningful sensitivity in relation to the critical assumptions concerning future profitability of the acquired business.

Should the total actual additional consideration paid in the period ended 30 June 2012 be 0.1% higher/lower than the corresponding amount of contingent consideration estimated by management as payable at 30 June 2012, there would be consequent increases/reductions in non-core operating expenses for the period ended 30 June 2012 and goodwill of US$1,622,000 and US$175,000 respectively.

12 SHARE CAPITAL AND OPTIONS

	No. of shares (in thousand)	HK$'000	Equivalent to US$'000
Authorized			
At 1 January 2012, ordinary shares of HK$0.0125 each	12,000,000	150,000	19,231
At 30 June 2012, ordinary shares of HK$0.0125 each	**12,000,000**	**150,000**	**19,231**
Issued and fully paid			
At 1 January 2012, ordinary shares of HK$0.0125 each	8,104,154	101,302	12,987
Issue of shares upon a private placing *(Note)*	210,000	2,625	337
Exercise of share options	42,303	529	68
At 30 June 2012, ordinary shares of HK$0.0125 each	**8,356,457**	**104,456**	**13,392**

NOTE:

Pursuant to a placing agreement dated 27 March 2012, Fung Holdings (1937) Limited (formerly known as Li & Fung (1937) Limited) ("FH (1937)") placed 210,000,000 existing shares of HK$0.0125 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$18.62 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 FH (1937) in relation to the placing and/or the subscription. The net proceeds of the subscription amounted to approximately US$498,260,000 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.

12 SHARE CAPITAL AND OPTIONS (CONTINUED)

Details of share options granted by the Company pursuant to the Share Option Scheme and the share options outstanding at 30 June 2012 are as follows:

Grant Date	Exercise Price HK$	Exercisable period	Number of Share Options					
			As at 1/1/2012	Granted	Exercised	Cancelled	Lapsed	As at 30/6/2012
20/6/2005	6.72	20/6/2009 – 19/6/2012	5,336,000	–	(5,226,000)	–	(110,000)	–
23/1/2006	6.86	20/6/2009 – 19/6/2012	924,000	–	(924,000)	–	–	–
19/6/2006	7.82	20/6/2009 – 19/6/2012	420,000	–	(320,000)	–	(100,000)	–
2/2/2007	12.75	20/6/2009 – 19/6/2012	2,688,000	–	(1,956,000)	–	(732,000)	–
13/7/2007	14.96	20/6/2009 – 19/6/2012	872,000	–	(872,000)	–	–	–
24/1/2008	12.77	1/3/2010 – 29/2/2012	24,704,800	–	(19,822,800)	(2,882,000)	(2,000,000)	–
24/1/2008	12.77	1/3/2011 – 28/2/2013	37,123,000	–	(6,367,000)	–	–	30,756,000
21/5/2008	15.00	1/3/2010 – 29/2/2012	1,344,000	–	(984,000)	(180,000)	(180,000)	–
21/5/2008	15.00	1/3/2011 – 28/2/2013	2,206,000	–	(522,000)	–	–	1,684,000
13/8/2008	13.10	1/3/2010 – 29/2/2012	1,552,300	–	(895,600)	(408,800)	(247,900)	–
13/8/2008	13.10	1/3/2011 – 28/2/2013	2,602,800	–	(608,400)	–	–	1,994,400
24/2/2009	8.61	1/3/2010 – 29/2/2012	684,000	–	(116,000)	(416,000)	(152,000)	–
24/2/2009	8.61	1/3/2011 – 28/2/2013	1,604,000	–	(412,000)	–	–	1,192,000
14/8/2009	13.90	1/3/2010 – 29/2/2012	2,241,000	–	(1,998,800)	(90,400)	(151,800)	–
14/8/2009	13.90	1/3/2011 – 28/2/2013	3,616,400	–	(1,272,200)	–	–	2,344,200
25/3/2010	20.76	1/3/2011 – 28/2/2013	4,866,600	–	–	–	–	4,866,600
15/11/2010	22.42	1/3/2011 – 28/2/2013	2,357,200	–	–	–	–	2,357,200
11/4/2011	20.21	1/5/2012 – 30/4/2015	32,860,000	–	–	–	–	32,860,000
11/4/2011	20.21	1/5/2013 – 30/4/2015	33,404,000	–	–	–	–	33,404,000
11/4/2011	20.21	1/5/2014 – 30/4/2016	83,226,000	–	–	–	–	83,226,000
21/11/2011	15.20	1/5/2012 – 30/4/2015	2,039,000	–	(6,000)	–	–	2,033,000
21/11/2011	15.20	1/5/2013 – 30/4/2015	4,228,000	–	–	–	–	4,228,000
21/11/2011	15.20	1/5/2014 – 30/4/2016	9,457,000	–	–	–	–	9,457,000
22/12/2011	14.50	1/5/2013 – 30/4/2015	3,000,000	–	–	–	–	3,000,000
22/12/2011	14.50	1/5/2014 – 30/4/2016	3,000,000	–	–	–	–	3,000,000
22/12/2011	14.50	1/5/2015 – 30/4/2017	3,000,000	–	–	–	–	3,000,000
22/12/2011	14.50	1/5/2016 – 30/4/2018	3,000,000	–	–	–	–	3,000,000
22/12/2011	14.50	1/5/2017 – 30/4/2019	3,000,000	–	–	–	–	3,000,000
22/12/2011	14.50	1/5/2018 – 30/4/2020	3,000,000	–	–	–	–	3,000,000
22/12/2011	14.50	1/5/2019 – 30/4/2021	3,000,000	–	–	–	–	3,000,000
22/12/2011	14.50	1/5/2020 – 30/4/2022	3,000,000	–	–	–	–	3,000,000
22/12/2011	14.50	1/5/2021 – 30/4/2023	3,000,000	–	–	–	–	3,000,000
26/6/2012	15.09	1/5/2013 – 30/4/2015	–	3,789,000	–	(47,000)	–	3,742,000
26/6/2012	15.09	1/5/2014 – 30/4/2016	–	8,447,000	–	(90,000)	–	8,357,000
		Total	287,356,100	12,236,000	(42,302,800)	(4,114,200)	(3,673,700)	249,501,400

Subsequent to 30 June 2012, 837,400 Shares have been allotted and issued under the Option Scheme.

13 OTHER RESERVES

	Unaudited							
	Shares held by escrow agent for settlement of acquisition consideration US$'000	**Capital reserve US$'000**	**Employee share-based compensation reserve US$'000**	**Revaluation reserve US$'000**	**Hedging reserve US$'000**	**Defined benefit obligation US$'000**	**Exchange reserve US$'000**	**Total US$'000**
Balance at 1 January 2012	**(8,503)**	**3,618**	**47,237**	**2,496**	**9,474**	**(3,549)**	**(78,212)**	**(27,439)**
Comprehensive income								
Currency translation differences	**–**	**–**	**–**	**–**	**–**	**–**	**(164)**	**(164)**
Net fair value gain on available-for-sale financial assets, net of tax	**–**	**–**	**–**	**30**	**–**	**–**	**–**	**30**
Net fair value loss on cash flow hedges, net of tax	**–**	**–**	**–**	**–**	**(4,457)**	**–**	**–**	**(4,457)**
Net actuarial loss from post employment benefits recognized in reserve, net of tax	**–**	**–**	**–**	**–**	**–**	**(85)**	**–**	**(85)**
Realization of revaluation reserve on disposal of available-for-sale financial assets, net of tax	**–**	**–**	**–**	**75**	**–**	**–**	**–**	**75**
Transactions with owners								
Employee share option scheme:								
– value of employee services	**–**	**–**	**5,629**	**–**	**–**	**–**	**–**	**5,629**
– transfer to share premium	**–**	**–**	**(14,644)**	**–**	**–**	**–**	**–**	**(14,644)**
Release of shares held by escrow agent for settlement of acquisition consideration	**1,764**	**–**	**–**	**–**	**–**	**–**	**–**	**1,764**
Transfer to capital reserve	**–**	**124**	**–**	**–**	**–**	**–**	**–**	**124**
At 30 June 2012	**(6,739)**	**3,742**	**38,222**	**2,601**	**5,017**	**(3,634)**	**(78,376)**	**(39,167)**

	Unaudited							
	Shares held by escrow agent for settlement of acquisition consideration US$'000	Capital reserve US$'000	Employee share-based compensation reserve US$'000	Revaluation reserve US$'000	Hedging reserve US$'000	Defined benefit obligation US$'000	Exchange reserve US$'000	Total US$'000
Balance at 1 January 2011	(23,385)	3,544	45,826	2,308	(752)	–	(50,409)	(22,868)
Comprehensive income								
Currency translation differences	–	–	–	–	–	–	19,755	19,755
Net fair value gain on available-for-sale financial assets, net of tax	–	–	–	129	–	–	–	129
Net fair value loss on cash flow hedges, net of tax	–	–	–	–	(4,881)	–	–	(4,881)
Transactions with owners								
Employee share option scheme:								
– value of employee services	–	–	7,256	–	–	–	–	7,256
– transfer to share premium	–	–	(17,757)	–	–	–	–	(17,757)
Transfer to capital reserve	–	74	–	–	–	–	–	74
At 30 June 2011	(23,385)	3,618	35,325	2,437	(5,633)	–	(30,654)	(18,292)

14 BUSINESS COMBINATIONS

During the period, the Group completed a series of acquisitions to expand the Group's existing scale of operation and enlarge the Group's market presence. The Group was not required to made any announcement in accordance with Chapter 14 of the Listing Rules for any individual acquisition completed during the period since none of the acquisitions, on a standalone basis, would be of sufficient material to be recognized as a notifiable transaction, and, for reasons of materiality and commercial sensitivity, no disclosure is provided of the details and impact of any individual acquisition. However, on a collective basis, the estimated aggregate undiscounted total consideration amounted to approximately US$196 million, of which the aggregate initial considerations paid was approximately US$52 million and the aggregate potential undiscounted performance-based contingent consideration payable could range from nil to US$144 million. The estimated fair value of the aggregate contingent consideration payable of approximately US$136 million was determined based on applying agreed multiples to the estimated post-acquisition performance of the acquired businesses/subsidiaries and time value of money.

The contributions of these acquisitions to the Group in this period and the result of the Group as if these acquisitions had occurred on 1 January 2012 are as follows:

	Contribution of the acquired businesses/ subsidiaries for the six months ended 30 June 2012 US$'000	**Group results as if the acquisitions had occurred on 1 January 2012 US$'000**
Turnover	21,792	9,144,067
Total margin	8,514	1,328,662
Operating costs	(5,312)	(1,106,929)
Core operating profit	3,202	221,733
Profit after tax	1,590	310,979

Details of provisional net assets acquired, goodwill and acquisition-related costs are as follows:

	US$'000
Purchase consideration to be settled by cash	187,793
Less: provisional fair value of net assets acquired *(Note)*	(41,972)
Goodwill	145,821
Acquisition-related costs (included in other non-core operating expenses in the consolidated profit and loss account for the period ended 30 June 2012)	2,171

NOTE: As at the date of this interim financial report, verification of individual assets/liabilities of the acquired businesses is in progress and the Group has not finalized the fair value assessments. The relevant fair value of individual assets/liabilities stated above are provisional.

The goodwill is attributable to the acquired workforces, the profitability and the synergies expected to arise from the acquired businesses. Goodwill recognized of US$58,786,000 is expected to be deductible for income tax purposes.

14 BUSINESS COMBINATIONS (CONTINUED)

The initial carrying amounts of the assets and liabilities, other than intangible assets arising from business combinations, of the acquired businesses approximate their provisional fair values at respective acquisition date and are as follows:

	US$'000
Net assets acquired:	
Intangible assets (excluding goodwill)[(i)]	30,007
Property, plant and equipment	3,170
Inventories	2,296
Trade and bills receivable[(ii)]	4,131
Other receivables, prepayments and deposits	6,410
Cash and bank balances	1,190
Taxation	(1,569)
Trade and bills payables	(2,131)
Accrued charges and sundry payables	(753)
Bank overdrafts	(779)
Fair value of net assets acquired	41,972

(i) *Intangible assets arising from business combinations represent customer relationships, and trademarks. The Group has engaged external valuers to perform fair value assessments on these intangible assets in accordance with HKAS 38 "Intangible Assets" and HKFRS 3 "Business Combination". As at the date of the interim financial report, the valuation assessments have not yet been completed and the Group has not finalized the fair value assessments for all of the intangible assets. The relevant fair values of intangible assets stated above are stated on a provisional basis.*

(ii) *The fair value of trade and bills receivables with a fair value of US$4,131,000 which are to be collectible in full.*

Details of these acquisitions are as follows:

In February 2012, the Group acquired Algreta Solutions Limited, which is based in UK and is a source tagging recycling solution provider with the capability to apply electronic article surveillance (EAS) tags on retail merchandise at the manufacturing source.

In March 2012, the Group acquired Palamon (International) Ltd, a leading role-play, costumes and party accessories trading company servicing mass retailers and toy retailers.

During the same month, the Group also acquired Added Extras, LLC, a leading marketer of licensed youth cosmetics and personal care products based in New York.

In June 2012, the Group acquired Dragon Concept HK Ltd, a design driven virtual manufacturer supplying fashion bags, shoes and accessories to the mid-tier and high-end markets.

14 BUSINESS COMBINATIONS (CONTINUED)

Analysis of the net outflow of cash and cash equivalents in respect of the acquisitions:

	US$'000
Purchase consideration	187,793
Purchase consideration payable *(Note)*	(136,246)
Cash and cash equivalents acquired	(411)
Net outflow of cash and cash equivalents in respect of the acquisitions	51,136

NOTE: Balances are the discounted aggregate estimated fair value of deferred considerations payable for the acquired businesses as at respective acquisition dates, which included performance-based earnout and earnup contingent considerations of US$98,946,000 and US$37,300,000. Final amounts of consideration settlements will be determined based on future performance of the acquired businesses.

15 CONTINGENT LIABILITIES

	UNAUDITED 30 JUNE 2012 US$'000	AUDITED 31 DECEMBER 2011 US$'000
Guarantees in respect of banking facilities granted to associated companies	**750**	750

16 COMMITMENTS

(a) OPERATING LEASE COMMITMENTS

At 30 June 2012, the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	UNAUDITED 30 JUNE 2012 US$'000	AUDITED 31 DECEMBER 2011 US$'000
Within one year	**173,123**	192,411
In the second to fifth year inclusive	**489,716**	494,911
After the fifth year	**477,384**	549,867
	1,140,223	1,237,189

16 COMMITMENTS (CONTINUED)

(b) CAPITAL COMMITMENTS

	UNAUDITED 30 JUNE 2012 US$'000	AUDITED 31 DECEMBER 2011 US$'000
Contracted but not provided for:		
Property, plant and equipment	**32,025**	14,713
Computer software and system development	**21,743**	11,729
Authorised but not contracted for:		
Property, plant and equipment	**64,545**	74,072
Computer software and system development	**15,216**	38,791
	133,529	139,305

17 RELATED PARTY TRANSACTIONS

Pursuant to the master agreement for leasing of properties that the Company entered into with FH (1937), the substantial shareholder of the Company, on 13 January 2011, the Group leased certain properties from FH (1937) and its associates during the period with aggregate rental paid of US$12,060,000 (2011: US$11,853,000).

On 19 January 2012, the Group entered into a sales and purchase agreement with LiFung Kids (Holdings) Limited ("LiFung Kids"), a subsidiary of FH (1937), for its divestment of certain apparel retailing business at the initial consideration of US$17.8 million, subject to upward or downward adjustment with reference to net tangible assets, provided that the total consideration will not exceed US$26.7 million.

On the same date, the Group also entered into a new distribution and sale of goods agreement with FH (1937) to set out the framework of the terms for distribution and sales of goods by the Group to the FH (1937) Group for a term of three years from 1 January 2012 to 31 December 2014. This new agreement replaces the original distribution and sale of goods agreement expiring on 31 December 2012 and covers the scope of business contemplated under the Group's agreement to engage LiFung Kids as the Group's exclusive retail distributor for certain branded children's apparel, children's footwear and various other related products in Hong Kong, the PRC and Macau. Based on these distribution and sale of goods agreements, the Group recorded sales of US$5,685,000 (2011: US$980,000) for the interim period.

The foregoing related party transactions also fall under the definition of continuing connected transactions of the Company as stipulated in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

Save as above, 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 and 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 HK dollar, Euro dollar and Sterling Pound. To minimize such risks, sales and purchases are generally transacted in the same currency. HK dollar is pegged to US dollar at a range between 7.75 to 7.85 and the foreign exchange exposure between US dollar and HK dollar is therefore limited.

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 US dollar or HK 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 maintains these equity securities investments for long-term strategic purposes and the Group's overall exposure to price risk is not significant.

At 30 June 2012 and up to the date of the Group's interim financial 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 *((i) above)*. At 30 June 2012, the fair value of foreign exchange forward contracts entered into by the Group amounted to US$7,097,000 (31 December 2011: US$13,743,000), which have been reflected in full in the Group's consolidated balance sheet as derivative financial instruments assets.

(iii) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets except for available-for-sale debt security, 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 its bank deposits of various major currencies, US dollar denominated long-term notes and the US dollar denominated available-for-sale debt security. Bank borrowings at variable rates expose the Group to cash flow interest rate risk. Long-term notes and available-for-sale debt security issued at fixed interest rate expose the Group to fair value interest rate risk. The Group's policy is to maintain a diversified mix of variable and fixed rate borrowings based on prevailing market conditions.

18 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) CREDIT RISK

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

Most of the Group's cash and bank balances 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 counter party 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 facilities 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 9 August 2012.

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
Dow Jones Sustainability Asia Pacific Index
Hang Seng Corporate Sustainability Index Series

KEY DATES

9 August 2012
Announcement of 2012 Interim Results

27 August 2012
Dividend Ex-entitlement for Shares

29 August 2012 to 30 August 2012
(both days inclusive)
Closure of Register of Shareholders

5 September 2012
Payment of 2012 Interim Dividend

REGISTRAR & TRANSFER OFFICES

PRINCIPAL

HSBC Securities Services (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

Telephone:	(852) 2980 1333
e-mail:	*is-enquiries@hk-tricorglobal.com*

SHARE INFORMATION

Board lot size: 2,000 shares

Shares outstanding as at 30 June 2012
8,356,457,506 shares

Market Capitalization as at 30 June 2012
HK$123,842,700,238

Earnings per share for 2012
Interim 3.80 US cents

Dividend per share for 2012
Interim 15 HK cents

INVESTOR RELATIONS CONTACT

Ms Mable Chan
Executive Vice President
– Corporate Communications and Investor Relations

Telephone:	(852) 2300 2300
Fax:	(852) 2300 2020
e-mail:	*ir@lifung.com.hk*

Li & Fung Limited
11th Floor, LiFung Tower
888 Cheung Sha Wan Road
Kowloon, Hong Kong

WEBSITE

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

This Interim Report can be downloaded from the Company's website and can be obtained from the Company's Hong Kong branch share registrar, Tricor Abacus Limited.
本中期業績報告可從本公司網站下載，及向本公司於香港之股份過戶登記處卓佳雅柏勤有限公司索取。

LIFUNG TOWER
888 Cheung Sha Wan Road
Kowloon, Hong Kong
Tel. (852) 2300 2300 | www.lifung.com

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