LI & FUNG LIMITED

Incorporated in Bermuda with limited liability
Stock Code: 494

Announcement of Results for the Half Year Ended 30 June 2016

- Macro and retail environment continues to be difficult
- Turnover declined 6.4% due to deflationary pressure
- Core operating profit of US$156 million supported by increased total margin percentage
- Logistics sustained growth momentum; Vendor Support Services ahead of plan
- Successful divestment of Asia distribution business for US$350 million
- Next Three-Year Plan focusing on speed, innovation, and digitalization of supply chain

HIGHLIGHTS

(US$ million)	**1H 2016**	1H 2015	Change
Turnover	**8,071**	8,626	(6.4%)
Total margin	**935**	984	(4.9%)
As % of turnover	***11.6%***	*11.4%*	
Core operating profit	**156**	182	(14.2%)
As % of turnover	***1.9%***	*2.1%*	
Write-back of acquisition payable	**-**	60	
Profit attributable to Shareholders	**72**	149	
Earnings per share – Basic	**6.7 HK cents**	13.8 HK cents	
(equivalent to)	***0.87 US cents***	*1.78 US cents*	
Adjusted profit attributable to Shareholders*	**92**	110	(16.5%)
Adjusted earnings per share – Basic*	**8.5 HK cents**	10.2 HK cents	
(equivalent to)	***1.10 US cents***	*1.32 US cents*	
Dividend per share	**11 HK cents**	13 HK cents	

* Excluding non-cash M&A items (write-back of acquisition payable, amortization of other intangible assets and non-cash interest expenses)

Note: Total cash consideration for divestment of Asia distribution business of US$350 million is based on cash-free and debt-free basis and subject to closing adjustments

A LETTER FROM OUR CEO

Dear Shareholders,

2016 is the last year of our current Three-Year Plan and I am pleased to say that we have been diligently executing our strategic goals and making important progress. In 2014 we set out to 1) build a sustainable enterprise 2) simplify our business and 3) focus on organic growth. We have embedded these three goals into everything we do in the company. We have taken a deliberate course of action to minimize short-term actions and instead focus on initiatives that will benefit the long-term foundation of the business like investing in people, systems, infrastructure and innovation. We have simplified our company by spinning off non-core assets like our global brands and licensing business, now Global Brands Group, and our Asia consumer and healthcare distribution business and also simplified our organizational structure and processes globally. We have also focused on organic growth and won new customers as well as increased our share of wallet from existing customers. Our actions have all worked together to enhance our foundation and are helping us build a sustainable enterprise.

The macro environment, however, has been one of the toughest we have ever seen. Industry pressures, geopolitical uncertainties, US election concerns, a Brexit reality and the sad rise of terrorist activity has caused uncertainty in the market and affected consumer confidence. The retail environment is almost permanently promotional and many brick and mortar retailers are now under constant pressure. Further, many retailers are focused on working down excess inventory from previous seasons and reducing overall levels of inventory and increasing their speed to market. E-commerce players continue to take market share and cause disruption to how consumers spend and how retailers compete. Technological advancements have brought new disruptions to industries at an ever-accelerating pace. The sourcing market continues a multi-year deflationary trend and global terrorism has affected many countries, including key production markets in Turkey and Bangladesh. Our company performance in the first half of the year reflects these challenges and as a result our business volume decreased.

During these turbulent times, our business foundation remains solid. Our Three-Year Plan goals have helped us focus on our core business and solidify our multi-channel sourcing strategy such that more of our customers now use our entire end-to-end supply chain services. While the overall business has been under pressure, we continue to convert our strong pipeline of new customers every few months and to help more e-commerce customers with their private label strategies. Our reorganization last year to focus more on our core customers enabled us to increase our share of wallet. Additionally, our three product vertical groups are now deeper into their supply chains, creating asset-light ecosystems focused on technology and innovation. Our logistics business continues a multi-year double digit growth pattern with in-country logistics and global freight and within that e-logistics is growing even faster and capitalizing on the explosive growth of e-commerce in China and around Asia. Our new Silicon Valley office has also been bringing new innovative ideas, exploring new partnerships in technology and leading our advanced data analytics strategy. Finally, our Vendor Support Services has also grown very well from a low base and we are forecasting it to exceed our goal of 5% core operating profit this year.

We expect the second half of 2016 to remain challenging and we will continue implementing our margin enhancement and cost control measures to counteract the effects of the environment and mitigate pressure to our business. We continue working on process reengineering and investing in software and automation to increase our efficiency. Meanwhile, we have already begun planning for our next Three-Year Plan for 2017-2019. Although we are still early in the process, we are quite excited to be working across some key themes such as speed, innovation and digitalization of the supply chain, which we believe will play an integral part of our strategy. I am very encouraged by the passion the whole team has shown so far and am looking forward to announcing next year how we are planning to make further progress in building a long-term sustainable future for Li & Fung.

Regards,

Spencer Fung

Group CEO

MANAGEMENT DISCUSSION AND ANALYSIS

Results Overview

First Half 2016 Performance

Results

	1H 2016 US$m	1H 2015 US$m	**Change %**
Turnover	**8,071**	8,626	(6.4%)
Total Margin	**935**	984	(4.9%)
% of Turnover	***11.6%***	*11.4%*	
Operating Costs	**779**	801	(2.8%)
% of Turnover	***9.7%***	*9.3%*	
Core Operating Profit	**156**	182	(14.2%)
% of Turnover	***1.9%***	*2.1%*	
Write-back of acquisition payable	**-**	60	
Profit attributable to Shareholders	**72**	149	
Adjusted profit attributable to Shareholders*	**92**	110	(16.5%)

* Excluding non-cash M&A items (write-back of acquisition payable, amortization of other intangible assets and non-cash interest expenses)

The first six months of the year was the toughest retail and trading period we have operated in since the global financial crisis in 2008. The global retail industry continued to be severely challenged by weak economies, soft consumer sentiment and a highly promotional environment. Our brand and retail customers were affected by subdued consumer demand and inventory build-up. They have therefore been increasingly cautious in placing new orders so as to reduce inventory level, which negatively impacted our top-line turnover.

However, the tough operating environment did not slow down our pace in executing strategic goals outlined in our Three-Year Plan: building a long-term sustainable enterprise, simplifying the business and focusing on organic growth. We successfully completed the divestment of our Asia consumer and healthcare distribution business in June 2016 as part of our strategic goal to focus resources on the core trading and logistics business. This divestment reinforced the Group's strong cash flow and solid balance sheet, and provided additional flexibility for our capital structure to fund future growth. Our Logistics Network continued to sustain growth momentum and generated double-digit organic growth in core operating profit. In addition, our Vendor Support Services ("VSS"), which leverages on our extensive relationship with our vendors and converts them into a new group of customers continued to stay ahead of plan. We have also continued to reposition our customer base and developed our product vertical expertise; our new customer pipeline remains to be strong. Additionally, we have focused on increasing productivity, which is helping support our margins and profitability. In particular, with our digitized sourcing platform, we have been able to streamline our cost base and improve operating leverage. It also opens up opportunities to capitalize on the vast amount of data processed through our platform. Speed, innovation and digitalization will play a crucial part in our next Three-Year Plan.

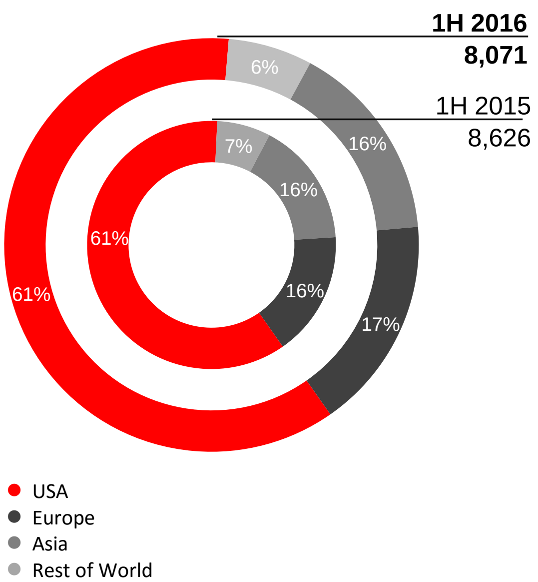
Turnover

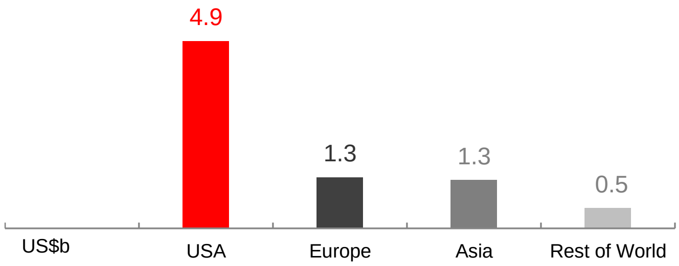
Our turnover in the first half decreased by 6.4% year-on-year to US$8.1 billion due mainly to the continued deflationary environment and reduced orders from customers as a result of uncertain consumer demand. Reduced orders were exacerbated by customers placing orders closer to the key sales periods as well as their objectives in keeping a lower inventory level on an ongoing basis. From a geographical perspective, the US and Europe remained the largest contributors to our total turnover, contributing 61% and 17%, respectively. Turnover from the Trading Network, representing 95% of our total turnover, declined by 6.2% while turnover from the Logistics Network declined by 10.5%. The continued sharp decline in global freight rates contributed to the overall reduction in turnover from the Logistics Network despite increased business from new and existing customers.

During the period, both our Trading and Logistics businesses were exposed to considerable volatility in exchange rates, particularly to the British Pound which fluctuated significantly as a result of the Brexit vote. Overall, the weaker European and Asian currencies against the US dollar contributed to lower translated turnover for both our Trading and Logistics Networks.

Group Geographical Market Turnover

US$m





YoY%	(5.9%)	(2.7%)	(6.9%)	(17.9%)

Total Margin

Total margin decreased by 4.9% to US$935 million during the first half of 2016, mainly due to the decline in total turnover. We improved our total margin percentage from 11.4% to 11.6% during the period, supported by an increase in the Logistics Network's total margin percentage due to a better customer mix, more efficient freight procurement, and increased sales of value-added services in our global freight management business.

Operating Costs

Operating costs decreased by 2.8% to US$779 million as a result of our sustained efforts to improve operating efficiency and productivity through the use of technology. This was particularly evident in our Trading Network in which operating costs declined by 5.2%. In the meantime, our Logistics Network continued to make investments with 13.3% increase in operating costs in order to support its geographical expansion and organic growth.

Core Operating Profit

Core operating profit decreased by 14.2% year-on-year to US$156 million due to a lower contribution from our Trading Network. The decline in Trading Network turnover dragged down the Trading Network's core operating profit by 19.1%. This was offset by the 20.8% surge in the Logistics Network's core operating profit.

Profit Attributable to Shareholders

Since the profit attributable to Shareholders of US$72 million as reported in first half of 2016 did not include any write-back of consideration payable, our reported profit attributable to Shareholders decreased by 51.4% year-on-year, as prior year's profit attributable to Shareholders incorporated US$60 million of write-back of consideration payable. Excluding write-back of consideration payable, as well as other non-cash M&A items, such as amortization of M&A related intangible assets and non-cash interest expenses, the adjusted profit attributable to Shareholders declined by 16.5% when compared to the same period last year.

Segment Analysis

Trading Network

In our Trading Network, we provide end-to-end sourcing solutions through our global network for a diverse mix of global brands and retail customers. The retail landscape has been evolving as it adapts to changes in consumption behavior and our customers are actively adjusting their supply chains to remain competitive. Our multi-channel sourcing business model enables us to provide customers with both agency and principal-trading services regardless of how they source their products. To solidify our leadership position in specific product categories, we continued to deepen our product expertise through focused product verticals, namely sweaters, furniture and beauty. During the first half of 2016, we have made significant progress in our product verticals, especially our furniture business where our product innovation allowed us to improve margin and increase market share in key furniture customers.

Our agency-based sourcing services, in which we act as a strategic sourcing agent for our customers under multi-year contracts, provide a steady turnover base and represent a significant part of our Trading Network business. In our product-focused principal trading business, we act as either an onshore importer or an offshore supplier to our customers, where the terms of each order are mutually agreed on a per program basis. As a principal trader, we sell to our customers' in-house buying offices. In contrast to our agency role, we are responsible for product design all the way to local logistics tailored to specific customers' requirements.

Trading Network Results

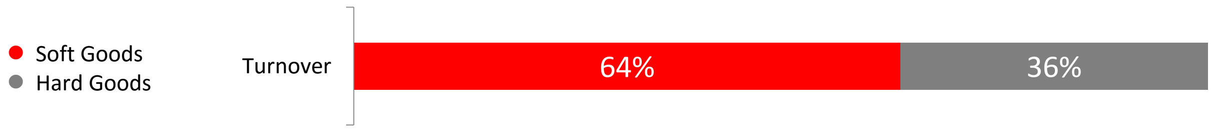
	1H 2016 US$m	1H 2015 US$m	**Change %**
Turnover	**7,649**	8,156	(6.2%)
Total Margin	**788**	855	(7.8%)
% of Turnover	***10.3%***	*10.5%*	
Operating Costs	**659**	695	(5.2%)
% of Turnover	***8.6%***	*8.5%*	
Core Operating Profit	**129**	160	(19.1%)
% of Turnover	***1.7%***	*2.0%*	

Turnover

Turnover of the Trading Network, comprising 64% soft goods and 36% hard goods, decreased by 6.2% to US$7.6 billion during the first half of 2016. Our agency business, which contributed approximately two-third of the total Trading Network turnover, continued to be adversely affected by ongoing deflationary input prices. For our principal business, selling prices remained under pressure due to soft retail demand and the highly promotional retail environment. The slowdown in the retail environment, high inventory level and uncertain consumer demand caused our brand and retail customers to be more cautious in placing orders. The emergence of e-commerce and our customers' desires to reduce overall inventory level had led to shorter order cycle. This adversely impacted volume placement for both our agency and principal businesses. We expect this destocking cycle will continue to impact us until the supply chain order cycle is totally adjusted.

European and Asian currencies continued to be volatile in the first half. The brief stabilization of these currencies in the first quarter was quickly interrupted by the UK Brexit vote, which led to further weakness. The relative strength of the US dollar led to an unfavorable translation impact for our non-US dollar denominated transactions.

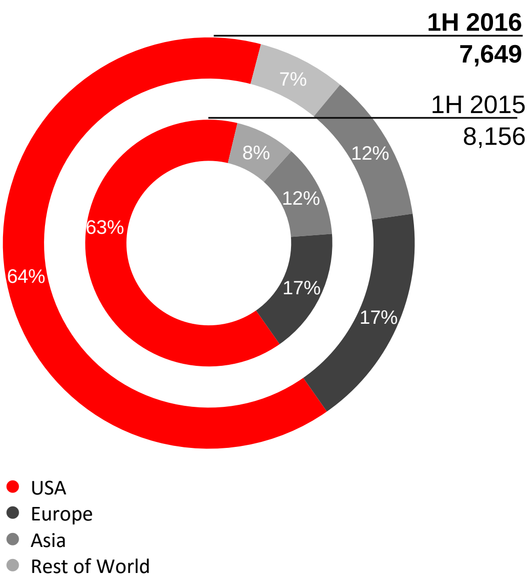
Product Mix

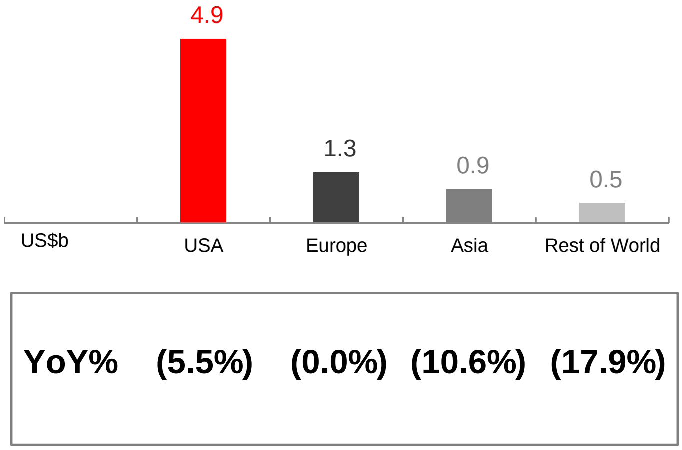


Despite the challenging operating environment in our Trading Network, we continue to serve a diversified group of customers globally, ranging from brands, department stores, specialty stores, clubs, hypermarkets, and pure-play e-commerce. We continued to reposition our customer base and expand our turnover proportionate percentage in brands, clubs, off-price discount stores, and e-commerce players. In addition, our prospective customer pipeline remained strong across various product verticals and business units. Pure e-commerce players are also accelerating the development of their own private label strategies and we are well placed to service them.

Trading Network Geographical Market Turnover

US$m





Turnover from our US business, which is predominantly agency-based, decreased by 5.5% year-on-year to US$4.9 billion, as a result of deflationary prices and lower unit volumes. The lower unit volumes were mainly driven by our customers' lower retail sales volumes. Our customers are buying more cautiously, reflecting ongoing weak consumer demand and high inventory levels.

Our European business remained flat year-on-year at US$1.3 billion as supported by our increased market share in our core European customers despite the unfavorable foreign exchange translation, as well as volatile macro environment and uncertain political conditions. Our European trading business is predominantly principal-based with orders transacted in local currencies. The depreciation of European currencies against the US$, our reporting currency, had a significant adverse translation impact on our reported European business turnover.

Turnover in Asia decreased by 10.6% year-on-year to US$0.9 billion, of which approximately US$569 million was attributed to our Asia consumer and healthcare distribution business which was divested on 30 June 2016, as part of the strategic re-alignment of Li & Fung. As a result of this strategic divestment, the financial results of our Asia consumer and healthcare distribution business will no longer contribute to the Trading Network going forward. Turnover in Asia was negatively impacted by the subdued economic environment across Asia, particularly in China, and the depreciation of Asian currencies against the US$. Turnover in the Rest of World decreased by 17.9% year-on-year to US$0.5 billion due mainly to the negative foreign currency impact.

Total Margin

Total margin across the Trading Network decreased by 7.8% year-on-year to US$788 million as a result of turnover decline and the continued margin pressure on our principal business. The negative foreign exchange impact on turnover had a direct corresponding impact on total margin. Total margin percentage decreased from 10.5% to 10.3% during the first half of 2016 as compared to the corresponding period in 2015. The continued margin pressure was driven by our brand and retail customers, who faced their own pricing pressures in the challenging retail environment. In response to such margin pressure, we continued to work closely with our customers to optimize their supply chains as well as to provide differentiated, innovative and well-designed products to support higher margins.

Operating Costs

Operating costs in our Trading Network declined by 5.2% to US$659 million as we continued to streamline our operations and look for process efficiency to reduce operating costs amid the challenging market conditions. We also increased provision in accounts receivable to cover the credit risk with a customer in the Chapter 11 process in the US. From the overall operating efficiency perspective, we were able to use technology to realize productivity gains and improve operating leverage. We continued to invest prudently to fuel our growth in new customer accounts and deepen our product expertise. In particular, we invested in the required infrastructure and resources for our VSS unit to scale.

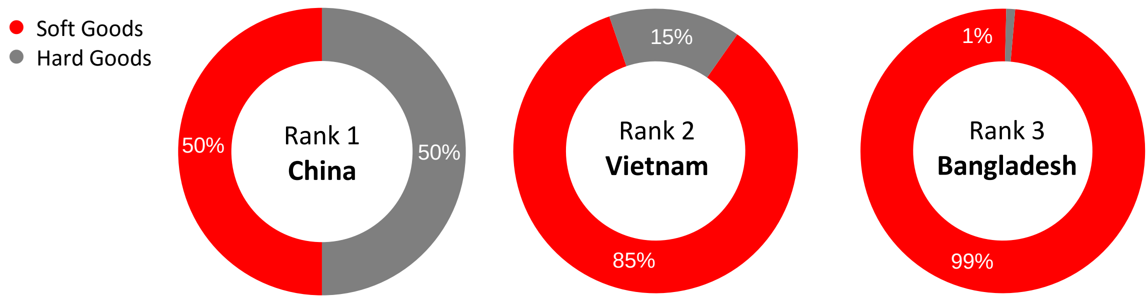
Core Operating Profit

Core operating profit decreased by 19.1% year-on-year to US$129 million during the first half of 2016, due to a decline in turnover of 6.2% and total margin of 7.8% despite a 5.2% reduction in operating costs.

Correspondingly, core operating profit margin decreased from 2.0% in the first half of 2015 to 1.7% in 2016 as a result of total margin percentage decreased from 10.5% to 10.3% and operating costs percentage increased from 8.5% to 8.6%.

Top Sourcing Countries

Our global vendor network covers more than 40 economies, which allows for flexibility when moving orders from one production country to another to handle capacity constraints and satisfy customers' needs. Within this global network, our top three sourcing countries continue to be China, Vietnam and Bangladesh. While China accounted for more than 50% of our sourcing unit volume, we are one of the largest exporters of the product categories in which we trade in most of our sourcing countries. This comprehensive global network with a strong local presence, critical mass and long operating history is one of our key competitive strengths. As the sourcing landscape continues to evolve with the moving of sourcing away from China and multiple trade agreements in play, we are well positioned to scale our existing operations in individual countries to meet our customers' changing sourcing needs.



Vendor Support Services

Our VSS unit was formed in the first year of our current Three-Year Plan to tap into the potential of converting our vendor base of more than 15,000 to a new customer base for services that can improve their operational efficiencies and compliance levels. Following the initial investments, pilot programs were launched in selected markets in 2015. We rolled out our digital total sourcing portal to connect with all our vendors, launched bulk purchase programs in raw materials procurement and product liabilities insurance, developed working capital management tools and services for our suppliers, and initiated various vendor compliance services. The results of our initial pilot phase in 2015 were better than expected, and we continued our global roll-out during first half of 2016. Our VSS unit is profitable and tracking ahead of plans to deliver 5% of core operating profit.

Logistics Network

Our Logistics Network provides fully integrated solutions to our logistics customers through our in-country logistics and global freight management services. Operating as part of a total supply chain solution, we are able to leverage our deep understanding of our customers' business and service needs. Our knowledge and network along the entire global supply chain combined with our strength in Asia allow us to offer unique and bespoke solutions to our customers, making us the logistics partner of choice. We create value through operational excellence, best-in-class IT systems and data analytics. These are further enhanced with an established e-commerce trade partner platform and capabilities.

Our in-country logistics business offers logistics and supply chain solutions in Asia focusing on our core verticals – footwear and apparel, fast-moving consumer goods, food and beverage, and retail and healthcare products. We serve a strong portfolio of blue chip multinational customers and continued to win new ones in our respective verticals during the first half of 2016. Our menu of service includes distribution center management, order management, local transportation (including last mile), reverse logistics as well as innovative and sophisticated services, such as hubbing and consolidation, data analytics e-commerce and omni-channel retail fulfillment services.

Our global freight management business offers full service international freight solutions, including freight forwarding, buyer consolidation and deconsolidation, customs brokerage, order management and inter-modal transportation services. The scale of this business increased significantly following the acquisition of China Container Line in 2014. With more than half a million TEUs of shipping volume, we are now one of the leading freight forwarders in China.

Logistics Network Results

	1H 2016 US$m	1H 2015 US$m	**Change %**
Turnover	**425**	475	(10.5%)
Total Margin	**148**	129	+14.6%
Operating Costs	**120**	106	+13.3%
Core Operating Profit	**27**	23	+20.8%
% of Turnover	***6.4%***	*4.8%*	

Turnover

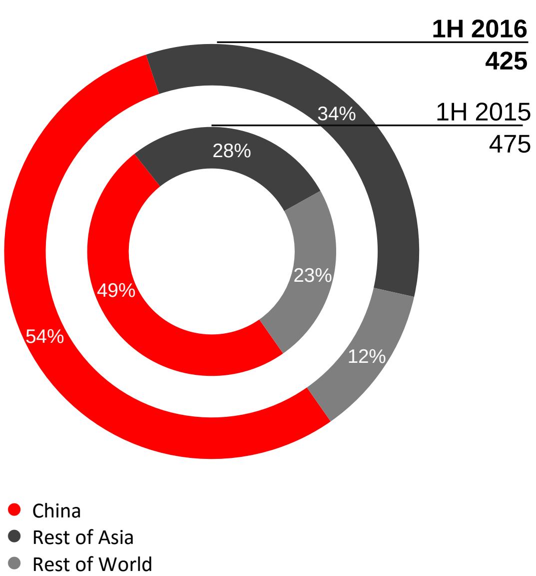
Turnover of our Logistics Network decreased by 10.5% year-on-year to US$425 million, mainly attributable to the substantial drop in global freight rates, improved customer mix, and unfavorable foreign currency translation. As more than 80% of our Logistics Network turnover was generated in Asia in local currencies, our reported turnover was also exposed to currency volatility.

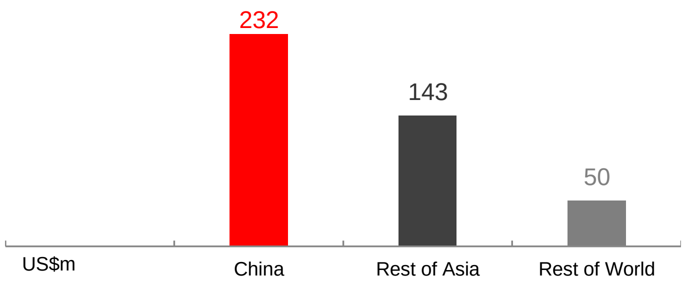
Our in-country logistics business maintained its strong organic growth momentum especially at the core operating profit level, driven by new customer wins, wallet share gains from existing customers and the increasing trend toward the fast growing e-commerce market where we possess leadership capabilities. We also improved our customer mix by focusing on higher margin customers and exiting unprofitable ones. The first half of 2016 also witnessed our expansion into Korea and Japan, and the inauguration of our state-of-the-art distribution hub in Singapore.

Global freight rates in the first half of 2016 continued to be under pressure across all routes and were below the average rates observed in the same period in 2015. Nevertheless, our global freight management business continued to focus on gaining market share through geographical expansion and cross-selling of our freight services to both in-country logistics and Trading Network's customers. To mitigate margin impact from low freight rates, we undertook proactive measures including prudent freight procurement, active contract management, and value-added services such as buyer consolidation solutions to drive core operating profit growth.

Logistics Network Geographical Market Turnover

US$m





YoY%	**(0.7%)**	**+9.3%**	**(54.6%)**

Core Operating Profit

Core operating profit increased by 20.8% year-on-year to US$27 million despite a decrease in turnover, largely as a result of an improvement in core operating profit margin from 4.8% to 6.4% during the first half of 2016. The higher margin in in-country logistics business was mainly due to our increased scale, continued focus on optimizing our customer portfolio and enhanced productivity through improved operating efficiency of our distribution centers. Prudent freight procurement, active contract management, and value-added services also allowed us to improve our margin in the global freight management business.

Balance Sheet and Capital Structure

Strong Cash Position

Li & Fung has a strong and stable cash flow conversion business which, together with cash on hand carried forward from the previous year, more than adequately funded our working capital, dividends, interest expenses and capital expenditure in the first half of 2016.

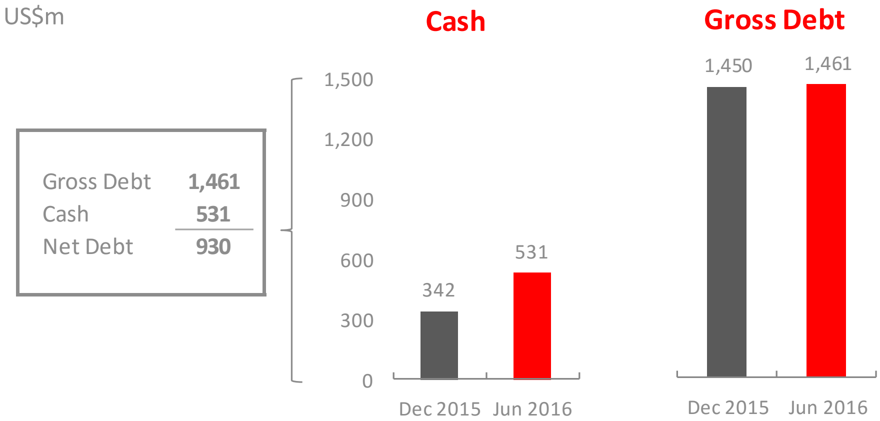
- Operating cash flow of US$152 million is in line with core operating profit after working capital and depreciation adjustments and tax payments
- Capital expenditures of US$44 million and payments for consideration payable for previous acquisitions of US$14 million
- Net cash proceeds of US$301 million from the disposal of the Asia consumer and healthcare distribution business
- Dividends paid of US$163 million
- Net interest expenses paid of US$39 million, and distribution to perpetual capital securities holders of US$15 million

In terms of future commitments, the remaining balance of total purchase consideration payable for acquisitions was reduced to US$229 million by the end of June 2016, of which US$169 million are earn-out payments to be paid over the course of next three years. We remain asset-light and our on-going total capital expenditures are mainly comprised of upgrade of IT system, expansion of our logistics business and ongoing maintenance capital expenditures.

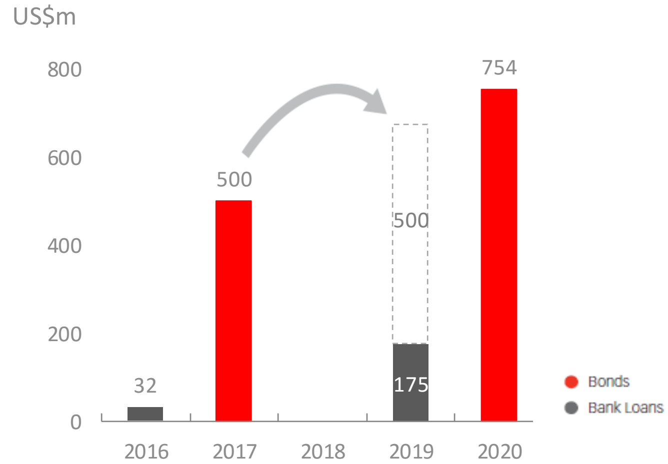
Solid Balance Sheet

Our solid balance sheet was enhanced by cash proceeds received from the divestment of our Asia consumer and healthcare distribution business. Our cash position was US$531 million as of 30 June 2016 after payment of 2015 final dividend. Our total borrowing remained stable at US$1,461 million with a weighted average tenure of over three years. With the US$500 million bond due in May 2017, we have secured over US$700 million of three-year committed facilities with tenure up to 2019 to provide us with the maximum flexibility in deciding on the timing of either refinancing or repayment of such bonds to reduce our overall leverage. The majority of our debt is at a fixed rate and denominated in US$. Our net debt (total borrowings minus cash) was at US$930 million as of 30 June 2016. Given the macroeconomic and political uncertainties we have witnessed this year, we remain cautious in managing our balance sheet and maximize flexibility to provide comfort to both our customers and vendors.

Cash and Gross Debt



Debt Maturity Schedule



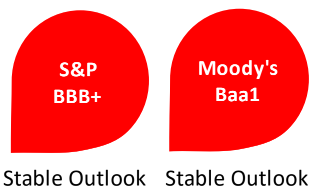
Net Gearing and Net Current Assets

Our net gearing ratio as stated in the unaudited consolidated balance sheet was 24% as of 30 June 2016 (31 December 2015: 27%).

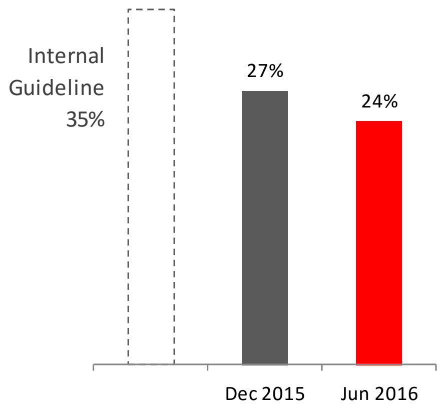
We continued to adopt a conservative approach in managing our balance sheet and capital structure. As at 30 June 2016, our credit ratings from Moody's is Baa1 (stable outlook) and Standard & Poor's is BBB+ (stable outlook). We are committed to maintaining a solid balance sheet, healthy cash flow and strong credit ratios, with the overall long-term target of retaining an investment grade rating to support our growth.

We have three-year unused committed facilities up to 2019 which allow us to have maximum flexibility to determine the exact refinancing timing and amount of our US$500 million bond due in May 2017. Excluding this bond, our pro-forma current ratio would be 1.1 as at 30 June 2016.

Credit Rating



Net Gearing Ratio

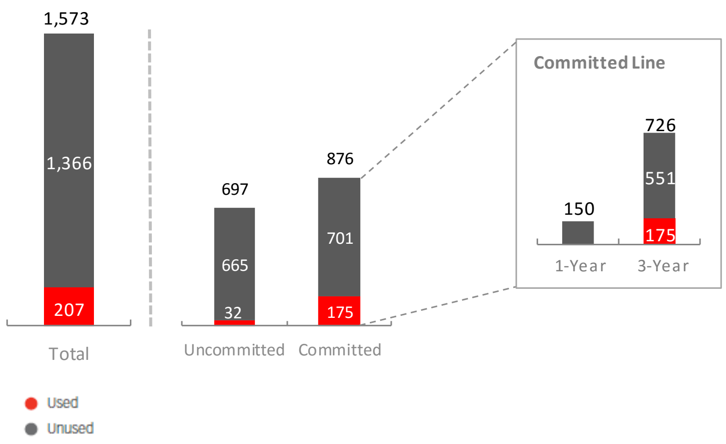


Banking Facilities

Bank Loans and Overdrafts

As at 30 June 2016, we had available bank loans and overdraft facilities of US$1,573 million comprising US$876 million committed and US$697 million uncommitted facilities. At 30 June 2016, US$207 million of our bank loans and overdraft facilities were drawn down, with US$175 million from revolving committed facilities with tenure of up to three years due in 2019. The unused limits on bank loans and overdraft facilities amounted to US$1,366 million and this includes US$701 million unused committed facilities, of which $551 million were part of the three-year committed facilities.

Unused Bank Loans
US$m



Trade Finance

Our normal trading operations are well supported by approximately US$2.5 billion in bank trading facilities including mostly letters of credit issued to suppliers and bills discounting. Letters of credit are a common means of payment to suppliers to support cross-border trades. Our payment obligations on letters of credit issued to suppliers are only crystallized when our suppliers have delivered the merchandise to our customers, or to us, in accordance with the terms and conditions specified in the related contractual documents. As at 30 June 2016, approximately 22% of the trade facilities were used.

Contingent Liabilities and Goodwill

Adjustments to Purchase Consideration Payables

Given the unique nature of our acquired businesses, which are private enterprises relying on their respective entrepreneurs' commercial skills to drive their success, we generally structure our acquisitions with incentive schemes and contingent payments on purchase consideration payables linking to the future performance of the acquired businesses.

We follow a stringent internal financial and accounting policy in evaluating potential adjustment to the estimated fair value of purchase consideration payable in accordance with the accounting standard HKFRS 3 (Revised) "Business Combination".

Our contingent consideration payables are performance-based payments in the form of "earn-out" and "earn-up" payments depending on a set of predetermined performance targets mutually agreed with the entrepreneurs in accordance with the sale & purchase agreement.

Earn-out payments are generally payable within three to four years upon completion of a transaction.

Earn-up payments have a high performance target threshold and are typically payable over a period of up to five to six years upon completion of a transaction if earned.

While many of our acquired businesses remain profitable and are growing, we may still be required to make a downward fair value adjustment to certain consideration payable should the acquired businesses be unable to achieve the predetermined performance threshold within the specific timeframe as stipulated in the sale & purchase agreement. Given that the contingent consideration entitlement is usually contractual in nature and is based on a specific formula linking to a particular threshold, the underlying business performance of the acquired businesses could continue to perform and grow, yet we may still be required to adjust the consideration payable, especially if the high performance thresholds of earn-ups are not reached. For the half year ended 30 June 2016, there was no write-back of contingent consideration.

Goodwill Impairment Tests

We performed goodwill impairment tests based on the cash generating units (CGU) which manage the acquired businesses in accordance with HKAS 36. Based on our assessment of all of the CGUs under the current operating structure, we have determined that there is no goodwill impairment as of 30 June 2016, as the recoverable amount of each CGU was in excess of its respective carrying value of the goodwill. We will continue to perform goodwill impairment tests on an on-going basis.

Risk Management

We have strict policies governing accounting control, credit and foreign exchange risk and treasury management.

Credit Risk Management

Credit risk mainly arises from trade and other receivables. Our principal trading business carries a higher credit risk profile given we are acting as a supplier and we therefore take full counterparty risk of our customers in terms of accounts receivable and inventory. With the increased insolvency risk among global brands and retail customers, we have deployed a global credit risk management framework with tightened risk profile, and applied prudent policies to manage our credit risk with such receivables, which include, but are not limited to, the measures set out below:

- We select customers in a cautious manner. Our credit control team has implemented a risk assessment system to evaluate the financial strength of individual customers prior to agreeing on trade terms. It is not uncommon for us to require securities (such as standby or commercial letters of credit, or bank guarantees) from customers who fall short of the required minimum score under our risk assessment system.

- A significant portion of trade receivable balances are covered by trade credit insurance or factored to external financial institutions on a non-recourse basis.
- A credit risk system with a dedicated team and tightened policies has been established to ensure on-time recoveries from trade debtors.
- Rigid internal policies which govern provisions made for both inventories and receivables are in place to motivate business managers to step up their efforts in these two areas and to avoid any significant impact on their financial performance.

With the increased credit risk profile of selected customers, we have taken a cautious approach in our provision in accounts receivable, and we will continue to monitor closely the development of the Chapter 11 bankruptcy proceedings of one of our key customers, which continues to conduct business as usual during the Chapter 11 process while completing its financial and operational reorganization.

Foreign Exchange Risk Management

Most of our cash balances are deposits in HK$ and US$ with major global financial institutions, and most of our borrowings are denominated in US$.

Our revenues and payments are predominantly transacted in US$. Therefore, we do not believe there is significant risk exposure in relation to foreign exchange rate fluctuations. There are small portions of sales and purchases transacted in different currencies for which we arrange hedging by means of foreign exchange forward contracts.

For transactions subject to foreign exchange risk, we fully hedge our foreign currency exposure once we receive confirmed orders or enter into customer transactions. To mitigate the impact from changes in foreign exchange rates, we regularly review our operations in these selected countries and make necessary hedging arrangements in certain currencies against the US$. However, we do not enter into foreign currency hedges with respect to the local financial results and long-term equity investments of our non-US$ foreign operations for both our income statements and balance sheet reporting purposes. Since our functional currency is in US$, we are subject to exchange rate exposure from translation of foreign operations’ local results to US$ at average rate for the period for group consolidation. Our net equity investments in non-US$ denominated businesses are also subject to unrealized translation gain or loss on consolidation. Fluctuation of relevant currencies against the US$ will result in unrealized gain or loss from time to time, which is reflected as movement in exchange reserve in the consolidated statement of changes in equity.

From a medium to long-term perspective, we manage our operations in the most cost effective way possible within our global network. We strictly prohibit any financial derivative arrangement merely for speculation.

People

As an asset light business, our success is overwhelmingly dependent on our people. We are very proud of and grateful for their expertise, dedication and hard work. As at 30 June 2016, we have a total workforce of 21,982, of which 6,377 are warehouse related employees for our logistics and distribution businesses. In terms of geography, 3,490 of our people were based in Hong Kong, 8,740 were based in Mainland China and 9,752 were based overseas.

Total manpower costs for the first half of 2016 were US$504 million, compared with US$495 million for the first half of 2015, with the majority of the increase due to increase in direct labor cost associated with warehouse related employees as well as full period financial impact resulting from the adoption of new share award scheme in May 2015.

Outlook

We expect the rest of 2016 to remain challenging. The global retail market continues to struggle with soft consumer demand and geopolitical instability will weigh on consumer sentiment. We expect highly promotional activities and deflationary environment will continue, and our trading volume will be under pressure given brands and retailers are transitioning through a destocking cycle. In the meantime, we are focused on new areas of growth such as focused product verticals, logistics and VSS as well as on increasing our turnover mix in high-growth segments such as e-commerce and off-price retailers, to counteract these headwinds. In addition, we will continue targeting the expansion of our customer base and converting our strong customer pipeline. As a global leader in supply chain management, we continue to be prudent in managing customer credit risks as we continue to expand our customer base. The more challenging environment will also provide VSS with more opportunities to help our global vendor network.

Building a sustainable business for the long term remains a key theme. The long-term investments in IT and backend infrastructure will provide our business with the runway to improve our productivity by automating processes and workflow. As a result, we expect to reap the benefits of this productivity and operating leverage in the coming years.

As we approach the end of the current Three-Year Plan, we are on track in meeting our strategic goals. We are in the process of developing our next Three-Year Plan for 2017-2019, which will be announced early next year. Speed, innovation and digitalization of our business will be a key theme. For example, our presence in Silicon Valley, established to encourage and facilitate partnerships and collaboration in innovation initiatives, has expanded to data analytics which is a crucial part of our supply chain digitalization efforts. These initial efforts will ramp over time and we are excited about the related potential new business opportunities on the horizon.

We announce the unaudited consolidated profit and loss account, unaudited consolidated statement of comprehensive income, unaudited condensed consolidated cash flow statement and unaudited consolidated statement of changes in equity of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2016 and the unaudited consolidated balance sheet of the Group as at 30 June 2016 together with the comparative figures for 2015. 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. The auditor, based on their review, concluded that nothing has come to their attention that causes them 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". The auditor's independent review report will be included in the interim financial report.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Unaudited Six months ended 30 June	
		2016	2015
	Note	**US$'000**	US$'000
Turnover	*2*	**8,070,733**	8,625,611
Cost of sales		**(7,150,033)**	(7,664,676)
Gross profit		**920,700**	960,935
Other income		**14,776**	22,616
Total margin		**935,476**	983,551
Selling and distribution expenses		**(290,945)**	(315,139)
Merchandising and administrative expenses		**(488,093)**	(486,142)
Core operating profit	*2*	**156,438**	182,270
Gain on remeasurement of contingent consideration payable	*3*	**-**	60,151
Amortization of other intangible assets	*3*	**(17,337)**	(17,742)
Gain on disposal of business	*3*	**7,871**	-
One-off reorganization costs	*3*	**(5,863)**	-
Operating profit	*2&3*	**141,109**	224,679
Interest income		**5,611**	2,971
Interest expenses			
Non-cash interest expenses		**(2,247)**	(3,750)
Cash interest expenses		**(44,732)**	(44,916)
		(46,979)	(48,666)
Share of profits less losses of associated companies		**1,582**	1,475
Profit before taxation		**101,323**	180,459
Taxation	*4*	**(14,595)**	(17,866)
Net profit for the period		**86,728**	162,593
Attributable to:			
Shareholders of the Company		**72,315**	148,685
Holders of perpetual capital securities		**15,000**	15,000
Non-controlling interests		**(587)**	(1,092)
		86,728	162,593

CONSOLIDATED PROFIT AND LOSS ACCOUNT (CONTINUED)

		Unaudited Six months ended 30 June	
	Note	**2016 US$'000**	2015 US$'000
Earnings per share for profit attributable to the Shareholders of the Company during the period	*6*		
- Basic		**6.7 HK cents**	13.8 HK cents
(equivalent to)		**0.87 US cents**	1.78 US cents
- Diluted		**6.7 HK cents**	13.8 HK cents
(equivalent to)		**0.86 US cents**	1.78 US cents

Interim dividend	*5*	**119,291**	140,980

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 June	
	2016	2015
	US$'000	US$'000
Net profit for the period	**86,728**	162,593
Other comprehensive income/(expense):		
Items that will not be reclassified to profit or loss		
Remeasurements from post-employment benefits recognized in reserve, net of tax	**1**	2
Total items that will not be reclassified to profit or loss	**1**	2
Items that may be reclassified subsequently to profit or loss		
Currency translation differences *	**(56,287)**	7,052
Net fair value gains/(losses) on cash flow hedges, net of tax	**2,066**	(8,322)
Net fair value gains on available-for-sale financial assets, net of tax	**86**	76
Total items that may be reclassified subsequently to profit or loss	**(54,135)**	(1,194)
Total other comprehensive expense for the period, net of tax	**(54,134)**	(1,192)
Total comprehensive income for the period	**32,594**	161,401
Attributable to:		
Shareholders of the Company	**18,676**	149,017
Holders of perpetual capital securities	**15,000**	15,000
Non-controlling interests	**(1,082)**	(2,616)
Total comprehensive income for the period	**32,594**	161,401

* *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.*

CONSOLIDATED BALANCE SHEET

	Note	Unaudited 30 June 2016 US$'000	Audited 31 December 2015 US$'000
Non-current assets			
Intangible assets		**3,955,857**	4,266,863
Property, plant and equipment		**213,027**	241,626
Prepaid premium for land leases		**132**	1,942
Associated companies		**11,502**	10,070
Joint venture		**925**	313
Available-for-sale financial assets		**3,940**	3,854
Other receivables, prepayments and deposits		**30,291**	26,217
Deferred tax assets		**29,912**	36,527
		4,245,586	4,587,412
Current assets			
Inventories		**385,753**	566,002
Due from related companies		**588,163**	486,939
Trade and bills receivable	*7*	**1,268,472**	1,689,413
Other receivables, prepayments and deposits		**242,606**	256,818
Derivative financial instruments		**3,100**	4,272
Cash and bank balances		**530,958**	342,243
		3,019,052	3,345,687
Current liabilities			
Due to related companies		**1,767**	1,038
Trade and bills payable	*8*	**2,144,447**	2,464,785
Accrued charges and sundry payables		**408,271**	601,129
Purchase consideration payable for acquisitions	*9*	**74,772**	86,266
Taxation		**45,136**	56,463
Bank advances for discounted bills	*7*	**31,313**	33,681
Short-term bank loans		**32,093**	95,819
Current portion of long-term notes	*9*	**499,578**	-
		3,237,377	3,339,181
Net current (liabilities)/assets		**(218,325)**	6,506
Total assets less current liabilities		**4,027,261**	4,593,918

CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	**Unaudited 30 June 2016 US$'000**	Audited 31 December 2015 US$'000
Financed by:			
Share capital		**13,487**	13,487
Reserves		**2,356,970**	2,489,386
Shareholders' funds attributable to the Company's shareholders		**2,370,457**	2,502,873
Holders of perpetual capital securities		**503,000**	503,000
Non-controlling interests		**(1,044)**	4,293
Total equity		**2,872,413**	3,010,166
Non-current liabilities			
Long-term notes	*9*	**753,972**	1,253,823
Purchase consideration payable for acquisitions	*9*	**154,161**	156,236
Other long-term liabilities	*9*	**185,460**	116,420
Post-employment benefit obligations		**20,779**	21,909
Deferred tax liabilities		**40,476**	35,364
		1,154,848	1,583,752
		4,027,261	4,593,918

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited Six months ended 30 June 2016 US$'000	2015 US$'000
Operating activities		
Operating profit before working capital changes	**204,868**	227,905
Changes in working capital	**(24,076)**	(19,330)
Net cash inflow generated from operations	**180,792**	208,575
Profits tax paid	**(29,174)**	(28,596)
Net cash inflow from operating activities	**151,618**	179,979
Investing activities		
Settlement of consideration payable for prior years acquisitions of businesses	**(13,607)**	(15,941)
Disposal of business	**301,169**	-
Capital expenditure	**(43,865)**	(37,288)
Other investing activities	**5,255**	4,004
Net cash inflow/(outflow) from investing activities	**248,952**	(49,225)
Net cash inflow before financing activities	**400,570**	130,754
Financing activities		
Interest paid	**(44,732)**	(44,916)
Distribution to holders of perpetual capital securities	**(15,000)**	(15,000)
Dividends paid	**(162,670)**	(303,388)
Purchase of shares for Share Award Scheme	**(12)**	(7,300)
Other financing activities	**11,274**	13,012
Net cash outflow from financing activities	**(211,140)**	(357,592)
Increase/(decrease) in cash and cash equivalents	**189,430**	(226,838)
Cash and cash equivalents at 1 January	**342,243**	538,529
Effect of foreign exchange rate changes	**(715)**	3,343
Cash and cash equivalents at 30 June	**530,958**	315,034
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	**530,958**	315,034

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited							
	Attributable to Shareholders of the Company							
	Share capital US$'000	Share premium US$'000	Other reserves US$'000	Retained earnings US$'000	Total US$'000	Holders of perpetual capital securities US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at 1 January 2016	**13,487**	**704,618**	**554,903**	**1,229,865**	**2,502,873**	**503,000**	**4,293**	**3,010,166**
Comprehensive income/(expense)								
Profit or loss	**-**	**-**	**-**	**72,315**	**72,315**	**15,000**	**(587)**	**86,728**
Other comprehensive (expense)/income								
Currency translation differences	**-**	**-**	**(55,792)**	**-**	**(55,792)**	**-**	**(495)**	**(56,287)**
Net fair value gains on available-for-sale financial assets, net of tax	**-**	**-**	**86**	**-**	**86**	**-**	**-**	**86**
Net fair value gains on cash flow hedges, net of tax	**-**	**-**	**2,066**	**-**	**2,066**	**-**	**-**	**2,066**
Remeasurements from post-employment benefits recognized in reserve, net of tax	**-**	**-**	**1**	**-**	**1**	**-**	**-**	**1**
Total other comprehensive expense	**-**	**-**	**(53,639)**	**-**	**(53,639)**	**-**	**(495)**	**(54,134)**
Total comprehensive (expense)/income	**-**	**-**	**(53,639)**	**72,315**	**18,676**	**15,000**	**(1,082)**	**32,594**
Transactions with owners in their capacity as owners								
Purchase of shares for Share Award Scheme	**-**	**-**	**(12)**	**-**	**(12)**	**-**	**-**	**(12)**
Employee Share Option and Share Award scheme:								
- value of employee services	**-**	**-**	**11,590**	**-**	**11,590**	**-**	**-**	**11,590**
Distribution to holders of perpetual capital securities	**-**	**-**	**-**	**-**	**-**	**(15,000)**	**-**	**(15,000)**
Transfer to capital reserve	**-**	**-**	**61**	**(61)**	**-**	**-**	**-**	**-**
2015 final dividends paid	**-**	**-**	**-**	**(162,670)**	**(162,670)**	**-**	**-**	**(162,670)**
Disposal of business	**-**	**-**	**-**	**-**	**-**	**-**	**(4,255)**	**(4,255)**
Total transactions with owners in their capacity as owners	**-**	**-**	**11,639**	**(162,731)**	**(151,092)**	**(15,000)**	**(4,255)**	**(170,347)**
Balance at 30 June 2016	**13,487**	**704,618**	**512,903**	**1,139,449**	**2,370,457**	**503,000**	**(1,044)**	**2,872,413**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Unaudited							
	Attributable to Shareholders of the Company							
	Share capital US$'000	Share premium US$'000	Other reserves US$'000	Retained earnings US$'000	Total US$'000	Holders of perpetual capital securities US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at 1 January 2015	13,398	699,476	634,098	1,251,512	2,598,484	503,000	8,594	3,110,078
Comprehensive income/(expense)								
Profit or loss	-	-	-	148,685	148,685	15,000	(1,092)	162,593
Other comprehensive income/(expense)								
Currency translation differences	-	-	8,576	-	8,576	-	(1,524)	7,052
Net fair value gains on available-for-sale financial assets, net of tax	-	-	76	-	76	-	-	76
Net fair value losses on cash flow hedges, net of tax	-	-	(8,322)	-	(8,322)	-	-	(8,322)
Remeasurements from post-employment benefits recognized in reserve, net of tax	-	-	2	-	2	-	-	2
Total other comprehensive income/(expense)	-	-	332	-	332	-	(1,524)	(1,192)
Total comprehensive income/(expense)	-	-	332	148,685	149,017	15,000	(2,616)	161,401
Transactions with owners in their capacity as owners								
Issue of shares for Share Award Scheme	89	-	(89)	-	-	-	-	-
Purchase of shares for Share Award Scheme	-	-	(7,300)	-	(7,300)	-	-	(7,300)
Employee Share Option and Share Award scheme:								
- value of employee services	-	-	4,164	-	4,164	-	-	4,164
Distribution to holders of perpetual capital securities	-	-	-	-	-	(15,000)	-	(15,000)
Transfer to capital reserve	-	-	92	(92)	-	-	-	-
2014 final and special dividends paid	-	-	-	(303,388)	(303,388)	-	-	(303,388)
Total transactions with owners in their capacity as owners	89	-	(3,133)	(303,480)	(306,524)	(15,000)	-	(321,524)
Balance at 30 June 2015	13,487	699,476	631,297	1,096,717	2,440,977	503,000	5,978	2,949,955

Selected Notes to the Condensed Interim Financial Information

1 Basis of preparation and accounting policies

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

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

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

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

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

Selected Notes to the Condensed Interim Financial Information (Continued)

1 Basis of preparation and accounting policies (Continued)

(a) Standards and amendments to existing standards adopted by the Group

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

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

The application of the above standards and amendments to existing standards in the current interim period has had no material effect on the amounts reported in the Interim Financial Information and/or disclosures set out in the Interim Financial Information.

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

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

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

Notes:

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

Selected Notes to the Condensed Interim Financial Information (Continued)

2 Segment information

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

The Group's management (chief operating decision-maker) considers the business principally from the perspective of two global Networks, namely the Trading Network and the Logistics Network. The Trading Network focuses on provision of the global sourcing services via multiple channels, such as buying agent, trading-as-principal for private label merchandise and on-shore wholesale business. The Logistics Network focuses on provision of logistics solutions and freight forwarding services.

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

Selected Notes to the Condensed Interim Financial Information (Continued)

2. Segment information (Continued)

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

Selected Notes to the Condensed Interim Financial Information (Continued)

2. Segment information (Continued)

	Trading Network US$'000	Logistics Network US$'000	Elimination US$'000	Total US$'000
<u>Six months ended 30 June 2015 (Unaudited)</u>				
Turnover	8,155,545	474,969	(4,903)	8,625,611
Total margin	854,756	128,795		983,551
Operating costs	(695,063)	(106,218)		(801,281)
Core operating profit	159,693	22,577		182,270
Gain on remeasurement of contingent consideration payable				60,151
Amortization of other intangible assets				(17,742)
Operating profit				224,679
Interest income				2,971
Interest expenses				
Non-cash interest expenses				(3,750)
Cash interest expenses				(44,916)
				(48,666)
Share of profits less losses of associated companies				1,475
Profit before taxation				180,459
Taxation				(17,866)
Net profit for the period				162,593
Depreciation and amortization	48,575	8,301		56,876
<u>31 December 2015 (Audited)</u>				
Non-current assets (other than available-for-sale financial assets and deferred tax assets)	3,890,628	656,403		4,547,031

Selected Notes to the Condensed Interim Financial Information (Continued)

2. Segment information (Continued)

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

	Turnover		Non-current assets (other than available-for-sale financial assets and deferred tax assets)	
	Unaudited		Unaudited	Audited
	Six months ended 30 June		30 June	31 December
	2016	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000
United States of America	**4,936,008**	5,244,933	**1,994,331**	2,024,579
Europe	**1,346,052**	1,383,281	**1,107,812**	1,161,115
Asia	**1,258,445**	1,351,615	**893,457**	1,127,532
Rest of the world	**530,228**	645,782	**216,134**	233,805
	8,070,733	8,625,611	**4,211,734**	4,547,031

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

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

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

Selected Notes to the Condensed Interim Financial Information (Continued)

3 Operating profit

Operating profit is stated after crediting and charging the following:

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

* *Excluded from the core operating profit*

4 Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits for the period. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

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

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

Selected Notes to the Condensed Interim Financial Information (Continued)

5 Interim dividend

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

Note:

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

6 Earnings per share

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

The diluted earnings per share for the six months ended 30 June 2016 was calculated by adjusting the weighted average number of 8,354,869,000 (2015: 8,354,612,000) ordinary shares in issue by 56,502,000 (2015: 13,871,000) to assume conversion of all dilutive potential ordinary shares granted under the Company's Share Option and Share Award Scheme. For the determination of dilutive potential ordinary share granted under the Company, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding Share Options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the Share Options and Share Award.

Selected Notes to the Condensed Interim Financial Information (Continued)

7 Trade and bills receivable

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

	Current to 90 days US$'000	91 to 180 days US$'000	181 to 360 days US$'000	Over 360 days US$'000	Total US$'000
Balance at 30 June 2016 (unaudited)	**1,207,181**	**52,292**	**8,184**	**815**	**1,268,472**
Balance at 31 December 2015 (audited)	1,595,433	83,376	7,900	2,704	1,689,413

All trade and bills receivable are either repayable within one year or on demand. Accordingly, the fair values of the Group's trade and bills receivable were approximately the same as their carrying values as at 30 June 2016. The fair value of the Group's trade and bills receivable balance as at 30 June 2016 has taken into account a provision of US$15.6 million for a particular customer under the Trading Network, which had filed Chapter 11 bankruptcy.

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

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

Certain subsidiaries of the Group transferred bills receivable balances amounting to US$31,313,000 (31 December 2015: US$33,681,000) to banks in exchange for cash as at 30 June 2016. The transactions have been accounted for as collateralized bank advances.

Selected Notes to the Condensed Interim Financial Information (Continued)

8 Trade and bills payable

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

	Current to 90 days US$'000	91 to 180 days US$'000	181 to 360 days US$'000	Over 360 days US$'000	Total US$'000
Balance at 30 June 2016 (unaudited)	**2,101,523**	**30,780**	**4,128**	**8,016**	**2,144,447**
Balance at 31 December 2015 (audited)	2,365,315	80,822	2,885	15,763	2,464,785

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

9 Long-term liabilities

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

Note:

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

CORPORATE GOVERNANCE

The Board 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.

Our corporate governance practices followed during the first six months of 2016 are in line with the practices set out in our 2015 Annual Report and on our corporate website (www.lifung.com).

REVIEW OF INTERIM FINANCIAL INFORMATION

The Audit Committee has reviewed the interim financial information for the six months ended 30 June 2016 for the Board's approval.

RISK MANAGEMENT AND INTERNAL CONTROL

Based on the respective assessments made by management and the Corporate Governance team responsible for internal audit activities, the Audit Committee considered that for the first six months of 2016:

- The risk management and internal controls and accounting systems of the Group remain in place and functioning effectively, and were designed to provide reasonable but not absolute assurance that material assets are 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.

- An ongoing process is in place for identifying, evaluating and managing the significant risks faced by the Group.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board reviewed the Company's corporate governance practices for the first six months of 2016 and is satisfied that it has been in full compliance with all of the applicable code provisions set out in the Corporate Governance Code and Corporate Governance Report (with the amendments came into effect on 1 January 2016) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

DIRECTORS' AND RELEVANT EMPLOYEES' SECURITIES TRANSACTIONS

The Company has adopted stringent procedures governing Directors' securities transactions in compliance with 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 in line with the Model Code. Specific confirmation of compliance has been obtained from each Director for the interim reporting period. No incident of non-compliance by Directors and relevant employees was noted.

We continue to comply with our policy on Inside Information in compliance with our obligations under the Securities and Futures Ordinance and Listing Rules.

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

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2016.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of 11 HK cents (2015: 13 HK cents) per Share for the six months ended 30 June 2016, absorbing a total of US$119 million (2015: US$141 million).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 9 September 2016 to 12 September 2016, both days inclusive, during which period no transfer of Shares will be registered. 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 registrar, Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 pm on 8 September 2016. Dividend warrants will be dispatched on 20 September 2016. Shares of the Company will be traded ex-dividend from 7 September 2016.

PUBLICATION OF INTERIM REPORT

The 2016 interim report will be dispatched to the shareholders and available on the Company's website at www.lifung.com and HKExnews website at www.hkexnews.hk on or about 13 September 2016.

By Order of the Board
William FUNG Kwok Lun
Group Chairman, Li & Fung Limited

Hong Kong, 25 August 2016

As at the date of this announcement, Executive Directors of the Company are William Fung Kwok Lun (Group Chairman), Spencer Theodore Fung (Group Chief Executive Officer) and Marc Robert Compagnon; Non-executive Director is Victor Fung Kwok King (Honorary Chairman); Independent Non-executive Directors are Paul Edward Selway-Swift, Allan Wong Chi Yun, Martin Tang Yue Nien and Margaret Leung Ko May Yee.