

STOCK CODE 00330

INTERIM REPORT

ESPRIT HOLDINGS LIMITED
SIX MONTHS ENDED
31 DECEMBER 2013

ESPRIT

Interim Report FY 13/14
Esprit Holdings Limited

ESPRIT



I'm a woman not a girl.
I'm confident in who I am and don't need
(nor mind) to show it.
I care about my family, I care about the world
and I care about my looks.
I'm passionate when in love.
I'm lazy on Sundays.
I'm true to my friends.
I enjoy shopping.
My taste is simple - the best is enough.
I love bags, but not more than nature.
I'm happy in a dress.
I'm sexy in my jeans.
To me aging is a gift not a threat.
I love the sun and I'm happy in the rain.
Life is too important to not have fun.
I believe every woman is beautiful through
the eyes of her best friend.
I love to help bring that out,
I love to be that friend.
In a true, natural and relaxed way,

**I AM
ESPRIT!**

Corporate information

Chairman

- Raymond OR Ching Fai
Independent Non-executive Director

Deputy Chairman

- Paul CHENG Ming Fun
Independent Non-executive Director

Executive Directors

- Jose Manuel MARTINEZ GUTIERREZ
Group CEO
- Thomas TANG Wing Yung
Group CFO

Non-executive Director

- Jürgen Alfred Rudolf FRIEDRICH

Independent Non-executive Directors

- Eva CHENG LI Kam Fun
- Alexander Reid HAMILTON
- Carmelo LEE Ka Sze
(appointed with effect from 25 July 2013)
- Norbert Adolf PLATT

Company Secretary

- Florence NG Wai Yin

Principal bankers

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

Auditor

- PricewaterhouseCoopers
Certified Public Accountants

Principal legal advisor

- Baker & McKenzie
- Freshfields Bruckhaus Deringer

Share listing

Esprit's shares are listed on The Stock Exchange of Hong Kong Limited (SEHK). The Company has a Level 1 sponsored American Depositary Receipts (ADR) Programme.

Stock code

- SEHK : 00330
- ADR : ESPGY

Principal share registrar

MUFG Fund Services (Bermuda) Limited
(formerly known as "Butterfield Fulcrum Group (Bermuda) Limited")
26 Burnaby Street
Hamilton HM 11
Bermuda

Hong Kong branch share registrar

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

Registered office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Hong Kong headquarters

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Corporate profile

Founded in 1968, Esprit is an international fashion brand that pays homage to its roots and expresses a relaxed, sunny Californian attitude towards life. Esprit creates inspiring collections for women, men and kids made from high-quality materials paying great attention to detail. All of Esprit's products demonstrate the Group's commitment to quality design and execution.

Esprit's collections are available in over 40 countries worldwide, in over 900 self-operated retail stores and through over 8,500 wholesale points of sales including franchise partners, and controlled wholesale space in department stores. The Group markets its products under two brands, namely the Esprit brand and the edc brand. Listed on The Stock Exchange of Hong Kong Limited since 1993, Esprit has headquarters in Germany and Hong Kong.





Content

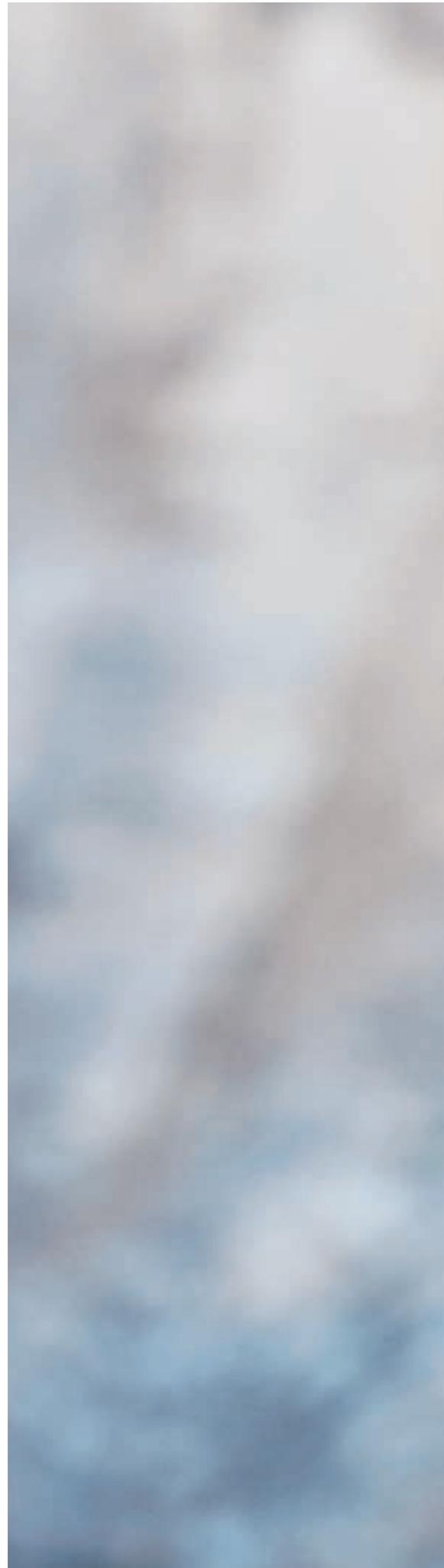
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01

FINANCIAL HIGHLIGHTS

“We are devoting all
our efforts to
regain long-term
competitiveness.”





01 Financial highlights

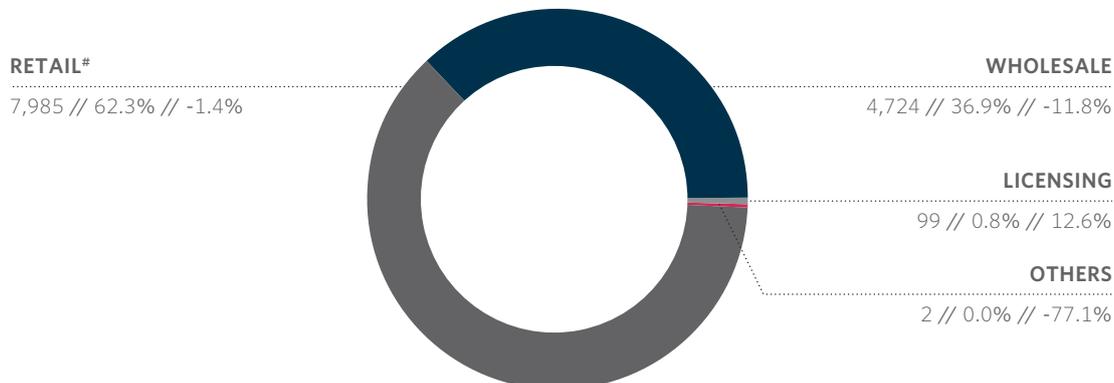
- Group turnover amounted to HK\$12,810 million (1H FY12/13: HK\$13,554 million), representing a decline of -5.5% year-on-year (-9.3% in local currency) in line with the reduction (downsizing) of net sales area in our retail and wholesale businesses
- Gross profit margin decreased by -1.4 percentage points year-on-year to 49.6%, as a result of continued investment in product quality enhancement
- Cost reduction initiatives led to a -15.1% year-on-year decrease in OPEX (-18.2% in local currency), bringing the OPEX-to-sales ratio down to 47.6% (1H FY12/13: 52.9%)
- Profitability improved, with a positive EBIT of HK\$254 million, compared to an EBIT loss of HK\$265 million a year ago
- Net cash increased by +HK\$530 million to HK\$5,181 million (30 June 2013: HK\$4,651 million), primarily driven by a HK\$920 million cash inflow from operations (1H FY12/13: cash outflow)
- Improved inventory position with a -13.1% reduction in inventory units and an 11-day decrease in inventory turnover days to 91 days as compared to a year ago
- Interim dividend of HK\$0.03 per share with scrip alternative

	For the 6 months ended 31 December			
	2013		2012	
Turnover	HK\$12,810m		HK\$13,554m	
Operating profit/(loss)	HK\$254m		HK\$(265)m	
Net profit/(loss)	HK\$95m		HK\$(465)m	
Earnings/(loss) per share ("EPS") (Basic)	HK\$0.05		HK\$(0.30)	
GP margin	49.6%		51.0%	
Operating profit/(loss) margin	2.0%		(2.0)%	
Net profit/(loss) margin	0.7%		(3.4)%	
	HK\$	% of EPS*	HK\$	% of EPS*
Interim dividend per share	0.03	60%	-	-

* Calculated by dividing dividend per share by basic EPS

Turnover by distribution channels

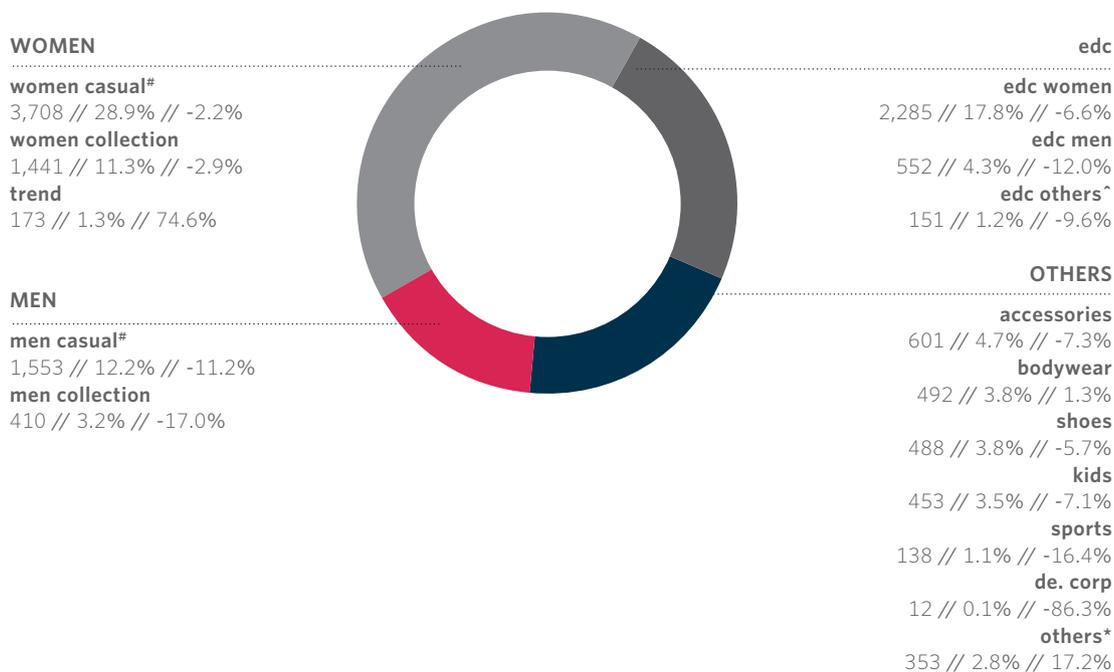
HK\$ million // % of Group turnover // % HK\$ growth



Retail sales include sales from e-shops in countries where available

Turnover by product divisions

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



Turnover of demin is re-grouped into women casual and men casual in 1H FY13/14 and 1H FY12/13

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

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

Turnover by countries[#]

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



■ NORTH AMERICA

United States *
82 // 0.6% // 14.4%
Canada
- // - // -100.0%

■ EUROPE

Germany ^{###}
6,162 // 48.1% // 2.3%
Benelux *
1,588 // 12.4% // -6.2%
France
830 // 6.5% // -2.2%
Austria
595 // 4.7% // -1.3%
Switzerland
590 // 4.6% // -2.2%
Scandinavia
480 // 3.8% // -17.4%
Spain
108 // 0.9% // 8.3%
United Kingdom
157 // 1.2% // -6.4%
Italy
80 // 0.6% // -2.9%
Portugal
6 // 0.0% // -4.4%
Ireland
5 // 0.0% // -52.4%
Others
13 // 0.1% // 10.9%

■ ASIA PACIFIC

China **
984 // 7.7% // -22.3%
Macau ^{###}
267 // 2.1% // -17.7%
Australia and New Zealand
239 // 1.8% // -33.8%
Hong Kong
206 // 1.6% // -17.6%
Singapore
178 // 1.4% // -17.6%
Malaysia
132 // 1.0% // -13.8%
Taiwan
108 // 0.9% // -13.9%

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

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

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

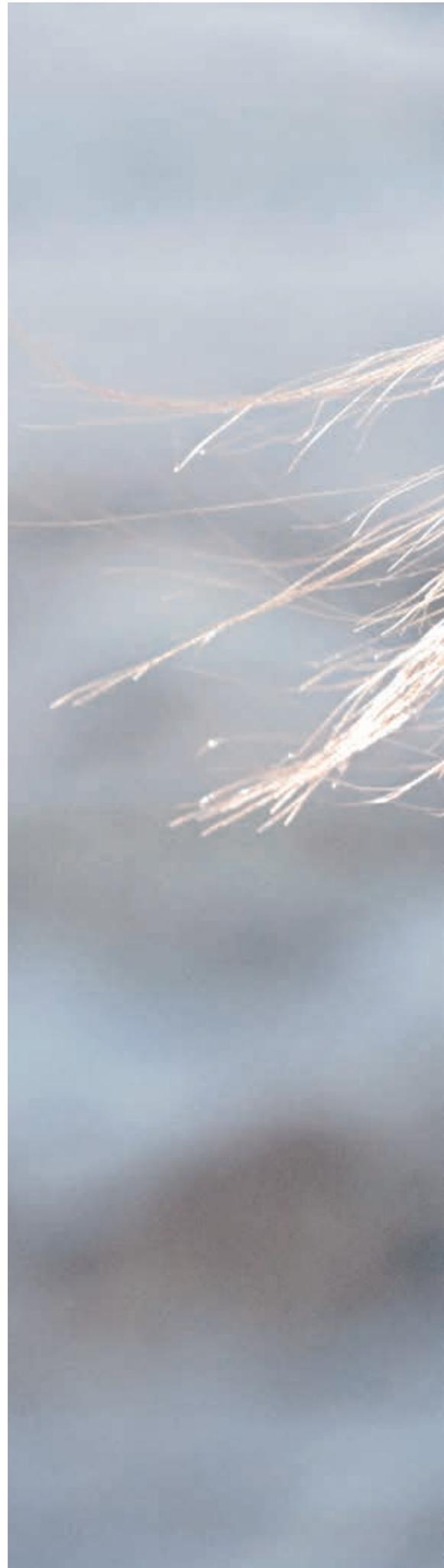
* Includes licensing

** Includes salon

02
AT A GLANCE

“If it’s not
inspirational,
it’s not Esprit.”

DOUG TOMPKINS // FOUNDER OF ESPRIT





Trend Collection

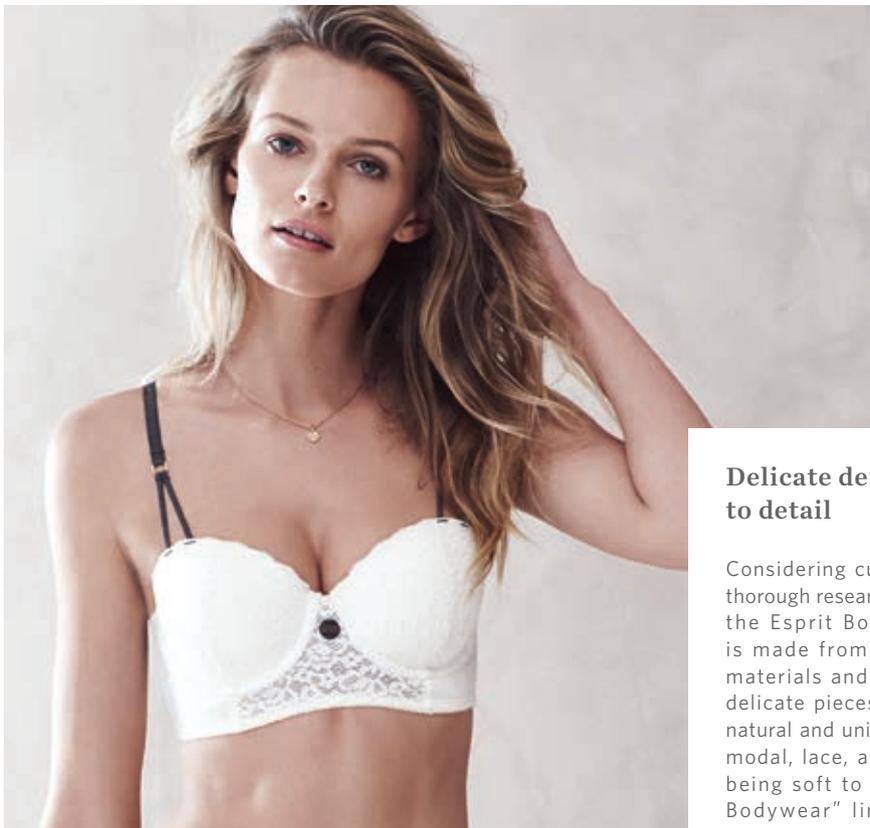
Our new vertical “Trend” collection reflects current runway themes, colors and shapes. “Trend” is an opportunity for us to test new products - shapes & fabrics - as well as new processes. We benefit from the capsule’s shorter lead times with our suppliers, so we can get the product to the stores much quicker. All product learnings can be applied quickly to our other product divisions. “Trend” is about reacting to market conditions faster, minimizing complexities and offering our consumers the fashion trends they are looking for - at the right time and at the best possible value for money.



Authentic Bodywear

Esprit introduced a new, denim inspired bodywear range with a soft, intimate touch: “Authentic Bodywear”.

“Authentic Bodywear” is a casual collection of perfect bottoms and tops inspired by the world of denim with attention to authentic details, including laces and trimmings with a vintage feel. The collection not only looks good but also feels good, thanks to its super soft mix of materials and flat trimmings. The cotton-based collection is comprised of knitwear and perfectly supplemented by corsetry, creating the essential difference from other lines. It is composed of 65% knitwear and 35% corsetry.



Delicate denim and attention to detail

Considering customer feedback from our thorough research and surveys, we introduce the Esprit Bodywear collection, which is made from absolutely contemporary materials and shapes. The authentically delicate pieces are created by combining natural and unique fabrics including cotton, modal, lace, and microfibers. Apart from being soft to the touch, the “Authentic Bodywear” line stands apart from the rest with denim texture and indigo prints, retro denim references, brushed copper trimmings and an overall vintage look and feel. The color palette reflects the washed vintage textures, including faded indigo, off white and rustic red.



Social Media Activities

We amplify product and brand content via the viral community (blogger and social media) and engage our online customer base with inspiring content.

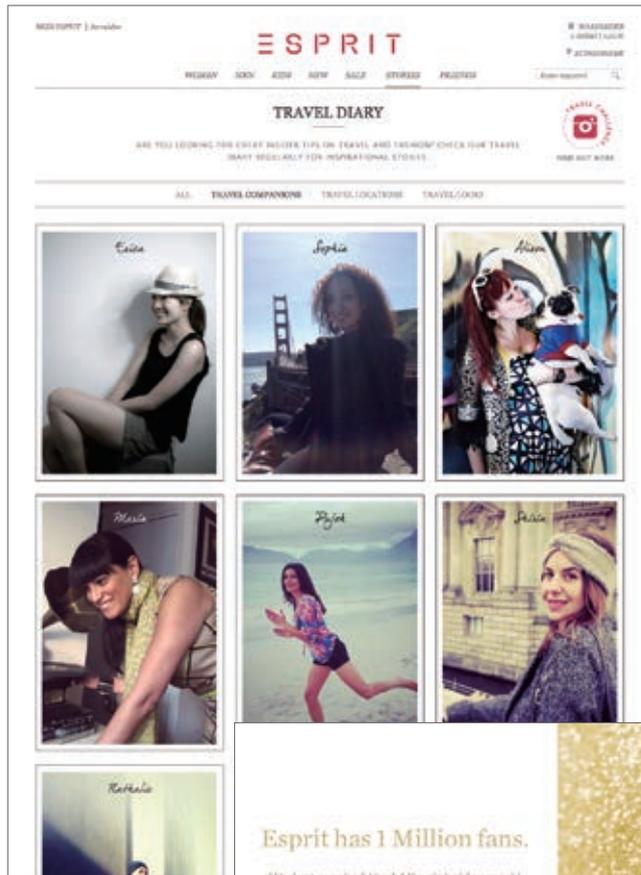
Autumn/Winter 13 - Women Portraits

Our Women Portraits, prominently implemented on esprit.com and promoted across all our social channels, have been very well perceived! In October 2013, 619,000 visitors entered the STORIES section and more than 50% of all visitors viewed at least one of our Women Portraits.

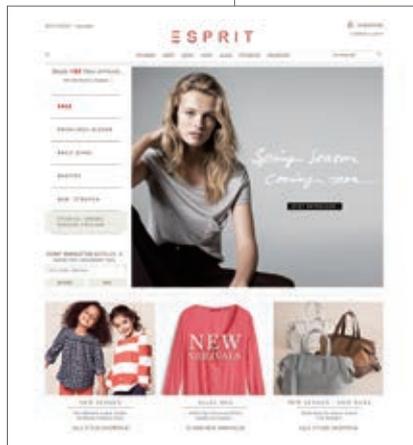


Digital Destination Merge

In the beginning of November 2013 we created one digital destination for Germany by merging our successful e-commerce site with the esprit.com. This combination resulted in a massive increase of visitors to our brand content and ensured more exposure of our brand content to our entire online community. With a pan-European merge in the first quarter of 2014, we anticipate approximately 150,000 additional esprit.com visits per month.



ESPRIT.COM



1 Million Facebook fans

Esprit reached the 1 million Facebook fan mark globally in mid November 2013.

Fashion PR Exposure

Esprit and international fashion media

Esprit's international PR network and fresh insights into public relations, marketing communications and social media ensure continuous exposure of our collections' key styles in international fashion editorials - both print and online - throughout the seasons. Here are just a few examples of the high quality media coverage that we were able to generate.



ELLE, China // denim range



ELLE, UK // jumper



Z lifestyle, Sweden // coat



ELLE, The Netherlands // dress



GRAZIA, Germany // cardigan



COSMOPOLITAN, Spain // pants



VOGUE, Germany // denim shirt

Esprit Friends

The global customer loyalty program

Esprit Friends is our global customer loyalty program. In December 2013 we reached a total of 5.5 million members across Europe and 6.6 million members worldwide. The Esprit Friends card is accepted in over 2,400 stores in 19 countries as well as in the Esprit online shop. Two-thirds of Esprit's global retail stores and e-commerce sales are done in combination with our customer card.

Our CRM-System enables Esprit to identify premium customers and sales potential. The analysis of our members' data allows us to accurately evaluate our activities for the further development of the Esprit brand and drive frequency and profit.



VIP Days

With the VIP days we gave our premium members the opportunity to be the first in store to pick up their favorite items during new season kick-off. In September 2013, we started to make the action more exclusive and sent the mailing to platinum and gold members only. A reduction of approximately 55% in mailing quantity led to an increased response rate compared to last year, delivering outstanding return on investment.



Esprit Friends App

390,000 downloads completed! Our new touch point to increase loyalty is available in 11 countries by now and a huge success. Mailings, newsletters and our app - we use all channels to create well-targeted buying incentives. Every marketing message spreads the Esprit brand identity in a high-quality design.

Fall/Winter Campaign 2013

Esprit on the Isle of Skye

In Fall/Winter 2013 Esprit continued to explore the art of travelling - this time to a space of tranquillity, where the Esprit Woman is free to embrace culture, poetry and the beauty of landscape.

As photographer and model of the Esprit campaign, Astrid Muñoz delivered an intriguing portrait of the confident, multi-talented, passionate and effortlessly chic Esprit Woman. She combined her long-standing experience as a world-renowned model with her skills as a professional photographer. Esprit was excited to support her personal passion for nature and photography by showcasing her work of self-portraits, landscape and macro photography. This exclusive multimedia event took place in Paris in September 2013 and more than 400 guests from the Paris fashion scene, business partners, representatives of the international fashion and lifestyle media, and VIPs such as Natalia Vodianova, Mario Testino, and Audrey Marnay celebrated the vernissage.



Stylist Catherine Baba admiring Astrid's work



Astrid Muñoz



French art director Sofia Sanchez & designer Alexandre de Betak



Star photographer Mario Testino (left) at the exhibition

The campaign was communicated with photography and film via our online media channels such as esprit.com, social media as well as print advertising in Germany.



03

MANAGEMENT DISCUSSION AND ANALYSIS





“We are on track in stabilizing the business and gaining traction in overhauling the product engine.”

03 Management discussion and analysis

Esprit's strategic priorities for the period under review remained unchanged from those set out in FY12/13. During the period, the management team continued to be highly focused on initiatives to stabilize the Group's business performance in the short term, and worked towards adopting a faster and more efficient business model to regain competitiveness in the medium term. We are pleased to report that the Group is on track on both fronts.

Short term stabilization

As a result of concerted efforts to reduce costs, normalize inventory levels, overhaul operations and employ sales activation tactics over the past few months, the Group is beginning to see some signs of stabilization throughout the business and, more importantly, we are beginning to see improvement in profitability. For the six months ended 31 December 2013, the Group reported operating profit of HK\$254 million (1H FY12/13: operating loss of HK\$265 million) mainly driven by the cost reduction initiatives undertaken by the management team. For the period under review, turnover declined by -9.3% year-on-year in local currency, but this impact was offset by a reduction in total operating expenses ("OPEX") of -18.2% year-on-year in local currency. As a result, the Group has improved its OPEX-to-sales ratio to 47.6%, down from 52.9% in the same period last year. The Group generated positive net cash of +HK\$530 million primarily driven by a HK\$920 million cash inflow from operations (1H FY12/13: cash outflow) and hence, our net cash position increased to HK\$5,181 million.

Implementation of a high performance product engine in the medium term

Following the Group's decision to adopt a faster and more efficient vertically integrated business model in order to regain competitiveness, management continues to work on implementing this strategic initiative and we are pleased by the progress made thus far:

1. The appointment of a new Chief Product Officer with significant experience and knowledge of product development within a vertical business model;
2. The restructuring of our sourcing offices in Asia to better mirror our Product Divisions and the completion of the re-organization of the Category Management Teams necessary to manage a vertical business model;

3. The development of solutions vital to adapt the vertical business model for our wholesale partners (e.g. new structure and calendar for our collections), resulting in differentiated approaches to each wholesale segment;
4. The beginning of operations of the Trend Division (in September 2013) as a "laboratory" to develop a fast-to-market supply chain for Esprit and to test a range of strategic alternatives for our concept (e.g. new pricing approach, stock replenishment model); and
5. The successful development of pricing tests at all levels: country (e.g. Taiwan), product category (e.g. outerwear) and individual items (e.g. Hero Product).

Transforming the existing business model to a vertical one is undoubtedly a challenging process that involves significant change throughout the organization. The goals we have set are ambitious and the Group will remain vigilant and fully committed to delivering on our plan through consistent and focused execution. Moreover, the Group will endeavor to ensure that our stakeholders are informed of the potential risks and the progress made in due course.

03.1 Financial review

Revenue analysis

Group turnover amounted to HK\$12,810 million (1H FY12/13: HK\$13,554 million), representing a decline of -5.5% year-on-year (-9.3% in local currency). The majority of this decline was attributed to a loss of space in both our retail and our wholesale businesses. Retail experienced a -5.0% decline of turnover in local currency while retail net sales area was reduced by -5.7% year-on-year. Wholesale turnover decreased by -16.1% in local currency and wholesale controlled space was reduced by -13.9% over the same period last year.

Turnover by product divisions

In 1H FY13/14, the share of turnover from Esprit branded products increased slightly to 76.7% of Group turnover (1H FY12/13: 76.1%), while the share of turnover from edc branded products decreased to 23.3% of Group turnover (1H FY12/13: 23.9%).

Turnover by product divisions

	For the 6 months ended 31 December					
	2013		2012		Change in %	
	HK\$ million	% of Group Turnover	HK\$ million	% of Group Turnover	HK\$	Local currency
women	5,322	41.5%	5,376	39.7%	-1.0%	-4.9%
women casual [#]	3,708	28.9%	3,792	28.0%	-2.2%	-5.9%
women collection	1,441	11.3%	1,485	11.0%	-2.9%	-6.9%
trend	173	1.3%	99	0.7%	74.6%	67.0%
men	1,963	15.4%	2,243	16.6%	-12.5%	-15.8%
men casual [#]	1,553	12.2%	1,749	13.0%	-11.2%	-14.5%
men collection	410	3.2%	494	3.6%	-17.0%	-20.3%
others	2,537	19.8%	2,694	19.8%	-5.8%	-9.8%
accessories	601	4.7%	649	4.8%	-7.3%	-10.8%
bodywear	492	3.8%	486	3.6%	1.3%	-3.5%
shoes	488	3.8%	517	3.8%	-5.7%	-10.3%
kids	453	3.5%	488	3.6%	-7.1%	-11.0%
sports	138	1.1%	165	1.2%	-16.4%	-19.8%
de. corp	12	0.1%	88	0.6%	-86.3%	-86.2%
others*	353	2.8%	301	2.2%	17.2%	12.7%
Esprit total	9,822	76.7%	10,313	76.1%	-4.8%	-8.5%
edc women	2,285	17.8%	2,447	18.1%	-6.6%	-10.6%
edc men	552	4.3%	627	4.6%	-12.0%	-15.6%
edc others [^]	151	1.2%	167	1.2%	-9.6%	-13.9%
edc total	2,988	23.3%	3,241	23.9%	-7.8%	-11.7%
Group Total	12,810	100.0%	13,554	100.0%	-5.5%	-9.3%

[#] Turnover of denim is re-grouped into women casual and men casual in 1H FY13/14 and 1H FY12/13

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

[^] edc others include edc shoes, edc accessories and edc bodywear

Turnover from Esprit branded products declined by -8.5% in local currency. On a positive note, the Group is pleased to see a stabilization of the women's divisions, which delivered a slight decline in turnover of -1.0% year-on-year (-4.9% in local currency).

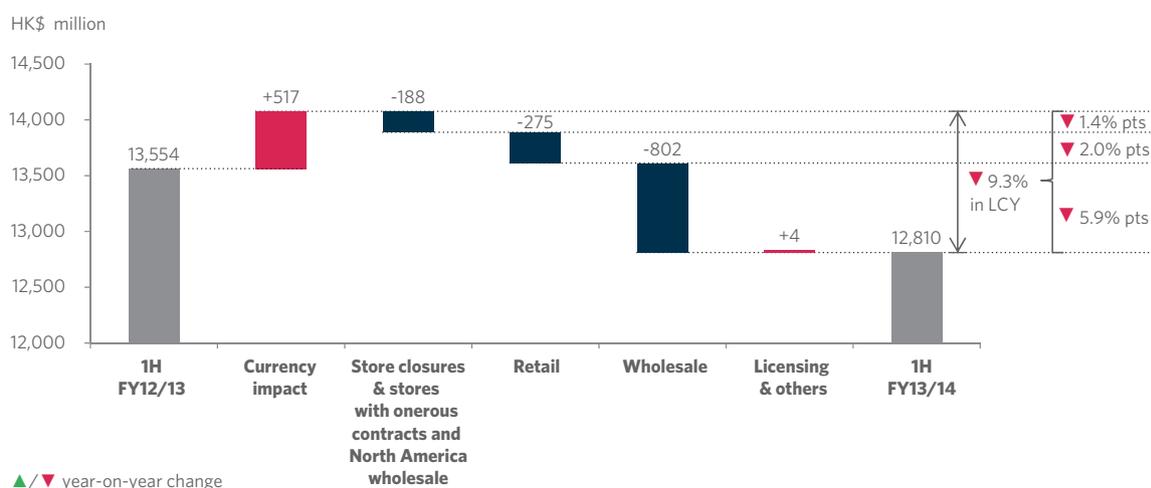
During 1H FY13/14, we intensified our efforts to improve the value-for-money proposition of our products for women. The associated initiatives have an impact on our gross profit margin, but the enhanced quality has contributed to the stabilization of top line performance.

Unfortunately performance of the men's divisions has not yet been stabilized.

As for the performance of the other product divisions, it is worth differentiating between two types of situations: on the one hand, there are divisions that the Group is deliberately scaling back, such as kids, sports and de. corp; while on the other hand, there are divisions, mostly shoes and bodywear, that suffered from IT and logistics issues last summer during the implementation of the last phase of our new IT platform. These issues have already been resolved and will not affect our performance in the coming months.

The turnover of edc branded products declined by -11.7% in local currency. As edc continues to evolve towards a clearer brand focus on younger customers, this evolution may lead to a loss of sales in the short term.

Analysis of Group turnover



Turnover by distribution channels

The Group's operating activities are primarily retail, wholesale and licensing businesses. As a result of the different development of our retail and our wholesale businesses over the last few years, the retail channel is gaining relative weight over the total revenue of the Group.

For the six months ended 31 December 2013, turnover from the retail, wholesale and licensing businesses represented 62.3% (1H FY12/13: 59.8%), 36.9% (1H FY12/13: 39.5%) and 0.8% (1H FY12/13: 0.6%) of Group turnover respectively.

Turnover by distribution channels

Key Distribution Channels	For the 6 months ended 31 December					
	2013		2012		Change in %	
	HK\$ million	% of Group Turnover	HK\$ million	% of Group Turnover	HK\$	Local currency
Retail[#]	7,985	62.3%	8,102	59.8%	-1.4%	-5.0%
Europe	5,970	46.6%	5,675	41.9%	5.2%	0.1%
Asia Pacific	1,629	12.7%	1,925	14.2%	-15.4%	-14.5%
Subtotal	7,599	59.3%	7,600	56.1%	0.0%	-3.6%
Store closures and stores with onerous contracts [*]	386	3.0%	502	3.7%	-23.0%	-25.8%
Wholesale	4,724	36.9%	5,356	39.5%	-11.8%	-16.1%
Europe	4,245	33.1%	4,552	33.6%	-6.7%	-11.4%
Asia Pacific	479	3.8%	746	5.5%	-35.8%	-38.2%
North America	-	-	58	0.4%	-100.0%	-100.0%
Licensing and others	101	0.8%	96	0.7%	4.8%	3.9%
Licensing	99	0.8%	88	0.6%	12.6%	11.6%
Others	2	0.0%	8	0.1%	-77.1%	-78.0%
Total	12,810	100.0%	13,554	100.0%	-5.5%	-9.3%

[#] Retail sales include sales from e-shops in countries where available

^{*} Represent store closures and stores with onerous contracts announced in prior financial year(s)

Retail performance scorecard

For the 6 months ended 31 December		
	2013	2012
Year-on-year local currency turnover growth	-5.0%	-13.0%
Segment EBIT margin	6.2%	1.1%
No. of POS	963	1,060
Net sales area (m ²)	340,661	361,360
Year-on-year change in net sales area	-5.7%	-10.4%
Comparable store sales growth	-4.1%	-3.6%

In 1H FY13/14, **retail turnover** amounted to HK\$7,985 million (1H FY12/13: HK\$8,102 million) representing a decline of -1.4% year-on-year (-5.0% in local currency). Excluding store closures and stores with onerous contracts ("Core Retail"), retail turnover declined year-on-year by -3.6% in local currency, primarily due to a -3.7% year-on-year decline in net sales area.

Comparable stores represented 57.5% (1H FY12/13: 40.0%) of total retail net sales area or 52.7% (1H FY12/13: 41.6%) of total retail point-of-sales ("POS") and registered a -4.1% year-on-year decline in turnover.

In terms of Core Retail operation, in Europe, the Group recorded a turnover growth of +0.1% year-on-year in local currency which was in line with the development of controlled space (+0.9% year-on-year). In Germany, our largest market, we also see a stable development with turnover declining -0.1% year-on-year in local currency in line with the -0.2% decrease of net sales area. We stabilized retail sales performance through improvement in our sales activation initiatives, with a strong focus on return on investment, and improved management of inventory. Unfortunately, this positive development was offset by the weaker retail performance in Asia Pacific region where the Group recorded a retail turnover decline of -14.5% year-on-year in local currency. This decline was primarily due to a -11.6% year-on-year reduction in retail net sales area as well as stock availability issues. This year-on-year reduction in retail net sales area in Asia Pacific was largely attributed to space reduction in China (-12.6% year-on-year) and Australia (-23.5% year-on-year).

In terms of quarterly sales performance, Europe experienced a relatively weak second quarter ("2Q"). Turnover of the Core Retail declined by -4.0% in local currency as compared to a growth of +5.6% in the first quarter ("1Q"). This significant slowdown in sales was attributed to a combination of factors including: i) the calendar effect which resulted from advancing promotional activities from October to September 2013 and ii) the fact that this year's mid-season sales were not as successful as in the previous year.

Retail turnover by countries

For the 6 months ended 31 December						
Countries	2013		2012		Change in %	
	HK\$ million	% of Retail Turnover	HK\$ million	% of Retail Turnover	HK\$	Local currency
Europe	5,970	74.8%	5,675	70.0%	5.2%	0.1%
Germany	3,647	45.7%	3,472	42.9%	5.1%	-0.1%
Benelux	963	12.1%	878	10.8%	9.6%	4.2%
Switzerland	474	5.9%	468	5.8%	1.4%	-2.3%
Austria	396	5.0%	397	4.9%	-0.3%	-5.2%
France	359	4.5%	331	4.1%	8.3%	3.0%
Finland	42	0.5%	44	0.6%	-3.8%	-8.6%
United Kingdom	39	0.5%	39	0.5%	-0.3%	-3.6%
Denmark	24	0.3%	27	0.3%	-8.9%	-13.4%
Sweden	7	0.1%	3	0.0%	177.6%	163.6%
Spain	3	0.0%	2	0.0%	31.0%	24.0%
Italy	2	0.0%	2	0.0%	6.7%	1.3%
Ireland	1	0.0%	1	0.0%	-8.3%	-13.1%
Others*	13	0.2%	11	0.1%	11.1%	5.5%
Asia Pacific	1,629	20.4%	1,925	23.8%	-15.4%	-14.5%
China	712	8.9%	796	9.8%	-10.4%	-13.1%
Australia and New Zealand	230	2.9%	339	4.2%	-32.1%	-24.3%
Hong Kong	206	2.6%	250	3.1%	-17.6%	-17.6%
Singapore	178	2.2%	204	2.5%	-13.0%	-11.2%
Malaysia	132	1.7%	153	1.9%	-13.8%	-10.0%
Taiwan	108	1.3%	125	1.6%	-13.9%	-13.2%
Macau	63	0.8%	58	0.7%	8.3%	8.3%
Subtotal	7,599	95.2%	7,600	93.8%	0.0%	-3.6%
Store closures and stores with onerous contracts#	386	4.8%	502	6.2%	-23.0%	-25.8%
Total	7,985	100.0%	8,102	100.0%	-1.4%	-5.0%

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

Represent store closures and stores with onerous contracts announced in prior financial year(s)

As at 31 December 2013, the Group's distribution network consisted of 963 directly managed retail stores (31 December 2012: 1,060). The Group continued to make progress in closing its loss making stores. In 1H FY13/14, a total of 5 stores under 'store closures and stores with onerous contracts' announced in prior financial year(s) were closed. However the Group is facing increasing difficulty in closing some of the stores due to a variety of reasons, such as finding replacement tenants and higher-than-market rentals. To avoid further possible delays in closing these stores, the Group is looking at package deals to overcome these issues which may result in giving up stores not earmarked for closures.

Directly managed retail stores by countries - movement since 1 January 2013

Countries	No. of stores	Net opened stores*	Net sales area m ²	Net change in net sales area*	As at 31 December 2013	
					No. of comp-stores	Comp-store sales growth
Europe	320	(2)	203,582	0.9%	233	-3.4%
Germany**	141	(3)	113,642	-0.2%	111	-3.1%
Netherlands	52	1	20,507	2.7%	39	-3.9%
Switzerland	36	-	16,241	1.3%	30	-5.5%
Belgium	29	-	18,634	1.9%	20	2.1%
France	24	4	13,850	17.0%	17	-5.0%
Austria	17	-	16,154	-7.5%	12	-6.6%
United Kingdom	15	(5)	949	-31.2%	-	-3.4%
Finland	3	-	1,739	-0.1%	2	-8.0%
Luxembourg	3	1	1,866	62.4%	2	-6.3%
Asia Pacific	587	(79)	104,696	-11.6%	276	-7.1%
China**	333	(38)	51,962	-12.6%	127	-3.8%
Australia	92	(33)	12,483	-23.5%	51	-5.2%
Taiwan	76	(7)	7,321	-13.3%	52	-3.8%
Malaysia	35	1	12,444	0.0%	18	-9.8%
Singapore	24	1	9,187	2.9%	14	-14.9%
Hong Kong	15	(1)	7,286	-13.1%	7	-11.2%
New Zealand	8	(2)	1,826	-19.6%	4	-5.8%
Macau	4	-	2,187	0.0%	3	-2.0%
Subtotal	907	(81)	308,278	-3.7%	509	-4.1%
Store closures and stores with onerous contracts#	56	(16)	32,383	-21.5%	n.a.	n.a.
Total	963	(97)	340,661	-5.7%	509	-4.1%

* Net change from 1 January 2013

** All e-shops within Europe and the e-shop in China are shown as one comparable store in Germany and one comparable store in China

Represents store closures and stores with onerous contracts announced in prior financial year(s)

n.a. Not applicable

Directly managed retail stores by store types - movement since 1 January 2013

Store types	No. of POS					Net sales area (m ²)				
	As at 31 December 2013	vs 1 January 2013		As at 1 January 2013	Net change	As at 31 December 2013	vs 1 January 2013		As at 1 January 2013	Net change
		Opened	Closed				Opened	Closed		
Stores/Concession counters	828	48	(129)	909	(81)	270,225	13,056	(26,467)	283,636	-4.7%
Outlets	79	13	(13)	79	-	38,053	4,822	(3,262)	36,493	4.3%
Subtotal	907	61	(142)	988	(81)	308,278	17,878	(29,729)	320,129	-3.7%
Store closures and stores with onerous contracts#	56	-	(16)	72	(16)	32,383	-	(8,848)	41,231	-21.5%
Total	963	61	(158)	1,060	(97)	340,661	17,878	(38,577)	361,360	-5.7%

Represent store closures and stores with onerous contracts announced in prior financial year(s)

Wholesale turnover amounted to HK\$4,724 million (1H FY12/13: HK\$5,356 million), representing a decrease of -11.8% year-on-year (-16.1% in local currency). The decline was mainly attributed to the continued weakness in the business performance of the wholesale channel and a -13.9% year-on-year decrease in controlled wholesale space. As at 31 December 2013, the Group had 8,653 controlled space wholesale POS (31 December 2012: 9,958) with controlled wholesale space of 529,136 m² (31 December 2012: 614,618 m²).

Wholesale turnover by countries

Countries	For the 6 months ended 31 December					
	2013		2012		Change in %	
	HK\$ million	% of Wholesale Turnover	HK\$ million	% of Wholesale Turnover	HK\$	Local currency
Europe	4,245	89.9%	4,552	85.0%	-6.7%	-11.4%
Germany*	2,334	49.4%	2,327	43.4%	0.3%	-4.8%
Benelux	611	12.9%	796	14.9%	-23.3%	-27.1%
France	411	8.7%	436	8.1%	-5.8%	-10.8%
Scandinavia	363	7.7%	459	8.6%	-20.9%	-23.9%
Austria	182	3.9%	191	3.6%	-4.6%	-9.5%
Spain	105	2.2%	98	1.8%	7.8%	2.3%
Switzerland	99	2.1%	117	2.2%	-16.0%	-18.7%
Italy	78	1.7%	80	1.5%	-3.2%	-8.1%
United Kingdom	53	1.1%	38	0.7%	42.1%	43.2%
Portugal	6	0.1%	6	0.1%	-5.4%	-10.0%
Ireland	3	0.1%	4	0.1%	-25.6%	-29.2%
Asia Pacific	479	10.1%	746	13.9%	-35.8%	-38.2%
China	270	5.7%	462	8.6%	-41.6%	-43.2%
Macau**	204	4.3%	267	5.0%	-23.3%	-27.1%
Australia	5	0.1%	17	0.3%	-73.7%	-70.3%
North America	-	-	58	1.1%	-100.0%	-100.0%
Canada	-	-	58	1.1%	-100.0%	-100.0%
Total	4,724	100.0%	5,356	100.0%	-11.8%	-16.1%

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

** Macau sales include wholesale sales to other countries mainly Chile, Thailand and the Middle East

As with the retail channel, the performance of wholesale was relatively better in Europe (-11.4% year-on-year decrease in turnover in local currency and -11.7% year-on-year decrease in wholesale controlled space) than in Asia Pacific (-38.2% and -22.7% respectively). The higher decline in turnover in Asia Pacific is due to a larger reduction in space and inventory clearance of wholesale customers in the region.

On a positive note, we observed some signs of recovery in our largest market, Germany, where the wholesale turnover decline narrowed to -4.8% year-on-year in local currency (1H FY12/13: -9.9%) despite a -10.2% year-on-year decrease in space during the period, an indication of improving productivity. The turnover decline was also significantly less than that recorded in other markets.

In terms of quarterly performance, the wholesale business in both Europe and Asia Pacific recorded a larger turnover decline in 2Q. In Europe, excluding currency impact, the wholesale turnover decline widened to -16.3% year-on-year in 2Q (1Q FY13/14: -7.9%). In Asia Pacific, the wholesale turnover decline widened to -51.2% year-on-year in 2Q (1Q FY13/14: -23.8%) as a result of a large reduction in space in China, reduced ordering due to a high level of inventory from last year and shipments to Thailand, Indonesia and the Philippines being deferred to the second half of the financial year.

Wholesale performance scorecard

	For the 6 months ended 31 December	
	2013	2012
Year-on-year local currency turnover growth	-16.1%	-13.7%
Segment EBIT margin	11.8%	12.8%
No. of controlled space POS	8,653	9,958
Controlled space area (m ²)	529,136	614,618
Year-on-year change in controlled space area	-13.9%	-9.0%

Wholesale distribution channel by countries (controlled space only) - movement since 1 January 2013

As at 31 December 2013																
Countries	Franchise stores*				Shop-in-stores*				Identity corners*				Total*			
	No. of stores	Net sales area m ²	Year-on-year net change in no. of stores	Year-on-year change in net sales area	No. of stores	Net sales area m ²	Year-on-year net change in no. of stores	Year-on-year change in net sales area	No. of stores	Net sales area m ²	Year-on-year net change in no. of stores	Year-on-year change in net sales area	No. of stores	Net sales area m ²	Year-on-year net change in no. of stores	Year-on-year change in net sales area
Europe	885	219,425	(107)	-12.0%	4,147	154,791	(279)	-7.9%	2,831	59,703	(663)	-19.3%	7,863	433,919	(1,049)	-11.7%
Germany**	348	91,596	(27)	-9.9%	3,190	123,872	(228)	-8.2%	1,669	30,852	(316)	-17.8%	5,207	246,320	(571)	-10.2%
Benelux	143	46,159	(18)	-10.2%	151	6,264	(7)	-5.5%	335	8,264	(124)	-25.4%	629	60,687	(149)	-12.2%
France	147	26,619	(17)	-9.1%	314	7,107	(39)	-13.7%	170	5,243	(87)	-25.9%	631	38,969	(143)	-12.6%
Sweden	52	18,153	(21)	-20.9%	-	-	-	-	44	1,210	(20)	-12.9%	96	19,363	(41)	-20.4%
Austria	72	12,071	(4)	-8.8%	91	3,146	1	-2.0%	54	1,387	(16)	-23.2%	217	16,604	(19)	-9.0%
Finland	26	6,761	(3)	-16.7%	91	3,989	-	-4.8%	200	5,082	(73)	-27.4%	317	15,832	(76)	-18.0%
Italy	29	5,420	(17)	-38.6%	35	1,179	6	14.0%	141	2,349	(20)	-13.0%	205	8,948	(31)	-28.8%
Denmark	17	4,510	(2)	-14.5%	-	-	(1)	-100.0%	30	750	(12)	-32.1%	47	5,260	(15)	-17.9%
Switzerland	26	4,425	(5)	-18.7%	61	2,822	1	-6.8%	26	484	(14)	-39.1%	113	7,731	(18)	-16.6%
Spain	18	2,437	7	37.6%	195	5,654	(9)	-2.3%	81	2,317	23	37.9%	294	10,408	21	12.7%
Portugal	2	576	-	1.2%	-	-	-	-	5	85	-	-	7	661	-	1.1%
United Kingdom	4	456	1	23.2%	14	524	2	10.8%	68	1,554	(4)	-4.5%	86	2,534	(1)	2.6%
Norway	1	242	-	0.8%	-	-	-	-	-	-	-	-	1	242	-	0.8%
Ireland	-	-	(1)	-100.0%	5	234	(5)	-40.2%	8	126	-	-	13	360	(6)	-49.3%
Asia Pacific	700	93,246	(243)	-22.8%	90	1,971	(13)	-21.9%	-	-	-	-	790	95,217	(256)	-22.7%
China	418	57,443	(193)	-26.7%	-	-	-	-	-	-	-	-	418	57,443	(193)	-26.7%
The Middle East	41	9,462	(1)	-13.8%	-	-	-	-	-	-	-	-	41	9,462	(1)	-13.8%
Thailand	103	7,278	11	3.1%	-	-	-	-	-	-	-	-	103	7,278	11	3.1%
India	-	-	(64)	-100.0%	-	-	-	-	-	-	-	-	-	-	(64)	-100.0%
Philippines	29	4,325	5	42.9%	-	-	-	-	-	-	-	-	29	4,325	5	42.9%
Australia	-	-	-	-	-	-	(18)	-100.0%	-	-	-	-	-	-	(18)	-100.0%
Others	109	14,738	(1)	3.3%	90	1,971	5	6.5%	-	-	-	-	199	16,709	4	3.6%
Total	1,585	312,671	(350)	-15.5%	4,237	156,762	(292)	-8.1%	2,831	59,703	(663)	-19.3%	8,653	529,136	(1,305)	-13.9%

* Excludes salon

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

Licensing turnover amounted to HK\$99 million (1H FY12/13: HK\$88 million), representing an increase of +12.6% year-on-year (+11.6% in local currency). The increase was partly attributed to the continued growth of existing licensed products.

In 1H FY13/14, the Group continued to concentrate on optimizing its licensing portfolio by focusing on core licensed product categories while terminating brand-dilutive licenses, primarily those under Home World and Babies & Kids World. As at 31 December 2013, the number of licensed product categories decreased to 18 as we continued to consolidate the portfolio and bring it in line with our brand positioning. The Group expects that this optimization exercise will be completed by the end of FY13/14.

Key licensed product categories

As at 31 December 2013	Europe	Asia Pacific	North America	Latin America
Accessories World				
costume jewellery	■	■		
eyewear	■	■	■	■
fragrance	■	■		■
jewellery	■	■		■
luggage	■	■		
outerwear			■	■
shoes			■	■
socks + tights	■	■	■	■
stationery	■			
timewear	■	■	■	■
umbrellas	■	■	■	■
Home World				
bathroom	■	■		
bedding	■	■	■	■
decoration	■	■		■
carpets	■	■		
wallpaper	■	■		
Babies & Kids World				
kids' shoes			■	
maternity	■			

Turnover by geographies

The majority of the Group's businesses are located in Europe and Asia Pacific. In terms of turnover, Europe is the Group's largest region, with Germany the Group's largest country within this region. Excluding store closures and stores with onerous contracts ("Core Operations"), turnover from Europe and Germany accounted for 79.9% (1H FY12/13: 75.6%) and 46.8% (1H FY12/13: 42.9%) of the Group's total turnover respectively.

Turnover by countries

For the 6 months ended 31 December						
Countries [#]	2013		2012		Change in %	
	HK\$ million	% of Group Turnover	HK\$ million	% of Group Turnover	HK\$	Local currency
Europe	10,232	79.9%	10,243	75.6%	-0.1%	-5.0%
Germany* ^{##}	5,992	46.8%	5,807	42.9%	3.2%	-1.9%
Benelux*	1,580	12.4%	1,682	12.4%	-6.0%	-10.8%
France	770	6.0%	768	5.7%	0.3%	-4.9%
Austria	578	4.5%	588	4.3%	-1.7%	-6.6%
Switzerland	573	4.5%	585	4.3%	-2.1%	-5.6%
Scandinavia	436	3.4%	532	3.9%	-18.0%	-21.3%
Spain	108	0.9%	100	0.8%	8.3%	2.8%
United Kingdom	92	0.7%	77	0.6%	20.5%	19.3%
Italy	80	0.6%	82	0.6%	-2.9%	-7.9%
Portugal	6	0.0%	6	0.0%	-4.4%	-9.1%
Ireland	4	0.0%	5	0.0%	-21.6%	-25.4%
Others	13	0.1%	11	0.1%	10.9%	4.7%
Asia Pacific	2,110	16.5%	2,679	19.8%	-21.2%	-21.3%
China**	984	7.7%	1,266	9.4%	-22.3%	-24.5%
Macau ^{###}	267	2.1%	325	2.4%	-17.7%	-20.9%
Australia and New Zealand	235	1.8%	356	2.6%	-34.0%	-26.4%
Hong Kong	206	1.6%	250	1.9%	-17.6%	-17.6%
Singapore	178	1.4%	204	1.5%	-13.0%	-11.2%
Malaysia	132	1.0%	153	1.1%	-13.8%	-10.0%
Taiwan	108	0.9%	125	0.9%	-13.9%	-13.2%
Subtotal	12,342	96.4%	12,922	95.4%	-4.5%	-8.4%
Store closures and stores with onerous contracts^{***}	386	3.0%	502	3.7%	-23.0%	-25.8%
North America	82	0.6%	130	0.9%	-36.8%	-36.9%
United States*	82	0.6%	72	0.5%	14.4%	14.4%
Canada	-	-	58	0.4%	-100.0%	-100.0%
Total	12,810	100.0%	13,554	100.0%	-5.5%	-9.3%

Country as a whole includes retail, wholesale and licensing operations

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

Macau sales include wholesale sales to other countries mainly Chile, Thailand and the Middle East

* Includes licensing

** Includes salon

*** Represent store closures and stores with onerous contracts announced in prior financial year(s)

In Europe, turnover from the Group's Core Operations declined by -5.0% in local currency primarily due to the decline in wholesale turnover as explained in the previous section. On a positive note, we are seeing signs of stabilization in both the retail and the wholesale business in Germany, the Group's largest market in the region.

In Asia Pacific, turnover from the Group's Core Operations declined by -21.3% in local currency, due to certain developments in both the retail and wholesale channels as explained in the previous sections. China remained the largest market for the Group in the region and the third largest market overall within the Group. For the period

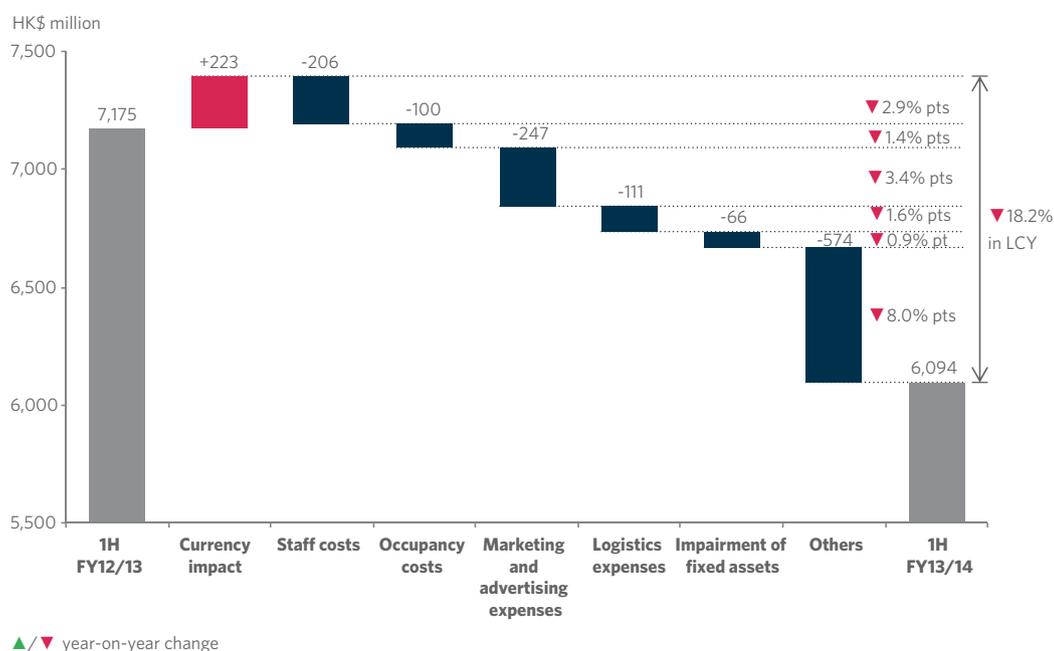
under review, business performance of the Core Operations in China was far from satisfactory, recording a decline in turnover of -24.5% in local currency. A number of factors, both external and internal, have led to this decline: i) a tough operating environment; ii) stock availability issues, especially in outlets; iii) a loss of space in both the retail and wholesale channels due to closures of retail stores with large loss making performance and weak sales performance of wholesale POS; and iv) inventory clearance by wholesale partners in progress. The management team is intensifying its efforts to improve the situation.

03.2 Profitability analysis

Gross profit was HK\$6,348 million (1H FY12/13: HK\$6,910 million). **Gross profit margin** decreased by -1.4 percentage points to 49.6% (1H FY12/13: 51.0%). This is in line with the controlled reduction of gross profit margin as part of our short term strategy to invest in improving product quality, activate sales with pricing initiatives, and continue rationalization of smaller wholesale accounts where we have higher gross profit margins. This margin reduction was partially offset by an increased share of retail having a higher gross margin and improved management of markdowns.

Operating expenses (“OPEX”) amounted to HK\$6,094 million (1H FY12/13: HK\$7,175 million) representing a significant reduction of -HK\$1,081 million or -15.1% year-on-year (-18.2% in local currency). **OPEX-to-sales ratio** also improved significantly to 47.6%, representing a -5.3 percentage points reduction as compared to 52.9% in the same period last year. This improvement was the result of cost reduction initiatives undertaken by the management team to reduce operating expenses. All expense items recorded a year-on-year decline in local currency, with the biggest declines seen in other operating costs (-HK\$574 million), marketing and advertising expenses (-HK\$247 million), and staff costs (-HK\$206 million).

Analysis of OPEX



The substantial decrease in OPEX has enabled the Group to return to profitability in 1H FY13/14, notwithstanding the decline in the top line and gross profit. The Group recorded a positive **EBIT** of HK\$254 million (1H FY12/13: EBIT loss of HK\$265 million) and **EBIT margin** of 2.0% (1H FY12/13: -2.0%).

Profit before taxation was HK\$270 million (1H FY12/13: loss before taxation of HK\$267 million). **Taxation** amounted to HK\$175

million (1H FY12/13: HK\$198 million) with an effective tax rate of 64.9%. The relatively high effective tax rate was due to the fact that although some entities were loss making, their losses could not be used to offset the profits from profitable entities which were subject to income tax.

Net profit was HK\$95 million as compared to net loss of HK\$465 million for the same period of the last financial year.

03.3 Liquidity and financial resources analysis

For the 6 months ended 31 December		
HK\$ million	2013	2012
Cash, bank balances and deposits as at 1 July	5,171	3,171
Cash generated from/(used in) operations	920	(1,091)
Tax paid, net	(299)	(51)
Net cash generated from/(used in) operating activities	621	(1,142)
Net cash (used in)/generated from investing and financing activities	(150)	4,700
Effect of change in exchange rates	59	54
Cash, bank balances and deposits as at 31 December	5,701	6,783
Less:		
Bank loans	520	1,809
Net cash balance	5,181	4,974

Cash: During 1H FY13/14, the Group continued to focus on stabilizing cash consumption by reducing costs and improving working capital management through inventory normalization and reduction of trade debtors. As a result of these efforts, the Group generated HK\$920 million (1H FY12/13: an outflow of -HK\$1,091 million) cash inflow from operations. Together with selective investment in capital expenditure, the Group generated positive net cash of +HK\$530 million as compared to a net cash utilization (excluding rights issue) of -HK\$1,552 million in the same period last year. Consequently, the Group's **cash, bank balances and deposits** increased to HK\$5,701 million (30 June 2013: HK\$5,171 million). **Net cash** grew to HK\$5,181 million (30 June 2013: HK\$4,651 million) and stabilized to the highest level over the last three years.

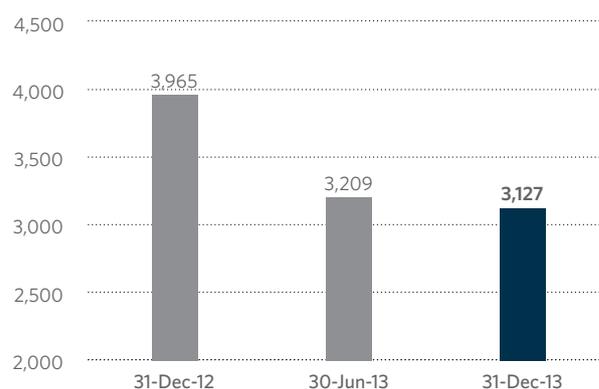
Fund flow analysis

For the 6 months ended 31 December		
HK\$ million	2013	2012
Cash generated from/(used in) operations	920	(1,091)
Tax paid, net	(299)	(51)
Net cash used in investing and financing activities*	(91)	(410)
Net cash generation/(utilization)	530	(1,552)

* Excludes net proceeds from rights issue and bank loans

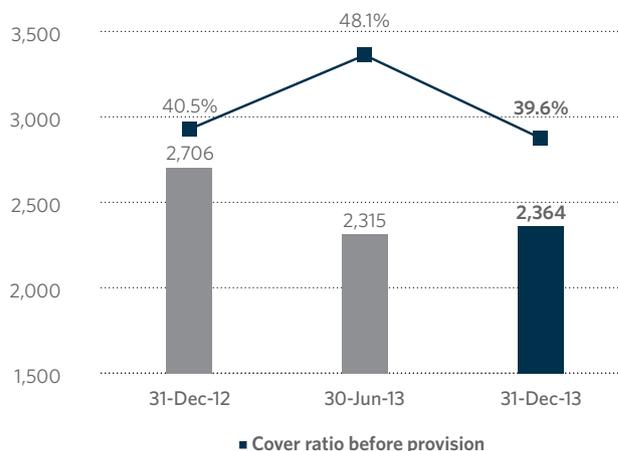
Inventories: The Group's bold measures to normalize inventory levels are delivering encouraging results. Inventories decreased by -21.1% year-on-year to HK\$3,127 million (31 December 2012: HK\$3,965 million) notwithstanding the +4.4% appreciation of the EUR/HKD closing rate to 10.703 (31 December 2012: 10.254). Inventory turnover days shortened to 91 days, representing a year-on-year reduction of 11 days. By implementing bold measures to reduce aged inventory, taking ambitious control of the season's inventory by tightening purchases to align with sales levels, the Group successfully reduced the number of finished goods units by -13.1% year-on-year.

Inventories (HK\$ million)



Net trade debtors amounted to HK\$2,364 million, representing a decrease of -12.6% year-on-year notwithstanding a +4.4% appreciation of the EUR/HKD closing rate to 10.703 (31 December 2012: 10.254). The amount of net trade debtors aged over 90 days was HK\$302 million (31 December 2012: HK\$334 million). The cover ratio before provision (the amount of insured and secured gross trade debtors including VAT over total gross trade debtors including VAT) of 39.6% was similar to last year (31 December 2012: 40.5%).

Net trade debtors (HK\$ million)



Capital expenditure: In 1H FY13/14, the Group invested capital expenditure ("CAPEX") of HK\$198 million (1H FY12/13: HK\$475 million), representing a significant reduction of -HK\$277 million or -58.3% year-on-year. The decline was mainly attributed to the decrease in CAPEX on new stores and store refurbishment, which is in line with the Group's strict policy of selective store expansion and moderate deployment of refurbishment. Additionally, following the successful completion of two major infrastructure projects, i.e. the SAP system and the new European distribution center at the end of FY12/13, there was also a noticeable decline in CAPEX for IT projects, office and others.

For the 6 months ended 31 December		
HK\$ million	2013	2012
Retail stores	118	348
IT projects	41	73
Office & others	39	54
Purchase of property, plant and equipment	198	475

Total interest bearing external borrowings amounted to HK\$520 million (30 June 2013: HK\$520 million). All of the Group's bank borrowings are subject to floating interest rates and are denominated in Hong Kong dollar. The bank loans are unsecured. None of the Group's assets were pledged as security for overdraft or any short-term revolving facility.

HK\$ million	31-Dec-13	30-Jun-13	31-Dec-12
Unsecured short-term bank loans	-	-	249
Unsecured long-term bank loans repayable within one year	260	520	520
Unsecured long-term bank loans	260	520	769
- Repayable between one and two years	260	-	520
- Repayable between two and five years	-	-	520
	260	-	1,040
Total interest bearing external borrowings	520	520	1,809

03.4 Seasonality of business

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

03.5 Foreign exchange risk management

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

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

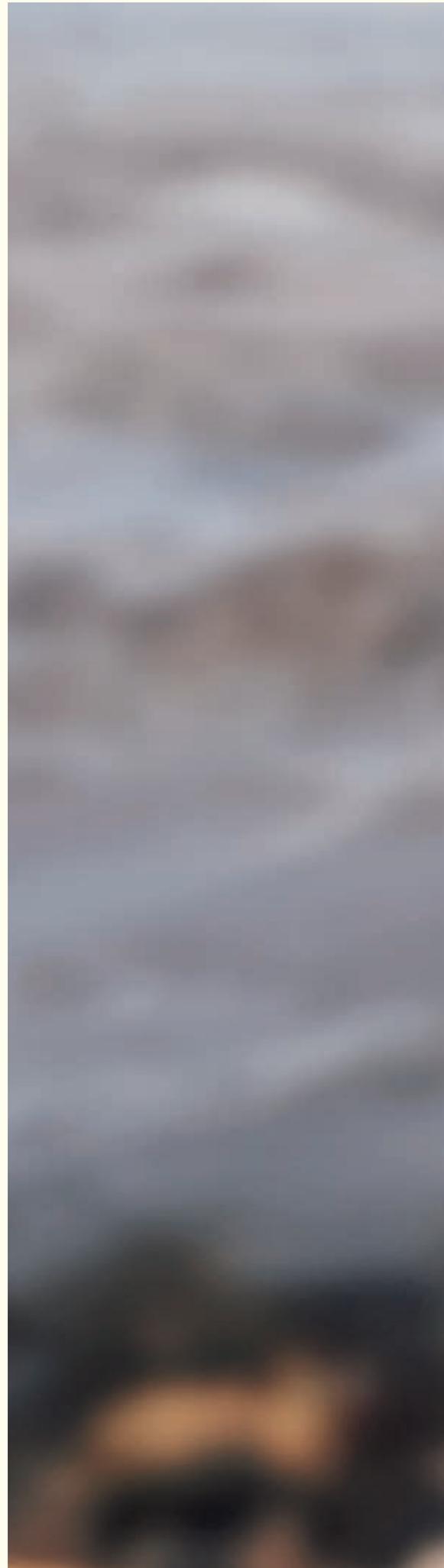
03.6 2H FY13/14 outlook

Looking ahead to the second half of the financial year, the Group's performance remains uncertain as: (i) the Group is currently implementing major changes to its business model in order to regain long term competitiveness and to establish a solid platform for long term growth; (ii) the operating environment continues to be very challenging; and (iii) due to the seasonality of the business, the performance in the second half is normally not as good as it is in the first half.

The Group maintains FY13/14 full year guidance as announced on 10 September 2013. For the financial year FY13/14, the Group expects a further decline in turnover, mainly due to reduced controlled space in both the retail and wholesale channels that will result from store closures and further rationalization of our wholesale customer base. On the positive side, we expect that the cost measures undertaken by the management team will continue to bear fruit. Reduction of operational expenses will be complemented by careful management of the Group's CAPEX so that cash consumption remains under control.



04
FINANCIAL SECTION





04.1 Independent review report

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

Introduction

We have reviewed the interim financial information set out on pages 45 to 56, which comprises the condensed consolidated statement of financial position of Esprit Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 31 December 2013 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".



PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 February 2014

04.2 Interim financial information

The Board of Directors of Esprit Holdings Limited (the “Company”) is pleased to present the unaudited condensed consolidated interim financial information, along with selected explanatory notes, of the Company and its subsidiaries (the “Group”) for the six months ended 31 December 2013 as follows:

Condensed consolidated income statement

	Unaudited for the 6 months ended 31 December		
	Notes	2013 HK\$ million	2012 HK\$ million
Turnover	2	12,810	13,554
Cost of goods sold		(6,462)	(6,644)
Gross profit		6,348	6,910
Staff costs		(1,984)	(2,123)
Occupancy costs		(1,819)	(1,865)
Logistics expenses		(670)	(749)
Marketing and advertising expenses		(371)	(602)
Depreciation		(419)	(434)
Impairment of property, plant and equipment		(57)	(122)
Additional provision for store closures and leases		(80)	(21)
Other operating costs		(694)	(1,259)
Operating profit/(loss) (EBIT/(LBIT))	3	254	(265)
Interest income		31	15
Finance costs	4	(15)	(17)
Profit/(loss) before taxation		270	(267)
Taxation	5	(175)	(198)
Profit/(loss) attributable to shareholders of the Company		95	(465)
Earnings/(loss) per share			
- Basic and diluted	7	HK\$0.05	HK\$(0.30)

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

The notes on pages 51 to 56 form an integral part of this condensed consolidated interim financial information.

Condensed consolidated statement of comprehensive income

	Unaudited for the 6 months ended 31 December	
	2013 HK\$ million	2012 HK\$ million
Profit/(loss) attributable to shareholders of the Company	95	(465)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Fair value loss on cash flow hedge	(144)	(229)
Exchange translation	381	629
	237	400
Total comprehensive income/(loss) for the period attributable to shareholders of the Company	332	(65)

The notes on pages 51 to 56 form an integral part of this condensed consolidated interim financial information.

Condensed consolidated statement of financial position

	Notes	Unaudited 31 December 2013 HK\$ million	Audited 30 June 2013 HK\$ million
Non-current assets			
Intangible assets		5,802	5,763
Property, plant and equipment	8	4,285	4,363
Investment properties		15	15
Other investments		7	7
Debtors, deposits and prepayments		353	384
Deferred tax assets		736	697
		11,198	11,229
Current assets			
Inventories		3,127	3,209
Debtors, deposits and prepayments	9	3,071	3,375
Tax receivable		369	264
Cash, bank balances and deposits	10	5,701	5,171
		12,268	12,019
Current liabilities			
Creditors and accrued charges	11	3,816	3,951
Provision for store closures and leases	12	593	591
Tax payable		741	799
Bank loans	13	260	520
		5,410	5,861
Net current assets			
		6,858	6,158
Total assets less current liabilities			
		18,056	17,387
Equity			
Share capital	14	194	194
Reserves		16,753	16,402
Total equity		16,947	16,596
Non-current liabilities			
Bank loans	13	260	-
Deferred tax liabilities		849	791
		1,109	791
		18,056	17,387

The notes on pages 51 to 56 form an integral part of this condensed consolidated interim financial information.

Condensed consolidated statement of cash flows

	Unaudited for the 6 months ended 31 December	
	2013 HK\$ million	2012 HK\$ million
Cash flows from operating activities		
Cash generated from/(used in) operations	920	(1,091)
Hong Kong profits tax paid	(1)	(2)
Overseas tax paid, net	(298)	(49)
Net cash generated from/(used in) operating activities	621	(1,142)
Cash flows from investing activities		
Purchase of property, plant and equipment	(198)	(475)
Proceeds from disposal of property, plant and equipment	14	2
Interest received	31	15
Net decrease/(increase) in bank deposits with maturities of more than three months	466	(3,987)
Net cash generated from/(used in) investing activities	313	(4,445)
Cash flows from financing activities		
Net proceeds from rights issue	-	5,037
Net proceeds on issue of shares for cash	7	11
Proceeds from short-term bank loans	-	316
Repayment of short-term bank loans	-	(193)
Interest paid on bank loans	(2)	(13)
Net cash generated from financing activities	5	5,158
Net increase/(decrease) in cash and cash equivalents	939	(429)
Cash and cash equivalents at beginning of period	2,182	3,171
Effect of change in exchange rates	59	54
Cash and cash equivalents at end of period	3,180	2,796
Analysis of balances of cash and cash equivalents		
Bank balances and cash	2,424	1,791
Bank deposits	3,277	4,992
Cash, bank balances and deposits	5,701	6,783
Less: bank deposits with maturities of more than three months	(2,521)	(3,987)
	3,180	2,796

The notes on pages 51 to 56 form an integral part of this condensed consolidated interim financial information.

Condensed consolidated statement of changes in equity

Unaudited for the 6 months ended 31 December 2013

	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 2013	194	8,160	739	85	7	447	1	6,963	16,596
Exchange translation	-	-	-	-	-	381	-	-	381
Fair value loss on cash flow hedge	-	-	-	-	-	-	-	-	-
- net fair value loss	-	-	-	(153)	-	-	-	-	(153)
- transferred to income statement - exchange difference	-	-	-	1	-	-	-	-	1
- transferred to inventories	-	-	-	8	-	-	-	-	8
Profit attributable to shareholders of the Company	-	-	-	-	-	-	-	95	95
Total comprehensive income/(loss)	-	-	-	(144)	-	381	-	95	332
Transactions with owners									
Issue of shares	-	7	-	-	-	-	-	-	7
Employee share option benefits	-	-	12	-	-	-	-	-	12
Total transactions with owners	-	7	12	-	-	-	-	-	19
At 31 December 2013	194	8,167	751	(59)	7	828	1	7,058	16,947

The notes on pages 51 to 56 form an integral part of this condensed consolidated interim financial information.

Condensed consolidated statement of changes in equity

Unaudited for the 6 months ended 31 December 2012

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

The notes on pages 51 to 56 form an integral part of this condensed consolidated interim financial information.

Notes to the condensed consolidated interim financial information

1. Basis of preparation

This unaudited condensed consolidated interim financial information ("interim financial information") on pages 45 to 56 for the six months ended 31 December 2013 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 2013. 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 2013.

In the current period, the Group has adopted the following IASs, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretation which do not have any significant impact on the Group's consolidated financial statements.

IAS 19 (Revised)	Employee Benefits – Amended Standard Resulting from the Post-Employment Benefits and Termination Benefits Projects
IAS 27 (Revised)	Consolidated and Separate Financial Statements – Reissued as IAS 27 Separate Financial Statements
IAS 28 (Revised)	Investments in Associates – Reissued as IAS 28 Investments in Associates and Joint Ventures
IFRS 1 (Amendments)	Government Loans
IFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IFRS 10, 11, 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine
IFRSs (Amendments)	Annual Improvements to IFRSs 2009-2011 Cycle

IFRS 13 establishes a single source of guidance for all fair value measurements required or permitted by IFRS. It clarifies the definition of fair value as an exit price, which is defined as a price at which an orderly transaction to sell the asset or transfer the liability would take place between market participants at the measurement date under market conditions, and enhances disclosures about fair value measurement. Details of these disclosures have been included in note 17.

The Group has not early adopted the following IASs, IFRS and IFRIC interpretation that have been issued but are not yet effective.

		Effective for accounting periods beginning on or after
IAS 19 (Amendments)	Defined Benefit Plans – Employee Contributions	1 July 2014
IAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities	1 January 2014
IAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
IAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IFRS 9 and 7 (Amendments)	Mandatory Effective Date of IFRS 9 and Transition Disclosures	1 January 2015
IFRS 9	Financial Instruments	1 January 2015
IFRS 9, 7 and IAS 39 (Amendments)	Financial Instruments – Hedge Accounting	1 January 2015
IFRS 10, 12 and IAS 27 (Amendments)	Investment Entities	1 January 2014
IFRS 14	Regulatory Deferral Accounts	1 January 2016
IFRIC 21	Levies	1 January 2014
IFRSs (Amendments)	Annual Improvements to IFRSs 2010-2012 Cycle	1 July 2014
IFRSs (Amendments)	Annual Improvements to IFRSs 2011-2013 Cycle	1 July 2014

2. Turnover and segment information

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

	Unaudited for the 6 months ended 31 December	
	2013 HK\$ million	2012 HK\$ million
Revenue		
Wholesale	4,724	5,356
Retail	7,985	8,102
Licensing and other income	101	96
	12,810	13,554

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

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

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

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

2. Turnover and segment information (continued)

Unaudited for the 6 months ended 31 December 2013					
	Wholesale HK\$ million	Retail HK\$ million	Licensing HK\$ million	Corporate services, sourcing and others HK\$ million	Group HK\$ million
Total revenue	4,724	7,985	99	10,820	23,628
Inter-segment revenue	-	-	-	(10,818)	(10,818)
Revenue from external customers	4,724	7,985	99	2	12,810
EBIT	555	497	74	(872)	254
Interest income					31
Finance costs					(15)
Profit before taxation					270
Capital expenditure	29	117	-	52	198
Depreciation	28	216	-	175	419
Impairment of property, plant and equipment	-	57	-	-	57
Additional provision for store closures and leases	-	80	-	-	80

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

3. Operating profit/(loss) (EBIT/(LBIT))

Unaudited for the 6 months ended 31 December		
	2013 HK\$ million	2012 HK\$ million
EBIT/(LBIT) is arrived at after charging and (crediting) the following:		
Depreciation	419	434
Amortization of customer relationships	33	29
(Gain)/loss on disposal of property, plant and equipment	(4)	12
Impairment of property, plant and equipment	57	122
Additional provision for store closures and leases	80	21
Net exchange gains	(111)	(100)
(Write-back of)/provision for obsolete inventories, net	(64)	151
Occupancy costs		
- Operating lease charge	1,472	1,479
- Other occupancy costs	347	386
Provision for impairment of trade debtors, net	122	149

4. Finance costs

Unaudited for the 6 months ended 31 December		
	2013 HK\$ million	2012 HK\$ million
Interest on bank loans wholly repayable within five years	2	13
Imputed interest on financial assets and financial liabilities	13	4
	15	17

5. Taxation

Unaudited for the 6 months ended 31 December		
	2013 HK\$ million	2012 HK\$ million
Current tax		
Hong Kong profits tax		
Provision for current period	1	2
Overseas taxation		
Provision for current period	106	122
Under/(over)-provision for prior years	26	(11)
	133	113
Deferred tax		
Current period net charge	42	85
Taxation	175	198

Hong Kong profits tax is calculated at **16.5%** (2012: 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.

During the last financial year, the Inland Revenue Department of Hong Kong ("IRD") had initiated tax inquiries and issued notices of tax assessment for additional tax in an aggregate sum of approximately HK\$449 million for the year of assessment 2006/2007 concerning taxability of income generated by a subsidiary engaged in the distribution operation of the Group. Objections and holdover applications against the additional tax assessment had been lodged. The IRD agreed to hold over the additional tax subject to the purchase of a tax reserve certificate ("TRC") of HK\$99 million. The TRC was purchased in the last financial year. Subsequent to the period ended 31 December 2013, the IRD issued notices of tax assessment for additional tax in an aggregate sum of approximately HK\$550 million for the year of assessment 2007/2008. Objections and holdover applications against the additional tax assessment had been lodged. While the ultimate outcome of these tax inquiries cannot presently be determined, after considering the advice from the tax advisor and based on the current facts and circumstances, the Directors of the Company are of the opinion that adequate provision has been made in the Group's consolidated financial statements.

6. Interim dividend

Unaudited for the 6 months ended 31 December		
	2013 HK\$ million	2012 HK\$ million
Interim dividend declared of HK\$0.03 (2012: Nil) per share	58	-

The amount of interim dividend is based on **1,939,824,064** shares in issue on **21 February 2014** (2012: Nil).

7. Earnings/(loss) per share

Basic

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

Unaudited for the 6 months ended 31 December		
	2013	2012
Profit/(loss) attributable to shareholders of the Company (HK\$ million)	95	(465)
Weighted average number of ordinary shares in issue (million)	1,940	1,574
Basic earnings/(loss) per share (HK\$ per share)	0.05	(0.30)

7. Earnings/(loss) per share (continued)

Diluted

Diluted earnings or loss per share is calculated based on the profit or loss attributable to shareholders of the Company, and the weighted average number of shares in issue during the period after adjusting for the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares granted under the Company's share option schemes. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares during the period) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

Unaudited for the 6 months ended 31 December		
	2013	2012
Profit/(loss) attributable to shareholders of the Company (HK\$ million)	95	(465)
Weighted average number of ordinary shares in issue (million)	1,940	1,574
Adjustments for share options (million)	4	-
Weighted average number of ordinary shares for diluted earnings per share (million)	1,944	1,574
Diluted earnings/(loss) per share (HK\$ per share)	0.05	(0.30)

Diluted loss per share for the six months ended 31 December 2012 was the same as the basic loss per share since the share options had anti-dilutive effect.

8. Property, plant and equipment

	Unaudited HK\$ million
At 1 July 2013	4,363
Exchange translation	210
Additions	198
Disposals	(10)
Depreciation (Note 3)	(419)
Impairment charge (Note 3)	(57)
At 31 December 2013	4,285

9. Debtors, deposits and prepayments

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

	Unaudited 31 December 2013 HK\$ million	Audited 30 June 2013 HK\$ million
Current portion	1,629	1,666
1-30 days	258	171
31-60 days	92	114
61-90 days	83	62
Over 90 days	302	302
Amount past due but not impaired	735	649
	2,364	2,315

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

10. Cash, bank balances and deposits

	Unaudited 31 December 2013 HK\$ million	Audited 30 June 2013 HK\$ million
Bank balances and cash	2,424	1,723
Bank deposits with maturities within three months	756	459
Bank deposits with maturities of more than three months	2,521	2,989
	5,701	5,171

11. Creditors and accrued charges

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

	Unaudited 31 December 2013 HK\$ million	Audited 30 June 2013 HK\$ million
0-30 days	795	1,084
31-60 days	37	12
61-90 days	8	7
Over 90 days	16	19
	856	1,122

12. Provision for store closures and leases

Movements in provision for store closures and leases are as follows:

Unaudited for the 6 months ended 31 December		
	2013 HK\$ million	2012 HK\$ million
At 1 July	591	446
Additional provision for store closures and leases	80	21
Amounts used during the period	(106)	(206)
Exchange translation	28	17
At 31 December	593	278

The provision for store closures and leases was made in connection with the store closures and provision for onerous lease contracts for loss-making stores. The store closures are still ongoing.

During the period ended 31 December 2013, the Group recognized a net additional provision of **HK\$80 million**, mainly arising from additional provision for store closures and onerous leases in relation to loss-making stores announced in prior years.

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

13. Bank loans

At 31 December 2013, the Group's bank loans were payable as follows:

	Unaudited 31 December 2013 HK\$ million	Audited 30 June 2013 HK\$ million
Unsecured long-term bank loans repayable within one year	260	520
Unsecured long-term bank loans repayable between one and two years	260	-
	520	520

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

	Unaudited 31 December 2013 HK\$ million	Audited 30 June 2013 HK\$ million
Floating rate borrowings		
Hong Kong dollar	520	520
	520	520

14. Share capital

	Number of shares of HK\$0.10 each million	Unaudited HK\$ million
Authorized		
At 1 July 2013 and 31 December 2013	3,000	300
Issued and fully paid		
At 1 July 2013	1,939	194
Exercise of share options (Note a)	1	-
At 31 December 2013	1,940	194

Notes:

(a) Exercise of share options

During the period, 750,000 ordinary shares of HK\$0.10 each were issued in respect of share options exercised under the 2009 Share Option Scheme (defined in note (b) below) at an exercise price of HK\$8.76 each (representing a premium of HK\$8.66 each).

(b) Share options

The Company adopted a share option scheme on 26 November 2001 (the "2001 Share Option Scheme"). The 2001 Share Option Scheme was terminated on 10 December 2009, notwithstanding that the share options which were granted and remained outstanding and/or committed as of that date continued to follow the provisions of the 2001 Share Option Scheme and the Listing Rules.

The Company adopted a new share option scheme on 10 December 2009 (the "2009 Share Option Scheme").

15. Operating lease commitments

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

	Unaudited 31 December 2013 HK\$ million	Audited 30 June 2013 HK\$ million
Land and buildings		
- within one year	2,385	2,396
- in the second to fifth year inclusive	6,810	7,005
- after the fifth year	3,093	3,604
	12,288	13,005
Other equipment		
- within one year	18	21
- in the second to fifth year inclusive	15	15
	33	36
	12,321	13,041

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

The total future minimum lease receipts under non-cancelable subleases in respect of land and buildings at 31 December 2013 are **HK\$188 million** (30 June 2013: HK\$195 million).

16. Capital commitments

	Unaudited 31 December 2013 HK\$ million	Audited 30 June 2013 HK\$ million
Property, plant and equipment		
- Contracted but not provided for	56	121
- Authorized but not contracted for	648	749
	704	870

17. Derivative financial instruments

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

At 31 December 2013, the fair values of the forward foreign exchange contracts included in other receivables and other payables are as follows:

	Unaudited 31 December 2013		Audited 30 June 2013	
	Assets HK\$ million	Liabilities HK\$ million	Assets HK\$ million	Liabilities HK\$ million
Forward foreign exchange contracts				
- Cash flow hedges	71	102	157	48

The fair values of the forward foreign exchange contracts have been determined by using observable forward exchange rates from market for equivalent instruments at the date of the statement of financial position.

The following table presents the carrying value of derivative financial instruments measured at fair value according to the levels of the fair value hierarchy defined in IFRS 13 "Fair Value Measurement", with the fair value of each asset and liability categorized based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

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

	Unaudited for the 6 months ended 31 December 2013			
	Level 1 HK\$ million	Level 2 HK\$ million	Level 3 HK\$ million	Total HK\$ million
Recurring fair value measurements:				
Assets				
Derivative financial instruments:				
- Forward foreign exchange contracts	-	71	-	71
Recurring fair value measurements:				
Liabilities				
Derivative financial instruments:				
- Forward foreign exchange contracts	-	102	-	102

During the six months ended 31 December 2013, there were no transfers between Level 1 and Level 2.

The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

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

	Unaudited 31 December 2013 HK\$ million	Audited 30 June 2013 HK\$ million
Forward foreign exchange contracts	2,759	4,190

05

OTHER INFORMATION

05 Other information

Directors' profile

Executive Directors

Jose Manuel MARTINEZ GUTIERREZ, aged 44, has been an Executive Director of the Company and Group Chief Executive Officer since September 2012. He is responsible for the overall management and control of the business of the Group. He is a member of the Remuneration Committee and the General Committee of the Board, a director of certain subsidiaries and a trustee of a trust of the Company.

Mr MARTINEZ obtained a Bachelor's Degree in Business Administration from Universidad Autónoma de Madrid, and a Master in Business Administration Degree (Honours with Distinction) from J.L. Kellogg Business School, Northwestern University.

His professional career spans investment banking, strategy consulting and senior management positions in the global retail and consumer goods industries. Prior to joining Esprit, Mr MARTINEZ was the group director of distribution and operations for Industria De Diseño Textil, S.A. ("Inditex"), owner of the "Zara" brand, based in Spain. In this role, he managed the group's distribution to its extensive global retail network. Over his 9 years at Inditex, Mr MARTINEZ led cross-functional transformation projects, encompassing multiple business areas, to improve Inditex's supply chain management. Prior to joining Inditex, Mr MARTINEZ spent 8 years at McKinsey & Company leading the firm's retail and consumer goods practice in Spain, and advising clients in Europe and South America on strategy, category management and store operations.

Thomas TANG Wing Yung, aged 58, has been an Executive Director of the Company and Group Chief Financial Officer since May 2012. He is a member of the General Committee of the Board and a director of certain subsidiaries of the Company. Mr TANG obtained a Bachelor of Science degree in Modern Mathematics from Surrey University, United Kingdom. He has been an associate member of The Institute of Chartered Accountants in England and Wales since 1981. He is also a fellow member of The Hong Kong Institute of Certified Public Accountants (Practising) and has over 30 years of experience in accounting and finance.

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

Non-executive Directors

Raymond OR Ching Fai, aged 64, has been an Independent Non-executive Director of the Company since 1996 and became Chairman of the Board effective from 13 June 2012. He is the Chairman of the Nomination Committee of the Board, a director of a subsidiary and a trustee of a trust of the Company. Mr OR is an executive director, chief executive officer and chairman of China Strategic Holdings Limited, an independent non-executive director and a vice chairman of G-Resources Group Ltd. and an independent non-executive director of Chow Tai Fook Jewellery Group Limited, Industrial and Commercial Bank of China Limited and Television Broadcasts Limited. All these companies are listed on the Stock Exchange. He was the former vice chairman and chief executive of Hang Seng Bank Limited, the former chairman of Hang Seng Life Limited and a director of The Hongkong and Shanghai Banking Corporation Limited, Cathay Pacific Airways Limited and Hutchison Whampoa Limited until his retirement in May 2009.

Paul CHENG Ming Fun, aged 77, has been an Independent Non-executive Director of the Company since November 2002 and became Deputy Chairman of the Board effective from 20 July 2008. He is the Chairman of the Remuneration Committee and a member of the Nomination Committee of the Board, a director of a subsidiary and a trustee of a trust of the Company. Mr CHENG obtained his Bachelor of Arts degree from Lake Forest University (Illinois, USA) and Master of Business Administration degree from the Wharton School of the University of Pennsylvania. Mr CHENG is an independent non-executive director of Chow Tai Fook Jewellery Group Limited, a company listed on the Stock Exchange. He is an independent non-executive director of Global Logistic Properties Limited, a company listed on the Singapore Stock Exchange. He is also an independent non-executive chairman of Vietnam Infrastructure Ltd. and an independent non-executive director of Pacific Alliance China Land Ltd., both companies are listed on the AIM Board of the London Stock Exchange. Mr CHENG was a former member of the Hong Kong Legislative Council as well as the former chairman of Inchcape Pacific Limited, N M Rothschild & Sons (Hong Kong) Ltd., The Link Management Limited and the Hong Kong General Chamber of Commerce. He is currently an Honorary Steward of the Hong Kong Jockey Club.

Eva CHENG LI Kam Fun, aged 61, has been an Independent Non-executive Director of the Company since December 2012. She is a member of the Audit Committee and the Remuneration Committee of the Board. She was the former corporate executive vice president of Amway Corporation, a global direct selling company which markets consumer products in the health, beauty, homecare and hometech categories. Mrs CHENG began her career with Amway in Hong Kong in 1977 and had an outstanding track record in the launch and development of Amway markets in the Greater China and Southeast Asia regions. Mrs CHENG is best known for leading Amway's entry into China in 1991, and served as chairperson of Amway China until her retirement in 2011. Under her leadership, Amway China overcame significant regulatory and operating challenges, and grew to become a business enterprise with remarkable revenues. In 2008 and 2009, Mrs CHENG was twice listed by Forbes as one of the "World's 100 Most Powerful Women".

Mrs CHENG is currently an independent non-executive director of Trinity Limited and Haier Electronics Group Co. Ltd., both companies are listed on the Stock Exchange. She is also an independent non-executive director of Nestlé S.A., a company listed on the SIX Swiss Exchange. She is a non-executive director of Amway (Malaysia) Holdings Berhad, a company listed on the main market of Bursa Malaysia Securities Berhad. In the areas of public and community service, she currently serves as executive director of the China Next Generation Education Foundation Spring Sprout Special Fund and honorary chairperson of the Amway Charity Foundation in China. Mrs CHENG is also a member of the executive committee of the All-China Women's Federation and a member of the Chinese People's Political Consultative Conference-Guangdong Commission. In Hong Kong, Mrs CHENG is currently honorary president of the All-China Women's Federation Hong Kong Delegates Association, honorary president of the Hong Kong Federation of Women and a permanent honorary committee member of The Chinese General Chamber of Commerce.

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

Jürgen Alfred Rudolf FRIEDRICH, aged 75, founded Esprit's European operations in 1976 and has been a Non-executive Director of the Company since 1997. He is a member of the Audit Committee and the Remuneration Committee of the Board. Mr FRIEDRICH has over 32 years of experience in the apparel distribution and marketing business and is currently retired in Switzerland.

Alexander Reid HAMILTON, aged 72, has been an Independent Non-executive Director of the Company since August 1995. He is the Chairman of the Audit Committee and a member of the Nomination Committee of the Board. Mr HAMILTON is an independent non-executive director of CITIC Pacific Limited, COSCO International Holdings Limited and Shangri-La Asia Limited. All these companies are listed on the Stock Exchange. He is also an independent non-executive director of JPMorgan China Region Fund, Inc. (formerly known as "JF China Region Fund, Inc."), a USA registered closed end fund quoted on the New York Stock Exchange. Mr HAMILTON is also a director of Octopus Cards Limited and a number of other Hong Kong companies. He was an independent non-executive director of China COSCO Holdings Company Limited. He was a partner of Price Waterhouse with whom he practiced for 16 years.

Carmelo LEE Ka Sze, aged 53, has been appointed as an Independent Non-executive Director of the Company since July 2013. He is a member of the Nomination Committee and the Remuneration Committee of the Board. He is a partner of Messrs. Woo, Kwan, Lee & Lo, Solicitors & Notaries. He has been the chairman of the Listing Committee of the Stock Exchange since 2012 after serving as deputy chairman and member of the Listing Committee of the Stock Exchange from 2009 to 2012 and from 2000 to 2003 respectively. Mr LEE is a member of the SFC (HKEC Listing) Committee and a member of the SFC Dual Filing Advisory Group of the Securities and Futures Commission. He is also a member of the Disciplinary Panels of the Hong Kong Institute of Certified Public Accountants. He is a member of the Campaign Committee and a Co-Chairman of the Corporate Challenge Half Marathon of The Community Chest of Hong Kong.

Mr LEE obtained a Bachelor of Laws degree and Postgraduate Certificate in Laws from The University of Hong Kong and qualified as a solicitor in Hong Kong, England and Wales, Singapore and Australian Capital Territory, Australia.

Mr LEE is a non-executive director of Hopewell Holdings Limited, CSPC Pharmaceutical Group Limited, Yugang International Limited, Y.T. Realty Group Limited, Safety Godown Company Limited and Termbay Industries International (Holdings) Limited and an independent non-executive director of KWG Property Holding Limited and Ping An Insurance (Group) Company of China, Ltd., all these companies are listed on the Stock Exchange. He was a non-executive director of The Cross-Harbour (Holdings) Limited from September 2004 to December 2012.

Norbert Adolf PLATT, aged 66, has been an Independent Non-executive Director of the Company since December 2012. He is a member of the Audit Committee and the Remuneration Committee of the Board. He has 40 years of extensive experience in the industry of luxury goods. Mr PLATT was the chief executive officer of the Richemont group from October 2004 to March 2010. The Richemont group's luxury goods interests encompass a portfolio of internationally renowned brands including Cartier, Van Cleef & Arpels, Piaget, Montblanc, Chloé and Alfred Dunhill. Under his leadership, the Richemont group recorded significant growth in turnover and profits. Mr PLATT is currently a non-executive director of Compagnie Financière Richemont SA, the holding company of the Richemont group which is listed in Switzerland.

Prior to acting as chief executive officer of the Richemont group, Mr PLATT was the chief executive officer of Montblanc International GmbH ("Montblanc International") between 1987 and 2004. Mr PLATT successfully transformed Montblanc International from a maker of writing instruments into a diversified and globally renowned manufacturer of luxury goods. Under his leadership, Montblanc International recorded remarkable growth in its turnover. Mr PLATT remained as the chairman of Montblanc Simplo GmbH based in Hamburg, Germany until 30 June 2013. From 1972 to 1987, Mr PLATT held various chief executive positions in Rollei Singapore and Germany.

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

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

As at 31 December 2013, 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 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 (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 5)	Total number of shares	Approximate percentage of aggregate interest to total issued share capital
Jose Manuel MARTINEZ GUTIERREZ	Beneficial owner	500,000	5,400,000	5,900,000	0.30%
Thomas TANG Wing Yung	Beneficial owner	-	2,600,000	2,600,000	0.13%
Raymond OR Ching Fai	Beneficial owner	1,000,000	-	1,000,000	0.05%
Paul CHENG Ming Fun	Beneficial owner (Note 1) Interest of spouse (Note 2)	725,000 775,000	- -	1,500,000	0.07%
Jürgen Alfred Rudolf FRIEDRICH	Beneficial owner (Note 3) Interest of spouse (Note 4)	45,500,000 53,669	- -	45,553,669	2.34%

Notes:

- The interests of 100,000 shares were held by Mr Paul CHENG Ming Fun ("Mr CHENG") and the interests of 625,000 shares were held jointly by Mr CHENG and his spouse, Mrs Janet Mary CHENG.
- The shares were deemed to be held by Mrs Janet Mary CHENG.
- Mr Jürgen Alfred Rudolf FRIEDRICH has entered into a securities lending agreement with a third party for the interest of 10,000,000 shares beneficially owned by him.
- The shares were held by Mrs Anke Beck FRIEDRICH, the spouse of Mr Jürgen Alfred Rudolf FRIEDRICH.
- The interests of Directors and chief executives of the Company in the underlying shares of equity derivatives in respect of share options granted to them pursuant to the 2009 Share Option Scheme are detailed in "Share options" section below.
- All interests disclosed above represent long position in the shares and underlying shares of the Company.

(2) Share options of the Company

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

Save as disclosed above, as at 31 December 2013, none of the Directors and chief executives of the Company or their associates had any interests or short positions, whether beneficial or non-beneficial, in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Share options

2001 share option scheme

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

Employees & consultants

Date of grant (dd/mm/yyyy)	Exercise price (HK\$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	Number of share options				As at 31/12/2013
				As at 01/07/2013	Granted	Exercised	Lapsed	
04/12/2007	119.00	04/12/2008	04/12/2008 - 03/12/2013	60,000	-	-	60,000	-
		04/12/2009	04/12/2009 - 03/12/2013	60,000	-	-	60,000	-
		04/12/2010	04/12/2010 - 03/12/2013	60,000	-	-	60,000	-
		04/12/2011	04/12/2011 - 03/12/2013	60,000	-	-	60,000	-
04/12/2012	119.00	04/12/2012	04/12/2012 - 03/12/2013	60,000	-	-	60,000	-
		05/12/2007	05/12/2008 - 04/12/2013	135,000	-	-	135,000	-
		05/12/2009	05/12/2009 - 04/12/2013	135,000	-	-	135,000	-
		05/12/2010	05/12/2010 - 04/12/2013	135,000	-	-	135,000	-
05/12/2011	118.70	05/12/2011	05/12/2011 - 04/12/2013	135,000	-	-	135,000	-
		05/12/2012	05/12/2012 - 04/12/2013	135,000	-	-	135,000	-
		31/01/2008	31/01/2009 - 30/01/2014	280,000	-	-	-	280,000
		31/01/2010	31/01/2010 - 30/01/2014	280,000	-	-	-	280,000
31/01/2011	100.80	31/01/2011	31/01/2011 - 30/01/2014	280,000	-	-	-	280,000
		31/01/2012	31/01/2012 - 30/01/2014	280,000	-	-	-	280,000
		31/01/2013	31/01/2013 - 30/01/2014	280,000	-	-	-	280,000
		11/02/2008	11/02/2009 - 10/02/2014	30,000	-	-	-	30,000
11/02/2010	102.12	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	135,000	-	-	90,000	45,000
		09/12/2010	09/12/2010 - 08/12/2014	135,000	-	-	90,000	45,000
		09/12/2011	09/12/2011 - 08/12/2014	135,000	-	-	90,000	45,000
		09/12/2012	09/12/2012 - 08/12/2014	135,000	-	-	90,000	45,000
		09/12/2013	09/12/2013 - 08/12/2014	105,000	-	-	60,000	45,000
11/12/2008	45.95	11/12/2009	11/12/2009 - 10/12/2014	212,000	-	-	8,000	204,000
		11/12/2010	11/12/2010 - 10/12/2014	212,000	-	-	8,000	204,000
		11/12/2011	11/12/2011 - 10/12/2014	212,000	-	-	8,000	204,000
		11/12/2012	11/12/2012 - 10/12/2014	212,000	-	-	8,000	204,000
		11/12/2013	11/12/2013 - 10/12/2014	204,000	-	-	16,000	188,000
05/02/2009	39.76	05/02/2010	05/02/2010 - 04/02/2015	304,000	-	-	20,000	284,000
		05/02/2011	05/02/2011 - 04/02/2015	334,000	-	-	20,000	314,000
		05/02/2012	05/02/2012 - 04/02/2015	334,000	-	-	20,000	314,000
		05/02/2013	05/02/2013 - 04/02/2015	334,000	-	-	20,000	314,000
		05/02/2014	05/02/2014 - 04/02/2015	314,000	-	-	84,000	230,000
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

2001 share option scheme (continued)

Employees & consultants (continued)

Date of grant (dd/mm/yyyy)	Exercise price (HK\$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	Number of share options				As at 31/12/2013
				As at 01/07/2013	Granted	Exercised	Lapsed	
09/12/2009	53.74	09/12/2010	09/12/2010 - 08/12/2015	184,000	-	-	-	184,000
		09/12/2011	09/12/2011 - 08/12/2015	184,000	-	-	-	184,000
		09/12/2012	09/12/2012 - 08/12/2015	184,000	-	-	-	184,000
		09/12/2013	09/12/2013 - 08/12/2015	184,000	-	-	-	184,000
09/12/2014	53.74	09/12/2014	09/12/2014 - 08/12/2015	184,000	-	-	-	184,000
		11/12/2009	11/12/2010 - 10/12/2015	159,000	-	-	6,000	153,000
		11/12/2011	11/12/2011 - 10/12/2015	159,000	-	-	6,000	153,000
		11/12/2012	11/12/2012 - 10/12/2015	159,000	-	-	6,000	153,000
11/12/2013	53.90	11/12/2013	11/12/2013 - 10/12/2015	153,000	-	-	12,000	141,000
		11/12/2014	11/12/2014 - 10/12/2015	153,000	-	-	12,000	141,000
		04/02/2010	04/02/2011 - 03/02/2016	210,000	-	-	-	210,000
		04/02/2012	04/02/2012 - 03/02/2016	210,000	-	-	-	210,000
04/02/2013	57.70	04/02/2013	04/02/2013 - 03/02/2016	210,000	-	-	-	210,000
		04/02/2014	04/02/2014 - 03/02/2016	210,000	-	-	60,000	150,000
		04/02/2015	04/02/2015 - 03/02/2016	210,000	-	-	60,000	150,000
		05/02/2010	05/02/2011 - 04/02/2016	93,000	-	-	15,000	78,000
05/02/2012	55.46	05/02/2012	05/02/2012 - 04/02/2016	93,000	-	-	15,000	78,000
		05/02/2013	05/02/2013 - 04/02/2016	93,000	-	-	15,000	78,000
		05/02/2014	05/02/2014 - 04/02/2016	78,000	-	-	18,000	60,000
		05/02/2015	05/02/2015 - 04/02/2016	78,000	-	-	18,000	60,000
09/12/2010	37.92	09/12/2011	09/12/2011 - 08/12/2016	138,000	-	-	-	138,000
		09/12/2012	09/12/2012 - 08/12/2016	138,000	-	-	-	138,000
		09/12/2013	09/12/2013 - 08/12/2016	138,000	-	-	-	138,000
		09/12/2014	09/12/2014 - 08/12/2016	138,000	-	-	-	138,000
09/12/2015	37.92	09/12/2015	09/12/2015 - 08/12/2016	138,000	-	-	-	138,000
		13/12/2010	13/12/2011 - 12/12/2016	159,000	-	-	6,000	153,000
		13/12/2012	13/12/2012 - 12/12/2016	159,000	-	-	6,000	153,000
		13/12/2013	13/12/2013 - 12/12/2016	153,000	-	-	12,000	141,000
13/12/2014	38.10	13/12/2014	13/12/2014 - 12/12/2016	153,000	-	-	12,000	141,000
		13/12/2015	13/12/2015 - 12/12/2016	153,000	-	-	12,000	141,000
		11/02/2011	11/02/2012 - 10/02/2017	93,000	-	-	15,000	78,000
		11/02/2013	11/02/2013 - 10/02/2017	93,000	-	-	15,000	78,000
11/02/2014	40.40	11/02/2014	11/02/2014 - 10/02/2017	78,000	-	-	18,000	60,000
		11/02/2015	11/02/2015 - 10/02/2017	78,000	-	-	18,000	60,000
		11/02/2016	11/02/2016 - 10/02/2017	78,000	-	-	18,000	60,000
		09/12/2011	09/12/2012 - 08/12/2017	138,000	-	-	-	138,000
09/12/2013	11.09	09/12/2013	09/12/2013 - 08/12/2017	138,000	-	-	-	138,000
		09/12/2014	09/12/2014 - 08/12/2017	138,000	-	-	-	138,000
		09/12/2015	09/12/2015 - 08/12/2017	138,000	-	-	-	138,000
		09/12/2016	09/12/2016 - 08/12/2017	138,000	-	-	-	138,000
In aggregate				11,757,000	-	-	1,982,000	9,775,000

2001 share option scheme (continued)

Others

Date of grant (dd/mm/yyyy)	Exercise price (HK\$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	Number of share options				As at 31/12/2013
				As at 01/07/2013	Granted	Exercised	Lapsed	
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
09/02/2009	41.70	11/02/2013	11/02/2013 - 10/02/2014	120,000	-	-	-	120,000
		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				1,200,000	-	-	-	1,200,000
TOTAL				12,957,000	-	-	1,982,000	10,975,000

Note:

No share options were canceled under the 2001 Share Option Scheme during the six months ended 31 December 2013.

2009 share option scheme

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

Directors

Jose Manuel MARTINEZ GUTIERREZ

Date of grant (dd/mm/yyyy)	Exercise price (HK\$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	Number of share options				As at 31/12/2013
				As at 01/07/2013	Granted	Exercised	Lapsed	
11/03/2013	10.04	11/03/2016	11/03/2016 - 10/03/2023	3,000,000	-	-	-	3,000,000
		11/03/2017	11/03/2017 - 10/03/2023	1,000,000	-	-	-	1,000,000
		11/03/2018	11/03/2018 - 10/03/2023	1,000,000	-	-	-	1,000,000
04/11/2013	14.18	04/11/2016	04/11/2016 - 03/11/2023	-	400,000	-	-	400,000
In aggregate				5,000,000	400,000	-	-	5,400,000

Thomas TANG Wing Yung

Date of grant (dd/mm/yyyy)	Exercise price (HK\$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	Number of share options				As at 31/12/2013
				As at 01/07/2013	Granted	Exercised	Lapsed	
11/03/2013	10.04	11/03/2016	11/03/2016 - 10/03/2023	1,500,000	-	-	-	1,500,000
		11/03/2017	11/03/2017 - 10/03/2023	400,000	-	-	-	400,000
		11/03/2018	11/03/2018 - 10/03/2023	400,000	-	-	-	400,000
04/11/2013	14.18	04/11/2016	04/11/2016 - 03/11/2023	-	300,000	-	-	300,000
In aggregate				2,300,000	300,000	-	-	2,600,000

2009 share option scheme (continued)

Employees & consultants

Date of grant (dd/mm/yyyy)	Exercise price (HK\$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	Number of share options				As at 31/12/2013
				As at 01/07/2013	Granted	Exercised	Lapsed	
19/04/2010	62.21	19/04/2011	19/04/2011 - 18/04/2016	160,000	-	-	-	160,000
		19/04/2012	19/04/2012 - 18/04/2016	160,000	-	-	-	160,000
		19/04/2013	19/04/2013 - 18/04/2016	160,000	-	-	-	160,000
		19/04/2014	19/04/2014 - 18/04/2016	160,000	-	-	-	160,000
		19/04/2015	19/04/2015 - 18/04/2016	160,000	-	-	-	160,000
02/07/2010	43.93	02/07/2011	02/07/2011 - 01/07/2016	600,000	-	-	600,000	-
		02/07/2012	02/07/2012 - 01/07/2016	600,000	-	-	600,000	-
		02/07/2013	02/07/2013 - 01/07/2016	600,000	-	-	600,000	-
		02/07/2014	02/07/2014 - 01/07/2016	600,000	-	-	600,000	-
		02/07/2015	02/07/2015 - 01/07/2016	600,000	-	-	600,000	-
27/09/2010	43.00	27/09/2013	27/09/2013 - 26/09/2020	3,780,000	-	-	100,000	3,680,000
04/10/2010	42.34	04/10/2011	04/10/2011 - 03/10/2016	400,000	-	-	400,000	-
		04/10/2012	04/10/2012 - 03/10/2016	400,000	-	-	400,000	-
		04/10/2013	04/10/2013 - 03/10/2016	400,000	-	-	400,000	-
		04/10/2014	04/10/2014 - 03/10/2016	400,000	-	-	400,000	-
		04/10/2015	04/10/2015 - 03/10/2016	400,000	-	-	400,000	-
11/02/2011	40.40	11/02/2012	11/02/2012 - 10/02/2017	40,000	-	-	-	40,000
		11/02/2013	11/02/2013 - 10/02/2017	40,000	-	-	-	40,000
		11/02/2014	11/02/2014 - 10/02/2017	40,000	-	-	40,000	-
		11/02/2015	11/02/2015 - 10/02/2017	40,000	-	-	40,000	-
		11/02/2016	11/02/2016 - 10/02/2017	40,000	-	-	40,000	-
19/04/2011	34.71	19/04/2012	19/04/2012 - 18/04/2017	120,000	-	-	-	120,000
		19/04/2013	19/04/2013 - 18/04/2017	120,000	-	-	-	120,000
		19/04/2014	19/04/2014 - 18/04/2017	120,000	-	-	-	120,000
		19/04/2015	19/04/2015 - 18/04/2017	120,000	-	-	-	120,000
		19/04/2016	19/04/2016 - 18/04/2017	120,000	-	-	-	120,000
17/05/2011	30.90	17/05/2014	17/05/2014 - 16/05/2021	600,000	-	-	-	600,000
		17/05/2015	17/05/2015 - 16/05/2021	200,000	-	-	-	200,000
		17/05/2016	17/05/2016 - 16/05/2021	200,000	-	-	-	200,000
16/09/2011	18.17	16/09/2012	16/09/2012 - 15/09/2017	30,000	-	-	-	30,000
		16/09/2013	16/09/2013 - 15/09/2017	30,000	-	-	-	30,000
		16/09/2014	16/09/2014 - 15/09/2017	30,000	-	-	30,000	-
		16/09/2014	16/09/2014 - 15/09/2021	600,000	-	-	-	600,000
		16/09/2015	16/09/2015 - 15/09/2017	30,000	-	-	30,000	-
		16/09/2015	16/09/2015 - 15/09/2021	200,000	-	-	-	200,000
		16/09/2016	16/09/2016 - 15/09/2017	30,000	-	-	30,000	-
		16/09/2016	16/09/2016 - 15/09/2021	200,000	-	-	-	200,000
27/09/2011	8.76	17/07/2013 (Note ii)	17/07/2013 - 16/10/2013 (Note ii)	750,000	-	750,000	-	-
		27/09/2014	27/09/2014 - 26/09/2021	12,600,000	-	-	2,625,000	9,975,000
18/01/2012	11.40	31/10/2013 (Note iii)	31/10/2013 - 30/04/2014 (Note iii)	720,000	-	-	-	720,000
		31/10/2013 (Note iv)	31/10/2013 - 30/04/2014 (Note iv)	240,000	-	-	-	240,000
		31/10/2013 (Note v)	31/10/2013 - 30/04/2014 (Note v)	240,000	-	-	-	240,000

2009 share option scheme (continued)

Employees & consultants (continued)

Date of grant (dd/mm/yyyy)	Exercise price (HK\$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	Number of share options				
				As at 01/07/2013	Granted	Exercised	Lapsed	As at 31/12/2013
06/03/2012	18.22	06/03/2015	06/03/2015 - 05/03/2022	540,000	-	-	540,000	-
		06/03/2016	06/03/2016 - 05/03/2022	180,000	-	-	180,000	-
		06/03/2017	06/03/2017 - 05/03/2022	180,000	-	-	180,000	-
10/05/2012	14.78	10/05/2013	10/05/2013 - 09/05/2018	120,000	-	-	-	120,000
		10/05/2014	10/05/2014 - 09/05/2018	120,000	-	-	-	120,000
		10/05/2015	10/05/2015 - 09/05/2018	120,000	-	-	-	120,000
		10/05/2016	10/05/2016 - 09/05/2018	120,000	-	-	-	120,000
		10/05/2017	10/05/2017 - 09/05/2018	120,000	-	-	-	120,000
06/07/2012	10.02	31/10/2013 (Note vi)	31/10/2013 - 30/04/2014 (Note vi)	540,000	-	-	-	540,000
		31/10/2013 (Note vii)	31/10/2013 - 30/04/2014 (Note vii)	180,000	-	-	-	180,000
		31/10/2013 (Note viii)	31/10/2013 - 30/04/2014 (Note viii)	180,000	-	-	-	180,000
12/12/2012	12.32	17/07/2013 (Note ix)	17/07/2013 - 16/10/2013 (Note ix)	250,000	-	-	250,000	-
		31/10/2013 (Note x)	31/10/2013 - 30/04/2014 (Note x)	250,000	-	-	-	250,000
		12/12/2013	12/12/2013 - 11/12/2018	30,000	-	-	30,000	-
		12/12/2014	12/12/2014 - 11/12/2018	30,000	-	-	30,000	-
		12/12/2015	12/12/2015 - 11/12/2018	30,000	-	-	30,000	-
		12/12/2015	12/12/2015 - 11/12/2022	7,565,000	-	-	1,275,000	6,290,000
		12/12/2016	12/12/2016 - 11/12/2018	30,000	-	-	30,000	-
		12/12/2017	12/12/2017 - 11/12/2018	30,000	-	-	30,000	-
11/03/2013	10.04	11/03/2016	11/03/2016 - 10/03/2023	8,124,000	-	-	270,000	7,854,000
		11/03/2017	11/03/2017 - 10/03/2023	2,708,000	-	-	90,000	2,618,000
		11/03/2018	11/03/2018 - 10/03/2023	2,708,000	-	-	90,000	2,618,000
04/11/2013	14.18	04/11/2016	04/11/2016 - 03/11/2023	-	10,980,000	-	150,000	10,830,000
		04/11/2017	04/11/2017 - 03/11/2023	-	660,000	-	-	660,000
		04/11/2018	04/11/2018 - 03/11/2023	-	660,000	-	-	660,000
In aggregate				51,235,000	12,300,000	750,000	11,110,000	51,675,000
TOTAL				58,535,000	13,000,000	750,000	11,110,000	59,675,000

Notes:

- (i) The closing price of the shares of the Company immediately before the share options granted on 4 November 2013 was HK\$14.16.
- (ii) With effect from 17 July 2013, the vesting date of 750,000 share options at exercise price HK\$8.76 was accelerated from 27 September 2014 to 17 July 2013 and the exercise period was changed from 27 September 2014 to 26 September 2021 to 17 July 2013 to 16 October 2013.
- (iii) With effect from 22 October 2013, the vesting date of 720,000 share options at exercise price HK\$11.40 was accelerated from 18 January 2015 to 31 October 2013 and the exercise period was changed from 18 January 2015 to 17 January 2022 to 31 October 2013 to 30 April 2014.
- (iv) With effect from 22 October 2013, the vesting date of 240,000 share options at exercise price HK\$11.40 was accelerated from 18 January 2016 to 31 October 2013 and the exercise period was changed from 18 January 2016 to 17 January 2022 to 31 October 2013 to 30 April 2014.
- (v) With effect from 22 October 2013, the vesting date of 240,000 share options at exercise price HK\$11.40 was accelerated from 18 January 2017 to 31 October 2013 and the exercise period was changed from 18 January 2017 to 17 January 2022 to 31 October 2013 to 30 April 2014.
- (vi) With effect from 22 October 2013, the vesting date of 540,000 share options at exercise price HK\$10.02 was accelerated from 6 July 2015 to 31 October 2013 and the exercise period was changed from 6 July 2015 to 5 July 2022 to 31 October 2013 to 30 April 2014.
- (vii) With effect from 22 October 2013, the vesting date of 180,000 share options at exercise price HK\$10.02 was accelerated from 6 July 2016 to 31 October 2013 and the exercise period was changed from 6 July 2016 to 5 July 2022 to 31 October 2013 to 30 April 2014.
- (viii) With effect from 22 October 2013, the vesting date of 180,000 share options at exercise price HK\$10.02 was accelerated from 6 July 2017 to 31 October 2013 and the exercise period was changed from 6 July 2017 to 5 July 2022 to 31 October 2013 to 30 April 2014.
- (ix) With effect from 17 July 2013, the vesting date of 250,000 share options at exercise price HK\$12.32 was accelerated from 12 December 2015 to 17 July 2013 and the exercise period was changed from 12 December 2015 to 11 December 2022 to 17 July 2013 to 16 October 2013.
- (x) With effect from 22 October 2013, the vesting date of 250,000 share options at exercise price HK\$12.32 was accelerated from 12 December 2015 to 31 October 2013 and the exercise period was changed from 12 December 2015 to 11 December 2022 to 31 October 2013 to 30 April 2014.
- (xi) No share options were canceled under the 2009 Share Option Scheme during the six months ended 31 December 2013.

Share options expenses under 2009 share option scheme

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

Date of grant	Share option value ¹ (HK\$)	Share price at the date of grant ² (HK\$)	Exercise price (HK\$)	Expected volatility ³	Annual risk-free interest rate ⁴	Life of share option ⁵	Dividend yield ⁶
2009 Share Option Scheme							
4 November 2013	5.04 - 6.19	14.18	14.18	53.04% - 55.85%	0.76% - 1.25%	4 - 6 years	2.74%

1. Since the share 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. The share price at the date of grant disclosed is the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the relevant share option; where the date of grant of the relevant share option did not fall on a Business Day (as defined in the Listing Rules), the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet immediately preceding the date of grant was disclosed.
3. As stated in IFRS 2, the issuer can use either i) implied volatilities obtained from market information; or ii) historical volatilities as expected volatility input to the Binomial option pricing model. For share options granted under the 2009 Share Option Scheme, Esprit has estimated volatility based on the historical stock prices over the period corresponding to the expected life preceding the date of grant, expressed as an annualized rate and based on daily price changes.
4. 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 share option life.
5. The expected share option life was determined by reference to historical data of share option holders' behavior.
6. For share options granted under the 2009 Share Option Scheme, dividend yield was based on the average dividend yield (including special dividend) for the three years preceding the year of grant.

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

Substantial shareholders' interests

As at 31 December 2013, 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)	Approximate percentage of aggregate interest to total issued share capital
HSBC International Trustee Limited (Notes 1 and 2)	Trustee	211,985,117	-	10.92%
Total Market Limited (Notes 1 and 2)	Beneficial owner	211,822,656	-	10.91%
Spring Forest International Limited (Notes 1 and 2)	Interest in a controlled corporation	211,822,656	-	10.91%
YFT Group Limited (Notes 1 and 2)	Interest in a controlled corporation	211,822,656	-	10.91%
YFT Holdings Limited (Notes 1 and 2)	Interest in a controlled corporation	211,822,656	-	10.91%
Michael YING Lee Yuen (Notes 1 to 3)	Interest in a controlled corporation	211,822,656	-	10.91%
Lone Pine Capital LLC	Investment manager	197,655,605	-	10.18%
JPMorgan Chase & Co. (Notes 4 to 7)	Interest in a controlled corporation	184,007,813	751,808	9.48%
Tiger Global Investments, L.P. (Note 8)	Beneficial owner	109,682,700	-	5.65%
Tiger Global, L.P. (Note 8)	Interest in a controlled corporation	109,682,700	-	5.65%
Tiger Global Master Fund, L.P. (Note 8)	Interest in a controlled corporation	109,682,700	-	5.65%
Tiger Global Performance, L.L.C. (Note 8)	Interest in a controlled corporation	109,682,700	-	5.65%
Tiger Global Management, L.L.C. (Note 8)	Investment manager	109,682,700	-	5.65%
Tiger Global, Ltd. (Note 8)	Interest in a controlled corporation	109,682,700	-	5.65%
Charles P. COLEMAN III (Notes 8 and 9)	Other	109,682,700	-	5.65%
Feroz DEWAN (Notes 8 and 9)	Other	109,682,700	-	5.65%
Marathon Asset Management LLP (Note 10)	Investment manager	105,209,587	-	5.42%
Massachusetts Financial Services Company (Note 11)	Investment manager	96,992,414	-	5.00%
Sun Life Financial, Inc. (Note 11)	Investment manager	96,992,414	-	5.00%

Notes:

- The entire issued share capital of Total Market Limited ("Total Market") is held by Spring Forest International Limited, which in turn is a wholly-owned subsidiary of YFT Group Limited ("YFT Group"). YFT Group is a wholly-owned subsidiary of YFT Holdings Limited ("YFT Holdings"). HSBC International Trustee Limited ("HITL") controls 100% of YFT Holdings.
- HITL, in its capacity as trustee of the discretionary trust set up by Mr Michael YING Lee Yuen ("Mr YING") as settlor and other trusts, was directly interested or deemed to be interested in the shares held by Total Market and in the remaining 162,461 shares respectively pursuant to Part XV of the SFO.
- Mr YING was deemed to be interested in the shares held by Total Market pursuant to Part XV of the SFO.
- 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	142,018,090 (Notes 5 and 6)	751,808 (Note 7)
Custodian corporation/ approved lending agent	41,989,723 (Notes 5 and 6)	

- Details of the interest in long position of the 184,007,813 shares held by JPMorgan Chase & Co. were as follows:

Name	Direct (D)/ Indirect (I) interest in the shares	Aggregate long position in the shares	Approximate percentage of aggregate interest to total issued share capital
JPMorgan Chase Bank, N.A.	D	41,989,723	2.16%
J.P. Morgan Whitefriars Inc.	D	2,590,263	0.13%
J.P. Morgan Overseas Capital Corporation	I	2,590,263	0.13%
J.P. Morgan International Finance Limited	I	4,314,692	0.22%
Bank One International Holdings Corporation	I	4,314,692	0.22%
J.P. Morgan International Inc.	I	4,314,692	0.22%
JPMorgan Chase Bank, N.A.	I	4,314,692	0.22%
J.P. Morgan Securities plc	D	1,724,429	0.08%
J.P. Morgan Chase International Holdings	I	1,724,429	0.08%
J.P. Morgan Chase (UK) Holdings Limited	I	1,724,429	0.08%
J.P. Morgan Capital Holdings Limited	I	1,724,429	0.08%
J.P. Morgan Securities LLC	D	460	0.00%
J.P. Morgan Clearing Corp	D	137,702,938	7.09%
J.P. Morgan Securities LLC	I	137,702,938	7.09%
J.P. Morgan Broker-Dealer Holdings Inc	I	137,703,398	7.09%

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 184,007,813 shares held or deemed to be held by: (I) JPMorgan Chase Bank, N.A. (46,304,415 shares); and (II) J.P. Morgan Broker-Dealer Holdings Inc (137,703,398 shares), all were wholly-owned subsidiaries of JPMorgan Chase & Co.

- JPMorgan Chase Bank, N.A. directly held 41,989,723 shares and was also deemed to be interested in an aggregate of 4,314,692 shares held by the following indirect subsidiaries held through J.P. Morgan International Finance Limited ("JPIF"):
 - 2,590,263 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
 - 1,724,429 shares were held by J.P. Morgan Securities plc, 98.95% owned 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.
 - J.P. Morgan Broker-Dealer Holdings Inc ("JPBDH") was deemed to be interested in an aggregate of 137,703,398 shares held by the following subsidiaries:
 - 137,702,938 shares were held by J.P. Morgan Clearing Corp, wholly-owned by J.P. Morgan Securities LLC ("JPS"), a wholly-owned subsidiary of JPBDH; and
 - 460 shares were held by JPS.
- 41,989,723 shares of the interest disclosed in note 5 above represent shares of the Company in the lending pool.

Substantial shareholders' interests (continued)

Notes: (continued)

7. Details of the interest in short position of the 751,808 shares held by JPMorgan Chase & Co. were as follows:

Name	Direct (D)/ Indirect (I) interest in the shares	Aggregate short position in the shares	Approximate percentage of aggregate interest to total issued share capital
J.P. Morgan Whitefriars Inc.	D	117,800	0.00%
J.P. Morgan Overseas Capital Corporation	I	117,800	0.00%
J.P. Morgan International Finance Limited	I	673,500	0.03%
Bank One International Holdings Corporation	I	673,500	0.03%
J.P. Morgan International Inc.	I	673,500	0.03%
JPMorgan Chase Bank, N.A.	I	673,500	0.03%
J.P. Morgan Securities plc	D	555,700	0.02%
J.P. Morgan Chase International Holdings	I	555,700	0.02%
J.P. Morgan Chase (UK) Holdings Limited	I	555,700	0.02%
J.P. Morgan Capital Holdings Limited	I	555,700	0.02%
J.P. Morgan Securities LLC	D	308	0.00%
J.P. Morgan Clearing Corp	D	78,000	0.00%
J.P. Morgan Securities LLC	I	78,000	0.00%
J.P. Morgan Broker-Dealer Holdings Inc	I	78,308	0.00%

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 to have a short position in an aggregate of 751,808 shares held by the following indirect subsidiaries:

- (a) 117,800 shares were held by J.P. Morgan Whitefriars Inc., wholly-owned by J.P. Morgan Overseas Capital Corporation, wholly owned by JPIF, an indirect wholly-owned subsidiary of JPMorgan Chase & Co.;
- (b) 555,700 shares were held by J.P. Morgan Securities plc, 98.95% owned 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, wholly-owned by JPIF, an indirect wholly-owned subsidiary of JPMorgan Chase & Co.;
- (c) 308 shares were held by JPS, wholly-owned by JPBDH, a wholly-owned subsidiary of JPMorgan Chase & Co.; and
- (d) 78,000 shares were held by J.P. Morgan Clearing Corp, wholly-owned by JPS, wholly-owned by JPBDH, a wholly-owned subsidiary of JPMorgan Chase & Co.
8. Tiger Global Investments, L.P. ("Tiger Global") is 59.56% owned by Tiger Global, L.P. ("TGLP") and 38.69% owned by Tiger Global Master Fund, L.P. ("TGMF"), and controlled by Tiger Global Management, L.L.C. ("TGM") in its capacity as investment manager and Tiger Global Performance, L.L.C. ("TGP") in its capacity as general partner. TGLP is controlled by TGM in its capacity as investment manager and TGP in its capacity as general partner. TGMF is 98.40% owned by Tiger Global, Ltd. ("TGL"), and is controlled by TGM in its capacity as investment manager and TGP in its capacity as general partner. TGL is controlled by TGM in its capacity as investment manager. Both TGP and TGM are controlled by Mr Charles P. COLEMAN III ("Mr COLEMAN") and Mr Ferroz DEWAN ("Mr DEWAN").
9. As Tiger Global, TGMF, TGL, TGLP, TGP and TGM were accustomed to act in accordance with the directions of Mr COLEMAN and Mr DEWAN, Mr COLEMAN and Mr DEWAN were accordingly deemed to be interested in the shares held or deemed to be held by such companies pursuant to Part XV of the SFO.
10. Marathon Asset Management LLP is 40.05%, 40.05% and 19.90% controlled by Mr William ARAH, Mr Neil OSTRER and Marathon Asset Management (Services) Ltd respectively.
11. Details of the interest in long position of the 96,992,414 shares held by Sun Life Financial, Inc. were as follows:
- (a) 96,992,414 shares were held by Massachusetts Financial Services Company ("MFS"), 91.29% owned subsidiary of Sun Life of Canada (U.S.) Financial Services Holdings, Inc., 99.85% owned subsidiary of Sun Life Financial (U.S.) Investments LLC, wholly-owned subsidiary of Sun Life Financial (U.S.) Holdings, Inc., wholly-owned subsidiary of Sun Life Assurance Company of Canada - U.S. Operations Holdings, Inc., wholly-owned subsidiary of Sun Life Global Investments Inc., wholly-owned subsidiary of Sun Life Financial, Inc.; and

- (b) MFS was deemed to be interested in an aggregate of 26,967,650 shares held or deemed to be held by the following subsidiaries:

- (i) 1,492,650 shares were held by MFS Heritage Trust Company, a wholly-owned subsidiary of MFS;
- (ii) 11,480,554 shares were held by MFS Institutional Advisors, Inc., a wholly-owned subsidiary of MFS;
- (iii) 2,257,844 shares were held by MFS Investment Management K.K., a wholly-owned subsidiary of MFS;
- (iv) 1,753,814 shares were held by MFS International Ltd. ("MIL"), a wholly-owned subsidiary of MFS;
- (v) 8,577,188 shares were held by MFS International (U.K.) Limited, a wholly-owned subsidiary of MIL, which in turn is a wholly-owned subsidiary of MFS;
- (vi) 1,308,700 shares were deemed to be held by McLean Budden Limited, an indirect wholly-owned subsidiary of MFS; and
- (vii) 96,900 shares were held by MFS Investment Management (LUX) S.A., a wholly-owned subsidiary of MFS.

Save as disclosed hereinabove and 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 2013 which were required to be notified to the Company pursuant to Part XV of the SFO or which are recorded in the register required to be kept by the Company under Section 336 of the SFO.

Interim dividend

The Board of Directors maintains the dividend payout ratio of 60% of basic earnings per share. It has declared an interim dividend for the six months ended 31 December 2013 of HK\$0.03 per share (1HFY12/13: nil).

In addition, the Board of Directors has provided the shareholders with an option to receive the interim dividend in form of new fully paid shares in lieu of cash (the "Scrip Dividend Reinvestment Scheme"). The dividend reinvestment price shall be determined by the average closing price of the shares of the Company as quoted on the Stock Exchange for the five consecutive trading days immediately preceding Tuesday, 4 March 2014. Further details of the Scrip Dividend Reinvestment Scheme and the election form will be despatched to the shareholders on or around Tuesday, 18 March 2014 and the election period will commence on Tuesday, 18 March 2014 to Tuesday, 1 April 2014, both dates inclusive.

The dividend will be payable on or around Wednesday, 23 April 2014 to the shareholders whose names appear on the Registers of Members of the Company at the close of business on Monday, 10 March 2014 (the "Shareholders"). The relevant dividend warrants and/or share certificates for new shares of the Company are expected to be despatched to the Shareholders on or around Wednesday, 23 April 2014.

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 of the Company 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 Tuesday, 11 March 2014 to Wednesday, 12 March 2014, both dates inclusive, during which period no transfer of shares of the Company will be effected.

In order to qualify for the entitlement to the interim dividend mentioned above, all transfers forms 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 for registration not later than 4:00 p.m. on Monday, 10 March 2014.

Audit Committee

The Audit Committee currently comprises four Non-executive Directors, three of whom are independent. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and has also discussed auditing, internal controls and financial reporting matters including the review of the unaudited interim results of the Group for the six months ended 31 December 2013 with the management.

Human resources

As at 31 December 2013, the Group employed over 10,000 full-time equivalent staff (31 December 2012: over 12,000) around the globe. Competitive remuneration packages that take into account business performance, market practices and competitive market conditions are offered to employees in compensation for their contribution. In addition, share options and discretionary bonuses are also granted based on the Group's and individual's performances. All employees around the world are connected through the Group's quarterly newsletters and global intranet.

Purchase, sale or redemption of the Company's shares

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

American depository receipt programme

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

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

Corporate governance

The Company has applied the principles of, and complied with the Corporate Governance Code and Corporate Governance Report (the "Code") as set out in Appendix 14 of the Listing Rules for the six months ended 31 December 2013, except that Non-executive Directors of the Company do not have specific term of appointment (code provision A.4.1 of the Code). Nevertheless, under Bye-law 87 of the Company's Bye-laws, all Directors, including Non-executive Directors, of the Company are subject to retirement by rotation and re-election in the annual general meeting of the Company and each Director is effectively appointed under an average term of not more than 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 as 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 as set out in the Model Code for the six months ended 31 December 2013.

Terms of reference

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

On Behalf of the Board
ESPRIT HOLDINGS LIMITED

Raymond OR Ching Fai
Chairman

Hong Kong, 21 February 2014



06

GLOSSARY OF TERMS

06 Glossary of terms

A

ADR
American Depositary Receipts

C

Capex
Capital expenditure

Comparable store (comp-store)

A directly managed retail store in existence on 1 July of the previous financial year and is still in operation at the reporting period end date and

- a. its net sales area has been changed by 10% or less within that period; or
- b. its cumulative renovated area within the same financial 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

Concession stores

Retail stores situated in big department stores. Offer selective range of product divisions

Controlled wholesale space

POS which Esprit wholesale management team has control over the look and feel such as Esprit brand name logo, merchandizing display, etc. Includes partnership stores, shop-in-stores and identity corners with wholesale customers

D

Directly managed retail stores

Stores, concessions and outlets fully managed by Esprit

E

e-shop
On-line store

EBIT/LBIT

Earnings before interest and tax/loss before interest and tax

EPS

Earnings per share

F

Franchise stores

Stand-alone stores or concession stores located in department stores managed by wholesale customers which closely resemble our own directly managed retail stores. Esprit provides initial setup support and a wide range of on-going support services to ensure consistency with directly managed retail stores

I

Identity corners

Controlled wholesale space mainly in multi-label retailers offering a limited range of Esprit products. Esprit has limited involvement in store appearance

Inventory turnover days

Calculated by dividing average inventory excluding consumables by average daily cost of goods sold for the reporting period

L

LCY
Local currency

O

Opex
Operating expenses

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

P

Partnership stores

Same as Franchise stores

POS

Point-of-sales

R

Retail sales

Direct sale of merchandise to end consumers via directly managed retail stores or e-shop

S

Segment EBIT margin

Segment earnings before interest income, finance costs and taxation divided by the segment turnover

Shop-in-stores

Controlled wholesale space in department stores managed by wholesale customers. Esprit provides initial setup support and a wide range of on-going support services to ensure consistency with directly managed retail stores

W

Wholesale sales

Sale of merchandise to third party wholesale customers

