LI & FUNG LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 494)

ANNOUNCEMENT OF RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2014

HIGHLIGHTS

(US$ million)	**2014**	2013 (Restated)	Change
Turnover	**8,710**	8,467	+3%
Total margin	**995**	985	+1%
As % of turnover	***11.4%***	*11.6%*	
Core Operating Profit	**227**	249	(9%)
As % of turnover	***2.6%***	*2.9%*	
Loss from Discontinued Operations	**(98)**	(49)	N/A
Profit attributable to shareholders	**111**	96	+16%
Profit attributable to shareholders (excluding loss from Discontinued Operations)	**210**	145	+45%
Earnings per Share - Basic (excluding loss from Discontinued Operations)	**19.6 HK cents**	13.5 HK cents	
(equivalent to)	**2.51 US cents**	1.73 US cents	
Dividend per Share	**13 HK cents**	15 HK cents	

- Successful spin-off of Global Brands
- Simplification of business back to core business of sourcing and logistics
- Turnover increased by 3% to US$8,710 million despite weak retail market and geo-political uncertainties
- Investments in 2014 to position for organic growth, resulting in core operating profit decrease of 9% to US$227 million
- Profit attributable to shareholders (excluding loss of discontinued operations) increased by 45% to US$210 million
- Vendor Support Services set up to focus on sustainability of the global supply chain

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

2014 marks the start of a new chapter for Li & Fung (the "Group") as we continue to solidify our leading position in global supply chain management. As set out in our current Three-Year Plan announced in March, we have reorganized our various operating groups in order to set the stage for our next phase of organic growth. The license and brand business of the Group, named the Global Brands Group ("Global Brands"), was subsequently spun-off via a 100% distribution in specie with a listing on the Stock Exchange of Hong Kong on 9 July 2014. Global Brands will continue to be a vital part of Li & Fung, but in a new way as a valuable customer.

The new, simplified Li & Fung Group will continue to build on its core competencies to maintain its dominant market position in consumer product sourcing by effectively managing the complexities of the global supply chain with the complementary capabilities of an expanded logistics business, to provide comprehensive sourcing and logistics solutions to our customers.

Our Business Model

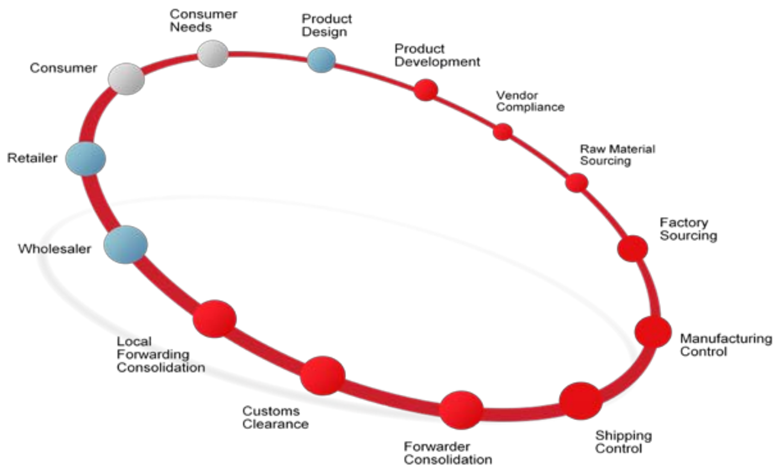
Our business is to provide global sourcing for our key brands and retail customers through our extensive worldwide network of factories and suppliers, producing a diverse range of products from apparel and accessories to furniture and beauty items.

At Li & Fung, we pride ourselves as being the sourcing partner of choice in providing best-in-class sourcing and logistics solutions for brands and retailers. We focus on three attributes to guide our business to create value in services we provide to our customers.

1. *One-stop Shop for Brands and Retailers*

The sourcing supply chains have become increasingly complex over the years. Within this complex environment, Li & Fung simplifies the procurement process by providing comprehensive solutions to manage our customers' entire supply chain, starting from product design and raw materials procurement, to vendor compliance, production monitoring and warehouse logistics, to the final delivery of goods. We have a broad product range, from hardgoods to softgoods, and operate on a produce-to-order basis. We cater to every buying and product sourcing needs of our diverse customer base whether they source under an agency or principal basis, and whether goods are shipped on a free-on-board (FOB) or landed-duty-paid (LDP) basis.

End-to-end Supply Chain Management



2. Scale and Efficiency

The demand for shorter lead times and a wider assortment of products, combined with the broad geographic dispersal of production facilities across a large number of emerging markets, has made effective supply chain management a critical priority. For retailers and brands, operating and managing their supply chain is typically not a core competency and requires substantial resources in terms of fixed cost and management time.

Our Group operates on a scale unparalleled to that of any individual customers' in-house sourcing offices. With our global network and extensive local presence in over 40 countries, we are able to realize significant operating leverage and cost savings. Our scale enables us to consolidate orders and procurement decisions, allocate production globally, standardize factory compliance and quality assurance, plan logistics arrangements, and offer our customers the most competitive pricing for their sourcing needs.

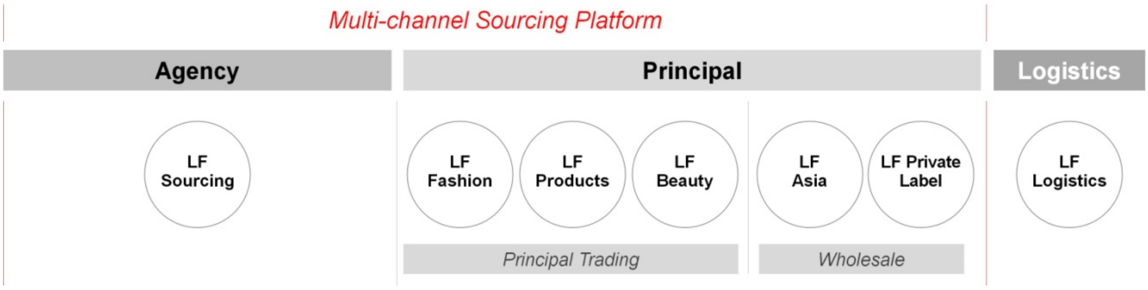
3. Flexibility and Risk Diversification

As production is primarily based in emerging markets, the global supply chain is prone to uncertainty and disruption. We witnessed this in the first half of 2014 with the riots in Vietnam and the military coup in Thailand. The Group's flexibility in adapting to the changing needs of the market and our ability to react quickly with solutions to any issues in the supply chain are an important part of the value we bring as a sourcing partner. Our on-the-ground teams, the large amount of transactions we engage in each day and our globally connected systems provide us with valuable insight into market dynamics and real time analysis on the production capacity and the quality of our global network of suppliers. This powerful knowledge and insight support our supply chain planning and management processes, including raw material procurement, order allocation and transfer and distribution of goods, to ensure that we achieve optimal utilization and minimize risks of disruption in each element of the supply chain. Our network provides flexibility and risk diversification in an uncertain world.

Recent Reorganization

Following the spin-off of Global Brands, we are focused on further simplifying our organization. As a result, Li & Fung reorganized its businesses into two Networks: Trading and Logistics. The Trading Network focuses on providing global sourcing solutions for customers' brands on an agency or principal basis, while the Logistics Network encompasses our in-country logistics as well as recently enhanced freight forwarding capabilities.

Together, our two Networks form a multi-channel sourcing platform to serve all of the buying needs of our customers, regardless of whether they are national brands or private labels, require on-shore or off-shore services, or sell via physical retail or ecommerce channels. This platform places us in a unique position to capture additional market share for each of our businesses through our vast global network, product diversity and economies of scale.



Strategy in Action

As we look ahead to our current Three-Year Plan (2014 – 2016), we believe the following themes will be the key drivers of our growth:

- *Organic growth*: Through our current platform, we will further strengthen our organic growth initiatives by focusing on gaining new customers and developing additional business with existing customers. We continue to invest in nurturing long-term relationships with our customers to stay ahead of their needs by a deeper understanding of their business challenges and opportunities and supply chain requirements. We try our best to maximize the share-of-wallet of our existing customers by exploring new ideas to improve efficiencies in their supply chain, offering differentiated products and services and developing innovative solutions, such as RFID and customer analytics.

- *New geographies and channel expansion:* Traditionally, Li & Fung's business was centered on Europe and US markets. In the previous Three-Year Plan (2011-2013), we broadened our geographic focus by laying the groundwork to capture growing consumer purchasing power in Asia and other countries. This focus will continue to be an important part of our new Three-Year Plan. In addition, our customers worldwide are facing new challenges and opportunities presented by the growth of ecommerce. Li & Fung is expanding our capabilities to support our customers in this new channel of distribution in both the sourcing and logistics businesses.

- *Vendor Support Services ("VSS")*: Treating vendors as customers will open up a whole new arena of opportunities for Li & Fung in this Three-Year Plan. While VSS already has a potential client base of over 15,000 suppliers that have existing relationships with Li & Fung, our addressable market is essentially the entire global vendor base. Our dedicated VSS teams are devoting considerable resources on the ground to support and upgrade our vendor base to meet the highest standards of sustainability and safety in order to enable their factories to move up the value chain. The services that we provide include safety and compliance training and audits; fabric, trims and accessories procurement; product development; trade credit services; handling of letters of credit; product liability insurance and other technical or operations support. Our aim is to develop a holistic relationship with our existing vendors, deepen our local knowledge and partner with additional vendors in new locations around the world. Our focus on this area will further enhance the overall sustainability of the supply chain. In the long-term, we believe our efforts will increase vendor loyalty, strengthen our supply chain and enhance the quality of service we offer to our customers, all of which creates a win-win situation for every stakeholder in the supply chain.

An important goal of the strategies and initiatives that we are undertaking is to create sustainable value for our shareholders by focusing on the three key priorities:

1 Generate Free Cash Flow

2 Improve ROIC

3 Return Cash to Shareholders

- Generate free cash flow with lower working capital requirement and decrease payments for acquisition payable
- Improve return on invested capital via organic growth and prioritizing investments
- Return cash to shareholders by maintaining a high dividend payout policy as well as potentially through other forms

Results Overview

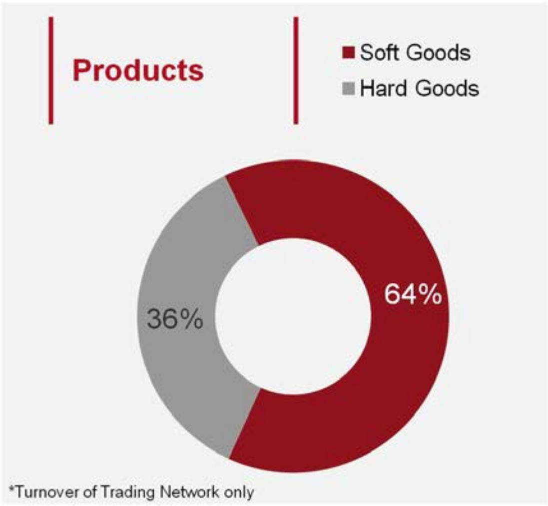
	1H2014	1H2013	Change	
	US$m	US$m	US$m	%
Turnover	**8,710**	8,467	243	*+3%*
Total Margin	**995**	985	10	*+1%*
	11.4%	*11.6%*		
Operating Costs	**768**	736	32	*+4%*
Core Operating Profit	**227**	249	(21)	*(9%)*
	2.6%	*2.9%*		
Profit Attributable to Shareholders (ex-Loss from Discontinued Operations)	**210**	145	65	*+45%*
EPS (HK cents)	***19.6***	*13.5*		*+45%*

2014 is a year of transition and investment. We have reorganized our three Networks and completed the spin-off of Global Brands and made investments in our operations to position the Group for organic growth. As Global Brands was spun-off in July 2014, we have restated our financials and reclassified Global Brands as discontinued operations in the interim results of 2014. Our discussion of the results therefore does not include contribution from Global Brands for the six months ended both 30 June 2013 and 30 June 2014.

Li & Fung achieved solid results in the first half of 2014 amidst a mixed economic landscape. We delivered modest growth in turnover and total margin. As with previous Three-Year Plans, the first year is when we invest in people and initiatives that usually result in increase in operating costs as we gear up to reach our Three-Year Plan targets set for 2016. While we are investing in new employees in new markets and services, new offices, and IT infrastructure to support the organic growth in the business over the next three years, the investments will negatively impact our core operating profit in 2014.

Key financial highlights for the six months ended 30 June 2014, as compared to the same period in the previous year, are as follows:

- Total turnover increased by 3% to US$8,710 million on the back of moderate growth in the Trading Network and a 44% increase in turnover in the Logistics Network
- Total margin was largely stable and increased by 1% to US$995 million, due to softness in our Principal business
- Core operating profit decreased by 9% to US$227 million, and core operating profit margin decreased from 2.9% to 2.6%, mainly as a result of strategic additional expenditure on people, infrastructure and service initiatives geared towards delivering on the full Three-Year Plan
- Profit attributable to shareholders (excluding results from discontinued operations) increased by 45% to US$210 million, which included a non-cash gain of US$98 million on the write-back of contingent considerations



For the six months ended 30 June 2014, the Trading Network accounted for 96% of the Group's turnover and 92% of core operating profit. Softgoods and hardgoods accounted for 64% and 36% of the Trading Network's turnover respectively.

Geographically, the US continued to be the Group's key export market, representing 60.0% of total turnover and up slightly from 59.6% in the same period last year. Overall US turnover grew by 3.5%, mainly driven by the strong growth in retail sales of key customers in home furniture and kids wear products. Europe stayed flat at 18.2% of total turnover (versus 18.0% in first half 2013) with turnover growing by 4.2% as compared to last year, leveraging on the growth of the European business of Global Brands.

Rest of world accounted for 21.8% of total turnover (versus 22.4% in first half 2013). Asia accounted for 13.6% of total turnover, slightly down from 14.3% in the same period last year. China alone accounted for 7.8% against 8.2% last year, mainly from the slower growth in the wholesale business in the first six months of the year, but this was offset by new customer wins in our Trading business and contribution of our new freight-forwarding acquisition. The rest of Asia accounted for 5.8% of total turnover down from 6.1% in the first half 2013 due to the slower growth of the region combined with political uncertainties in Thailand in the first half. Turnover percentage in the rest of the regions remained flat at 8.2% (versus 8.1% in first half 2013) as Canada, Australasia and Central and Latin America continued to deliver steady growth from their respective underlying economies whilst South Africa and Middle East reported a decline.

As part of our current Three-Year Plan reorganization, Li & Fung has begun investing in resources and operating expenses for Vendor Support Services, as well as for new products, services and infrastructure to drive the geographic expansion of our operating groups. We have also incurred one-time reorganization costs relating to redundancies and asset write-offs to formulate our current multi-channel sourcing platform and facilitate the spin-off of Global Brands.

The first half of 2014 was characterized by a general weakness in retail sales and uncertain political and macroeconomic conditions. The outlook of our key markets, US and Europe, continues to be uncertain and we expect market conditions to remain challenging. We have witnessed customers buying closer and closer to the season. While we have good visibility in back-to-school and early holiday season orders, we have less visibility in Q4 and Spring season orders. Most customers are delaying order decisions until they get better indications about consumer confidence in Q3. Furthermore, the recent Russia and Ukraine crisis has reduced foreign travel by Russian nationals, which is starting to impact the European retail markets favored by Russian tourists. This development is still in the early stages and we are monitoring the situation carefully. In China, which remains Asia's most important economy, the government's focus on fighting corruption and its pull back on being an export driven economy is impacting consumption in the short term. However, we still see ample opportunities in this market over the long term. In the second half of 2014, we will continue to focus our efforts on capturing market share and new customer wins to provide catalysts for further strengthening our business. At the same time, we will continue to implement our plans for organic growth and invest in key strategic areas to support our Three-Year Plan.

Strong Liquidity Profile

Li & Fung relies on a strong and stable cash flow conversion business to fund its working capital, dividends, interest expenses and capital expenditures.

As disclosed in our 2013 annual consolidated results, we started this year with a cash and bank balances of US$460 million. Excluding the US$115 million cash and bank balances belonging to Global Brands, the pro forma cash and bank balances for the Group was US$344 million at the beginning of 2014. Our cash balance rose by US$199 million to US$544 million by the end of June 2014 mainly due to:

- Operating cashflow of US$201 million, which is in line with core operating profit after tax payments

- Capital expenditure and acquisition-related payments of US$143 million, including consideration payable for previous acquisitions and new acquisitions such as China Container Lines
- US$594 million shareholders' loans repayment from Global Brands, offset by capital injection of US$15 million to Global Brands
- Dividends paid for the 2013 financial year final dividend of US$367 million
- Interest expenses paid and distribution to perpetual capital securities holders of US$66 million

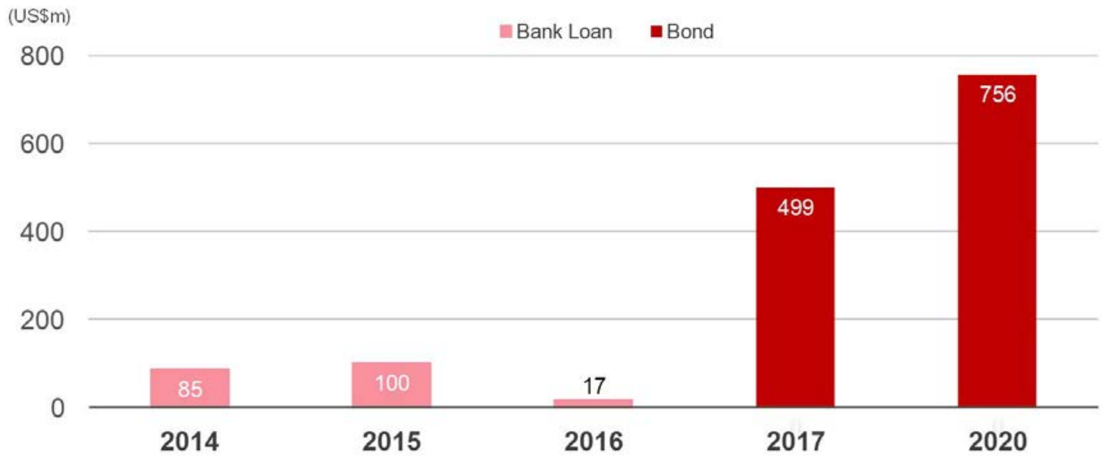
As of 30 June 2014, we have available bank loans and overdraft facilities of US$1,618 million, out of which US$202 million were drawn down. The unused limits amounted to US$1,416 million, with US$704 million being unused committed facilities.

Given that our priority to return cash to shareholders and that we have the ability to generate positive cash flow, the Group's approach is to maintain a reasonable cash balance only at a level to fund seasonal working capital needs on an on-going basis. Hence, we have proposed an interim dividend of 13 HK cents per share (or US$139 million in total) and shall explore additional options of distributing cash to shareholders.

Solid Balance Sheet

Our financial position remained strong with a cash position of US$544 million, and a decrease in the Group's net debt (total borrowings minus cash) from US$1,006 million as of 31 December 2013 to US$913 million as of 30 June 2014. The Group's gross debt was US$1,457 million as of 30 June 2014, with a weighted average tenor of over 4 years. The majority of our debt is at a fixed rate and denominated in US dollars.

Below is the debt maturity profile of the Group as of 30 June 2014:



Our net gearing ratio as stated in the unaudited consolidated balance sheet was 15% as of 30 June 2014 (versus 15% as of 31 December 2013). If we assumed that the spin-off and distribution of Global Brands had occurred on 31 December 2013 or 30 June 2014, our total equity would decrease to US$3,177 million or US$3,024 million respectively. Our pro forma net debt would be US$1,119 million as of 31 December 2013 and US$913 million as of 30 June 2014. Our pro forma net gearing would be 26% as of 31 December 2013 and 23% as of 30 June 2014.

The Group continued to adopt a conservative approach in managing its balance sheet and capital structure with a solid equity base, low gearing, and strong investment-grade credit ratings. As at 30 June 2014, the Group maintained credit ratings from Moody's and Standard & Poor's of Baa1 (stable outlook) and BBB+ (stable outlook) respectively.

Network Segmentation

Following our reorganization, Li & Fung is now structured into two Business Networks:

Trading Network

The Trading Network comprises our agency, principal trading and on-shore wholesale businesses.

Our Agency business is the Group's core business and continued to be the biggest turnover contributor in the first half of the year. LF Sourcing, the sole operating group under the Agency business, enters into long-term strategic buying agreements with customers and oversees and manages the entire global sourcing process. This provides customers with full transparency and control in their supply chains.

Our Principal business is organized into Principal Trading, which is comprised of three operating groups, LF Fashion, LF Products and LF Beauty, and Wholesale, which is comprised of LF Asia and LF Private Label. This structure allows for a greater degree of product specialization within our team and closer alignment with the needs of our customers. Depending on customers' requests, we are able to act as a wholesaler (deliver products to countries on an on-shore basis) or as a principal (customers trade at sourcing countries on FOB basis), always providing customized end-to-end and value-added services in either arrangement. Irrespective of the arrangement, customers rely on our extensive product knowledge and deep expertise to manage their supply chains.

	1H2014	1H2013	Change	
	US$m	US$m	US$m	%
Turnover	**8,369**	8,232	137	***+2%***
Total Margin	**893**	894	(1)	-
	10.7%	*10.9%*		
Operating Costs	**685**	660	24	***+4%***
Core Operating Profit	**208**	234	(26)	*(11%)*
	2.5%	*2.8%*		

From a geographical perspective, the US represented approximately 62% of the Trading Network's total turnover, with Europe and Rest of World representing 18% and 20%, respectively.

In the US, total turnover increased by 3.5% as LF Products' home furniture business benefitted from a recovering US housing market; however this was offset by the lackluster demand in fashion and apparel products in our US on-shore wholesale business. Total turnover in Europe increased by 2.1% as we continued to see a mild recovery in the UK and Germany. Total turnover in rest of the world decreased by 4.0% as LF Asia faced an economic slowdown in China and political disruption in Thailand.

Following completion of the reorganization, management is able to refocus on delivering organic growth and reaping the synergistic benefits of product development and cross-selling in the second half of this year. In first half of 2014, we started a number of new sourcing deals with major customers in the US and achieved new customer gains via cross-selling. For instance, LF Asia secured the China on-shore distribution business for Coty, which is a key customer of LF Beauty, despite an economic slowdown in China.

Total margin for the Trading Network was flat and percentage to turnover remained similar at 10.7% (first half 2013: 10.9%). Operating costs increased year-on-year to US$685 million, mainly from the full period operating costs of Whalen Furniture, which we acquired in May 2013, and the increase in investments in human resources and product development capabilities in our Principal Trading and Wholesale businesses to provide holistic solutions to our customers. We also invested in resources for our Vendor Support Services as a medium to long-term strategy to improve our operational efficiencies and supply chain sustainability. The 11% decline in core operating profit to US$208 million, representing a decrease of US$26 million from the same period last year, was mainly attributed to the above reasons.

The Group maintains a global Trading Network covering more than 40 economies, which allows for flexibility when moving orders from one production country to another to handle capacity constraints and satisfy customers' needs. Within this global network, the top three sourcing countries for the Group remained China, Vietnam, and Bangladesh. China held its position as the Group's largest sourcing country with softgoods and hardgoods accounting for 49% and 51%, respectively, while Vietnam and Bangladesh continued to be the second and third largest sourcing countries, with 91% and 99% being softgoods respectively.

Logistics Network

The Logistics Network comprises our in-country logistics and freight forwarding businesses.

In-country logistics offers Asia-focused in-country logistics solutions and specializes in key verticals, namely footwear and apparel, fast-moving consumer goods, retail and food and beverage.

Freight forwarding offers cross-border logistics services at origin and destination to supplement our in-country logistics solutions. The scale of this business has increased significantly subsequent to the acquisition of China Container Line, a leading sea-freight forwarder in China, in first half of 2014.

	1H2014	1H2013	Change	
	US$m	US$m	US$m	%
Turnover	**349**	243	106	***+44%***
Total Margin	**102**	90	12	***+13%***
Operating Costs	**84**	76	7	***+10%***
Core Operating Profit	**19**	14	4	***+31%***
	5.3%	*5.9%*		

In the first half of 2014, the Logistics Network continued to demonstrate robust growth with a 44% increase in turnover and a 31% increase in core operating profit compared to the same period in 2013. This strong set of results comes from organic growth through new business wins and cross-selling across Networks, as well as from the acquisition of China Container Line. For first half 2014, 43% of the turnover was from China, 36% of the turnover was from the rest of Asia, and 21% of the turnover came from the rest of the world.

Core operating profit increased by 31% while core operating margin declined from 5.9% to 5.3% as a result of the acquisition of China Container Line. Compared with our existing in-country logistics business, freight forwarding has a lower operating margin in line with the industry.

The successful integration of the newly acquired freight forwarding business will accelerate the growth of the logistics business and provide synergies with the rest of our businesses. This in turn should benefit the Group in terms of both revenue growth and profitability. We will sustain our organic growth momentum supplemented by strategic acquisition in freight forwarding.

Discontinued Operation – Global Brands

With the spin-off of Global Brands, its first half 2014 results have been reclassified to discontinued operations. Global Brands' business, cash flow and profitability are typically skewed towards the second half of the year due to the impact of seasonality on its wholesale business. With the increase in operating expenses associated with the launch of new brands in the second half of 2014, as well as costs incurred in relation to the reorganization and listing, Global Brands recorded a loss of US$98 million for the six months ended 30 June 2014, as compared to a loss of US$49 million for the first half of 2013.

Contingent liabilities and goodwill

Adjustments to Purchase Consideration Payables

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

The Group follows a stringent internal financial and accounting policy in evaluating potential adjustment to the estimated fair value of purchase consideration payable in accordance with the accounting standard HKFRS 3 (Revised) "Business Combination." The Group's contingent consideration payables are performance based payments in the form of "earn-out" and "earn-up" depending on a set of predetermined performance targets mutually agreed with the entrepreneurs in accordance with the sale & purchase agreement. Earn-out payments are generally payable within three to four years whereas earn-up payments have a higher performance target threshold and are typically payable over a period of up to five to six years upon completion of a transaction. As at 30 June 2014, the Group had outstanding contingent consideration payables of US$683 million, of which US$492 million was primarily earn-out and US$192 million was earn-up.

While many of its acquired businesses remain profitable and are growing, the Group may still be required to make a downward fair value adjustment to certain consideration payable should the acquired businesses be unable to achieve the predetermined performance threshold within the specific timeframe as stipulated in the sale & purchase agreement. Given that the contingent consideration entitlement is usually contractual in nature and is based on a specific formula linking to a particular threshold, the underlying business performance of the acquired businesses could continue to perform and grow, yet the Group may still be required to adjust the consideration payable, especially if the high performance thresholds of earn-ups are not reached. For the six months ending 30 June 2014, there was approximately US$98 million of write-back of contingent considerations.

Goodwill Impairment Tests

The Group performed goodwill impairment tests based on the cash generating units ("CGU") which manage the acquired businesses in accordance with HKAS 36. Based on the Group's assessment of all of the CGUs under the current operating structure, the Group has determined that there is no goodwill impairment as of 30 June 2014, as the recoverable amount of each CGU was in excess of its respective carrying value of the goodwill. The Group will continue to perform goodwill impairment tests on an on-going basis.

Banking Facilities

Trade Finance

The Group's normal trading operations are well supported by over US$2,600 million in bank trading facilities including mainly letters of credit issued to suppliers and bills discounting. A letter of credit is a common means of payment to suppliers to support cross-border trades. The Group's payment obligations on letters of credit issued to suppliers will only be crystallized when our suppliers have shipped the merchandise to our customers or to the Group in accordance with all of the terms and conditions specified in the related contractual documents. As at 30 June 2014, approximately 34% of the bank trade facilities were utilized.

Bank Loans and Overdrafts

The Group (excluding the Global Brands) had available bank loans and overdraft facilities of US$1,618 million, out of which US$821 million were committed facilities. As at 30 June 2014, US$202 million of the Group's bank loans and overdraft facilities were drawn down, with US$117 million being committed facilities. The unused limits on bank loans and overdraft facilities amounted to US$1,416 million, with US$704 million being unused committed facilities.

Bank Loans and Overdraft Facilities as of 30 June 2014:

	Limit US$m	Outstanding US$m	Unused Limit US$m
Committed	821	117	704
Uncommitted	797	85	712
Total	1,618	202	1,416

Net Current Assets

As the spin-off and listing of the Global Brands was completed on 9 July 2014, its assets and liabilities were recorded as "assets held for distribution" and "liabilities held for distribution" in our balance sheet and amounted to US$4,795 million and US$2,029 million respectively as of 30 June 2014.

Our current ratio as stated in the audited consolidated balance sheet was 1.1 as of 31 December 2013. Assuming the spin-off and distribution occurred on 30 June 2014, the Group has a pro-forma current ratio of 1.0. The pro-forma current ratio is calculated based on current assets of US$3,685 million (including $478 million trade receivable from Global Brands arising from our sourcing arrangement with them) and the current liabilities of US$3,613 million.

Risk management

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

- 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 trade terms. It is not uncommon for the Group to require securities (such as standby or commercial letters of credit, or bank guarantees) from a small number of its customers who fall short of the required minimum score under its Risk Assessment System;
- A significant portion of trade receivable balances are covered by trade credit insurance or factored to external financial institutions on a non-recourse basis;
- A new system with a dedicated team and tightened policies has been established to ensure on-time recoveries from trade debtors; and
- Rigid internal policies which govern provisions made for both inventories and receivables are in place to motivate business managers to step up their efforts in these two areas and to avoid any significant impact on their financial performance.

Foreign Exchange Risk Management

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

The Group's revenues and payments are transacted mainly in the same currency, and are predominantly in US$. Therefore, the Group does 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 the Group arranges hedging by means of foreign exchange forward contracts.

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

- From a short-term perspective, we arrange foreign exchange forward contracts for hedging on operating costs in individual countries as and when appropriate; and
- From a medium-to-long-term perspective, we manage our sourcing operations in the most cost effective way possible within our global network.

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

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

Tax Dispute Update

As at the date of this announcement, the Group has disputes with the Hong Kong Inland Revenue ("HKIR") Department involving additional tax assessments amounting to approximately US$251 million on both the non-taxable claim of certain non-Hong Kong sourced income ("Offshore Claim") and the deduction claim of marketing expenses ("Deduction Claim") for the years of assessment from 1992/93 to 2012/13.

The Commissioner of the HKIR issued a determination on 14 June 2004 to one of our subsidiaries, Li & Fung (Trading) Limited ("LFT"), confirming additional tax assessments totaling US$43 million relating to the years of assessment from 1992/93 to 2001/02. Based upon professional advice then obtained, the directors believed that the Group had meritorious reasons to justify appealing against the Commissioner's determination. Accordingly, LFT lodged a notice of appeal to the Board of Review on 13 July 2004. The appeal was heard before the Board of Review in January 2006.

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

The Group considered the reasoning of the Board of Review Decision and, having obtained professional advice, decided to lodge an appeal against the Board of Review Decision in respect of the Deduction Claim.

The HKIR also lodged an appeal against the Board of Review Decision in respect of the Offshore Claim.

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

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

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

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

The Group has also filed objections with HKIR against the remaining additional tax assessments of US$208 million. The case before the Board of Review and eventually the Court of Appeal only applies to the additional tax assessments in respect of LFT for the years of assessment from 1992/93 to 2001/02. The Group's dispute with HKIR regarding the remaining additional tax assessments in respect of certain other subsidiaries for the years of assessment from 1992/93 to 2001/02, and in respect of the Group for the period after the 2001/02 assessment years is ongoing and has not yet been determined. Such dispute is therefore not yet before the Board of Review, and no hearing is currently scheduled.

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

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

People

As at 30 June 2014, Li & Fung had a total workforce of 28,793. Excluding Global Brands, we have a total of 25,797 employees, of whom 6,439 are warehouse operations employees. In terms of geography, 4,078 employees were based in Hong Kong, 9,402 were based in Mainland China and 12,317 were based overseas.

Total manpower costs excluding Global Brands for the first half of 2014 were US$479 million, compared with US$435 million for the first half of 2013.

We announce the unaudited consolidated profit and loss account, unaudited condensed consolidated cash flow statement and unaudited statement of changes in equity of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2014 and the consolidated balance sheet of the Group as at 30 June 2014 together with the comparative figures for 2013. The interim financial information has been reviewed by the Company's audit committee and, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), by the Company's auditor, PricewaterhouseCoopers. The auditor, based on their review, concluded that nothing has come to their attention that causes them to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". The auditor's independent review report will be included in the interim financial report.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Unaudited Six months ended 30 June	
		2014	2013
	Note	**US$'000**	US$'000 (Restated)
Continuing Operations			
Turnover	*2*	**8,709,600**	8,466,817
Cost of sales		**(7,741,923)**	(7,511,789)
Gross profit		**967,677**	955,028
Other income		**27,450**	29,790
Total margin		**995,127**	984,818
Selling and distribution expenses		**(282,251)**	(270,931)
Merchandising and administrative expenses		**(485,857)**	(465,377)
Core operating profit		**227,019**	248,510
Gain on remeasurement of contingent consideration payable	*3*	**98,162**	-
Amortization of other intangible assets		**(16,632)**	(14,995)
One-off reorganization costs		**(13,363)**	-
Other non-core operating expenses		**(532)**	(998)
Operating profit	*2 & 3*	**294,654**	232,517
Interest income		**4,345**	9,218
Interest expenses			
Non-cash interest expenses		**(5,791)**	(5,224)
Cash interest expenses		**(51,085)**	(50,307)
		(56,876)	(55,531)
Share of profits less losses of associated companies		**675**	815
Profit before taxation		**242,798**	187,019
Taxation	*4*	**(18,904)**	(27,091)
Profit for the period from Continuing Operations		**223,894**	159,928
Discontinued Operations			
Loss for the period from Discontinued Operations	*11*	**(98,138)**	(48,524)
Net profit for the period		**125,756**	111,404
Attributable to:			
Shareholders of the Company		**111,421**	96,370
Non-controlling interests			
Holders of perpetual capital securities		**15,000**	15,000
Other shareholders		**(665)**	34
		125,756	111,404

CONSOLIDATED PROFIT AND LOSS ACCOUNT (CONTINUED)

	Note	Unaudited Six months ended 30 June **2014** **US$'000**	 2013 US$'000 (Restated)
Attributable to shareholders of the Company arising from:			
Continuing Operations		**209,559**	144,894
Discontinued Operations		**(98,138)**	(48,524)
		111,421	96,370
Earnings/(losses) per share for profit/(loss) attributable to shareholders of the Company during the period	*6*		
- basic from Continuing Operations		19.6 HK cents	13.5 HK cents
(equivalent to)		2.51 US cents	1.73 US cents
- basic from Discontinued Operations		(9.2) HK cents	(4.5) HK cents
(equivalent to)		(1.17) US cents	(0.58) US cents
- diluted from Continuing Operations		19.6 HK cents	13.5 HK cents
(equivalent to)		2.51 US cents	1.73 US cents
- diluted from Discontinued Operations		(9.2) HK cents	(4.5) HK cents
(equivalent to)		(1.17) US cents	(0.58) US cents

Interim dividend	*5*	**139,340**	160,777
Distribution in specie	*5*	**2,308,188**	-

CONSOLIDATED BALANCE SHEET

	Note		**Unaudited 30 June 2014 US$'000**		Audited 31 December 2013 US$'000
Non-current assets					
Intangible assets			**4,450,698**		7,608,556
Property, plant and equipment			**244,081**		439,599
Prepaid premium for land leases			**2,776**		2,789
Associated companies			**11,365**		7,598
Joint ventures			**-**		14,515
Available-for-sale financial assets			**3,676**		3,669
Other receivables and deposits			**6,150**		15,623
Deferred tax assets			**55,802**		75,364
			4,774,548		8,167,713
Current assets					
Inventories			**633,344**		1,100,486
Due from related companies			**32,605**		67,670
Trade and bills receivable		**2,052,744**		2,220,841	
Less: Intragroup trade and bills receivable with Discontinued Operations		**(478,065)**		-	
Trade and bills receivable, net	*7*		**1,574,679**		2,220,841
Other receivables, prepayments and deposits			**422,838**		446,520
Derivative financial instruments			**-**		2,664
Cash and bank balances			**543,795**		459,559
			3,207,261		4,297,740
Assets held for distribution	*11*		**4,795,090**		-
Current liabilities					
Due to related companies			**12,693**		14,682
Trade and bills payable	*8*		**2,493,230**		2,552,495
Accrued charges and sundry payables			**539,799**		837,790
Purchase consideration payable for acquisitions	*10*		**237,711**		409,512
Taxation			**101,796**		127,035
Derivative financial instruments			**5,425**		8,275
Bank advances for discounted bills	*7*		**37,547**		38,190
Short-term bank loans			**184,937**		94,145
			3,613,138		4,082,124
Liabilities held for distribution	*11*		**2,028,837**		-
Net current assets			**2,360,376**		215,616
Total assets less current liabilities			**7,134,924**		8,383,329

CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	Unaudited 30 June 2014 US$'000	Audited 31 December 2013 US$'000
Financed by:			
Share capital		**13,398**	13,398
Reserves		**2,339,033**	4,658,811
Proposed dividend	*5*	**139,340**	364,428
Proposed distribution in specie	*5*	**2,308,188**	-
		4,786,561	5,023,239
Shareholders' funds attributable to the Company's shareholders		**4,799,959**	5,036,637
Non-controlling interests			
Holders of perpetual capital securities		**503,000**	503,000
Other shareholders		**9,565**	10,048
Total equity		**5,312,524**	5,549,685
Non-current liabilities			
Long-term notes	*10*	**1,254,642**	1,254,915
Purchase consideration payable for acquisitions	*10*	**445,425**	988,487
Other long-term liabilities	*10*	**31,022**	471,779
Post-employment benefit obligations		**24,343**	24,330
Deferred tax liabilities		**66,968**	94,133
		1,822,400	2,833,644
		7,134,924	8,383,329

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

		Unaudited Six months ended 30 June	
		2014	2013
	Note	**US$'000**	US$'000 (Restated)
Continuing Operations			
Operating activities			
Operating profit before working capital changes		**259,592**	284,215
Changes in working capital		**(31,729)**	74,001
Net cash inflow generated from operations		**227,863**	358,216
Profits tax paid		**(27,219)**	(19,951)
Net cash inflow from operating activities		**200,644**	338,265
Investing activities			
Settlement of consideration payable for prior years acquisitions of businesses		**(69,313)**	(78,284)
Acquisitions of businesses		**(36,534)**	(21,411)
Capital expenditure		**(36,814)**	(29,224)
Other investing activities		**5,777**	68,810
Net cash outflow from investing activities		**(136,884)**	(60,109)
Net cash inflow before financing activities		**63,760**	278,156
Financing activities			
Net proceeds from issuance of shares		**-**	1,935
Interest paid		**(51,085)**	(50,307)
Distribution to holders of perpetual capital securities		**(15,000)**	(16,415)
Dividends paid		**(366,779)**	(171,495)
Other financing activities		**(6,508)**	(20,711)
Net cash outflow from financing activities		**(439,372)**	(256,993)
(Decrease)/increase in cash and cash equivalents from Continuing Operations (Note)		**(375,612)**	21,163
Discontinued Operations			
Increase/(decrease) in cash and cash equivalents from Discontinued Operations (Note)	*11*	**626,925**	(282,331)
Increase/(decrease) in cash and cash equivalents		**251,313**	(261,168)

Note: Change in cash and cash equivalents before financing activities between Continuing Operations and Discontinued Operations

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	Unaudited Six months ended 30 June 2014 US$'000	2013 US$'000 (Restated)
Increase/(decrease) in cash and cash equivalents	**251,313**	(261,168)
Cash and cash equivalents at 1 January		
Continuing Operations	**344,471**	613,037
Discontinued Operations	**115,088**	67,342
	459,559	680,379
Effect of foreign exchange rate changes	**(3,925)**	(442)
Cash and cash equivalents transferred to assets held for distribution	**(163,152)**	-
Ending cash and cash equivalents of Continuing Operations as of 30 June	**543,795**	418,769
Analysis of the balance of cash and cash equivalents		
Cash and bank balance	**543,795**	418,769

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

Movement of cash and cash equivalents*

		Unaudited Six months ended 30 June		
		2014		*2013*
		US$'000		*US$'000*
				(Restated)
Cash and cash equivalents at 1 January				
Continuing Operations		***344,471***		*613,037*
Discontinued Operations		***115,088***		*67,342*
		459,559		*680,379*
Continuing Operations				
(Decrease)/increase in cash and cash equivalents	***(375,612)***		*21,163*	
Loan repayment from/(finance to) Discontinued Operations	***593,821***		*(151,424)*	
Capital injection to Discontinued Operations	***(15,000)***		*(94,907)*	
		203,209		*(225,168)*
Discontinued Operations				
Increase/(decrease) in cash and cash equivalents	***626,925***		*(282,331)*	
Loan (repayment to)/finance from Continuing Operations	***(593,821)***		*151,424*	
Capital injection from Continuing Operations	***15,000***		*94,907*	
		48,104		*(36,000)*
Effect of foreign exchange rate changes		***(3,925)***		*(442)*
Cash and cash equivalents transferred to assets held for distribution		***(163,152)***		*-*
Ending cash and cash equivalents of Continuing Operations as of 30 June		***543,795***		*418,769*

* Additional information to illustrate the cashflow effect including financing activities between the Continuing Operations and the Discontinued Operations.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited							
	Attributable to shareholders of the Company					Non-controlling interests		
	Share capital US$'000	Share premium US$'000	Other reserves US$'000	Retained earnings US$'000	Total US$'000	Holders of perpetual capital securities US$'000	Other share-holders US$'000	Total equity US$'000
Balance at 1 January 2014	**13,398**	**3,699,476**	**6,503**	**1,317,260**	**5,036,637**	**503,000**	**10,048**	**5,549,685**
Comprehensive income								
Profit or loss	**-**	**-**	**-**	**111,421**	**111,421**	**15,000**	**(665)**	**125,756**
Other comprehensive income								
Currency translation differences	**-**	**-**	**18,902**	**-**	**18,902**	**-**	**182**	**19,084**
Net fair value gain on available-for-sale financial assets, net of tax	**-**	**-**	**7**	**-**	**7**	**-**	**-**	**7**
Net fair value loss on cash flow hedges, net of tax	**-**	**-**	**(1,693)**	**-**	**(1,693)**	**-**	**-**	**(1,693)**
Remeasurement from post employment benefits recognised in reserve, net of tax	**-**	**-**	**(13)**	**-**	**(13)**	**-**	**-**	**(13)**
Total other comprehensive income	**-**	**-**	**17,203**	**-**	**17,203**	**-**	**182**	**17,385**
Total comprehensive income	**-**	**-**	**17,203**	**111,421**	**128,624**	**15,000**	**(483)**	**143,141**
Transactions with owners								
Employee share option scheme:								
- value of employee services	**-**	**-**	**1,477**	**-**	**1,477**	**-**	**-**	**1,477**
Distribution to holders of perpetual capital securities	**-**	**-**	**-**	**-**	**-**	**(15,000)**	**-**	**(15,000)**
Share premium reduction	**-**	**(3,000,000)**	**3,000,000**	**-**	**-**	**-**	**-**	**-**
Transfer to capital reserve	**-**	**-**	**87**	**(87)**	**-**	**-**	**-**	**-**
2013 final dividend paid	**-**	**-**	**-**	**(366,779)**	**(366,779)**	**-**	**-**	**(366,779)**
Total transactions with owners	**-**	**(3,000,000)**	**3,001,564**	**(366,866)**	**(365,302)**	**(15,000)**	**-**	**(380,302)**
Balance at 30 June 2014	**13,398**	**699,476**	**3,025,270**	**1,061,815**	**4,799,959**	**503,000**	**9,565**	**5,312,524**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

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

Selected Notes to the Condensed Interim Financial Information

1. Basis of preparation and accounting policies

This unaudited condensed interim financial information (the “interim financial information”) has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting” issued by the HKICPA and Appendix 16 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited. This interim financial information should be read in conjunction with the annual accounts for the year ended 31 December 2013, which were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

Except as described in (a) below, the accounting policies applied are consistent with those of the annual accounts for the year ended 31 December 2013, as described in those annual accounts.

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

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

The following new standards, new interpretations and amendments to existing standards are mandatory for accounting periods beginning on or after 1 January 2014:

HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendment	Investment Entities
HKAS 32 Amendment	Offsetting Financial Assets and Financial Liabilities
HKAS 36 Amendment	Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 Amendment	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

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

1. Basis of preparation and accounting policies (Continued)

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

The following new standards and amendments to existing standards relevant to the Group have been issued but are not effective for the accounting periods beginning 1 January 2014 and have not been early adopted:

HKAS 16 and HKAS 38 Amendment	Clarification of Acceptable Methods of Depreciation and Amortization[2]
HKAS 19 (2011) Amendment	Defined Benefit Plans: Employee Contributions[1]
HKFRS 9	Financial Instruments[4]
HKFRS 11 Amendment	Accounting for Acquisitions of Interests in Joint Operations[2]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]
Annual Improvements Project	Annual Improvements 2010-2012 Cycle[1]
Annual Improvements Project	Annual Improvements 2011-2013 Cycle[1]

Notes:
(1) Effective for financial periods beginning on or after 1 January 2015
(2) Effective for financial periods beginning on or after 1 January 2016
(3) Effective for financial periods beginning on or after 1 January 2017
(4) Effective date to be determined

2. Segment information

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

During the period, the Group has accomplished a major restructuring of its operations. After the restructuring, the Group spin-off its licensed brands and controlled brands businesses, named as the Global Brands Group (the “Discontinued Operations”), via a distribution in specie on 8 July 2014. The Group after the spin-off will continue to operate under two segments, namely the Trading Segment and the Logistics Segment (collectively referred to as the “Continuing Operations”). The Trading Segment focuses on provision of global sourcing services via multiple channels, either as buying agent or trading-as-principal for private label merchandise. The Logistics Segment focuses on provision of logistics solutions and freight forwarding services. The Group’s Management (Chief Operating Decision-Maker) considers the business principally from the perspective of the two segments. Prior period comparative segment information has been restated to conform with the current period presentation accordingly.

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 ventures, interest income, interest expenses, tax, material gains or losses which are of capital nature or non operational related, acquisition related cost. This also excludes 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 accounts.

2. Segment information (Continued)

	Trading Network US$'000	Logistics Network US$'000	Elimination US$'000	Total US$'000
Six months ended 30 June 2014 (Unaudited)				
Turnover	**8,368,938**	**348,530**	**(7,868)**	**8,709,600**
Total margin	**892,958**	**102,169**		**995,127**
Operating costs	**(684,584)**	**(83,524)**		**(768,108)**
Core operating profit	**208,374**	**18,645**		**227,019**
Gain on remeasurement of contingent consideration payable				**98,162**
Amortization of other intangible assets				**(16,632)**
One-off reorganization costs				**(13,363)**
Other non-core operating expenses				**(532)**
Operating profit				**294,654**
Interest income				**4,345**
Interest expenses				
Non-cash interest expenses				**(5,791)**
Cash interest expenses				**(51,085)**
				(56,876)
Share of profits less losses of associated companies				**675**
Profit before taxation				**242,798**
Taxation				**(18,904)**
Net profit for the period from Continuing Operations				**223,894**
Loss for the period from Discontinued Operations				**(98,138)**
Net profit for the period				**125,756**
Depreciation and amortization	**51,958**	**1,274**		**53,232**
30 June 2014 (Unaudited)				
Non-current assets (other than available-for-sale financial assets and deferred tax assets)	**4,091,055**	**624,015**		**4,715,070**

2. Segment information (Continued)

	Trading Network US$'000 (Restated)	Logistics Network US$'000 (Restated)	Elimination US$'000 (Restated)	Total US$'000 (Restated)
Six months ended 30 June 2013 (Unaudited)				
Turnover	8,231,516	242,719	(7,418)	8,466,817
Total margin	894,417	90,401		984,818
Operating costs	(660,130)	(76,178)		(736,308)
Core operating profit	234,287	14,223		248,510
Amortization of other intangible assets				(14,995)
Other non-core operating expenses				(998)
Operating profit				232,517
Interest income				9,218
Interest expenses				
Non-cash interest expenses				(5,224)
Cash interest expenses				(50,307)
				(55,531)
Share of profits less losses of associated companies				815
Profit before taxation				187,019
Taxation				(27,091)
Net profit for the period from Continuing Operations				159,928
Loss for the period from Discontinued Operations				(48,524)
Net profit for the period				111,404
Depreciation and amortization	45,077	4,807		49,884
31 December 2013 (Audited)				
Non-current assets (other than available-for-sale financial assets and deferred tax assets)	N/A	N/A		8,088,680

2. Segment information (Continued)

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

	Turnover		Non-current assets (other than available-for-sale financial assets and deferred tax assets)	
	Unaudited		**Unaudited**	Audited
	Six months ended 30 June		**30 June**	31 December
	2014	2013	**2014**	2013
	US$'000	US$'000 (Restated)	**US$'000**	US$'000
United States of America	**5,223,830**	5,048,400	**2,052,310**	4,944,414
Europe	**1,587,430**	1,523,602	**1,344,254**	1,591,060
China	**677,909**	691,226	**542,005**	610,412
Rest of Asia	**507,581**	518,715	**495,021**	608,445
Canada	**278,561**	274,806	**110,017**	137,699
Australasia	**214,343**	200,303	**84,595**	88,845
Central and Latin America	**171,236**	154,366	**67,630**	84,554
South Africa and Middle East	**48,710**	55,399	**19,238**	23,251
	8,709,600	8,466,817	**4,715,070**	8,088,680

Turnover of the Continuing Operations consists of sales of softgoods, hardgoods and logistics income are as follows:

	Unaudited	
	Six months ended 30 June	
	2014	2013
	US$'000	US$'000 (Restated)
Softgoods	**5,358,126**	5,217,492
Hardgoods	**2,989,268**	2,993,074
Logistics	**362,206**	256,251
	8,709,600	8,466,817

For the six months ended 30 June 2014, approximately 13.0% (2013 (restated): 14.0%) of the Continuing Operations' turnover is derived from a single external customer, which was wholly attributable to the Trading Network.

Financial information for the Discontinued Operations is set out in note 11.

3. Operating profit from Continuing Operations

Operating profit from Continuing Operations is stated after crediting and charging the following:

	Unaudited Six months ended 30 June 2014 US$'000	Unaudited Six months ended 30 June 2013 US$'000 (Restated)
Crediting		
Gain on remeasurement of contingent consideration payable *	**98,162**	-
Charging		
Staff costs including directors' emoluments	**479,140**	434,820
Amortization of brand licenses	**4,965**	3,759
Depreciation of property, plant and equipment	**29,069**	28,975
Amortization of other intangible assets *	**16,632**	14,995
Amortization of computer software and system development costs	**2,495**	2,081
Loss/(gain) on disposal of property, plant and equipment	**8,547**	(123)
Amortization of prepaid premium for land leases	**71**	74

* *Included below the core operating profit*

4. Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

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

	Unaudited Six months ended 30 June 2014 US$'000	Unaudited Six months ended 30 June 2013 US$'000 (Restated)
Current taxation		
- Hong Kong profits tax	**7,404**	8,574
- Overseas taxation	**5,080**	6,663
Deferred taxation	**6,420**	11,854
	18,904	27,091

5. Distribution in specie and interim dividend

	Unaudited Six months ended 30 June	
	2014	2013
	US$'000	US$'000
Proposed, distribution in specie *(Note (a))*	**2,308,188**	-
Proposed, of HK$0.13 (equivalent to US$0.017)(2013: HK$0.15 (equivalent to US$0.019)) per ordinary share *(Note (b))*	**139,340**	160,777

Notes:

(a) On 20 March 2014, the Company submitted a proposal to the Stock Exchange in accordance with Practice Note 15 of Listing Rules for the spin-off of the Discontinued Operations by way of introduction achieved by distribution in specie of the entire shares of Global Brands Group Holding Limited.

On 15 May 2014, the Company submitted the listing application form (Form A1) to the Stock Exchange to apply for the listing of, and permission to deal in, the shares of Global Brands Group Holding Limited on the Main Board of the Stock Exchange.

On 1 July 2014, the Board of the Company declared a conditional distribution in specie of all of the issued share capital of Global Brands Group Holding Limited. The net assets value attributable to the Discontinued Operations subject to the distribution in specie, amounted to approximately US$2,308,188,000 as of 30 June 2014.

(b) A dividend of US$366,779,000 proposed for the year ended 31 December 2013 was paid in May 2014 (2013: US$171,495,000).

6. Earnings/(losses) per share

The calculation of basic earnings/(losses) per share is based on the Group's profit attributable to shareholders arising from the Continuing Operations of US$209,559,000 (2013 (restated): US$144,894,000) and Group's losses attributable to shareholders arising from the Discontinued Operations of US$98,138,000 (2013 (restated): US$48,524,000) and on the weighted average number of 8,356,317,000 (2013: 8,356,156,000) shares in issue during the period.

The diluted earnings/(losses) per share is the same as the basic earnings/(losses) per share for the six months ended 30 June 2014 as the potential ordinary shares in respect of outstanding share options are anti-dilutive. Diluted earnings/(losses) per share for the six months ended 30 June 2013 was calculated by adjusting the weighted average number of 8,356,156,000 ordinary shares in issue by 70,000 to assume conversion of all dilutive potential ordinary shares granted under the Company's Option Scheme. For the calculation of dilutive potential ordinary share granted under the Company, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

7. Trade and bills receivable

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

	Current to 90 days	**91 to 180 days**	**181 to 360 days**	**Over 360 days**	**Total**
	US$'000	US$'000	US$'000	US$'000	US$'000
Balance at 30 June 2014 (unaudited)	**1,498,442**	**63,703**	**10,915**	**1,619**	**1,574,679**
Balance at 31 December 2013 (audited)	2,112,726	93,213	9,569	5,333	2,220,841

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 2014.

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

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

Certain subsidiaries of the Group transferred bills receivable balances amounting to US$37,547,000 (31 December 2013: US$38,190,000) to banks in exchange for cash as at 30 June 2014. The transactions have been accounted for as collateralised bank advances.

8. Trade and bills payable

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

	Current to 90 days US$'000	**91 to 180 Days** US$'000	**181 to 360 days** US$'000	**Over 360 days** US$'000	**Total** US$'000
Balance at 30 June 2014 (unaudited)	**2,439,698**	**37,388**	**9,049**	**7,095**	**2,493,230**
Balance at 31 December 2013 (audited)	2,452,932	66,220	6,725	26,618	2,552,495

The fair values of the Group's trade and bills payable were approximately the same as their carrying values as at 30 June 2014.

9. Business combinations

During the period, the Group completed a series of acquisitions to expand the Group's existing scale of operation and enlarge the Group's market presence.

In January 2014, the Group acquired The Licensing Company Limited ("TLC"), a global licensing agent based in UK.

In April 2014, the Group acquired China Container Line Limited, a global sea freight forwarders based in China.

In June 2014, the Group acquired the business and assets of Cocaban Co. Ltd., a licensing brand management specialist in Korea.

The Group was not required to made any announcement in accordance with Chapter 14 of the Listing Rules for any individual acquisition completed during the period since none of the acquisitions, on a standalone basis, would be of sufficient material to be recognised as a notifiable transaction, and, accordingly no disclosure is provided for the details and impact of any individual acquisition.

10. Long-term liabilities

	Unaudited 30 June 2014 US$'000	Audited 31 December 2013 US$'000
Long-term bank loans - unsecured	**17,000**	116,640
Long-term notes - unsecured	**1,254,642**	1,254,915
Purchase consideration payable for acquisitions *(Note)*	**683,136**	1,397,999
Brand license payable	**21,410**	307,380
Other non-current liability (non-financial liability)	**332**	88,598
	1,976,520	3,165,532
Current portion of purchase consideration payable for acquisitions	**(237,711)**	(409,512)
Current portion of brand license payable	**(7,720)**	(40,839)
	1,731,089	2,715,181

Note: Purchase consideration payable for acquisitions as at 30 June 2014 included performance-based earn-out and earn-up contingent considerations of US$491,595,000 and US$191,541,000 respectively (31 December 2013: US$693,549,000 and US$704,450,000).

11. Discontinued operations and assets/liabilities held for distribution

The consolidated assets and liabilities related to Global Brands Group have been presented as held for distribution. Approval of the HK Stock Exchange was obtained on 8 July 2014 for the spin-off and separate listing for Global Brands Group.

The consolidated results of Global Brands Group are presented in the consolidated profit and loss account as Discontinued Operations in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". The consolidated statement of comprehensive income and condensed consolidated cash flow statement distinguish the Discontinued Operations from the Continuing Operations. Comparative figures have been restated.

11. Discontinued operations and assets/liabilities held for distribution (Continued)

(a) Results of the Discontinued Operations have been included in the consolidated income statement as follows:

	Unaudited Six months ended 30 June	
	2014	2013
	US$'000	US$'000
Turnover	**1,348,883**	1,330,008
Cost of sales*	**(948,548)**	(940,481)
Gross profit	**400,335**	389,527
Other income	**32**	-
Total margin	**400,367**	389,527
Selling and distribution expenses	**(228,254)**	(179,119)
Merchandising and administrative expenses	**(235,391)**	(235,764)
Core operating loss	**(63,278)**	(25,356)
Gain on remeasurement of contingent consideration payable	**19,667**	-
Amortization of other intangible assets	**(24,650)**	(21,691)
Professional fee for spin-off	**(11,860)**	-
One-off reorganization costs for spin-off	**(16,880)**	-
Other non-core operating expenses	**(2,001)**	-
Operating loss	**(99,002)**	(47,047)
Interest income	**29**	227
Interest expenses		
Non-cash interest expenses	**(9,465)**	(7,886)
Cash interest expenses	**(7,007)**	(4,412)
	(16,472)	(12,298)
Share of profits of joint ventures	**324**	-
Loss before taxation	**(115,121)**	(59,118)
Taxation	**16,983**	10,594
Net loss attributable to shareholders of the Company	**(98,138)**	(48,524)

Operating loss is stated after charging the following:

Staff costs including directors' emoluments	**178,904**	190,065
Amortization of brand licenses	**73,252**	51,902

* Amounts before elimination of transactions between Continuing Operations and Discontinued Operations of US$741,248,000 (2013: US$668,078,000).

11. Discontinued operations and assets/liabilities held for distribution (Continued)

(b) Segment information

Turnover of the Discontinued Operations consisting of sales of Licensed Brands and Controlled Brands are as follows:

	Unaudited Six months ended 30 June	
	2014	2013
	US$'000	US$'000
Controlled Brands	**196,400**	200,279
Licensed Brands	**1,152,483**	1,129,729
	1,348,883	1,330,008

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

	Turnover		**Non-current assets (other than deferred tax assets)**	
	Unaudited		**Unaudited**	Audited
	Six months ended 30 June		**30 June**	31 December
	2014	2013	**2014**	2013
	US$'000	US$'000	**US$'000**	US$'000
United States of America	**1,089,313**	1,175,009	**3,048,649**	-
Europe	**190,327**	105,649	**349,096**	-
Asia	**69,243**	49,350	**248,626**	-
	1,348,883	1,330,008	**3,646,371**	-

11. Discontinued operations and assets/liabilities held for distribution (Continued)

(c) Assets and liabilities of the Discontinued Operations

The consolidated assets and liabilities related to the Discontinued Operations have been presented as held for distribution, following the spin-off and separate listing. The Discontinued Operations' assets and liabilities were measured at the lower of carrying amount and fair value less cost to sell at the date of held for sale classification. The major classes of assets and liabilities of the Discontinued Operations are as follows:

	Unaudited As at 30 June 2014 US$'000
i) Assets held for distribution	
Intangible assets	**3,417,476**
Property, plant and equipment	**194,950**
Other non-current assets	**39,723**
Trade and other receivables	**394,715**
Other current assets*	**748,226**
Total	**4,795,090**

		Unaudited As at 30 June 2014 US$'000
ii) Liabilities held for distribution		
Trade and other payables	**758,027**	
Less: Intragroup trade and other payables with Continuing Operations	**(478,065)**	
Trade and other payables, net*		**279,962**
Other current liabilities		**238,509**
Other non-current liabilities		**881,521**
Purchase consideration payable for acquisitions		**628,845**
Total		**2,028,837**

* Amounts adjusted to eliminate impact of transactions between the Continuing Operations and the Discontinued Operations.

11. Discontinued operations and assets/liabilities held for distribution (Continued)

(d) Cumulative expense recognised in other comprehensive income relating to the Discontinued Operations

	Unaudited Six months ended 30 June	
	2014	2013
	US$'000	US$'000
Currency translation differences	**1,100**	2,539

(e) An analysis of the cash flows of the Discontinued Operations is as follows:

	Unaudited Six months ended 30 June	
	2014	2013
	US$'000	US$'000
Net cash generated from/(used in) operating activities	**23,395**	(121,531)
Net cash used in investing activities	**(114,576)**	(156,388)
Net cash generated from/(used in) financing activities*	**718,106**	(4,412)
Total cash flow	**626,925**	(282,331)

* Amounts adjusted to eliminate impact from financing activities between the Discontinued Operations and the Continuing Operations.

12. Event after balance sheet date

The spin-off of the Discontinued Operations achieved through a distribution in specie of the entire issued share capital of Global Brands Group Holding Limited was completed by the Group on 8 July 2014 which then became a separate listing in the Stock Exchange. The transaction is expected to give rise to no substantial gain or loss to the Group's financial results.

CORPORATE GOVERNANCE

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

The role of the Group Chairman is separate from that of the Group Chief Executive Officer. This is to enhance their respective independence, accountability and responsibility. Their respective responsibilities are clearly established and defined in writing by the Board.

The Board is responsible for setting up the overall strategy as well as reviewing the operation and financial performance of the Group. The Board has established the following committees (all chaired by an Independent Non-executive Director or a Non-executive Director) with defined terms of reference (available on Li & Fung's corporate website *www.lifung.com*), which are on no less exacting terms than those set out in the Corporate Governance Code of the Listing Rules:

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

Corporate governance practices adopted by the Company during the six-month period to 30 June 2014 are in line with those practices set out in the Company's 2013 Annual Report.

AUDIT COMMITTEE

The Audit Committee was established to review with management and the Company's internal and external auditors, the Group's financial reporting, internal controls and corporate governance issues as set out in the Committee's written terms of reference and make relevant recommendations to the Board.

The Committee's review covers the audit plans and findings of internal and external auditors, external auditor's independence and performance, provision of non-audit services by our external auditor, the Group's accounting principles and practices, goodwill assessment, listing rules and statutory compliance, connected transactions, internal controls, risk management, treasury, financial reporting matters (including the interim financial report for the six months ended 30 June 2014 for the Board's approval) and the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function as well as their training programmes and budget.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for maintaining a sound and effective system of risk management and internal controls for reviewing its effectiveness through the Audit Committee.

Based on the respective assessments made by management and the Group's Corporate Governance Division (Internal Audit), the Audit Committee considered that for the six months ended 30 June 2014:

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

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE OF THE LISTING RULES

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has been in full compliance with all of the applicable code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2014.

DIRECTORS' AND RELEVANT EMPLOYEE'S SECURITIES TRANSACTIONS

The Group has adopted stringent procedures governing Directors' securities transactions in compliance with the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"). Relevant employees who are likely to be in possession of unpublished price-sensitive information ("Inside Information") of the Group are also subject to compliance with written guidelines on no less exacting terms than the Model Code. Specific confirmation of compliance has been obtained from each Director and relevant employee for the six months ended 30 June 2014. No incident of non-compliance by Directors and relevant employees was noted by the Company for the six months ended 30 June 2014.

The Company has also established a policy on Inside Information to comply with its obligation under the Securities and Futures Ordinance and the Listing Rules.

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

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

INTERIM DIVIDEND

The Board of Directors has resolved to declare an interim dividend of 13 HK cents (2013: 15 HK cents) per share for the six months ended 30 June 2014 absorbing a total of US$139 million (2013: US$161 million).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 11 September 2014 to 12 September 2014, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch registrar, Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 10 September 2014. Dividend warrants will be despatched on 19 September 2014. Shares of the Company will be traded ex-dividend as from 8 September 2014.

PUBLICATION OF INTERIM REPORT

The 2014 interim report will be available on the Company's website at *www.lifung.com* and HKExnews website at *www.hkexnews.hk* and despatched to the shareholders on or about 11 September 2014.

By Order of the Board
William FUNG Kwok Lun
Group Chairman

Hong Kong, 21 August 2014

Websites: *www.lifung.com*
www.irasia.com/listco/hk/lifung

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