

HONG KONG STOCK CODE 00330

INTERIM REPORT

SIX MONTHS ENDED
31 DECEMBER 2012



ESPRIT



ESPRIT



CORPORATE INFORMATION

Chairman

Raymond OR Ching Fai
Independent Non-executive Director

Deputy Chairman

Paul CHENG Ming Fun
Independent Non-executive Director

Executive Directors

Jose Manuel MARTINEZ GUTIERREZ
Group CEO
(appointed with effect from 26 September 2012)
Thomas TANG Wing Yung
Group CFO

Non-executive Director

Jürgen Alfred Rudolf FRIEDRICH

Independent Non-executive Directors

Eva CHENG LI Kam Fun
(appointed with effect from 6 December 2012)
Alexander Reid HAMILTON
Norbert Adolf PLATT
(appointed with effect from 6 December 2012)

Company Secretary

Florence NG Wai Yin

Principal bankers

The Hongkong and Shanghai Banking Corporation Limited
Deutsche Bank AG
BNP Paribas
Industrial and Commercial Bank of China
Bank of East Asia
Commerzbank
ANZ Bank
China Merchants Bank
Mizuho Corporate Bank, Ltd

Auditor

PricewaterhouseCoopers
Certified Public Accountants

Principal legal advisor

Baker & McKenzie

Stock code

The shares of Esprit Holdings Limited are listed for trading on The Stock Exchange of Hong Kong Limited (Stock code: 00330)

Principal share registrar

Butterfield Fulcrum Group (Bermuda) Limited
26 Burnaby Street
Hamilton HM 11
Bermuda

Hong Kong branch share registrar

Tricor Secretaries Limited
26/F, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

Registered office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Hong Kong head office

43/F Enterprise Square Three
39 Wang Chiu Road
Kowloon Bay
Kowloon, Hong Kong
t + 852 2765 4321
f + 852 2362 5576

Global business headquarters

Esprit-Allee
40882 Ratingen
Germany
t + 49 2102 123-0
f + 49 2102 12315-100

For enquiries from investors and securities analysts, please contact:

Investor relations department

43/F Enterprise Square Three
39 Wang Chiu Road
Kowloon Bay
Kowloon, Hong Kong
t + 852 2765 4232
f + 852 2362 5576
e esprit-ir@esprit.com

Contact person:

Patrick LAU
t + 852 2765 4232
f + 852 2362 5576
e patrick.lau@esprit.com

Website

www.espritholdings.com

CORPORATE PROFILE

Esprit is a global fashion brand offering style and quality made to last. The brand creates women's, men's and kids' collections for all occasions and distributes in approximately 1,000 directly managed retail stores and approximately 10,000 controlled-space wholesale point-of-sales. Esprit licenses its trademark to third party licensees offering non-apparel products that abide by Esprit's quality standards and brand essence.

Esprit was listed on The Stock Exchange of Hong Kong Limited in 1993 and is a constituent stock of the Hang Seng Index, MSCI Hong Kong Small Cap Index and FTSE All-World Index for Hong Kong.





Content

01	Financial highlights	14-15
02	At a glance	19-28
03	Management discussion & analysis	30-42
04	Financial section	46-56
05	Other information	58-68
06	Glossary of terms	70-71





A photograph of a stone staircase next to a light-colored wall. The word "ESPRIT" is overlaid in a bold, red, sans-serif font across the center of the image. The staircase is made of grey stone steps, and the wall is a light, textured beige color. The lighting is soft and warm, creating a serene atmosphere.

ESPRIT





01
FINANCIAL HIGHLIGHTS

01 Financial highlights

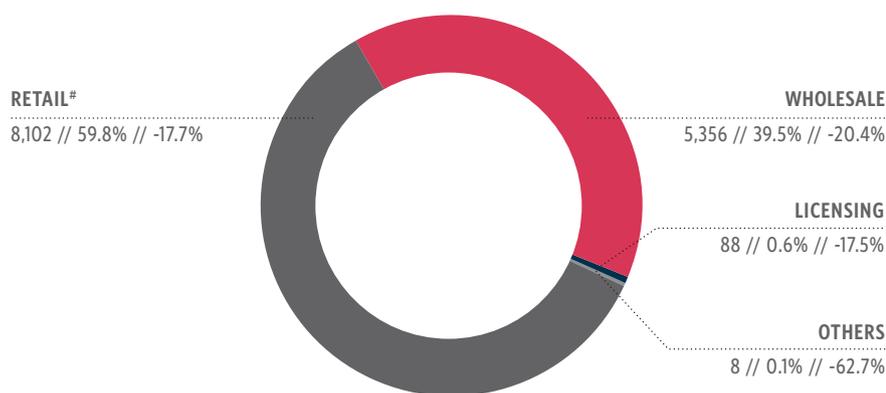
	For the 6 months ended 31 December			
	2012		2011	
Turnover	HK\$13,554m		HK\$16,699m	
Operating (loss)/profit	(HK\$265m)		HK\$787m	
Net (loss)/profit	(HK\$465m)		HK\$555m	
(Loss)/earnings per share ("EPS") (Basic)*	(HK\$0.30)		HK\$0.38 (Adjusted)	
GP margin	51.0%		50.8%	
Operating (loss)/profit margin	(2.0%)		4.7%	
Net (loss)/profit margin	(3.4%)		3.3%	
	HK\$	% of EPS**	HK\$	% of EPS**
Interim dividend per share	-	-	0.26	60%

* The basic earnings per share for the six months ended 31 December 2011 has been adjusted to reflect the effect of a rights issue of the Company during 1H FY12/13

** Calculated by dividing dividend per share by basic EPS. The dividend payout ratio of 60% for 1H FY11/12 was calculated based on the basic EPS of HK\$0.43 per share (before adjustment)

Turnover by distribution channels

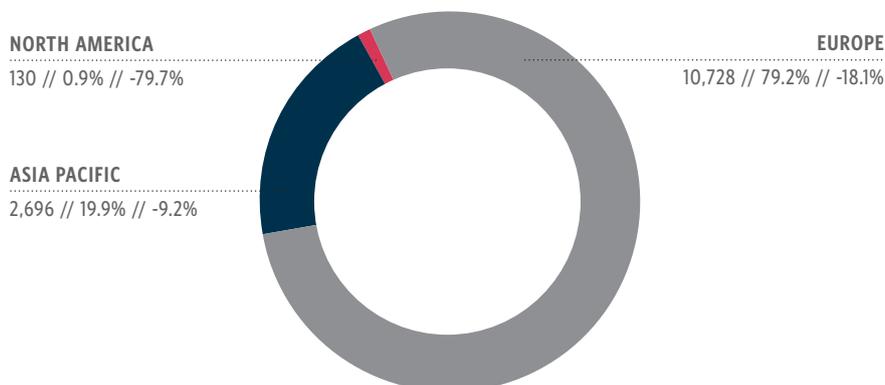
HK\$ million // % to Group Turnover // % HK\$ growth



Retail sales includes sales from e-shop in countries where available

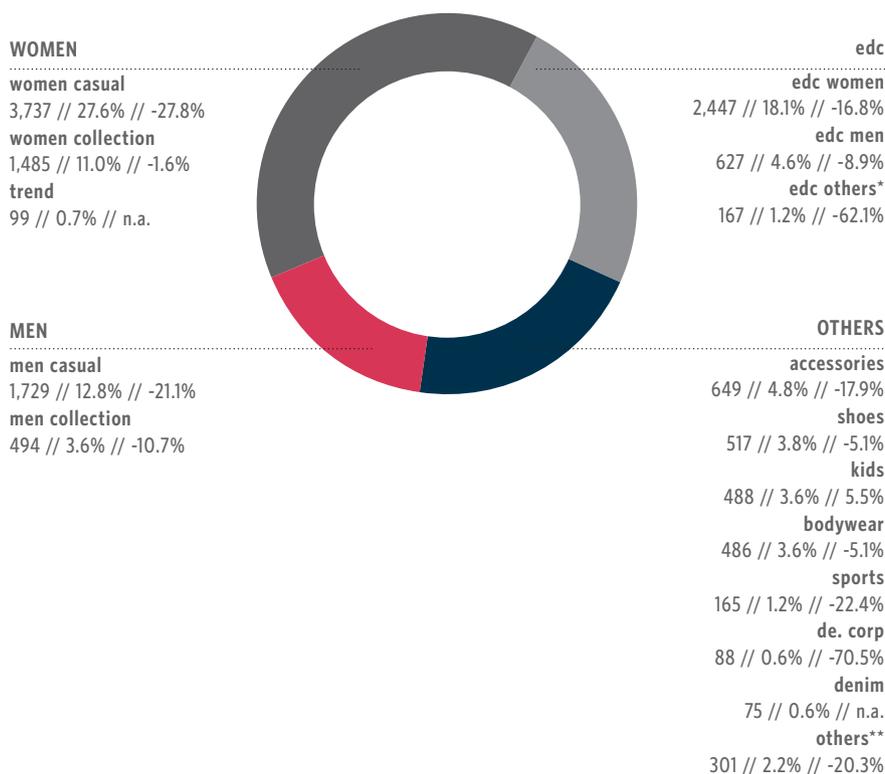
Turnover by regions

HK\$ million // % to Group Turnover // % HK\$ growth



Turnover by products

HK\$ million // % to Group Turnover // % HK\$ growth



* edc others include edc kids, edc shoes, edc accessories and edc bodywear

** Others include salon, licensing income & licensed products like timewear, eyewear, jewellery, bed & bath, houseware, etc.

n.a. Not applicable



02

AT A GLANCE



02.1 New store openings

Country	City	Location	No. of POS	Country	City	Location	No. of POS	
Austria	Gerasdorf	Gerasdorf EKZ	1	France	Avignon	Rue de la Republique	1	
China	Beijing	Beyou World Outlets	1	Germany	Essen	Limbecker Platz Bodywear	1	
		Changping Guotai	2			Parsdorf	Outlet München Parsdorf	1
		Dacheng Xinhua Department Store	1			Neumünster	Outlet Neumünster	1
		Modern Plaza	2			Ochtrup	Outlet Ochtrup	1
		Shangdi Hualian	1			Soltau	Outlet Soltau	1
		Uptown Mall	1			Ratingen	Outlet Ratingen 2	1
		Zhuozhan	2	Hong Kong	Hong Kong	Outlet China Hong Kong City	1	
	Chengdu	Beijing Hualian Department Store	1			Domain	1	
			Chengdu Raffles City	1			MPM	1
		Jin Niu Jia Mao Shopping Mall	1	Macau	Macau	Outlet Centro Comercial Lao Chan	1	
		Jinniu Wanda Plaza	3			Sau Keng	1	
		Mian Yang Fucheng Wanda Plaza	3	Malaysia	Johor Bahru	Johor City Square	1	
		Mian Yang New World Department Store	1			Kuching	Plaza Merdeka	1
		Parkson Department Store	1		Pahang	Tangs Genting First World	1	
		Tian Hong Department Store	1	Netherlands	Leeuwaarden	V&D Leuwaarden	1	
	Chongqing	Chongqing Department Store	1			Lelystad	Outlet Lelystad	1
			Jiefangbei Shopping Mall	1		Roosendaal	Outlet Roosendaal	1
		Chongqing Nanping Wanda Plaza	2	New Zealand	Christchurch	Hornby	1	
		Daping New Century Department Store	2			Wellington	Willis Street	1
		Fu'an Department Store	1	Singapore	Singapore	City Square Mall	1	
		Shapingba Wangfujing Department Store	2	Switzerland	Wallisellen	Glattzentrum Glatt EZ	1	
		SML Central Shopping Center	2	Taiwan	Kaohsiung	KEO-E-DA	1	
	Dalian	Dalian New World Department Store	2	Total			74	
			Grandbuy Department Store (Sun Plaza)	2				
		Jusco (Poly Central)	2					
Shanghai		Bailian East Shopping Center	1					
		CITIC Square (Hongkou)	1					
		Kaiyuan Mediterranean Commercial Plaza	1					
		Lian Yang Plaza	1					
		Parkson Department Store Xinzhuang	1					
		Pudong Department Store Chengshan	1					
		SH Fashion Department Store	1					
		SH New World Department Store Yangpu	1					
		SH New World Department Store Chengshan	1					
		SH New World Department Store Hongkou	1					
		SH Van's Department Store Zhoupu	1					
Wuhan		Wuhan SOGO Chongguang	1					
		Wuhan Zhongnan Commercial Group	1					

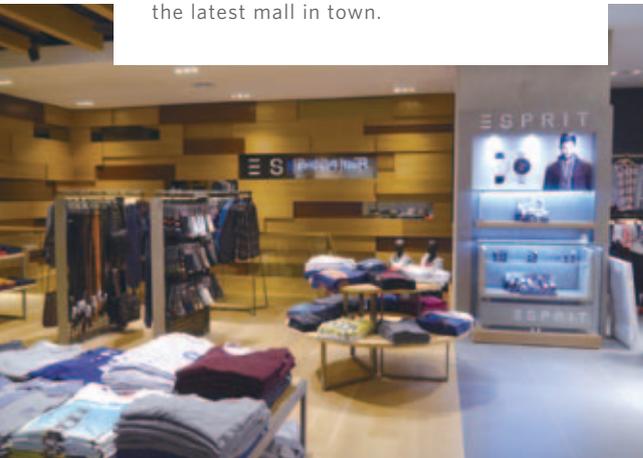


HONG KONG

The first Icon Store in Asia Pacific capturing California free-spirit. Using natural approach, with lovely handcrafted elements around the store.

MALAYSIA

This MDK store is the largest Esprit store in East Malaysia, marking the 3rd store in Kuching, Sarawak. The newly opened store covers 535 sqm in Plaza Merdeka, the latest mall in town.



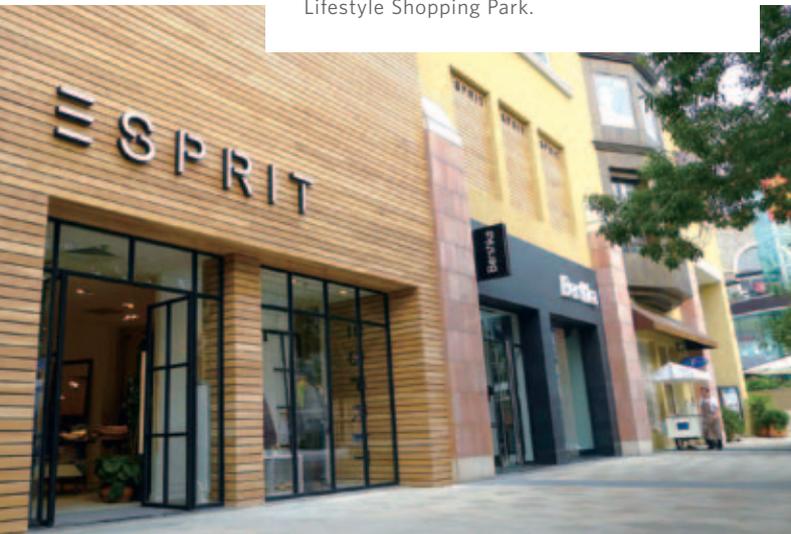
Feel the new Esprit in our stores!

The new Esprit stores invite you to enjoy the lifestyle of California, the home of Esprit. Here you can relax. Feel free. Be yourself.

To get you into that sunny California feeling, we are giving our new stores a relaxed, modern character. Authentic easy living is the motto.

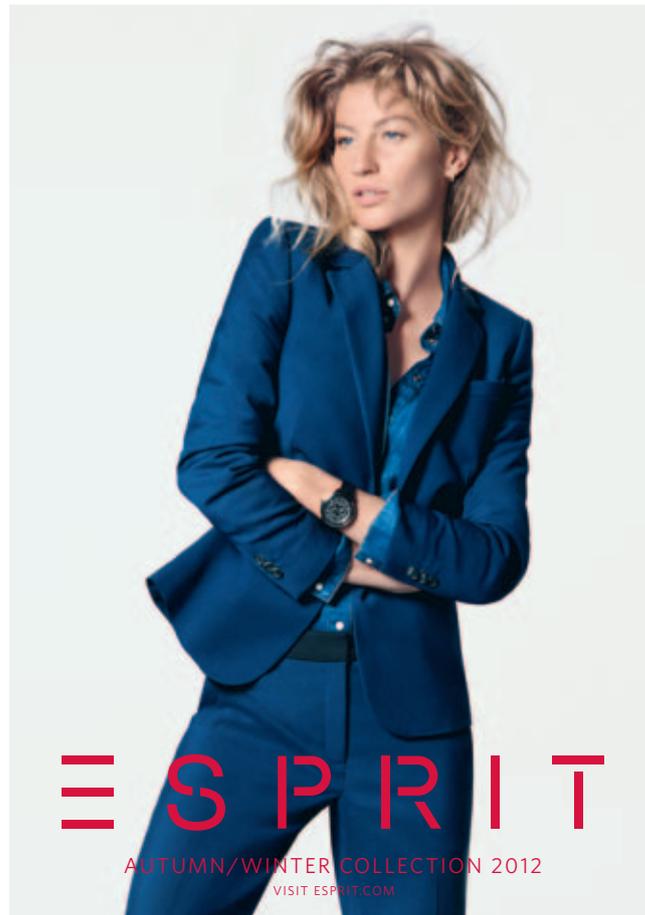
BEIJING

First Icon Store in Beijing, innovative store concept at Esprit Icon Store at Solana Lifestyle Shopping Park.



I love my city

September/October Campaign 2012



We all love the big metropolis of this world. And everyone wants to get into the inspirational vibes of the big cities. Think about New York, Hong Kong, Paris, London or Amsterdam. All these cities are connected to fashion and beautiful places to be discovered. It's an early morning at Central Park or a late afternoon coffee in a beautiful café in Paris. She is living in these cities and loves all that beautiful places. Let her show us the hot spots and how she gets dressed all over the day til midnight. The fall campaign guides us through the colours and city looks for the autumn season.



OUTDOOR ADVERTISING



MAGAZINE ADVERTISING



TV & ONLINE SPOTS



WINDOWS



ONLINE & SOCIAL MEDIA

It's all about wellness!

November Campaign 2012



Awareness of a healthy life style is as important as ever - relaxation, exercise, mindfulness and a healthy diet are all powerful ingredients for a long life.

Inspired by the mantra to “Live Honestly. Love Passionately. Care Endlessly. Speak Kindly - Usually”, Esprit Wellness merges a positive modern lifestyle with its own California free-spirit. The Wellness range incorporates sustainable materials into an offering of cosy sweatshirts, sports inspired layering tops and sports silhouette pants. The soft colour palette is excited by flashes of mood-brightening oranges and reds. The offering is complimented by matching sports accessories such as bags, a water bottle and yoga mat.

Esprit Wellness has been developed to offer women confidence and comfort, motivating well-being in harmony with modern lifestyle.



OUTDOOR ADVERTISING



MAGAZINE ADVERTISING



TV ADVERTISING



ONLINE & SOCIAL MEDIA

WINDOWS

Wrap yourself in luxury

December Campaign 2012



The winter season is the perfect time to indulge ourselves. We light up some candles, relax and enjoy the cosy atmosphere. To enhance this blissful feeling of well-being, we have created a collection under the motto “WRAP YOURSELF IN LUXURY”, with love and passion down to the smallest detail.

Fine cashmere, smooth satin, delicate lace, cosy wool and genuine Gostwyck merino bring a touch of luxury to your life, making each day a little more special. And as these clothes were designed to be your new all-time favourites, they are made of high-quality natural fabrics that you can enjoy for a long time.

Our collection is sure to make you shine. Because it's just wonderful to indulge in a feeling of luxury. And it is even more wonderful to pass it on to others, too.



OUTDOOR ADVERTISING



MAGAZINE ADVERTISING



TV & ONLINE SPOTS



WINDOWS



ONLINE & SOCIAL MEDIA

02.2 Awards and recognition

Awards

Month	Awarding party	Recognition
December 2012	International ARC Awards	Gold Winner, Interior Design: Retail: Fashion Silver Winner, Green/Environmentally Sound Annual Report: Retail: Fashion Bronze Winner, Overall Annual Report: Retail: Fashion

Conferences and investor meetings

Month	Event	Organiser	Location
July 2012	Credit Suisse's HK/China Corporate Day	Credit Suisse	Hong Kong
July 2012	Non-deal Roadshow	J.P. Morgan	Boston New York
August 2012	Non-deal Roadshow	Deutsche Bank	London
September 2012	FY11/12 Post Final Results Roadshow	Goldman Sachs	Hong Kong London
		CITIC Securities International	Hong Kong
		J.P. Morgan	Singapore New York Boston
October 2012	Rights Issue Roadshow	HSBC & UBS	Hong Kong Singapore London

03

MANAGEMENT DISCUSSION & ANALYSIS

03 Management discussion and analysis

The fundamentals of the Transformation Plan are sound: the repositioning of the brand back to its aspirational heritage, the upgrading of our product value for money and the enhancing of the shopping experience in our stores and point-of-sales (“POS”) are the best possible ways to strengthen the value proposition for our customers. Therefore, the management team will continue to work on these key initiatives, with particular focus on product improvement as a priority, and to make adaptations and fine tuning wherever necessary in order to react to the market conditions and to our business development.

Although the Group continues to make progress in the implementation of the Transformation Plan, it will take time to see the benefits translated into operating results. While we see improvements in our product, supply chain, store concept

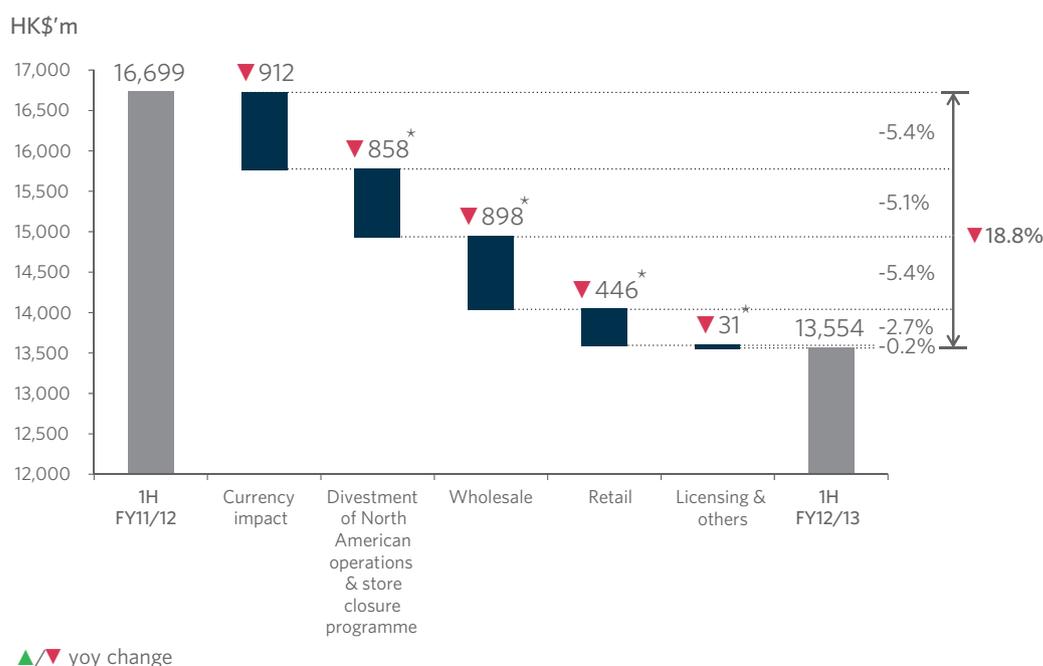
and relationships with our business partners, it is important to remember that most initiatives in the Transformation Plan are still work in progress. Additionally, as it is always the case, it will require time to make these improvements visible to our customers and gain them back into our stores.

The combination of these challenges and a difficult market environment continues to have considerable impact on our business. The Eurozone crisis and the subsequent dampened consumers sentiment affect the trading conditions in Europe, a market which currently accounts for around 80% of the Group's turnover.

Consequently, the Group recorded a year-on-year turnover decline of -18.8% to HK\$13,554 million (1H FY11/12: HK\$16,699 million) and a net loss of HK\$465 million (1H FY11/12: net profit of HK\$555 million) for the six months ended 31 December 2012.

03.1 Financial review

Analysis of Group turnover



* Represents the year-on-year variance excluding currency impact

The turnover decline was partly attributable to the divestment of North American operations and the store closure programme. The 8.0% depreciation of average EUR/HKD rate to 9.8856 (1H FY11/12: 10.750) also impacted the results unfavourably.

Excluding the impact of the divestment of the North American operations and the store closure programme, the Group's turnover was HK\$13,306 million (1H FY11/12: HK\$15,580 million), representing a year-on-year decline of -8.8% in local currency.

Turnover by product divisions

	For the 6 months ended 31 December					
	2012		2011		Change in %	
	HK\$ million	% to Group Turnover	HK\$ million	% to Group Turnover	HK\$	Local currency
women	5,321	39.3%	6,685	40.0%	-20.4%	-15.2%
women casual	3,737	27.6%	5,176	31.0%	-27.8%	-23.1%
women collection	1,485	11.0%	1,509	9.0%	-1.6%	5.0%
trend	99	0.7%	-	-	n.a.	n.a.
men	2,223	16.4%	2,745	16.4%	-19.0%	-14.5%
men casual	1,729	12.8%	2,191	13.1%	-21.1%	-16.5%
men collection	494	3.6%	554	3.3%	-10.7%	-6.5%
others	2,769	20.4%	3,198	19.2%	-13.4%	-6.9%
accessories	649	4.8%	790	4.7%	-17.9%	-13.1%
shoes	517	3.8%	545	3.2%	-5.1%	4.4%
kids	488	3.6%	462	2.8%	5.5%	13.6%
bodywear	486	3.6%	512	3.1%	-5.1%	3.0%
sports	165	1.2%	212	1.3%	-22.4%	-16.6%
de. corp	88	0.6%	299	1.8%	-70.5%	-68.2%
denim	75	0.6%	-	-	n.a.	n.a.
others*	301	2.2%	378	2.3%	-20.3%	-15.1%
Esprit total	10,313	76.1%	12,628	75.6%	-18.3%	-12.9%
edc women	2,447	18.1%	2,940	17.6%	-16.8%	-10.9%
edc men	627	4.6%	689	4.1%	-8.9%	-3.0%
edc others^	167	1.2%	442	2.7%	-62.1%	-59.0%
edc total	3,241	23.9%	4,071	24.4%	-20.4%	-14.8%
Group Total	13,554	100.0%	16,699	100.0%	-18.8%	-13.4%

* Others include mainly salon, licensing income & licensed products like timewear, eyewear, jewellery, bed & bath, houseware, etc.

^ edc others include edc kids, edc shoes, edc accessories and edc bodywear

n.a. Not applicable

Turnover decline has affected Women and Men similarly. The biggest impact in Women Casual must be interpreted considering that part of its usual lines have moved to the newly created divisions. During 1H FY12/13, we launched the Trend Division and Denim Division which contributed 0.7% and 0.6% of the Group turnover respectively. Market feedback on both divisions has been positive, and both are expected to grow in the immediate future.

On the positive side, the Group recorded a consistent sales growth in Women Collection, achieving an increase of 5.0% in local currency to become 11.0% of the Group's total turnover.

It is also worth mentioning that edc continues to evolve towards a clearer brand focus on younger customers. We expect the edc brand to deliver more differentiated collections (progressive) in the first half of FY13/14.

Turnover by distribution channels

The majority of the Group's turnover was derived from retail and wholesale distribution channels, which represented 59.8% and 39.5% of the Group's turnover in 1H FY12/13 respectively. The remaining 0.7% of the Group's turnover was mainly licence royalties.

Key distribution channels	For the 6 months ended 31 December					
	2012		2011		Change in %	
	HK\$ million	% to Group Turnover	HK\$ million	% to Group Turnover	HK\$	Local currency
Retail*	8,102	59.8%	9,844	59.0%	-17.7%	-13.0%
Europe	5,987	44.2%	6,788	40.7%	-11.8%	-4.9%
Asia Pacific	1,925	14.2%	2,021	12.1%	-4.8%	-5.5%
Subtotal	7,912	58.4%	8,809	52.8%	-10.2%	-5.1%
Store closure programme	190	1.4%	568	3.4%	-66.6%	-64.5%
North America	-	-	467	2.8%	-100.0%	-100.0%
Wholesale	5,356	39.5%	6,727	40.3%	-20.4%	-13.7%
Europe	4,552	33.6%	5,799	34.7%	-21.5%	-14.1%
Asia Pacific	746	5.5%	845	5.1%	-11.8%	-9.7%
North America	58	0.4%	83	0.5%	-30.3%	-30.1%
Licensing and others	96	0.7%	128	0.7%	-25.3%	-24.1%
Licensing	88	0.6%	106	0.6%	-17.5%	-16.2%
Others	8	0.1%	22	0.1%	-62.7%	-62.4%
Total	13,554	100.0%	16,699	100.0%	-18.8%	-13.4%

* Retail sales include sales from e-shop in countries where available

Retail turnover was HK\$8,102 million (1H FY11/12: HK\$9,844 million), representing a -17.7% year-on-year decline. Excluding North America and the store closure programme, retail turnover was HK\$7,912 million (1H FY11/12: HK\$8,809 million), representing a decrease of -5.1% in local currency. This comprised comparable store sales decline of -3.6% in local currency.

The decrease in comparable store sales was mainly attributable to the decline in footfalls in the reporting period, which was partially offset by slight increase in conversion rate.

In terms of quarter by quarter trend, there was considerable deterioration in the comparable store sales growth in Europe to -6.6% in 2Q FY12/13 (1Q FY12/13: +1.1%) due to a much lower store traffic. On the contrary, the comparable store sales decline in Asia Pacific softened to -2.6% in 2Q FY12/13 (1Q FY12/13: -7.6%) driven by the improvement of comparable store sales performance in China to -0.7% in 2Q FY12/13 (1Q FY12/13: -12.0%). The significant narrowing of comparable store sales decline in China was mainly a result of improved promotional activities.

Comp-store sales growth	1Q FY12/13	2Q FY12/13	1H FY12/13
Group	-0.2%	-6.0%	-3.6%
Europe	1.1%	-6.6%	-3.5%
APAC	-7.6%	-2.6%	-4.8%
China	-12.0%	-0.7%	-5.7%

From a geographical perspective, both Europe and Asia Pacific reported similar rate of decline in retail turnover in local currency in 1H FY12/13. However, while Europe experienced a larger decline in 2Q FY12/13, Asia Pacific recorded stronger sales development in 2Q FY12/13, with retail sales growth excluding the store closure programme improving from -9.0% in 1Q FY12/13 to -2.7% in local currency. This improvement was primarily driven by 5.2% local currency sales growth in China in 2Q FY12/13.

Retail turnover by countries

Countries	For the 6 months ended 31 December					
	2012		2011		Change in %	
	HK\$ million	% of Retail Turnover	HK\$ million	% of Retail Turnover	HK\$	Local currency
Europe	5,987	73.9%	6,788	69.0%	-11.8%	-4.9%
Germany	3,608	44.5%	4,154	42.2%	-13.1%	-6.4%
Benelux	883	10.9%	1,038	10.5%	-14.8%	-7.8%
Switzerland	484	6.0%	561	5.7%	-13.7%	-6.8%
France	397	4.9%	402	4.1%	-1.3%	6.4%
Austria	397	4.9%	400	4.1%	-0.7%	6.9%
United Kingdom	94	1.2%	95	1.0%	-1.3%	0.5%
Finland	71	0.9%	86	0.9%	-18.2%	-11.4%
Denmark	27	0.3%	26	0.3%	3.7%	12.3%
Ireland	8	0.1%	10	0.1%	-26.9%	-21.4%
Sweden	3	0.0%	2	0.0%	13.0%	23.1%
Spain	2	0.0%	3	0.0%	-3.9%	-84.4%
Italy	2	0.0%	2	0.0%	0.6%	8.5%
Others*	11	0.2%	9	0.1%	21.7%	31.3%
Asia Pacific	1,925	23.8%	2,021	20.5%	-4.8%	-5.5%
China	796	9.8%	789	8.0%	0.9%	-0.2%
Australia and New Zealand	339	4.2%	388	3.9%	-12.8%	-13.4%
Hong Kong	250	3.1%	277	2.8%	-9.9%	-9.9%
Singapore	204	2.5%	216	2.2%	-5.3%	-6.9%
Malaysia	153	1.9%	143	1.5%	6.9%	7.5%
Taiwan	125	1.6%	154	1.6%	-18.5%	-19.0%
Macau	58	0.7%	54	0.5%	6.9%	6.9%
Subtotal	7,912	97.7%	8,809	89.5%	-10.2%	-5.1%
Store closure programme	190	2.3%	568	5.8%	-66.6%	-64.5%
North America	-	-	467	4.7%	-100.0%	-100.0%
United States	-	-	268	2.7%	-100.0%	-100.0%
Canada	-	-	199	2.0%	-100.0%	-100.0%
Total	8,102	100.0%	9,844	100.0%	-17.7%	-13.0%

* Others' retail turnover represented retail turnover from e-shop in Czech Republic, Poland, Slovakia, Hungary, Slovenia, Latvia, Greece, Malta, Estonia and Portugal

The Group continued to expand its retail store network with strong emphasis on quality instead of quantity. During 1H FY12/13, excluding the store closure programme, our retail selling space grew 2.4% to 346,217 m² as at 31 December 2012. This increase was mainly driven by the 24.7% increase in retail selling space of outlets representing a net addition of 13 outlets, which is in line with the Group's strategy to establish a strong outlet network to improve inventory management across channels.

Directly managed retail stores by store types

Store types	No. of POS					Net sales area (m ²)				
	As at	vs 1-Jul-12		As at	Net	As at	vs 1-Jul-12		As at	Net change
	31-Dec-12	Opened	Closed	1-Jul-12	change	31-Dec-12	Opened	Closed	1-Jul-12	(in %)
Stores/concession counters	954	57	(62)	959	(5)	309,494	10,712	(9,965)	308,747	0.2%
Outlets	80	17	(4)	67	13	36,723	10,056	(2,771)	29,438	24.7%
Sub-total	1,034	74	(66)	1,026	8	346,217	20,768	(12,736)	338,185	2.4%
Store closure programme	26	-	(14)	40	(14)	15,143	-	(7,981)	23,124	-34.5%
Total	1,060	74	(80)	1,066	(6)	361,360	20,768	(20,717)	361,309	0.0%

Directly managed retail stores by countries

Countries	No. of stores	Net opened stores*	Net sales area m ²	Net change in net sales area*	As at 31 December 2012	
					No. of comp-stores	Comp-store sales growth
Europe	368	10	227,770	2.6%	200	-3.5%
Germany**	164	5	126,008	3.1%	90	-3.9%
Netherlands	52	3	20,684	4.4%	23	-10.9%
Switzerland	39	1	17,738	3.7%	27	-5.4%
France	35	1	17,585	1.5%	24	-0.8%
Belgium	29	-	18,289	0.2%	8	10.5%
United Kingdom	23	-	4,573	0.0%	13	8.9%
Austria	17	1	17,455	5.4%	9	-3.8%
Finland	6	-	3,850	-13.6%	4	-7.0%
Luxembourg	2	-	1,149	-	1	-11.7%
Ireland	1	(1)	439	-9.1%	1	-12.9%
Asia Pacific	666	(2)	118,447	1.9%	242	-4.8%
China	371	27	59,460	3.7%	82	-5.7%
Australia	125	(31)	16,324	-8.6%	67	-2.7%
Taiwan	83	(2)	8,445	-2.3%	51	-16.0%
Malaysia	34	2	12,445	7.9%	15	-6.0%
Singapore	23	1	8,932	2.6%	14	-8.5%
Hong Kong	16	1	8,383	8.6%	6	6.0%
New Zealand	10	(1)	2,271	-18.5%	5	2.6%
Macau	4	1	2,187	28.6%	2	11.1%
Subtotal	1,034	8	346,217	2.4%	442	-3.6%
Store closure programme [^]	26	(14)	15,143	-34.5%	n.a.	n.a.
Total	1,060	(6)	361,360	0.0%	442	-3.6%

* Net change from 30 June 2012

** All e-shops within Europe are shown as 1 comparable store in Germany

[^] 2 out of the 33 stores included under the store closure programme FY09/10 were closed for the six months ended 31 December 2012 and 12 out of the 80 stores included under the store closure programme FY10/11 were closed for the six months ended 31 December 2012

n.a. Not applicable

Retail performance scorecard

	For the 6 months ended 31 December		
		2012	2011
	Total excluding North America and store closure programme	Total	Total
Year-on-year local currency turnover growth	-5.1%	-13.0%	-5.0%
Segment EBIT margin	1.4%	1.1%	6.0%
No. of Esprit POS	1,034	1,060	1,168
Esprit net sales area (m ²)	346,217	361,360	403,140
Year-on-year change in Esprit net sales area	6.2%	-10.4%	2.1%
Comparable store sales growth	-3.6%	-3.6%	-4.6%

Wholesale turnover was HK\$5,356 million (1H FY11/12: HK\$6,727 million), representing a -20.4% decrease (-13.7% in local currency). This decline was mainly due to a combination of factors: i) a decline in order intakes from wholesale customers who are experiencing similar macro and company specific issues as the Group's own retail operation; ii) a -9.0% year-on-year decrease in controlled wholesale space, mostly in identity corners (-22.3% year-on-year decrease); and iii) the impact of the wholesale support initiatives including accepting return of inventory and offering higher discounts.

Nonetheless, we observed a narrowing of the rate of the decline in wholesale turnover, which improved from -17.1% in 1Q FY12/13 to -8.2% in 2Q FY12/13 in local currency. This improvement is attributable to the better order intakes from those key accounts who received the support measures.

Wholesale turnover by countries

Countries	For the 6 months ended 31 December					
	2012		2011		Change in %	
	HK\$ million	% of Wholesale Turnover	HK\$ million	% of Wholesale Turnover	HK\$	Local currency
Europe	4,552	85.0%	5,799	86.2%	-21.5%	-14.1%
Germany*	2,327	43.4%	2,833	42.1%	-17.9%	-9.9%
Benelux	796	14.9%	1,044	15.5%	-23.7%	-15.8%
Scandinavia	459	8.6%	614	9.1%	-25.2%	-20.7%
France	436	8.1%	597	8.9%	-26.8%	-19.2%
Austria	191	3.6%	280	4.2%	-31.9%	-25.1%
Switzerland	117	2.2%	152	2.2%	-22.2%	-14.1%
Spain	98	1.8%	108	1.6%	-9.6%	-0.5%
Italy	80	1.5%	126	1.9%	-36.3%	-29.7%
United Kingdom	38	0.7%	32	0.5%	16.4%	17.1%
Portugal	6	0.1%	6	0.1%	-1.8%	7.5%
Ireland	4	0.1%	7	0.1%	-37.2%	-31.2%
Asia Pacific	746	13.9%	845	12.6%	-11.8%	-9.7%
China	462	8.6%	610	9.1%	-24.2%	-25.0%
Macau**	267	5.0%	215	3.2%	23.9%	35.2%
Australia	17	0.3%	20	0.3%	-17.3%	-17.3%
North America	58	1.1%	83	1.2%	-30.3%	-30.1%
Canada	58	1.1%	81	1.2%	-28.5%	-28.6%
United States	-	-	2	0.0%	-100.0%	-100.0%
Total	5,356	100.0%	6,727	100.0%	-20.4%	-13.7%

* Germany wholesale turnover includes wholesale sales to other European countries mainly Russia, Czech Republic, Poland, Ukraine and Bulgaria

** Macau wholesale turnover includes wholesale sales to other countries mainly Colombia, Chile and the Middle East

In Europe, the Group recorded a -14.1% decline in wholesale turnover in local currency. In Asia Pacific, the situation was mixed. On one hand, the Group recorded 35.2% robust wholesale turnover growth in local currency in Macau, which represented 5.0% of the Group's wholesale turnover. Macau serves as a wholesale hub for country franchisees in Asia Pacific as well as other countries, including mainly Colombia (+67.8%), Chile (+45.2%) and the Middle East (+406.2%). On the other hand, we experienced a -25.0% local currency decrease in wholesale turnover in China. The reasons that led to the disappointing wholesale sales in China are similar to those described above for the overall performance of wholesale turnover.

In 1H FY12/13, a total of 694 new controlled wholesale POS were opened, comprising 128 partnership stores, 358 shop-in-stores and 208 identity corners. The majority of these new stores are located in Germany, Belgium, France and China. Simultaneously,

the Group lost controlled wholesale space as a result of the dropping out of customers. As a consequence, total controlled wholesale space was 614,618 m² as at 31 December 2012, representing a -9.0% year-on-year decline or a -5.9% decline from 30 June 2012.

Wholesale performance scorecard

	For the 6 months ended 31 December	
	2012	2011
Year-on-year local currency turnover growth	-13.7%	-16.7%
Segment EBIT margin	12.8%	18.6%
No. of Esprit controlled space POS	9,958	11,321
Esprit controlled space area (m ²)	614,618	675,156
Year-on-year change in Esprit controlled space area	-9.0%	-6.5%

Wholesale distribution channel by countries (controlled space only) - movement since 31 December 2011

														As at 31 December 2012			
Countries	Franchise stores**				Shop-in-stores**				Identity corners**				Total**				
	No. of stores	Net sales area m ²	year-on-year net change in no. of stores	year-on-year net change in net sales area	No. of stores	Net sales area m ²	year-on-year net change in no. of stores	year-on-year net change in net sales area	No. of stores	Net sales area m ²	year-on-year net change in no. of stores	year-on-year net change in net sales area	No. of stores	Net sales area m ²	year-on-year net change in no. of stores	year-on-year net change in net sales area	
Europe	992	249,325	(69)	-5.5%	4,426	168,012	(314)	-7.5%	3,494	74,025	(856)	-22.3%	8,912	491,362	(1,239)	-9.1%	
Germany***	375	101,679	(21)	-4.8%	3,418	135,004	(224)	-7.5%	1,985	37,551	(387)	-17.2%	5,778	274,234	(632)	-8.0%	
Benelux	161	51,385	(3)	-0.1%	158	6,631	(9)	-5.0%	459	11,083	(174)	-32.4%	778	69,099	(186)	-7.6%	
France	164	29,284	(27)	-13.9%	353	8,237	(38)	-8.7%	257	7,072	(64)	-21.8%	774	44,593	(129)	-14.4%	
Sweden	73	22,937	(4)	-6.9%	-	-	(1)	-100.0%	64	1,389	(35)	-30.3%	137	24,326	(40)	-8.8%	
Austria	76	13,237	(4)	-8.3%	90	3,210	(26)	-19.3%	70	1,807	(42)	-38.2%	236	18,254	(72)	-14.5%	
Italy	46	8,824	(2)	-7.1%	29	1,034	(10)	-38.2%	161	2,701	(59)	-43.3%	236	12,559	(71)	-21.2%	
Finland	29	8,117	5	21.0%	91	4,192	(7)	-11.2%	273	7,004	(40)	-17.1%	393	19,313	(42)	-2.8%	
Switzerland	31	5,445	(13)	-32.9%	60	3,029	11	14.5%	40	795	(24)	-36.5%	131	9,269	(26)	-22.8%	
Denmark	19	5,274	2	26.7%	1	25	(2)	-70.9%	42	1,105	(69)	-57.7%	62	6,404	(69)	-6.6%	
Spain	11	1,771	1	-11.6%	204	5,786	(5)	1.4%	58	1,680	41	270.0%	273	9,237	37	13.2%	
Portugal	2	569	-	0.0%	-	-	-	-	5	85	-	-	7	654	-	-	
United Kingdom	3	370	(1)	-37.2%	12	473	1	12.1%	72	1,627	(1)	-4.7%	87	2,470	(1)	-9.2%	
Norway	1	240	(1)	-46.1%	-	-	-	-	-	-	(2)	-100.0%	1	240	(3)	-51.5%	
Ireland	1	193	(1)	-48.5%	10	391	(4)	-19.0%	8	126	-	-27.2%	19	710	(5)	-31.1%	
Asia Pacific	943	120,731	(91)	-7.6%	103	2,525	(33)	-31.8%	-	-	-	-	1,046	123,256	(124)	-8.3%	
China	611	78,374	(103)	-11.2%	-	-	-	-	-	-	-	-	611	78,374	(103)	-11.2%	
The Middle East	42	10,971	(2)	-9.1%	-	-	-	-	-	-	-	-	42	10,971	(2)	-9.1%	
Thailand	92	7,061	4	12.7%	-	-	-	-	-	-	-	-	92	7,061	4	12.7%	
India	64	7,027	-	-3.8%	-	-	-	-	-	-	-	-	64	7,027	-	-3.8%	
Philippines	24	3,026	7	20.5%	-	-	-	-	-	-	-	-	24	3,026	7	20.5%	
Australia	-	-	-	-	18	674	(37)	-65.2%	-	-	-	-	18	674	(37)	-65.2%	
Others	110	14,272	3	0.1%	85	1,851	4	5.1%	-	-	-	-	195	16,123	7	0.6%	
Total	1,935	370,056	(160)	-6.2%	4,529	170,537	(347)	-8.0%	3,494	74,025	(856)	-22.3%	9,958	614,618	(1,363)	-9.0%	

Wholesale distribution channel by regions (controlled space only) - movement since 30 June 2012

														As at 31 December 2012			
Regions	Franchise stores**				Shop-in-stores**				Identity corners**				Total**				
	No. of stores	Net sales area m ²	Net opened stores*	Net change in net sales area*	No. of stores	Net sales area m ²	Net opened stores*	Net change in net sales area*	No. of stores	Net sales area m ²	Net opened stores*	Net change in net sales area*	No. of stores	Net sales area m ²	Net opened stores*	Net change in net sales area*	
Europe	992	249,325	(41)	-4.4%	4,426	168,012	(207)	-5.0%	3,494	74,025	(573)	-16.2%	8,912	491,362	(821)	-6.6%	
Asia Pacific	943	120,731	(39)	-3.3%	103	2,525	(8)	-11.5%	-	-	-	-	1,046	123,256	(47)	-3.5%	
Total	1,935	370,056	(80)	-4.0%	4,529	170,537	(215)	-5.1%	3,494	74,025	(573)	-16.2%	9,958	614,618	(868)	-5.9%	

* Net change from 30 June 2012

** Excludes salon

***Germany controlled space wholesale POS include controlled space wholesale POS in countries outside Germany, mainly Russia, Czech Republic, Poland, Bulgaria and Greece

In terms of licensing operation, we concentrate our efforts in the core of the Esprit brand. Hence, we have optimised the licence portfolio by focusing on licences that are consistent with the core brand while terminating brand-dilutive licences. Consequently, licensing turnover decreased by -17.5% (-16.2% in local currency) to HK\$88 million (1H FY11/12: HK\$106 million).

Notable highlights in the first half of the financial year were the launch of a new fragrance, "Simply You", and the international press launch of the Esprit Home 2013 collection. These launches were two milestones in driving one coherent brand message to the Esprit end-consumer across diverse touchpoints to further strengthen the brand. For instance, with the introduction of "Simply You", fragrance and fashion were combined for the first time, leveraging Christy Turlington as the brand ambassador in the marketing communication and media campaigns. With the launch of Esprit Home 2013 collection, the look and feel of the collection as well as all the communication is fully aligned with the Esprit Brand communication theme of 2013 - "Travel in style, travel in company".

Key licensed product categories

As at 31 December 2012	Europe	Asia Pacific	North America	Latin America
Accessories' World				
costume jewellery	■	■		
eyewear	■	■	■	■
fragrance	■	■		■
jewellery	■	■	■	■
luggage	■			
outerwear			■	■
shoes			■	■
socks + tights	■	■	■	■
stationery	■			
timewear	■		■	■
umbrellas	■	■	■	■
Home World				
bathroom	■	■		
bedding	■	■	■	■
carpets	■	■		
down	■	■	■	■
flooring	■	■		
furniture	■	■		
home accessories	■	■		■
kitchen	■			
lighting	■	■		
towels	■	■	■	■
wallpaper	■	■		
Babies' & kids' World				
baby carriages	■	■		
baby/childrens furniture	■			
kids' shoes			■	
maternity	■			
school	■			
soft toys	■			

Turnover by geographies

Turnover by countries

Countries [#]	For the 6 months ended 31 December					
	2012		2011		Change in %	
	HK\$ million	% to Group Turnover	HK\$ million	% to Group Turnover	HK\$	Local currency
Europe	10,555	77.9%	12,603	75.5%	-16.2%	-9.1%
Germany* **	5,943	43.9%	6,996	41.9%	-15.0%	-7.8%
Benelux*	1,687	12.4%	2,089	12.5%	-19.2%	-11.7%
France	833	6.3%	999	6.0%	-16.5%	-8.8%
Switzerland	601	4.4%	713	4.3%	-15.6%	-8.3%
Austria	588	4.3%	680	4.1%	-13.5%	-6.2%
Scandinavia	560	4.1%	728	4.3%	-23.2%	-18.3%
United Kingdom	132	1.0%	127	0.8%	3.2%	4.7%
Spain	100	0.7%	111	0.7%	-9.5%	-11.2%
Italy	82	0.6%	128	0.8%	-35.7%	-29.2%
Ireland	12	0.1%	17	0.1%	-30.9%	-25.1%
Portugal	6	0.0%	6	0.0%	-0.1%	9.3%
Others	11	0.1%	9	0.0%	18.9%	28.7%
Asia Pacific	2,679	19.8%	2,888	17.3%	-7.2%	-7.2%
China**	1,266	9.4%	1,411	8.5%	-10.3%	-11.2%
Australia and New Zealand	356	2.6%	408	2.4%	-13.0%	-13.6%
Macau###	325	2.4%	269	1.6%	20.5%	28.8%
Hong Kong	250	1.9%	287	1.7%	-12.8%	-12.8%
Singapore	204	1.5%	216	1.3%	-5.3%	-6.9%
Malaysia	153	1.1%	143	0.9%	6.9%	7.5%
Taiwan	125	0.9%	154	0.9%	-18.5%	-19.0%
Subtotal	13,234	97.7%	15,491	92.8%	-14.6%	-8.8%
Store closure programme	190	1.4%	568	3.4%	-66.6%	-64.5%
North America	130	0.9%	640	3.8%	-79.7%	-79.6%
United States*	72	0.5%	360	2.1%	-80.1%	-80.0%
Canada	58	0.4%	280	1.7%	-79.2%	-79.3%
Total	13,554	100.0%	16,699	100.0%	-18.8%	-13.4%

[#] Country as a whole includes retail, wholesale and licensing operations

^{**} Germany sales include wholesale sales to other European countries mainly Russia, Czech Republic, Poland, Ukraine and Bulgaria

^{###} Macau sales include wholesale sales to other countries mainly Colombia, Chile and the Middle East

* Includes licensing

** Includes salon

From a regional perspective, a larger decline in turnover was recorded in Europe than in Asia Pacific. This was due to weaker wholesale sales performance in Europe, which has a higher proportion of wholesale turnover. The negative impact of currency exchange rate has also had a larger effect on our European figures.

Nonetheless, excluding the store closure programme, the improved wholesale sales performance in the second quarter resulted in a narrowing of the rate of turnover decline in Europe from -17.7% in 1Q FY12/13 to -7.7% in 2Q FY12/13 in local currency.

In Asia Pacific, the turnover decline was mainly attributable to the -11.2% local currency sales decline in China, which was

primarily a result of -25.0% wholesale turnover decline in local currency while retail turnover remained largely flat year-on-year. Meanwhile, our management team in China is focusing on improving the quality and productivity of our distribution channels and hence, the pace of expansion may be slower than planned depending on sales performance.

As for North America, the -79.6% local currency turnover decline was mainly due to our decision to divest the North American operations last year. The remaining turnover from North America of HK\$130 million in 1H FY12/13 mainly represents turnover from licensing which was HK\$72 million (1H FY11/12: HK\$90 million) plus turnover from the wholesale operation, which will cease to operate.

03.2 Profitability

Consolidated income statement

	1H FY12/13	1H FY11/12	Change in %
	HK\$ million	HK\$ million	HK\$
Turnover	13,554	16,699	-18.8%
Cost of goods sold	(6,644)	(8,208)	-19.0%
Gross profit	6,910	8,491	-18.6%
<i>Gross profit margin</i>	51.0%	50.8%	+0.2%pt
Total operating expenses	(7,175)	(7,704)	-6.9%
Operating (loss)/profit	(265)	787	-133.6%
Net (loss)/profit	(465)	555	-183.7%

In order to provide a more meaningful comparison, an adjusted consolidated income statement, which excludes the impact of the divestment of the North American operations and the store closure programme, is provided below.

Adjusted consolidated income statement

(excluding North American operations and store closure programme)

	1H FY12/13	1H FY11/12	Change in %
	HK\$ million	HK\$ million	HK\$
Turnover	13,306	15,580	-14.6%
Cost of goods sold	(6,516)	(7,640)	-14.7%
Gross profit	6,790	7,940	-14.5%
<i>Gross profit margin</i>	51.0%	51.0%	0.0%pt
Staff costs	2,076	2,253	-7.9%
Occupancy costs	1,784	1,799	-0.8%
Logistics costs	749	740	+1.2%
Advertising and marketing expenses	597	729	-18.2%
Depreciation	434	342	+26.9%
Impairment of property, plant and equipment	122	14	+771.9%
Others	1,281	1,118	+14.6%
Total operating expenses	(7,043)	(6,995)	+0.7%
Operating (loss)/profit	(253)	945	-126.8%
Net (loss)/profit	(453)	716	-163.3%

Gross profit decreased to HK\$6,910 million (1H FY11/12: HK\$8,491 million). Excluding the impact of divestment of the North American operations and the store closure programme, gross profit was HK\$6,790 million (1H FY11/12: HK\$7,940 million) and declined -14.5% year-on-year in line with the -14.6% year-on-year decline in turnover. Consequently, the gross profit margin remained flat year-on-year at 51.0% (1H FY11/12: 51.0%).

Operating expenses were HK\$7,175 million (1H FY11/12: HK\$7,704 million), representing a slight reduction of -6.9% year-on-year.

Excluding the impact of the divestment of the North American operations and the store closure programme, operating expenses increased slightly by HK\$48 million to HK\$7,043 million (1H FY11/12: HK\$6,995 million). The increase was mainly the combined effect of: i) a slower decline in certain operating costs as compared to turnover decline, including occupancy costs which are relatively fixed in nature and staff cost which is also relatively less flexible; and ii) an increase in the impairment

of property, plant and equipment as well as the increase in provision for slow moving inventory and trade debtors.

The Group recorded an **operating loss** of HK\$265 million (1H FY11/12: operating profit of HK\$787 million) mainly due to a much lower gross profit contribution from the operation (HK\$1,581 million decline). The year-on-year reduction in operating expenses of HK\$529 million proved insufficient to correct for such decline.

Notwithstanding the **loss before taxation** of HK\$267 million (1H FY11/12: profit before taxation of HK\$782 million), **taxation** amounted to HK\$198 million (1H FY11/12: HK\$227 million), due to the fact that although some entities were profitable, their profits could not be offset by the losses from loss making entities and hence, their profits were subject to income tax.

Net loss was HK\$465 million (1H FY11/12: net profit of HK\$555 million).

03.3 Liquidity and financial resources

As at 31 December 2012, **cash, bank balances and deposits** amounted to HK\$6,783 million (30 June 2012: HK\$3,171 million). The increase in cash, bank balances and deposits was mainly due to HK\$5,037 million in net proceeds from the rights issue during the first half of the financial year, and was partially offset by the HK\$1,142 million in net cash used in operating activities and the HK\$475 million in cash used in capital expenditure.

Net cash used in operating activities increased by HK\$235 million to HK\$1,142 million (1H FY11/12: HK\$907 million) mainly due to:

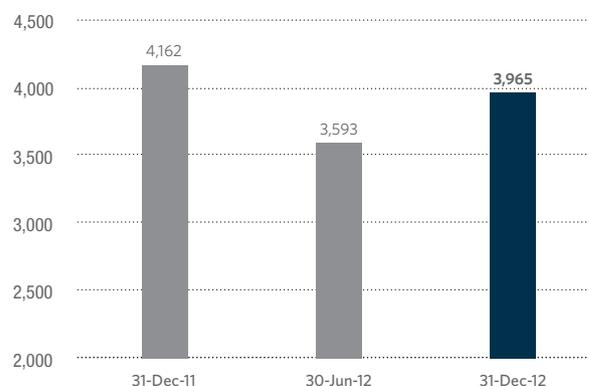
- Lower profitability as a result of the decline in turnover and profit; and
- Increase in working capital

The Group's net cash increased by HK\$3,485 million to HK\$4,974 million (30 June 2012: HK\$1,489 million). Excluding the net proceeds from the rights issue, the Group would have had a net debt position of HK\$63 million as at 31 December 2012.

HK\$ million	For the 6 months ended 31 December	
	2012	2011
Cash, bank balances and deposits as at 1 July	3,171	4,794
Net cash used in operating activities	(1,142)	(907)
Net cash generated from/(used in) investing and financing activities	4,700	(326)
Effect of change in exchange rates	54	(153)
Cash, bank balances and deposits as at 31 December	6,783	3,408
Less:		
Bank loans	1,809	2,353
Net cash balance	4,974	1,055

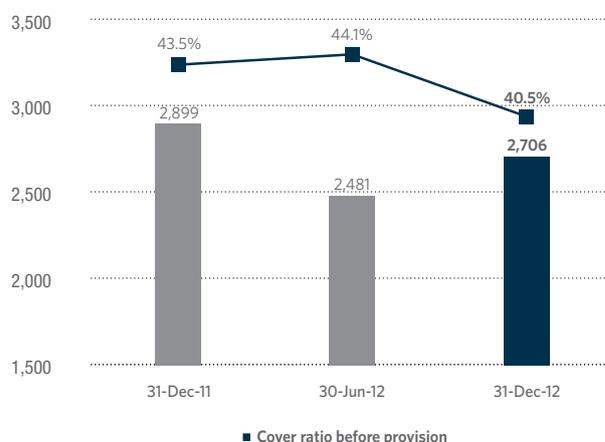
Inventories are slightly lower than on the same date of last year but increased by 10.4% during the six months ended 31 December 2012 to HK\$3,965 million (30 June 2012: HK\$3,593 million). This was mainly due to: i) slower product sell-through; ii) return of aged inventory from wholesale customers as part of the wholesale support measures; and iii) 6.2% appreciation of the EUR/HKD closing rate (31 December 2012: 10.254; 30 June 2012: 9.6551). Consequently, inventory turnover days lengthened to 102 days (30 June 2012: 100 days).

Inventories (HK\$ million)



The Group's **net trade debtors** is also slightly lower than one year ago but increased by 9.1% during the six months ended 31 December 2012 to HK\$2,706 million (30 June 2012: HK\$2,481 million). This was mainly due to the 6.2% appreciation of EUR/HKD closing rate. The amount of net trade debtors aged over 90 days increased by 3.4% to HK\$334 million (30 June 2012: HK\$323 million). The cover ratio before provision (the amount of insured and secured gross trade debtors including VAT over total gross trade debtors including VAT) was reduced to 40.5% (30 June 2012: 44.1%).

Net trade debtors (HK\$ million)



The Group's **capital expenditure** was HK\$475 million (1H FY11/12: HK\$499 million). The decrease was mainly due to the reduction in capital expenditure on IT projects as the EPS project is in the final stage of implementation. Capital expenditure on retail stores increased to HK\$348 million (1H FY11/12: HK\$292 million) comprising a HK\$202 million investment in retail store refurbishment and a HK\$146 million investment in new store openings.

HK\$ million	For the 6 months ended 31 December	
	2012	2011
Retail stores	348	292
IT projects	73	165
Office & others	54	42
Purchase of property, plant and equipment	475	499

Total interest bearing external borrowings for the Group increased to HK\$1,809 million (30 June 2012: HK\$1,682 million) as at 31 December 2012. Approximately 86% of the Group's bank borrowings are subject to floating interest rates and denominated in Hong Kong dollar, with the remaining balance subjected to fixed interest rate and denominated in Renminbi. The bank loans are unsecured. None of the Group's assets were pledged as security for overdraft or any short-term revolving facility.

HK\$ million	31-Dec-12	30-Jun-12	Interest	
			rate	Repayment term
Hong Kong dollar loans	1,560	1,560	Floating	3 equal installments due annually 4 equal installments repayable before end of FY12/13
Renminbi loans	249	122	Fixed	
Total	1,809	1,682		

HK\$ million	31-Dec-12	30-Jun-12
Unsecured short-term bank loans	249	122
Unsecured long-term bank loans repayable within one year	520	520
Unsecured long-term bank loans	769	642
- Repayable between one and two years	520	520
- Repayable between two and five years	520	520
	1,040	1,040
Total interest bearing external borrowings	1,809	1,682

03.4 Seasonality of business

The Group's business is affected by seasonal trends. These trends are primarily attributable to seasonal shipments to wholesale customers and key holiday sales periods, as well as the pricing of seasonal products. Due to the fact that sales and operating income may fluctuate in any reporting period, half year financials may not be indicative of the future trend of the business and should not be extrapolated to provide a reliable forecast.

03.5 Foreign exchange risk management

The Group uses foreign currency contracts for risk management purposes only, for hedging transactions and for managing the Group's asset and liabilities.

The Group faces foreign exchange risk arising from various currency exposures, primarily with respect to the Euro. As the majority of suppliers in Asia quote and settle in US dollar, the Group enters into foreign currency forward contracts with reputable financial institutions to hedge such foreign exchange risks.

03.6 Outlook

We have continued to see a gradual softening of the declining trend of wholesale orders, which we believe is attributable to our efforts under the Transformation Plan. However, we do not anticipate significant improvement in the operating environment in the second half of the financial year.

The first collections under the new brand direction and the new product leadership will hit the shop floor in Spring/Summer 2013, but we should not anticipate that they will have significant impact on the Group's full year results as it takes time for consumers to react to these new products.

In light of that, our top priorities for the next half year and beyond will be as follows:

In the short-term, the Group will focus on stabilising business performance by aggressively reducing costs, tactically activating top line and decisively reducing inventory levels.

In terms of cost reduction, we will be addressing every single line of the Group's cost structure and implementing both structural and operational changes to achieve a healthier cost base. This will help generate significant operating leverage when sales recover.

At the same time, we will introduce short-term measures to re-activate sales and reduce the inventory levels. Promotions will play a key part in driving top line, and so will our continued marketing efforts, which will concentrate on traffic building and conversion rate improvement.

We will also implement specific measures to stimulate inventory sales, avoid further increases in the inventory level and free up space for new product arrivals from the Spring/Summer seasons onwards.

In parallel, we will continue to implement our **medium-term** initiatives to turn around our business and ensure sustainable growth. The key initiatives that we are focusing on include:

- building a high performance "product engine" by introducing end-to-end improvements in areas including the structure of the product divisions, the integration of the supply chain, the improvement of processes and lead times, and the revision of strategies for pricing and gross profit margin
- enhancing our channels with a focus on rolling out our new store concept, improving current merchandising and inventory management systems and further integrating our channels
- developing future growth platforms, which include expansion in China and further development of the edc brand

In terms of sourcing and supply chain, our efforts in the consolidation of supplier portfolio, expanding our sourcing footprint to new markets and centralisation of the buying function, it is expected that total savings for FY12/13 is HK\$600 million.

Although expansion is not our short-term priority, the Group has selectively sought out quality expansion. For 2H FY12/13, we plan to further increase our net retail selling space by over 7,000 m² to reach over 350,000 m² as at 30 June 2013 (excluding North America and the store closure programme). This net addition of retail space will be achieved through investing HK\$116 million in opening new store and HK\$246 million in upgrading our retail network by refurbishing existing stores. Together with HK\$178 million in capital expenditure in IT and HK\$180 million capital expenditure in other areas, total planned capital expenditure for 2H FY12/13 is expected to be HK\$720 million.

We expect the short-term measures mentioned above will ease some of the pressure from the top line and inventory levels, whereas there might be a certain impact on the gross margin. Cost saving measures must contribute towards a more sustainable cost base in the future but not all of them will have an immediate impact and also some redundancy costs may arise. All in all, and still under quite an uncertain economic environment, the Group does not foresee considerable improvement in the top line and profitability in the second half of the financial year.





04
FINANCIAL SECTION

04.1 Independent review report

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

Introduction

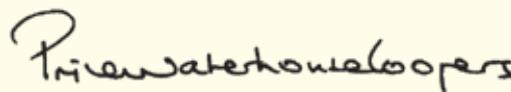
We have reviewed the interim financial information set out on pages 47 to 56, which comprises the condensed consolidated statement of financial position of Esprit Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 31 December 2012 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows 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 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 International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International 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 International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". 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 International 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 International Accounting Standard 34 "Interim Financial Reporting".



PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 February 2013

04.2 Interim financial information

The Board of Directors of Esprit Holdings Limited (the "Company") is pleased to present the unaudited condensed consolidated interim financial information, along with selected explanatory notes, of the Company and its subsidiaries (the "Group") for the six months ended 31 December 2012 as follows:

Condensed consolidated income statement

	Unaudited for the 6 months ended 31 December		
	Notes	2012 HK\$ million	2011 HK\$ million
Turnover	2	13,554	16,699
Cost of goods sold		(6,644)	(8,208)
Gross profit		6,910	8,491
Staff costs		(2,123)	(2,499)
Occupancy costs		(1,865)	(2,151)
Logistics expenses		(749)	(754)
Marketing and advertising expenses		(602)	(764)
Depreciation		(434)	(342)
Impairment of property, plant and equipment		(122)	(5)
(Additional)/write-back of provision for store closure		(21)	79
Other operating costs		(1,259)	(1,268)
Operating (loss)/profit	3	(265)	787
Interest income		15	16
Finance costs	4	(17)	(21)
(Loss)/profit before taxation		(267)	782
Taxation	5	(198)	(227)
(Loss)/profit attributable to shareholders of the Company		(465)	555
(Loss)/earnings per share			(Adjusted)
- Basic and diluted	7	HK\$(0.30)	HK\$0.38

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

The notes on pages 52 to 56 form an integral part of this condensed consolidated interim financial information.

Condensed consolidated statement of comprehensive income

	Unaudited for the 6 months ended 31 December	
	2012 HK\$ million	2011 HK\$ million
(Loss)/profit attributable to shareholders of the Company	(465)	555
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Fair value (loss)/gain on cash flow hedge	(229)	343
Exchange translation	629	(954)
	400	(611)
Total comprehensive loss for the period attributable to shareholders of the Company	(65)	(56)

The notes on pages 52 to 56 form an integral part of this condensed consolidated interim financial information.

Condensed consolidated statement of financial position

	Notes	Unaudited 31 December 2012 HK\$ million	Audited 30 June 2012 HK\$ million
Non-current assets			
Intangible assets		7,712	7,613
Property, plant and equipment	8	4,643	4,489
Investment properties		13	13
Other investments		7	7
Debtors, deposits and prepayments		414	402
Deferred tax assets		516	549
		13,305	13,073
Current assets			
Inventories		3,965	3,593
Debtors, deposits and prepayments	9	3,978	3,455
Tax receivable		221	388
Cash, bank balances and deposits	10	6,783	3,171
		14,947	10,607
Current liabilities			
Creditors and accrued charges	11	4,271	4,263
Provision for store closure	12	278	446
Taxation		793	908
Bank loans	13	769	642
		6,111	6,259
Net current assets		8,836	4,348
Total assets less current liabilities		22,141	17,421
Equity			
Share capital	14	194	129
Reserves		20,104	15,477
Total equity		20,298	15,606
Non-current liabilities			
Bank loans	13	1,040	1,040
Deferred tax liabilities		803	775
		1,843	1,815
		22,141	17,421

The notes on pages 52 to 56 form an integral part of this condensed consolidated interim financial information.

Condensed consolidated statement of cash flows

Unaudited for the 6 months ended 31 December

	Note	2012 HK\$ million	2011 HK\$ million
Cash flows from operating activities			
Cash used in operations		(1,091)	(324)
Hong Kong profits tax paid		(2)	(2)
Overseas tax paid, net		(49)	(581)
Net cash used in operating activities		(1,142)	(907)
Cash flows from investing activities			
Purchase of property, plant and equipment		(475)	(499)
Proceeds from disposal of property, plant and equipment		2	4
Interest received		15	16
Net cash outflow for disposal of interest in subsidiaries		-	(110)
Increase in bank deposits with maturities of more than three months		(3,987)	-
Net cash used in investing activities		(4,445)	(589)
Cash flows from financing activities			
Net proceeds from rights issue	14(c)	5,037	-
Net proceeds on issue of shares for cash		11	-
Proceeds from short-term bank loans		316	273
Repayment of short-term bank loans		(193)	-
Interest paid on bank loans		(13)	(10)
Net cash generated from financing activities		5,158	263
Net decrease in cash and cash equivalents		(429)	(1,233)
Cash and cash equivalents at beginning of period		3,171	4,794
Effect of change in exchange rates		54	(153)
Cash and cash equivalents at end of period		2,796	3,408
Analysis of balances of cash and cash equivalents			
Bank balances and cash		1,791	2,227
Bank deposits		4,992	1,181
Cash, bank balances and deposits		6,783	3,408
Less: bank deposits with maturities of more than three months		(3,987)	-
		2,796	3,408

The notes on pages 52 to 56 form an integral part of this condensed consolidated interim financial information.

Condensed consolidated statement of changes in equity

Unaudited for the 6 months ended 31 December 2012

	Share capital HK\$ million	Share premium HK\$ million	Employee share-based payment reserve HK\$ million	Hedging reserve HK\$ million	Contributed surplus HK\$ million	Translation reserve HK\$ million	Capital reserve HK\$ million	Retained profits HK\$ million	Total HK\$ million
At 1 July 2012	129	3,167	732	84	7	(156)	1	11,642	15,606
Exchange translation	-	-	-	-	-	629	-	-	629
Fair value loss on cash flow hedge	-	-	-	-	-	-	-	-	-
- net fair value loss	-	-	-	(109)	-	-	-	-	(109)
- transferred to operating profit - exchange difference	-	-	-	(2)	-	-	-	-	(2)
- transferred to inventories	-	-	-	(118)	-	-	-	-	(118)
Loss attributable to shareholders of the Company	-	-	-	-	-	-	-	(465)	(465)
Total comprehensive income/(loss)	-	-	-	(229)	-	629	-	(465)	(65)
Transactions with owners									
Issue of rights shares	65	4,972	-	-	-	-	-	-	5,037
Issue of shares	-	11	-	-	-	-	-	-	11
Employee share option benefits	-	-	-	-	-	-	-	-	-
2011/12 final dividend payable	-	-	-	-	-	-	-	(291)	(291)
Total transactions with owners	65	4,983	-	-	-	-	-	(291)	4,757
At 31 December 2012	194	8,150	732	(145)	7	473	1	10,886	20,298

Unaudited for the 6 months ended 31 December 2011

	Share capital HK\$ million	Share premium HK\$ million	Employee share-based payment reserve HK\$ million	Hedging reserve HK\$ million	Contributed surplus HK\$ million	Translation reserve HK\$ million	Capital reserve HK\$ million	Retained profits HK\$ million	Total HK\$ million
At 1 July 2011	129	3,157	667	(139)	7	1,306	1	11,105	16,233
Exchange translation	-	-	-	-	-	(954)	-	-	(954)
Fair value gain on cash flow hedge	-	-	-	-	-	-	-	-	-
- net fair value gain	-	-	-	262	-	-	-	-	262
- transferred to operating profit - exchange difference	-	-	-	29	-	-	-	-	29
- transferred to inventories	-	-	-	52	-	-	-	-	52
Profit attributable to shareholders of the Company	-	-	-	-	-	-	-	555	555
Total comprehensive income/(loss)	-	-	-	343	-	(954)	-	555	(56)
Employee share option benefits	-	-	62	-	-	-	-	-	62
At 31 December 2011	129	3,157	729	204	7	352	1	11,660	16,239

The notes on pages 52 to 56 form an integral part of this condensed consolidated interim financial information.

Notes to the condensed consolidated interim financial information

1. Basis of preparation

This unaudited condensed consolidated interim financial information (“interim financial information”) on pages 47 to 56 for the six months ended 31 December 2012 has been prepared in accordance with the International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

This interim financial information should be read in conjunction with the annual financial statements for the year ended 30 June 2012. The accounting policies and methods of computation used in the preparation of this interim financial information are consistent with those used in the annual financial statements for the year ended 30 June 2012.

In the current period, the Group has adopted the following IASs which do not have any significant impact on the Group’s consolidated financial statements.

IAS 1 (Amendment)	Presentation of Financial Statements – Amendments to Revise the Way Other Comprehensive Income is Presented
IAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets

The Group has not early adopted the following IASs, International Financial Reporting Standards (“IFRS”) and International Financial Reporting Interpretations Committee (“IFRIC”) interpretation that have been issued but are not yet effective.

		Effective for accounting periods beginning on or after
IAS 19 (Revised)	Employee Benefits – Amended Standard Resulting from the Post-Employment Benefits and Termination Benefits Projects	1 January 2013
IAS 27 (Revised)	Consolidated and Separate Financial Statements – Reissued as IAS 27 Separate Financial Statements	1 January 2013
IAS 28 (Revised)	Investments in Associates – Reissued as IAS 28 Investments in Associates and Joint Ventures	1 January 2013
IAS 32 (Amendment)	Offsetting Financial Assets and Financial Liabilities	1 January 2014
IFRS 1 (Amendment)	Government Loans	1 January 2013
IFRS 7 (Amendment)	Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
IFRS 9 and 7 (Amendments)	Mandatory Effective Date of IFRS 9 and Transition Disclosures	1 January 2015
IFRS 9	Financial Instruments	1 January 2015
IFRS 10	Consolidated Financial Statements	1 January 2013
IFRS 11	Joint Arrangements	1 January 2013

		Effective for accounting periods beginning on or after
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013
IFRS 10, 11, 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013
IFRS 10, 12 and IAS 27 (Amendments)	Investment Entities	1 January 2014
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
IFRSs (Amendments)	Annual Improvements to IFRSs 2009-2011 Cycle	1 January 2013

2. Turnover and segment information

The Group is principally engaged in wholesale and retail distribution and licensing of quality fashion and lifestyle products designed under its own internationally-known Esprit brand name.

	Unaudited for the 6 months ended 31 December	
	2012 HK\$ million	2011 HK\$ million
Revenue		
Wholesale	5,356	6,727
Retail	8,102	9,844
Licensing and other income	96	128
	13,554	16,699

The chief operating decision maker has been identified as the executive directors (“Executive Directors”) of the Group.

Management has determined the operating segments based on the reports reviewed by the Executive Directors that are used to assess performance and allocate resources.

The Executive Directors consider the business from an operations nature perspective, including wholesale and retail distribution and licensing of quality fashion and lifestyle products designed under its own internationally-known Esprit brand name.

Inter-segment transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties.

2. Turnover and segment information (continued)

Unaudited for the 6 months ended 31 December 2012					
	Wholesale HK\$ million	Retail HK\$ million	Licensing HK\$ million	Corporate services, sourcing and others HK\$ million	Group HK\$ million
Total revenue	5,356	8,102	88	11,725	25,271
Inter-segment revenue	-	-	-	(11,717)	(11,717)
Revenue from external customers	5,356	8,102	88	8	13,554
Segment results	686	87	71	(1,109)	(265)
Interest income					15
Finance costs					(17)
Loss before taxation					(267)
Capital expenditure	30	350	-	95	475
Depreciation	24	254	-	156	434
Impairment of property, plant and equipment	-	122	-	-	122
Additional provision for store closure	-	21	-	-	21

Unaudited for the 6 months ended 31 December 2011					
	Wholesale HK\$ million	Retail HK\$ million	Licensing HK\$ million	Corporate services, sourcing and others HK\$ million	Group HK\$ million
Total revenue	6,727	9,844	106	14,827	31,504
Inter-segment revenue	-	-	-	(14,805)	(14,805)
Revenue from external customers	6,727	9,844	106	22	16,699
Segment results	1,251	588	81	(1,133)	787
Interest income					16
Finance costs					(21)
Profit before taxation					782
Capital expenditure	26	291	-	182	499
Depreciation	24	254	-	64	342
Impairment of property, plant and equipment	-	5	-	-	5
Write-back of provision for store closure	-	(79)	-	-	(79)

3. Operating (loss)/profit

Unaudited for the 6 months ended 31 December		
	2012	2011
	HK\$ million	HK\$ million
Operating (loss)/profit is arrived at after charging and (crediting) the following:		
Depreciation	434	342
Amortisation of customer relationships	29	29
Loss on disposal of property, plant and equipment	12	1
Impairment of property, plant and equipment	122	5
Net exchange (gains)/losses	(100)	28
Net charge of provision for obsolete inventories	151	9
Occupancy costs		
- Operating lease charge	1,479	1,652
- Other occupancy costs	386	499
Provision for impairment of trade debtors, net	149	76

4. Finance costs

Unaudited for the 6 months ended 31 December		
	2012	2011
	HK\$ million	HK\$ million
Interest on bank loans wholly repayable within five years	13	10
Imputed interest on financial assets and financial liabilities	4	11
	17	21

5. Taxation

Unaudited for the 6 months ended 31 December		
	2012	2011
	HK\$ million	HK\$ million
Current tax		
Hong Kong profits tax		
Provision for current period	2	3
Overseas taxation		
Provision for current period	122	311
Overprovision for prior years	(11)	(41)
	113	273
Deferred tax		
Current period net charge/(credit)	85	(46)
Taxation	198	227

Hong Kong profits tax is calculated at 16.5% (2011: 16.5%) on the estimated assessable profit for the period, net of tax losses carried forward, if applicable.

Overseas (outside of Hong Kong) taxation has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group companies operate, net of tax losses carried forward, if applicable.

6. Interim dividend

Unaudited for the 6 months ended 31 December		
	2012	2011
	HK\$ million	HK\$ million
No interim dividend declared (2011: HK\$0.26 per share)	-	336

The amount of interim dividend for the six months ended 31 December 2011 was based on 1,290,437,683 shares in issue on 23 February 2012.

7. (Loss)/earnings per share

Basic

Basic loss or earnings per share is calculated by dividing the loss or profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the period.

Unaudited for the 6 months ended 31 December		
	2012	2011
		(Adjusted)
(Loss)/profit attributable to shareholders of the Company (HK\$ million)	(465)	555
Weighted average number of ordinary shares in issue (million)	1,574	1,465
Basic (loss)/earnings per share (HK dollars per share)	(0.30)	0.38

Diluted

Diluted loss or earnings per share for the six months ended 31 December 2012 and 2011 were the same as the basic loss or earnings per share since the share options had anti-dilutive effect.

The basic and diluted earnings per share for the six months ended 31 December 2011 have been adjusted to reflect the effect of a rights issue of the Company during the period.

8. Property, plant and equipment

	Unaudited
	HK\$ million
At 1 July 2012	4,489
Exchange translation	249
Additions	475
Disposals	(14)
Depreciation (Note 3)	(434)
Impairment charge (Note 3)	(122)
At 31 December 2012	4,643

9. Debtors, deposits and prepayments

Debtors, deposits and prepayments include trade debtors. The ageing analysis by due date of trade debtors net of provision for impairment is as follows:

	Unaudited 31 December 2012 HK\$ million	Audited 30 June 2012 HK\$ million
Current portion	1,890	1,750
1-30 days	253	169
31-60 days	155	125
61-90 days	74	114
Over 90 days	334	323
Amount past due but not impaired	816	731
	2,706	2,481

The Group's sales to retail customers are made in cash, bank transfer or by credit card. The Group also grants credit period, which is usually 30 to 60 days to certain wholesale and franchise customers.

10. Cash, bank balances and deposits

	Unaudited 31 December 2012 HK\$ million	Audited 30 June 2012 HK\$ million
Bank balances and cash	1,791	2,576
Bank deposits with maturities within three months	1,005	595
Bank deposits with maturities of more than three months	3,987	-
	6,783	3,171

11. Creditors and accrued charges

Creditors and accrued charges include trade creditors. The ageing analysis by due date of trade creditors is as follows:

	Unaudited 31 December 2012 HK\$ million	Audited 30 June 2012 HK\$ million
0-30 days	954	1,369
31-60 days	22	27
61-90 days	11	9
Over 90 days	53	29
	1,040	1,434

12. Provision for store closure

Movements in provision for store closure are as follows:

	Unaudited for the 6 months ended 31 December	
	2012 HK\$ million	2011 HK\$ million
At 1 July	446	1,992
Additional/(write-back of) provision for store closure	21	(79)
Amounts used during the period	(206)	(125)
Exchange translation	17	(88)
At 31 December	278	1,700

The provision for store closure was made in connection with the divestment of operations in North America and the store closure programme for Europe and Asia Pacific announced in the prior fiscal years. The plan to divest the retail operation in North America was completed and all retail stores in North America were closed as at 30 June 2012.

The amounts used during the period include compensation paid to landlords and staff, payments of other direct costs attributable to store closure/divestment and occupancy costs under lease contracts recognised during the period.

13. Bank loans

At 31 December 2012, the Group's bank loans were payable as follows:

	Unaudited 31 December 2012 HK\$ million	Audited 30 June 2012 HK\$ million
Unsecured short-term bank loans	249	122
Unsecured long-term bank loans repayable within one year	520	520
	769	642
Unsecured long-term bank loans repayable between one and two years	520	520
Unsecured long-term bank loans repayable between two and five years	520	520
	1,809	1,682

The carrying amounts of the total borrowings are denominated in the following currencies and interest rate structure:

	Unaudited 31 December 2012 HK\$ million	Audited 30 June 2012 HK\$ million
Fixed rate borrowings		
Renminbi	249	122
Floating rate borrowings		
Hong Kong dollar	1,560	1,560
	1,809	1,682

14. Share capital

	Number of shares of HK\$0.10 each Million	Unaudited HK\$ million
Authorised		
At 1 July 2012	2,000	200
Increase (Note a)	1,000	100
At 31 December 2012	3,000	300

	Number of shares of HK\$0.10 each Million	Nominal value HK\$ million
Issued and fully paid		
At 1 July 2012	1,291	129
Exercise of share options (Note b)	1	-
Issue of rights shares (Note c)	646	65
At 31 December 2012	1,938	194

Notes:

(a) Increase in authorised share capital

Pursuant to an ordinary resolution passed at the annual general meeting on 6 December 2012, the authorised share capital of the Company was increased from HK\$200 million to HK\$300 million by creation of an additional HK\$100 million divided into 1,000 million shares of HK\$0.10 each.

(b) Exercise of share options

During the period, 1,200,000 ordinary shares of HK\$0.10 each were issued in respect of share options exercised under the share option scheme at an exercise price of HK\$8.76 each (representing a premium of HK\$8.66 each).

(c) Issue of rights shares

During the period, 646,088,057 new shares of HK\$0.10 each were issued and allotted under the rights issue at the subscription price of HK\$8.00 each on the basis of one rights share for every two existing shares held by the shareholders on 2 November 2012.

15. Operating lease commitments

The total future minimum lease payments under non-cancellable operating leases are as follows:

	Unaudited 31 December 2012 HK\$ million	Audited 30 June 2012 HK\$ million
Land and buildings		
- within one year	2,548	2,504
- in the second to fifth year inclusive	7,739	7,432
- after the fifth year	4,391	4,568
	14,678	14,504
Other equipment		
- within one year	22	27
- in the second to fifth year inclusive	21	13
	43	40
	14,721	14,544

The operating lease rentals of certain retail outlets are based on the higher of a minimum guaranteed rental or a sales level based rental. The minimum guaranteed rental has been used to arrive at the above commitments.

The total future minimum lease receipts under non-cancellable subleases in respect of land and buildings at 31 December 2012 are HK\$194 million (30 June 2012: HK\$188 million).

16. Capital commitments

	Unaudited 31 December 2012 HK\$ million	Audited 30 June 2012 HK\$ million
Property, plant and equipment		
- Contracted but not provided for	716	150
- Authorised but not contracted for	373	1,289
	1,089	1,439

17. Derivative financial instruments

The Group enters into forward foreign exchange contracts in the management of its exchange rate exposures. The instruments purchased are primarily denominated in the currencies of the Group's principal markets.

At 31 December 2012, the fair values of the forward foreign exchange contracts included in other receivables and other payables are as follows:

	Unaudited 31 December 2012		Audited 30 June 2012	
	Assets HK\$ million	Liabilities HK\$ million	Assets HK\$ million	Liabilities HK\$ million
Forward foreign exchange contracts				
- Cash flow hedges	-	130	127	1

These amounts are based on market values of equivalent instruments at the balance sheet date.

At the balance sheet date, the total notional amount of outstanding forward foreign exchange contracts to which the Group has committed is as below:

	Unaudited 31 December 2012 HK\$ million	Audited 30 June 2012 HK\$ million
Forward foreign exchange contracts	3,616	3,741

05

OTHER INFORMATION

05 Other information

Directors' profile

Executive Directors

Jose Manuel MARTINEZ GUTIERREZ, aged 43, was appointed as an Executive Director of the Company and Group Chief Executive Officer on 26 September 2012. He is a member of the Remuneration Committee and General Committee of the Board and a director of certain subsidiaries of the Company. He obtained a Bachelor's Degree in Business Administration from Universidad Autónoma de Madrid, and a Master in Business Administration Degree (Honours with Distinction) from J.L. Kellogg Business School, Northwestern University.

Mr MARTINEZ's professional career spans investment banking, strategy consulting and senior management positions in the global retail and consumer goods industries. Most recently, he was the group director of distribution and operations for Industria De Diseño Textil, S.A. ("Inditex"), based in Spain. Operating in more than eighty countries across five continents, Inditex is one of the world's largest fashion retailers and owner of brands including Zara and Massimo Dutti. In this role, Mr MARTINEZ managed the group's distribution to its extensive global retail network. Over his 9 years at Inditex, Mr MARTINEZ has led cross-functional transformation projects encompassing multiple business areas to overhaul and improve Inditex's supply chain management. Initially, Mr MARTINEZ held the position of country manager for the Zara brand across Scandinavia, where he had top and bottom line accountability.

Prior to joining Inditex, Mr MARTINEZ spent 8 years at McKinsey & Company leading the firm's retail and consumer goods practice in Spain and advising clients in Europe and South America on strategy, sales and marketing and store operations.

Thomas TANG Wing Yung, aged 57, was appointed as an Executive Director of the Company and Group Chief Financial Officer on 2 May 2012. He is a member of the General Committee of the Board and a director of certain subsidiaries of the Company. Mr TANG obtained a Bachelor of Science degree in Modern Mathematics from Surrey University, United Kingdom. He has been an associate member of The Institute of Chartered Accountants in England and Wales since 1981. He is also a fellow member of The Hong Kong Institute of Certified Public Accountants (Practising) and has over 30 years of experience in accounting and finance.

Prior to joining the Company, Mr TANG was executive director and chief financial officer of Sino Land Company Limited and Sino Hotels (Holdings) Limited, and chief financial officer of Tsim Sha Tsui Properties Limited until his resignation in March 2012. He first joined these three companies as chief financial officer in November 2003. All these companies are listed on the main board of The Stock Exchange of Hong Kong Limited. Prior to joining the Sino group, he was a managing director of an investment and financial advisory services firm that is a member of an international group, overseeing operations in the Asia-Pacific region. Mr TANG started his career as an accountant working for Peat Marwick (KPMG) in London and Hong Kong.

Non-executive Directors

Raymond OR Ching Fai, aged 63, has been an Independent Non-executive Director of the Company since 1996 and became Chairman of the Board effective from 13 June 2012. He is the Chairman of the Nomination Committee of the Board, a director of a subsidiary and a trustee of a trust of the Company. Mr OR is an executive director, chief executive officer and chairman of China Strategic Holdings Limited, an independent non-executive director and a vice chairman of G-Resources Group Ltd. and an independent non-executive director of Chow Tai Fook Jewellery Group Limited, Industrial and Commercial Bank of China Limited and Television Broadcasts Limited. All these companies are listed on The Stock Exchange of Hong Kong Limited. He was the former vice chairman and chief executive of Hang Seng Bank Limited, the former chairman of Hang Seng Life Limited and a director of The Hongkong and Shanghai Banking Corporation Limited, Cathay Pacific Airways Limited and Hutchison Whampoa Limited until his retirement in May 2009.

Paul CHENG Ming Fun, aged 76, has been an Independent Non-executive Director of the Company since November 2002 and became Deputy Chairman of the Board effective from 20 July 2008. He is the Chairman of the Remuneration Committee and a member of the Nomination Committee of the Board, a director of a subsidiary and a trustee of a trust of the Company. Mr CHENG is an independent non-executive director of Chow Tai Fook Jewellery Group Limited, a company listed on The Stock Exchange of Hong Kong Limited. He is an independent non-executive director of Global Logistic Properties Limited, a company listed on the Singapore Stock Exchange. He is also an independent non-executive chairman of Vietnam Infrastructure Ltd. and an independent non-executive director of Pacific Alliance China Land Ltd., both companies are listed on the AIM Board of the London Stock Exchange. Mr CHENG was a former member of the Hong Kong Legislative Council as well as the former chairman of Inchcape Pacific Limited, N M Rothschild & Sons (Hong Kong) Ltd., The Link Management Limited and the Hong Kong General Chamber of Commerce. He is currently an Honorary Steward of the Hong Kong Jockey Club.

Eva CHENG LI Kam Fun, aged 60, was appointed as an Independent Non-executive Director of the Company on 6 December 2012. She is a member of the Audit Committee and Remuneration Committee of the Board. She was the former corporate executive vice president of Amway Corporation, a global direct selling company which markets consumer products in the health, beauty, homecare and hometech categories. Mrs CHENG began her career with Amway in Hong Kong in 1977 and had an outstanding track record in the launch and development of Amway markets in the Greater China and Southeast Asia regions. Mrs CHENG is best known for leading Amway's entry into China in 1991, and served as chairperson of Amway China until her retirement in 2011. Under her leadership, Amway China overcame significant regulatory and operating challenges, and grew to become a business enterprise with remarkable revenues. In 2008 and 2009, Mrs CHENG was twice listed by Forbes as one of the "World's 100 Most Powerful Women".

Mrs CHENG is currently an independent non-executive director of Trinity Limited, a company listed on The Stock Exchange of Hong Kong Limited, and a non-executive director of Amway (Malaysia) Holdings Berhad, a company listed on the main market of Bursa Malaysia Securities Berhad. In the areas of public and community service, Mrs CHENG currently serves as chairperson of the Amway Charity Foundation in China. She is also a member of the executive committee of the All-China Women's Federation and a member of the Chinese People's Political Consultative Conference - Guangdong Commission. In Hong Kong, Mrs CHENG is currently honorary president of the All-China Women's Federation Hong Kong Delegates Association, honorary president of the Hong Kong Federation of Women, permanent honorary committee member of The Chinese General Chamber of Commerce, and a member of the Council on Human Reproductive Technology.

Mrs CHENG obtained a Bachelor of Arts (Honours) degree and a Master of Business Administration degree from the University of Hong Kong.

Jürgen Alfred Rudolf FRIEDRICH, aged 74, founded Esprit's European operations in 1976 and has been a Non-executive Director of the Company since 1997. He is a member of the Audit Committee and Remuneration Committee of the Board. Mr FRIEDRICH has over 32 years of experience in the apparel distribution and marketing business and is currently retired in Switzerland.

Alexander Reid HAMILTON, aged 71, has been an Independent Non-executive Director of the Company since August 1995. He is the Chairman of the Audit Committee and a member of the Nomination Committee of the Board. Mr HAMILTON is a director of CITIC Pacific Limited, COSCO International Holdings Limited and Shangri-La Asia Limited. All these companies are listed on The Stock Exchange of Hong Kong Limited. He is also a director of Octopus Cards Limited and a number of other Hong Kong companies. He was a director of China COSCO Holdings Company Limited. He was a partner of Price Waterhouse with whom he practiced for 16 years.

Norbert Adolf PLATT, aged 65, was appointed as an Independent Non-executive Director of the Company on 6 December 2012. He is a member of the Audit Committee and Remuneration Committee of the Board. He has 40 years of extensive experience in the industry of luxury goods. Mr PLATT was the chief executive officer of the Richemont group from October 2004 to March 2010. The Richemont group's luxury goods interests encompass a portfolio of internationally renowned brands including Cartier, Van Cleef & Arpels, Piaget, Montblanc, Chloé and Alfred Dunhill. Under his leadership, the Richemont group recorded significant growth in turnover and profits. Mr PLATT is currently a non-executive director of Compagnie Financière Richemont SA, the holding company of the Richemont group which is listed in Switzerland, and chairman of Montblanc Simplo GmbH based in Hamburg, Germany.

Prior to acting as chief executive officer of the Richemont group, Mr PLATT was the chief executive officer of Montblanc International GmbH ("Montblanc International") between 1987 and 2004. Mr PLATT successfully transformed Montblanc International from a maker of writing instruments into a diversified and globally renowned manufacturer of luxury goods. Under his leadership, Montblanc International recorded remarkable growth in its turnover. From 1972 to 1987, Mr PLATT held various chief executive positions in Rollei Singapore and Germany.

Mr PLATT graduated with a Master of Science Degree in precision mechanical engineering, and attended business management and marketing programmes at Harvard Business School of Harvard University and INSEAD.

Disclosure of information of Directors

Pursuant to rule 13.51B(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the changes of information on Directors are as follows:

Reference is made to the Company's announcement dated 6 December 2012 in relation to the change of composition of the Board Committees with effect from 6 December 2012. Following the change, Mr Raymond OR Ching Fai is entitled to a director's fee of HK\$2,150,000 per annum, comprising HK\$1,520,000 for acting as Chairman of the Board, HK\$480,000 for his directorship and HK\$150,000 for acting as Chairman of Nomination Committee. Mr Paul CHENG Ming Fun is entitled to a director's fee of HK\$790,000 per annum, comprising HK\$75,000 for acting as Deputy Chairman of the Board, HK\$480,000 for his directorship, HK\$150,000 for acting as Chairman of Remuneration Committee and HK\$85,000 for acting as a member of Nomination Committee. Mr Jürgen Alfred Rudolf FRIEDRICH is entitled to a director's fee of HK\$665,000 per annum, comprising HK\$480,000 for his directorship, HK\$100,000 for acting as a member of Audit Committee and HK\$85,000 for acting as a member of Remuneration Committee. Mr Alexander Reid HAMILTON is entitled to a director's fee of HK\$735,000, comprising HK\$480,000 for his directorship, HK\$170,000 for acting as Chairman of Audit Committee and HK\$85,000 for acting as a member of Nomination Committee.

Directors' interests and short positions in shares, underlying shares and debentures

As at 31 December 2012, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, were as follows:

(1) Shares of the Company

Name of directors	Capacity	Beneficial interest in shares	Beneficial interest in unlisted underlying shares (Note 4)	Total number of shares	Approximate percentage of aggregate interests to total issued share capital
Paul CHENG Ming Fun	Beneficial owner (Note 1)	525,000	-	525,000	0.03%
Jürgen Alfred Rudolf FRIEDRICH	Beneficial owner (Note 2)	45,500,000	-	45,553,669	2.35%
	Interest of spouse (Note 3)	53,669	-		

Notes:

- The interests of the 525,000 shares were held jointly by Mr Paul CHENG Ming Fun and his spouse, Mrs Janet Mary CHENG.
- Mr Jürgen Alfred Rudolf FRIEDRICH has entered into a securities lending agreement with a third party for the interest of 10,000,000 shares beneficially owned by him.
- The shares were held by Mrs Anke Beck FRIEDRICH, the spouse of Mr Jürgen Alfred Rudolf FRIEDRICH.
- The interests of Directors and chief executives of the Company in the underlying shares of equity derivatives in respect of share options granted to them pursuant to the 2001 Share Option Scheme and the 2009 Share Option Scheme are detailed in "Share Options" section below.
- All interests disclosed above represent long position in the shares and underlying shares of the Company.

(2) Share options of the Company

The interests of the Directors and chief executives of the Company in the share options of the Company are detailed in "Share Options" section below.

Share options

2001 share option scheme

The Company adopted a share option scheme on 26 November 2001 (the "2001 Share Option Scheme"). The 2001 Share Option Scheme was terminated on 10 December 2009, notwithstanding that the share options which have been granted and remained outstanding and/or committed as of that date shall continue to follow the provisions of the 2001 Share Option Scheme and the Listing Rules. A summary of the movements of the outstanding share options during the period under the 2001 Share Option Scheme are as follows:

Director

Ronald VAN DER VIS

(Resigned with effect from 26 September 2012)

(Through Pisces Investments Limited, of which Pisces Trust controlled 100% share interest. Mr Ronald VAN DER VIS is the settlor of the trust which beneficiaries are Mr Ronald VAN DER VIS, his spouse, Mrs Eef WOLTERS e/v VAN DER VIS and his child Mr Floris Maximilian Pieter Daniel VAN DER VIS.)

Date of grant (dd/mm/yyyy)	Exercise price (HK\$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	Number of share options				As at 31/12/2012
				As at 01/07/2012	Granted	Exercised	Lapsed	
22/06/2009	46.45	22/06/2010	22/06/2010 - 21/06/2015	1,600,000	-	-	1,600,000	-
		22/06/2011	22/06/2011 - 21/06/2015	1,600,000	-	-	1,600,000	-
		22/06/2012	22/06/2012 - 21/06/2015	1,600,000	-	-	1,600,000	-
		22/06/2013	22/06/2013 - 21/06/2015	1,600,000	-	-	1,600,000	-
		22/06/2014	22/06/2014 - 21/06/2015	1,600,000	-	-	1,600,000	-
In aggregate				8,000,000	-	-	8,000,000	-

Employees & consultants

Date of grant (dd/mm/yyyy)	Exercise price (HK\$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	Number of share options				As at 31/12/2012
				As at 01/07/2012	Granted	Exercised	Lapsed	
27/11/2006	80.60	27/11/2008	27/11/2008 - 26/11/2012	90,000	-	-	90,000	-
		27/11/2009	27/11/2009 - 26/11/2012	90,000	-	-	90,000	-
		27/11/2010	27/11/2010 - 26/11/2012	90,000	-	-	90,000	-
		27/11/2011	27/11/2011 - 26/11/2012	90,000	-	-	90,000	-
04/12/2006	79.49	04/12/2007	04/12/2007 - 03/12/2012	120,000	-	-	120,000	-
		04/12/2008	04/12/2008 - 03/12/2012	135,000	-	-	135,000	-
		04/12/2009	04/12/2009 - 03/12/2012	135,000	-	-	135,000	-
		04/12/2010	04/12/2010 - 03/12/2012	135,000	-	-	135,000	-
		04/12/2011	04/12/2011 - 03/12/2012	135,000	-	-	135,000	-
05/12/2006	80.95	05/12/2007	05/12/2007 - 04/12/2012	260,000	-	-	260,000	-
		05/12/2008	05/12/2008 - 04/12/2012	260,000	-	-	260,000	-
		05/12/2009	05/12/2009 - 04/12/2012	260,000	-	-	260,000	-
		05/12/2010	05/12/2010 - 04/12/2012	260,000	-	-	260,000	-
		05/12/2011	05/12/2011 - 04/12/2012	260,000	-	-	260,000	-
07/02/2007	83.00	07/02/2008	07/02/2008 - 06/02/2013	40,000	-	-	-	40,000
		07/02/2009	07/02/2009 - 06/02/2013	40,000	-	-	-	40,000
		07/02/2010	07/02/2010 - 06/02/2013	40,000	-	-	-	40,000
		07/02/2011	07/02/2011 - 06/02/2013	40,000	-	-	-	40,000
		07/02/2012	07/02/2012 - 06/02/2013	40,000	-	-	-	40,000
04/12/2007	119.00	04/12/2008	04/12/2008 - 03/12/2013	135,000	-	-	30,000	105,000
		04/12/2009	04/12/2009 - 03/12/2013	135,000	-	-	30,000	105,000
		04/12/2010	04/12/2010 - 03/12/2013	135,000	-	-	30,000	105,000
		04/12/2011	04/12/2011 - 03/12/2013	135,000	-	-	30,000	105,000
		04/12/2012	04/12/2012 - 03/12/2013	135,000	-	-	75,000	60,000

2001 share option scheme (continued)

Employees & consultants (continued)

Date of grant (dd/mm/yyyy)	Exercise price (HK\$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	Number of share options				As at 31/12/2012
				As at 01/07/2012	Granted	Exercised	Lapsed	
05/12/2007	118.70	05/12/2008	05/12/2008 - 04/12/2013	195,000	-	-	30,000	165,000
		05/12/2009	05/12/2009 - 04/12/2013	195,000	-	-	30,000	165,000
		05/12/2010	05/12/2010 - 04/12/2013	195,000	-	-	30,000	165,000
		05/12/2011	05/12/2011 - 04/12/2013	195,000	-	-	30,000	165,000
		05/12/2012	05/12/2012 - 04/12/2013	195,000	-	-	60,000	135,000
31/01/2008	100.80	31/01/2009	31/01/2009 - 30/01/2014	320,000	-	-	40,000	280,000
		31/01/2010	31/01/2010 - 30/01/2014	320,000	-	-	40,000	280,000
		31/01/2011	31/01/2011 - 30/01/2014	320,000	-	-	40,000	280,000
		31/01/2012	31/01/2012 - 30/01/2014	320,000	-	-	40,000	280,000
		31/01/2013	31/01/2013 - 30/01/2014	320,000	-	-	40,000	280,000
11/02/2008	102.12	11/02/2009	11/02/2009 - 10/02/2014	30,000	-	-	-	30,000
		11/02/2010	11/02/2010 - 10/02/2014	30,000	-	-	-	30,000
		11/02/2011	11/02/2011 - 10/02/2014	30,000	-	-	-	30,000
		11/02/2012	11/02/2012 - 10/02/2014	30,000	-	-	-	30,000
		11/02/2013	11/02/2013 - 10/02/2014	30,000	-	-	-	30,000
09/12/2008	44.25	09/12/2009	09/12/2009 - 08/12/2014	195,000	-	-	30,000	165,000
		09/12/2010	09/12/2010 - 08/12/2014	195,000	-	-	30,000	165,000
		09/12/2011	09/12/2011 - 08/12/2014	195,000	-	-	30,000	165,000
		09/12/2012	09/12/2012 - 08/12/2014	195,000	-	-	60,000	135,000
		09/12/2013	09/12/2013 - 08/12/2014	195,000	-	-	60,000	135,000
11/12/2008	45.95	11/12/2009	11/12/2009 - 10/12/2014	396,000	-	-	56,000	340,000
		11/12/2010	11/12/2010 - 10/12/2014	396,000	-	-	56,000	340,000
		11/12/2011	11/12/2011 - 10/12/2014	396,000	-	-	56,000	340,000
		11/12/2012	11/12/2012 - 10/12/2014	340,000	-	-	40,000	300,000
		11/12/2013	11/12/2013 - 10/12/2014	340,000	-	-	40,000	300,000
05/02/2009	39.76	05/02/2010	05/02/2010 - 04/02/2015	358,000	-	-	54,000	304,000
		05/02/2011	05/02/2011 - 04/02/2015	388,000	-	-	54,000	334,000
		05/02/2012	05/02/2012 - 04/02/2015	388,000	-	-	54,000	334,000
		05/02/2013	05/02/2013 - 04/02/2015	388,000	-	-	54,000	334,000
		05/02/2014	05/02/2014 - 04/02/2015	388,000	-	-	54,000	334,000
09/02/2009	41.70	09/02/2010	09/02/2010 - 08/02/2015	30,000	-	-	-	30,000
		09/02/2011	09/02/2011 - 08/02/2015	30,000	-	-	-	30,000
		09/02/2012	09/02/2012 - 08/02/2015	30,000	-	-	-	30,000
		09/02/2013	09/02/2013 - 08/02/2015	30,000	-	-	-	30,000
		09/02/2014	09/02/2014 - 08/02/2015	30,000	-	-	-	30,000
09/12/2009	53.74	09/12/2010	09/12/2010 - 08/12/2015	352,000	-	-	64,000	288,000
		09/12/2011	09/12/2011 - 08/12/2015	352,000	-	-	64,000	288,000
		09/12/2012	09/12/2012 - 08/12/2015	352,000	-	-	64,000	288,000
		09/12/2013	09/12/2013 - 08/12/2015	352,000	-	-	64,000	288,000
		09/12/2014	09/12/2014 - 08/12/2015	352,000	-	-	64,000	288,000
11/12/2009	53.90	11/12/2010	11/12/2010 - 10/12/2015	297,000	-	-	42,000	255,000
		11/12/2011	11/12/2011 - 10/12/2015	297,000	-	-	42,000	255,000
		11/12/2012	11/12/2012 - 10/12/2015	255,000	-	-	30,000	225,000
		11/12/2013	11/12/2013 - 10/12/2015	255,000	-	-	30,000	225,000
		11/12/2014	11/12/2014 - 10/12/2015	255,000	-	-	30,000	225,000
04/02/2010	57.70	04/02/2011	04/02/2011 - 03/02/2016	240,000	-	-	30,000	210,000
		04/02/2012	04/02/2012 - 03/02/2016	240,000	-	-	30,000	210,000
		04/02/2013	04/02/2013 - 03/02/2016	240,000	-	-	30,000	210,000
		04/02/2014	04/02/2014 - 03/02/2016	240,000	-	-	30,000	210,000
		04/02/2015	04/02/2015 - 03/02/2016	240,000	-	-	30,000	210,000

2001 share option scheme (continued)

Employees & consultants (continued)

Date of grant (dd/mm/yyyy)	Exercise price (HK\$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	Number of share options				
				As at 01/07/2012	Granted	Exercised	Lapsed	As at 31/12/2012
05/02/2010	55.46	05/02/2011	05/02/2011 - 04/02/2016	111,000	-	-	18,000	93,000
		05/02/2012	05/02/2012 - 04/02/2016	111,000	-	-	18,000	93,000
		05/02/2013	05/02/2013 - 04/02/2016	111,000	-	-	18,000	93,000
		05/02/2014	05/02/2014 - 04/02/2016	111,000	-	-	18,000	93,000
		05/02/2015	05/02/2015 - 04/02/2016	111,000	-	-	18,000	93,000
09/12/2010	37.92	09/12/2011	09/12/2011 - 08/12/2016	264,000	-	-	48,000	216,000
		09/12/2012	09/12/2012 - 08/12/2016	264,000	-	-	48,000	216,000
		09/12/2013	09/12/2013 - 08/12/2016	264,000	-	-	48,000	216,000
		09/12/2014	09/12/2014 - 08/12/2016	264,000	-	-	48,000	216,000
		09/12/2015	09/12/2015 - 08/12/2016	264,000	-	-	48,000	216,000
13/12/2010	38.10	13/12/2011	13/12/2011 - 12/12/2016	297,000	-	-	42,000	255,000
		13/12/2012	13/12/2012 - 12/12/2016	255,000	-	-	30,000	225,000
		13/12/2013	13/12/2013 - 12/12/2016	255,000	-	-	30,000	225,000
		13/12/2014	13/12/2014 - 12/12/2016	255,000	-	-	30,000	225,000
		13/12/2015	13/12/2015 - 12/12/2016	255,000	-	-	30,000	225,000
11/02/2011	40.40	11/02/2012	11/02/2012 - 10/02/2017	111,000	-	-	18,000	93,000
		11/02/2013	11/02/2013 - 10/02/2017	111,000	-	-	18,000	93,000
		11/02/2014	11/02/2014 - 10/02/2017	111,000	-	-	18,000	93,000
		11/02/2015	11/02/2015 - 10/02/2017	111,000	-	-	18,000	93,000
		11/02/2016	11/02/2016 - 10/02/2017	111,000	-	-	18,000	93,000
09/12/2011	11.09	09/12/2012	09/12/2012 - 08/12/2017	264,000	-	-	48,000	216,000
		09/12/2013	09/12/2013 - 08/12/2017	264,000	-	-	48,000	216,000
		09/12/2014	09/12/2014 - 08/12/2017	264,000	-	-	48,000	216,000
		09/12/2015	09/12/2015 - 08/12/2017	264,000	-	-	48,000	216,000
		09/12/2016	09/12/2016 - 08/12/2017	264,000	-	-	48,000	216,000
In aggregate				20,209,000	-	-	5,089,000	15,120,000

2001 share option scheme (continued)

Others

Date of grant (dd/mm/yyyy)	Exercise price (HK\$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	Number of share options				As at 31/12/2012
				As at 01/07/2012	Granted	Exercised	Lapsed	
07/02/2007	83.00	07/02/2008	07/02/2008 - 06/02/2013	160,000	-	-	-	160,000
		07/02/2009	07/02/2009 - 06/02/2013	160,000	-	-	-	160,000
		07/02/2010	07/02/2010 - 06/02/2013	160,000	-	-	-	160,000
		07/02/2011	07/02/2011 - 06/02/2013	160,000	-	-	-	160,000
		07/02/2012	07/02/2012 - 06/02/2013	160,000	-	-	-	160,000
11/02/2008	102.12	11/02/2009	11/02/2009 - 10/02/2014	120,000	-	-	-	120,000
		11/02/2010	11/02/2010 - 10/02/2014	120,000	-	-	-	120,000
		11/02/2011	11/02/2011 - 10/02/2014	120,000	-	-	-	120,000
		11/02/2012	11/02/2012 - 10/02/2014	120,000	-	-	-	120,000
		11/02/2013	11/02/2013 - 10/02/2014	120,000	-	-	-	120,000
09/02/2009	41.70	09/02/2010	09/02/2010 - 08/02/2015	360,000	-	-	240,000	120,000
		09/02/2011	09/02/2011 - 08/02/2015	360,000	-	-	240,000	120,000
		09/02/2012	09/02/2012 - 08/02/2015	360,000	-	-	240,000	120,000
		09/02/2013	09/02/2013 - 08/02/2015	120,000	-	-	-	120,000
		09/02/2014	09/02/2014 - 08/02/2015	120,000	-	-	-	120,000
09/02/2010	56.90	09/02/2011	09/02/2011 - 08/02/2016	180,000	-	-	180,000	-
		09/02/2012	09/02/2012 - 08/02/2016	180,000	-	-	180,000	-
11/02/2011	40.40	11/02/2012	11/02/2012 - 10/02/2017	180,000	-	-	180,000	-
In aggregate				3,260,000	-	-	1,260,000	2,000,000
TOTAL				31,469,000	-	-	14,349,000	17,120,000

Note:

(i) No share options were cancelled under the 2001 Share Option Scheme during the six months ended 31 December 2012.

2009 share option scheme

The Company adopted a new share option scheme on 10 December 2009 (the "2009 Share Option Scheme"). Details of the grant of share options and a summary of the movements of the outstanding share options during the period under the 2009 Share Option Scheme are as follows:

Director

Ronald VAN DER VIS

(Resigned with effect from 26 September 2012)

(Through Pisces Investments Limited, of which Pisces Trust controlled 100% share interest. Mr Ronald VAN DER VIS is the settlor of the trust which beneficiaries are Mr Ronald VAN DER VIS, his spouse, Mrs Eef WOLTERS e/v VAN DER VIS and his child Mr Floris Maximilian Pieter Daniel VAN DER VIS.)

Date of grant (dd/mm/yyyy)	Exercise price (HK\$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	Number of share options				As at 31/12/2012
				As at 01/07/2012	Granted	Exercised	Lapsed	
27/09/2010	43.00	27/09/2013	27/09/2013 - 26/09/2020	400,000	-	-	400,000	-
27/09/2011	8.76	27/09/2012 (Note ii)	27/09/2012 - 26/12/2012 (Note ii)	1,200,000	-	1,200,000	-	-
In aggregate				1,600,000	-	1,200,000	400,000	-

2009 share option scheme (continued)

Employees & consultants

Date of grant (dd/mm/yyyy)	Exercise price (HK\$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	Number of share options				
				As at 01/07/2012	Granted	Exercised	Lapsed	As at 31/12/2012
19/04/2010	62.21	19/04/2011	19/04/2011 - 18/04/2016	160,000	-	-	-	160,000
		19/04/2012	19/04/2012 - 18/04/2016	160,000	-	-	-	160,000
		19/04/2013	19/04/2013 - 18/04/2016	160,000	-	-	-	160,000
		19/04/2014	19/04/2014 - 18/04/2016	160,000	-	-	-	160,000
		19/04/2015	19/04/2015 - 18/04/2016	160,000	-	-	-	160,000
02/07/2010	43.93	02/07/2011	02/07/2011 - 01/07/2016	600,000	-	-	-	600,000
		02/07/2012	02/07/2012 - 01/07/2016	600,000	-	-	-	600,000
		02/07/2013	02/07/2013 - 01/07/2016	600,000	-	-	-	600,000
		02/07/2014	02/07/2014 - 01/07/2016	600,000	-	-	-	600,000
		02/07/2015	02/07/2015 - 01/07/2016	600,000	-	-	-	600,000
27/09/2010	43.00	27/09/2013	27/09/2013 - 26/09/2020	5,855,000	-	-	1,450,000	4,405,000
04/10/2010	42.34	04/10/2011	04/10/2011 - 03/10/2016	400,000	-	-	-	400,000
		04/10/2012	04/10/2012 - 03/10/2016	400,000	-	-	-	400,000
		04/10/2013	04/10/2013 - 03/10/2016	400,000	-	-	-	400,000
		04/10/2014	04/10/2014 - 03/10/2016	400,000	-	-	-	400,000
		04/10/2015	04/10/2015 - 03/10/2016	400,000	-	-	-	400,000
11/02/2011	40.40	11/02/2012	11/02/2012 - 10/02/2017	40,000	-	-	-	40,000
		11/02/2013	11/02/2013 - 10/02/2017	40,000	-	-	-	40,000
		11/02/2014	11/02/2014 - 10/02/2017	40,000	-	-	-	40,000
		11/02/2015	11/02/2015 - 10/02/2017	40,000	-	-	-	40,000
		11/02/2016	11/02/2016 - 10/02/2017	40,000	-	-	-	40,000
19/04/2011	34.71	19/04/2012	19/04/2012 - 18/04/2017	120,000	-	-	-	120,000
		19/04/2013	19/04/2013 - 18/04/2017	120,000	-	-	-	120,000
		19/04/2014	19/04/2014 - 18/04/2017	120,000	-	-	-	120,000
		19/04/2015	19/04/2015 - 18/04/2017	120,000	-	-	-	120,000
		19/04/2016	19/04/2016 - 18/04/2017	120,000	-	-	-	120,000
17/05/2011	30.90	17/05/2014	17/05/2014 - 16/05/2021	600,000	-	-	-	600,000
		17/05/2015	17/05/2015 - 16/05/2021	200,000	-	-	-	200,000
		17/05/2016	17/05/2016 - 16/05/2021	200,000	-	-	-	200,000
16/09/2011	18.17	16/09/2012	16/09/2012 - 15/09/2017	30,000	-	-	-	30,000
		16/09/2013	16/09/2013 - 15/09/2017	30,000	-	-	-	30,000
		16/09/2014	16/09/2014 - 15/09/2017	30,000	-	-	-	30,000
		16/09/2014	16/09/2014 - 15/09/2021	600,000	-	-	-	600,000
		16/09/2015	16/09/2015 - 15/09/2017	30,000	-	-	-	30,000
		16/09/2015	16/09/2015 - 15/09/2021	200,000	-	-	-	200,000
		16/09/2016	16/09/2016 - 15/09/2017	30,000	-	-	-	30,000
		16/09/2016	16/09/2016 - 15/09/2021	200,000	-	-	-	200,000
27/09/2011	8.76	27/09/2014	27/09/2014 - 26/09/2021	15,550,000	-	-	1,375,000	14,175,000
18/01/2012	11.40	18/01/2015	18/01/2015 - 17/01/2022	720,000	-	-	-	720,000
		18/01/2016	18/01/2016 - 17/01/2022	240,000	-	-	-	240,000
		18/01/2017	18/01/2017 - 17/01/2022	240,000	-	-	-	240,000
06/03/2012	18.22	06/03/2015	06/03/2015 - 05/03/2022	540,000	-	-	-	540,000
		06/03/2016	06/03/2016 - 05/03/2022	180,000	-	-	-	180,000
		06/03/2017	06/03/2017 - 05/03/2022	180,000	-	-	-	180,000
10/05/2012	14.78	10/05/2013	10/05/2013 - 09/05/2018	120,000	-	-	-	120,000
		10/05/2014	10/05/2014 - 09/05/2018	120,000	-	-	-	120,000
		10/05/2015	10/05/2015 - 09/05/2018	120,000	-	-	-	120,000
		10/05/2016	10/05/2016 - 09/05/2018	120,000	-	-	-	120,000
		10/05/2017	10/05/2017 - 09/05/2018	120,000	-	-	-	120,000

2009 share option scheme (continued)

Employees & consultants (continued)

Date of grant (dd/mm/yyyy)	Exercise price (HK\$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	Number of share options				As at 31/12/2012
				As at 01/07/2012	Granted	Exercised	Lapsed	
06/07/2012	10.02	06/07/2015	06/07/2015 - 05/07/2022	-	540,000	-	-	540,000
		06/07/2016	06/07/2016 - 05/07/2022	-	180,000	-	-	180,000
		06/07/2017	06/07/2017 - 05/07/2022	-	180,000	-	-	180,000
12/12/2012	12.32	12/12/2013	12/12/2013 - 11/12/2018	-	30,000	-	-	30,000
		12/12/2014	12/12/2014 - 11/12/2018	-	30,000	-	-	30,000
		12/12/2015	12/12/2015 - 11/12/2018	-	30,000	-	-	30,000
		12/12/2015	12/12/2015 - 11/12/2022	-	8,440,000	-	75,000	8,365,000
		12/12/2016	12/12/2016 - 11/12/2018	-	30,000	-	-	30,000
		12/12/2017	12/12/2017 - 11/12/2018	-	30,000	-	-	30,000
In aggregate				32,855,000	9,490,000	-	2,900,000	39,445,000
TOTAL				34,455,000	9,490,000	1,200,000	3,300,000	39,445,000

Notes:

- (i) The closing price of the shares of the Company immediately before the share options granted on 6 July 2012 and 12 December 2012 were HK\$10.04 and HK\$12.32 respectively.
- (ii) With effect from 26 September 2012, the vesting date of the share options was accelerated from 27 September 2014 to 27 September 2012 and the exercise period was changed from 27 September 2014 to 26 September 2021 to 27 September 2012 to 26 December 2012.
- (iii) No share options were cancelled under the 2009 Share Option Scheme during the six months ended 31 December 2012.

Share options expenses under 2009 share option scheme

Share option expenses charged to the consolidated income statement are based on valuation determined using the Binomial model. Share options granted during the period were valued based on the following assumptions:

Date of grant	Option value ¹ (HK\$)	Share price at the date of grant ² (HK\$)	Exercise price (HK\$)	Expected volatility ³	Annual risk-free interest rate ⁴	Life of option ⁵	Dividend yield ⁶
6 July 2012	3.50 - 3.67	9.65	10.02	53.37% - 58.96%	0.29% - 0.52%	4 - 6 years	3.82%
12 December 2012	3.98 - 5.00	12.32	12.32	56.41% - 66.50%	0.13% - 0.38%	2 - 6 years	3.82%

- Since the option pricing model requires input of highly subjective assumptions, fair values calculated are therefore inherently subjective and the model may not necessarily provide a reliable measure of share option expense.
- The share price at the date of grant disclosed is the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the relevant share option; where the date of grant of the relevant share option did not fall on a Business Day (as defined in the Listing Rules), the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet immediately preceding the date of grant was disclosed.
- As stated in IFRS 2, the issuer can use either i) implied volatilities obtained from market information; or ii) historical volatilities as expected volatility input to the Binomial option pricing model. Esprit has estimated volatility based on the historical stock prices over the period corresponding to the expected life preceding the date of grant, expressed as an annualised rate and based on daily price changes.
- The risk-free interest rate was based on the market yield of Hong Kong Exchange Fund notes with a remaining life corresponding to the expected option life.
- The expected option life was determined by reference to historical data of option holders' behaviour.
- Dividend yield was based on the average dividend yield (including special dividend) for the three years preceding the year of grant.

Save as disclosed above, at no time during the period under review was the Company or its subsidiaries a party to any arrangement that enabled the Directors of the Company or any of their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial shareholders' interests

As at 31 December 2012, the following shareholders (other than the Directors and chief executives of the Company whose interests or short positions in the shares and underlying shares of the Company as disclosed above) had interests or short positions in the shares and underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of shareholders	Capacity	Number of shares (Long position)	Approximate percentage of aggregate interests to total issued share capital
Lone Pine Capital LLC	Investment manager	202,933,005	10.47%
Total Market Limited (Notes 1 and 2)	Beneficial owner	200,406,000	10.34%
Spring Forest International Limited (Notes 1 and 2)	Interest in a controlled corporation	200,406,000	10.34%
YFT Group Limited (Notes 1 and 2)	Interest in a controlled corporation	200,406,000	10.34%
YFT Holdings Limited (Notes 1 and 2)	Interest in a controlled corporation	200,406,000	10.34%
Michael YING Lee Yuen (Notes 1, 2 and 3)	Interest in a controlled corporation	200,406,000	10.34%
HSBC International Trustee Limited (Notes 1 and 2)	Trustee	200,829,014	10.36%

Notes:

- The entire issued share capital of Total Market Limited ("Total Market") is held by Spring Forest International Limited, which in turn is a wholly-owned subsidiary of YFT Group Limited ("YFT Group"). YFT Group is a wholly-owned subsidiary of YFT Holdings Limited ("YFT Holdings"). HSBC International Trustee Limited ("HITL") controls 100% of YFT Holdings.
- HITL, in its capacity as trustee of the discretionary trust set up by Mr Michael YING Lee Yuen ("Mr YING") as settlor and other discretionary trusts, was directly interested or deemed to be interested in the shares held by Total Market and in the remaining 423,014 shares pursuant to Part XV of the SFO.
- Mr YING was deemed to be interested in the shares held by Total Market pursuant to Part XV of the SFO.

Save as aforesaid and as disclosed in the "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" section of this report, the Company has not been notified by any person who had interest or short position in the shares or underlying shares of the Company as at 31 December 2012 which were required to be notified to the Company pursuant to Part XV of the SFO or which are recorded in the register required to be kept by the Company under Section 336 of the SFO.

Interim dividend

The Board of Directors maintains the dividend payout ratio of 60% of basic earnings per share. As the Group recorded a loss for the six months ended 31 December 2012, the Board of Directors does not recommend the payment of an interim dividend for the six months ended 31 December 2012 (FY2011/2012: HK\$0.26 per share).

Audit Committee

The Audit Committee currently comprises four Non-executive Directors, three of whom are independent. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and has also discussed auditing, internal controls and financial reporting matters including the review of the unaudited interim results of the Group for the six months ended 31 December 2012 with the management.

Human resources

As at 31 December 2012, the Group employed over 12,000 full-time equivalent staff (31 December 2011: over 14,000) around the globe. Competitive remuneration packages that take into account business performance, market practices and competitive market conditions are offered to employees in compensation for their contribution. In addition, share options and discretionary bonuses are also granted based on the Group's and individual's performances. All employees around the world are connected through the Group's quarterly newsletters and global intranet.

Purchase, sale or redemption of the Company's shares

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's shares during the period under review.

American depository receipt programme

The Company has established a Level 1 sponsored American Depository Receipt programme with details as stated hereunder.

Ticker	ESPGY
CUSIP	29666V204
ISIN	US29666V2043
Ratio	2 Ordinary shares: 1 ADR
Country	Hong Kong
Effective Date	18 November 2009
Depository	BNY Mellon

Corporate governance

The Company has applied the principles and complied with the Corporate Governance Code and Corporate Governance Report (the "Code") as set out in Appendix 14 of the Listing Rules for the six months ended 31 December 2012, except that Non-executive Directors of the Company do not have specific term of appointment (code provision A.4.1 of the Code). Nevertheless, under Bye-law 87 of the Company's Bye-laws, all Directors, including Non-executive Directors, of the Company are subject to retirement by rotation and re-election in the annual general meeting of the Company and each Director is effectively appointed under an average term of three years.

For the period from 1 July 2012 to 25 September 2012, the majority of the members of the Nomination Committee of the Board was not Independent Non-executive Directors (code provision A.5.1 of the Code). During the said period, the Nomination Committee comprised two Independent Non-executive Directors, one Non-executive Director and one Executive Director and the Chairman of the Committee who was an Independent Non-executive Director had a casting vote in case of an equality of votes. For the period from 26 September 2012 to 5 December 2012, the Nomination Committee comprised a majority of Independent Non-executive Directors. Effective from 6 December 2012, the Nomination Committee comprises Independent Non-executive Directors only.

Model code for securities transactions by Directors

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code.

The Company has made specific enquiry with all Directors and all of them confirmed that they have complied with the required standard set out in the Model Code for the six months ended 31 December 2012.

Terms of reference

The terms of reference of the Audit, Nomination and Remuneration Committees have been formulated with reference to the Code and have been posted on the Company's website (www.espritholdings.com).

On Behalf of the Board
ESPRIT HOLDINGS LIMITED
Raymond Or Ching Fai
Chairman

Hong Kong, 27 February 2013

06

GLOSSARY OF TERMS

Glossary of terms

Retail		Wholesale	
Term	Definition	Term	Definition
APT	Average price per transaction	Controlled wholesale space	POS which Esprit wholesale management team has control over the look and feel such as Esprit brand name logo, merchandising display, etc. Includes partnership stores, shop-in-stores and identity corners with wholesale customers
Closed store	Closed store locations and includes shrunken and relocated stores	Country distributors	Exclusive distributors for Esprit products in certain countries
Comparable store (comp-store)	A directly managed retail store in existence on 1 July of the previous financial year and is still in operation at the reporting period end date and a. its net sales area has been changed by 10% or less within that period; or b. its cumulative renovated area within the same fiscal year is 20% or less (regardless of any net sales area change)	Franchise stores	Stand-alone stores or concession stores located in department stores managed by wholesale customers which closely resemble our own directly managed retail restores. Esprit provides initial setup support and a wide range of on-going support services to ensure consistency with directly managed retail stores
Comp-store sales growth	Local currency year-on year change in sales generated by comparable stores	Identity corners (IC)	Mainly multi-label retailers offering a limited range of Esprit products. Esprit has less involvement in store appearance
Concession stores	Retail stores situated in big department stores. Offer selective range of product divisions	Multi-label retailers	Retail shops which carry multiple brand labels, where the labels are typically differentiated by using brand specific fixtures and signage
Conversion rate	Measures the portion of traffic which is translated into actual purchase	Partnership stores (PSS)	Same as Franchise stores
Directly managed retail stores	Stores, concessions and outlets fully managed by Esprit. All stores are leased	Shop-in-stores (SIS)	Controlled wholesale space in department stores managed by wholesale customers. Esprit provides initial setup support and a wide range of on-going support services to ensure consistency with directly managed retail stores
e-shop	On-line store	Wholesale sales	Sale of merchandise to third party wholesale customers
New store opening	Newly opened store locations and includes expanded and relocated stores		
Outlet stores	Situated in the vicinity of major markets. Offer product collection exclusively made for outlets and prior season products at a more competitive price		
Retail sales	Direct sale of merchandise to end consumers via directly managed retail stores or e-shop		
Sell-through	Accumulated quantity sold divided by total quantity received by stores		
Traffic	Footfall recorded in a store during a period of time		

Others

Term	Definition
ADR	American Depositary Receipt
Capex	Capital expenditure
DPS	Dividend per share
EPS	Earnings per share
Esprit Club (e-club)	Esprit customer loyalty programme where members can enjoy benefits such as collect points or apply discounts, receive updates on latest news about Esprit, enjoy exclusive offers and more. Benefits vary across different regions
Inventory turnover days	Calculated by dividing average inventory excluding consumables by average daily cost of goods sold for the reporting period
Licensing	For certain product categories, independent third parties are authorised to use the name of Esprit to manufacture and distribute products
NOOS	Never-Out-Of-Stock
Opex	Operating expenditure
POS	Point-of-sales
Segment EBIT margin	Segment earnings before interest income, finance costs and taxation divided by the segment turnover
Sqm	Square metre
Yoy	Year-on-year





ESPRIT





