CREATING THE SUPPLY CHAIN OF THE FUTURE
創造未來的供應鏈

Interim Report
中期業績報告
2017

LI & FUNG LIMITED

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

Contents

Our goal is to create the supply chain of the future to help our customers navigate the digital economy and to improve the lives of one billion people in the supply chain.

Speed

Our goal is to decrease lead times and increase speed to market for our customers. We want to be more agile and produce results more quickly by simplifying processes, using technology and embracing new ways of working with our customers and other industry partners.

Innovation

We are embedding innovation not only into our product and service offerings but also in new business models and ways of working with our customers and other ecosystem partners, enabling a culture of open innovation and collaboration.

Digitalization

To achieve speed and innovation our goal is the digitalization of the entire supply chain. By digitizing key aspects of the supply chain from product development, material costings and sampling, to the final creation and delivery of products, we are creating an end-to-end platform that will make customers' processes more seamless, efficient and cost effective enabling us to deliver data-driven insights and customized services.

Corporate Information

Executive Directors

William Fung Kwok Lun
Spencer Theodore Fung
Marc Robert Compagnon

Non-executive Directors

Victor Fung Kwok King
Allan Wong Chi Yun*
Margaret Leung Ko May Yee*
Martin Tang Yue Nien*
Chih Tin Cheung*

* Independent Non-executive Directors

Chief Financial Officer

Edward Lam Sung Lai

Group Chief Compliance and Risk Management Officer

Jason Yeung Chi Wai

Company Secretary

Terry Wan Mei Chow

Auditor

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

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited

Citibank, N.A.

Standard Chartered Bank (Hong Kong) Limited

JPMorgan Chase Bank, N.A.

Legal Advisors

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

Registered Office

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

Hong Kong Office

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

Highlights

2017 FIRST HALF OVERVIEW

Turnover

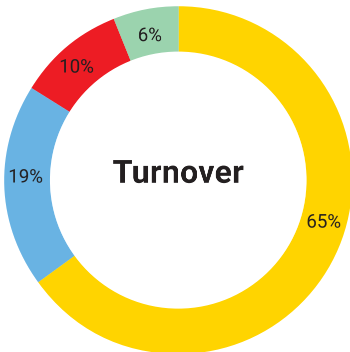
US$ 7,264M

Total margin

US$ 835M

Core operating profit

US$ 170M



Group geographical market turnover

US$ 7,264M

USA Europe Asia
Rest of World

Earnings per share (basic)

9.4 HK cents

1.21 US cents

Dividends per share (interim)

11.0 HK cents

1.4 US cents

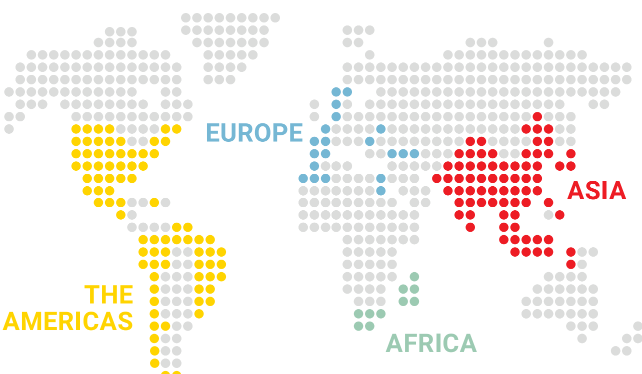
Economies

40+

Employees worldwide

21,047

We operate an extensive global supply chain network with over 21,000 people in around 250 offices and distribution centers around the world, working with our vendor base of more than 15,000 suppliers to add value to our global brand and retail customers.



Operating cash flow

US$ 160M

Cash and bank balances

US$ 416M

Gearing ratio

10%

A Letter from Our Chairman

We have embarked on an exciting journey in our Three-Year Plan to create the supply chain of the future.

Dear Shareholders,

The global retail industry has been undergoing profound changes, driven by disruptive technologies and shifting consumer preferences. These trends have impacted Li & Fung's existing customer base, but at the same time, they have created many new potential customers for us. Both old and new customers' requirements for their supply chains have changed. With this in mind, we have embarked on an exciting journey in the Three-Year Plan (2017 – 2019) to create the supply chain of the future: a digitalized supply chain that delivers with speed, fosters innovation and generates valuable business insights.

Economic and Geopolitical Uncertainty

We entered 2017 with cautious optimism for the global economy. In the US, the unemployment rate has returned to its pre-2008 level for more than a year now. In Europe, precursory remarks by central bankers on tapering suggest higher confidence in the economy. While data suggests that major economies have begun to stabilize, we see pockets of instability in the geopolitical realm that may dampen consumer sentiment or even undermine the recovery. Political volatilities, humanitarian crises and armed conflicts continue around the world. Against this backdrop, we expect consumers to continue to feel cautious about their spending.

Free Trade and Protectionism

We also continue to face changing business and trade paradigms across markets. In Europe, the UK government has initiated Brexit negotiations with the European Union. The outcome of these negotiations, which may take up to two years, will have far-reaching implications beyond bilateral trade between the UK and the EU. For example, developing countries that currently export to the UK under the European Generalized Scheme of Preferences may need to renegotiate and reset trade agreements with the UK.

In the US, although the border adjustment tax no longer seems to be under consideration for the time being, uncertainties over trading relationships remain. Renegotiation of the North American Free Trade Agreement (NAFTA) is a key item on the US president's agenda and changes resulting from these talks will have implications for our US customers' sourcing strategies. Regardless of how the global trading landscape changes, given our large global footprint of operations, we are ready to readjust our strategies accordingly and with agility.

Although the current trading system faces uncertain complications, international support for free trade remains strong. The 11 countries that remain in the Trans-Pacific Partnership (TPP) have decided to continue negotiations towards a free trade framework despite the withdrawal of the US. In May this year, China hosted the first Belt and Road Forum for International Cooperation and reaffirmed its support for multilateral trading systems. In recent years, China has assumed an increasingly prominent role in advocating international trade. While the country remains a net exporter and a key sourcing destination for us, its potential as an important consumer market also has positive long-term implications.

E-Commerce and Omni-Channel Evolutions

Strong consumption growth and the rise of e-commerce in China and the rest of Asia provide impetus for our fast-growing Asia-focused logistics business. However, the continued advent of e-commerce, coupled with fast-changing consumer preferences, has brought increasing pressure for traditional retailers to self-disrupt and re-invent themselves. In response, many retailers have formulated online sales strategies and introduced more differentiated products. At the same time, pure-play online retailers are launching their own private labels to capture higher margins and differentiate from their peers. There will be more disruption as the market moves towards a new equilibrium and we are fully-prepared to help our old and new customers navigate the shifting landscape.

A Key Partner for Uncertain Times

In an uncertain environment, having a nimble, versatile supply chain solution provider is more important than ever. Our wide network of suppliers, with whom we have deep-rooted relationships developed over decades, gives us the ability to adjust supply chain solutions for our customers quickly as new situations emerge. This is one of our core strengths, and it positions us as a key strategic partner for brands and retailers throughout the years.

The Supply Chain of the Future

Adding to our traditional strengths, we will be singularly focused on the goal of our Three-Year Plan and its key elements: speed, innovation and digitalization. We will not only meet and exceed the expectations of our old and new customers alike for a supply chain that meets the new consumer demands, but also employ new technologies in creating a new digitalized supply chain of the future that will anticipate future requirements. With a digitalized supply chain that can offer prescriptive - or even predictive - data analytics, we can help our customers make the most-informed decisions possible and act with optimal speed.

In creating a new digitalized supply chain, we can anticipate future requirements of our customers and this positions us as a key strategic partner.

I would like to extend my gratitude to our colleagues for their enthusiasm in working to build the supply chain of the future.

Yours sincerely,

William Fung Kwok Lun
Group Chairman

A Letter from Our CEO

Our goal is to create the supply chain of the future to help our customers navigate the digital economy and to improve the lives of one billion people in the supply chain.

Dear Shareholders,

2017 is the first year of our Three-Year Plan and our goal is to build the supply chain of the future to help our customers navigate the disruptive digital economy, and to improve the lives of one billion people in the supply chain. To achieve this, we are focusing on speed, innovation and digitalization. I am pleased to say we are off to a strong start for our Three-Year Plan. Turnover and margin have stabilized, operating costs have reduced and our core operating profit is up 12% on a like-for-like basis. I am also very happy to report that our new supply chain model is gaining traction and our customers are embracing our new solutions.

In the past few years we experienced deflation and destocking pressure combined with digital disruption of the industry and our new Three-Year Plan is aimed at helping our customers navigate this pressure from new forms of competition and to help them solve their biggest pain points. We have reorganized our business into the Services and Product segments to distinguish our fee-based service businesses from our principal trading, product focused businesses. Our core agency business has been renamed 'supply chain solutions' and has expanded our menu of services to include new services targeted to our supplier base as well as new digital, value-added services for brands and retailers, which is very different from other traditional agencies and buying offices. The world is changing at an unprecedented pace and we are committed to our journey to transform ourselves into a digital company.

Speed Model

Because of the disruption we have seen in retail, many brands and retailers are realizing that with the fast pace of the digital economy and the changing nature of consumer preference, we are now in an era where speed has become the number one priority. For decades supply chains were optimized for cost and efficiency, constantly chasing lower costs. Now everyone is looking for agile supply chains. In a world where the supply chain is optimized for speed rather than for cost, lead times have been drastically reduced by 50% or more through eliminating duplicate processes, more rapid decision making, increased automation and the widespread use of digital tools. Li & Fung offers a 'speed playbook' for our customers based on years of experience working with thousands of customers and offers multiple options for them to speed up their supply chain. The results have been very positive with customers seeing a double-digit increase in sales and double-digit reductions in inventory and mark down. Going forward we will continue to experiment with even faster supply chains to reduce the time to market from the industry average of 40 weeks to only a few days – truly allowing our customers to turn their supply chains into responsive demand chains.

Virtual Design

One of the most time-consuming processes within the supply chain is design, product development, and sampling. We have created a Virtual Design Center of Excellence in our major hubs to transform the design and sampling process into a 3D virtual process, drastically reducing the time it takes to develop a product from months to mere days. Virtual samples are now photo realistic and indistinguishable from real physical samples. We conducted experiments with select customers and were able to reduce the time of product development by five months, improve adoption rate by 50% and eliminate the need for physical samples, saving cost and waste. We are very encouraged by these early results and will strive for even greater metrics over the coming months.

Productivity

Productivity and efficiency gains are a key focus. We have set an ambitious target to improve productivity by a high double-digit percentage annually. To achieve this, we have mapped the entire end-to-end supply chain across all our stakeholders to identify overlaps and align roles to eliminate duplication of key processes. We are also reexamining our internal operations to streamline and focus our processes. For example, we are restructuring our pre-order process to be even more customer centric and consolidating our post-order processes to move them closer to the factories to ensure better coordination and performance. On top of this, we are actively using different software to convert analog processes into digital formats and using more robots to automate certain tasks. The aim is to improve our efficiency and customer service KPIs and have a positive leverage of our cost base.

Logistics

Our logistics business has been on a journey of growth for the last six years and continues its strong momentum with high double-digit growth. In the first half of 2017 logistics grew its core operating profit by 20%. In particular, our e-logistics business continues its high double-digit growth and we expect the demand for e-logistics will continue to increase on the back of growing e-commerce activities in China and the rest of Asia. We have been very successful in converting some of the biggest global brands and retailers into our customer portfolio, and are now systematically expanding to new geographies with them. Some of the new countries we have entered include Korea, Japan and India. Each of these countries represents a significant potential growth driver for us. In addition to entering new geographies, we are also entering new product verticals for our logistics solutions such as electronics, adding yet another growth driver. I expect the strong growth momentum for our logistics business to continue throughout the Three-Year Plan.

We're off to a strong start for the Three-Year Plan. Our new supply chain model is gaining traction and customers are embracing our new solutions. Turnover and margin have stabilized, operating costs have reduced, and COP is up 12%.

Summary

Since the launch of our Three-Year Plan, we have been focused on deep execution of individual parts of the plan with a prioritization on stabilizing our turnover and margin, increasing productivity and developing our new virtual design service. We also have a very strong balance sheet to invest up to US$150 million over the plan to digitalize our supply chain. In addition, we are actively communicating to all our stakeholders our goal of building the supply chain of the future. Not only are our people very excited about our new direction, our customers and suppliers have been reacting very positively to our plan and our new services. I am personally excited and extremely energized about the direction we are taking and thank all our people for their hard work and commitment to our transformation journey.

Yours sincerely,

Spencer Fung
Group CEO

Our Performance

For our Three-Year Plan (2017-2019), we are diligently executing our key themes of speed, innovation and digitalization to create the supply chain of the future.

Our Performance

We reported positive first half results highlighting continued business progress despite challenges in the retail industry and a volatile macroeconomic environment.

Turnover
US$7,264 million

Total margin
US$835 million

Core operating profit
US$170 million

Results Overview

First-half 2017 Performance

The first half of 2017 was the first execution period of our new Three-Year Plan (2017-2019). At the core of this plan is our goal to build the supply chain of the future, and we are pleased with the progress we have made. As the retail industry continues to transform at unprecedented speed, our customers require shorter lead time, smaller order quantities and greater flexibility in procuring their products. We are embracing these changes with a better speed-to-market business model, innovative products and digitalized services that help our customers stay competitive and successfully navigate the digital economy.

Our newly organized Services segment, comprising the Supply Chain Solutions and Logistics businesses, offers customers end-to-end supply chain services. During the first half of 2017, the segment generated encouraging results. While our turnover faces pressure from the ongoing destocking trend and promotional activities among our brand and retail customers, we have seen early signs of stabilization due to our enhanced service offerings. Our new supply chain model has gained traction with customers who are embracing our transformational supply chain solutions featuring speed, innovation, and digitalization. Our Logistics business continued to maintain strong momentum in organic growth, largely driven by e-logistics services and deeper penetration of our core customers.

Group Business Structure

Each of our product verticals, grouped under our new Products segment, was operated by a distinct management team with greater autonomy to facilitate quicker decisions. Despite customers' more conservative buying programs in this uncertain retail environment, we continued to expand our product portfolios with innovative products to capture higher market share and enhance margins. In particular, our furniture vertical enjoyed continued solid margin improvement during the first half of 2017. Our sweater vertical also announced a joint venture with South Ocean Knitters Holdings Limited, combining the resources of both entities to become one of the largest, and most innovative knitwear suppliers globally.

Operating with higher productivity, better efficiency and strategic cost control, we managed to grow our profit margin percentage and profitability in a tough operating environment. We will continue to drive productivity with process improvements under a digitalized sourcing platform. In addition to our operational efforts, we also made good progress on our new strategic initiatives. Our global business development team has been formed to accelerate the pace of new customer wins, our data analytics team is generating valuable strategic insights from our proprietary data, and our corporate development team is leveraging our convening power to bring together diverse players from across the supply chain to create an ecosystem that benefits all stakeholders. Meanwhile, our strong balance sheet including the US$1.0 billion raised in 2016 via the strategic divestment of our Asia consumer healthcare and distribution business as well as the issuance of fixed-for-life perpetual bonds has provided us with maximum flexibility in our capital structure to fund future growth, including the US$150 million for digitalization over the next three years.

Effective execution is our principal focus. Between now and the end of our Three-Year Plan we will diligently execute our priorities under core themes of speed, innovation and digitalization to create the supply chain of the future.

Results

	Like-for-like: Excluding the Asia consumer and healthcare distribution business[1]			Reported		
	1H 2017 US$m	1H 2016 US$m (Restated)[2]	Change %	**1H 2017 US$m**	1H 2016 US$m (Restated)[2]	Change %
Turnover	**7,264**	7,418	(2.1%)	**7,264**	7,984	(9.0%)
Total Margin	**835**	848	(1.6%)	**835**	935	(10.7%)
As % of Turnover	***11.5%***	*11.4%*		***11.5%***	*11.7%*	
Operating Costs	**665**	696	(4.5%)	**665**	779	(14.7%)
As % of Turnover	***9.2%***	*9.4%*		***9.2%***	*9.8%*	
Core Operating Profit	**170**	152	+11.9%	**170**	156	+8.7%
As % of Turnover	***2.3%***	*2.0%*		***2.3%***	*2.0%*	
Profit Attributable to Shareholders	**101**	67	+51.3%	**101**	72	+39.6%
Adjusted Profit Attributable to Shareholders[3]	**91**	86	+6.1%	**91**	92	(0.7%)

1. Excluding the Asia consumer and healthcare distribution business, which was strategically divested in June 2016
2. 2016 comparatives restated with adoption of New Accounting Standard HKFRS 15 (Note 1 of the condensed interim financial information)
3. Excluding non-cash M&A items (write-back of acquisition payable, amortization of other intangible assets and non-cash interest expenses)

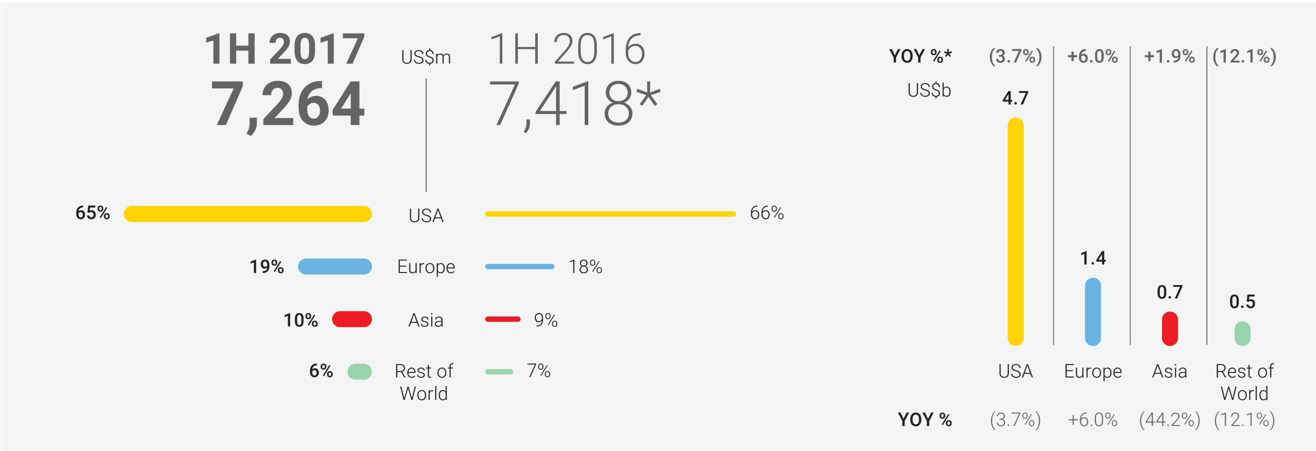
TURNOVER

On a like-for-like basis, excluding the impact of the strategic divestment of the Asia consumer and healthcare distribution business, turnover in the first half of 2017 decreased by 2.1% to US$7.3 billion. On a reported basis, turnover decreased by 9.0%, due primarily to the strategic divestment of the Asia consumer and healthcare distribution business. Subdued retail sentiment resulting from economic and geopolitical uncertainties continued to weigh on our brand and retail customers, who continued to tighten their inventory control through more conservative buying patterns.

Turnover for the Services segment remained flat, as turnover for the Supply Chain Solutions business largely stabilized with a slight decrease of 1.7%, while turnover for the Logistics business increased by 15.2%. Turnover for the Products segment decreased by 8.1%. The Products segment, which saw 46% of turnover come from Europe, was mainly affected by weak consumer sentiment in the region, which faced heightened geopolitical and economic uncertainties. Deflationary pressure has eased for both soft goods and hard goods as most of the input prices have generally begun to stabilize.

The US remained the largest contributor to the business, accounting for 65% of total turnover. Europe and Asia accounted for 19% and 10%, respectively. Turnover from the US decreased by 3.7% mainly due to customers destocking and adopting more conservative buying

Group Geographical Market Turnover



* Excluding the Asia consumer and healthcare distribution business, which was strategically divested in June 2016

programs. Turnover from Europe increased 6.0% mainly due to new customer wins by the Supply Chain Solutions business in the region. The contribution from Asia decreased on a reported basis, largely due to the divestment of the Asia consumer and healthcare distribution business in June 2016. On a like-for-like basis, our turnover in Asia generated a slight increase of 1.9%. The weakness of Asian and European currencies – particularly the British pound – against the US dollar contributed to lower translated turnover.

TOTAL MARGIN

On a like-for-like basis, excluding the impact of the strategic divestment of the Asia consumer and healthcare distribution business, total margin decreased by 1.6% to US$835 million. On a reported basis, total margin decreased by 10.7% without the contribution from the divested Asia consumer and healthcare distribution in the first half of 2017. Total margin percentage increased by 0.1 percentage point on a like-for-like basis to 11.5%, due to margin increases in both the Services and Products segments. The margin expansion in the Services segment was supported by a stable margin in the Supply Chain Solutions business and the expansion of our higher-margin Logistics business. The Products segment achieved margin improvement due to increased offerings of value-added services as well as product innovation.

OPERATING COSTS

Operating costs decreased by 14.7% to US$665 million. On a like-for-like basis, operating costs decreased by 4.5%. The decrease largely resulted from our sustained efforts to enhance operating efficiency and productivity with the use of technology and process improvement. On a like-for-like basis, operating costs in the Services and Products segments decreased by 5.2% and 3.6% respectively, with those of the Supply Chain Solutions business under the Services segment decreasing the most, by 12.3%.

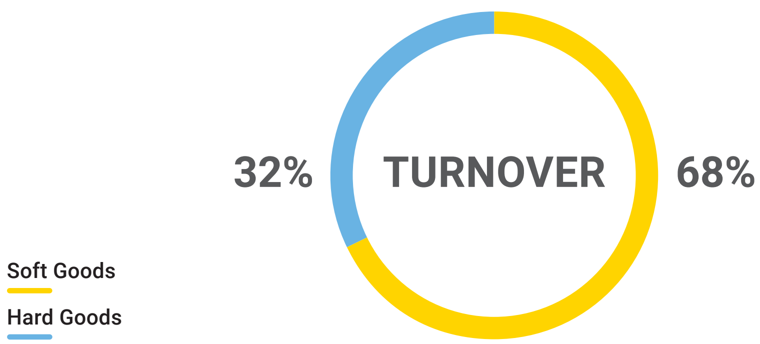
CORE OPERATING PROFIT

On a like-for-like basis, excluding the impact of the strategic divestment of the Asia consumer and healthcare distribution business, core operating profit increased by 11.9% to US$170 million. On a reported basis, core operating profit increased by 8.7%. Core operating profit increased largely due to higher total margin percentage and lower operating costs. Both the Services and Products segments achieved higher total margin percentage and reduction in operating costs through productivity gains and strategic cost control.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS

On a like-for-like basis, excluding the impact of the strategic divestment of the Asia consumer and healthcare distribution business, profit attributable to shareholders increased by 51.3% to US$101 million. This was mainly due to the increase in core operating profit and a US$30 million increase in the write-back of consideration payable that was partially offset by a US$17 million increase in distribution to perpetual securities holders. On a like-for-like basis – excluding the impact of the strategic divestment of the Asia consumer and healthcare distribution business, write-back of consideration payable, as well as other non-cash merger and acquisition items – adjusted profit attributable to shareholders increased by 6.1% to US$91 million.

Group Product Mix (Excluding Logistics)



Segment Analysis

Services

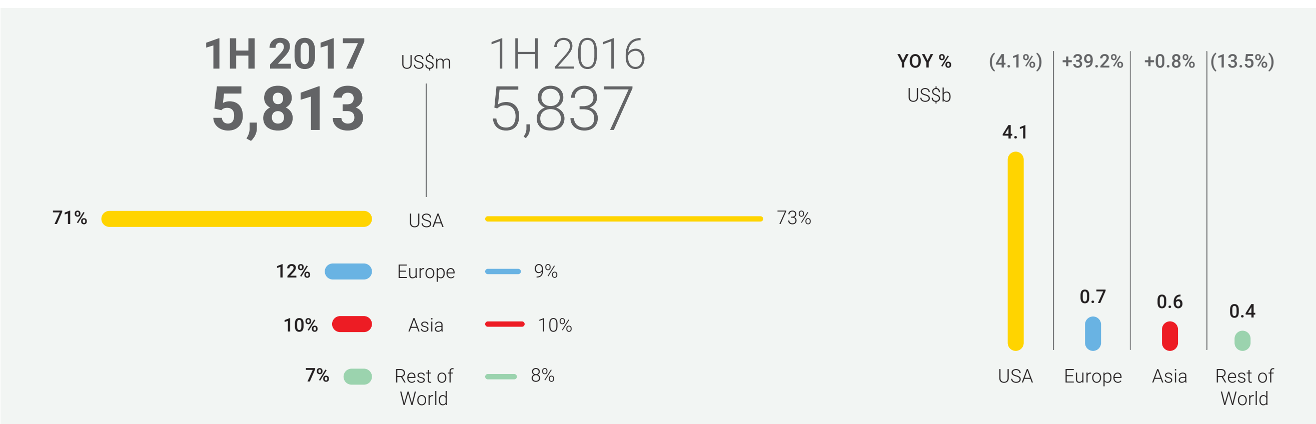
Under our new structure, the Services segment includes our Supply Chain Solutions business and Logistics business. It represented 80% of total turnover in first half of 2017. We provide end-to-end supply chain solutions, from product design, raw materials procurement, production and quality control, to warehouse management and last-mile delivery to retail stores or end-consumers. Cross-selling between the Supply Chain Solutions and the Logistics businesses has brought more revenue opportunities and further solidified our relationships with customers. During the first half of 2017, the Services segment delivered a 29.7% increase in core operating profit that was largely due to a 2.0% increase in total margin which resulted from continued business wins in the Logistics business as well as a strategic cost reduction of 5.2%. Within the segment, the Supply Chain Solutions business and the Logistics business respectively contributed 92% and 8% of turnover and 76% and 24% of core operating profit. Both businesses delivered higher core operating profit during the first half of 2017 than in the corresponding period in 2016.

Services Segment

Results

	1H 2017 US$m	1H 2016 US$m	Change %
Turnover	**5,813**	5,837	(0.4%)
Total Margin	**517**	507	+2.0%
As % of Turnover	***8.9%***	*8.7%*	
Operating Costs	**380**	402	(5.2%)
As % of Turnover	***6.5%***	*6.9%*	
Core Operating Profit	**137**	106	+29.7%
As % of Turnover	***2.4%***	*1.8%*	

Services Segment Geographical Market Turnover



Services – Supply Chain Solutions

Our Supply Chain Solutions business, which accounted for 73% of total Group turnover, is the largest revenue generator for the Group. It offers end-to-end supply chain services, from product design and development to raw material and factory sourcing as well as manufacturing control. These services are all under the Li & Fung platform through which customers and vendors can access our suite of value-added services. The business has a diversified customer base that includes brands, specialty stores, department stores, big box retailers, e-commerce players, hypermarkets, off-price retailers and clubs. We also converted our vendor base of more than 15,000 to a new customer base for services that can improve their operational efficiencies and compliance levels.

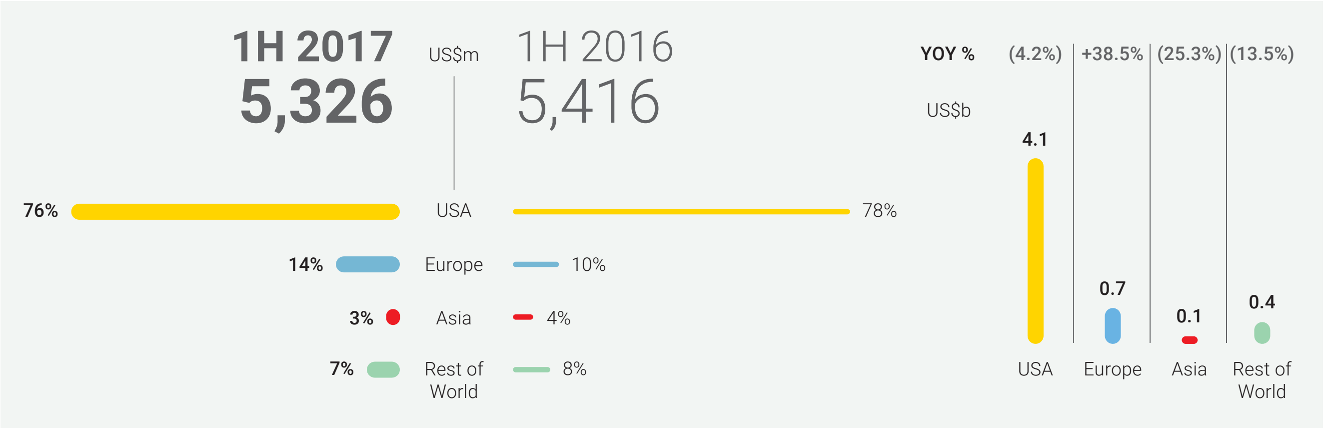
In the first half of 2017, the Supply Chain Solutions business saw a stabilization of turnover as pressure on input price eased while unit volume declined slightly. Soft goods remained the largest contributor, accounting for 75% of turnover for the Supply Chain Solutions business. Deflationary pressure on soft goods input prices has diminished, leading to the stabilization of unit cost. We maintained our wallet share among core customers and continued to expand our customer base. New customer growth was particularly strong in Europe, as evidenced by the 38.5% increase in Europe turnover despite weak consumer sentiment in the region. The strength of Europe largely offset pressure from retail store closures in the US. Overall, profitability improved through effective cost control and a continued focused on enhanced productivity.

Supply Chain Solutions Business

Results

	1H 2017 US$m	1H 2016 US$m	Change %
Turnover	**5,326**	5,416	(1.7%)
Total Margin	**351**	360	(2.4%)
As % of Turnover	***6.6%***	*6.6%*	
Operating Costs	**247**	281	(12.3%)
As % of Turnover	***4.6%***	*5.2%*	
Core Operating Profit	**104**	78	+33.1%
As % of Turnover	***2.0%***	*1.4%*	

Supply Chain Solutions Business Geographical Market Turnover



TURNOVER

Turnover decreased by 1.7% to US$5.3 billion. Faced with a weak consumer market and a volatile retail environment, customers of the Supply Chain Solutions business remained conservative in their buying programs. In the US, the situation was exacerbated by a high number of store closures which led to even more cautious buying patterns. As a result, unit volume in the US decreased by a single-digit percentage.

In Europe, we achieved a 38.5% increase in turnover despite the tough macro environment through higher customer conversion from a strong pipeline. Europe accounted for 14% of the Supply Chain Solutions business' turnover in the first half of 2017 compared with 10% in the same period last year. We continued to experience mild deflationary pressure on soft goods, but input prices have largely stabilized.

Although the high rate of destocking has moderated, the trend toward tighter inventory control intensified as brands and retailers showed caution in the face of ever-changing consumer buying patterns. Our customers have been placing smaller orders, replenishing more often but with very short lead times. As the leader in global supply chain management with decades of experience through many business cycles, we are well equipped to meet customers' evolving requirements.

TOTAL MARGIN

Total margin decreased by 2.4% to US$351 million due to reduced turnover, while total margin percentage remained stable at 6.6%.

OPERATING COSTS

Operating costs decreased by 12.3% to US$247 million. Cost savings largely resulted from productivity enhancement initiatives such as greater use of technology, process reengineering and digitalization. In addition, effective credit risk management led to reduced provision in accounts receivable during the first half of 2017.

CORE OPERATING PROFIT

Core operating profit increased by 33.1% to US$104 million while core operating profit margin increased by 0.6 percentage point to 2.0% due to productivity gains and strategic cost control.

Services – Logistics

The Logistics business is composed of Asia-focused in-country logistics and global freight management. In-country logistics includes warehousing and transportation services, e-logistics, regional and global hub management, reverse logistics and other value-added services. In e-logistics, our proven ability to execute omni-channel strategy for our customers is a key competitive advantage. Global freight management offers cargo consolidation and deconsolidation, freight forwarding and customs clearance. With more than 600,000 TEUs of shipping volume, we are one of the leading freight forwarders in China. Through operational excellence, best-in-class IT systems and data analytics, we leverage our experience, expertise and supply chain insights to provide maximum value to our customers, making us the preferred partner of choice. The consistent delivery of exemplary performance has earned us numerous industry accolades, including Best End-to-End SCM Company – Hong Kong in Industry Insight Monthly's 2017 Transport and Logistics Awards, and Best Supply Chain Provider in the Asian Manufacturing Awards 2017. Recognitions such as these speak volumes about the contribution and dedication of our more than 7,000 colleagues, who always go the extra mile to get things done and make things happen for our customers.

Our Logistics business focuses on four core industry verticals: footwear & apparel, fast-moving consumer goods, food & beverage and healthcare. Despite market challenges, our businesses along these verticals have experienced healthy growth rates over the last few years owing to geographical expansion and sustained penetration in existing markets. Our ability to seamlessly service both online and offline orders is a critical success factor. Going forward, we will further expand our leadership position in e-logistics as well as aggressively grow our transportation business across all markets.

In April 2016, we opened our one-million-square-foot, state-of-the-art distribution hub in Singapore. The hub is now the largest bonded warehouse in Asia. We operate 212 distribution centers around the world and have 21.5 million square feet of warehouse space. The recent additions of Korea, Japan, Vietnam and India have increased our network reach to 17 markets.

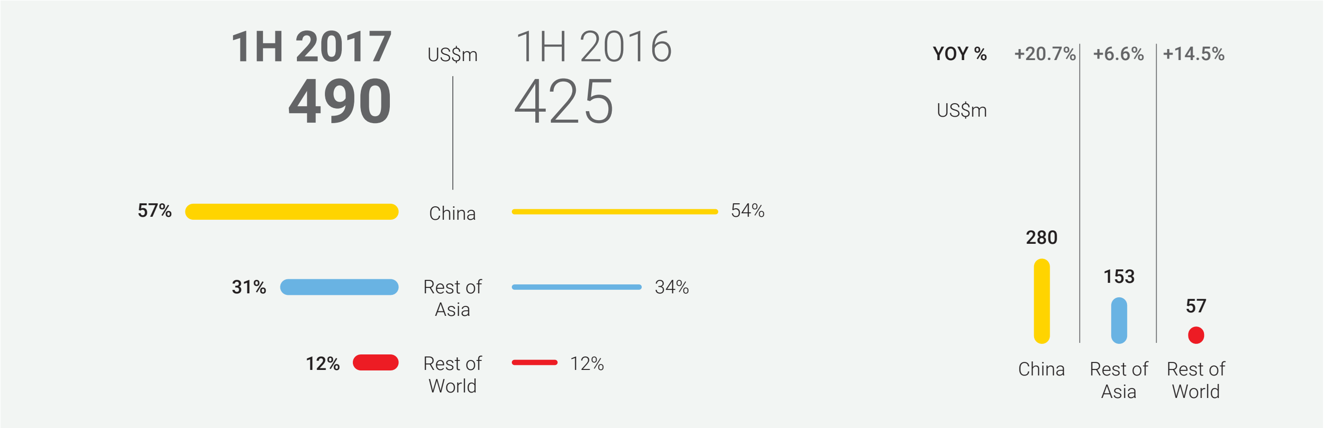
Riding on Asia's strong consumption theme, our Logistics business is poised for strong profitable growth for years to come.

Logistics Business

Results

	1H 2017 US$m	1H 2016 US$m	Change %
Turnover	**490**	425	+15.2%
Total Margin	**166**	148	+12.8%
As % of Turnover	***34.0%***	*34.7%*	
Operating Costs	**134**	120	+11.2%
As % of Turnover	***27.3%***	*28.3%*	
Core Operating Profit	**33**	27	+19.7%
As % of Turnover	***6.7%***	*6.4%*	

Logistics Business Geographical Market Turnover



TURNOVER

Turnover increased by 15.2% to US$490 million. Our in-country logistics business continued its strong organic growth momentum, driven by new customer wins and new services to existing customers. Turnover from e-logistics continued to experience solid growth due to our leadership position in this fast-growing segment in Asia. The global freight management business expanded due to freight rate recovery and increased value-added services.

CORE OPERATING PROFIT

Core operating profit increased by 19.7% to US$33 million, while core operating profit margin increased by 0.3 percentage point to 6.7%. We expanded our core operating profit margin through productivity improvement, continued focus on customer portfolio optimization, higher penetration of value-added services and efficient procurement.

Products

Our Products segment, which was previously our principal-to-principal business under our Trading Network, became an independent business segment under our new structure. The Products segment mainly consists of sweaters, furniture, and beauty verticals as well as onshore wholesale businesses, each with a distinct management team. The setup gives our business units higher autonomy and flexibility in pursuing their product strategies. We are also incubating additional product verticals as future growth drivers.

Our product verticals in this segment are primarily principal trading-based, in which we act as an onshore importer for our customers. As a principal trader, we sell to our customers' in-house buying offices and are responsible for services ranging from product design and development to production, quality control and local logistics. Although the terms of each order are agreed on a per-program basis, our relationships with customers are typically very long-term and strategic in nature.

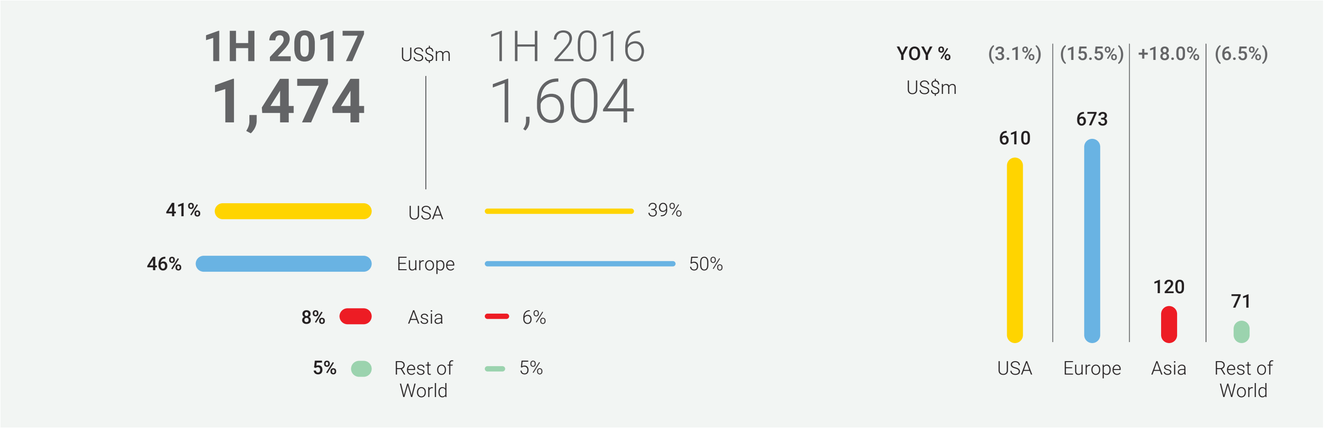
Our European business, which accounted for 46% of turnover, was adversely affected by weak consumer sentiment resulting from geopolitical uncertainties and a series of terrorist attacks in the region, leading to more conservative buying programs from existing customers. The weakness of the British pound and Euro against the US dollar in the first half of the year also had a negative currency translation impact on reported turnover for this period. However, there are signs that this situation will be more favorable in the second half.

Products Segment

Results

	1H 2017 US$m	1H 2016 US$m	Change %
Turnover	**1,474**	1,604	(8.1%)
Total Margin	**318**	341	(7.0%)
As % of Turnover	***21.5%***	*21.3%*	
Operating Costs	**284**	295	(3.6%)
As % of Turnover	***19.3%***	*18.4%*	
Core Operating Profit	**33**	46	(28.6%)
As % of Turnover	***2.2%***	*2.9%*	

Products Segment Geographical Market Turnover



TURNOVER

Turnover decreased by 8.1% year on year to US$1.5 billion, which was largely due to anemic consumer sentiment and an unstable economic environment, particularly in Europe. The weakness of the British pound and Euro against the US dollar also had a negative currency translation impact on our turnover. Despite the tough operating environment, turnover for the furniture and beauty verticals was stable. Furniture continued to demonstrate strong growth momentum as we introduced more differentiated products to diversified retail channels.

TOTAL MARGIN

Total margin decreased by 7.0% to US$318 million. A highly promotional retail environment continued to affect our customers' profitability, which in turn led to pressure on our product margin. In response, we continued to offer our customers differentiated products that they can sell at higher margins. Through product and design innovation, we increased total margin percentage by 0.2 percentage point to 21.5% despite the challenging environment. The furniture vertical achieved particularly solid margin expansion.

OPERATING COSTS

Operating costs decreased by 3.6% to US$284 million. The rate of decrease was not proportional to total margin because of our continued investment in selected product verticals, where we are building out our expertise and scale.

CORE OPERATING PROFIT

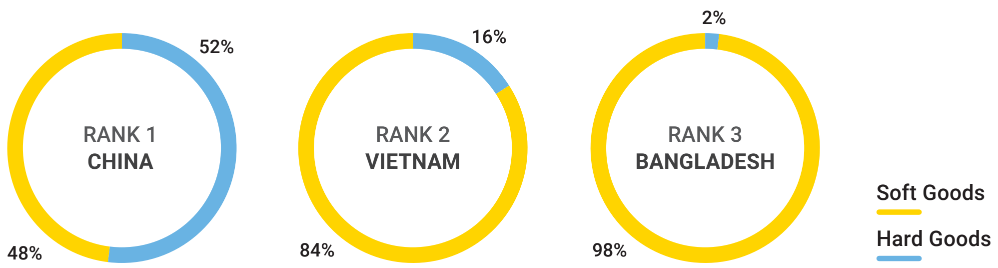
Core operating profit decreased by 28.6% to US$33 million. Core operating profit margin decreased by 0.7 percentage point to 2.2%, which was largely the result of the decrease in turnover, pressure on total margin and an incommensurate reduction in operating costs.

Top Sourcing Countries

Our global network of more than 15,000 vendors, spanning more than 40 economies, allows for flexibility when moving orders from one production country to another to manage production constraints and changes in customer requirements. In the first half of 2017, our top three sourcing countries continued to be China, Vietnam and Bangladesh.

While China accounted for more than 50% of our sourcing unit volume, we have sizable sourcing operations in Vietnam, Bangladesh, Indonesia, India, Cambodia and other countries. In most of our sourcing countries, we are among the largest exporters in our product categories. This comprehensive global network, combined with strong local presence, long operating history and critical mass, is one of our unique competitive strengths.

As the sourcing landscape continues to evolve with changes in trading policies and sourcing requirements, we are very well positioned to scale our existing operations to source in the most efficient way possible for our customers.



Balance Sheet and Capital Structure

Strong Cash Position

Li & Fung has a strong and stable cash flow conversion business that, together with cash on hand carried forward from the previous year, more than adequately funded our working capital, interest expenses, capital expenditure, distribution, dividends and redemption of bonds in the first half of 2017. To summarize key cashflow statement items:

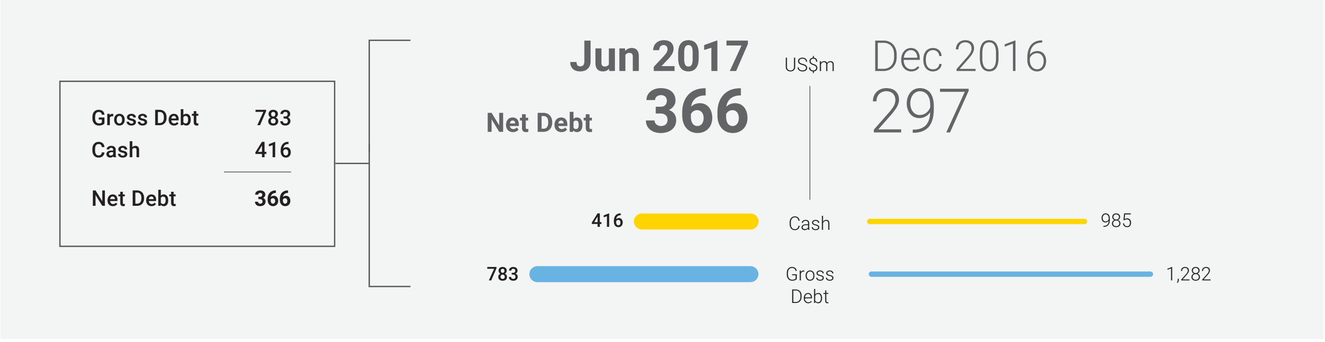
- Operating cash flow: US$160 million, in line with core operating profit after working capital, depreciation and tax payments
- Capital expenditures: US$36 million
- Payments for consideration payable for previous acquisitions: US$6 million
- Dividend payment: US$130 million
- Net interest expenses: US$28 million
- Distribution to perpetual capital securities holders: US$32 million
- Redemption of bonds: US$500 million

In terms of future commitments, the remaining balance of total purchase consideration payable for acquisitions was reduced to US$129 million by the end of June 2017, of which US$108 million is earn-out payments to be substantially paid over the course of the next two years. We continue to be asset-light, and our on-going total capital expenditures mainly comprise digitalization investments, Logistics business expansion and capital expenditures for continuing maintenance.

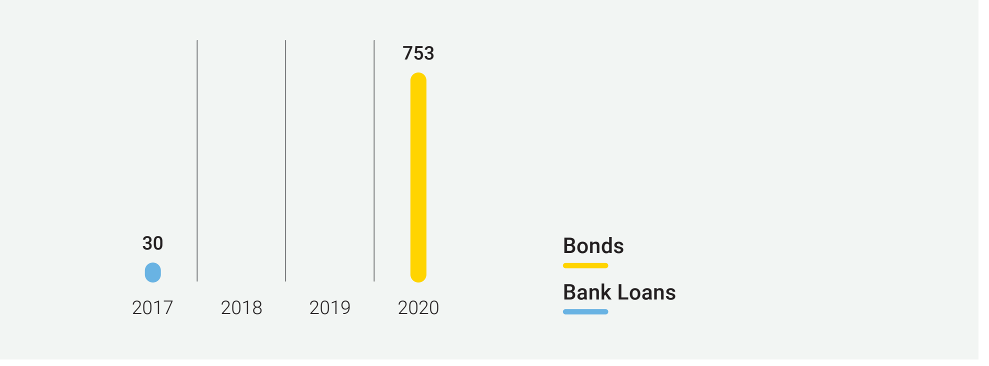
Strong Balance Sheet

As at 30 June 2017, our cash position was US$416 million after the redemption of US$500 million in bonds and payment of the final dividends for 2016. Our total borrowings of US$783 million represented a decrease of US$500 million following the redemption of the bonds in May, using proceeds from the issuance of perpetual securities in 2016. Our net debt (total borrowings minus cash) was US$366 million as at 30 June 2017. Our weighted average tenure of total borrowing is over two years. We have US$726 million in committed bank loan facilities with tenure up to 2019. The majority of our debt is at a fixed rate and denominated in US dollars. Given the uncertainties in the global macroeconomic and geopolitical environments, we remain cautious in how we manage our balance sheet and maintain maximum financial flexibility to provide assurance to our customers and vendors.

Cash and Gross Debt
US$m



Debt Maturity Schedule
US$m



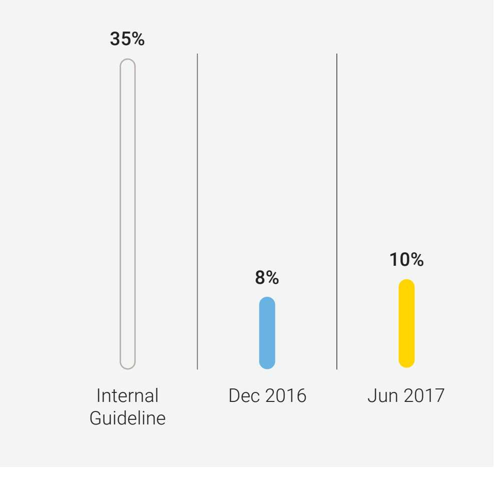
Net Gearing and Net Current Assets

With the redemption of US$500 million in bonds in May 2017, our gearing ratio was 10% as at 30 June 2017. Our current ratio was 1.1 as at 30 June 2017 (31 December 2016: 1.1).

We continued to take a conservative approach to managing our balance sheet and capital structure. As at 30 June 2017, our credit rating was Baa1 according to Moody's and BBB+ according to Standard & Poor's. We are committed to maintaining a strong balance sheet, healthy cash flow and strong credit ratios, with the long-term target of retaining an investment-grade rating.

Credit Rating

Net Gearing Ratio



Banking Facilities

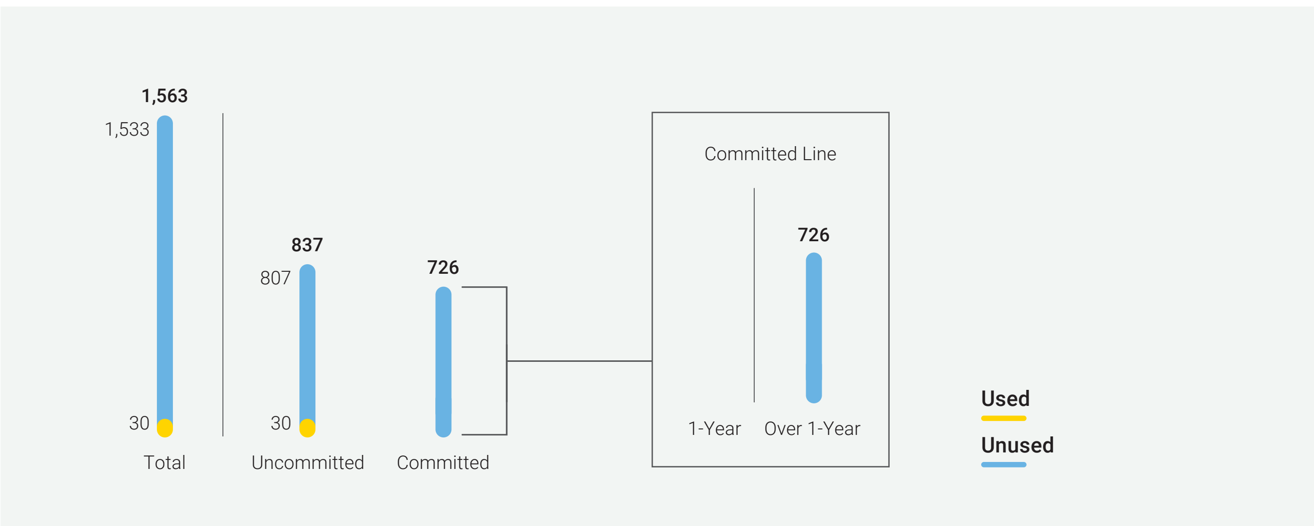
Bank Loans and Overdrafts

As at 30 June 2017, we had available bank loans and overdraft facilities of US$1,563 million, of which US$726 million was committed facilities with tenure up to 2019. Only US$30 million of the Group's bank loans and overdraft facilities was utilized. Unused limits for bank loans and overdraft facilities amounted to US$1,533 million, with US$726 million being unused committed facilities.

Trade Finance

The Group's normal trading operations are well supported by US$2.4 billion in bank trading facilities that mainly include 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 2017, only approximately 18% of the trade finance facilities was used.

Unused Bank Loans
US$m



Contingent Liabilities and Goodwill

Adjustments to Purchase Consideration Payables

Given the unique nature of our acquired businesses, which are private enterprises that rely 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 linked 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 Combinations".

Our contingent consideration payables are performance-based payments in the form of "earn-out" and "earn-up" payments, which depend on a set of predetermined performance targets mutually agreed upon with entrepreneurs in accordance with sale and purchase agreements.

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, if earned, are typically payable over a period of up to five to six years upon completion of a transaction.

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 purchase consideration payables should the acquired businesses be unable to achieve the predetermined performance threshold within the specific timeframe as stipulated in the sale and purchase agreement. Given that the contingent consideration entitlement is usually contractual in nature and based on a specific formula linking to a particular threshold, the underlying performance of the acquired businesses could continue to grow, yet we may still be required to adjust the purchase consideration payable, especially if the high performance thresholds of earn-ups are not reached. In first half of 2017, there was a US$30 million write-back of acquisitions payable.

Goodwill Impairment Tests

We perform goodwill impairment tests based on the cash-generating units (CGU) that manage acquired businesses in accordance with HKAS 36. Based on our assessment of all the CGUs under the current operating structure, we have determined that there was no goodwill impairment as at 30 June 2017, 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.

Adoption of New Accounting Standard, HKFRS 15, Revenue from Contracts with Customers

2017 is the first year of our new Three-Year Plan (2017-2019). To augment the consistency of our financial information throughout the period, we have elected to apply HKFRS 15 Revenue from Contracts with Customers during the first half of 2017. This new accounting standard provides clear guidance on the timing and basis of recognition for revenue. Timing of recognition is based on the transfer of control of goods or services rather than transfer of risks and rewards. Basis of recognition is determined based on the assumption of primary responsibility to the customers, risk associated with inventories and control of price determination. Prior period comparatives have been retrospectively restated. Applying this new accounting standard resulted in net decreases in turnover and costs of goods sold by approximately US$87 million, but had no material impact on net profit and loss, for the first half of 2016. Further information about the application has been set out in Note 1 to the condensed interim financial information.

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 that we are acting as a supplier and therefore take full counterparty risk for our customers in terms of accounts receivable and inventory.

In addition, as we provide working capital solutions to our vendors via LF Credit by selectively settling accounts payable earlier at a discount, we also assume direct counterparty risk for our customers for such receivables. With the increased insolvency risk among global brands and retail customers, we have deployed a global credit risk management framework with a tightened risk profile, and applied prudent policies to manage our credit risk with such receivables that 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

- We have established a credit risk system with a dedicated team, and tightened policies to ensure on-time recoveries from trade debtors

- We have put in place rigid internal policies that govern provisions made for both inventories and receivables to motivate 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 our cash balances are HK dollar and US dollar deposits with major global financial institutions, and most of our borrowings are denominated in US dollars.

Our revenues and payments are predominantly transacted in US dollars. 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 through foreign exchange forward contracts.

For transactions that are 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 countries and make necessary hedging arrangements in certain currencies against the US dollar.

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 dollar foreign operations for either our income statements or balance sheet reporting purposes. Since our functional currency is the US dollar, we are subject to exchange rate exposure from the translation of foreign operations' local results to US dollars at the average rate for the period of group consolidation. Our net equity investments in non-US dollar-denominated businesses are also subject to unrealized translation gain or loss on consolidation. Fluctuation of relevant currencies against the US dollar will result in unrealized gain or loss from time to time, which is reflected as movement in exchange reserve in the consolidated statement of changes in equity.

From a medium-to long-term perspective, 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 highly dependent on our people. We are very proud of and grateful for their expertise, dedication and hard work. As at 30 June 2017, we had a total workforce of 21,047, of which 6,645 were warehouse-related employees primarily for our Logistics business and various product verticals.

Total manpower costs for the first half of 2017 were US$455 million compared with US$504 million for the first half of 2016.

New Three-Year Plan (2017-2019)

Our goal is to create the supply chain of the future to help our customers navigate the digital economy. The global retail industry is challenged by weak consumer demand, economic and geopolitical uncertainties and disruption by e-commerce. Together with our customers, we aim to evolve quickly to compete more effectively in this rapidly changing environment. We are stripping out inefficiencies in the production cycle, adopting automation, tracking data to streamline processes, delayering decision-making, improving traceability, and developing new business models to improve margins and productivity along the supply chain. By adopting new technologies, embracing new ways of doing things and leveraging our rich experience in supply chain management, we are confident that we can help our customers thrive in the new retail industry landscape and create the supply chain of the future.

Speed

Speed to market has a new standard as consumer preferences change ever more quickly in the digital age. In response, our customers are shortening their order cycles, placing smaller orders and demanding greater flexibility in inventory replenishment. We are focusing on speed to help our customers gain a new competitive advantage. For example, the pre-production processes of today's supply chain involve many manual processes and relatively time-consuming steps such as costing and sampling. To speed up the process, we are introducing digital sampling and virtual fitting to enhance decision-making efficiencies. Other new tools include value stream mapping and customer dashboards. Value stream mapping tracks critical paths in the design and production processes. It also identifies overlaps and duplications among the parties involved. Our customer dashboard is another tool that can better track our customers' businesses for valuable insights with greater transparency. This not only shortens pre-production processes and improves design conversion rates, but also redirects resources to higher-value-added activities and further solidifies our partnerships. Internally, we seek to be agile and fast-paced like a start-up, as we firmly believe that the key to success is the ability to adapt quickly to change. Speed with precision creates a unique competitive advantage, and we are excited about bringing greater speed into every aspect of our business.

Innovation

In this age of exponential change, innovation is more essential than ever. We are embedding innovation into the core of our business and the culture of our people. Accelerated changes in technology have fundamentally changed consumer behaviors and expectations, which in turn requires new ways of fulfilling demand. By offering innovative product designs and working creatively, we help our customers create differentiated products efficiently to attain higher margins and sell-through rates.

We are also creating a culture that empowers people to experiment with new ideas, collaborate with uncommon partners and work with speed. We are in a unique position in the industry, with a holistic view of the supply chain that cuts across various brands and retail channels. We are leveraging our position to bring customers, suppliers, technology solution providers and uncommon partners together to create an active innovation ecosystem in and around the company. In this ecosystem, we share ideas, we rapid-prototype and we lead change. Innovation will be at the core of how we keep reinventing products and ways of working, to ensure that we remain a crucial strategic partner for our customers.

Digitalization

Technologies are disrupting and transforming traditional supply chain management. From weaving raw material at the fabric mill to tracking end-consumer behavior at retail, each step of the value chain is being increasingly shaped by digitalization. We are building a platform that digitalizes the entire global supply chain and allows data and information to flow seamlessly from end to end. With the help of data analytics, we can generate valuable business insights, make better-informed decisions and, most importantly, deliver more targeted services to our customers so that they can outperform their peers.

We accumulate vast amounts of information on our sourcing platform every day as we orchestrate activities between thousands of brand and retail customers and our global suppliers. Our newly developed digitalized platform has made it possible to extract valuable insights from the big data embedded in our supply chain. If we leverage digitalization to harness the power of the information we accumulate through the normal course of business, we can further solidify our leading position in the global supply chain.

As the convergence of technologies fundamentally changes how consumers interact with brands, the idea to disrupt or be disrupted has never been more real for retail. We are very excited about our journey to create the supply chain of the future. Armed with our existing cash and strong operating cashflow, we will continue to invest in the infrastructure and systems needed for this transformation.

Outlook

For the rest of 2017, we expect the macro environment to remain volatile as economic and political uncertainties continue to weigh on consumer sentiment. The global retail industry will keep experiencing disruptions from e-commerce and changing consumption patterns. Headwinds from store closures will continue in the second half of the year as retailers adjust their sales strategies. We expect on-going promotional activities to continue putting pressure on margin. In response to the structural changes in retail, brands and retailers will continue to transform, presenting both new opportunities and challenges for the supply chain. As the trend of tighter inventory management persists, our customers will continue to order in smaller batches, demanding shorter turnaround time and more frequent replenishments. Our range of value-added services and digital tools enable our customers to react more quickly in the new environment.

Our new supply chain model continues to gain traction with customers embracing our new supply chain solutions. By incorporating speed, innovation and digitalization into our service offerings, we optimize our customers' supply chain with tangible economic benefits by minimizing markdowns and increasing inventory turns. We aim to continue converting new business relationships from our strong customer pipeline, including e-commerce retailers, and increasing our wallet share among existing customers. With momentum from new customer wins and the easing of deflationary pressure on input, we expect topline turnover for the Supply Chain Solutions business to continue its trend of stabilization, despite on-going inventory destocking by customers. In Logistics, we anticipate that strong growth will continue as a result of robust consumption growth in Asia, our expanding customer base, and further geographic expansion. We expect global freight management to continue benefiting from gradual rate recovery. We will continue to invest in our Logistics business to capture rapidly rising demand across Asia. While more verticals will be incubated in the future, the near-term focus for the Products segment is to continue developing deep product expertise and leveraging design innovation to drive sales and margin enhancement.

We anticipate that exchange rate volatilities will continue, and our total reported turnover will remain susceptible to translation impact from the potential weakness of the Euro, British pound and Asian currencies against the US dollar. We expect to sustain improvement in core operating profit margin as margin enhancement initiatives and productivity gains continue to bear fruit. Considering the volatilities in the retail market, we will monitor our customer base even more closely and remain prudent toward counterparty risks.

The rise of trade protectionism and geopolitical instability will heighten complexity in the global sourcing landscape and offer us added business opportunities. Our deep-rooted relationships with a wide network of vendors continue to provide a unique sourcing of strength. This deep network gives us the flexibility to quickly adjust sourcing strategies when external factors present new production requirements or constraints. With support from our end-to-end supply chain solutions services, our customers can rise above the current challenges and outperform the industry.

In response to the structural changes in retail, brands and retailers will continue to transform, presenting both new opportunities and challenges for the supply chain.

Our Commitment to Good Governance

We are committed to the principles of transparency, accountability and independence to enhance shareholder value.


incentivise
create
brand
ambassador
90%
105%
12x
issue: size

Our Commitment to Good 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 2017 are in line with the practices set out in our 2016 Annual Report and on our corporate website.

The Board

The Board is currently composed of three Executive Directors, one Non-executive Director and four Independent Non-executive Directors. Details of the composition of the Board are set out in the "Corporate information" section on page 2.

Since 1 January 2017, the following changes to the Board and Board committees have occurred:

- Margaret Leung Ko May Yee, an Independent Non-executive Director and the Chairman of the Audit Committee of the Company, has been appointed as a member of the Nomination Committee of the Company with effect from 29 March 2017.
- Paul Edward Selway-Swift has retired as an Independent Non-executive Director of the Company and accordingly ceased to be a member of the Audit Committee and Nomination Committee of the Company effective from the conclusion of the Annual General Meeting on 1 June 2017.
- Chih Tin Cheung has been appointed as an Independent Non-executive Director and a member of the Audit Committee of the Company with effect from 14 July 2017.

Further details of changes in the information of our Directors are set out in the "Other information" section on page 47.

Board and Committee Meetings to Date in 2017

	Number of Meetings	Average Attendance Rate
Board	4	84%
Nomination Committee	2	83%
Audit Committee	3	67%
Risk Management and Sustainability Committee	3	100%
Remuneration Committee	1	67%

Review of Interim Financial Information

The Audit Committee has reviewed the interim financial information for the six months ended 30 June 2017 for the Board's approval.

Risk Management and Internal Control

Our risk management and internal control processes remain in line with the practices set out in the "Our approach to risk management" section on pages 52 to 61 of our 2016 Annual Report, which is available on our corporate website.

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 2017:

- 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 was 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 2017 and is satisfied that it has been in full compliance with all the applicable code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of 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. We have extended such procedures to cover relevant employees who are likely to be in possession of unpublished, price-sensitive information ("Inside Information") of the Group. Relevant employees 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 SFO and Listing Rules.

Our Senior Management Team

Back row (from left to right): Sean Coxall, Robert Sinclair, Roger Young, Carmen Chau, Stephen Lister, Gerard Raymond, Leung Wai Ping, Joseph Phi, Richard Darling, Deepika Rana and Manuel Fernandez
Front row (from left to right): Lậle Kesebi, Henry Chan, Marc Compagnon, William Fung, Spencer Fung, Victor Fung, Emily Mak and Edward Lam

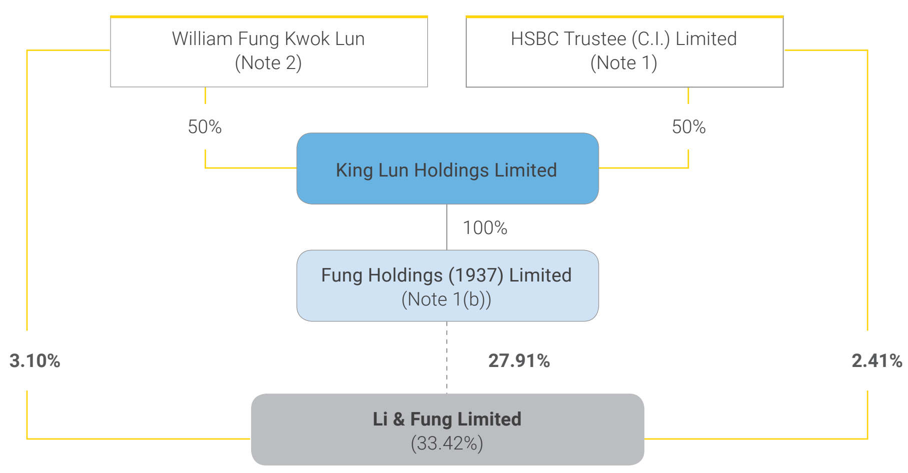
Directors' Interests

As at 30 June 2017, the Directors and chief executives of the Company and their associates had the following interests in the Shares, underlying shares and debentures of the Company and its associated corporations (as defined under 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:

(A) Long Positions in Shares, Underlying Shares and Debentures of the Company

	Number of Shares					
Name of Director	Personal Interest	Family Interest	Trust/ Corporate Interest	Equity Derivatives (Share Options)	Total	Percentage of Issued Share Capital
Victor Fung Kwok King	2,814,444	–	2,551,966,180[1]	–	2,554,780,624	30.35%
William Fung Kwok Lun	177,120,260	108,800[2(a)]	2,425,362,472[2(b)]	7,509,000[6]	2,610,100,532	31.01%
Spencer Theodore Fung	1,678,000	–	2,552,506,180[1&3]	10,569,000[6]	2,564,753,180	30.47%
Marc Robert Compagnon	1,130,200	14,000	12,749,580[4]	9,945,000[6]	23,838,780	0.28%
Martin Tang Yue Nien	60,000	–	60,000[5]	–	120,000	0.00%

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



NOTES:
As at 30 June 2017,

(1) Victor Fung Kwok King and Spencer Theodore Fung (son of Victor Fung Kwok King and as his family member) were each deemed to have interests in 2,551,966,180 Shares held in the following manner:

   (a) 203,012,308 Shares were indirectly held by HSBC Trustee (C.I.) Limited 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 Victor Fung Kwok King (the "Trust"); and

   (b) 2,195,727,908 Shares were directly held by Fung Holdings (1937) Limited, a wholly-owned subsidiary of King Lun Holdings Limited, and 153,225,964 Shares were indirectly held by FH (1937) through its wholly-owned subsidiary, Fung Distribution International Limited. King Lun is a company owned 50% by HSBC Trustee as trustee of the Trust and 50% by William Fung Kwok Lun.

(2) (a) Apart from 108,800 Shares, the spouse of William Fung Kwok Lun held US$2,000,000 of the perpetual subordinated capital securities of the Company.

   (b) Out of 2,425,362,472 Shares, 26,114,400 Shares and 50,294,200 Shares were held by Golden Step Limited and Step Dragon Enterprise Limited respectively, both companies are beneficially owned by William Fung Kwok Lun. The balance of 2,348,953,872 Shares were indirectly held by King Lun as mentioned in Note (1)(b) above.

(3) Out of 2,552,506,180 Shares, 540,000 Shares represented the interests in Award Shares granted by the Company and remained unvested. Details on such Award Shares are set out in "Share Award Scheme" section stated below. The balance of 2,551,966,180 Shares represented the deemed interests of Spencer Theodore Fung as mentioned in Note (1) above.

(4) Out of 12,749,580 Shares, 459,800 Shares represented the interests in Award Shares granted by the Company and remained unvested. Details on such Award Shares are set out in "Share Award Scheme" section stated below. The balance of 12,289,780 Shares were held by Profit Snow Holdings Limited, a company beneficially owned by Marc Robert Compagnon.

(5) 60,000 Shares were held by a trust of which Martin Tang Yue Nien is a beneficiary.

(6) 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 Option Schemes" section stated below.

(B) Short Positions in Shares, Underlying Shares and Debentures of the Company

As at 30 June 2017, none of the Directors and chief executives of the Company or their associates had any short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (as defined under 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 and Award Shares

The interests of the Directors and chief executives in the Share Options (being regarded as unlisted physically settled equity derivatives) and Award Shares are detailed in the "Long-term Incentive Schemes" section stated below.

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

Long-term Incentive Schemes

(A) Share Option Schemes

2003 OPTION SCHEME

Pursuant to the terms of the 2003 Option Scheme, the 2003 Option Scheme is valid and effective for a period of 10 years commencing on the adoption date and expiring on the tenth anniversary of the adoption date. Accordingly, the 2003 Option Scheme expired on 11 May 2013 and no further options could thereafter be granted under the 2003 Option Scheme. However, all remaining provisions remain in full force and effect to govern the exercise of all the Share Options granted under the 2003 Option Scheme prior to its expiration.

As at 30 June 2017, there were Share Options relating to 12,000,000 Shares granted by the Company representing 0.14% of the issued Shares as at the date of this Report pursuant to the 2003 Option Scheme which were valid and outstanding.

2014 OPTION SCHEME

The 2014 Option Scheme was adopted by the Shareholders at the annual general meeting of the Company held on 15 May 2014. As at 30 June 2017, there were Share Options relating to 86,768,000 Shares granted by the Company representing 1.03% of the issued Shares as at the date of this Report pursuant to the 2014 Option Scheme which were valid and outstanding.

Details of the Share Options granted under the 2003 Option Scheme and the 2014 Option Scheme that remain outstanding as at 30 June 2017 are as follows:

			Number of Share Options			
Grant Date	Exercise Price HK$	Grantees	As at 1/1/2017	Lapsed	As at 30/6/2017	Exercisable period
2003 Option Scheme						
22/12/2011	12.12[1]	Spencer Theodore Fung	7,000,000	(1,000,000)	6,000,000	Exercisable in seven equal tranches during the period from 1/5/2015 to 30/4/2023 with each tranche having an exercisable period of two years
		Marc Robert Compagnon	7,000,000	(1,000,000)	6,000,000	
2014 Option Scheme						
21/5/2015	7.49[2]	William Fung Kwok Lun	7,509,000	–	7,509,000	Exercisable in three tranches during the period from 1/1/2016 to 31/12/2019 with each tranche having an exercisable period of two years
		Spencer Theodore Fung	4,569,000	–	4,569,000	
		Marc Robert Compagnon	3,945,000	–	3,945,000	
		Continuous Contract Employees	68,648,000	–	68,648,000	
		Other Participants	604,000	–	604,000	
16/11/2015	5.81[3]	Continuous Contract Employees	889,000	–	889,000	Exercisable in two tranches during the period from 1/1/2017 to 31/12/2019 with each tranche having an exercisable period of two years
19/5/2016	4.27[4]	Continuous Contract Employees	604,000	–	604,000	Exercisable during the period from 1/1/2018 to 31/12/2019
		Total	100,768,000	(2,000,000)	98,768,000	

NOTES:

(1) Following the spin-off and separate listing of Global Brands, the exercise price applicable to the Share Options outstanding on the record date for the distribution in specie (i.e. 7 July 2014) was adjusted from HK$14.50 to HK$12.12 with effect from 31 August 2014.

(2) The closing market price per Share as at the date preceding the date on which the Share Options were granted and stated in the Stock Exchange's daily quotation sheet on 20 May 2015 was HK$7.29.

(3) The closing market price per Share as at the date preceding the date on which the Share Options were granted and stated in the Stock Exchange's daily quotation sheet on 13 November 2015 was HK$5.58.

(4) The closing market price per Share as at the date preceding the date on which the Share Options were granted and stated in the Stock Exchange's daily quotation sheet on 18 May 2016 was HK$4.25.

(5) Details of Share Options granted by the Company are set out in Note 13 to the condensed interim financial information.

(B) Share Award Scheme

The Share Award Scheme was adopted by the Shareholders at the annual general meeting of the Company held on 21 May 2015.

During the period, there is no grant of Award Shares to eligible persons pursuant to the Share Award Scheme.

As at 30 June 2017, the trustee of the Share Award Scheme held a total of 10,702,818 Shares in two separate funds. Out of 10,702,818 Shares, 6,621,900 Shares were Award Shares which were unvested and/or forfeited and can be applied to satisfy awards to non-connected persons. The balance of 4,080,918 Shares can be applied to satisfy awards to connected persons.

As at 30 June 2017, 194,728,849 Award Shares are available for grant of awards in the future under the Share Award Scheme, representing approximately 2.31% of the Shares in issue.

The movement in the Award Shares under the Share Award Scheme during the period are as follows:

		Number of Award Shares			
Grant Date	Grantees	As at 1/1/2017	Unvested/ Forfeited*	As at 30/6/2017	Vesting Date
21/5/2015	Spencer Theodore Fung	540,000	–	540,000	To be vested in three tranches with the vesting date on 31 December of each year from 2017 to 2019
	Marc Robert Compagnon	459,800	–	459,800	
	Connected Persons other than Directors	4,091,200	–	4,091,200	
	Non-connected Persons	32,163,800	(1,395,700)	30,768,100	
16/11/2015	Non-connected Persons	844,600	(76,400)	768,200	To be vested in three tranches with the vesting date on 31 December of each year from 2017 to 2019
19/5/2016	Connected Person other than Directors	22,000	–	22,000	To be vested in three tranches with the vesting date on 31 December of each year from 2017 to 2019
	Non-connected Persons	1,094,000	(71,200)	1,022,800	
14/11/2016	Non-connected Persons	197,000	–	197,000	To be vested in three tranches with the vesting date on 31 December of each year from 2017 to 2019
	Total	39,412,400	(1,543,300)	37,869,100	

* Award Shares that are not vested and/or are forfeited in accordance with the terms of the Share Award Scheme are held by the Trustee to be applied towards future awards in accordance with the provisions of the Share Award Scheme.

Substantial Shareholders' Interests

As at 30 June 2017, other than the interests of the Directors or chief executives of the Company as disclosed in the "Directors' Interests" section, the following entities had interests in the Shares of the Company which are required 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			
HSBC Trustee (C.I.) Limited	Trustee	2,551,966,180[1]	30.32%
King Lun Holdings Limited	Interest of controlled corporation	2,348,953,872[2]	27.91%
Commonwealth Bank of Australia	Interest of controlled corporation	837,404,379	9.95%
The Capital Group Companies, Inc.	Interest of controlled corporation	673,808,000	8.01%

NOTES:
As at 30 June 2017,

(1) Please refer to Note (1) under the "Directors' Interests" section stated above.

(2) 2,195,727,908 Shares were directly held by FH (1937) which also through its wholly-owned subsidiary, Fung Distribution, indirectly held 153,225,964 Shares. FH (1937) is a wholly-owned subsidiary of King Lun. Both Victor Fung Kwok King and William Fung Kwok Lun are directors of King Lun, FH (1937) and Fung Distribution.

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 2017.

Other Information

Changes in Information of Directors

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in information of Directors since the Company's 2016 Annual Report and up to the date of this Report are set out below:

- Margaret Leung Ko May Yee retired as an independent non-executive director of QBE Insurance Group Limited with effect from 30 March 2017. She ceased to serve as the chief executive of Chong Hing Bank Limited with effect from 19 April 2017 and remains as executive director, deputy chairman and managing director of Chong Hing Bank Limited.

- Martin Tang Yue Nien resigned as an independent non-executive director of China NT Pharma Group Company Limited with effect from 29 June 2017.

- William Fung Kwok Lun retired as an independent non-executive director of Singapore Airlines Limited on 28 July 2017.

During the period and up to the date of this Report, changes in directors and members of board committees of the Company are set out below:

- Margaret Leung Ko May Yee has been appointed as a member of the Nomination Committee of the Company with effect from 29 March 2017.

- Paul Edward Selway-Swift retired as an Independent Non-executive Director of the Company with effect from the conclusion of its annual general meeting held on 1 June 2017 and accordingly, ceased to act as a member of Audit Committee and Nomination Committee.

- Chih Tin Cheung has been appointed as an Independent Non-executive Director of the Company and a member of Audit Committee with effect from 14 July 2017.

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 2017.

Interim Dividend

The Board has resolved to declare an interim dividend of 11 HK cents (2016: 11 HK cents) per Share for the six months ended 30 June 2017, absorbing a total of US$120 million (2016: US$119 million).

Closure of Register of Members

The register of members of the Company will be closed from Friday, 8 September 2017 to Monday, 11 September 2017, both days inclusive, during which period no transfer of Shares will be effected. To qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 pm on Thursday, 7 September 2017. Dividend warrants will be dispatched on Tuesday, 19 September 2017. Shares of the Company will be traded ex-dividend from Wednesday, 6 September 2017.

Information for Investors

Listing Information

Listing: The Stock Exchange of Hong Kong Limited

Stock Code: 494

Ticker Symbol
Reuters: 0494.HK
Bloomberg: 494 HK Equity

Index Recognition

FTSE4Good Index Series
Hang Seng Corporate Sustainability Index Series
Hang Seng High Dividend Yield Index
MSCI Global Sustainability Indexes
MSCI Index Series
STOXX® Global ESG Leaders

Key Dates

24 Aug 2017 Announcement of the 2017 Interim Results

6 Sep 2017 Dividend Ex-entitlement for Shares

8-11 Sep 2017 (both days inclusive) Closure of the Register of Shareholders

19 Sep 2017 Payment of 2017 Interim Dividend

Registrar & Transfer Offices

Principal
Estera Management (Bermuda) Limited
Canon's Court, 22 Victoria Street
Hamilton HM 12, Bermuda

Hong Kong Branch
Tricor Abacus Limited
Level 22, Hopewell Centre
183 Queen's Road East, Hong Kong
Telephone: (852) 2980 1333
lifung-ecom@hk.tricorglobal.com

Share Information

Board Lot Size: 2,000 Shares

Shares outstanding as at 30 June 2017
8,415,447,306 Shares

Market capitalization as at 30 June 2017
HK$23,899,870,349

Basic earnings per Share for 2017
Interim 1.21 US cents

Dividend per Share for 2017
Interim 11 HK cents

Enquiries

Institutional investors and securities analysts:
Investor Relations | ir@lifung.com

Media and potential business partners:
Corporate Communications | media@lifung.com

Shareholders addressed to the Board:
Company Secretariat | secretariat@lifung.com

Li & Fung Limited
11th Floor, LiFung Tower
888 Cheung Sha Wan Road
Kowloon, Hong Kong
Telephone: (852) 2300 2300

Websites

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

A Chinese version of this 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. In the event of any difference, the English version prevails.
本報告中文版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。如中英版本有任何差異，請以英文版本為準。

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 51 to 82, which comprises the consolidated balance sheet of Li & Fung Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2017 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, 24 August 2017

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
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Condensed Interim Financial Information

Consolidated Profit and Loss Account

	Note	Unaudited Six months ended 30 June **2017** **US$'000**	 2016 US$'000 (Restated)
Turnover	3&4	**7,263,594**	7,983,503
Cost of sales		**(6,441,043)**	(7,062,803)
Gross profit		**822,551**	920,700
Other income		**12,440**	14,776
Total margin		**834,991**	935,476
Selling and distribution expenses		**(229,208)**	(290,945)
Merchandising and administrative expenses		**(435,668)**	(488,093)
Core operating profit	4	**170,115**	156,438
Gain on remeasurement of contingent consideration payable	5	**29,645**	–
Amortization of other intangible assets	5	**(17,513)**	(17,337)
Gain on disposal of business	5	**–**	7,871
One-off reorganization costs	5	**–**	(5,863)
Operating profit	4&5	**182,247**	141,109
Interest income		**6,898**	5,611
Interest expenses			
Non-cash interest expenses		**(2,451)**	(2,247)
Cash interest expenses		**(34,586)**	(44,732)
		(37,037)	(46,979)
Share of profits less losses of associated companies and joint venture		**1,174**	1,582
Profit before taxation		**153,282**	101,323
Taxation	6	**(20,766)**	(14,595)
Net profit for the period		**132,516**	86,728
Attributable to:			
Shareholders of the Company		**100,955**	72,315
Holders of perpetual capital securities		**32,063**	15,000
Non-controlling interests		**(502)**	(587)
		132,516	86,728

	Note	Unaudited Six months ended 30 June 2017 US$'000	2016 US$'000 (Restated)
Earnings per share for profit attributable to the Shareholders of the Company during the period	8		
– Basic		**9.4 HK cents**	6.7 HK cents
(equivalent to)		**1.21 US cents**	0.87 US cents
– Diluted		**9.3 HK cents**	6.7 HK cents
(equivalent to)		**1.20 US cents**	0.86 US cents

Details of dividends to Shareholders of the Company are set out in Note 7. The notes on pages 59 to 82 form an integral part of this interim financial information.

Consolidated Statement of Comprehensive Income

	Unaudited Six months ended 30 June	
	2017 US$'000	2016 US$'000 (Restated)
Net Profit for the Period	**132,516**	86,728
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
Total Items that will not be Reclassified to Profit or Loss	**–**	1
Items that may be reclassified subsequently to profit or loss		
Currency translation differences*	**40,383**	(56,287)
Net fair value (losses)/gains on cash flow hedges, net of tax	**(13,511)**	2,066
Net fair value gains on available-for-sale financial assets, net of tax	**89**	86
Total Items that may be Reclassified Subsequently to Profit or Loss	**26,961**	(54,135)
Total Other Comprehensive Income/(Expense) for the Period, Net of Tax	**26,961**	(54,134)
Total Comprehensive Income for the Period	**159,477**	32,594
Attributable to:		
Shareholders of the Company	**127,904**	18,676
Holders of perpetual capital securities	**32,063**	15,000
Non-controlling interests	**(490)**	(1,082)
Total Comprehensive Income for the Period	**159,477**	32,594

* 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 59 to 82 form an integral part of this interim financial information.

Consolidated Balance Sheet

	Note	Unaudited 30 June 2017 US$'000	Audited 31 December 2016 US$'000 (Restated)
Non-current Assets			
Intangible assets	9	**3,924,313**	3,896,973
Property, plant and equipment	9	**222,425**	221,550
Prepaid premium for land leases		**124**	127
Associated companies		**12,117**	11,005
Joint venture		**667**	760
Available-for-sale financial assets		**4,253**	4,164
Other receivables, prepayments and deposits		**26,049**	27,458
Deferred tax assets		**25,019**	16,419
		4,214,967	4,178,456
Current Assets			
Inventories		**302,246**	277,841
Due from related companies		**522,478**	487,033
Trade and bills receivable	10	**1,492,330**	1,547,208
Other receivables, prepayments and deposits		**226,371**	218,197
Derivative financial instruments		**–**	10,697
Cash and bank balances		**416,267**	985,039
		2,959,692	3,526,015
Current Liabilities			
Due to related companies		**2,199**	2,093
Trade and bills payable	11	**2,223,626**	2,083,875
Accrued charges and sundry payables		**428,123**	549,592
Purchase consideration payable for acquisitions	12	**68,590**	67,794
Taxation		**49,435**	55,711
Derivative financial instruments		**10,834**	–
Bank advances for discounted bills	10	**6,090**	22,773
Short-term bank loans		**29,624**	29,180
Current portion of long-term notes	12	**–**	499,819
		2,818,521	3,310,837
Net Current Assets		**141,171**	215,178
Total Assets Less Current Liabilities		**4,356,138**	4,393,634

	Note	Unaudited 30 June 2017 US$'000	Audited 31 December 2016 US$'000 (Restated)
Financed by:			
Share capital	13	**13,487**	13,487
Reserves		**2,295,227**	2,291,286
Shareholders' funds attributable to the Company's Shareholders		**2,308,714**	2,304,773
Holders of perpetual capital securities	14	**1,158,687**	1,158,687
Non-controlling interests		**(1,573)**	(1,083)
Total Equity		**3,465,828**	3,462,377
Non-current Liabilities			
Long-term notes	12	**752,945**	753,458
Purchase consideration payable for acquisitions	12	**60,744**	93,742
Other long-term liabilities	12	**28,921**	32,589
Post-employment benefit obligations		**20,027**	22,517
Deferred tax liabilities		**27,673**	28,951
		890,310	931,257
		4,356,138	4,393,634

The notes on pages 59 to 82 form an integral part of this interim financial information.

Consolidated Statement of Changes in Equity

	Unaudited							
	Attributable to Shareholders of the Company					Holders of Perpetual Capital Securities US$'000 (Note 14)	Non-controlling Interests US$'000	Total Equity US$'000
	Share Capital US$'000 (Note 13)	Share Premium US$'000	Other Reserves US$'000 (Note 15)	Retained Earnings US$'000	Total US$'000			
Balance at 1 January 2017, as previously reported	13,487	714,536	431,450	1,166,071	2,325,544	1,158,687	(1,083)	3,483,148
Impact of adoption of HKFRS 15	–	–	(3,314)	(17,457)	(20,771)	–	–	(20,771)
Balance at 1 January 2017, as restated	13,487	714,536	428,136	1,148,614	2,304,773	1,158,687	(1,083)	3,462,377
Comprehensive Income/(Expense)								
Profit or loss	–	–	–	100,955	100,955	32,063	(502)	132,516
Other Comprehensive Income/(Expense)								
Currency translation differences	–	–	40,371	–	40,371	–	12	40,383
Net fair value gains on available-for-sale financial assets, net of tax	–	–	89	–	89	–	–	89
Net fair value losses on cash flow hedges, net of tax	–	–	(13,511)	–	(13,511)	–	–	(13,511)
Total other comprehensive income, net of tax	–	–	26,949	–	26,949	–	12	26,961
Total Comprehensive Income/(Expenses)	–	–	26,949	100,955	127,904	32,063	(490)	159,477
Transactions with Owners in their Capacity as Owners								
Employee Share Option and Share Award Scheme:								
– value of employee services	–	–	6,173	–	6,173	–	–	6,173
Distribution to holders of perpetual capital securities	–	–	–	–	–	(32,063)	–	(32,063)
Transfer to capital reserve	–	–	130	(130)	–	–	–	–
2016 final dividends paid	–	–	–	(130,136)	(130,136)	–	–	(130,136)
Total Transactions with Owners in their Capacity as Owners	–	–	6,303	(130,266)	(123,963)	(32,063)	–	(156,026)
Balance at 30 June 2017	13,487	714,536	461,388	1,119,303	2,308,714	1,158,687	(1,573)	3,465,828

	Unaudited							
	Attributable to Shareholders of the Company					Holders of Perpetual Capital Securities	Non-controlling Interests	Total Equity
	Share Capital US$'000 (Note 13)	Share Premium US$'000	Other Reserves US$'000 (Note 15)	Retained Earnings US$'000	Total US$'000	US$'000 (Note 14)	US$'000	US$'000
Balance at 1 January 2016, as previously reported	13,487	704,618	554,903	1,229,865	2,502,873	503,000	4,293	3,010,166
Impact of adoption of HKFRS 15	–	–	(3,170)	(17,457)	(20,627)	–	–	(20,627)
Balance at 1 January 2016, as restated	13,487	704,618	551,733	1,212,408	2,482,246	503,000	4,293	2,989,539
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, net of tax	–	–	(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, as restated	13,487	704,618	509,733	1,121,992	2,349,830	503,000	(1,044)	2,851,786

The notes on pages 59 to 82 form an integral part of this interim financial information.

Condensed Consolidated Cash Flow Statement

	Unaudited Six months ended 30 June	
	2017 US$'000	2016 US$'000
Operating Activities		
Operating profit before working capital changes	**209,297**	204,868
Changes in working capital	**(16,804)**	(24,076)
Net cash inflow generated from operations	**192,493**	180,792
Profits tax paid	**(32,953)**	(29,174)
Net Cash Inflow from Operating Activities	**159,540**	151,618
Investing Activities		
Settlement of consideration payable for prior years acquisitions of businesses	**(6,025)**	(13,607)
Disposal of business	**–**	301,169
Capital expenditure	**(35,761)**	(43,865)
Other investing activities	**7,542**	5,255
Net Cash (Outflow)/Inflow from Investing Activities	**(34,244)**	248,952
Net Cash Inflow before Financing Activities	**125,296**	400,570
Financing Activities		
Interest paid	**(34,586)**	(44,732)
Distribution to holders of perpetual capital securities	**(32,063)**	(15,000)
Repayment of long-term notes	**(500,000)**	–
Dividends paid	**(130,136)**	(162,670)
Purchase of shares for Share Award Scheme	**–**	(12)
Other financing activities	**444**	11,274
Net Cash Outflow from Financing Activities	**(696,341)**	(211,140)
(Decrease)/Increase in Cash and Cash Equivalents	**(571,045)**	189,430
Cash and cash equivalents at 1 January	**985,039**	342,243
Effect of foreign exchange rate changes	**2,273**	(715)
Cash and Cash Equivalents at 30 June	**416,267**	530,958
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	**416,267**	530,958

The notes on pages 59 to 82 form an integral part of this interim financial information.

Notes to Condensed Interim Financial Information

1 General Information

Li & Fung Limited and its subsidiaries are principally engaged in managing the supply chain for retailers and brands worldwide with around 250 offices across more than 40 economies.

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

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

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

2 Basis of Preparation and Accounting Policies

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

This interim financial information has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting" issued by the HKICPA and Appendix 16 of the Listing Rules. This interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

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

Except as described in (a) and (b) below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements.

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

2 Basis of Preparation and Accounting Policies (continued)

(a) Amendments to Existing Standards Adopted by the Group

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

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

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

(b) New Standard that is Early Adopted by the Group

Early adoption of HKFRS 15, Revenue from Contracts with Customers

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

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

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

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

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

2 Basis of Preparation and Accounting Policies (continued)

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

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

NOTES:

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

3 Revenue Recognition

(a) Turnover from Sales of Goods

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

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

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

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

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

3 Revenue Recognition (continued)

(b) Services Fee from Logistics Business

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

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

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

4 Segment Information

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

The Company is domiciled in Bermuda. The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda and its Hong Kong office is at 11/F, Li Fung Tower, 888 Cheung Sha Wan Road, Kowloon, Hong Kong. The Group is principally engaged in managing the supply chain for retailers and brands worldwide with around 250 offices across more than 40 economies spanning across the Americas, Europe, Africa and Asia Pacific. Turnover represents revenue generated from sales and services rendered at invoiced value to customers outside the Group less discounts and returns.

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

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

4 Segment Information (continued)

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

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

4 Segment Information (continued)

	Services US$'000 (Restated)	Products US$'000 (Restated)	Divested Asia Consumer and Healthcare Distribution Business US$'000 (Restated)	Elimination US$'000 (Restated)	Total US$'000 (Restated)
Six months ended 30 June 2016 (Unaudited)					
Turnover	5,837,393	1,603,838	565,920	(23,648)	7,983,503
Total margin	507,199	341,220	87,057		935,476
Operating costs	(401,519)	(294,872)	(82,647)		(779,038)
Core operating profit	105,680	46,348	4,410		156,438
Amortization of other intangible assets					(17,337)
Gain on disposal of business					7,871
One-off reorganization costs					(5,863)
Operating profit					141,109
Interest income					5,611
Interest expenses					
Non-cash interest expenses					(2,247)
Cash interest expenses					(44,732)
					(46,979)
Share of profits less losses of associated companies					1,582
Profit before taxation					101,323
Taxation					(14,595)
Net profit for the period					86,728
Depreciation and amortization	23,188	26,240	4,568		53,996
31 December 2016 (Audited)					
Non-current assets (other than available-for-sale financial assets and deferred tax assets)	1,823,726	2,334,147	N/A		4,157,873

4 Segment Information (continued)

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

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

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

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

	Turnover Unaudited Six months ended 30 June		Non-current Assets (Other than Available-for-sale Financial Assets and Deferred Tax Assets)	
	2017 US$'000	2016 US$'000 (Restated)	**Unaudited 30 June 2017 US$'000**	Audited 31 December 2016 US$'000
United States of America	**4,710,228**	4,892,308	**1,968,431**	1,985,433
Europe	**1,397,635**	1,319,022	**1,130,235**	1,066,770
Asia	**696,953**	1,249,945	**893,283**	907,012
Rest of the world	**458,778**	522,228	**193,746**	198,658
	7,263,594	7,983,503	**4,185,695**	4,157,873

4 Segment Information (continued)

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

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

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

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

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

5 Operating Profit

Operating profit is stated after crediting and charging the following:

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

* Excluded from the core operating profit

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

6 Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits for the period. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

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

	Unaudited Six months ended 30 June	
	2017 US$'000	2016 US$'000
Current taxation		
– Hong Kong profits tax	**4,949**	1,275
– Overseas taxation	**20,879**	16,085
Deferred taxation	**(5,062)**	(2,765)
	20,766	14,595

7 Interim Dividend

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

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

8 Earnings per Share

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

The diluted earnings per share for the six months ended 30 June 2017 was calculated by adjusting the weighted average number of 8,366,875,000 (2016: 8,354,869,000) ordinary shares in issue by 48,572,000 (2016: 56,502,000) to assume conversion of all dilutive potential ordinary shares granted under the Company's Share Option and Share Award Scheme. For the determination of dilutive potential ordinary share granted under the Company, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding Share Options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the Share Options and vesting of Award Shares.

9 Capital Expenditure

	Intangible Assets US$'000	Property, Plant and Equipment US$'000
Six months ended 30 June 2017		
Net book amount as at 1 January 2017 (audited)	**3,896,973**	**221,550**
Additions	**13,693**	**23,799**
Disposals	**–**	**(408)**
Amortization (Note)/depreciation charge	**(23,127)**	**(27,477)**
Exchange differences	**36,774**	**4,961**
Net Book Amount as at 30 June 2017 (unaudited)	**3,924,313**	**222,425**
Six months ended 30 June 2016		
Net book amount as at 1 January 2016 (audited)	4,266,863	241,626
Additions	8,156	38,335
Disposals	(2,913)	(4,659)
Disposal of business	(229,756)	(27,255)
Amortization (Note)/depreciation charge	(23,852)	(30,087)
Exchange differences	(62,641)	(4,933)
Net Book Amount as at 30 June 2016 (unaudited)	3,955,857	213,027

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

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

10 Trade and Bills Receivable

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

	Current to 90 Days US$'000	91 to 180 Days US$'000	181 to 360 Days US$'000	Over 360 Days US$'000	Total US$'000
Balance at 30 June 2017 (unaudited)	**1,421,527**	**44,314**	**15,686**	**10,803**	**1,492,330**
Balance at 31 December 2016 (audited)	1,442,127	87,280	15,154	2,647	1,547,208

All trade and bills receivable are either repayable within one year or on demand. Accordingly, the fair values of the Group's trade and bills receivable were approximately the same as their carrying values as at 30 June 2017.

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

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

Certain subsidiaries of the Group transferred bills receivable balances amounting to US$6,090,000 (31 December 2016: US$22,773,000) to banks in exchange for cash as at 30 June 2017. The transactions have been accounted for as collateralized bank advances.

11 Trade and Bills Payable

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

	Current to 90 Days US$'000	91 to 180 Days US$'000	181 to 360 Days US$'000	Over 360 Days US$'000	Total US$'000
Balance at 30 June 2017 (unaudited)	**2,147,616**	**44,143**	**19,559**	**12,308**	**2,223,626**
Balance at 31 December 2016 (audited)	2,003,134	60,532	10,814	9,395	2,083,875

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

12 Long-term Liabilities

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

Balance of purchase consideration payable for acquisitions as at 30 June 2017 included performance-based earn-out and earn-up contingent considerations of US$107,829,000 and US$21,505,000 respectively (31 December 2016: US$105,598,000 and US$55,938,000). Earn-out is contingent consideration that would be realized if the acquired businesses achieve their respective base year profit target, calculated on certain predetermined basis, during the designated periods of time. Earn-up is contingent consideration that would be realized if the acquired businesses achieve certain growth targets, calculated based on the base year profits, during the designated periods of time.

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

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

However, if the total actual contingent consideration payables are 10% higher or lower than the total contingent consideration payables estimated by management, the resulting aggregate impact to the gain or loss on remeasurement of contingent consideration payables recognized to the profit and loss account would be US$12,933,000.

13 Share Capital, Share Options and Award Shares

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

Details of Share Options granted by the Company pursuant to the 2003 Option Scheme and 2014 Option Scheme and outstanding at 30 June 2017 are as follows:

			Number of Share Options			
Grant Date	Exercise Price HK$	Exercisable Period	As at 1/1/2017	Granted	Lapsed	As at 30/6/2017
22/12/2011	12.12[1]	1/5/2015-30/4/2017	2,000,000	–	(2,000,000)	**–**
22/12/2011	12.12[1]	1/5/2016-30/4/2018	2,000,000	–	–	**2,000,000**
22/12/2011	12.12[1]	1/5/2017-30/4/2019	2,000,000	–	–	**2,000,000**
22/12/2011	12.12[1]	1/5/2018-30/4/2020	2,000,000	–	–	**2,000,000**
22/12/2011	12.12[1]	1/5/2019-30/4/2021	2,000,000	–	–	**2,000,000**
22/12/2011	12.12[1]	1/5/2020-30/4/2022	2,000,000	–	–	**2,000,000**
22/12/2011	12.12[1]	1/5/2021-30/4/2023	2,000,000	–	–	**2,000,000**
21/5/2015	7.49	1/1/2016-31/12/2017	27,670,000	–	–	**27,670,000**
21/5/2015	7.49	1/1/2017-31/12/2018	28,727,000	–	–	**28,727,000**
21/5/2015	7.49	1/1/2018-31/12/2019	28,878,000	–	–	**28,878,000**
16/11/2015	5.81	1/1/2017-31/12/2018	285,000	–	–	**285,000**
16/11/2015	5.81	1/1/2018-31/12/2019	604,000	–	–	**604,000**
19/5/2016	4.27	1/1/2018-31/12/2019	604,000	–	–	**604,000**
		Total	100,768,000	–	(2,000,000)	**98,768,000**

NOTE:

(1) Following the spin-off and separate listing of Global Brands, the exercise price applicable to the Share Options outstanding on the record date for the distribution in specie (i.e. 7 July 2014) was adjusted from HK$14.50 to HK$12.12 with effect from 31 August 2014.

Subsequent to 30 June 2017, no Shares have been allotted and issued under the 2003 Option Scheme and 2014 Option Scheme.

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

13 Share Capital, Share Options and Award Shares (continued)

Details of Award Shares granted by the Company pursuant to the Share Award Scheme and outstanding at 30 June 2017 are as follows:

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

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

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

14 Perpetual Capital Securities

On 3 November 2016 and 8 November 2012, the Company issued perpetual subordinated capital securities (the "Perpetual Capital Securities") with an aggregate principal amount of US$650 million and US$500 million respectively. The Perpetual Capital Securities do not have maturity date and the distribution payments can be deferred at the discretion of the Company. Therefore, the Perpetual Capital Securities are classified as equity instruments and recorded in equity in the consolidated balance sheet. The amounts as at 30 June 2017 and 31 December 2016 included the accrued distribution payments.

15 Other Reserves

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

15 Other Reserves (continued)

	Unaudited								
	Treasury Shares US$'000 (Note (a))	Capital Reserve US$'000 (Note (b))	Contributed Surplus US$'000	Employee Share-based Compensation Reserve US$'000	Revaluation Reserve US$'000	Hedging Reserve US$'000	Defined Benefit Obligation Reserve US$'000	Exchange Reserve US$'000	Total US$'000
Balance at 1 January 2016, as previously reported	(13,300)	2,306	710,000	54,662	2,845	2,812	(11,129)	(193,293)	554,903
Impact of adoption of HKFRS 15	–	–	–	–	–	–	–	(3,170)	(3,170)
Balance at 1 January 2016, as restated	(13,300)	2,306	710,000	54,662	2,845	2,812	(11,129)	(196,463)	551,733
Other Comprehensive (Expense)/Income									
Currency translation differences	–	–	–	–	–	–	–	(55,792)	(55,792)
Net fair value gains on available-for-sale financial assets, net of tax	–	–	–	–	86	–	–	–	86
Net fair value gains on cash flow hedges, net of tax	–	–	–	–	–	2,066	–	–	2,066
Remeasurement from post-employment benefits recognized in reserve, net of tax	–	–	–	–	–	–	1	–	1
Transactions with Owners in their Capacity as Owners									
Purchase of shares for Share Award Scheme	(12)	–	–	–	–	–	–	–	(12)
Employee Share Option and Share Award Scheme:									
– value of employee services	–	–	–	11,590	–	–	–	–	11,590
Transfer to capital reserve	–	61	–	–	–	–	–	–	61
Balance at 30 June 2016, as restated	(13,312)	2,367	710,000	66,252	2,931	4,878	(11,128)	(252,255)	509,733

NOTES:

(a) Treasury shares represent the excess shares issued for settlement of consideration for certain prior year acquisitions held by escrow agent and shares issued and purchased for Share Award Scheme held by the trustee.

(b) Capital reserve represents amount set aside from the profit of certain overseas subsidiaries of the Group in accordance with local statutory requirements.

16 Contingent Liabilities

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

17 Commitments

(a) Operating Lease Commitments

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

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

(b) Capital Commitments

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

18 Related Party Transactions

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

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

NOTES:

(i) Pursuant to the master distribution and sale of goods agreement entered into on 5 December 2014 with FH (1937) for a term of three years ending 31 December 2017, certain distribution and sales of goods was made on mutually agreed normal commercial terms with FH (1937) and its associates.

(ii) Pursuant to the master agreement for leasing of properties or sub-leasing and/or licensing arrangement dated 14 November 2016 entered into with FH (1937) and its associates for a term of three years ending 31 December 2019, the Group had rental charge for certain properties leased from FH (1937) and its associates during the period based on mutually agreed normal commercial terms. For the six months ended 30 June 2017, aggregate operating lease rental and license fee paid to and from one another approximated to US$13,370,000 (2016: US$13,276,000).

(iii) Pursuant to the buying agency agreement entered into with Global Brands Group on 24 June 2014, the Group provided sourcing and supply chain management services to Global Brands Group and its associates for a term of three years from the listing date of Global Brands Group. For the six months ended 30 June 2017, the Group provided sourcing and supply chain management services to Global Brands Group with an aggregate income of approximately US$607,929,000 (2016: US$628,238,000).

(iv) Pursuant to the master property agreement entered into with Global Brands Group on 24 June 2014, the Group and Global Brands Group had rental and license fee to and from one another for certain properties and license offices, showroom and warehouse premises on mutually agreed terms from the listing date of Global Brands Group to 31 December 2016. In view of expiry of the Existing Master Lease Agreement, the Company has entered into the Renewal Master Lease Agreement as aforementioned in (ii). For the six months ended 30 June 2016, aggregate rental and license fee paid to and from one another approximated to US$2,334,000.

(v) Pursuant to the master agreement for provision of logistics-related services entered into on 20 August 2015, the Group provided certain logistics related services to FH (1937) and its associates during the period. The aggregate service income, excluding the passed-through costs for direct freight forwarding, approximated to US$7,495,000 (2016: US$7,066,000).

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

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

19 Financial Risk Management

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

(a) Market Risk

(i) FOREIGN EXCHANGE RISK

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

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

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

However, the Group does not enter into foreign currency hedges with respect to the local financial results and long-term equity investments of its non-US dollar foreign operations for either income statements or balance sheet reporting purposes. Since the Group's functional currency is the US dollar, it is subject to exchange rate exposure from the translation of foreign operations' local results to US dollars at the average rate for the period of group consolidation. The Group's net equity investments in non-US dollar-denominated businesses are also subject to unrealized translation gain or loss on consolidation. Fluctuation of relevant currencies against the US dollar will result in unrealized gain or loss from time to time, which is reflected as movement in exchange reserve in the consolidated statement of changes in equity.

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

(ii) PRICE RISK

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

At 30 June 2017 and up to the date of the Group's interim financial information, the Group held no material financial derivative instruments except for certain foreign exchange forward contracts entered into for hedging of foreign exchange risk exposure on sales and purchases transacted in different currencies. At 30 June 2017, fair value of foreign exchange forward contracts entered into by the Group amounted to US$10,834,000 (31 December 2016: US$10,697,000 assets), which has been reflected in full in the Group's consolidated balance sheet as derivative financial instruments liabilities.

19 Financial Risk Management (continued)

(a) Market Risk (continued)

(iii) CASH FLOW AND FAIR VALUE INTEREST RATE RISK

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

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

(b) Credit Risk

Credit risk mainly arises from trade and other receivables. The Group's principal trading business carries a higher credit risk profile given that it is acting as a supplier and therefore takes full counterparty risk of its customers in terms of accounts receivable and inventory. In addition, as the Group provides working capital solutions to the vendors via LF Credit by selectively settling accounts payable earlier at a discount, it also assumes direct counterparty risk of its customers for such receivables. With the increased insolvency risk among global brands and retail customers, the Group has deployed a global credit risk management framework with tightened risk profile, and applied prudent policies to manage its credit risk with such receivables that include, but are not limited to, the measures set out below:

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

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

(iii) It has established a credit risk system with a dedicated team, and tightened policies to ensure on-time recoveries from trade debtors; and

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

(c) Liquidity Risk

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

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

20 Fair Value Estimation

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

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

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2017.

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

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

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

The fair values of financial instruments traded in active markets are based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

20 Fair Value Estimation (continued)

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

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

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.

- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

There were no significant transfer of assets between level 1, level 2 and level 3 fair value hierarchy classifications during the period.

The following summarizes the major methods and assumptions used in estimating the fair values of the significant assets and liabilities classified as level 2 or 3 and the valuation process for assets and liabilities classified as level 3:

DERIVATIVE FINANCIAL INSTRUMENTS USED FOR HEDGING

The Group relies on bank valuations to determine the fair value of financial assets/liabilities which in turn are determined using discounted cash flow analysis. These valuations maximize the use of observable market data. Foreign currency exchange prices are the key observable inputs in the valuation.

PURCHASE CONSIDERATION PAYABLE FOR ACQUISITIONS

The Group recognizes the fair value of those purchase considerations for acquisitions, as of their respective acquisition dates as part of the consideration transferred in exchange for the acquired businesses. These fair value measurements require, among other things, significant estimation of post-acquisition performance of the acquired businesses and significant judgment on time value of money. These calculations use cash flow projections for post-acquisition performance. The discount rate used is based on the prevailing incremental cost of borrowings of the Group at the time of acquisitions, which approximated to 2.5%.

20 Fair Value Estimation (continued)

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

	2017		2016	
	Purchase Consideration Payable for Acquisitions US$'000	**Others US$'000**	Purchase Consideration Payable for Acquisitions US$'000	Others US$'000
Opening balance as at 1 January (audited)	**161,536**	**4,164**	242,502	3,854
Fair value gains	**–**	**89**	–	86
Settlement	**(6,025)**	**–**	(13,607)	–
Remeasurement of purchase consideration payable for acquisitions	**(29,645)**	**–**	–	–
Others	**3,468**	**–**	38	–
Closing balance as at 30 June (unaudited)	**129,334**	**4,253**	228,933	3,940

21 Approval of Interim Financial Information

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

Glossary

In this Report, unless otherwise specified the following glossary applies.

2003 Option Scheme	the share option scheme of the Company adopted by the Shareholders at the annual general meeting of the Company held on 12 May 2003, which expired on 11 May 2013
2014 Option Scheme	the share option scheme of the Company adopted by the Shareholders at the annual general meeting of the Company held on 15 May 2014
associate(s), chief executive(s), connected person(s), substantial shareholder(s)	each has the meaning as described in the Listing Rules
Award Shares	the Shares granted under the Share Award Scheme to an eligible person(s) approved for participation in the Share Award Scheme
Board	the board of Directors of the Company
China	the People's Republic of China
Company, Li & Fung	Li & Fung Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
Director(s)	a director(s) of the Company
FH (1937)	Fung Holdings (1937) Limited, a company incorporated in Hong Kong, which is a substantial shareholder of the Company
Fung Distribution	Fung Distribution International Limited, a company incorporated in the British Virgin Islands, which is a wholly-owned subsidiary of FH (1937)
Global Brands	Global Brands Group Holding Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
Global Brands Group	Global Brands and its subsidiaries
Group	the Company and its subsidiaries

HK$	Hong Kong dollar(s), the lawful currency of Hong Kong
Hong Kong	the Hong Kong Special Administrative Region of the People's Republic of China
HSBC Trustee	HSBC Trustee (C.I.) Limited, acting in its capacity as the trustee of a trust established for the benefit of the family members of Victor Fung Kwok King
King Lun	King Lun Holdings Limited, a company incorporated in the British Virgin Islands owned 50% by HSBC Trustee and 50% by William Fung Kwok Lun
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers under Appendix 10 of the Listing Rules
Report	the interim report of the Company for the half year ended 30 June 2017
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Share(s)	ordinary share(s) of HK$0.0125 each in the share capital of the Company
Shareholder(s)	holder(s) of the Share(s)
Share Award Scheme	the share award scheme of the Company adopted by the Shareholders at the annual general meeting of the Company held on 21 May 2015
Share Option(s)	the outstanding option(s) granted under the 2003 Option Scheme and/or 2014 Option Scheme
Stock Exchange	The Stock Exchange of Hong Kong Limited
Trinity	Trinity Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
US$	United States dollar(s), the lawful currency of the United States of America

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