

INTERIM REPORT

SIX MONTHS ENDED

31 DECEMBER 2009

HONG KONG STOCK CODE 00330

ESPRIT

CORPORATE INFORMATION

Executive Directors

- Heinz Jürgen KROGNER-KORNALIK
Executive Chairman
- Ronald VAN DER VIS
Group CEO
- CHEW Fook Aun
Group CFO

Non-executive Director

- Jürgen Alfred Rudolf FRIEDRICH

Independent Non-executive Directors

- Paul CHENG Ming Fun
Deputy Chairman
- Alexander Reid HAMILTON
- Dr Hans-Joachim KÖRBER
- Raymond OR Ching Fai
- Francesco TRAPANI

Corporate officers

- Heinz Jürgen KROGNER-KORNALIK
Executive Chairman
- Ronald VAN DER VIS
Group CEO
- CHEW Fook Aun
Group CFO

Company Secretary

- Bella CHHOA Peck Lim

Principal bankers

- The Hongkong and Shanghai
Banking Corporation Limited
- Deutsche Bank AG
- China Construction Bank Corporation
- Citibank N.A.
- Citic Ka Wah Bank Limited

Auditor

- PricewaterhouseCoopers
Certified Public Accountants

Principal legal advisors

- 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 Fund Services (Bermuda) Limited
11 Rosebank Centre
Bermudiana Road
Pembroke, Bermuda

Hong Kong branch share registrar

Tricor Secretaries Limited
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28 Queen's Road East
Wanchai, Hong Kong

Registered office

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CORPORATE PROFILE

Esprit is an international youthful lifestyle brand offering smart and affordable luxury and bringing newness and style to the life of our customers. The Group operates with 12 established product lines offering women's wear, men's wear, kid's wear, edc youth as well as shoes and accessories in around 830 directly managed retail stores and over 12,900 controlled-space wholesale point-of-sales internationally. Esprit licenses its trademark to third party licensees that offer non-apparel products that abide by Esprit's quality standards and brand essence.

Esprit was listed on the Hong Kong Stock Exchange in 1993 and is a constituent stock of the Hang Seng Index, MSCI Hong Kong Index, FTSE All-World Index for Hong Kong and S&P/HKEx LargeCap Index and S&P Asia 50 Index.



ESPRIT

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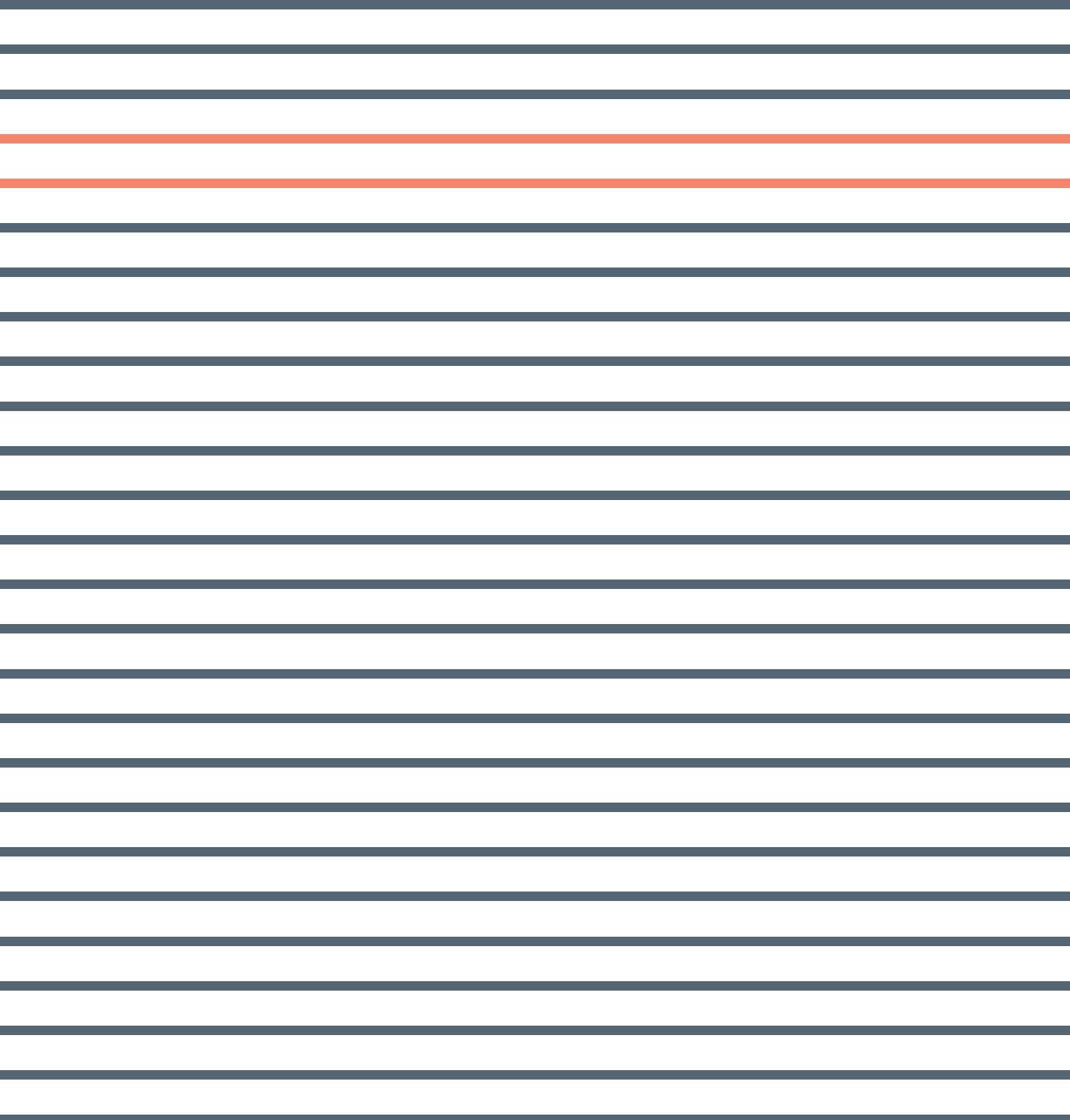
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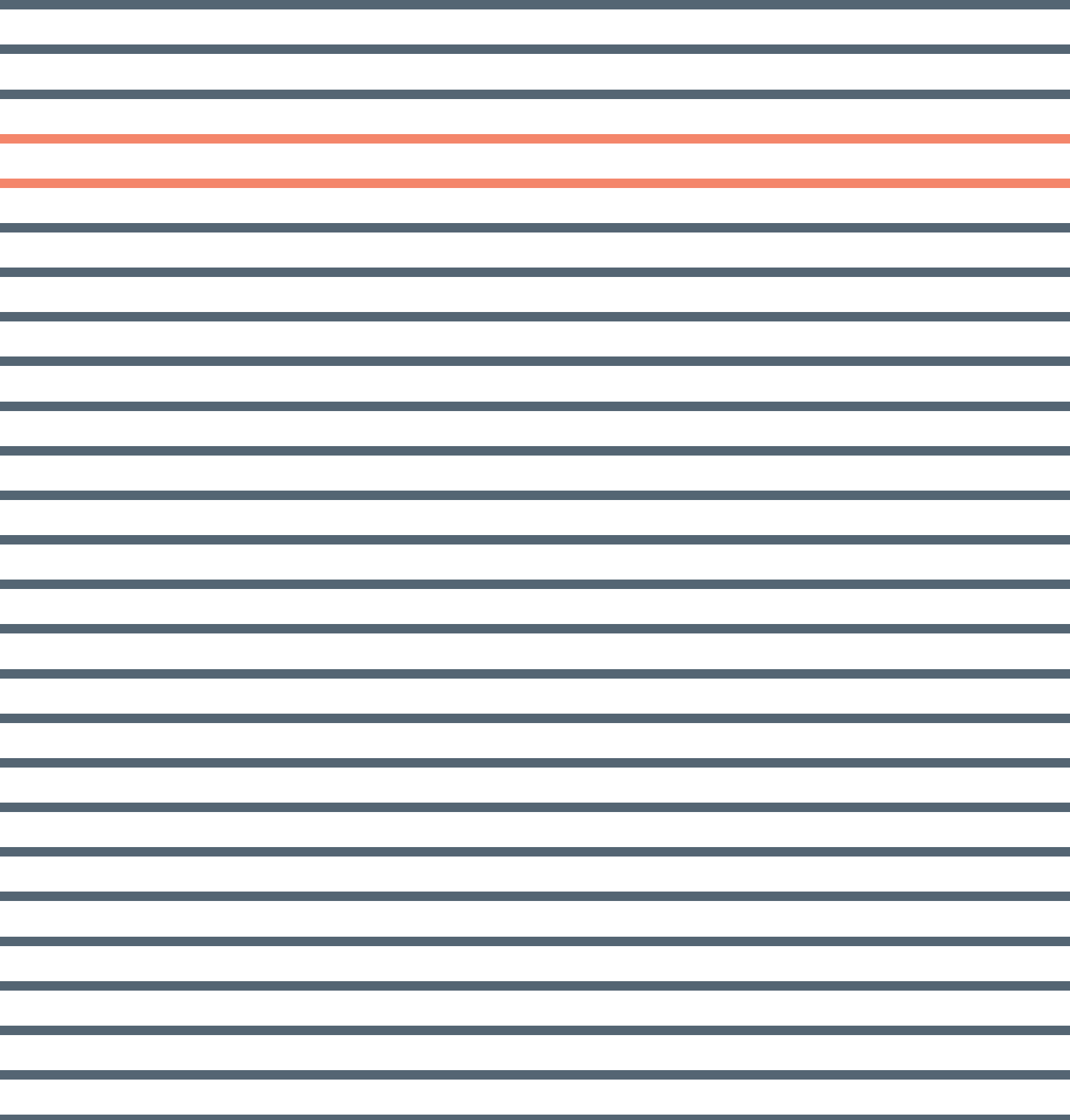


ESPRIT





01 // FINANCIAL HIGHLIGHTS



01.1 FINANCIAL HIGHLIGHTS

- Group turnover down 3.1% while retail turnover up 9.5% year-on-year
- Retail comparable store sales growth +0.4% in second quarter versus -3.5% in first quarter
- Continued strengthening of wholesale channel mix
- Gross profit margin and operating profit margin increased by 2.7 percentage points and 0.3 percentage point year-on-year respectively
- Operating expense increased slightly despite expansion of retail selling space by 10.2% as compared to 31 December 2008
- Continued improvement in working capital efficiency, both inventories and trade receivables declined
- Net cash balance increased HK\$3.0 billion in the six months to HK\$7.9 billion
- Launched strategic initiatives to strengthen platform for growth and profitability

	For the six months ended 31 December			
	2009 HK\$		2008 HK\$	
Turnover	18,475m		19,064m	
Gross Profit	10,098m		9,910m	
Operating Profit	3,367m		3,411m	
Net Profit	2,705m		2,853m	
EPS (Basic)	2.12		2.24	
Net Cash Position (31 Dec)	7,863m		3,848m	
GP Margin	54.7%		52.0%	
Operating Profit Margin	18.2%		17.9%	
Net Profit Margin	14.6%		15.0%	
	HK\$	% of EPS	HK\$	% of EPS
Interim Dividend Per Share	0.74	35%	0.80	35%

TURNOVER BY PRODUCTS

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

casual

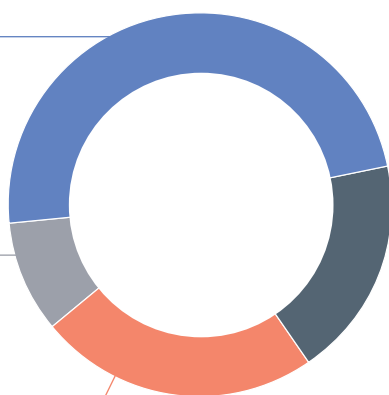
women casual	\$6,515	35.3%	1.4%
men casual	\$2,424	13.1%	0.5%

collection

women collection	\$1,277	6.9%	3.4%
men collection	\$439	2.4%	-1.4%

edc

edc women	\$3,129	17.0%	-4.8%
edc men	\$704	3.8%	-4.4%
edc others^	\$545	2.9%	-2.4%



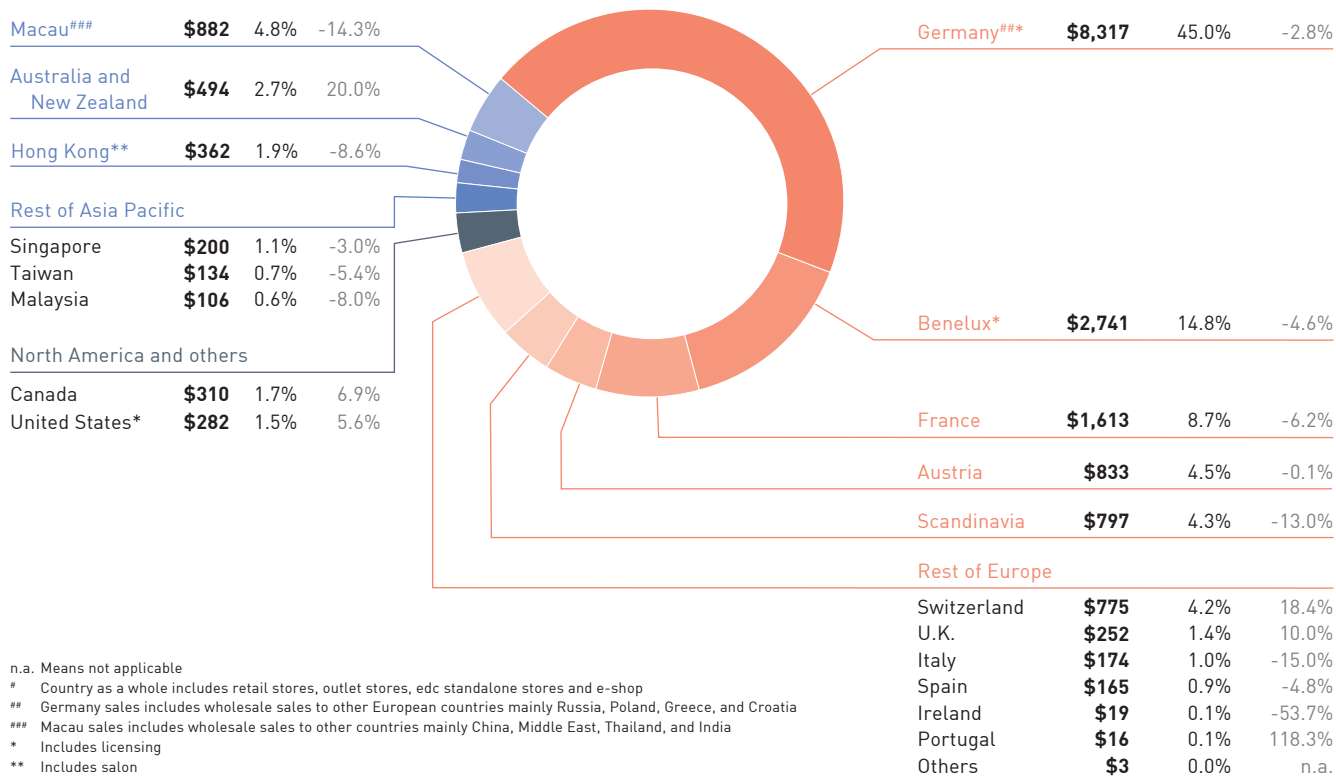
others			
accessories	\$919	5.0%	-7.3%
kids	\$595	3.2%	-10.8%
shoes	\$473	2.6%	-27.4%
bodywear	\$464	2.5%	2.8%
sports	\$355	1.9%	-20.6%
de.corp	\$193	1.0%	17.4%
red earth	\$7	0.0%	-53.7%
Esprit others*	\$436	2.4%	-24.1%

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

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

TURNOVER BY COUNTRIES#

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



n.a. Means not applicable

Country as a whole includes retail stores, outlet stores, edc standalone stores and e-shop

** Germany sales includes wholesale sales to other European countries mainly Russia, Poland, Greece, and Croatia

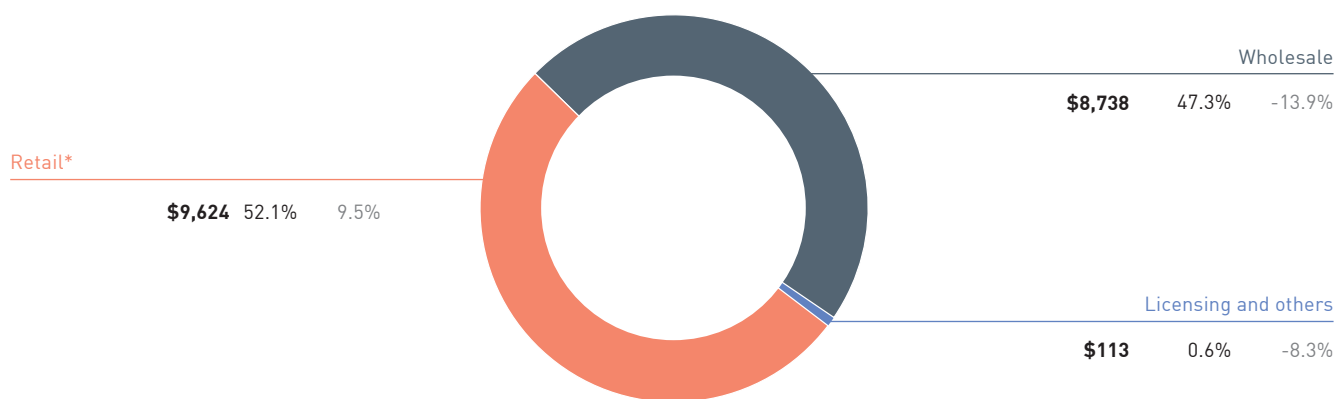
Macau sales includes wholesale sales to other countries mainly China, Middle East, Thailand, and India

* Includes licensing

** Includes salon

TURNOVER BY DISTRIBUTION CHANNELS

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



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



02 // AT A GLANCE



02.1 AT A GLANCE

STORES THAT INSPIRE – IN OLDENBURG, GERMANY AND TSIM SHA TSUI, HONG KONG

The 2 new concept stores opened are presented with entirely new, unique concepts as part of our initiatives to strengthen brand equity. Visual merchandising and store layout can all be changed overnight to bring freshness to customers. Customers at the Oldenburg store can conveniently get a ticket for the queue to the bigger and more comfortable fitting room while they sit in the lounge area sipping the complimentary energising water.



Store openings

Australia	Sydney	Double Bay	
	Melbourne	Chadstone	
Austria	Villach	Atrio	
Belgium	Hasselt	Grote Markt	
Canada	Alberta	Cross Iron Mills	
	Greve	Hundige Storecenter	
Denmark	Kolding	Kolding Storecenter	
	Reims	Rue de Vesle	
France	St. Genevieve	St. Genevieve	
	Berlin	Karl-Marx-Strasse	
Germany	Köln	Hohe Street	
	Essen	Limbecker Platz	
	Münster	Stubengasse	
	Offenbach	Frankfurter Street	
	Würzburg	Barbarossaplatz	
	Nürnberg	Karolinenstrasse	
	Munich	OEZ	
	Hong Kong	Tsim Sha Tsui	Peking Road
	Ireland	Dublin	Arnotts
	Netherlands	Hilversum	Kerkstraat
Eindhoven		WoensXL	
New Zealand	Auckland	Smith & Caughey's	
Singapore	Orchard Road	Somerset	
Spain	Barcelona	Porta del Angel	
Sweden	Sollentuna	Sollentuna Centrum	
Switzerland	Basel	Stücki	
	Morbio Inferiore	Serfontana	
	Sant Antonio	Centro Migros	
	Uster	Gerichtsstrasse	
	St Gallen	Multergasse	
Taiwan	Tao Yuan	Mitsukoshi, Tai Mall	
	Taipei	Jing Jan Shopping Mall	
U.K.	Gloucestershire, Croydon	House of Fraser	
	Huddersfield, Hull		
	Milton Keynes, Solihull		
	Shrewsbury		
United States	Philadelphia	Walnut Street	





OLDENBURG

Oldenburg, Germany store with the opening theme "Fantasy Fall"



HONG KONG

The new flagship store on Peking Road in Hong Kong is featured with its never before seen façade comprised of 24,000 LEDs, it fits right into the exclusive shopping district in Hong Kong.

Legendary "Memphis" design in-store



HOW WE REWARD OUR CUSTOMERS!

Esprit Summer Party in Ratingen, Germany

Around 2,000 customers got the chance to mingle with the hottest celebrities, enjoyed the best food served by Michelin-starred TV chef and burnt off the calories by dancing to the coolest tunes by top DJ Andre Schild. The event was brought to a new high when the catwalk was lowered from the ceiling into the spacious mall, followed by an extravagant show with dynamic choreography.



Platinum members in the Esprit Arena

From 1 July 2009 onwards for a period of at least five years, Esprit is lending its name to Dusseldorf's multi-purpose stadium. To say thank you to our loyal customers, top 10 members of the e-club in Germany were invited to the DFB Pokal battle between Fortuna Dusseldorf vs. Hamburger SV in the Esprit arena, with best seats in the stadium, VIP parking ticket, VIP check in and goodies to take away!



“Catch your Esprit moment” campaign at store openings in Germany
Equipped with a Canon mobile photo studio in a number of store openings in Germany, the Canon “Catch your Esprit moment” campaign from August 2009 to May 2010 allows customers the opportunity to be styled by professional stylists in Esprit products and have professional makeup done before they pose for a fictitious magazine cover shot.



Remember that moment right after our first massive fight? That's when we really know each other for the first time. Every time we fight now, it brings us closer.



“We are going to be rock stars. We're practising our attitude. The music, heh, can come later!”

Peking Road flagship store opening complemented by the extensive “The New Face of Esprit” campaign

“The New Face of Esprit”, across print and the internet was launched to complement the opening of the Hong Kong Peking Road store. 8 groups of friends were selected with their best friendship stories. On top of the cash prize, the groups were featured in the advertisement campaign to generate buzz and media attention. Our reach transcended across age, borders and species – a 70 year-old grandmother and 5 dogs attended casting. More than 292 groups were recruited and the campaign generated more than 700,000 hits on the internet.



ESPRIT IS EVERYWHERE

Collect market feedback via Facebook

Fans of Esprit can keep in touch with us via Facebook. Loaded with information about our current campaigns, promotions, gift ideas and behind the scene videos, our fans can use our wall as a platform to exchange styling tips and give us feedback.

Fashion bloggers sharing styling tips in Sweden

When we opened our first retail store in Sweden in Sollentuna Centrum, we paired up with Veckorevyn, the biggest fashion magazine in Sweden for 18 to 25 year olds, invited their readers as well as Esprit customers to the store opening. In our effort to reach a wider but targeted audience, we invited Sweden's top fashion bloggers, who are now regarded as the impartial and reliable police of fashion, to present their personal pick from Esprit's latest range and to share their styling tips.



ESPRIT PRODUCTS, QUALITY FIRST

In our effort to enhance product quality, we have reduced the stock-keeping units such that we can stay more focused and customer oriented on our offerings.

In addition, the Group has created brand books per division to establish clear references for our designers, enabling them to be more focused on satisfying the needs of target customers.

AWARDS AND RECOGNITION

Awards

Month	Recognition	Awarding Party
Aug 2009	Top 500 Global Chinese Enterprises 2009 (Ranked 200)	World Eminence Chinese Business Association
Sep 2009	Silver Awards, Best Overall Annual Report, "Retail Fashion" category	International ARC Awards
Nov 2009	2009 HKMA Best Annual Reports Awards, "Citation for Design" sub-category	The Hong Kong Management Association
Nov 2009	Asia's Best Companies 2009 "Best Consumer Company in Asia" "Best Corporate Governance in Hong Kong" "Best Managed Company (ranked 3rd) in Hong Kong"	Finance Asia
Dec 2009	Hong Kong Corporate Governance Excellence Awards 2009, "Main Board Companies: Hang Seng Index Constituent Companies" category	The Chamber of Hong Kong Listed Companies
Dec 2009	Hong Kong Outstanding Enterprises of 2009	Economic Digest
Dec 2009	Platinum Award for All-Round Excellence in Financial Performance, Management, Corporate Governance, Social Responsibility, Environmental Responsibility and Investor Relations	The Asset

Conferences attended

Month	Event	Organiser	Venue
Aug 2009	FY08/09 Post Final Results Roadshow	Credit Suisse, Morgan Stanley	Hong Kong
Aug-Sep 2009	UBS Best of Asia Conference 2009	UBS	New York, London
Sep 2009	CLSA 16th Investors Forum	CLSA	Hong Kong
Oct 2009	Post 1st Quarter announcement Roadshow	Daiwa	Tokyo
Nov 2009	CLSA Consumer Access Day	CLSA	Hong Kong
Nov 2009	Morgan Stanley Asia Pacific Summit 2009	Morgan Stanley	Singapore
Nov 2009	Deutsche Bank Access Greater China Corporation Days	Deutsche Bank	Hong Kong
Dec 2009	Post 1st Quarter announcement Roadshow	Macquarie	Sydney, Melbourne



03 // MANAGEMENT DISCUSSION & ANALYSIS





ESPRIT



03.1 REVENUE ANALYSIS

The Group's turnover was HK\$18.5 billion (1H FY08/09: HK\$19.1 billion), representing 3.1% year-on-year decline. In local currency, the Group's turnover fell 5.6%. Retail, wholesale and licensing contributed turnover of HK\$9,624 million, HK\$8,738 million and HK\$92 million representing 52.1%, 47.3% and 0.5% of the Group's turnover respectively.

Turnover by Products

PRODUCT DIVISIONS	For the 6 months ended 31 December					
	2009		2008		Change in %	
	HK\$ million	% to Group Turnover	HK\$ million	% to Group Turnover	HK\$	Local currency
casual	8,939	48.4%	8,838	46.4%	1.1%	-0.9%
women casual	6,515	35.3%	6,426	33.7%	1.4%	-0.7%
men casual	2,424	13.1%	2,412	12.7%	0.5%	-1.5%
edc	4,378	23.7%	4,582	24.0%	-4.5%	-6.6%
edc women	3,129	17.0%	3,288	17.2%	-4.8%	-6.9%
edc men	704	3.8%	736	3.9%	-4.4%	-6.7%
edc others [^]	545	2.9%	558	2.9%	-2.4%	-4.7%
collection	1,716	9.3%	1,681	8.8%	2.1%	-0.1%
women collection	1,277	6.9%	1,235	6.5%	3.4%	1.2%
men collection	439	2.4%	446	2.3%	-1.4%	-3.7%
others	3,442	18.6%	3,963	20.8%	-13.1%	-14.9%
accessories	919	5.0%	991	5.2%	-7.3%	-9.4%
kids	595	3.2%	667	3.5%	-10.8%	-12.4%
shoes	473	2.6%	652	3.4%	-27.4%	-28.7%
bodywear	464	2.5%	451	2.4%	2.8%	0.4%
sports	355	1.9%	448	2.3%	-20.6%	-22.2%
de. corp	193	1.0%	164	0.9%	17.4%	14.4%
red earth	7	0.0%	16	0.1%	-53.7%	-54.1%
others*	436	2.4%	574	3.0%	-24.1%	-25.2%
TOTAL	18,475	100.0%	19,064	100.0%	-3.1%	-5.6%

[^] 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.

Turnover by Countries

COUNTRIES#	For the 6 months ended 31 December					
	2009		2008^		Change in %	
	HK\$ million	% to Group Turnover	HK\$ million	% to Group Turnover	HK\$	Local currency
Europe	15,705	85.0%	16,207	85.0%	-3.1%	-5.4%
Germany***	8,317	45.0%	8,556	44.9%	-2.8%	-5.6%
Benelux*	2,741	14.8%	2,873	15.1%	-4.6%	-6.3%
France	1,613	8.7%	1,719	9.0%	-6.2%	-7.6%
Austria	833	4.5%	833	4.4%	-0.1%	-2.5%
Scandinavia	797	4.3%	917	4.8%	-13.0%	-12.9%
Switzerland	775	4.2%	655	3.4%	18.4%	11.0%
U.K.	252	1.4%	229	1.2%	10.0%	14.4%
Italy	174	1.0%	205	1.1%	-15.0%	-16.0%
Spain	165	0.9%	173	0.9%	-4.8%	-6.0%
Ireland	19	0.1%	40	0.2%	-53.7%	-54.2%
Portugal	16	0.1%	7	0.0%	118.3%	105.8%
Others	3	0.0%	0	0.0%	n.a.	n.a.
Asia Pacific	2,178	11.8%	2,299	12.1%	-5.3%	-9.4%
Macau***	882	4.8%	1,029	5.4%	-14.3%	-17.6%
Australia and New Zealand	494	2.7%	411	2.2%	20.0%	5.3%
Hong Kong**	362	1.9%	396	2.1%	-8.6%	-8.6%
Singapore	200	1.1%	206	1.1%	-3.0%	-4.7%
Taiwan	134	0.7%	142	0.7%	-5.4%	-3.9%
Malaysia	106	0.6%	115	0.6%	-8.0%	-7.3%
North America and others	592	3.2%	558	2.9%	6.2%	3.7%
Canada	310	1.7%	291	1.5%	6.9%	1.7%
United States*	282	1.5%	267	1.4%	5.6%	5.9%
TOTAL	18,475	100.0%	19,064	100.0%	-3.1%	-5.6%

n.a. Means not applicable

Country as a whole includes retail stores, outlet stores, edc standalone stores and e-shop

** Germany sales includes wholesale sales to other European countries mainly Russia, Poland, Greece, and Croatia

*** Macau sales includes wholesale sales to other countries mainly China, Middle East, Thailand, and India

* Includes licensing

** Includes salon

^ Turnover by countries for the 6 months ended 31 December 2008 were restated for comparison purpose as a result of the adoption of the new IFRS 8 "Operating Segments"

Turnover by Distribution Channels

KEY DISTRIBUTION CHANNELS	For the 6 months ended 31 December					
	2009		2008		Change in %	
	HK\$ million	% to Group Turnover	HK\$ million	% to Group Turnover	HK\$	Local currency
Retail#	9,624	52.1%	8,791	46.1%	9.5%	5.5%
Europe	7,905	42.8%	7,158	37.6%	10.4%	6.5%
Asia Pacific	1,287	7.0%	1,245	6.5%	3.4%	-1.3%
North America	432	2.3%	388	2.0%	11.6%	8.5%
Wholesale	8,738	47.3%	10,150	53.2%	-13.9%	-15.4%
Europe	7,783	42.1%	9,031	47.3%	-13.8%	-15.0%
Asia Pacific	872	4.7%	1,026	5.4%	-15.0%	-18.6%
North America and Others	83	0.5%	93	0.5%	-11.2%	-13.7%
Licensing and others	113	0.6%	123	0.7%	-8.3%	-8.7%
Licensing	92	0.5%	95	0.5%	-3.3%	-3.8%
Salon	18	0.1%	28	0.2%	-34.3%	-34.3%
Others	3	0.0%	0	0.0%	3461.9%	619.0%
TOTAL	18,475	100.0%	19,064	100.0%	-3.1%	-5.6%

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

RETAIL

The retail turnover growth of 9.5% year-on-year was mainly driven by 10.2% year-on-year increase in retail selling space as compared to 31 December 2008 (net change from 30 June 2009: +5.9%) and the continual growth of turnover contribution from e-club members.

The retail operating environment remained volatile but we noticed some signs of improvement in the second quarter of the financial year. Retail turnover local currency growth accelerated from 4.5% in the first quarter of the financial year to 6.3% in the second quarter. While comparable store sales still fell 1.2% year-on-year in the first half of the financial year, it improved substantially from -3.5% in the first quarter to 0.4% in the second quarter.

During the reporting period, the Group grew the retail distribution network by opening 46 and closing 18 directly managed retail stores bringing the total number of directly managed retail stores to 829 as at 31 December 2009. Our retail selling space grew 5.9% to 332,053 m² as compared to 30 June 2009. The focus has been on the quality of our new store locations. Among the new stores opened in the reporting period are the two new concept stores in Oldenburg, Germany and Tsim Sha Tsui, Hong Kong. The market response to these two new stores has been positive.

Directly managed retail stores by countries

As at 31 December 2009						
	No. of stores	Net opened stores*	Sales area m ²	Change in sales area*	No. of comp stores	Comp-store sales growth
Europe	413	28	236,521	6.9%	260	-0.7%
Germany**	170	6	120,223	5.2%	118	-0.7%
Benelux	83	5	36,518	5.3%	60	-2.2%
France	50	2	23,375	14.0%	37	-4.6%
Switzerland	39	5	16,404	15.7%	22	8.9%
U.K.	35	6	10,800	-0.4%	10	-4.6%
Austria	13	1	13,320	2.5%	7	-3.7%
Scandinavia	13	3	9,112	24.4%	3	12.2%
Spain	7	(1)	4,979	2.8%	3	-4.5%
Portugal	2	-	1,667	-	-	n.a.
Ireland	1	1	123	n.a.	-	n.a.
Asia Pacific	337	(1)	66,616	4.0%	220	-5.4%
Australia	157	1	23,131	7.0%	97	-2.3%
Taiwan	88	(1)	8,220	2.9%	53	-6.1%
Malaysia	29	(1)	8,464	-1.0%	26	-4.8%
Hong Kong	24	(1)	13,045	3.3%	18	-6.2%
Singapore	23	-	9,048	5.3%	17	-12.2%
New Zealand	13	2	3,006	6.7%	6	4.2%
Macau	3	(1)	1,702	-8.7%	3	0.6%
North America	79	1	28,916	2.5%	62	0.4%
Canada	49	-	16,953	0.8%	40	2.9%
United States**	30	1	11,963	5.2%	22	-2.4%
TOTAL	829	28	332,053	5.9%	542	-1.2%

n.a. Means not applicable

* Net change from 30 June 2009

** All e-shops within Europe are shown as 1 comparable store in Germany and the e-shop in U.S. is shown as 1 comparable store in U.S.

Customer loyalty continued to play a major role in driving retail turnover growth. As at 31 December 2009, the number of e-club members grew to about 6 million worldwide. In view of the success of e-club, the Group will put even more effort in enhancing this loyalty program to reward our loyal customers and strengthen the loyalty of our customer base by bringing retail-members to our e-shop and e-shop-members to our retail stores.

Retail Performance Scorecard

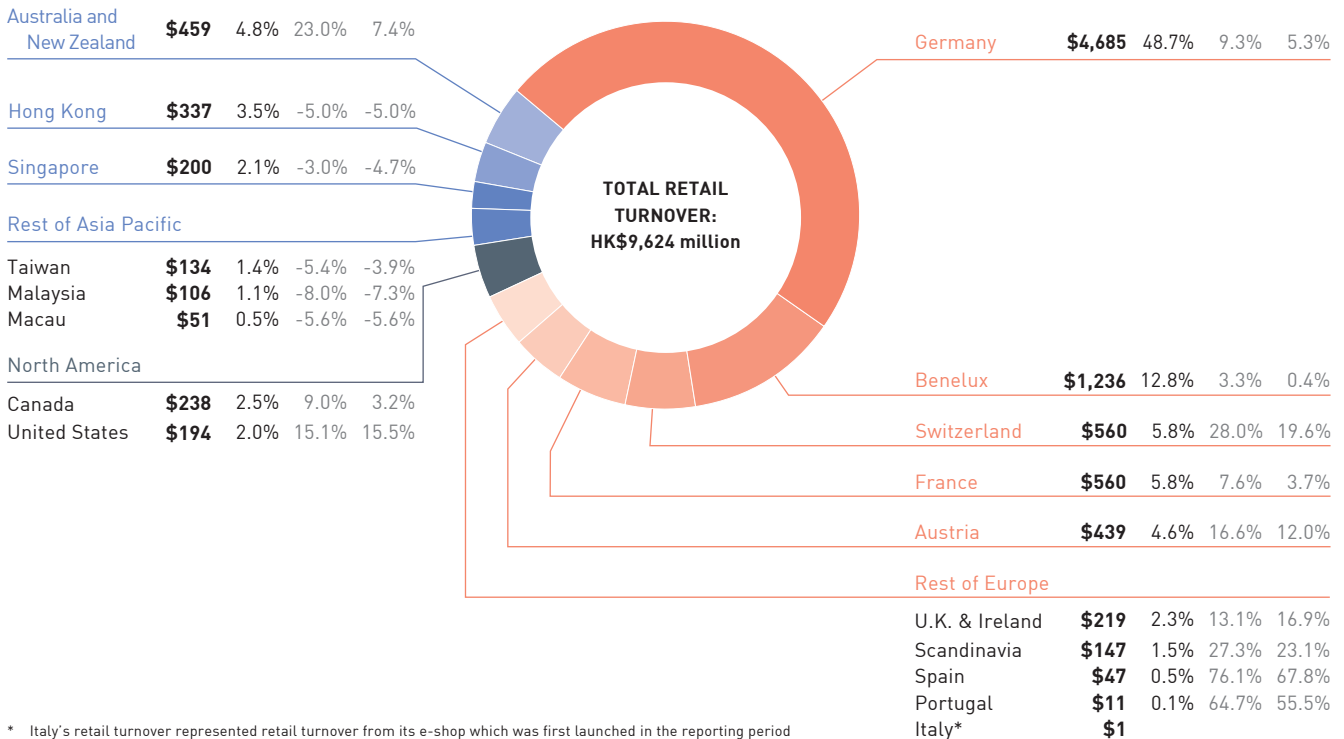
For the 6 months ended 31 December		
	2009	2008
Year-on-year local currency turnover growth	5.5%	12.4%
Segment EBIT Margin [^]	15.2%	14.7%
No. of POS*	829	774
Sales area (m ²)	332,053	301,340
Year-on-year change in sales area	10.2%	17.4%
Comparable store sales growth	-1.2%	6.3%

* calculation excludes salon

[^] segment EBIT margin for the 6 months ended 31 December 2008 was restated as the basis of EBIT and EBIT margin have been changed as a result of the adoption of the new IFRS 8 "Operating Segments"

RETAIL TURNOVER BY COUNTRIES

HK\$ million // % of retail turnover // % HK\$ growth // % local currency growth



* Italy's retail turnover represented retail turnover from its e-shop which was first launched in the reporting period

Europe

The Group recorded HK\$7,905 million retail turnover in Europe (1H FY08/09: HK\$7,158 million) representing a local currency growth of 6.5%. Comparable store sales slightly declined 0.7% year-on-year due to a decline of comparable store traffic, partially offset by an increase in conversion rate. Comparable store sales growth in the second quarter, however, improved to 0.9% from -2.9% in the first quarter.

Germany continued to be the Group's largest retail market and generated HK\$4,685 million retail turnover with -0.7% comparable store sales growth. **Switzerland**, being the Group's third largest retail market in the reporting period, delivered a retail turnover of HK\$560 million, representing 19.6% year-on-year growth in local currency. Its robust retail turnover growth was mainly driven by 8.9% comparable store sales growth and 30.1% year-on-year increase in its retail selling space as compared to 31 December 2008.

During the reporting period, our e-shop platform in Europe extended its reach to Czech Republic, Italy, Poland, Hungary and Greece, where we have no directly managed retail stores at present. The launch of e-shop in these countries will facilitate us in reaching our target customers in an efficient and cost-effective way.

Asia Pacific

Asia Pacific delivered a retail turnover of HK\$1,287 million (1H FY08/09: HK\$1,245 million) representing a year-on-year decline of 1.3% in local currency. The retail turnover of **Australia and New Zealand** grew to HK\$459 million, representing 7.4% year-on-year increase in local currency mainly driven by 12.9% year-on-year increase in retail selling space while its comparable store sales dropped 1.9%.

In view of the success of our e-club loyalty program in Europe, the concept was launched in Australia and New Zealand, replacing the previous program. Following a successful introduction, the Group will consider rolling out this program to other markets in Asia Pacific in the future.

North America

North America generated HK\$432 million retail turnover representing 8.5% year-on-year growth in local currency. The **U.S. and Canada** delivered retail turnover of HK\$194 million and HK\$238 million respectively. The retail turnover growth of the region continued to benefit from non-comparable stores sales growth while the regional comparable store sales grew 0.4% year-on-year.

Retail sales growth momentum in North America had showed a solid improvement in the second quarter of the financial year, especially in November and December 2009, driven by better comparable store traffic. In addition, customers also appeared to buy more items in these two months leading to higher year-on-year increase in the number of items per transaction achieved in November and December 2009.

WHOLESALE

Wholesale turnover of the Group was HK\$8,738 million representing 13.9% year-on-year decrease. The year-on-year wholesale turnover decline was mainly due to loss of turnover from bankrupt customers, lower demand from existing wholesale customers, as well as our effort in rationalising the list of wholesale accounts to enhance efficiency and brand loyalty, which has a short term impact, but longer term, will have a positive effect on the top line and profitability of our wholesale channel as well as on our brand.

Wholesale Performance Scorecard

	For the 6 months ended 31 December	
	2009	2008
Year-on-year local currency turnover growth	-15.4%	-2.9%
Segment EBIT Margin [^]	25.3%	27.0%
No. of controlled space POS	12,946	15,150
Controlled space area (m ²)	806,458	800,935
Year-on-year change in controlled space area	0.7%	15.2%

[^] segment EBIT margin for the 6 months ended 31 December 2008 was restated as the basis of EBIT and EBIT margin have been changed as a result of the adoption of the new IFRS 8 "Operating Segments"

Wholesale Distribution Channel by Countries (controlled space only)

COUNTRIES	As at 31 December 2009											
	Franchise stores**				Shop-in-stores**				Identity Corners**			
	No. of stores	Sales area m ²	Net opened stores*	Net change in sales area*	No. of stores	Sales area m ²	Net opened stores*	Net change in sales area*	No. of stores	Sales area m ²	Net opened stores*	Net change in sales area*
Esprit Europe	1,216	302,947	(15)	3.7%	5,047	204,452	(125)	-2.4%	5,303	119,163	(563)	-8.4%
Germany	418	124,922	4	8.2%	3,907	164,608	(147)	-3.2%	2,827	57,894	(351)	-11.6%
Benelux	177	51,123	1	1.1%	184	7,737	(11)	-4.4%	754	18,937	(92)	-3.0%
France	273	45,027	(1)	4.7%	369	10,515	-	0.4%	459	11,887	(29)	-6.0%
Scandinavia	123	36,120	1	0.8%	109	4,754	2	0.7%	687	16,470	(66)	-6.8%
Austria	89	17,766	(20)	-14.5%	134	4,876	6	0.2%	219	5,555	(4)	-0.6%
Italy	60	11,262	(1)	9.0%	28	1,393	3	5.8%	162	4,099	(1)	-0.4%
Switzerland	48	9,330	1	1.3%	53	3,175	-	0.4%	87	2,049	(19)	-21.6%
Spain and Portugal	16	4,765	1	18.1%	217	5,556	19	11.2%	10	175	2	20.7%
U.K. and Ireland	12	2,632	(1)	-6.7%	46	1,838	3	0.1%	98	2,097	(3)	-9.5%
Esprit Asia Pacific	293	76,905	(3)	0.8%	254	10,084	30	-2.7%	823	92,430	27	8.2%
China***	109	39,820	(2)	1.5%	-	-	-	-	823	92,430	27	8.2%
The Middle East	53	13,622	(3)	-3.0%	4	863	1	48.5%	-	-	-	-
India	21	6,064	-	-7.9%	23	1,570	(1)	-2.2%	-	-	-	-
Thailand	25	4,035	1	2.3%	76	3,019	(3)	-3.6%	-	-	-	-
Philippines	16	2,290	-	-	-	-	-	-	-	-	-	-
Australia	-	-	-	-	58	2,029	3	3.8%	-	-	-	-
Others	69	11,074	1	8.9%	93	2,603	30	-15.7%	-	-	-	-
Esprit North America and others	2	300	-	-	8	177	2	29.2%	-	-	-	-
Mexico	2	300	-	-	8	177	2	29.2%	-	-	-	-
Canada	-	-	-	-	-	-	-	-	-	-	-	-
United States	-	-	-	-	-	-	-	-	-	-	-	-
Red Earth[^]	-	-	(22)	-100.0%	-	-	(7)	-100.0%	-	-	(445)	-100.0%
TOTAL	1,511	380,152	(40)	2.9%	5,309	214,713	(100)	-2.5%	6,126	211,593	(981)	-3.4%

* Net change from 30 June 2009

** Include Esprit and Red Earth stores/units

***Managed by China associated companies or its franchise partners

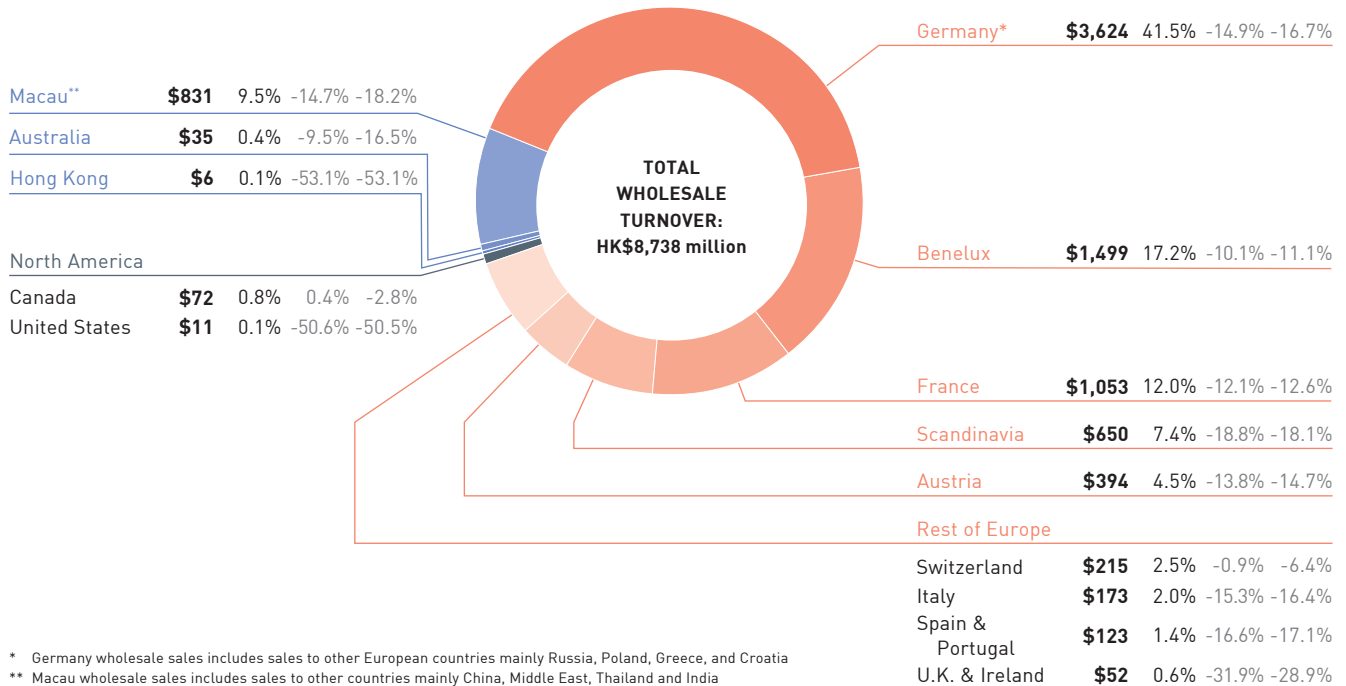
[^] The decline in Red Earth stores/units was due to the disposal of Red Earth brand and related operation

Franchise stores sales area was further expanded during the reporting period as a result of our continual focus on strengthening this channel of the wholesale segment. As at 31 December 2009, total controlled wholesale space of franchised stores grew 2.9% to 380,152 m² from 30 June 2009 while the total controlled wholesale space declined slightly by 0.3% to 806,458 m² from 30 June 2009.

The decline in the number of identity corners was heavily impact by the disposal of the Red Earth brand and related operation leading to 445 fewer identity corners as compared to 30 June 2009.

WHOLESALE TURNOVER BY COUNTRIES

HK\$ million // % of wholesale turnover // % HK\$ growth // % local currency growth



* Germany wholesale sales includes sales to other European countries mainly Russia, Poland, Greece, and Croatia
** Macau wholesale sales includes sales to other countries mainly China, Middle East, Thailand and India

Europe

Europe's wholesale turnover was HK\$7,783 million and declined 15.0% year-on-year in local currency due to continued cautious customer demand and the loss of department store and multi-label customers. As compared to 30 June 2009, controlled wholesale space of franchised stores in Europe grew 3.7% while the controlled wholesale space of shop-in-stores and identity corners declined.

Asia Pacific

Asia Pacific generated wholesale turnover of HK\$872 million representing 18.6% year-on-year drop in local currency mainly due to weak demand from China. The decline in wholesale turnover from China was partially due to a high base in the same period last year as wholesale customers over estimated demand arising from the Beijing Olympic Games. As a result of that, wholesalers focused on clearing inventory accumulated previously leading to lower demand in the reporting period. **Middle East** delivered HK\$71 million wholesale turnover, representing 0.1% year-on-year local currency growth, with momentum accelerated substantially in the second quarter to 11.5% from -15.7% in the first quarter.

North America

North America recorded wholesale turnover of HK\$83 million which was contributed by HK\$72 million from **Canada** and HK\$11 million from the **U.S.** In local currency terms, the wholesale turnover recorded in North America declined 13.7% year-on-year mainly due to a refocusing of the U.S. customer base which started since the second half of last financial year.

In Canada, our strategic partnership with The Bay, Canada's largest diversified general merchandise retailer, is continuing to grow. They have been expanding the number of stores that carry Esprit as Esprit is among one of the top performing brands in The Bay.



ESPRIT

LICENSING AND OTHERS

Licensing and others generated turnover of HK\$113 million representing 8.7% year-on-year decline in local currency. Licensing turnover fell 3.8% year-on-year in local currency as licensees' customers were cautious in placing orders to minimize inventory on hand.

The new Esprit Collection line for timewear and jewellery was introduced successfully in October 2009 at one of the hottest locations in Hong Kong – the Seva. In addition to 350 existing point-of-sales where Esprit home textiles and accessories are showcased in China, the new Esprit Home Collection was introduced to China via the opening of the first Esprit Home concept store in Beijing in December 2009. Our license business is growing continuously and is having a positive impact on our brand equity and brand relevance.

Going to the second half of the financial year, several new licensed products are developed and ready for market launch. In March 2010, a new fragrance "Imagine" and a new travel and business luggage line will be introduced.

Key licensed product categories

	As at 31 December 2009			
	Europe	Asia Pacific	North America	Latin America
Accessories' World				
costume jewellery	■	■		
cosmetics	■			
eyewear	■	■	■	■
fragrance	■	■		■
jewellery	■	■		■
outerwear			■	■
shoes				■
sleepwear/daywear			■	
socks + tights Esprit	■	■	■	■
stationery	■	■		
timewear	■	■	■	■
umbrellas	■	■	■	■
Home World				
bathroom	■	■		
bedding	■	■	■	■
carpets	■	■		
down	■	■		
furniture	■	■		
glassware	■			■
home accessories	■	■		■
lighting	■	■		
towels	■	■	■	■
wallpaper	■	■		
Babies' & kids' World				
baby carriages	■	■		
baby furniture	■	■		
kids' bedding	■			
kids' shoes			■	
maternity	■	■		
school	■	■		
soft toys	■			

03.2 PROFITABILITY ANALYSIS

The Group's **gross profit** was HK\$10,098 million (1H FY08/09: HK\$9,910 million) while the Group's gross profit margin increased to 54.7% (1H FY08/09: 52.0%) mainly due to change in channel mix.

Operating profit of the Group was HK\$3,367 million (1H FY08/09: HK\$3,411 million). The Group's operating profit margin improved to 18.2% (1H FY08/09: 17.9%) mainly due to improvement in retail EBIT margin, partially offset by the decline in wholesale EBIT margin and the change in channel mix.

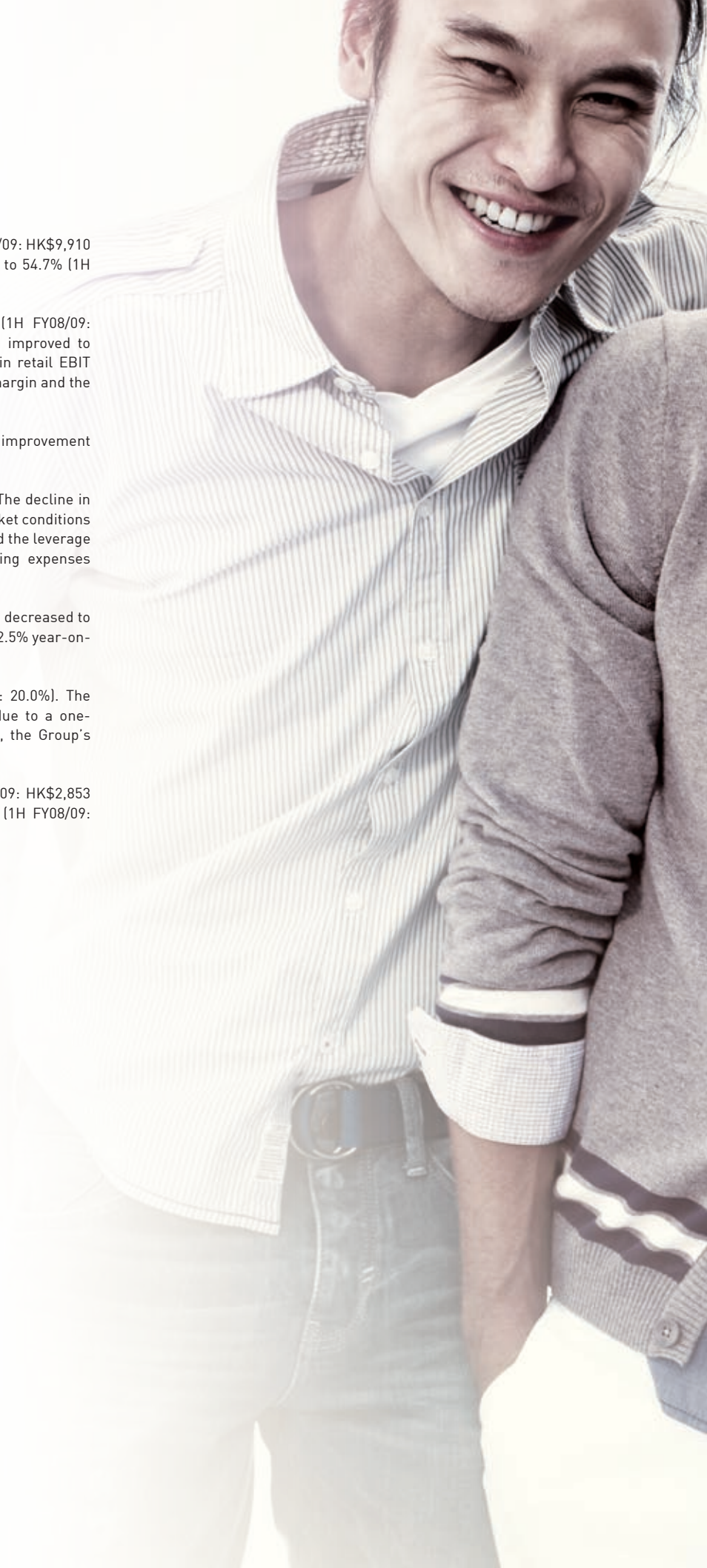
Retail EBIT margin was 15.2% (1H FY08/09: 14.7%). The improvement was mainly due to tight cost control.

Wholesale EBIT margin was 25.3% (1H FY08/09: 27.0%). The decline in wholesale EBIT margin reflected the tough wholesale market conditions in the reporting period. The lower wholesale sales reduced the leverage benefits that could be yielded. Total wholesale operating expenses actually fell 7.2% year-on-year.

Profit contribution from our China associated companies decreased to HK\$65 million (1H FY08/09: HK\$91 million) mainly due to 2.5% year-on-year decline in turnover.

The Group's effective tax rate was 21.6% (1H FY08/09: 20.0%). The increase in the Group's effective tax rate was mainly due to a one-off underprovision in prior years. Excluding this impact, the Group's effective tax rate would be 20.0%.

Net profit of the Group was HK\$2,705 million (1H FY08/09: HK\$2,853 million) and net profit margin of the Group was 14.6% (1H FY08/09: 15.0%).





03.3 BALANCE SHEET REVIEW

LIQUIDITY AND FINANCIAL RESOURCES

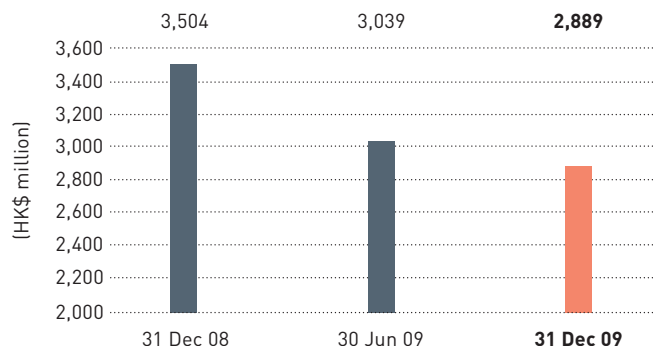
The Group had a **net cash balance** of HK\$7,863 million (30 June 2009: HK\$4,840 million). The increase in net cash balance was mainly due to a strong cashflow generated from operating activities, partially offset by capital expenditure and payment in relation to acquisition of remaining interest in China Joint Venture.

For 6 months ended 31 December		
HK\$ million	2009	2008
Cash and cash equivalents as at 1 July	4,840	6,521
Net cash inflow from operating activities	3,768	2,527
Net cash used in investing activities	(858)	(879)
Net cash inflow from/ (used in) financing activities	61	(4,154)
Net increase/(decrease) in cash and cash equivalents	2,971	(2,506)
Effect of change in exchange rates	52	(167)
Cash and cash equivalents as at 31 December	7,863	3,848

During the six months ended 31 December 2009, the Group invested HK\$743 million (1H FY08/09: HK\$1,167 million) in capital expenditure. Among which, HK\$320 million (1H FY08/09: HK\$539 million) was invested in opening new stores and expanding existing stores while HK\$99 million (1H FY08/09: HK\$306 million) was invested in refurbishing existing stores. To support continual improvement in operational efficiency, the Group increased its investment in IT to HK\$299 million (1H FY08/09: HK\$266 million).

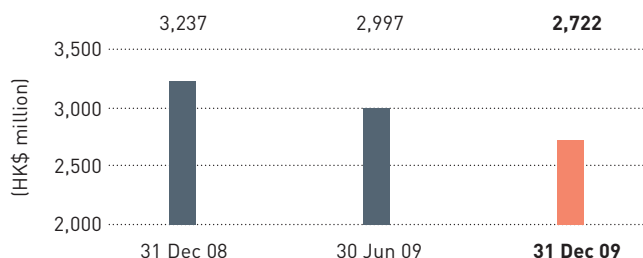
As at 31 December 2009, **net trade debtors balance** dropped to HK\$2,889 million (30 June 2009: HK\$3,039 million). The amount of uninsured and/or unsecured net trade debtors accounted for 63.0% of net trade debtors (30 June 2009: 54.8%). The increase in the portion of uninsured and/or unsecured net trade debtors was mainly due to the increase of minimum individual trade debtors balance that is eligible for insurance coverage.

Net trade debtors balance



As at 31 December 2009, **inventory** was HK\$2,722 million (30 June 2009: HK\$2,997 million). Total number of pieces of finished goods dropped by about 13.9% as compared to 30 June 2009. During the reporting period, the Group continued to work hard on managing the inventory and made progress in shortening the inventory turnover days to 60 days (FY08/09: 65 days).

Inventory balance



BALANCE SHEET RATIOS

The Group's business had no long-term bank borrowings and did not pledge any assets as security for overdraft or any short-term revolving facility. The debt-to-equity ratio (interest bearing external borrowings divided by total equity) was 0% (30 June 2009: 0%). During the reporting period, the Group continued to strengthen its liquidity management as reflected by improved liquidity ratios achieved and better control on inventory as compared to the last reporting period. The Group considered its financial health remained in good shape.

	31-Dec-2009	30-Jun-2009
Liquidity		
Current ratio (times)	2.6	2.5
Quick ratio ¹ (times)	1.8	1.6
Net cash to debt ratio ²	net cash	net cash
Efficiency		
Inventory turnover ³ (days)	60	65

- 1 Calculated by dividing the sum of net trade debtors and cash and cash equivalents by current liabilities
- 2 Calculated by dividing the net cash balance by interest bearing external borrowings
- 3 Calculated by dividing average inventory (excluding consumables) by average daily cost of goods sold for the reporting period

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 business and may not be extrapolated to provide a reliable forecast.

FOREIGN EXCHANGE RISK MANAGEMENT

To minimize our foreign exchange exposure on sourcing costs for merchandise produced for Europe in Asia, most of the suppliers in Asia were asked to quote and settle in Euros. In addition, the Group entered into foreign exchange forward contracts with reputable financial institutions to hedge foreign exchange risk.

03.4 STRATEGIC REVIEW AND PROSPECTS

During the past six months, the Group continued its efforts to reinventing itself to grow stronger and to ensure that we will be among the first to rebound when the market recovers. Significant further progress was made with respect to improve the differentiation and newness of the collections of our various divisions. Brand books were developed by the divisions and half year concepts including colour cards were introduced. In addition, the "Essentials by Esprit" line were successfully introduced. High quality Essentials belong in the basic wardrobe of every Esprit customer. Yet the unusual and regularly changing details make them more than just basics.

It is our vision to develop Esprit into a truly global brand and company. In order to achieve this, specific strategic initiatives have been formulated to strengthen our platform for growth and profitability.

1. Global brand – Strengthening brand equity and improving shopping experience to drive traffic and customer loyalty.
2. Products – Improving product differentiation and newness to grow sales per square meter.
3. Channel and country – Ensuring a better execution of the multi-channel strategy to fuel growth and profitability.
4. Cost of goods sold – Achieving savings in sourcing by using synergies across divisions.
5. Support functions – Establishing a best-in-class support backbone for growth.
6. Organization and structure – Ensuring better alignment and execution across divisions, regions and channels.

The Group has announced on 17 December 2009 to acquire from China Resources Enterprise the 51% interest which it does not own in the joint venture business in China. The Group will receive the full economic benefit of the business and consolidate its results into the Group on or before the end of February 2010 if conditions stated in the sale and purchase agreement are met. The integration plan is being finalized. The transaction will enable the Group to unify its interests in China, gain full control of the business and integrate its operation into its global business system. We see opportunities to enhance the operation by increase sales productivity, improve stock turn and lower sourcing cost. There is also vast potential to improve penetration and increase market share in existing cities and to continue the expansion from 150 cities in China currently to over 450 in the future. We believe China will become one of the most important growth engines of the Group in the medium term. It also represents an important step for the Group in becoming a truly global company as it will strengthen our presence in Asia Pacific considerably, hence improving our geographical balance further.

Global expansion continues and the Group maintains the target of 5-10% year-on-year growth in retail selling space for the full financial year FY09/10. Our clear focus is to improve the quality of our new store locations. New stores opened this year generally have a larger footprint than the average size of our existing stores, enabling higher store efficiency and better brand building. Among those opened in the reporting period, two new concept stores were piloted in Hong Kong and Oldenburg, Germany to bring a whole new shopping experience to customers.

Wholesale operating environment is still challenging during the early stage of market recovery in Europe and elsewhere with wholesalers continue to order very cautiously. Wholesale order booked for the period from January to April 2010 still shows an average mid-teen percentage year-on-year decline in local currency, but the trend has been improving month by month. The Group will continue to strengthen the mix of our wholesale channel.

With respect to brand and marketing communications, the Group will introduce a number of new initiatives in different media to strengthen Esprit's brand relevance and to drive traffic to our stores and other point of sales.



04 // INDEPENDENT REVIEW REPORT





ESPRIT

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 40 to 51, which comprises the condensed consolidated balance sheet of Esprit Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 31 December 2009 and the related condensed consolidated statements of income, comprehensive income, changes in equity and 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 Main Board of 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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 3 February 2010



05 // INTERIM FINANCIAL INFORMATION



05.1 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 2009 as follows:

Condensed consolidated income statement			
Unaudited for the 6 months ended 31 December			
	Notes	2009 HK\$ million	2008 HK\$ million (restated)
Turnover	2	18,475	19,064
Cost of goods sold		(8,377)	(9,154)
Gross profit		10,098	9,910
Staff costs		(2,251)	(2,110)
Occupancy costs		(1,881)	(1,627)
Logistics expenses		(692)	(615)
Advertising expenses		(338)	(496)
Depreciation		(431)	(375)
Other operating costs		(1,138)	(1,276)
Operating profit	3	3,367	3,411
Interest income		16	64
Share of results of associates		65	91
Profit before taxation	2	3,448	3,566
Taxation	4	(743)	(713)
Profit attributable to shareholders		2,705	2,853
Interim dividend	5	946	996
Earnings per share			
- Basic	6	HK\$2.12	HK\$2.24
- Diluted	6	HK\$2.11	HK\$2.23

The notes on pages 46 to 51 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	
	2009	2008
	HK\$ million	HK\$ million
Profit attributable to shareholders	2,705	2,853
Other comprehensive income		
Fair value gain on cash flow hedge	4	9
Exchange translation recognised directly in equity	196	(1,328)
Total comprehensive income for the period attributable to shareholders	2,905	1,534

The notes on pages 46 to 51 form an integral part of this condensed consolidated interim financial information.

Condensed consolidated balance sheet

		Unaudited	Audited
	Notes	31 December 2009 HK\$ million	30 June 2009 HK\$ million
Non-current assets			
Intangible assets		2,071	2,061
Property, plant and equipment	7	4,602	4,228
Other investments		7	7
Investments in associates		341	522
Prepaid lease payments		163	165
Deferred tax assets		465	408
		7,649	7,391
Current assets			
Inventories		2,722	2,997
Debtors, deposits and prepayments	8	4,408	4,392
Amounts due from associates		72	71
Cash and cash equivalents		7,863	4,840
		15,065	12,300
Current liabilities			
Creditors and accrued charges	9	3,762	3,849
Dividend payable		870	-
Taxation		1,207	1,142
		5,839	4,991
Net current assets			
		9,226	7,309
Total assets less current liabilities			
		16,875	14,700
Equity			
Share capital	10	125	125
Reserves		16,451	14,284
Total equity		16,576	14,409
Non-current liabilities			
Deferred tax liabilities		299	291
		16,875	14,700

The notes on pages 46 to 51 form an integral part of this condensed consolidated interim financial information.

Condensed consolidated cash flow statement

	Unaudited for the 6 months ended 31 December	
	2009 HK\$ million	2008 HK\$ million
Cash flows from operating activities		
Cash generated from operations	4,494	3,134
Hong Kong profits tax paid	(52)	(1)
Overseas tax paid	(674)	(606)
Net cash inflow from operating activities	3,768	2,527
Cash flows from investing activities		
Deposit paid for acquisition of remaining interest in the associated companies	(388)	-
Purchase of property, plant and equipment	(743)	(1,167)
Proceeds from disposal of property, plant and equipment	10	4
Interest received	18	64
Dividend received from an associate	245	220
Net cash used in investing activities	(858)	(879)
Cash flows from financing activities		
Net proceeds on issue of shares for cash	61	92
Repurchase of shares	-	(204)
Dividends paid	-	(4,042)
Net cash inflow from/(used in) financing activities	61	(4,154)
Net increase/(decrease) in cash and cash equivalents	2,971	(2,506)
Cash and cash equivalents at beginning of period	4,840	6,521
Effect of change in exchange rates	52	(167)
Cash and cash equivalents at end of period	7,863	3,848
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	3,924	2,364
Short-term bank deposits	3,939	1,484
	7,863	3,848

The notes on pages 46 to 51 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 2009									
	Share capital	Share premium	Employee share-based payment reserve	Hedging reserve	Contributed surplus	Translation reserve	Capital reserve	Retained profits	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
At 1 July 2009	125	2,841	378	(4)	7	627	1	10,434	14,409
Exchange translation recognised directly in equity	-	-	-	-	-	196	-	-	196
Fair value gain on cash flow hedge	-	-	-	4	-	-	-	-	4
Profit attributable to shareholders	-	-	-	-	-	-	-	2,705	2,705
Total recognised income	-	-	-	4	-	196	-	2,705	2,905
2008/09 final dividend payable	-	-	-	-	-	-	-	(870)	(870)
Issues of shares	-	61	-	-	-	-	-	-	61
Employee share option benefits	-	-	71	-	-	-	-	-	71
Transfer of reserve upon exercise of share options	-	17	(17)	-	-	-	-	-	-
At 31 December 2009	125	2,919	432	-	7	823	1	12,269	16,576

Unaudited for the 6 months ended 31 December 2008									
	Share capital	Share premium	Employee share-based payment reserve	Hedging reserve	Contributed surplus	Translation reserve	Capital reserve	Retained profits	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
At 1 July 2008	124	2,896	322	(5)	7	1,871	1	10,728	15,944
Exchange translation recognised directly in equity	-	-	-	-	-	(1,328)	-	-	(1,328)
Fair value gain on cash flow hedge	-	-	-	9	-	-	-	-	9
Profit attributable to shareholders	-	-	-	-	-	-	-	2,853	2,853
Total recognised income	-	-	-	9	-	(1,328)	-	2,853	1,534
2007/08 final and special dividends paid	-	-	-	-	-	-	-	(4,042)	(4,042)
Issues of shares	1	91	-	-	-	-	-	-	92
Repurchase of shares	-	(204)	-	-	-	-	-	-	(204)
Employee share option benefits	-	-	77	-	-	-	-	-	77
Transfer of reserve upon exercise of share options	-	29	(29)	-	-	-	-	-	-
At 31 December 2008	125	2,812	370	4	7	543	1	9,539	13,401

The notes on pages 46 to 51 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 40 to 51 for the six months ended 31 December 2009 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 2009. 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 2009.

In the current period, the Group has adopted the International Financial Reporting Standard ("IFRS") 3 (revised) "Business Combinations", IFRS 8 "Operating Segments", IAS 1 (Revised) "Presentation of Financial Statement" and IAS 27 (Revised) "Consolidated and Separate Financial Statements".

IFRS 3 (Revised), "Business Combinations". The revised standard continues to apply the acquisition method to business combinations, with some significant changes. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group has applied IFRS 3 (Revised) prospectively to all business combinations from 1 July 2009, but there is no significant financial impact to the consolidated financial statements during the interim period.

IFRS 8, "Operating Segments", replaces IAS 14, "Segment Reporting", and aligns segment reporting with the requirements of the US standard SFAS 131, "Disclosures about segments of an enterprise and related information". The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker management. Comparatives for 2008 have been restated.

IAS 1 (Revised), "Presentation of Financial Statement". The revised standard prohibits the presentation of items of income and expenses (that is "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity. All "non-owner changes in equity" are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the consolidated income statement and statement of comprehensive income). The Group has elected to present two statements: a condensed consolidated income statement and a condensed consolidated statement of comprehensive income. The interim financial report has been prepared under the revised disclosure requirements.

IAS 27 (Revised), "Consolidated and Separate Financial Statements". The revised standard requires the effects of all transactions with minority interest to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the equity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group has applied IAS 27 (Revised) prospectively to transactions with minority interest from 1 July 2009, but there is no significant financial impact to the consolidated financial statements during the interim period.

The Group did not early adopt the following IAS, IFRS and International Financial Reporting Interpretations Committee ("IFRIC") interpretations that have been issued in the period from 1 July 2009 to 31 December 2009. The adoption of such standards is anticipated not to result in substantial changes to the Group's accounting policies.

		Effective for accounting periods beginning on or after
IAS 32 (Amendment)	Financial Instruments – Classification of Rights Issues	1 February 2010
IAS 24 (Amendment)	Related Party Disclosures	1 January 2011
IFRS 1 (Amendment)	First-time Adoption of IFRS – Oil and Gas Assets and Determining Whether an Arrangement Contains a Lease	1 January 2010
IFRS 9	Financial Instruments	1 January 2013
IFRIC 14 (Amendment)	Prepayment of a Minimum Funding Requirement	1 January 2011
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

2. Turnover and segment information

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

	Unaudited for the 6 months ended 31 December	
	2009 HK\$ million	2008 HK\$ million
Turnover		
Sales of goods	18,362	18,941
Licensing and other income	113	123
	18,475	19,064

2. Turnover and segment information (continued)

The chief operating decision-maker has been identified as the board of 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 operations nature perspective, including wholesale and retail distribution and licensing of quality fashion and life-style products designed under its own internationally-known Esprit brand name.

Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Inter-segment transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties.

The segment information provided to the Executive Directors for the reportable segments is as follows:

Unaudited for the 6 months ended 31 December 2009					
	Wholesale HK\$ million	Retail HK\$ million	Licensing HK\$ million	Corporate services, sourcing and consolidation HK\$ million	Group HK\$ million
Total revenue	8,738	9,642	92	14,041	32,513
Inter-segment revenue	-	(18)	-	(14,020)	(14,038)
Revenue from external customers	8,738	9,624	92	21	18,475
Segment results	2,210	1,467	83	(393)	3,367
Interest income					16
Share of results of associates					65
Profit before taxation					3,448
Capital expenditure	15	403	-	325	743
Depreciation	31	353	2	45	431
Unaudited as at 31 December 2009					
Segment assets	2,813	8,018	189	9,210	20,230
Interest in associates					413
Intangible assets					2,071
					22,714

Unaudited for the 6 months ended 31 December 2008 (restated)					
	Wholesale HK\$ million	Retail HK\$ million	Licensing HK\$ million	Corporate services, sourcing and consolidation HK\$ million	Group HK\$ million
Total revenue	10,150	8,802	95	15,804	34,851
Inter-segment revenue	-	(11)	-	(15,776)	(15,787)
Revenue from external customers	10,150	8,791	95	28	19,064
Segment results	2,737	1,291	68	(685)	3,411
Interest income					64
Share of results of associates					91
Profit before taxation					3,566
Capital expenditure	53	842	1	271	1,167
Depreciation	33	298	-	44	375
Audited as at 30 June 2009 (restated)					
Segment assets	3,200	7,466	81	6,290	17,037
Interest in associates					593
Intangible assets					2,061
					19,691

3. Operating profit

	Unaudited for the 6 months ended 31 December	
	2009 HK\$ million	2008 HK\$ million
Operating profit is arrived at after charging and (crediting) the following:		
Depreciation	431	375
Loss on disposal of property, plant and equipment	6	24
Impairment of property, plant and equipment	10	13
Net exchange (gains)/losses	(76)	127
Net charge for provision for obsolete inventories	25	14
Occupancy costs		
Operating lease charge	1,439	1,234
Other occupancy costs	442	393
Provision for impairment of trade debtors/bad debts written off	151	70

4. Taxation

	Unaudited for the 6 months ended 31 December	
	2009 HK\$ million	2008 HK\$ million
Current tax		
Hong Kong profits tax		
Provision for current period	1	1
Underprovision in prior years	54	-
Overseas taxation		
Provision for current period	724	756
Underprovision in prior years	7	3
	786	760
Deferred tax		
Current period net credit	(43)	(47)
Taxation	743	713

Hong Kong profits tax is calculated at **16.5%** (2008: 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.

Share of associates' taxation for the six months ended 31 December 2009 was a net tax charge of **HK\$23 million** (2008: a net tax charge of HK\$24 million) which has been included in the condensed consolidated income statement as share of results of associates.

5. Interim dividend

	Unaudited for the 6 months ended 31 December	
	2009 HK\$ million	2008 HK\$ million
Interim dividend declared of HK\$0.74 (2008: HK\$0.80) per share	946	996

The amount of interim dividend is based on **1,278,934,879 shares** in issue on **3 February 2010** (2008: 1,245,049,934 shares in issue on 4 February 2009).

6. Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit attributable to shareholders by the weighted average number of ordinary shares in issue during the period after adjusting the outstanding number of ordinary shares deemed to be issued as at the beginning of the period as a result of the scrip dividend (note).

	Unaudited for the 6 months ended 31 December	
	2009	2008 (restated)
Profit attributable to shareholders (HK\$ million)	2,705	2,853
Weighted average number of ordinary shares in issue (million)	1,246	1,243
Adjustments for scrip shares (million) (note)	31	31
	1,277	1,274
Basic earnings per share (HK\$ per share)	2.12	2.24

Diluted

Diluted earnings per share is calculated based on the profit attributable to shareholders, and the weighted average number of shares in issue during the period and the outstanding number of ordinary shares deemed to be issued as at the beginning of the period as a result of the scrip dividend (note) after adjusting for the number of dilutive potential ordinary shares granted under the Company's share option scheme.

6. Earning per share (continued)

	Unaudited for the 6 months ended 31 December	
	2009	2008 (restated)
Profit attributable to shareholders (HK\$ million)	2,705	2,853
Weighted average number of ordinary shares in issue (million)	1,246	1,243
Adjustments for scrip shares (million) (note)	31	31
Adjustments for share options (million)	3	4
Weighted average number of ordinary shares for diluted earnings per share (million)	1,280	1,278
Diluted earnings per share (HK\$ per share)	2.11	2.23

Note: On 10 December 2009, the shareholders approved a special dividend of HK\$1.33 per share for the year ended 30 June 2009 by way of new fully paid shares ("scrip shares"). Approximately 31 million scrip shares were issued on 15 January 2010. The basic and diluted earnings per share for the six months ended 31 December 2008 have been restated since the scrip shares have been treated as outstanding as if the issue had occurred as at 1 July 2008.

7. Property, plant and equipment

	Unaudited HK\$ million
Balance at 1 July 2009	4,228
Exchange translation	88
Additions	743
Disposals	(16)
Depreciation (note 3)	(431)
Impairment charge (note 3)	(10)
Balance at 31 December 2009	4,602

8. 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	Audited
	31 December 2009 HK\$ million	30 June 2009 HK\$ million
Current	2,048	2,410
1-30 days	299	246
31-60 days	196	137
61-90 days	85	76
Over 90 days	261	170
Amount past due but not impaired	841	629
	2,889	3,039

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.

9. Creditors and accrued charges

Creditors and accrued charges include trade creditors and their ageing analysis is as follows:

	Unaudited	Audited
	31 December 2009 HK\$ million	30 June 2009 HK\$ million
0-30 days	721	1,065
31-60 days	54	59
61-90 days	9	17
Over 90 days	10	24
	794	1,165

10. Share capital

	Unaudited	Audited
	31 December 2009 HK\$ million	30 June 2009 HK\$ million
Authorised 2,000,000,000 shares of HK\$0.10 each	200	200

	Number of shares of HK\$0.10 each Million	Nominal value HK\$ million
Issued and fully paid		
Balance at 1 July 2009	1,246	125
Exercise of share options (note 1)	2	-
Balance at 31 December 2009	1,248	125

Note 1: During the period, 1,495,000 ordinary shares of HK\$0.10 each were issued in respect of the share options exercised by Directors and employees under the share option scheme at exercise prices in the range of HK\$24.20 to HK\$42.58 each (representing a premium in the range of HK\$24.10 to HK\$42.48 each).

Note 2: On 10 December 2009, the shareholders approved a final dividend of HK\$0.72 per share and a special dividend of HK\$1.33 per share for the year ended 30 June 2009. The shareholders were provided with an option to receive the final dividend in form of shares in lieu of cash while the special dividend was paid out in form of shares. On 15 January 2010, 531,079 and 30,816,866 shares were issued in respect of the final dividend and special dividend respectively.



11. Operating lease commitments

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

	Unaudited	Audited
	31 December 2009 HK\$ million	30 June 2009 HK\$ million
Land and buildings		
- within one year	2,880	2,696
- in the second to fifth year inclusive	9,524	9,305
- after the fifth year	8,102	8,256
	20,506	20,257
Other equipment		
- within one year	24	25
- in the second to fifth year inclusive	12	16
	36	41
	20,542	20,298

The total future minimum lease receipts under non-cancelable subleases in respect of land and buildings at 31 December 2009 are **HK\$66 million** (30 June 2009: HK\$81 million).

12. Capital commitments

	Unaudited	Audited
	31 December 2009 HK\$ million	30 June 2009 HK\$ million
Property, plant and equipment		
- Contracted but not provided for	276	130
- Authorised but not contracted for	574	812
	850	942
Acquisition of the remaining interest in the associated companies		
- Contracted but not provided for (note)	3,492	-
	4,342	942

Note: On 17 December 2009, the Company agreed to acquire the remaining interest of the associated companies with operations in the People's Republic of China from China Resources Enterprise, Limited. The aggregate consideration for the transaction is HK\$3,880,000,000 of which HK\$388,000,000 was paid on 17 December 2009 and recorded in debtors, deposits and prepayments. The balance of HK\$3,492,000,000 is payable in cash by several instalments.

13. Derivative financial instruments

The Group enters into foreign currency forward 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 2009, the fair value of the foreign currency forward contracts included in other receivables and other creditors and payables are as follows:

	Unaudited		Audited	
	31 December 2009 Assets HK\$ million	Liabilities HK\$ million	30 June 2009 Assets HK\$ million	Liabilities HK\$ million
Foreign currency forward contracts				
- Cash flow hedges	-	-	-	3
- Fair value hedges	2	-	7	27
	2	-	7	30

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 foreign currency forward contracts to which the Group has committed is as below:

	Unaudited	Audited
	31 December 2009 HK\$ million	30 June 2009 HK\$ million
Foreign currency forward contracts	151	1,483

14. Related party transactions

In the ordinary course of business, the Group entered into transactions with related companies. Details relating to these related party transactions are as follows:

	Unaudited for the 6 months ended 31 December	
	2009 HK\$ million	2008 HK\$ million
Transactions with associates		
Sales of finished goods	641	756
Royalty and accrued interest receivable/received	16	18
Commission receivable/received	1	3

15. Comparative figures

Certain comparative figures relating to the operating costs, cost of goods sold and segment information have been reclassified to conform with the current period's presentation.



06 // OTHER INFORMATION



06.1 OTHER INFORMATION

DIRECTORS' PROFILE

Executive Directors

Heinz Jürgen KROGNER-KORNALIK, aged 68, is an Executive Director. He has been with the Group since January 1995. He became Chairman of the Board effective from 5 December 2006. He was Group Chief Executive Officer until he handed over the role and responsibilities of Group Chief Executive Officer to Mr Ronald VAN DER VIS on 1 November 2009 and remains as Executive Chairman. Mr KROGNER is primarily responsible for the overall corporate direction and strategy of the Group, as well as providing leadership for the management in achieving the goals and targets set by the Board. He possesses a degree in business administration and industrial engineering. He was a consultant with Kurt Salmon Associates in a variety of areas, including production, organization, marketing, strategy and brand positioning, as well as with several textile firms, always in executive positions, before joining the Group.

Ronald VAN DER VIS, aged 42, has been appointed as Executive Director on 22 June 2009 and was appointed as Group Chief Executive Officer on 1 November 2009. He is responsible for the overall management and control of the business of the Group. He has over 10 years experience as chief executive officer in brand building and retail in an international environment. He holds a Bachelor Degree in Business Administration from Nyenrode University, Netherlands, and a Master of Business Administration Degree (with Honours) from the Manchester Business School, University of Manchester, United Kingdom. Before joining the Company, Mr VAN DER VIS had worked for over 10 years in various senior management positions in Pearle Europe B.V., a leading international optical retail group and had been serving as its chief executive officer since January 2004. Mr VAN DER VIS is an independent non-executive director of Sonova Holding AG.

CHEW Fook Aun, aged 47, has been an Executive Director and Group Chief Financial Officer since 1 February 2009. He has over 20 years of experience in accounting, auditing and finance in the United Kingdom and Hong Kong. He is a graduate of the London School of Economics and Political Science of the University of London in the United Kingdom and holds a Bachelor of Science (Economics) degree from the University of London. Mr CHEW is the Vice President and a Council member of the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Mr CHEW is also a fellow member of the HKICPA and the Institute of Chartered Accountants in England and Wales. He is a member of the advisory committee of the Securities and Futures Commission, the corruption prevention advisory committee of the Independent Commission Against Corruption, the standing committee on company law reform of the Hong Kong Companies Registry and the Financial Reporting Council of Hong Kong. Mr CHEW was an executive director and chief financial officer of The Link Management Limited, manager of The Link Real Estate Investment Trust, from 1 February 2007 to 16 January 2009. He was also the chief financial officer of Kerry Properties Limited from 1996 to 2004, a director of corporate finance for Kerry Holdings Limited from 1998 to 2004 and the executive director responsible for the property portfolio for Kyard Limited from 2004 to 2007.

Non-executive Directors

Paul CHENG Ming Fun, aged 73, has been an Independent Non-executive Director of the Company since November 2002 and became Deputy Chairman of the Company effective from 20 July 2008. Mr CHENG is also an independent non-executive director of several companies which are listed on The Stock Exchange of Hong Kong Limited, and the AIM Board of the London Stock Exchange. He was a former member of the Hong Kong Legislative Council as well as Chairman of Inchcape Pacific Limited, N M Rothschild & Sons (Hong Kong) Ltd., The Link Management Limited, the Hong Kong General Chamber of Commerce, and the American Chamber of Commerce in Hong Kong. He is currently an Honorary Steward of the Hong Kong Jockey Club.

Jürgen Alfred Rudolf FRIEDRICH, aged 71, founded Esprit's European operations in 1976 and has been a Non-executive Director of the Company since 1997. He has over 32 years of experience in the apparel distribution and marketing business and is currently retired in Switzerland.

Alexander Reid HAMILTON, aged 68, has been an Independent Non-executive Director of the Company since August 1995. He is also a director of CITIC Pacific Limited, China Cosco Holdings Company Limited, Shangri-La Asia Limited, Octopus Cards Limited and a number of other Hong Kong companies. He was a partner of Price Waterhouse with whom he practiced for 16 years.

Dr Hans-Joachim KÖRBER, aged 63, has been an Independent Non-executive Director of the Company since May 2008. Dr KÖRBER has 32 years of experience in finance & accounting, controlling, logistics and IT, including 23 years of experience in retailing. He graduated as Master Brewer in brewing technology and earned a doctor degree in business management from Technical University of Berlin, Germany. Dr KÖRBER was the former Chairman and Chief Executive Officer of Metro AG, one of the world's largest retailers, until his retirement at the end of 2007. He is a director of Air Berlin PLC, Skandinaviska Enskilda Banken AB, Sysco Corporation and Bertelsmann AG.

Raymond OR Ching Fai, aged 60, has been an Independent Non-executive Director of the Company since 1996. He is an executive director, chief executive officer and vice chairman of China Strategic Holdings Limited, an independent non-executive director and a vice chairman of G-Resources Group Ltd. and a director of 2009 East Asian Games (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.

Francesco TRAPANI, aged 52, has been appointed an Independent Non-executive Director of the Company since December 2008. Mr TRAPANI has over 21 years of experience in the luxury industry. He graduated with a degree in economics from the University of Naples and studied business administration at the New York University. Mr TRAPANI is the chief executive officer of the Bulgari Group since 1984, who has since led the Bulgari Group to become one of today's leading global players in the luxury market offering world famous fine jewelry, watches, accessories, fragrances and skincare. Bulgari SpA is listed on the Italian Stock Exchange. Mr TRAPANI is also deputy chairman of the board of directors of Attagamma, the association of Italian companies operating in the high-end of the market.

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

As at 31 December 2009, 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 3)	Total number of shares	Approximate percentage of aggregate interests to total issued share capital
Heinz Jürgen KROGNER-KORNALIK	Beneficial owner	–	3,800,000	3,800,000	0.30%
Ronald VAN DER VIS	Interest of a controlled corporation (Note 1)	–	8,000,000	8,000,000	0.64%
CHEW Fook Aun	Beneficial owner	–	1,200,000	1,200,000	0.10%
Jürgen Alfred Rudolf FRIEDRICH	Beneficial owner	66,721,076	–	66,771,977	5.35%
	Interest of spouse (Note 2)	50,901	–		

Notes:

- The interests in the underlying shares of equity derivatives was held by Pisces Investments Limited of which Mr Ronald VAN DER VIS controlled 100% share interest. Pisces Investments Limited is the settlor of the trust which beneficiaries are Mr Ronald VAN DER VIS, his spouse, Ms Floris Maximilian Pieter Daniel VAN DER VIS and his child, Mr Eef WOLTERS e/v VAN DER VIS.
- 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 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"). On 10 December 2009, the shareholders approved at the annual general meeting of the Company ("2009 AGM") the termination of the 2001 Share Option Scheme provided that the share options which have been granted and remained outstanding and/or committed shall continue to follow the provisions of the 2001 Share Option Scheme and the Listing Rules. Details of the grant of share options and a summary of the movements of the outstanding share options during the period under the 2001 Share Option Scheme were as follows:

Directors

Heinz Jürgen KROGNER-KORNALIK					Number of Share Options				
Date of Grant (dd/mm/yyyy)	Exercise Price (HK\$)	Vesting Date (dd/mm/yyyy)	Exercise Period (dd/mm/yyyy)	As at				As at 31/12/2009	
				01/07/2009	Granted	Exercised	Lapsed		
26/11/2003	24.20	26/11/2008	26/11/2008 – 25/11/2011 (v)	600,000	–	–	–	600,000	
27/11/2004	42.58	27/11/2008	27/11/2008 – 26/11/2010	600,000	–	–	–	600,000	
		27/11/2009	27/11/2009 – 26/11/2010	600,000	–	–	–	600,000	
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	120,000	–	–	–	120,000	
		09/02/2011	09/02/2011 – 08/02/2015	120,000	–	–	–	120,000	
		09/02/2012	09/02/2012 – 08/02/2015	120,000	–	–	–	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	
In aggregate				3,800,000	–	–	–	3,800,000	

Ronald VAN DER VIS (through Pisces Investments Limited, of which Mr Ronald VAN DER VIS controlled 100% share interest)					Number of Share Options				
Date of Grant (dd/mm/yyyy)	Exercise Price (HK\$)	Vesting Date (dd/mm/yyyy)	Exercise Period (dd/mm/yyyy)	As at				As at 31/12/2009	
				01/07/2009	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	

2001 Share Option Scheme (continued)

Directors (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 01/07/2009	Granted	Exercised	Lapsed	As at 31/12/2009
09/02/2009	41.70	09/02/2010	09/02/2010 – 08/02/2015	240,000	-	-	-	240,000
		09/02/2011	09/02/2011 – 08/02/2015	240,000	-	-	-	240,000
		09/02/2012	09/02/2012 – 08/02/2015	240,000	-	-	-	240,000
		09/02/2013	09/02/2013 – 08/02/2015	240,000	-	-	-	240,000
		09/02/2014	09/02/2014 – 08/02/2015	240,000	-	-	-	240,000
In aggregate				1,200,000	-	-	-	1,200,000

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 01/07/2009	Granted	Exercised	Lapsed	As at 31/12/2009
26/11/2002	14.60	26/11/2006	26/11/2006 – 25/11/2011 (iii) & (iv)	40,000	-	-	-	40,000
		26/11/2007	26/11/2007 – 25/11/2011 (iii) & (iv)	40,000	-	-	-	40,000
26/11/2003	24.20	26/11/2006	26/11/2006 – 25/11/2011 (v)	285,000	-	65,000	-	220,000
		26/11/2007	26/11/2007 – 25/11/2011 (v)	405,000	-	30,000	-	375,000
		26/11/2008	26/11/2008 – 25/11/2011 (v)	670,000	-	40,000	-	630,000
23/12/2003	24.45	23/12/2006	23/12/2006 – 22/12/2011 (v)	120,000	-	-	-	120,000
		23/12/2007	23/12/2007 – 22/12/2011 (v)	120,000	-	-	-	120,000
		23/12/2008	23/12/2008 – 22/12/2011 (v)	120,000	-	-	-	120,000
27/11/2004	42.58	27/11/2005	27/11/2005 – 26/11/2010	150,000	-	-	-	150,000
		27/11/2006	27/11/2006 – 26/11/2010	560,000	-	240,000	-	320,000
		27/11/2007	27/11/2007 – 26/11/2010	860,000	-	240,000	-	620,000
		27/11/2008	27/11/2008 – 26/11/2010	1,630,000	-	560,000	-	1,070,000
		27/11/2009	27/11/2009 – 26/11/2010	1,630,000	-	320,000	240,000	1,070,000
23/12/2004	47.10	23/12/2005	23/12/2005 – 22/12/2010	90,000	-	-	-	90,000
		23/12/2006	23/12/2006 – 22/12/2010	90,000	-	-	-	90,000
		23/12/2007	23/12/2007 – 22/12/2010	90,000	-	-	-	90,000
		23/12/2008	23/12/2008 – 22/12/2010	90,000	-	-	-	90,000
		23/12/2009	23/12/2009 – 22/12/2010	90,000	-	-	-	90,000
28/11/2005	55.11	28/11/2006	28/11/2006 – 27/11/2011	105,000	-	-	-	105,000
		28/11/2007	28/11/2007 – 27/11/2011	105,000	-	-	-	105,000
		28/11/2008	28/11/2008 – 27/11/2011	345,000	-	-	-	345,000
		28/11/2009	28/11/2009 – 27/11/2011	345,000	-	-	-	345,000
		28/11/2010	28/11/2010 – 27/11/2011	345,000	-	-	-	345,000
02/12/2005	56.20	02/12/2006	02/12/2006 – 01/12/2011	100,000	-	-	-	100,000
		02/12/2007	02/12/2007 – 01/12/2011	140,000	-	-	-	140,000
		02/12/2008	02/12/2008 – 01/12/2011	280,000	-	-	60,000	220,000
		02/12/2009	02/12/2009 – 01/12/2011	220,000	-	-	-	220,000
		02/12/2010	02/12/2010 – 01/12/2011	220,000	-	-	-	220,000
23/12/2005	56.50	23/12/2006	23/12/2006 – 22/12/2011	90,000	-	-	-	90,000
		23/12/2007	23/12/2007 – 22/12/2011	90,000	-	-	-	90,000
		23/12/2008	23/12/2008 – 22/12/2011	90,000	-	-	-	90,000
		23/12/2009	23/12/2009 – 22/12/2011	90,000	-	-	-	90,000
		23/12/2010	23/12/2010 – 22/12/2011	90,000	-	-	-	90,000

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 01/07/2009	Granted	Exercised	Lapsed	As at 31/12/2009
27/11/2006	80.60	27/11/2007	27/11/2007 – 26/11/2012	15,000	-	-	-	15,000
		27/11/2008	27/11/2008 – 26/11/2012	165,000	-	-	-	165,000
		27/11/2009	27/11/2009 – 26/11/2012	165,000	-	-	-	165,000
		27/11/2010	27/11/2010 – 26/11/2012	165,000	-	-	-	165,000
		27/11/2011	27/11/2011 – 26/11/2012	165,000	-	-	-	165,000
04/12/2006	79.49	04/12/2007	04/12/2007 – 03/12/2012	150,000	-	-	-	150,000
		04/12/2008	04/12/2008 – 03/12/2012	210,000	-	-	45,000	165,000
		04/12/2009	04/12/2009 – 03/12/2012	165,000	-	-	-	165,000
		04/12/2010	04/12/2010 – 03/12/2012	165,000	-	-	-	165,000
		04/12/2011	04/12/2011 – 03/12/2012	165,000	-	-	-	165,000
05/12/2006	80.95	05/12/2007	05/12/2007 – 04/12/2012	756,000	-	-	220,000	536,000
		05/12/2008	05/12/2008 – 04/12/2012	796,000	-	-	220,000	576,000
		05/12/2009	05/12/2009 – 04/12/2012	736,000	-	-	160,000	576,000
		05/12/2010	05/12/2010 – 04/12/2012	736,000	-	-	160,000	576,000
		05/12/2011	05/12/2011 – 04/12/2012	736,000	-	-	160,000	576,000
07/02/2007	83.00	07/02/2008	07/02/2008 – 06/02/2013	80,000	-	-	40,000	40,000
		07/02/2009	07/02/2009 – 06/02/2013	80,000	-	-	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	210,000	-	-	45,000	165,000
		04/12/2009	04/12/2009 – 03/12/2013	165,000	-	-	-	165,000
		04/12/2010	04/12/2010 – 03/12/2013	165,000	-	-	-	165,000
		04/12/2011	04/12/2011 – 03/12/2013	165,000	-	-	-	165,000
		04/12/2012	04/12/2012 – 03/12/2013	165,000	-	-	-	165,000
05/12/2007	118.70	05/12/2008	05/12/2008 – 04/12/2013	597,000	-	-	165,000	432,000
		05/12/2009	05/12/2009 – 04/12/2013	552,000	-	-	120,000	432,000
		05/12/2010	05/12/2010 – 04/12/2013	552,000	-	-	120,000	432,000
		05/12/2011	05/12/2011 – 04/12/2013	552,000	-	-	120,000	432,000
		05/12/2012	05/12/2012 – 04/12/2013	552,000	-	-	120,000	432,000
31/01/2008	100.80	31/01/2009	31/01/2009 – 30/01/2014	960,000	-	-	40,000	920,000
		31/01/2010	31/01/2010 – 30/01/2014	960,000	-	-	280,000	680,000
		31/01/2011	31/01/2011 – 30/01/2014	960,000	-	-	280,000	680,000
		31/01/2012	31/01/2012 – 30/01/2014	960,000	-	-	280,000	680,000
		31/01/2013	31/01/2013 – 30/01/2014	960,000	-	-	280,000	680,000
11/02/2008	102.12	11/02/2009	11/02/2009 – 10/02/2014	60,000	-	-	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	552,000	-	-	120,000	432,000
		09/12/2010	09/12/2010 – 08/12/2014	552,000	-	-	120,000	432,000
		09/12/2011	09/12/2011 – 08/12/2014	552,000	-	-	120,000	432,000
		09/12/2012	09/12/2012 – 08/12/2014	552,000	-	-	120,000	432,000
		09/12/2013	09/12/2013 – 08/12/2014	552,000	-	-	120,000	432,000
11/12/2008	45.95	11/12/2009	11/12/2009 – 10/12/2014	756,000	-	-	64,000	692,000
		11/12/2010	11/12/2010 – 10/12/2014	756,000	-	-	64,000	692,000
		11/12/2011	11/12/2011 – 10/12/2014	756,000	-	-	64,000	692,000
		11/12/2012	11/12/2012 – 10/12/2014	756,000	-	-	64,000	692,000
		11/12/2013	11/12/2013 – 10/12/2014	756,000	-	-	64,000	692,000

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 01/07/2009	Granted	Exercised	Lapsed	As at 31/12/2009
05/02/2009	39.76	05/02/2010	05/02/2010 – 04/02/2015	932,000	-	-	210,000	722,000
		05/02/2011	05/02/2011 – 04/02/2015	932,000	-	-	210,000	722,000
		05/02/2012	05/02/2012 – 04/02/2015	932,000	-	-	210,000	722,000
		05/02/2013	05/02/2013 – 04/02/2015	932,000	-	-	210,000	722,000
		05/02/2014	05/02/2014 – 04/02/2015	932,000	-	-	210,000	722,000
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
08/05/2009	51.76	08/05/2010	08/05/2010 – 07/05/2015	160,000	-	-	-	160,000
		08/05/2011	08/05/2011 – 07/05/2015	160,000	-	-	-	160,000
		08/05/2012	08/05/2012 – 07/05/2015	160,000	-	-	-	160,000
		08/05/2013	08/05/2013 – 07/05/2015	160,000	-	-	-	160,000
		08/05/2014	08/05/2014 – 07/05/2015	160,000	-	-	-	160,000
22/06/2009	46.45	22/06/2010	22/06/2010 – 21/06/2015	80,000	-	-	-	80,000
		22/06/2011	22/06/2011 – 21/06/2015	80,000	-	-	-	80,000
		22/06/2012	22/06/2012 – 21/06/2015	80,000	-	-	-	80,000
		22/06/2013	22/06/2013 – 21/06/2015	80,000	-	-	-	80,000
		22/06/2014	22/06/2014 – 21/06/2015	80,000	-	-	-	80,000
09/12/2009	53.74	09/12/2010	09/12/2010 – 08/12/2015	-	672,000	-	-	672,000
		09/12/2011	09/12/2011 – 08/12/2015	-	672,000	-	-	672,000
		09/12/2012	09/12/2012 – 08/12/2015	-	672,000	-	-	672,000
		09/12/2013	09/12/2013 – 08/12/2015	-	672,000	-	-	672,000
		09/12/2014	09/12/2014 – 08/12/2015	-	672,000	-	-	672,000
11/12/2009	53.90	11/12/2010	11/12/2010 – 08/12/2015	-	399,000	-	-	399,000
		11/12/2011	11/12/2011 – 08/12/2015	-	399,000	-	-	399,000
		11/12/2012	11/12/2012 – 08/12/2015	-	399,000	-	-	399,000
		11/12/2013	11/12/2013 – 08/12/2015	-	399,000	-	-	399,000
		11/12/2014	11/12/2014 – 08/12/2015	-	399,000	-	-	399,000
In aggregate				36,510,000	5,355,000	1,495,000	5,195,000	35,175,000
TOTAL				49,510,000	5,355,000	1,495,000	5,195,000	48,175,000

Notes:

- (i) The closing prices of the shares of the Company immediately before the share options granted on 9 December 2009 and 11 December 2009 were HK\$52.80 and HK\$52.50 respectively.
- (ii) The weighted average closing price of the shares immediately before the dates of exercise by the employees and consultants was HK\$51.31.
- (iii) A one year extension to the option period from six years to seven years from the date of grant has been granted during FY2008/2009.
- (iv) A further two year extension to the option period from seven years to nine years from the date of grant has been granted during FY2008/2009.
- (v) A two year extension to the option period from six years to eight years from the date of grant has been granted during FY2008/2009.
- (vi) No share options were cancelled under the 2001 Share Option Scheme during the six months ended 31 December 2009.

2001 Share Option Scheme (continued)

Share Options Expenses under 2001 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 HK\$	Exercisable price HK\$	Expected volatility ²	Annual risk-free interest rate ³	Life of option ⁴	Dividend yield ⁵
9 December 2009	11.48 – 18.34	52.25	53.74	54.26%	0.29% – 1.80%	2 – 6 years	3.06%
11 December 2009	12.28 – 19.24	53.90	53.90	54.28%	0.31% – 1.80%	2 – 6 years	3.06%

1. 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.
2. Estimated volatility was based on the historical stock prices over 3 years preceding the grant date, expressed as an annualised rate and based on daily price changes.
3. 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.
4. The expected option life was determined by reference to historical data of option holders' behaviour.
5. Dividend yield was based on the average dividend yield (excluding special dividend) for the three years preceding the year of grant.

2009 Share Option Scheme

On 10 December 2009, the shareholders has approved at the 2009 AGM a new share option scheme (the "2009 Share Option Scheme"). No share options were granted, exercised, lapsed or cancelled during the period under the 2009 Share Option Scheme.

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.

DISCLOSURE OF INFORMATION ON DIRECTORS

Pursuant to rule 13.51B(1) of the Listing Rules, the changes of information on Directors are as follows:

With effect from 1 January 2010, Mr Jürgen Alfred Rudolf FRIEDRICH has resigned as a member of the Audit Committee and has been appointed as a member of the Nomination Committee; and Mr Francesco TRAPANI has been appointed as a member of the Audit Committee and has resigned as a member of the Nomination Committee.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2009, 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)	Number of Shares (Short Position)	Total Number of Shares	Approximate Percentage of Aggregate Interests to Total Issued Share Capital
JPMorgan Chase & Co.	Interest of controlled corporations (Notes 1 to 4)	123,450,968	862,900	124,313,868	9.96%
Capital Research and Management Company	Investment manager (Note 5)	86,621,287	–	86,621,287	6.94%
HSBC International Trustee Limited	Trustee (Note 6)	106,296,652	–	106,296,652	8.52%
State Street Corporation	Custodian corporation/ approved lending agent (Notes 5 & 7)	70,972,901	–	70,972,901	5.69%
AllianceBernstein L.P.	Investment manager	58,138,832	–	66,578,132	5.34%
	Interest of controlled corporations (Note 5)	8,439,300	–		

SUBSTANTIAL SHAREHOLDERS' INTERESTS (CONTINUED)

Notes:

1. The shares held by JPMorgan Chase & Co. were held in the following capacities:

Capacity	Number of Shares (Long Position)	Number of Shares (Short Position)
Beneficial owner	2,180,254	862,900
Investment manager	41,421,111	-
Custodian corporation/approved lending agent	79,849,603	-

2. Details of the interest in long position of the 123,450,968 shares held by JPMorgan Chase & Co. were as follows:

Name	Direct (D)/Indirect (I) Interests in the Shares	Aggregate Long Position in the Shares	Approximate Percentage of Aggregate Interests to Total Issued Share Capital
JPMorgan Chase Bank, N.A.	D	82,298,846	6.60%
JPMorgan Chase Bank, N.A.	I	2,180,254	0.17%
J.P. Morgan International Inc.	I	2,180,254	0.17%
Bank One International Holdings Corporation	I	2,180,254	0.17%
J.P. Morgan International Finance Limited	I	2,180,254	0.17%
J.P. Morgan Overseas Capital Corporation	I	1,420,254	0.11%
J.P. Morgan Whitefriars Inc.	D	1,420,254	0.11%
JPMorgan Asset Management Holdings Inc.	I	38,971,868	3.12%
J.P. Morgan Investment Management Inc.	D	7,118,768	0.57%
JPMorgan Asset Management (Asia) Inc.	I	2,495,600	0.20%
JPMorgan Asset Management (Taiwan) Limited	D	1,103,900	0.09%
JF Asset Management Limited	D	1,242,400	0.10%
JPMorgan Asset Management (Japan) Limited	D	149,300	0.01%
JPMorgan Asset Management International Limited	I	29,357,500	2.35%
JPMorgan Asset Management Holdings (UK) Limited	I	29,357,500	2.35%
JPMorgan Asset Management (UK) Limited	D	29,357,500	2.35%
J.P. Morgan Capital Holdings Limited	I	760,000	0.06%
J.P. Morgan Chase (UK) Holdings Limited	I	760,000	0.06%
J.P. Morgan Chase International Holdings	I	760,000	0.06%
J.P. Morgan Securities Ltd.	D	760,000	0.06%

Explanatory Notes:

All the following interests were deemed to be held by the relevant company under the SFO. JPMorgan Chase & Co. was deemed to be interested in an aggregate of 123,450,968 shares held or deemed to be held by: (I) JPMorgan Chase Bank, N.A. (84,479,100 shares); and (II) JPMorgan Asset Management Holdings Inc. (38,971,868 shares), all were wholly-owned subsidiaries of JPMorgan Chase & Co.

(I) JPMorgan Chase Bank, N.A. directly held 82,298,846 shares and was also deemed to be interested in an aggregate of 2,180,254 shares held by the following indirect subsidiaries held through J.P. Morgan International Finance Limited ("JPIF"):

- (a) 1,420,254 shares were held by J.P. Morgan Whitefriars Inc., wholly-owned by J.P. Morgan Overseas Capital Corporation, a wholly-owned subsidiary of JPIF; and
- (b) 760,000 shares were held by J.P. Morgan Securities Ltd., 98.95% subsidiary of J.P. Morgan Chase International Holdings, wholly-owned by J.P. Morgan Chase (UK) Holdings Limited, wholly-owned by J.P. Morgan Capital Holdings Limited, a wholly-owned subsidiary of JPIF.

(II) JPMorgan Asset Management Holdings Inc. ("JPAMH") was deemed to be interested in an aggregate of 38,971,868 shares held by the following subsidiaries:

- (a) 7,118,768 shares were held by J.P. Morgan Investment Management Inc., directly wholly-owned by JPAMH;
- (b) 2,495,600 shares were deemed to be held by JPMorgan Asset Management (Asia) Inc. ("JPAsia"), directly wholly-owned by JPAMH, through the following subsidiaries:
 - (i) 1,103,900 shares were held by JPMorgan Asset Management (Taiwan) Limited, wholly-owned by JPAsia;
 - (ii) 1,242,400 shares were held by JF Asset Management Limited, wholly-owned by JPAsia; and
 - (iii) 149,300 shares were held by JPMorgan Asset Management (Japan) Limited, wholly-owned by JPAsia.
- (c) 29,357,500 shares were held by JPMorgan Asset Management (UK) Limited, wholly-owned by JPMorgan Asset Management Holdings (UK) Limited, wholly-owned by JPMorgan Asset Management International Limited, directly wholly-owned by JPAMH.

3. 79,849,603 shares of the interests disclosed in Note 2 above represent shares of the Company in the lending pool.

SUBSTANTIAL SHAREHOLDERS' INTERESTS (CONTINUED)

4. Details of the interest in short position of the 862,900 shares held by JPMorgan Chase & Co. were as follows:

Name	Direct (D)/Indirect (I) Interests in the Shares	Aggregate Short Position in the Shares	Approximate Percentage of Aggregate Interests to Total Issued Share Capital
JPMorgan Chase Bank, N.A.	I	862,900	0.07%
J.P. Morgan International Inc.	I	862,900	0.07%
Bank One International Holdings Corporation	I	862,900	0.07%
J.P. Morgan International Finance Limited	I	862,900	0.07%
J.P. Morgan Capital Holdings Limited	I	500,000	0.04%
J.P. Morgan Chase (UK) Holdings Limited	I	500,000	0.04%
J.P. Morgan Chase International Holdings	I	500,000	0.04%
J.P. Morgan Securities Ltd.	D	500,000	0.04%
J.P. Morgan Structured Products B.V.	D	362,900	0.03%

Explanatory Notes:

All the following interests were deemed to be held by the relevant company under the SFO. JPMorgan Chase & Co. was deemed to have a short position in an aggregate of 862,900 shares held by the following indirect subsidiaries:

- 500,000 shares held by J.P. Morgan Securities Ltd., 98.95% subsidiary of J.P. Morgan Chase International Holdings, wholly-owned by J.P. Morgan Chase (UK) Holdings Limited, indirect wholly-owned subsidiary of JPMorgan Chase & Co; and
- 362,900 shares held by J.P. Morgan Structured Products B.V., indirect wholly-owned subsidiary of JPMorgan Chase & Co.

5. All interests disclosed herein represent long positions in the shares of the Company.

6. Details of the interest in the 106,296,652 shares held by HSBC International Trustee Limited were as follows:

Name	Direct (D)/Indirect (I) interests in the shares	Aggregate long position in the shares	Approximate percentage of aggregate interests to total issued share capital
Michael YING Lee Yuen	I	106,208,352	8.51%
YET Holdings Limited	I	106,208,352	8.51%
Great View International Limited	D	106,208,352	8.51%
HSBC International Trustee Limited	D/I	88,300	0.01%

Explanatory Notes:

All the following interests were deemed to be held by the relevant company under SFO. HSBC International Trustee Limited ("HKIT"), being the trustee of the discretionary trust set up by Mr Michael YING Lee Yuen on 9 January 2006 and other discretionary trusts, was directly interested or deemed to be interested in an aggregate of 106,296,652 shares. HKIT was also deemed to be interested in 106,208,352 shares held by Great View International Limited, a wholly-owned subsidiary of YET Holdings Limited, 100% controlled by HKIT.

7. All interests disclosed herein represent shares of the Company in the lending pool.

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 2009 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 has declared an interim dividend for the six months ended 31 December 2009 of HK\$0.74 per share (FY2008/2009: HK\$0.80).

In order to maintain a strong balance sheet for future growth, the Board has provided the shareholders with an option to receive the interim dividend in form of new fully paid shares in lieu of cash. The dividend reinvestment price shall be determined by the average closing price of the shares of the Company for the five trading days preceding 8 March 2010. Further details of the scrip dividend reinvestment scheme and the election form will be despatched on or around 12 March 2010 and the election period will commence on 12 March 2010 to 26 March 2010, both days inclusive.

The dividend will be payable on or about 12 April 2010 to the shareholders whose names appear on the Registers of Members of the Company at the close of business on 5 March 2010 (the "Shareholders"). The relevant dividend warrants and/or share certificates will be despatched to the Shareholders on or about 12 April 2010.

The scrip dividend reinvestment scheme is conditional upon the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the new shares to be issued under the scrip dividend reinvestment scheme.

CLOSURE OF REGISTERS OF MEMBERS

The Registers of Members of the Company will be closed from 8 March 2010 to 9 March 2010, both days inclusive, during which period no transfer of shares will be effected.

In order to qualify for the interim dividend mentioned above, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 pm on 5 March 2010.

AUDIT COMMITTEE

The Audit Committee currently comprises five Independent Non-executive Directors. 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 for the six months ended 31 December 2009 with the management.

HUMAN RESOURCES

As at 31 December 2009, the Group employed over 11,500 full-time equivalent staff (31 December 2008: over 11,100) 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 DEPOSITARY RECEIPT PROGRAMME

During the reporting period, the Company has successfully established a Level 1 sponsored American Depositary Receipt programme.

CORPORATE GOVERNANCE

The Company has complied with the code provisions of Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 31 December 2009, with the deviations as stated below:

Under the code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company is now in compliance with such code provision. With effect from 1 November 2009, Mr Ronald VAN DER VIS has been appointed as the new Group CEO and Mr Heinz Jürgen KROGNER-KORNALIK has stepped down from his position as Group CEO and remains in his role as Executive Chairman.

Under the code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term, subject to re-election. Non-executive Directors of the Company have not been appointed for a specific term. However, 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.

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 2009.

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

Heinz Jürgen KROGNER-KORNALIK
Chairman

Hong Kong, 3 February 2010



07 // GLOSSARY OF TERMS

07.1 GLOSSARY OF TERMS

Retail	
Term	Definition
Retail sales	Direct sale of merchandise to end consumers via directly managed retail stores or e-shop
Directly managed retail stores	Stores, concessions and outlets fully managed by Esprit. All stores are leased.
New store opening	Newly opened store locations and includes expanded and relocated stores
Closed store	Closed store locations and includes shrunken and relocated stores
e-shop	On-line store
Comparable Stores (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).
Comp-store sales growth	Local currency year-on-year change in sales generated by comparable stores
Mega flagship stores (mega stores)	Large type stores situated in prominent shopping areas. Offer the most complete collection of Esprit products from all divisions including most licensed products.
Flagship stores	Large type stores, smaller than mega stores, situated in prominent shopping areas. Offer range of products from most divisions and some licensed products.
Satellite stores	Regular-sized stores positioned around mega and/or flagship stores. Offer range of products from most divisions and some licensed products.
Town stores	Regular-sized stores, smaller than satellite stores, positioned around mega and/or flagship stores. Offer selective range of products divisions.
Concession stores	Retail stores situated in big department stores. Offer selective range of product divisions.
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.

Wholesale	
Term	Definition
Wholesale sales	Sale of merchandise to third party wholesale customers
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.
Wholesale order book	The value of wholesale orders received for future delivery.
Yoy increase in wholesale order book	Year to date growth of order value recorded in wholesale order book, compared to same period last year
Franchise stores	Stand-alone stores closely resemble our own directly managed retail stores which local retail partners pay for investment. Esprit provides initial setup support and a wide range of on-going support services to ensure consistency with directly managed retail stores
Partnership stores (PSS)	Same as Franchise stores
Shop-in-stores (SIS)	Controlled wholesale space found in department stores where investments are funded by the department stores. Esprit provides initial setup support and a wide range of on-going support services to ensure consistency with directly managed retail stores
Identity corners (IC)	Mainly multi-label retailers offering a limited range of Esprit products. Esprit has less involvement in store appearance
Multi-label retailers	Retail shops which carry multiple brand labels, where the labels are typically differentiated by using brand specific fixtures and signage.
Country distributors	Exclusive distributors for Esprit products in certain countries.

Others	
Term	Definition
Conversion rate	Measures the portion of Traffic which is translated into actual purchases.
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.
Electronic Data Interchange (EDI)	The structured transmission of data between organisations by electronic means. Information such as inventory data are transferred from controlled-space POS computer systems to Esprit's merchandise planning.
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. Esprit works with over 30 licensees and offers 29 categories of licensed products.
POS	Point-of-sales
Product divisions	There are 12 divisions including Women casual, Women collection, edc Women, sports, Men casual, Men collection, edc Men, Kids, Shoes, Accessories, bodywear, de. corp
Season	Collections of each product division with consistent theme/design. We design and produce up to 12 seasons per annum for our product divisions.
Segment EBIT margin	Earnings before interest and taxation, finance costs, share of results of associates divided by the segment turnover.

Others	
Term	Definition
Sell through	An indicator of how fast a particular product is being sold to a consumer at retail level
Sourcing	Process of managing external suppliers in order to commercialise, produce and deliver final products to customers
Traffic	Footfall recorded in a store during a period of time

