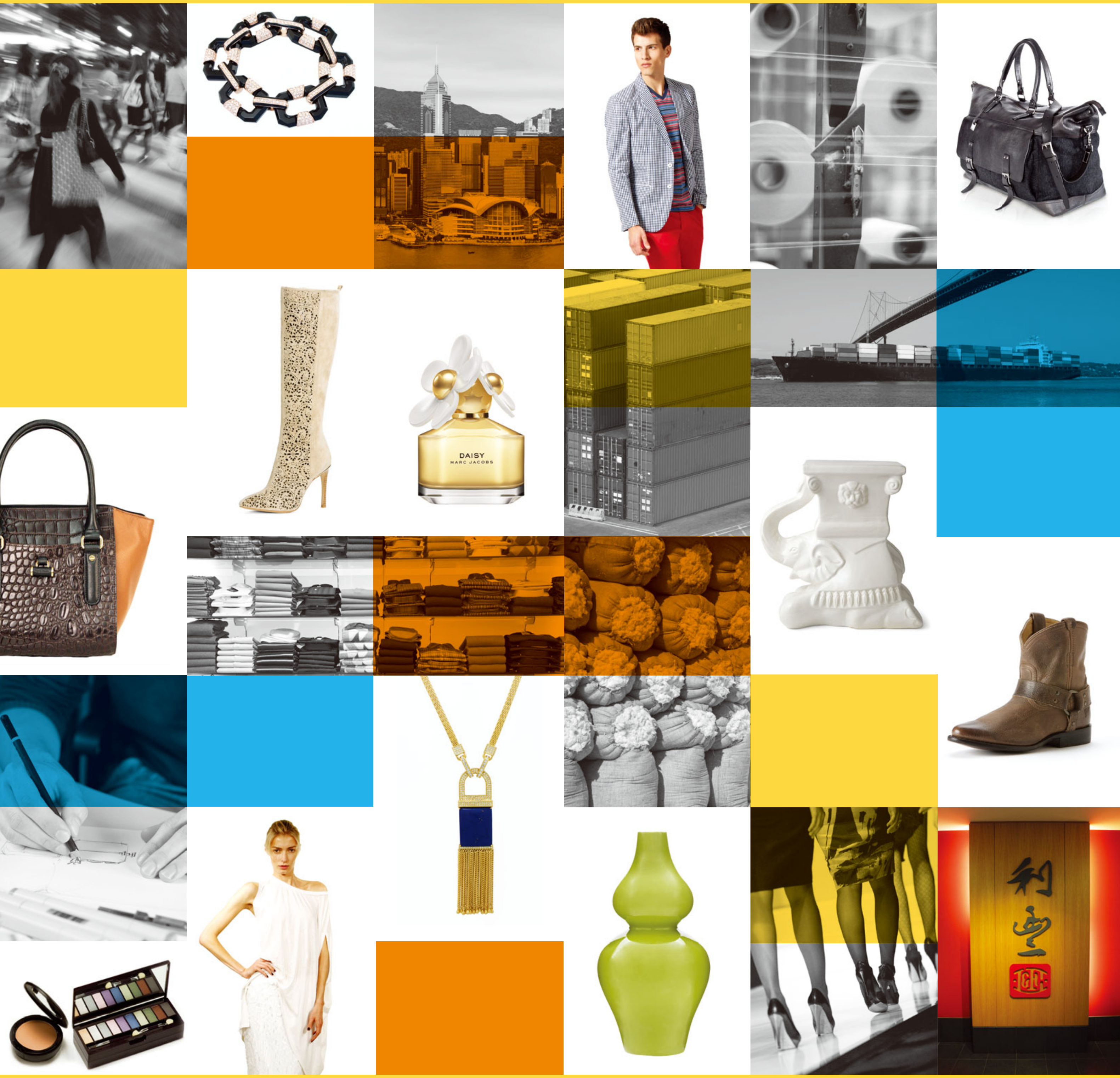
LI & FUNG LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 494

中期業績報告

INTERIM REPORT 2013



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CORPORATE INFORMATION

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Bruce Philip ROCKOWITZ
Group President & Chief Executive Officer
Spencer Theodore FUNG
Group Chief Operating Officer

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* *Independent Non-executive Directors*

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HIGHLIGHTS

(US$ million)	**2013**	2012	Change
Turnover	**9,129**	9,128	–
Total margin	**1,374**	1,322	+4%
As % of turnover	***15.1%***	*14.5%*	
Core Operating Profit	**223**	221	+1%
Net Profit after tax	**111**	313	-64%
Profit attributable to shareholders	**96**	312	-69%
Earnings per Share – Basic	**9.0 HK cents**	29.6 HK cents	-70%
(equivalent to)	**1.15 US cents**	3.80 US cents	
Recurring profit excluding write-back*			
Net Profit after tax	**111**	114	-3%
Profit attributable to shareholders	**96**	114	-15%
Earnings per Share – Basic	**9.0 HK cents**	10.8 HK cents	-17%
(equivalent to)	**1.15 US cents**	1.39 US cents	
Dividend per Share	**15 HK cents**	15 HK cents	–
(equivalent to)	**1.9 US cents**	1.9 US cents	

* *Excluding the non-cash remeasurement gain on contingent consideration payable of US$198 million in 2012*

- Turnover of US$9,129 million at same level as in previous year
- Core operating profit of US$223 million represents an increase of 1%
- Overall margin percentage increased from 14.5% to 15.1%
- Strong operating cash flow of US$217 million on par with 2011 operating level
- Seasonality and change in business mix has increased skewing of core operating profit towards the 2nd half of the year
- Restructuring of LF USA on track for completion by the end of 2013

CHAIRMAN'S STATEMENT

As we finish the first half of 2013, our current Three-Year Plan is drawing to a close in December. I am beginning to reflect on the lessons learned in these three years as we get ready to launch the next Three-Year Plan starting in 2014.

At the end of 2010, when we formulated our current Three-Year Plan, Li & Fung had just emerged relatively unscathed from the global financial crisis. We were encouraged by strong signs of a US recovery, and we thought the EU would not be far behind. In addition, 2012 was an election year in the US, which historically heralds a boom economy. Hence, our Three-Year Plan targets were overly optimistic compared to what actually transpired in our two key markets. The US instead saw anemic growth, and the EU continued to experience economic uncertainty and downturn. At the same time, the extensive reorganization and consolidation of our LF USA operations in 2012 greatly exacerbated the situation.

There is no doubt that 2012 was a particularly challenging year in Li & Fung's long history, but as I reflect on what we have accomplished strategically during this Three-Year Plan period, I am nevertheless encouraged by the organizational progress we have made to prepare ourselves for future growth, as well as the hard work our team has done to prepare the Group for long-term success.

The Three-Network business model of Trading, Logistics and Distribution, which offers customers an unparalleled, one-stop suite of supply chain solutions, is now firmly established, providing us with great opportunities to drive organic growth. Indeed, we are already seeing positive results from cross-selling between the Networks. Our customer relationships, vendor network and operation of one of the world's largest sourcing and wholesale distribution platforms remain unrivalled.

The strategic acquisition of IDS and the move to begin selling to – and not just source from – the growing Asian consumer market has gained much traction during this Three-Year Plan, and so has the establishment of a strong, comprehensive Logistics Network in Asia. These initiatives were part of a key strategy for Li & Fung to truly sell and source globally.

Li & Fung is, and always will be, a company focused on long-term, sustainable growth. With the lessons learned in 2012, and a possibly more favorable economic environment moving forward, we believe the measures taken over the last three years will pay dividends.

PERFORMANCE

In the first half of the year, Group turnover was flat at US$9,129 million. Core operating profit increased slightly by 0.8% to US$223 million. Profit attributable to shareholders was US$96 million, or 1.15 US cents a share, a decrease of 69.1% compared to the same period last year. This was mainly due to the absence of the non-cash gain of US$198 million on the write-back of contingent considerations last year. Excluding such non-cash gains, profit attributable to shareholders decreased by 15.5%.

Our operating cash flow remains strong with US$217 million for this interim period, reversing the negative operating cash flow in first half of 2012 and achieving the same level of operating cash flow we generated in 2011.

The Board of Directors has resolved to declare an interim dividend of 15 HK cents per share (2012 interim: 15 HK cents).

MARKET & BUSINESS

In Europe, uncertainties continue with GDP expected to contract this year. We believe growth will also continue to slow marginally in China in the near term. The outlook is slightly more promising in the US, where an improving housing market and higher consumer spending are driving a modest recovery, although the country's economy is still relatively soft by pre-2008 standards.

One way that we are benefiting in such a volatile, uncertain macroeconomic environment is that customers are turning more and more to companies with global capabilities, vast networks and proven track records like Li & Fung to help them manage their supply chains.

Our Trading Network business remains solid, with a steadily recovering US economy offsetting the lingering effects of the European debt crisis. To maintain our competitive advantage, the Group has used its vast sourcing network to supply customers from the most appropriate, cost-effective sourcing markets globally. At the same time, our primarily Asian-based Logistics business is faring well thanks to the cross-selling opportunities presented by our Three-Network model. Although growth in the US Distribution business has been impeded by the recent challenges, the restructuring of LF USA is on track to be completed by the end of the year. LF Europe is stable and benefiting from the uncertainty of the market by providing customers with a quick-response supply chain. Being new and relatively small, LF Asia is growing in double digits and opening up the new, emerging Asian markets. Over the past few years we have created a unique global wholesale distribution platform with over US$6 billion of annual turnover, and we will be reviewing our business model in Distribution to ensure it stays highly competitive and profitable.

In the meantime, seasonality has become more pronounced in our business, with busy periods skewing more and more toward the second half of the year. This is not just due to customers making more purchases for the holiday season, but also because our Distribution network – naturally more of a second-half business – is becoming a bigger part of the Group's business. Another trend is shrinking lead times due to customer preferences for carrying less inventory. This is another area where we believe our global network, expertise and agility will help us meet greater demands.

Financially, the Group is asset-light, well-funded and supported by strong operating cash flow. While we are focused on organic growth, we will also keep our eyes out for acquisitions and deals that enhance our scale, offerings and, more importantly, long-term shareholder value.

SUSTAINABILITY

Li & Fung has always been viewed at as an industry leader in manufacturer compliance, workplace safety and ethical labor practices. Bangladesh is one of our largest sourcing countries after China. Despite the tragic recent events, Bangladesh will remain a key sourcing country for Li & Fung, as we believe we have a sustainability strategy in place that can uphold proper standards for safety and compliance.

We believe we are witnessing the beginning of a new era for worker safety – not just in Bangladesh, but throughout the global garment supply chain. It will be some time before improvements can truly take hold, but we are absolutely committed to this path. One significant development in this regard was our nomination as a founding member of the Advisory Board of the newly announced Alliance for Bangladesh Worker Safety, whose founding members include major North American retailers and brands. Along with our support of the European-based Accord on Fire and Building Safety, this appointment deepens our ongoing engagement in Bangladesh, where we have been implementing our own targeted fire safety program. Going forward, our priority will remain working in partnership with our customers, suppliers and industry partners to operate sustainably, improve working conditions and environmental performance in our supply chain, and provide more sustainable sourcing options.

PROSPECTS

While we are confident about Li & Fung's competitive strengths, our outlook is invariably tied to the health of the global economy and the key markets where we operate. We are cautious of the global retail environment, given the difficulties of the Eurozone to pull itself out of recession as well as the positive but slow progress being made in the US. These two important mature consumer markets are having an inevitable effect on mainland China and emerging economies, where growth is being hampered by tightening credit and lower external demand. Nevertheless, we are confident that our growth in selling to Asian customers and our Asian-based logistics business will continue to grow strongly.

Our primary focuses are on offering an industry-leading suite of supply chain solutions to our valued customers around the world; being a model of best practices for compliance and safety; and growing our business organically for long-term results. We continue to focus on returning to operating at 2011 levels by the end of the year, setting the stage for our Networks to deliver sustainable growth well into the future.

I would like to give special thanks to my dedicated and talented colleagues at the Group, who have given their all over the past three years to build a robust, growth-focused company in very challenging times. The future for Li & Fung is bright as we transition from our current business period to the Three-Year Plan (2014-2016).

William FUNG Kwok Lun
Group Chairman

Hong Kong, 13 August 2013

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OVERVIEW

Following a disappointing year in 2012, we believe the worst is behind us, and we are on track to recovery in 2013. After successfully establishing our three Business Networks of Trading, Logistics and Distribution in our current Three-Year Plan, the Group has continued to benefit from tangible synergies realized by leveraging our scale, customer relationships, extensive vendor network and product expertise across the Networks. We continue to focus on gaining market share, improving operating efficiency and, where appropriate, making strategic acquisitions to enhance our overall market position. The Group continued to focus on returning its operating financial performance to the 2011 levels by the end of this year, and on setting the stage for our next Three-Year Plan beginning in 2014.

With a new management team in place at LF USA, our integration and restructuring efforts are making steady progress. We have resized our LF USA business, optimized our existing brand portfolios, centralized merchandizing planning, and completed back-office integration. Our key focus continued to be cost control and margin improvement. While the US retail environment is tracking with the slow pace of economic recovery, it has remained challenging. LF USA has been able to largely protect its market presence and turnover, and is on target to complete its restructuring project by the end of this year.

The Group's business has been increasingly skewed towards the second half of the year, mainly due to the increased scale of our wholesale and distribution business, as well as the seasonality effect with back-to-school sales and the holiday season. The extent of this skewing effect is even greater this year, with customers requiring shorter lead times and less inventory, and therefore requesting shipments closer to the peak year-end retail season. We expect the proportion of sales and earnings recorded in the second half of the year to continue to increase in the future.

	1st Half 2013 US$mm	1st Half 2012 US$mm	Change	
			US$mm	%
Turnover	**9,128.7**	9,127.7	1.0	–
Total margin	**1,374.3**	1,322.1	52.2	4%
	15.1%	*14.5%*		
Core operating profit	**223.2**	221.4	1.8	1%
Net profit after tax	**111.4**	312.6	(201.2)	-64%
Profit attributable to shareholders	**96.4**	312.3	(215.9)	-69%
Recurring profit excluding write-back *				
Net profit after tax	**111.4**	114.3	(2.9)	-3%
Profit attributable to shareholders	**96.4**	114.0	(17.6)	-15%

* *Excluding the non-cash remeasurement gain on contingent consideration payable of US$198 million in 2012*

The Group's turnover remained at same level as in the previous year, at US$9,129 million for the six months ended 30 June 2013, due to the increasing skewing effect. While the Trading Network remains resilient with a solid order book, the Logistics Network experienced strong organic growth of 37.2% in turnover, and our Distribution Network also recorded growth at LF Europe and LF Asia to offset the slight decline in turnover at LF USA, which was mainly a result of the discontinuation of certain brands towards the end of last year.

- Core operating profit remained flat at US$223 million; core operating profit margin was at 2.4%, the same as last year
- Total margin increased by 4.0% to US$1,374 million, increasing as a percentage of turnover from 14.5% to 15.1%
- Profit attributable to shareholders was US$96 million, representing a decrease of 69.1% due to non-cash gain of US$198 million on the write-back of contingent considerations last year. Excluding such non-cash gain, profit attributable to shareholders decreased by 15.5%

Core operating profit during the first half of the year was negatively impacted by the increased skewing effect, and most of the Group's profitability during the first half of the year was contributed by the Trading Network. Despite the additional operating costs associated with recent acquisitions since the second half of 2012, as well as the costs incurred in building up our LF Asia and LF Logistics business to support on-going growth, the Group managed to keep the increase in operating costs to 4.6% with continued efforts in cost control. The Group has not recorded any re-measurement adjustment on contingent consideration payable this interim period. In addition, for the first half of this year, the Group is required to reflect the full impact of distribution to holders of perpetual capital securities as a result of our inaugural perpetual capital securities raised at the end of last year, which has impacted profit attributable to shareholders.

Overall, our business continues to demonstrate a stable performance amidst an uncertain macroeconomic environment, especially in Europe. Our Asia build-up remains in progress, and we continue to focus on enhancing our platform to take advantage of market opportunities as they arise. On the global sourcing front, we have witnessed the price deflation trend becoming more subdued this year. With the tragedies in Bangladesh, the apparel industry placed a stronger focus on workers safety, vendor compliance, quality control and sustainability among industry players. Such attributes and adherence to the highest standards have always been in our DNA, and they will remain core strengths and focuses for Li & Fung. We believe our asset-light business model, global network and high quality supply-chain standards will continue to underscore our leadership in the global sourcing arena.

The Group has begun the planning process for the next Three-Year Plan (2014–2016), which includes additional refinement of our business model of three distinct Global Networks – Trading, Logistics and Distribution – and will further leverage its unparalleled expertise in supply chain management for future growth.

THREE NETWORKS SEGMENTATION

The Group's business is organized according to three Business Networks: Trading, Logistics and Distribution. The three Business Networks cover the entire supply chain ranging from providing sourcing services to wholesalers and retailers via the Trading Network primarily as sourcing agent or supplier, to acting as principal and wholesaler by offering the Group's own design and products to retailers via the Distribution Network. The Logistics Network interacts between the two other Networks with comprehensive logistics solutions and international freight forwarding services.

TRADING NETWORK

	1st Half 2013 US$mm	1st Half 2012 US$mm	**Change** US$mm	%
Turnover	**7,204.9**	7,230.4	(25.5)	–
Total margin	**639.0**	621.6	17.4	*3%*
	8.9%	*8.6%*		
Operating costs	**(435.5)**	(421.0)	(14.5)	*3%*
Core operating profit	**203.5**	200.6	2.9	*1%*

The **Trading Network** comprises five operating groups – LF Sourcing, DSG, LF Fashion, LF Products, and LF Beauty – contributing the Group's most significant turnover and 91% of core operating profit in this interim period. Due mainly to the skewing effect on delayed shipments to the second half of the year as requested by customers, total turnover at the Trading Network was relatively flat compared to last year. From a geographical perspective, the US represented approximately 69% of total turnover at the Trading Network, with Europe and Rest of World representing 18% and 13% respectively. While total turnover for the US remained at largely the same level as last year, total turnover for Europe continued to decrease, declining by 7% as compared to prior year, offset by the 15% increase in turnover in other regions such as Australasia, Central and Latin America. Pricing has stabilized compared to last year, and unit volume remained at the same level, which was mainly due to delayed shipments. The Group has continued to gain new customers and received an increasing number of inquiries from other potential customers on the possibility of outsourcing activities. We will continue to look for opportunities to gain market share via organic growth and selective acquisitions.

Total margin increased from 8.6% to 8.9%, which was mainly achieved through LF Sourcing maintaining a stable commission rate and increasing scale in LF Products and LF Beauty, which attained higher margins with their value-added services within the Trading Network. Operating costs increased by 3.5%, from US$421 million to US$436 million, which was mainly due to new acquisitions made since 2012, as offset by cost reductions among operating groups within the Trading Network. Core operating profit of the Trading Network was US$203 million, a slight increase of 1.4% compared to the same period last year, which can be attributed mainly to the stable performance at LF Sourcing and a positive operating performance at DSG, LF Products and LF Beauty, as offset by the challenges faced by LF Fashion due to its heavy focus on European customers.

On the sourcing front, the top three countries are China, Bangladesh and Vietnam, collectively accounting for over 70% of the Group's trading business. China alone represented 56% of the Group's trading business, of which softgoods and hardgoods accounted for 51% and 49% respectively. Bangladesh and Vietnam continued to be the second- and third-largest sourcing countries for the Group. Both countries are softgoods-centric, with approximately 95% being apparel. The Group maintains a global sourcing network covering more than 40 economies, which allows the flexibility of moving orders from one country to another to handle capacity constraints and satisfy our customers' needs.

LOGISTICS NETWORK

	1st Half 2013 US$mm	1st Half 2012 US$mm	**Change** US$mm	%
Turnover	**242.7**	176.8	65.9	*37%*
Total margin	**90.3**	72.2	18.1	*25%*
	37.2%	*40.8%*		
Operating costs	**(76.2)**	(63.1)	(13.1)	*21%*
Core operating profit	**14.1**	9.1	5.0	*56%*

The **Logistics Network** continued to demonstrate strong growth with a 37.2% increase in turnover and a 25.1% increase in total margin as compared to the same period last year. The growth is mainly attributable to organic gain through new customers and cross-selling across Networks. The increases in turnover and total margin were the results of a carried-forward effect of new customer wins in 2012, as well as additional new wins during the first half of 2013. Apart from cross-selling and organic growth, LF Logistics also takes a proactive approach to acquisitions to further grow its customer portfolio and improve its infrastructure so as to provide better services for its customers. In April 2013 the Group acquired Chuan Jui Group, a Taiwan-based logistics company with strong domestic transportation capability that complements the Group's existing strength in distribution center management in Taiwan. LF Logistics will continue to build its services platform via organic growth and acquisitions, and a number of acquisition opportunities are in our pipeline.

Our strategy at LF Logistics continues to be Asia-focused for its in-country logistics business, and is supplemented by its international freight forwarding business for cross-border services. For the six months ended 30 June 2013, over 90% of the turnover was in the Asian region. Given that the freight forwarding business generates a lower margin percentage as compared to the in-country logistics business, our total margin percentage at LF Logistics decreased from 40.8% to 37.2% due to our stronger growth in international freight forwarding in the first half of 2013. As the Group continues to build out its international freight forwarding capabilities to provide end-to-end services to our customers, we expect a continued reduction in total margin percentage as the business mix continues to shift towards international freight forwarding.

Despite the additional costs incurred in growing its organic business as well as from the new acquisition, LF Logistics was able to achieve operating leverage through tight cost controls to support a higher business volume. As a result, the core operating profit of the Logistics Network increased by 56.1% to US$14 million during the first half of 2013.

DISTRIBUTION NETWORK

	1st Half 2013 US$mm	1st Half 2012 US$mm	Change US$mm	Change %
Turnover	**2,932.8**	2,928.9	3.9	–
Total margin	**645.0**	628.3	16.7	*3%*
	22.0%	*21.5%*		
Operating costs	**(639.5)**	(616.5)	(23.0)	*4%*
Core operating profit	**5.5**	11.8	(6.3)	*-53%*

The **Distribution Network** is operated via LF USA, LF Europe, LF Asia (FHBC) and LF Asia (F&H) to cover all key countries among the three continents on a global basis, serving as principal and wholesale distributor to major retail customers by offering design, products and other value-added services.

For the first half of 2013, both LF Europe and LF Asia continued to perform well while LF USA was on track to recover from its restructuring and discontinuation of certain brands in 2012. Overall, the Distribution Network maintained its turnover at US$2,933 million for the first half of 2013, similar to the same period last year. Total margin percentage increased slightly to 22.0% from 21.5% as compared to the same period last year, mainly because of a better product portfolio mix to command a higher margin. Total margin increased by 2.7% to US$645 million.

Operating costs increased by 3.7%, which was mainly attributable to the continued build-out of LF Asia, as well as new acquisitions at both LF Europe and LF Asia since the second half of 2012, with operating costs for LF USA remaining flat as compared to last year. As a result, core operating profit was US$6 million compared to US$12 million for the same period last year.

LF Europe accounted for 22% of the Distribution Network's turnover for the six months ended 30 June 2013, with the UK and Germany being key markets. Amid the uncertain macro environment in Europe, we continued to perform well at LF Europe, with an approximate 10% increase in turnover and 17% increase in total margin. LF Europe's financial performance benefited from acquisitions made in 2012, from our product and service offerings and from better performance by some key customers in countries where we operate.

LF Asia accounted for 28% of the Distribution Network's turnover and managed to maintain its growth momentum with margin improvement during the period. Compared to the same period last year, there was a 3% increase in turnover and 18% increase in total margin. The growth in total margin was attributable to the continued build-up of LF Asia (F&H), both in scale and profitability, while LF Asia (FHBC) maintained steady business growth. Within LF Asia, organic growth was supplemented by a number of small roll-up acquisitions that were completed in the second half of 2012 and the first half of 2013. In particular, LF Asia (F&H) further broadened its geographical coverage and the brand portfolio of its licensing business with new licenses as well as the acquisition of RM Enterprises Group in June 2013. LF Asia (FHBC) also extended its reach to include the distribution business in Macau through the acquisition of Four Star Group in February 2013. While we continue to buildout our Asia wholesale and distribution platform with key retail customer relationships, we are also taking a more cautious approach in our expansion plan given the recent slowdown in the China market. Management remains optimistic about the long-term business outlook in Asia.

LF USA continued to be the biggest platform within the Distribution Network, accounting for approximately 50% of total turnover, and the turnaround of LF USA remained our core focus. Our core strengths at LF USA remain our design, product and service offerings, as well as key customer relationships with top US retailers. The total turnover at LF USA decreased slightly by approximately 5% compared to last year, which was mainly due to discontinued brands. In 2013 LF USA demonstrated its ability to maintain a stable total margin percentage and a mild reduction in total operating costs as compared to the same period last year. We have gradually completed the discontinuation of most of the underperforming brands that we identified at the end of last year, and continued to optimize our overall brand portfolio with a more focused strategy for licensing brands. In terms of the outlook of the market, US retail continues to be very competitive, and margin pressure persists. Since our retail customers have all adopted a more cautious view toward their winter sales this year, our visibility for the fourth quarter shipment at LF USA remains uncertain. On the other hand, our restructuring effort, which includes centralizing our merchandising planning, co-location and back-office integration, has been progressing well, and management is focused on making a turnaround by the end of 2013.

SOFTGOODS, HARDGOODS SEGMENTATION

For the first six months of 2013, softgoods and hardgoods accounted for 61% and 36% of turnover respectively. Logistics represented approximately 3%.

Softgoods' turnover declined by 5% compared to the same period last year. This was mainly due to the skewing effect towards the second half of the year at LF Sourcing as well as the soft consumer market in Europe, which impacted both LF Sourcing and LF Fashion's European business within the Trading Network, though this was offset by growth in LF Europe within the Distribution Network. Turnover of LF USA in the Distribution Network also experienced a decline as a result of the discontinuation of certain brands in 2012.

Hardgoods' turnover grew by 7%, compared to the same period last year, resulting from both organic growth and acquisitions since the second half of 2012. The growth of the hardgoods segment, in particular home products, seems to carry a strong momentum into the second half of this year.

Logistics' turnover growth was encouraging, with an increase of 30% over 2012.

GEOGRAPHICAL SEGMENTATION

Geographically, the **US** continued to be the Group's key export market, representing 61% of total turnover compared to 62% in 2012. The decline in percentage of total turnover reflected an increasing diversification of the customer base in Asia and other parts of the world other than US and Europe; the skewing of orders into the second half of the year mainly by US customers; and the discontinuation of certain brands at LF USA.

Europe remained at approximately 18% of turnover, which was the same level as the corresponding period last year. In order to shorten lead times, customers in Europe continued to buy more from LF Europe as an importer, and less from the Trading Network as an agent and supplier. During the first half of 2013, the resulting changes in turnover of LF Europe and the Trading Network offset each other.

Asia accounted for 14% of total turnover, an increase of 9% against the same period last year. **China** alone accounted for 8% against 6% last year. **Rest of Asia** accounted for 6%, compared to 7% in 2012. This reflected the continuing expansion of business in LF Asia and LF Logistics in China.

Turnover in **Canada, Australasia, Central & Latin America, and South Africa & the Middle East** collectively accounted for 7% of total turnover, a slight increase over 2012.

ACQUISITIONS

During the first half of 2013, the Group continued to supplement its organic growth strategy with five acquisitions, with an aim to expand its product/service offerings, product expertise and geographical reach. These five acquisitions were completed with an aggregate consideration of approximately US$432 million, among which initial payments totaled approximately US$135 million, earn-out and earn-up contingent consideration payable totaled US$297 million. Part of the initial payment will be paid in the second half of this year.

ENHANCING PRODUCT/SERVICE OFFERINGS AND EXPERTISE

Name	Business	Strategic Rationale
Whalen Furniture *(May – Trading Network)*	• A leading furniture and furnishing trading company servicing US mass retailers with its own proprietary brands as well as private label business	• Broadening the product offering and complementing the existing furniture business at LF Products within the Trading Network
Chuan Jui Group *(April – Logistics Network)*	• A transportation company in Taiwan focusing on hypermarket, consumer and retail channels	• Strengthening the Group's logistics platform in Taiwan with distribution center and local transportation capability

BROADENING GEOGRAPHICAL REACH

Name	Business	Strategic Rationale
Four Star Group *(February – Distribution Network)*	• A leading pharmaceutical and medical device distributor in Macau	• Adding considerable scale to distribution business at LF Asia (FHBC) in Macau
Group A Limited *(April – Trading Network)*	• A UK-based point-of-sale business, operating primarily in the beauty business	• Strengthening the point-of-sale business' footprint in Europe for the beauty business
RM Enterprises Group *(June – Distribution Network)*	• A leading licensing agency for the development and promotion of character licensing in Greater China, South Korea, Japan and South East Asia	• Consolidating our global character licensing distribution platform with immediate access to Greater China, South Korea, Japan and various other territories via the wide range of brand characters in the portfolio

For accounting purposes, the annualized amortization of intangibles for all acquisitions completed in the first half of 2013 would be around US$5 million. For the six months ended 30 June 2013, there was no re-measurement adjustment to purchase consideration in accordance with HKFRS 3 (Revised) or impairment provision for any goodwill and intangible assets in accordance with HKAS 36.

FINANCIAL POSITION

CASH POSITION AND CASH FLOW

The Group operates a cash accretive business, and has a proven track record utilizing its positive operating cash flow to fund working capital, dividends, interest expenses, capital expenditures and selected small-scale acquisitions. It is normally when we have opportunities for large acquisitions that we seek external funding sources to meet payment obligations.

We started 2013 with a substantial cash balance of US$680 million, with part of the cash being a carry-over from the US$500 million perpetual capital securities issuance in November 2012. A significant portion of proceeds from this capital securities issuance was being earmarked for new acquisitions as well as outstanding contingent consideration payables relating to previous acquisitions as part of our capital structure management.

SUMMARY OF CONSOLIDATED CASH FLOW STATEMENT

	1st Half 2013 US$mm	1st Half 2012 US$mm	**Change** US$mm
Cash and cash equivalents at 1 January	**680**	426	254
Net cash flow from operating activities	**217**	(12)	229
Investing activities	**(216)**	(291)	75
Financing activities	**(261)**	184	(445)
Effect on foreign exchange rate change	**(1)**	(1)	–
Cash and cash equivalents at 30 June	**419**	306	113

Cash flow from operating activities

In the first half of 2013, operating activities generated cash inflow of US$217 million, which was a significant improvement compared to negative US$12 million in 2012, and on par with our operating cash flow level during 2011. The improved positive operating cash flow was mainly the result of more effective working capital management, in particular the collection of accounts receivable towards the end of 2012 that continued into 2013. We also employed a more prudent approach in inventory build-up for our wholesale distribution business, with part of such inventory being supported by the corresponding increase in accounts payable.

Cash flow from investing activities

Cash outflow from investing activities totaling US$216 million, mainly including US$196 million consideration payments for prior years' acquisitions.

Cash flow from financing activities

During the first six months of 2013, the Group did not have any major new funding exercise from the markets. Financing activities mainly comprising dividend payment of US$171 million, interest expenses and distribution to perpetual capital securities holders resulted in net cash outflow of US$261 million. Both the investing activities and financing activities cash outflow were sufficiently supported by our internally generated operating cash flow as well as cash on hand carried over from the previous year.

As at 30 June 2013, the Group's cash position was at US$419 million, compared to US$680 million at the beginning of the year. Given our positive cash flow-generating capabilities, the Group's intention is to maintain only a reasonable cash balance to fund our seasonal working capital needs on an on-going basis.

BANKING FACILITIES

TRADE FINANCE

The Group's normal trading operations are well supported by over US$2,700 million in bank trading facilities including mainly letters of credit issued to suppliers and bills discounting. A letter of credit is a common means of payment to suppliers to support cross-border trades. The Group's payment obligations on letters of credit issued to suppliers will only be crystallized when our suppliers have shipped the merchandise to our customers or to the Group in accordance with all the terms and conditions specified in the related contractual documents. As at 30 June 2013, only approximately 30% of the bank trade facilities were utilized.

BANK LOANS AND OVERDRAFTS

The Group had available bank loans and overdraft facilities of US$1,543 million, out of which US$789 million were committed facilities. As at 30 June 2013, only US$197 million of the Group's bank loans and overdraft facilities were drawn down, with US$100 million being committed facilities. The unused limits on bank loans and overdraft facilities amounted to US$1,346 million, with US$689 million being unused committed facilities.

BANK LOANS AND OVERDRAFT FACILITIES AS AT 30 JUNE 2013

	Limit US$mm	Outstanding US$mm	Unused Limit US$mm
Committed	**789**	**100**	**689**
Uncommitted	**754**	**97**	**657**
Total	**1,543**	**197**	**1,346**

NET CURRENT ASSETS

As of 30 June 2013, the Group's current ratio was 1.1, based on current assets of US$4,115 million and the current liabilities of US$3,917 million, which was consistent with the ratio of 1.1 as of 31 December 2012.

CAPITAL STRUCTURE

The Group continues to adopt a conservative approach in managing its balance sheet and capital structure with solid equity base, low gearing, and strong investment-grade credit ratings.

The Group's total equity remained at a solid position at US$5,010 million as at 30 June 2013, compared to US$5,137 million as at 31 December 2012 after the payment of US$171 million in dividend during the first half of 2013.

The Group's gross debt was US$1,452 million as at 30 June 2013, consistent with the 2012 year-end balance of US$1,473 million, and it has maturities spreading out over the next seven years. As at 30 June 2013, the majority of the Group's gross debt was at fixed rates. Due to having less cash on hand during this interim period, total net debt amounted to US$1,034 million as at 30 June 2013, resulting in a gearing ratio of 17%, which was well below the Group's internal guideline of 35%. The gearing ratio is being defined as total borrowings, net of cash, divided by total net debt plus total equity.

As at 30 June 2013, the Group maintained credit ratings from Moody's and Standard & Poor's of A3 (negative outlook), and BBB+ (stable outlook) respectively. From a capital structure perspective, the Group is committed to maintaining a solid balance sheet, healthy cash flow and credit ratios, with the overall long-term target of retaining an investment grade rating to support our growth.

RISK MANAGEMENT

The Group has strict policies governing accounting control, as well as credit and foreign exchange risk and treasury management.

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 such receivables, which include but are not limited to the measures set out below:

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

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

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

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

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 borrowings were denominated in US$.

The Group's revenues and payments were transacted mainly in the same currency, predominantly in US$. Therefore, it considers there to be no significant risk exposure in relation to foreign exchange rate fluctuations. There are small portions of sales and purchases transacted in different currencies, for which the Group arranges hedging by means of foreign exchange forward contracts.

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

- From a short-term perspective, we arrange foreign exchange forward contracts for hedging on operating costs in individual countries as and when appropriate; and

- From a medium-to-long-term perspective, we manage our sourcing operations in the most cost-effective way within our global network.

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

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

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

TAX DISPUTE UPDATE

As at the date of this interim financial information, the Group has disputes with the Hong Kong Inland Revenue ("HKIR") involving additional tax assessments amounting to approximately US$249 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 2011/12.

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 totaling 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 by the Court of First Instance.

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, dismissed the HKIR's appeal and awarded costs of the appeal of LFT. Any appeal against the judgment of the Court of Appeal to the Court of Final Appeal requires permission of the Court of Appeal or the Court of Final Appeal. As no application for such permission was submitted by the HKIR within the prescribed time limit, 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 at the date of this interim financial information, 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$206 million. The case before the Board of Review and eventually 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 at the date of this interim financial information, the hearing date for the judicial review application is yet to be fixed.

CONTINGENT CONSIDERATION

As at 30 June 2013, the Group had outstanding contingent consideration payable of US$1,745 million, of which US$833 million was primarily earn-out and US$912 million was earn-up. Both earn-out and earn-up are performance-based payments subject to certain pre-determined performance targets mutually agreed with the sellers in accordance with the specific sale and purchase agreement. Earn-out payments are generally payable within three to four years whereas earn-up payment with higher performance target threshold would be payable in a period of up to five to six years upon completion of a transaction. The Group follows a stringent internal financial and accounting policy in evaluating the estimated fair value of these contingent considerations, in accordance with HKFRS 3 (Revised) "Business Combination". For the six months ended 30 June 2013, there was no re-measurement adjustment on the outstanding contingent consideration.

PEOPLE

As at 30 June 2013, the Group had a total workforce of 28,015, of whom 4,151 were based in Hong Kong and 23,864 were located overseas and in mainland China.

Total manpower costs for the six months ending 30 June 2013 were US$625 million, compared with US$628 million for the same period in 2012.

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 2013 are in line with those practices set out in the Company's 2012 Annual Report and on the Company's corporate website (*www.lifung.com*).

THE BOARD

The Board is currently composed of three Executive Directors (Group Chairman, Group President and Chief Executive Officer, and Group Chief Operating Officer), two Non-executive Directors (including Honorary Chairman) and six Independent Non-executive Directors.

The role of the Group Chairman is separate from that of the 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 five meetings to date in 2013 (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 (available on Li & Fung's corporate website), 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 review the board composition and make recommendations to the Board on the appointment of Directors and board succession, to assess the independence of Independent Non-executive Directors, and to monitor the training and continuous professional development of directors and senior management.

The Committee met twice to date in 2013 (with an average attendance rate of 88%). 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 2013 (with an average attendance rate of 88%) 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 information for the six months ended 30 June 2013 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*
Mrs Margaret LEUNG KO May Yee* (appointed on 1 April 2013)

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 review of 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 2013 (with an average attendance rate of 94%) 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, 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
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 twice to date in 2013 (with a 100% attendance rate) to review and determine all Executive Directors' and Senior Management's remuneration packages and the grant of share options under the 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 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 33 to 36 of the Company's 2012 Annual Report.

The Group's Internal Audit team within the Corporate Governance Division (CGD), under the supervision of the Group Chief Compliance Officer, independently reviews the compliance with the Group's policies and guidelines as well as legal and regulatory requirements, internal controls and evaluates their adequacy and effectiveness. The 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 2013:

- 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* (available at Li & Fung's corporate website) for all Directors and staff. The staff are periodically 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 Corporate Governance Code contained in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2013.

DIRECTORS' AND RELEVANT EMPLOYEES' SECURITIES TRANSACTIONS

The Group has adopted procedures governing Directors' securities transactions in compliance with the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code").

Relevant employees who are likely to be in possession of unpublished price-sensitive information ("Inside Information") of the Group are also subject to compliance with written guidelines on no less exacting terms than the Model Code. Specific confirmation of compliance has been obtained from each Director and relevant employee for the six months ended 30 June 2013. No incident of non-compliance by Directors and relevant employees was noted by the Company for the six months ended 30 June 2013.

The Group is aware of its obligations under the Securities and Futures Ordinance and the Listing Rules, including the overriding principle that information which is expected to be price-sensitive should be announced promptly and to prevent selective or inadvertent disclosure of Inside Information. Therefore, the Company conducts the handling and dissemination of such Inside Information in accordance with the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission in June 2012 and adopted the Policy on Inside Information on 1 January 2013.

INVESTOR RELATIONS AND COMMUNICATIONS

Li & Fung has a proactive policy for promoting investor relations and communications by maintaining regular dialogue and fair disclosure with 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 locally and overseas. 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.

INFORMATION TECHNOLOGY

Total sourcing portal for our vendors has continuous enhancements to support sustainability and compliance and will be further developed to streamline processes for financial transactions and Advanced Shipping Notification (ASN), thus supporting more efficient supply chain processes and providing the vendor network an integrated alternative to the existing ASN solutions in the market.

In parallel with functional enhancements to support productivity improvements, focus has continued to be on leveraging data captured within transactional data and delivered as management supporting decision information through business intelligence dashboards.

The new version of the tracking system (OTS) that was redeveloped to track all objects is having more traction within the Trading Network and outside in Logistics to provide visibility of any entity and event. Web based and with much improved user interface and flexibility, OTS extends collaboration among customers, Li & Fung and vendors for more immediate online tracking updates.

CRM or medical detailing for Distribution healthcare will leverage the iPad for more convenient and cost effective sales order management and product catalogue that supported business development in the second half of the year. While in manufacturing, the roll out of a standard manufacturing resource planning system continues to deliver better visibility and control.

Logistics automation remains an important aspect of supporting business growth and driving process improvement. Further investment in interface enterprise architecture continues to support the volume and reliability while at the same time helps improve the speed to the market.

The adoption of applicable technology continues, particularly in Logistics distribution centers in the areas of picking carts that use light and Radio Frequency (RF) technology to pick and pack 8 or more simultaneous orders. The range of RF devices has been extended to include hands free RF in the form of voice picking.

Infrastructure investments have been in further centralization and consolidation of servers for both production and backup in separate centers, core protection companywide and infrastructure to support the growth in EDI. Internet Protocol Telephony has been extended from the desk to Smart devices.

SUSTAINABILITY

Being active in over 53 countries requires us to manage risk responsibly and seek opportunities to bring economic, environmental and social benefits to the communities where we operate our Trading, Logistics and Distribution Networks. In 2013, we are deepening the engagement of our diverse networks in our common Sustainability Strategy. This strategy and its 10 Commitments guide us in implementing new initiatives 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 continue to provide leadership, information, tips and programs for our colleagues to encourage resource conservation and to support their learning, development and welfare. In 2013, we have been reviewing the results of our survey on the implementation of our Sustainability Strategy in our global offices to seek additional opportunities to reduce our footprint, improving our colleagues' engagement in our strategy. In 2013, we are tailoring the CRedit360 information management system for capturing utility and emission data and better managing environmental performance. This process is led by the Fung Group for its group companies and once implemented, it will streamline and enhance the robustness of global data collection for external reporting and internal performance management.

We have also enhanced the strategic depth and impact of our global initiatives for community building, entrepreneurship and human capital development, environmental protection and disaster relief. Monthly Community Engagement Newsletters are posted on our intranet to update colleagues on our strategic community engagement strategy and the diverse initiatives undertaken by our offices to suppler their local communities.

As part of Li & Fung's commitment to contribute to lasting improvements in worker safety in Bangladesh, we were nominated as a founding member of the Advisory Board established by the newly-announced Alliance for Bangladesh Worker Safety. The Alliance is a group of leading North American apparel retailers and brands who entered into a five-year binding commitment to provide tangible safety improvements and benefits to Bangladeshi garment workers. The commitments include establishing a common standard for assessing factory fire and building safety and inspections, within one year, of all factories with which its members do business. Similarly, we support the European-based Accord on Fire and Building Safety in Bangladesh, a five-year agreement entered into in May between international federations of trade unions and international brands and retailers, and covering over 1,000 factories.

Our support of these initiatives is in addition to our own targeted fire safety program that has been implemented in Bangladesh since early 2012, which was deepened following the tragic death of workers in a fire at the Tazreen garment factory. We also continue to work with our customers and suppliers to evolve and uphold our own standards for safety and compliance. We believe we are at the start of a new era for worker safety, not just in Bangladesh, but throughout the global garment supply chain. It will take time for improvements to take hold but this is a path that we are committed to uphold.

To further raise awareness among our colleagues and provide them with comprehensive information to support sustainable sourcing, we have continued to provide training on our Factory Compliance Scorecard. To provide information on meeting our compliance standards and how to improving sustainability performance in our supply chain, we continue to enhance our sustainability website for suppliers. Known as "The Sustainability Resource Center" this website is updated regularly, including an interactive sign-up for supplier training, Occupational Health and Safety toolkits tailored to local languages and laws, industry news, etc. The site also shares user-friendly videos that separately target managers and workers. Since the launch of our videos on fire safety in 2012, which are developed with the support of the Fung Academy and our Vendor Compliance (VC) team, we have added other videos on how to better manage working hours and electrical safety.

Recognizing the importance of collaboration, we remain actively involved in the Sustainable Apparel Coalition, the Global Social Compliance Program, the United Nations and International Labour Organization's Better Work (BW) program and Business for Social Responsibility. We seek to deepen our engagements with partners in our industry and have, for example, been recognized as an official partner of BW after a 16-month assessment of our compliance process and commitment to improving working conditions in our supply chain. Another example initiative, supported by the Fung Academy and our VC team, is our bespoke energy management program that was completed for 8 of our logistics warehouses/distribution centers and is now being rolled out to a group of our apparel and footwear manufacturers.

Going forward, 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 67. Brother of Dr William Fung Kwok Lun and father of Mr Spencer Theodore Fung. Group Chairman of the Fung Group, a Hong Kong-based multinational which comprises major subsidiaries in trading, logistics, distribution and retailing. They include publicly-listed Trinity Limited, Convenience Retail Asia Limited and the Company. Honorary Chairman of the Company after stepping down as Group Chairman since May 2012. 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. A director of King Lun Holdings Limited and Fung Holdings (1937) Limited, which are substantial shareholders of the Company. Holds Bachelor and Master degrees in Electrical Engineering from the Massachusetts Institute of Technology, and a Doctorate in Business Economics from Harvard University. An independent non-executive director of BOC Hong Kong (Holdings) Limited and Chow Tai Fook Jewellery Group Limited (Hong Kong), Koc Holding A.S. (Turkey) and China Petrochemical Corporation (People's Republic of China). Founding Chairman of the Fung Global Institute, an independent non-profit think-tank based in Hong Kong. Completed his term as Honorary Chairman of the International Chamber of Commerce ("ICC") end of June 2013, but continues to chair ICC World Trade Agenda Initiative. A member of the Chinese People's Political Consultative Conference and a vice chairman of China Centre for International Economic Exchanges. A member of the Economic Development Commission of the Hong Kong Government. Chairman of the Hong Kong Trade Development Council (1991–2000), the Hong Kong representative on the APEC Business Advisory Council (1996–2003), Chairman of the Hong Kong Airport Authority (1999–2008), Chairman of The Council of The Hong Kong University (2001–2009), Chairman of the Hong Kong – Japan Business Co-operation Committee (2004–2010), Chairman of the Greater Pearl River Delta Business Council (2004–end of February 2013), a member of the Commission on Strategic Development of the Hong Kong Government (2005–2012) and a member of the WTO Panel on Defining the Future of Trade (2012–April 2013). In 2003 and 2010, the Hong Kong Government awarded Dr Fung the Gold Bauhinia Star and the Grand Bauhinia Medal respectively for his distinguished service to the community.

William FUNG Kwok Lun
Group Chairman

Aged 64. 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 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, substantial shareholders of the Company. A director of the Fung Global Institute, an independent non-profit think-tank based in Hong Kong. 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 54. 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 in 2012 and 2013.

Spencer Theodore FUNG
Group Chief Operating Officer

Aged 40. Group Chief Operating Officer since 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. An independent non-executive director of Swire Properties Limited. A member of the General Committee of The Hong Kong Exporters' Association, the Northeastern University Corporation and Young Presidents' Organization. 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 US 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 69. 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. Formerly, Deputy Chairman of HSBC Investment Bank PLC, a director of The Hongkong and Shanghai Banking Corporation Limited in Hong Kong, Harvard International PLC and Temenos Group AG, 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 62. 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. 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 75. 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. An independent non-executive director of Computer Sciences Corporation from 1989 to 2012.

Martin TANG Yue Nien
Independent Non-executive Director

Aged 64. 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 Limited and China NT Pharma Group Company 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 59. 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, a substantial shareholder of the Company. A non-executive director of Convenience Retail Asia Limited. 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.

DIRECTORS (CONTINUED)

FU Yuning
Independent Non-executive Director

Aged 56. 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. 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, Integrated Distribution Services Group Limited and CapitaLand Limited.

Margaret LEUNG KO May Yee
Independent Non-executive Director

Aged 61. An Independent Non-executive Director since 1 April 2013. Former vice-chairman and chief executive of Hang Seng Bank Limited, chairman of Hang Seng Bank (China) Limited, a director of various subsidiaries of Hang Seng Bank Limited, a director of The Hongkong and Shanghai Banking Corporation Limited and the Group General Manager of HSBC Holdings plc prior to her retirement from the HSBC group in June 2012. An independent non-executive director of First Pacific Company Limited and Sun Hung Kai Properties Limited. An independent non-executive director of Hong Kong Exchanges and Clearing Limited since 24 April 2013. Formerly, an independent non-executive director of Swire Pacific Limited and Hutchison Whampoa Limited. Holds a Bachelor's Degree in Economics, Accounting and Business Administration from The University of Hong Kong.

GROUP CHIEF COMPLIANCE OFFICER

Srinivasan PARTHASARATHY

Aged 56. Group Chief Compliance Officer of the Company since 2011. Also, the Group Chief Compliance Officer of Fung Holdings (1937) Limited, a substantial shareholder of the Company and of the Fung Group of companies including Convenience Retail Asia Limited and Trinity Limited of which he is also their respective Group Chief Compliance Officer. With over 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.

CHIEF FINANCIAL OFFICER

Edward LAM Sung Lai

Aged 47. Chief Financial Officer of the Group since 2012. Holds an MBA degree from The University of Chicago, *high honors*, and a Bachelor of Business Administration degree from The University of Texas at Austin, *highest honors*. Began his career with Coopers & Lybrand in US, and subsequently joined Morgan Stanley in New York. Returned to Hong Kong in 1998 with Morgan Stanley where he held a range of positions in mergers and acquisitions, as well as industry sector coverage for the Asia Pacific region. Joined Citi in 2006 to lead their Hong Kong investment banking business, and latterly headed the combined corporate and investment banking platform for Citi Hong Kong prior to joining Li & Fung. A US Certified Public Accountant, and a member of Takeovers and Mergers Panel of Securities and Futures Commission of Hong Kong.

SENIOR MANAGEMENT

Annabella LEUNG Wai Ping
President of LF Fashion

Aged 60. 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.

Dow Peter FAMULAK
President of LF USA and Chief Executive Officer of LF Europe

Aged 52. President of LF USA and Chief Executive Officer of LF Europe, managing the Group's distribution business in the US and Europe. Joined the Group in 2000 at the time of the acquisition of Colby International Limited where he was an Executive Vice President. Former partner in the law firm of Baker & McKenzie, Hong Kong office where he worked from 1992 until he joined Colby. Graduated from the University of British Columbia with a BA Economics (Honours) and from law school at the University of Saskatchewan. A member of The Law Society of Hong Kong, The Law Society of England and Wales and The Law Society of British Columbia (Canada).

Emily MAK MOK Oi Wai
Executive Director of Li & Fung (Trading) Limited

Aged 52. Executive Director of Li & Fung (Trading) Limited focusing on strategic projects on corporate level. 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, President of LF USA Sourcing, managing all Asia operations of LF USA. Graduated from The University of Hong Kong with a Bachelor of Social Sciences degree.

SENIOR MANAGEMENT (CONTINUED)

Gerard Jan RAYMOND

President of LF Beauty and LF Asia – Food, Health, Beauty & Cosmetics

Aged 56. President of LF Asia managing the Group's food, health, beauty and cosmetics distribution business in Asia. Also, President of LF Beauty overseeing the Asia-based operations of the Group's beauty and cosmetics business. 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.

Henry CHAN

President of LF Products

Aged 63. 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.

Jason Andrew RABIN

President of LF Asia – Fashion & Home

Aged 43. 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.

Joseph Chua PHI

President of LF Logistics

Aged 50. 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). Adjunct Professor of Information Systems, Business Statistics and Operations Management at HKUST. Member of Supply Chain 50, an association of the top supply chain professionals in the world.

SENIOR MANAGEMENT (CONTINUED)

Lale KESEBI

Executive Director of Li & Fung (Trading) Limited

Aged 44. 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, Co-chair of the Alumni Network Steering Committee of the Mentoring Programme for Women Leaders of The Women's Foundation in Hong Kong. Chair of the Corporate Sustainability Committee of the Company.

Marc Robert COMPAGNON

President of LF Sourcing

Aged 54. 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.

Richard Nixon DARLING

President of DSG and Vice Chairman of LF USA and LF Europe

Aged 60. President of DSG overseeing the Group's dedicated sourcing group servicing Wal-Mart globally. Also, Vice Chairman of LF USA and LF Europe responsible for external and strategic initiatives. 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. Chairman of the Board of Directors of the American Apparel and Footwear Association and a board member for "Fashion Delivers" and Board of Governors for the Parson's School of Design.

Robert Stephen LISTER

President of LF Europe

Aged 56. President of LF Europe managing the Group's distribution business in Europe. Chief Operating Officer of LF Europe since 2009 and became President in 2013. Before that, Group Chief Executive of Peter Black Holdings plc, a public company listed on the London Stock Exchange which was privatized in 2000 and part of its business was acquired by Li & Fung Limited in 2007. A Fellow of The Institute of Chartered Accountants in England & Wales.

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

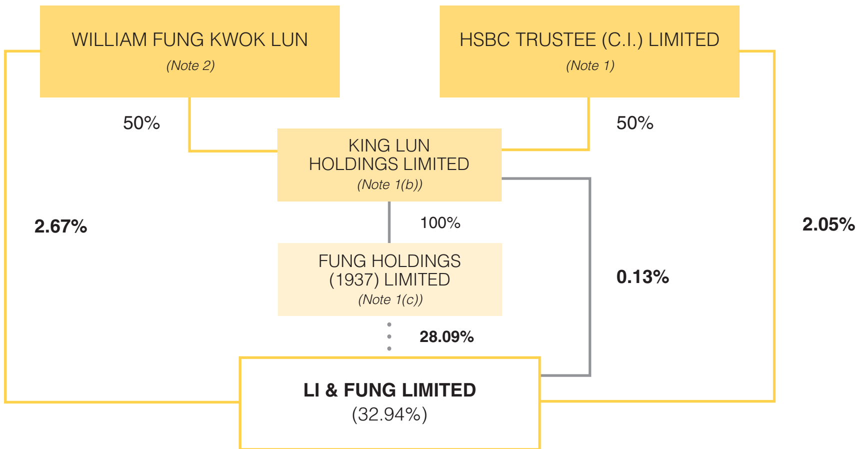
As at 30 June 2013, the directors and chief executives of the Company and their associates had the following interests in the shares of HK$0.0125 each ("Shares") and underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities 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 Issuers ("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	–	2,531,080,340[1]	–	2,533,894,784	30.30%
William Fung Kwok Lun	144,342,660	108,800	2,436,254,232[2]	2,430,000[3]	2,583,135,692	30.89%
Spencer Theodore Fung*	1,408,000	–	2,531,080,340[1]	10,620,000[3]	2,543,108,340	30.41%
Bruce Philip Rockowitz	7,625,600	–	77,823,020[4]	13,321,760[5]	98,770,380	1.18%
Paul Edward Selway-Swift	36,000	60,000	16,000[6]	–	112,000	0.00%
Franklin Warren McFarlan	–	–	114,400[7]	–	114,400	0.00%
Martin Tang Yue Nien	–	–	60,000[8]	–	60,000	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 deemed 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 2013,

(1) each of Dr Victor Fung Kwok King and Mr Spencer Theodore Fung was deemed to have interests in 2,531,080,340 Shares held in the following manner:

(a) 171,234,708 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) 10,891,760 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 ("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, Fung Distribution International Limited ("FDI").

(2) Out of 2,436,254,232 Shares, 26,114,400 Shares and 50,294,200 Shares were held by Golden Step Limited and Step Dragon Enterprise Limited respectively, both companies were beneficially owned by Dr William Fung Kwok Lun. The balance of 2,359,845,632 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) 77,823,020 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 2,430,000 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 10,891,760 underlying shares in the Company in respect of options granted by King Lun to HMHL to purchase such shares in the Company during the period from 25 December 2013 to 24 December 2019 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) 60,000 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 2013 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 10,891,760 underlying Shares, representing 0.13% 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 2013, 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 2013, there were options ("Share Options") relating to 208,134,000 Shares granted by the Company pursuant to the Option Scheme which were valid and outstanding.

Details of the Share Options granted under the Option Scheme and remain outstanding as at 30 June 2013 are as follows:

	Number of Share Options							
	As at 1/1/2013	Exercised[1]	Cancelled	Lapsed	As at 30/6/2013	Exercise Price (HK$)	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	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	01/3/2011 – 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	27,084,000	(575,000)	(1,409,000)	(25,100,000)	–	12.77	24/1/2008	01/3/2011 – 28/2/2013
	1,684,000	–	(118,000)	(1,566,000)	–	15.00	21/5/2008	01/3/2011 – 28/2/2013
	1,943,000	(242,400)	(61,200)	(1,639,400)	–	13.10	13/8/2008	01/3/2011 – 28/2/2013
	1,072,000	(532,000)	–	(540,000)	–	8.61	24/2/2009	01/3/2011 – 28/2/2013
	2,344,200	–	(524,350)	(1,819,850)	–	13.90	14/8/2009	01/3/2011 – 28/2/2013
	4,512,600	–	(44,450)	(4,468,150)	–	20.76	25/3/2010	01/3/2011 – 28/2/2013
	2,357,200	–	(252,800)	(2,104,400)	–	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
	2,033,000	–	–	–	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
	3,742,000	–	–	–	3,742,000	15.09	26/6/2012	01/5/2013 – 30/4/2015
	8,357,000	–	–	–	8,357,000	15.09	26/6/2012	01/5/2014 – 30/4/2016
	813,000	–	–	–	813,000	13.04	12/11/2012	01/5/2013 – 30/4/2015
	3,014,000	–	–	–	3,014,000	13.04	12/11/2012	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$12.91.

(2) 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 2012. Other details of Share Options granted by the Company are set out in *Note 12* to the interim financial information.

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

As at 30 June 2013, 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 (10,891,760) Interest of controlled corporation (2,348,953,872)[1]	2,359,845,632	28.22%
HSBC Trustee (C.I.) Limited	Trustee	2,531,080,340[2]	30.27%
Janus Capital Management LLC	Investment manager	566,265,325	6.77%
The Capital Group Companies, Inc.	Interest of controlled corporation	670,994,382	8.02%
Sun Life Financial, Inc.	Investment manager	591,096,532[3]	7.07%
Massachusetts Financial Services Company	Investment manager	591,096,532[3]	7.07%
Capital Research and Management Company	Investment manager	558,656,000	6.68%
Commonwealth Bank of Australia	Interest of controlled corporation	419,446,385	5.01%
Short Positions			
King Lun Holdings Limited	Beneficial owner	10,891,760[4]	0.13%
HSBC Trustee (C.I.) Limited	Trustee	10,891,760[5]	0.13%

NOTES:

As at 30 June 2013,

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

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

(3) Massachusetts Financial Services Company ("MFS") is a subsidiary of Sun Life Financial, Inc. ("SLF") and accordingly, MFS's interest in 591,096,532 Shares are duplicated in the interest of SLF.

(4) This short position represented King Lun's short position in 10,891,760 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.

(5) 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 2013.

OTHER INFORMATION

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

The Company has not redeemed any of its listed 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 (2012: 15 HK cents) per Share for the six months ended 30 June 2013 absorbing a total of US$161 million (2012: US$161 million).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 2 September 2013 to 3 September 2013, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch registrars, Tricor Abacus Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 30 August 2013. Dividend warrants will be despatched on 10 September 2013. Shares of the Company will be traded ex-dividend as from 29 August 2013.

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 information set out on pages 41 to 69, which comprises the consolidated balance sheet of Li & Fung Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2013 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 information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information 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 information 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 information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 13 August 2013

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CONDENSED INTERIM FINANCIAL INFORMATION

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	UNAUDITED SIX MONTHS ENDED 30 JUNE 2013 US$'000	 2012 US$'000
Turnover	*3*	**9,128,747**	9,127,651
Cost of sales		**(7,784,192)**	(7,846,338)
Gross profit		**1,344,555**	1,281,313
Other income		**29,790**	40,763
Total margin		**1,374,345**	1,322,076
Selling and distribution expenses		**(450,050)**	(410,999)
Merchandising and administrative expenses		**(701,141)**	(689,622)
Core operating profit		**223,154**	221,455
Gain on remeasurement of contingent consideration payable	*4*	**–**	198,295
Loss on disposal of businesses		**–**	(303)
Amortization of other intangible assets		**(36,686)**	(32,144)
Other non-core operating expenses		**(998)**	(2,171)
Operating profit	*3 & 4*	**185,470**	385,132
Interest income		**9,445**	10,578
Interest expenses			
Non-cash interest expenses		**(13,110)**	(12,018)
Cash interest expenses		**(54,719)**	(54,255)
		(67,829)	(66,273)
Share of profits less losses of associated companies		**815**	1,262
Profit before taxation		**127,901**	330,699
Taxation	*5*	**(16,497)**	(18,056)
Net profit for the period		**111,404**	312,643
Attributable to:			
Shareholders of the Company		**96,370**	312,280
Holders of perpetual capital securities		**15,000**	–
Non-controlling interests		**34**	363
		111,404	312,643
Earnings per share for profit attributable to the shareholders of the Company during the period	*7*		
– basic		**9.0 HK cents**	29.6 HK cents
(equivalent to)		**1.15 US cents**	3.80 US cents
– diluted		**9.0 HK cents**	29.6 HK cents
(equivalent to)		**1.15 US cents**	3.79 US cents

Details of dividends to Shareholders of the Company are set out in *Note 6*. The notes on pages 48 to 69 form an integral part of this interim financial information.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	UNAUDITED SIX MONTHS ENDED 30 JUNE	
	2013	2012
	US$'000	US$'000
Net profit for the period	**111,404**	312,643
Other comprehensive income/(expense):		
Items that will not be reclassified to profit or loss		
Net actuarial gain/(loss) from post employment benefits recognized in reserve, net of tax	**432**	(85)
Total items that will not be reclassified to profit or loss	**432**	(85)
Items that may be reclassified subsequently to profit or loss		
Currency translation differences*	**(59,690)**	(217)
Net fair value gain/(loss) on cash flow hedges, net of tax	**3,979**	(4,457)
Net fair value gain on available-for-sale financial assets, net of tax	**193**	30
Realization of revaluation reserve on disposal of available-for-sale financial assets, net of tax	**–**	75
Total items that may be reclassified subsequently to profit or loss	**(55,518)**	(4,569)
Other comprehensive expense for the period, net of tax	**(55,086)**	(4,654)
Total comprehensive income for the period	**56,318**	307,989
Attributable to:		
Shareholders of the Company	**41,697**	307,679
Holders of perpetual capital securities	**15,000**	–
Non-controlling interests	**(379)**	310
Total comprehensive income for the period	**56,318**	307,989

* *Exchange differences resulting from translation of the results and financial positions of the Group entities with functional currencies other than the Group's presentation currency.*

The notes on pages 48 to 69 form an integral part of this interim financial information.

CONSOLIDATED BALANCE SHEET

	Note	UNAUDITED 30 JUNE 2013 US$'000	AUDITED 31 DECEMBER 2012 US$'000 (Restated)
Non-current assets			
Intangible assets	*8*	**7,367,491**	7,058,406
Property, plant and equipment	*8*	**425,892**	418,624
Prepaid premium for land leases		**2,891**	3,073
Associated companies		**8,342**	7,571
Available-for-sale financial assets		**3,791**	60,598
Deposits		**19,900**	19,949
Deferred tax assets		**64,872**	69,739
		7,893,179	7,637,960
Current assets			
Inventories		**1,121,380**	939,078
Due from related companies		**95,840**	92,444
Trade and bills receivable	*9*	**2,041,283**	2,242,678
Other receivables, prepayments and deposits		**435,685**	425,390
Derivative financial instruments		**2,421**	–
Cash and bank balances		**418,769**	680,379
		4,115,378	4,379,969
Current liabilities			
Due to related companies		**7,718**	8,484
Trade and bills payable	*10*	**2,524,452**	2,458,128
Accrued charges and sundry payables		**663,253**	827,460
Balance of purchase consideration payable for acquisitions to be settled by cash	*11*	**493,239**	329,570
Taxation		**86,093**	92,290
Derivative financial instruments		**–**	4,821
Bank advances for discounted bills	*9*	**44,766**	35,666
Short-term bank loans		**97,226**	117,519
		3,916,747	3,873,938
Net current assets		**198,631**	506,031
Total assets less current liabilities		**8,091,810**	8,143,991

	Note	**UNAUDITED 30 JUNE 2013 US$'000**	AUDITED 31 DECEMBER 2012 US$'000 (Restated)
Financed by:			
Share capital	*12*	**13,398**	13,396
Reserves		**4,322,091**	4,437,301
Proposed dividend		**160,777**	171,495
		4,482,868	4,608,796
Shareholders' funds attributable to the Company's shareholders		**4,496,266**	4,622,192
Perpetual capital securities	*13*	**503,000**	504,415
Non-controlling interests		**10,334**	10,713
Total equity		**5,009,600**	5,137,320
Non-current liabilities			
Long-term notes	*11*	**1,255,188**	1,255,461
Balance of purchase consideration payable for acquisitions settled by cash	*11*	**1,362,320**	1,318,705
Other long-term liabilities	*11*	**356,203**	332,651
Post-employment benefit obligations		**28,338**	28,770
Deferred tax liabilities		**80,161**	71,084
		3,082,210	3,006,671
		8,091,810	8,143,991

The notes on pages 48 to 69 form an integral part of this interim financial information.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited							
	Attributable to shareholders of the Company							
	Share capital US$'000	Share premium US$'000	Other reserves US$'000 *(Note 14)*	Retained earnings US$'000	Total US$'000	Perpetual capital securities US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at 1 January 2013, as previously reported	**13,396**	**3,697,012**	**(3,164)**	**922,555**	**4,629,799**	**504,415**	**10,713**	**5,144,927**
Impact of adoption of HKAS 19 (2011)	**–**	**–**	**(9,340)**	**1,733**	**(7,607)**	**–**	**–**	**(7,607)**
Balance at 1 January 2013, as restated	**13,396**	**3,697,012**	**(12,504)**	**924,288**	**4,622,192**	**504,415**	**10,713**	**5,137,320**
Comprehensive income								
Profit or loss	**–**	**–**	**–**	**96,370**	**96,370**	**15,000**	**34**	**111,404**
Other comprehensive income								
Currency translation differences	**–**	**–**	**(59,277)**	**–**	**(59,277)**	**–**	**(413)**	**(59,690)**
Net fair value gain on available-for-sale financial assets, net of tax	**–**	**–**	**193**	**–**	**193**	**–**	**–**	**193**
Net fair value gain on cash flow hedges, net of tax	**–**	**–**	**3,979**	**–**	**3,979**	**–**	**–**	**3,979**
Net actuarial gain from post employment benefits recognized in reserve, net of tax	**–**	**–**	**432**	**–**	**432**	**–**	**–**	**432**
Total other comprehensive income	**–**	**–**	**(54,673)**	**–**	**(54,673)**	**–**	**(413)**	**(55,086)**
Total comprehensive income	**–**	**–**	**(54,673)**	**96,370**	**41,697**	**15,000**	**(379)**	**56,318**
Transactions with owners								
Employee share option scheme:								
– value of employee services	**–**	**–**	**1,937**	**–**	**1,937**	**–**	**–**	**1,937**
– proceeds from shares issued	**2**	**1,933**	**–**	**–**	**1,935**	**–**	**–**	**1,935**
– transfer to share premium	**–**	**531**	**(531)**	**–**	**–**	**–**	**–**	**–**
Distribution to holders of perpetual capital securities	**–**	**–**	**–**	**–**	**–**	**(16,415)**	**–**	**(16,415)**
2012 final dividend paid	**–**	**–**	**–**	**(171,495)**	**(171,495)**	**–**	**–**	**(171,495)**
Total transactions with owners	**2**	**2,464**	**1,406**	**(171,495)**	**(167,623)**	**(16,415)**	**–**	**(184,038)**
Balance at 30 June 2013	**13,398**	**3,699,476**	**(65,771)**	**849,163**	**4,496,266**	**503,000**	**10,334**	**5,009,600**

	Unaudited						
	Attributable to shareholders of the Company						
	Share capital US$'000	Share premium US$'000	Other reserves US$'000 *(Note 14)*	Retained earnings US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at 1 January 2012, as previously reported	12,987	3,114,097	(27,439)	834,148	3,933,793	4,813	3,938,606
Impact of adoption of HKAS 19 (2011)	–	–	(9,340)	1,733	(7,607)	–	(7,607)
Balance at 1 January 2012, as restated	12,987	3,114,097	(36,779)	835,881	3,926,186	4,813	3,930,999
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	(48,507)	784,038	4,440,747	10,033	4,450,780

The notes on pages 48 to 69 form an integral part of this interim financial information.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Note	UNAUDITED SIX MONTHS ENDED 30 JUNE 2013 US$'000	2012 US$'000
Operating activities			
Operating profit before working capital changes		**332,956**	331,963
Changes in working capital		**(93,974)**	(304,938)
Net cash inflow generated from operations		**238,982**	27,025
Profits tax paid		**(22,248)**	(39,099)
Net cash inflow/(outflow) from operating activities		**216,734**	(12,074)
Investing activities			
Settlement of consideration payable for prior years acquisitions of businesses/subsidiaries		**(196,004)**	(187,699)
Acquisitions of businesses/subsidiaries	*15*	**(19,566)**	(51,136)
Other investing activities		**(927)**	(52,035)
Net cash outflow from investing activities		**(216,497)**	(290,870)
Net cash inflow/(outflow) before financing activities		**237**	(302,944)
Financing activities			
Net proceeds from issuance of shares		**1,935**	65,228
Interest paid		**(54,719)**	(54,255)
Distribution to holders of perpetual capital securities		**(16,415)**	–
Dividends paid		**(171,495)**	(363,999)
Issue of shares upon a private placing		**–**	498,260
Other financing activities		**(20,711)**	39,032
Net cash (outflow)/inflow from financing activities		**(261,405)**	184,266
Decrease in cash and cash equivalents		**(261,168)**	(118,678)
Cash and cash equivalents at 1 January		**680,379**	426,015
Effect of foreign exchange rate changes		**(442)**	(841)
Cash and cash equivalents at 30 June		**418,769**	306,496
Analysis of the balances of cash and cash equivalents			
Cash and bank balances		**418,769**	307,054
Bank overdrafts		**–**	(558)
		418,769	306,496

The notes on pages 48 to 69 form an integral part of this interim financial information.

NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION

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.

This condensed interim financial information is presented in US dollars, unless otherwise stated. This condensed interim financial information was approved for issue on 13 August 2013.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed interim financial information (the "interim financial information") has been reviewed by the Company's audit committee and, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), by the Company's auditor, PricewaterhouseCoopers.

This interim financial information has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting" issued by the HKICPA and Appendix 16 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited. This interim financial information should be read in conjunction with the annual accounts for the year ended 31 December 2012, which were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

Except as described in (a) below, the accounting policies applied are consistent with those of the annual accounts for the year ended 31 December 2012, 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 standards, new interpretations and amendments to existing standards adopted by the Group
The following new standards, new interpretations and amendments to existing standards are mandatory for accounting periods beginning on or after 1 January 2013:

HKAS 1 (amendment)	Presentation of financial statements
HKAS 19 (2011)	Employee benefits
HKAS 27 (2011)	Separate financial statements
HKAS 28 (2011)	Investments in associates and joint ventures
HKFRS 1 (amendment)	First time adoption of HKFRS – government loans
HKFRS 7 (amendment)	Financial instruments: Disclosures – Offsetting financial assets and financial liabilities
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosures of interests in other entities
HKFRS 13	Fair value measurement
HK(IFRIC) – Int 20	Stripping costs in the production phase of a surface mine
Fourth annual improvements project (2011)	Improvements to HKFRSs published in June 2012

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(a) New standards, new interpretations and amendments to existing standards adopted by the Group (continued)

Except as described below, the application of the above new or revised HKFRSs in the current interim period has had no material effect on the amounts reported in the interim financial information and/or disclosures set out in the interim financial information.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance under HKFRS for all fair value measurements. HKFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under HKFRS when fair value is required or permitted. The application of HKFRS 13 has not materially impacted the fair value measurements carried out by the Group.

HKFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including HKFRS 7 Financial Instruments: Disclosures. Some of these disclosures are specifically required in interim financial statements for financial instruments; accordingly, the Group provides these disclosures in *Note 21* to the interim accounts.

HKAS 1 (amendment) Presentation of financial statements

The amendments to HKAS 1 introduce a grouping of items presented in other comprehensive income ("OCI"). Items that could be reclassified to profit or loss at a future point in time now have to be presented separately from items that will never be reclassified. The adoption of these amendments only affected presentation and had no impact on the Group's results of operations or financial position.

HKAS 19 (2011) Employee Benefits

HKAS 19 (2011) amends the accounting for employment benefits. The Group has applied the standard retrospectively in accordance with the transition provisions of the standard. The impact on the Group has been in the following areas:

(i) There is a new term "remeasurements". This is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost. They are recognized in other comprehensive income and not recycled to income statement. The "corridor" method and the option to spread or recognize immediately in the income statement are no longer available. This change has resulted in an increase in pension obligations and deferred tax assets and decrease in other reserves at 1 January 2012, 30 June 2012 and 31 December 2012 of US$10,384,000, US$2,777,000 and US$7,607,000 respectively. The standard also requires the entity to present all actuarial gains and losses previously recognized in profit and loss account in other comprehensive income. This has resulted in no material impact to the profit and loss account for the six months ended 30 June 2012 and 2013 and has no effect on total comprehensive income as the increased gain/loss in profit or loss is offset by a debit/credit in other comprehensive income. The change has resulted in an increase in retained earnings at 1 January 2012, 30 June 2012 and 31 December 2012 of US$897,000 with a decrease in other reserves of same amount.

(ii) The standard replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year. There is no change to determining the discount rate; this continues to reflect the yield on high-quality corporate bonds. This has no effect on total comprehensive income as the charge in profit or loss is offset by an equivalent amount in other comprehensive income. This change has resulted in an increase in retained earnings at 1 January 2012 of US$836,000 with a decrease in other reserves of same amount. The effects of the change in the profit and loss account charge for the six months ended 30 June 2012 and the year ended 31 December 2012 were immaterial.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(a) New standards, new interpretations and amendments to existing standards adopted by the Group (continued)

(iii) "Post-employment benefit obligation" as previously reported has been restated at the reporting dates to reflect the effect of the above. Amounts have been restated as at 1 January 2012 as US$23,480,000 (previously US$13,096,000); 30 June 2012 as US$23,483,000 (previously US$13,099,000) and 31 December 2012 as US$28,770,000 (previously US$18,386,000).

(iv) The effects of the change in accounting policy has no effect on the cash flow statement and immaterial effect on earnings per share.

(b) New standards and amendments to existing standards that have been issued but are not yet effective and have not been early adopted by the Group

The following new standards and amendments to existing standards relevant to the Group have been issued but are not effective for the accounting periods beginning 1 January 2013 and have not been early adopted:

HKAS 32 (amendment)	Financial instruments: Presentation – Offsetting financial assets and financial liabilities[1]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) (amendments)	Investment entities[1]
HKAS 36 (amendments)	Recoverable amount disclosures for non-financial assets[1]
HK(IFRIC) – Int 21	Levies[1]
HKFRS 7 and 9 (amendments)	Mandatory effective date and transition disclosures[2]
HKFRS 9	Financial instruments[2]

NOTES:

(1) Effective for financial periods beginning on or after 1 January 2014

(2) 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 with over 300 offices and distribution centers in more than 40 economies spanning across the Americas, Europe, Africa and Asia. Turnover represents revenue generated from sales and services rendered at invoiced value to customers outside the 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 the Asia-focus in-country logistics business and the international freight forwarding business. Distribution Network is the operating segment that operates the onshore distribution businesses in the US, Pan-European and Asian regions. In the second half of 2012, there was certain business restructuring among the segments. Certain comparative information in the interim financial information has been reclassified to conform to the current period's presentation.

The Group's management assesses the performance of the operating segments based on a measure of operating profit, referred to as core operating profit. This measurement basis includes profit of the operating segments before share of results of associated companies, interest income, interest expenses and tax, but excludes any material gains or losses which are of capital nature or non-recurring nature, gain on remeasurement of contingent consideration payable, amortization of other intangible assets and acquisition-related costs. Other information provided to the Group's management is measured in a manner consistent with that in the accounts.

3 SEGMENT INFORMATION (CONTINUED)

	Trading Network US$'000	Logistics Network US$'000	Distribution Network US$'000	Elimination US$'000	Total US$'000
Six months ended 30 June 2013 (Unaudited)					
Turnover	7,204,893	242,671	2,932,797	(1,251,614)	9,128,747
Total margin	639,016	90,356	644,973		1,374,345
Operating costs	(435,524)	(76,207)	(639,460)		(1,151,191)
Core operating profit	203,492	14,149	5,513		223,154
Amortization of other intangible assets					(36,686)
Other non-core operating expenses					(998)
Operating profit					185,470
Interest income					9,445
Interest expenses					
Non-cash interest expenses					(13,110)
Cash interest expenses					(54,719)
					(67,829)
Share of profits less losses of associated companies					815
Profit before taxation					127,901
Taxation					(16,497)
Net profit for the period					111,404
Depreciation and amortization	27,027	4,807	109,309		141,143
30 June 2013 (Unaudited)					
Non-current assets (other than available-for-sale financial assets and deferred tax assets)	2,682,562	529,251	4,612,703		7,824,516

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	176,832	2,928,911	(1,208,459)	9,127,651
Total margin	621,620	72,200	628,256		1,322,076
Operating costs	(420,988)	(63,136)	(616,497)		(1,100,621)
Core operating profit	200,632	9,064	11,759		221,455
Gain on remeasurement of contingent consideration payable					198,295
Loss on disposal of businesses					(303)
Amortization of other intangible assets					(32,144)
Other non-core operating expenses					(2,171)
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)
Net profit for the period					312,643
Depreciation and amortization	22,911	3,133	112,830		138,874
31 December 2012 (Audited)					
Non-current assets (other than available-for-sale financial assets and deferred tax assets)	2,361,712	511,304	4,634,607		7,507,623

3 SEGMENT INFORMATION (CONTINUED)

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

	TURNOVER 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
	2013	2012	**2013**	2012
	US$'000	US$'000	**US$'000**	US$'000
United States of America	**5,555,413**	5,665,567	**4,830,828**	4,605,737
Europe	**1,628,917**	1,677,718	**1,437,226**	1,458,218
China	**729,040**	555,485	**625,563**	483,619
Rest of Asia	**530,503**	599,293	**594,773**	646,562
Canada	**274,806**	293,262	**138,814**	161,476
Australasia	**200,303**	148,431	**93,083**	64,813
Central and Latin America	**154,366**	134,906	**77,525**	65,094
South Africa and Middle East	**55,399**	52,989	**26,704**	22,104
	9,128,747	9,127,651	**7,824,516**	7,507,623

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

	UNAUDITED SIX MONTHS ENDED 30 JUNE	
	2013	2012
	US$'000	US$'000
Softgoods	**5,560,930**	5,827,892
Hardgoods	**3,311,566**	3,102,413
Logistics	**256,251**	197,346
	9,128,747	9,127,651

For the six months ended 30 June 2013, approximately 14.2% (2012: 14.7%) of the Group's turnover is derived from a single external customer, of which, 12.9% (2012: 13.1%) and 1.3% (2012: 1.6%) 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	
	2013	2012
	US$'000	US$'000
Crediting:		
Gain on remeasurement of contingent consideration payable *	**–**	198,295
Charging:		
Staff costs including directors' emoluments	**624,885**	628,321
Amortization of brand licenses	**55,661**	65,314
Depreciation of property, plant and equipment	**44,098**	37,682
Amortization of other intangible assets *	**36,686**	32,144
Amortization of computer software and system development costs	**4,624**	3,659
Loss on disposal of property, plant and equipment	**4,406**	240
Amortization of prepaid premium for land leases	**74**	75

* *Included below the core operating profit*

5 TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 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	
	2013	2012
	US$'000	US$'000
Current taxation		
– Hong Kong profits tax	**8,707**	3,842
– Overseas taxation	**6,856**	16,884
Deferred taxation	**934**	(2,670)
	16,497	18,056

As at the date of this interim financial information, the Group has disputes with the Hong Kong Inland Revenue ("HKIR") involving additional tax assessments amounting to approximately US$249 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 2011/12.

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 totaling 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 by the Court of First Instance.

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, dismissed the HKIR's appeal and awarded costs of the appeal of LFT. Any appeal against the judgment of the Court of Appeal to the Court of Final Appeal requires permission of the Court of Appeal or the Court of Final Appeal. As no application for such permission was submitted by the HKIR within the prescribed time limit, 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 at the date of this Interim financial information, 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$206 million. The case before the Board of Review and eventually 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 at the date of this interim financial information, the hearing date for the judicial review application is yet to be fixed.

6 INTERIM DIVIDEND

	UNAUDITED SIX MONTHS ENDED 30 JUNE	
	2013	2012
	US$'000	US$'000
Proposed, of HK$0.15 (equivalent to US$0.019) (2012: HK$0.15 (equivalent to US$0.019)) per ordinary share	**160,777**	160,717

A dividend of US$171,495,000 proposed for the year ended 31 December 2012 was paid in May 2013 (2012: US$363,999,000).

7 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of US$96,370,000 (2012: US$312,280,000) and on the weighted average number of 8,356,156,000 (2012: 8,220,235,000) shares in issue during the period.

Diluted earnings per share is calculated by adjusting the weighted average number of 8,356,156,000 (2012: 8,220,235,000) ordinary shares in issue by 70,000 (2012: 16,223,000) to assume conversion of all dilutive potential ordinary shares granted under the Company's Option Scheme and release of all shares held by escrow agents for settlement of acquisition consideration. 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 2013		
Net book amount as at 1 January 2013 (audited)	**7,058,406**	**418,624**
Acquisitions of businesses/subsidiaries	**370,118**	**4,796**
Adjustments to purchase consideration and net asset value *(Note (a))*	**34,090**	**(727)**
Additions	**59,144**	**62,659**
Disposals	**(4,922)**	**(6,456)**
Amortization *(Note (b))*/depreciation charge	**(96,971)**	**(44,098)**
Exchange differences	**(52,374)**	**(8,906)**
Net book amount as at 30 June 2013 (unaudited)	**7,367,491**	**425,892**
Six months ended 30 June 2012		
Net book amount as at 1 January 2012 (audited)	6,525,999	325,432
Acquisition of businesses/subsidiaries	175,828	3,170
Adjustments to contingent consideration and net asset value *(Note (a))*	(22,149)	–
Adjustments to purchase consideration for acquisitions completed prior to 1 January 2010 *(Note (c))*	87,192	–
Additions	68,054	81,907
Disposal of businesses	–	(1,365)
Disposals	–	(983)
Amortization *(Note (b))*/depreciation charge	(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 and property, plant and equipment stated above, there were a corresponding net increase in purchase consideration of US$10,432,000 (2012: net increase of US$29,278,000) and a net decrease in other net assets/liabilities of approximately US$22,931,000 (2012: net increase of US$7,129,000).

(b) Amortization of intangible assets included amortization of computer software and system development costs of US$4,624,000 (2012: US$3,659,000), amortization of brand licenses of US$55,661,000 (2012: US$65,314,000) and amortization of other intangible assets arising from business combination of US$36,686,000 (2012: US$32,144,000).

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

At 30 June 2013, land and buildings of US$3,758,000 (31 December 2012: US$3,995,000) were pledged as security for the Group's short-term bank loans.

9 TRADE AND BILLS RECEIVABLE

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

	Current to 90 days US$'000	91 to 180 days US$'000	181 to 360 days US$'000	Over 360 days US$'000	Total US$'000
Balance at 30 June 2013 (unaudited)	**1,962,426**	**59,194**	**10,139**	**9,524**	**2,041,283**
Balance at 31 December 2012 (audited)	2,105,072	105,351	24,766	7,489	2,242,678

All trade and bills receivable are either repayable within one year or on demand. Accordingly, the fair values of the Group's trade and bills receivable were approximately the same as their carrying values as at 30 June 2013.

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

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

Certain subsidiaries of the Group transferred bills receivable balances amounting to US$44,766,000 (31 December 2012: US$35,666,000) to banks in exchange for cash as at 30 June 2013. The transactions have been accounted for as collateralized bank advances.

10 TRADE AND BILLS PAYABLE

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

	Current to 90 days US$'000	91 to 180 days US$'000	181 to 360 days US$'000	Over 360 days US$'000	Total US$'000
Balance at 30 June 2013 (unaudited)	**2,495,830**	**7,935**	**6,167**	**14,520**	**2,524,452**
Balance at 31 December 2012 (audited)	2,376,236	67,050	3,007	11,835	2,458,128

The fair values of the Group's trade and bills payable were approximately the same as their carrying values as at 30 June 2013.

11 LONG-TERM LIABILITIES

	Unaudited 30 June 2013 US$'000	Audited 31 December 2012 US$'000
Long-term bank loans – unsecured	**100,000**	100,000
Long-term notes – unsecured	**1,255,188**	1,255,461
Balance of purchase consideration payable for acquisitions to be settled by cash	**1,855,559**	1,648,275
License royalty payable	**184,602**	190,926
Other non-current liability (non-financial liability)	**94,347**	67,414
	3,489,696	3,262,076
Current portion of balance of purchase consideration payable for acquisitions to be settled by cash	**(493,239)**	(329,570)
Current portion of license royalty payable	**(22,746)**	(25,689)
	2,973,711	2,906,817

Balance of purchase consideration payable for acquisitions to be settled by cash as at 30 June 2013 included initial consideration payable of US$109,806,000 (31 December 2012: Nil) and performance-based earn-out and earn-up contingent considerations of US$833,285,000 and US$912,468,000, respectively (31 December 2012: US$822,703,000 and US$825,572,000). Earn-out is contingent consideration that would be payable if the acquired businesses achieve their respective base year profit target, calculated on certain predetermined basis, during the designated periods of time. Earn-up is contingent consideration that would be payable if the acquired businesses achieve certain growth targets, calculated based on the base year profits, during the designated periods of time.

The basis of the contingent consideration differs for each acquisition; generally however the contingent consideration reflects a specified multiple of the post-acquisition financial profitability of the acquired business. Consequently, the actual additional consideration payable will vary according to the future performance of each individual acquired business, and the liabilities provided reflect estimates of such future performances.

Due to the number of acquisitions for which additional consideration remains outstanding and the variety of bases of determination, it is not practicable to provide any meaningful sensitivity in relation to the critical assumptions concerning future profitability of each acquired business and the potential impact on the gain or loss on remeasurement of contingent consideration payables and goodwill for each acquired businesses.

However, if the total actual contingent consideration payables are 10% higher or lower than the total contingent consideration payables estimated by management, the resulting aggregate impact to the gain or loss on remeasurement of contingent consideration payables recognized to the profit and loss account would be US$167,800,000, and the resulting aggregate impact to the goodwill would be US$17,800,000.

12 SHARE CAPITAL AND OPTIONS

	No. of shares (in thousand)	HK$'000	Equivalent to US$'000
Authorized			
At 1 January 2013, ordinary shares of HK$0.0125 each	**12,000,000**	**150,000**	**19,231**
At 30 June 2013, ordinary shares of HK$0.0125 each	**12,000,000**	**150,000**	**19,231**
Issued and fully paid			
At 1 January 2013, ordinary shares of HK$0.0125 each	**8,359,048**	**104,488**	**13,396**
Exercise of share options	**1,350**	**17**	**2**
At 30 June 2013, ordinary shares of HK$0.0125 each	**8,360,398**	**104,505**	**13,398**

Details of share options granted by the Company pursuant to the Share Option Scheme and the share options outstanding at 30 June 2013 are as follows:

			Number of Share Options				
Grant Date	Exercise Price HK$	Exercisable period	As at 1/1/2013	Exercised	Cancelled	Lapsed	As at 30/6/2013
24/1/2008	12.77	1/3/2011–28/2/2013	28,336,000	(575,000)	(1,409,000)	(26,352,000)	–
21/5/2008	15.00	1/3/2011–28/2/2013	1,684,000	–	(118,000)	(1,566,000)	–
13/8/2008	13.10	1/3/2011–28/2/2013	1,943,000	(242,400)	(61,200)	(1,639,400)	–
24/2/2009	8.61	1/3/2011–28/2/2013	1,072,000	(532,000)	–	(540,000)	–
14/8/2009	13.90	1/3/2011–28/2/2013	2,344,200	–	(524,350)	(1,819,850)	–
25/3/2010	20.76	1/3/2011–28/2/2013	4,866,600	–	(44,450)	(4,822,150)	–
15/11/2010	22.42	1/3/2011–28/2/2013	2,357,200	–	(252,800)	(2,104,400)	–
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	2,033,000	–	–	–	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	3,742,000	–	–	–	3,742,000
26/6/2012	15.09	1/5/2014–30/4/2016	8,357,000	–	–	–	8,357,000
12/11/2012	13.04	1/5/2013–30/4/2015	813,000	–	–	–	813,000
12/11/2012	13.04	1/5/2014–30/4/2016	3,014,000	–	–	–	3,014,000
		Total	250,737,000	(1,349,400)	(2,409,800)	(38,843,800)	208,134,000

Subsequent to 30 June 2013, no share has been allotted and issued under the Share Option Scheme.

13 PERPETUAL CAPITAL SECURITIES

On 8 November 2012, the Company issued perpetual subordinated capital securities (the "Perpetual Capital Securities") with the aggregate principal amount of US$500 million. The Perpetual Capital Securities do not have maturity date and the distribution payments can be deferred at the discretion of the Company. Therefore, the Perpetual Capital Securities are classified as equity instruments and recorded in equity in the consolidated balance sheet. The amount as at 30 June 2013 included the accrued distribution payments after netting off by the actual distribution to holders during the period. For the period ended 30 June 2013, the accrued distribution payment was US$3,000,000 (31 December 2012: US$4,415,000) and the actual distribution to holders was US$16,415,000 (31 December 2012: Nil).

14 OTHER RESERVES

	Unaudited							
	Shares held by escrow agent for settlement of acquisition consideration US$'000 *(Note)*	Capital reserve US$'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 2013, as previously reported	(6,739)	3,742	33,830	2,608	(1,015)	(5,438)	(30,152)	(3,164)
Impact of adoption of HKAS 19 (2011)	–	–	–	–	–	(9,340)	–	(9,340)
Balance at 1 January 2013, as restated	(6,739)	3,742	33,830	2,608	(1,015)	(14,778)	(30,152)	(12,504)
Comprehensive income								
Currency translation differences	–	–	–	–	–	–	(59,277)	(59,277)
Net fair value gain on available-for-sale financial assets, net of tax	–	–	–	193	–	–	–	193
Net fair value gain on cash flow hedges, net of tax	–	–	–	–	3,979	–	–	3,979
Net actuarial gain from post employment benefits recognized in reserve, net of tax	–	–	–	–	–	432	–	432
Transactions with owners								
Employee share option scheme:								
– value of employee services	–	–	1,937	–	–	–	–	1,937
– transfer to share premium	–	–	(531)	–	–	–	–	(531)
At 30 June 2013	(6,739)	3,742	35,236	2,801	2,964	(14,346)	(89,429)	(65,771)

14 OTHER RESERVES (CONTINUED)

	Unaudited							
	Shares held by escrow agent for settlement of acquisition consideration US$'000 *(Note)*	Capital reserve US$'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, as previously reported	(8,503)	3,618	47,237	2,496	9,474	(3,549)	(78,212)	(27,439)
Impact of adoption of HKAS 19 (2011)	–	–	–	–	–	(9,340)	–	(9,340)
Balance at 1 January 2012, as restated	(8,503)	3,618	47,237	2,496	9,474	(12,889)	(78,212)	(36,779)
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	(12,974)	(78,376)	(48,507)

NOTE: *The total amount of deferred consideration for the acquisition of CGroup and Regatta had been finalized. Accordingly, the remaining shares held by the escrow agent for CGroup and Regatta of approximately US$6,739,000 were considered as treasury shares of the Company.*

15 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, accordingly no disclosure is provided for the details and impact of any individual acquisition. However, on a collective basis, the discounted aggregate estimated fair value of considerations payable for the acquired businesses amounted to US$431,541,000, which included initial consideration paid and payable of US$24,835,000 and US$109,806,000, and performance-based earn-out and earn-up contingent considerations of US$209,595,000 and US$87,305,000 respectively. These fair value were determined based on applying agreed multiples to the estimated post-acquisition performance of the acquired businesses/subsidiaries and time value of money. The estimated aggregate undiscounted total consideration amounted to approximately US$457 million with undiscounted initial considerations paid and payable of approximately US$25 million and US$110 million and aggregate potential undiscounted performance-based contingent consideration payable, which could range from nil to US$322 million.

The contributions of these acquisitions to the Group in this period, the contributions and the result of these acquisitions to the Group as if these acquisitions had occurred on 1 January 2013 are as follows:

	Contribution of the acquired businesses/ subsidiaries for the six months ended 30 June 2013 US$'000	Contribution of the acquired businesses/ subsidiaries as if the acquisitions had occurred on 1 January 2013 US$'000	Group results as if the acquisitions had occurred on 1 January 2013 US$'000
Turnover	**85,714**	**207,748**	**9,250,781**
Total margin	**18,821**	**48,056**	**1,403,580**
Operating costs	**(8,328)**	**(28,266)**	**(1,171,129)**
Core operating profit	**10,493**	**19,790**	**232,451**
Profit after tax	**6,692**	**10,495**	**112,220**

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

	US$'000
Discounted purchase consideration to be settled by cash	**431,541**
Less: Aggregate fair value of net assets acquired*	**(133,095)**
Goodwill	**298,446**
Acquisition-related costs (included in other non-core operating expenses)	**998**

* *At as 30 June 2013, verification of individual assets/liabilities of the acquired businesses/subsidiaries 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.

15 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 dates and are as follows:

	US$'000
Net assets acquired:	
Intangible assets (excluding goodwill)[i]	**71,672**
Property, plant and equipment	**4,796**
Available-for-sale financial assets	**6**
Inventories	**20,263**
Trade and bills receivable[ii]	**72,875**
Other receivables, prepayments and deposits	**1,027**
Cash and bank balances	**5,269**
Tax payables	**(488)**
Trade and bills payables	**(28,257)**
Accrued charges and sundry payables	**(8,338)**
Bank advance for discounted bills	**(297)**
Deferred tax liabilities	**(5,433)**
Fair value of net assets acquired	**133,095**

i Intangible assets arising from business combinations represent customer relationships, trademarks, licensor relationships, brand licenses and various other smaller intangible assets. 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 accounts, the Group has not finalized the fair value assessments for some 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$72,875,000 which are expected to be collectible in full.

Details of these acquisitions are as follows:

In February 2013, the Group acquired Four Star Group, a leading pharmaceutical and medical device distributor in Macau.

In April 2013, the Group acquired Group A Limited, a UK–based point-of-sale business which is primarily operating in the beauty business.

In the same month, the Group also acquired Chuan Jui Group, a transportation company in Taiwan which focuses on hypermarket, consumer and retail channels.

In May 2013, the Group acquired Whalen Furniture, a leading furniture and furnishing trading company servicing US mass retailers with its own proprietary brands as well as private label business.

In June 2013, the Group acquired RM Enterprises Group, a leading licensing agency for the development and promotion of character licensing in Greater China, South Korea, Japan and South East Asia.

15 BUSINESS COMBINATIONS (CONTINUED)

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

	US$'000
Purchase consideration	**431,541**
Purchase consideration payable	**(406,706)**
Cash and cash equivalents acquired	**(5,269)**
Net outflow of cash and cash equivalents in respect of the acquisitions	**19,566**

16 CONTINGENT LIABILITIES

	Unaudited 30 June 2013 US$'000	Audited 31 December 2012 US$'000
Guarantees in respect of banking facilities granted to associated companies	**750**	750

17 COMMITMENTS

(a) OPERATING LEASE COMMITMENTS

As at 30 June 2013, the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Unaudited 30 June 2013 US$'000	Audited 31 December 2012 US$'000
Within one year	**173,268**	184,398
In the second to fifth year inclusive	**442,197**	450,618
After the fifth year	**498,521**	539,995
	1,113,986	1,175,011

(b) CAPITAL COMMITMENTS

	Unaudited 30 June 2013 US$'000	Audited 31 December 2012 US$'000
Contracted but not provided for:		
Property, plant and equipment	**21,273**	1,619
Computer software and system development costs	**7,291**	12,151
Authorised but not contracted for:		
Property, plant and equipment	**29,493**	60,654
Computer software and system development costs	**5,389**	8,981
	63,446	83,405

18 CHARGES ON ASSETS

Save as disclosed in *Note 8*, there were no charges on the Group's assets as at 30 June 2013 and 31 December 2012.

19 RELATED PARTY TRANSACTIONS

Pursuant to the master agreement for leasing of properties that the Company entered into with Fung Holdings (1937) Limited ("FH (1937)"), a 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$13,071,000 (2012: US$12,060,000).

On 19 January 2012, the Group entered into a distribution and sale of goods agreement (the "Master Distribution and Sale 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. Pursuant to this Master Distribution and Sale Goods Agreement, the Group recorded sales of US$21,909,000 (2012: US$5,685,000) for the six months ended 30 June 2013.

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.

20 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk, and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

(a) MARKET RISK

(i) Foreign exchange risk

Most of the Group's cash balances were deposits in HK$ and US$ with major global financial institutions, and most of the Group's borrowings were denominated in US$.

The Group's revenues and payments were transacted mainly in the same currency, predominantly in US$. Therefore, it considers there to be no significant risk exposure in relation to foreign exchange rate fluctuations. There are small portions of sales and purchases transacted in different currencies, for which the Group arranges hedging by means of foreign exchange forward contracts.

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

(1) From a short-term perspective, we arrange foreign exchange forward contracts for hedging on operating costs in individual countries as and when appropriate; and

(2) From a medium-to-long-term perspective, we manage our sourcing operations in the most cost-effective way within our global network.

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

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

20 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) MARKET RISK (CONTINUED)

(ii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet as available-for-sale financial assets. The Group maintained these equity securities investments for long-term strategic purpose and the Group's overall exposure to price risk is not significant.

At 30 June 2013 and up to the date of the Group's interim financial information, the Group held no material financial derivative instruments except for certain foreign exchange forward contracts entered into for hedging of foreign exchange risk exposure on sales and purchases transacted in different currencies *((i) above)*. At 30 June 2013, fair value of foreign exchange forward contracts entered into by the Group amounted to US$2,421,000 (31 December 2012: liabilities of US$4,821,000), 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 US dollar denominated bank borrowings and the US dollar denominated long-term notes issued. Bank borrowings at variable rates expose the group to cash flow interest rate risk. The Group's policy is to maintain a diversified mix of variable and fixed rate borrowings based on prevailing market conditions.

(b) CREDIT RISK

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

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

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

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

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

(c) LIQUIDITY RISK

Prudent liquidity risk management implies maintaining sufficient cash on hand and the availability of funding through an adequate amount of committed credit facilities from the Group's bankers.

Management monitors rolling forecasts of the Group's liquidity reserve (comprises undrawn borrowing facility and cash and cash equivalents) on the basis of expected cash flow.

21 FAIR VALUE ESTIMATION

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2013.

	Level 1 US$'000	**Level 2 US$'000**	**Level 3 US$'000**	**Total US$'000**
Assets				
Available-for-sale financial assets				
– Club debentures	**–**	**–**	**3,791**	**3,791**
Derivative financial instruments used for hedging	**–**	**2,421**	**–**	**2,421**
Total assets	**–**	**2,421**	**3,791**	**6,212**
Liabilities				
Balance of purchase consideration payable for acquisitions	**–**	**–**	**1,855,559**	**1,855,559**
Total liabilities	**–**	**–**	**1,855,559**	**1,855,559**

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2012.

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Assets				
Available-for-sale financial assets				
– Debt securities	–	57,000	–	57,000
– Club debentures	–	–	3,598	3,598
Total assets	–	57,000	3,598	60,598
Liabilities				
Derivative financial instruments used for hedging	–	4,821	–	4,821
Balance of purchase consideration payable for acquisitions	–	–	1,648,275	1,648,275
Total liabilities	–	4,821	1,648,275	1,653,096

21 FAIR VALUE ESTIMATION (CONTINUED)

The fair values of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) are determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The following table presents the changes in level 3 instruments for the six months ended 30 June 2013.

	Balance of purchase consideration payable for acquisitions US$'000	Others US$'000	Total US$'000
Opening balance	**1,648,275**	**3,598**	**1,651,873**
Fair value gains	**–**	**193**	**193**
Additions	**406,706**	**–**	**406,706**
Settlement	**(208,908)**	**–**	**(208,908)**
Others	**9,486**	**–**	**9,486**
Closing balance	**1,855,559**	**3,791**	**1,859,350**

The discount rate used to compute the fair value is based on the then prevailing incremental cost of borrowings of the Group from time to time ranging from 1.0% to 5.0%.

The group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There were no other changes in valuation techniques during the period.

22 APPROVAL OF INTERIM FINANCIAL INFORMATION

The interim financial information was approved by the Board of Directors on 13 August 2013.

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

13 August 2013
Announcement of 2013 Interim Results

29 August 2013
Dividend Ex-entitlement for Shares

2 September 2013 to 3 September 2013
(both days inclusive)
Closure of Register of Shareholders

10 September 2013
Payment of 2013 Interim Dividend

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SHARE INFORMATION

Board lot size: 2,000 shares

Shares outstanding as at 30 June 2013
8,360,398,306 shares

Market Capitalization as at 30 June 2013
HK$89,121,845,941

Earnings per share for 2013
Interim 1.15 US cents

Dividend per share for 2013
Interim 15 HK cents

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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。

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