- **Turnover up 1.6% year-on-year in local currency, with significant improvements in 2Q**
- **Retail turnover up 8.7% year-on-year in local currency**
- **Strong growth in second quarter for wholesale business**
- **Efforts in differentiating product divisions bearing fruits**
- **Gross profit margin increased 0.9% point to 55.6%**
- **Effective tax rate down 2.5% points to 19.1%**
- **Strong cash position of HK$7.3 billion**
- **China business starting to accelerate in line with 5-year plan**
  - **Point-of-sale increased by 7.6% to 1,002**
  - **Total number of cities increased from 169 to 183**
  - **China EBIT margin up 5.0% points to 19.7%**
- **Asia Pacific share in Group turnover increased from 12% to 17%**

ESPRIT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 00330)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2010,
CHANGE OF CHAIRMAN OF THE BOARD
AND RESIGNATION OF NON-EXECUTIVE DIRECTOR

INTERIM RESULTS

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 2010 as follows:

Condensed consolidated income statement

	Notes	Unaudited For the 6 months ended 31 December 2010 HK$ million	2009 HK$ million (restated)
Turnover	2	**17,693**	18,475
Cost of goods sold		**(7,855)**	(8,377)
Gross profit		**9,838**	10,098
Staff costs		**(2,407)**	(2,251)
Occupancy costs		**(2,148)**	(1,881)
Logistics expenses		**(685)**	(692)
Advertising expenses		**(446)**	(338)
Depreciation		**(403)**	(433)
Other operating costs		**(1,114)**	(1,136)
Operating profit	3	**2,635**	3,367
Interest income		**23**	16
Finance costs	4	**(14)**	-
Share of results of associates		**-**	65
Profit before taxation	2	**2,644**	3,448
Taxation	5	**(504)**	(743)
Profit attributable to shareholders		**2,140**	2,705
Interim dividend	6	**1,289**	946
Earnings per share			
- Basic	7	**HK$1.66**	HK$2.12
- Diluted	7	**HK$1.66**	HK$2.11

Condensed consolidated statement of comprehensive income

	Unaudited For the 6 months ended 31 December	
	2010	2009
	HK$ million	HK$ million
Profit attributable to shareholders	**2,140**	2,705
Other comprehensive income		
Fair value gain on cash flow hedge	**19**	4
Exchange translation	**1,056**	196
Total comprehensive income for the period attributable to shareholders	**3,215**	2,905

Condensed consolidated balance sheet

	Notes	Unaudited 31 December 2010 HK$ million	Audited 30 June 2010 HK$ million
Non-current assets			
Intangible assets		**7,523**	7,345
Property, plant and equipment	8	**4,472**	3,976
Investment properties		**12**	12
Other investments		**8**	7
Deposits and prepayments		**480**	440
Deferred tax assets		**592**	532
		13,087	12,312
Current assets			
Inventories		**3,163**	2,455
Debtors, deposits and prepayments	9	**3,671**	3,043
Cash and cash equivalents		**7,302**	6,748
		14,136	12,246
Current liabilities			
Creditors and accrued charges	10	**4,415**	4,146
Taxation		**792**	918
Bank loans – current portion		**520**	520
		5,727	5,584
Net current assets		**8,409**	6,662
Total assets less current liabilities		**21,496**	18,974
Equity			
Share capital	11	**129**	129
Reserves		**18,445**	15,943
Total equity		**18,574**	16,072
Non-current liabilities			
Bank loans		**2,080**	2,080
Deferred tax liabilities		**842**	822
		2,922	2,902
		21,496	18,974

Notes to the condensed consolidated interim financial information

1. Basis of preparation

This unaudited condensed consolidated interim financial information ("interim financial information") on pages 2 to 14 for the six months ended 31 December 2010 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 2010. 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 2010.

The Group adopted International Financial Reporting Standard ("IFRS") 8 (Amendment) "Operating Segments" and International Accounting Standard ("IAS") 17 (Amendment) "Operating Leases" in the year ended 30 June 2010.

As a result of the adoption of IFRS 8 (Amendment), segment assets have not been disclosed in the consolidated financial statements as it is not reported to the chief operating decision-maker.

As a result of the adoption of IAS 17 (Amendment), the depreciation of leasehold land in Hong Kong was classified as amortisation of prepaid lease payments and included in other operating costs in prior period and has been reclassified to depreciation for comparison purpose.

The Group did not early adopt the following IAS and IFRS that have been issued in the period from 1 July 2010 to 31 December 2010. The adoption of such standards is anticipated not to result in substantial changes to the Group's accounting policies.

		Effective for accounting periods beginning on or after
IAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets	1 January 2012
IFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 July 2011
IFRS 7 (Amendment)	Disclosures – Transfers of Financial Assets	1 July 2011
IFRS 9 (Amendment)	Additions to IFRS 9 for Financial Liability Accounting	1 January 2013

2. Turnover and segment information

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

	Unaudited For the 6 months ended 31 December	
	2010	2009
	HK$ million	HK$ million
Turnover		
Sales of goods	**17,576**	18,362
Licensing and other income	**117**	113
	17,693	18,475

The chief operating decision-makers have 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 life-style 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 2010				
	Wholesale HK$ million	Retail HK$ million	Licensing HK$ million	Corporate services, sourcing and others HK$ million	Group HK$ million
Total revenue	7,621	9,955	93	14,412	32,081
Inter-segment revenue	-	-	-	(14,388)	(14,388)
Revenue from external customers	7,621	9,955	93	24	17,693
Segment results	2,049	1,221	83	(718)	2,635
Interest income					23
Finance costs					(14)
Profit before taxation					2,644
Capital expenditure	19	288	-	283	590
Depreciation	30	313	2	58	403

2. Turnover and segment information (continued)

	Unaudited For the 6 months ended 31 December 2009 (restated)				
	Wholesale HK$ million	Retail HK$ million	Licensing HK$ million	Corporate services, sourcing and others HK$ million	Group HK$ million
Total revenue	8,738	9,642	92	14,041	32,513
Inter-segment revenue	-	(18)	-	(14,020)	(14,038)
Revenue from external customers	8,738	9,624	92	21	18,475
Segment results	2,210	1,467	83	(393)	3,367
Interest income					16
Share of results of associates					65
Profit before taxation					3,448
Capital expenditure	15	403	-	325	743
Depreciation	31	353	2	47	433

3. Operating profit

	Unaudited For the 6 months ended 31 December	
	2010	2009
	HK$ million	HK$ million (restated)
Operating profit is arrived at after charging and (crediting) the following:		
Depreciation	**403**	433
Loss on disposal of property, plant and equipment	**14**	6
Impairment of property, plant and equipment	**2**	10
Net exchange gains	**(36)**	(76)
Net (write back) / charge for provision for obsolete inventories	**(35)**	25
Occupancy costs		
Operating lease charge	**1,673**	1,439
Other occupancy costs	**475**	442
Provision for impairment of trade debtors	**52**	151

4. Finance costs

	Unaudited For the 6 months ended 31 December	
	2010	2009
	HK$ million	HK$ million
Interest on bank loans wholly repayable within five years	**12**	-
Imputed interest on financial assets and financial liabilities	**2**	-
	14	-

5. Taxation

	Unaudited For the 6 months ended 31 December	
	2010	2009
	HK$ million	HK$ million
Current tax		
Hong Kong profits tax		
Provision for current period	**2**	1
Underprovision for prior years	**1**	54
Overseas taxation		
Provision for current period	**527**	724
(Overprovision) / Underprovision for prior years	**(18)**	7
	512	786
Deferred tax		
Current period net credit	**(8)**	(43)
Taxation	**504**	743

Hong Kong profits tax is calculated at **16.5%** (2009: 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.

No share of associates' taxation for the six months ended 31 December 2010 (2009: a net tax charge of HK$23 million) was recorded in the condensed consolidated income statement as share of results of associates. The Group acquired the remaining interests in the associated companies which became subsidiaries of the Group since February 2010.

6. Interim dividend

	Unaudited For the 6 months ended 31 December	
	2010	2009
	HK$ million	HK$ million
Interim dividend declared of **HK$1.00** (2009: HK$0.74) per share	**1,289**	946

The amount of interim dividend is based on **1,289,477,475** shares in issue on **10 February 2011** (2009: 1,278,934,879 shares in issue on 3 February 2010).

7. Earnings per share

Basic

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

	Unaudited For the 6 months ended 31 December	
	2010	2009
Profit attributable to shareholders (HK$ million)	**2,140**	2,705
Weighted average number of ordinary shares in issue (million)	**1,288**	1,246
Adjustments for scrip shares (million) (note)	**-**	31
	1,288	1,277
Basic earnings per share (HK$ per share)	**1.66**	2.12

7. Earnings per share (continued)

Diluted

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

	Unaudited For the 6 months ended 31 December	
	2010	2009
Profit attributable to shareholders (HK$ million)	**2,140**	2,705
Weighted average number of ordinary shares in issue (million)	**1,288**	1,246
Adjustments for scrip shares (million) (note)	**-**	31
Adjustments for share options (million)	**-**	3
Weighted average number of ordinary shares for diluted earnings per share (million)	**1,288**	1,280
Diluted earnings per share (HK$ per share)	**1.66**	2.11

Note: On 10 December 2009, the shareholders approved a special dividend of HK$1.33 per share for the year ended 30 June 2009 by way of new fully paid shares ("scrip shares"). Approximately 31 million scrip shares were issued on 15 January 2010.

8. Property, plant and equipment

	Unaudited HK$ million
Balance at 1 July 2010	**3,976**
Exchange translation	**327**
Additions	**590**
Disposals	**(16)**
Depreciation (note 3)	**(403)**
Impairment charge (note 3)	**(2)**
Balance at 31 December 2010	**4,472**

9. Debtors, deposits and prepayments

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

	Unaudited 31 December 2010 HK$ million	Audited 30 June 2010 HK$ million
Current	**2,238**	1,873
1-30 days	**308**	165
31-60 days	**151**	98
61-90 days	**68**	56
Over 90 days	**254**	197
Amount past due but not impaired	**781**	516
	3,019	2,389

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. Creditors and accrued charges

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

	Unaudited 31 December 2010 HK$ million	Audited 30 June 2010 HK$ million
0-30 days	**848**	934
31-60 days	**40**	35
61-90 days	**10**	6
Over 90 days	**6**	17
	904	992

11. Share capital

	Unaudited 31 December 2010 HK$ million	Audited 30 June 2010 HK$ million
Authorised		
2,000,000,000 shares of HK$0.10 each	**200**	200

	Number of shares of HK$0.10 each Million	**Nominal value HK$ million**
Issued and fully paid		
Balance at 1 July 2010	**1,288**	**129**
Exercise of share options (note 1)	**-**	**-**
Issue of scrip shares (note 2)	**1**	**-**
Balance at 31 December 2010	**1,289**	**129**

Note 1: During the period, **345,000** ordinary shares of **HK$0.10** each were issued in respect of the share options exercised by Directors and employees under the share option scheme at exercise prices in the range of **HK$24.20** to **HK$24.45** each (representing a premium in the range of **HK$24.10** to **HK$24.35** each).

Note 2: On 24 November 2010, the shareholders approved a final dividend of HK$0.67 per share for the year ended 30 June 2010. The shareholders were provided with an option to receive the final dividend in form of new fully paid shares in lieu of cash. On 29 December 2010, 904,515 shares were issued in respect of the final dividend.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group recorded a turnover of HK$17.7 billion (1H FY09/10: HK$18.5 billion) representing 1.6% top line growth in local currency driven by strong turnover growth of 5.9% in local currency in the second quarter and the consolidation of the turnover contribution from the China subsidiaries. Gross profit margin increased by 0.9% point to 55.6% mainly due to the higher retail turnover contribution amounting to 56% of total group turnover. Total cash position remained strong at HK$7.3 billion as at 31 December 2010. The Board of Directors has declared an interim dividend of HK$1.00 per share (1H FY09/10: HK$0.74 per share) which is calculated based on the regular dividend policy of 60% of basic EPS.

Updates on Strategic Initiatives

We are on an exciting journey to create a better and bigger ESPRIT. Our Six Strategic Initiatives are progressing well. New ideas have been developed and they are in the process of being implemented. This ranges from the sharpening of the brand position to create a clearer and consistent handwriting across our product collections, stores and communication, a new process of building our collections, a new sourcing strategy to achieve synergies and savings, as well as a new global, channel-based sales organisation to drive growth. Although not all the results of our hard work are visible yet, we have been strengthening our platform for growth and profitability. We are confident to see the full positive impact of our strategic agenda to materialise mid-term.

(1) Global brand: Drive traffic and customer loyalty
Strengthening brand equity and improving shopping experience

Consumer research conducted worldwide showed that our brand enjoys a high level of consumer trust and excellent ratings in product quality, yet there is an opportunity to inject more value into the products to enhance the value for money attribute. In addition, we have identified opportunities to differentiate the Esprit brand further based on a clearer handwriting in products, stores and communication. We are in the process of sharpening the brand positioning of Esprit and building on the great heritage and soul of our brand. This will have a visible impact on all “touch points of the brand”, from our products, to our stores and our communication with our customers. To fuel this process, two new positions were created: Brand Director, Jörgen Andersson and Creative Director, Jan Nord have been on board since October 2010 and are responsible for Esprit’s global brand, creation and marketing communication strategy. The brand direction to rejuvenate and sharpen the profile of the brand is being finalised and we will cascade this down into the organisation to implement this in all brand touch points.

(2) Products: Grow sales per sqm
Improving product differentiation and newness

Our continued efforts to differentiate our product divisions are increasingly successful. Both our Edc and Collection divisions achieved above average turnover growth at 6.1% and 15.4% in local currency respectively. A new collection building process has been introduced to create a global brand look in our stores as well as more sourcing synergies. Based on a quantitative half-yearly global line briefing, a third of the collections developed is being defined as the Global Product Line - a monthly range with respective key looks and collection themes made mandatory for all retail stores that act as a lever to create a globally aligned image of the brand. The mandatory collections will then be built further by the product divisions and continental merchandisers who will select specific country products and complementary styles to the key looks for their countries and regions.

This Global Product Line concept has been implemented first in our Women Casual division. Evolving from a local to a global merchandising organisation with one global merchandising process for all lines will also enable us to achieve higher effectiveness in sourcing and in marketing. Currently, the overlapping of the product style is less than 5% and we target to have 30% of products overlapping globally under the Global Product Line. The first results of our Women Casual division are very promising: the Global Product Line covered more than 40% of the total styles for the Women Casual and it was also well-received by our wholesale customers.

(3) Channel and country: Fuel growth and profitability
Ensuring better execution of the multi-channel distribution strategy

After our comprehensive review of the existing store portfolio, we decided to close down 33 loss-making stores worldwide as announced at the previous year end. We made progress in the store closure program and a total of 8 stores, 5 in Europe and 3 in Asia, had been closed as at 31 December 2010.

China is at the core of Esprit's long-term strategy to become a truly global brand and a geographically diversified company. We are making good progress with our growth plan for China to extend our leading position in the largest and fastest growing apparel market in the world. After the successful acquisition and subsequent integration phase, we are now focusing on accelerating our business. For further details, please refer to the separate section on China.

(4) Cost of goods sold: Achieving savings in sourcing across divisions

We are very pleased with developments in our preferred supplier program for T-shirts and are extending the approach to all other product categories. We will consolidate sourcing for sweaters from 48 suppliers to 13 suppliers and for outerwear, we plan to reduce the number of suppliers from 117 to 11. In addition to this portfolio consolidation process, we are making excellent progress in our medium-term sourcing strategy, extending Esprit's sourcing footprint to get the best out of our sourcing markets. In the last six months our business in Bangladesh, where we have set up new sourcing office, has tripled. We also see a big advantage with the Generalised System of Preferences ("GSP") duty rules for textile imports into Europe from developing countries. Another new sourcing office for Central and Northern China will be opened in Spring 2011. We have also developed direct relationships with main fabric mills and accessory suppliers and are now negotiating directly with them. Although the sourcing market for the year ending 30 June 2011 poses challenges such as substantial increases in cost of raw materials, wage inflation, skilled labour shortage for retailers everywhere, we are confident that with all the measures taken, we have several levers to offset at least part of the cost increases and will be in a strong position to offer better value to our customers.

(5) Support functions: Establishing best-in-class backbone for growth

A new Head of Global Human Resources has been in place since December 2010 to strengthen the skills and capabilities of our global Human Resources organisation. As part of this initiative, a comprehensive Human Resources strategy and Talent Management program focusing on the top 100 internal leaders have been developed. A transparent and performance linked incentive system has also been implemented. The SAP/EPS project implementation is also on track and already gone live in our Edc Women division with deliveries. Edc Men will be the next division to be converted to the new SAP system and the preparation for this is already in full swing.

(6) Organisation and structure: Ensuring better alignment and global execution across product divisions, regions and channels

In light of our vision to become a truly global Company and brand, our sales organisation has been transformed from a regional, geographical set-up to a global, channel-based one since November 2010. The transformation will enhance the brand and ensure consistent execution of our proven multi-channel concept globally. Our global retail organisation has been strengthened with a new Chief Retail Officer, Global Retail COO and Global Head of Expansion. A new Chief Wholesale Officer will start in May 2011. During the last twelve months, the top management structure has been strengthened significantly with experienced and international management talents to capture the global growth opportunities which have been identified.

Updates on China growth plan

Our growth plan for China is part of our strategic agenda, Initiative 3, but given the importance of China within the Esprit long-term strategy, we highlight the progress in this separate section.

	Six months ended 31 Dec 2010		yoy	Six months ended 31 Dec 2009	
	Turnover (HK$ million)	% of total	growth	Turnover (HK$ million)	% of total
Retail	847	59.8%	2.0%	830	61.8%
Wholesale	570	40.2%	11.0%	513	38.2%
Total*	**1,417**	**100.0%**	**5.4%**	**1,343**	**100.0%**

* Excludes salon

With the acquisition of the remaining 51% equity interest in the former China Joint Venture, China is our new growth engine driving further expansion. After the successful integration phase, we improved the performance in terms of sales and profitability of our China business and are now moving into the growth phase and our detailed expansion plan is being executed. For the first six months of this fiscal year, we are in line with our 5-year plan as presented last year end.

China's turnover increased 3.2% year-on-year in local currency to HK$1,429 million, which represented 8.1% of the Group's turnover for the six months ended 31 December 2010. Retail and wholesale turnover in China were HK$847 million and HK$570 million, respectively. Wholesale turnover showed 11% year-on-year growth and retail comparable store sales growth returned to positive 0.5% for the six months ended 31 December 2010 (2H FY09/10: -4.2% and 1H FY09/10: -8.5%). EBIT margin increased by 5.0% points to 19.7% for the six months period ended 31 December 2010. We expanded our existing base of 169 cities as at 30 June 2010 to 183 cities as at 31 December 2010 and the total number of POS increased from 931 as at 30 June 2010 to 1,002 as at 31 December 2010.

As at 31 December 2010, our retail distribution channel in China comprised 6 cities. The number of directly managed retail stores increased by 11 during the first half of the financial year to 299 as at 31 December 2010, of which 244 were concession stores.

We have also expanded our footprint to 14 new cities via franchise to cover 177 cities, mainly in tier 3 to tier 5 cities. The number of controlled space wholesale POS increased by 60 to 703 as of 31 December 2010, of which 77 were standalone stores. Controlled wholesale space in China grew by 6.3% for the six months ended 31 December 2010.

Revenue Analysis

Group turnover was HK$17.7 billion (1H FY09/10: HK$18.5 billion) representing 1.6% increase in local currency driven by strong turnover growth of 5.9% in the second quarter (1Q FY10/11: -2.6%) and consolidation of the turnover from China.

Turnover resumed growth in the second quarter mainly driven by improved wholesale turnover growth of 3.2% in local currency whilst retail turnover growth softened due to adverse weather conditions in Europe and North America in December 2010.

In line with our long-term strategy, turnover in Asia Pacific as percentage of Group turnover increased to 17% as a result of higher turnover growth and contribution from China. Turnover in North America also accounted for a slightly higher portion of Group turnover at about 4%. Consequently, turnover in Europe as percentage of Group turnover decreased to 79%.

Turnover by Countries

	For the 6 months ended 31 December				Change in %	
	2010		2009			
COUNTRIES[#]	**HK$ million**	**% to Group Turnover**	HK$ million	% to Group Turnover	HK$	Local currency
Europe	**14,014**	**79.2%**	15,705	85.0%	-10.8%	-3.3%
Germany* [##]	**7,496**	**42.4%**	8,317	45.0%	-9.9%	-1.5%
Benelux*	**2,372**	**13.4%**	2,741	14.8%	-13.4%	-5.3%
France	**1,347**	**7.6%**	1,613	8.7%	-16.5%	-8.7%
Scandinavia	**784**	**4.4%**	797	4.3%	-1.6%	2.5%
Switzerland	**770**	**4.4%**	775	4.2%	-0.7%	-3.2%
Austria	**739**	**4.2%**	833	4.5%	-11.2%	-2.9%
United Kingdom	**208**	**1.2%**	252	1.4%	-17.3%	-13.4%
Spain	**148**	**0.8%**	165	0.9%	-10.5%	-2.4%
Italy	**118**	**0.7%**	174	1.0%	-32.3%	-26.2%
Ireland	**18**	**0.1%**	19	0.1%	-2.8%	5.7%
Portugal	**7**	**0.0%**	16	0.1%	-52.8%	-48.1%
Others	**7**	**0.0%**	3	0.0%	n.a.	n.a.
Asia Pacific	**3,022**	**17.1%**	2,178	11.8%	38.8%	35.2%
China**	**1,429**	**8.1%**	-	-	n.a.	n.a.
Australia and New Zealand	**495**	**2.8%**	494	2.7%	0.3%	-7.7%
Hong Kong**	**304**	**1.7%**	362	1.9%	-16.2%	-16.2%
Macau[###]	**299**	**1.7%**	882	4.8%	-66.1%	-63.4%
Singapore	**216**	**1.2%**	200	1.1%	8.4%	1.4%
Taiwan	**154**	**0.9%**	134	0.7%	14.6%	9.0%
Malaysia	**125**	**0.7%**	106	0.6%	17.6%	6.3%
North America and others	**657**	**3.7%**	592	3.2%	10.8%	8.1%
United States*	**334**	**1.9%**	282	1.5%	18.2%	18.0%
Canada	**323**	**1.8%**	310	1.7%	4.1%	-0.8%
TOTAL	**17,693**	**100.0%**	18,475	100.0%	-4.2%	1.6%

n.a. Means not applicable
Country as a whole includes retail stores, outlet stores, edc standalone stores and e-shop
Germany sales includes wholesale sales to other European countries mainly Russia, Poland, Greece, Czech Republic and Slovenia
Macau sales for the six months ended 31 December 2010 includes wholesale sales to other countries mainly Middle East, Thailand and India; Macau sales for the six months ended 31 December 2009 also included wholesale sales to the former China Joint Venture
* Includes licensing
** Includes salon

Turnover by Products

	For the 6 months ended 31 December					
	2010		2009		Change in %	
PRODUCT DIVISIONS	**HK$ million**	**% to Group Turnover**	HK$ million	% to Group Turnover	HK$	Local currency
casual	**8,260**	**46.7%**	8,939	48.4%	-7.6%	-2.4%
women casual	**5,943**	**33.6%**	6,515	35.3%	-8.8%	-3.5%
men casual	**2,317**	**13.1%**	2,424	13.1%	-4.4%	0.8%
edc	**4,344**	**24.6%**	4,378	23.7%	-0.8%	6.1%
edc women	**3,137**	**17.7%**	3,129	17.0%	0.2%	6.8%
edc men	**683**	**3.9%**	704	3.8%	-2.9%	4.0%
edc others^	**524**	**3.0%**	545	2.9%	-3.9%	4.9%
collection	**1,876**	**10.6%**	1,716	9.3%	9.3%	15.4%
women collection	**1,353**	**7.6%**	1,277	6.9%	6.0%	12.0%
men collection	**523**	**3.0%**	439	2.4%	19.2%	25.2%
others	**3,213**	**18.1%**	3,442	18.6%	-6.7%	-0.5%
accessories	**881**	**5.0%**	919	5.0%	-4.2%	1.3%
kids	**497**	**2.8%**	595	3.2%	-16.5%	-11.4%
shoes	**459**	**2.6%**	473	2.6%	-2.9%	5.6%
bodywear	**484**	**2.7%**	464	2.5%	4.2%	12.3%
sports	**285**	**1.6%**	355	1.9%	-19.8%	-14.9%
de. corp	**201**	**1.1%**	193	1.0%	4.3%	12.2%
red earth	**35**	**0.2%**	7	0.0%	368.0%	359.0%
others*	**371**	**2.1%**	436	2.4%	-14.9%	-10.0%
TOTAL	**17,693**	**100.0%**	18,475	100.0%	-4.2%	1.6%

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

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

Our efforts in differentiating product divisions are bearing fruits. Both Edc and Collection achieved above average turnover growth at 6.1% and 15.4% in local currency respectively. In addition, the Shoes division also generated healthy turnover growth of 5.6% in local currency.

Turnover by Distribution Channels

KEY DISTRIBUTION CHANNELS	2010 HK$ million	2010 % to Group Turnover	2009 HK$ million	2009 % to Group Turnover	Change in % HK$	Change in % Local currency
	For the 6 months ended 31 December					
Retail#	**9,955**	**56.3%**	9,624	52.1%	3.4%	8.7%
Europe	**7,315**	**41.3%**	7,905	42.8%	-7.5%	0.3%
Asia Pacific	**2,149**	**12.2%**	1,287	7.0%	67.0%	60.2%
North America	**491**	**2.8%**	432	2.3%	13.5%	10.8%
Wholesale	**7,621**	**43.1%**	8,738	47.3%	-12.8%	-6.2%
Europe	**6,684**	**37.8%**	7,783	42.1%	-14.1%	-6.9%
Asia Pacific	**849**	**4.8%**	872	4.7%	-2.6%	-1.5%
North America and others	**88**	**0.5%**	83	0.5%	6.6%	1.8%
Licensing and others	**117**	**0.6%**	113	0.6%	3.8%	4.8%
Licensing	**93**	**0.5%**	92	0.5%	1.1%	2.6%
Salon	**24**	**0.1%**	18	0.1%	29.8%	28.5%
Others	**0**	**0.0%**	3	0.0%	-83.4%	-83.6%
TOTAL	**17,693**	**100.0%**	18,475	100.0%	-4.2%	1.6%

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

Retail

Retail turnover climbed to HK$9,955 million (1H FY09/10: HK$9,624 million) and accounted for an increased percentage of Group turnover amounting to 56.3% (1H FY09/10: 52.1%). The retail turnover growth was 8.7% in local currency. Comparable store sales declined by 1.5%. Retail selling space grew 2.3% to 394,676 m^2 from 30 June 2010. Excluding the exceptional store closures, retail space grew by 3.1%.

Retail sales growth was mainly driven by the retail turnover contribution from China, which accounted for 8.5% of retail turnover, as well as retail space expansion. Excluding China, retail turnover growth was largely flat in local currency and comparable store sales declined by 1.6%.

Excluding December 2010, comparable store sales growth was nearly flat year-on-year. The adverse weather conditions in December 2010 led to a decline in comparable store traffic, in particular in Europe and North America. Consequently, retail turnover growth in Europe softened in the second quarter to -1.6% in local currency. Despite the softness of the overall retail turnover growth momentum in Europe, retail turnover in France and Scandinavia posted above average retail turnover growth at 6.8% and 13.0% year-on-year in local currency for the six months ended 31 December 2010. In Asia Pacific (excluding China), retail turnover declined by 4.3% in local currency mainly caused by 28.3% year-on-year decline in retail selling space in Hong Kong and weak consumer confidence in Australia due to rising interest rates. In North America, retail turnover growth benefited from a 20.4% year-on-year increase in retail selling space.

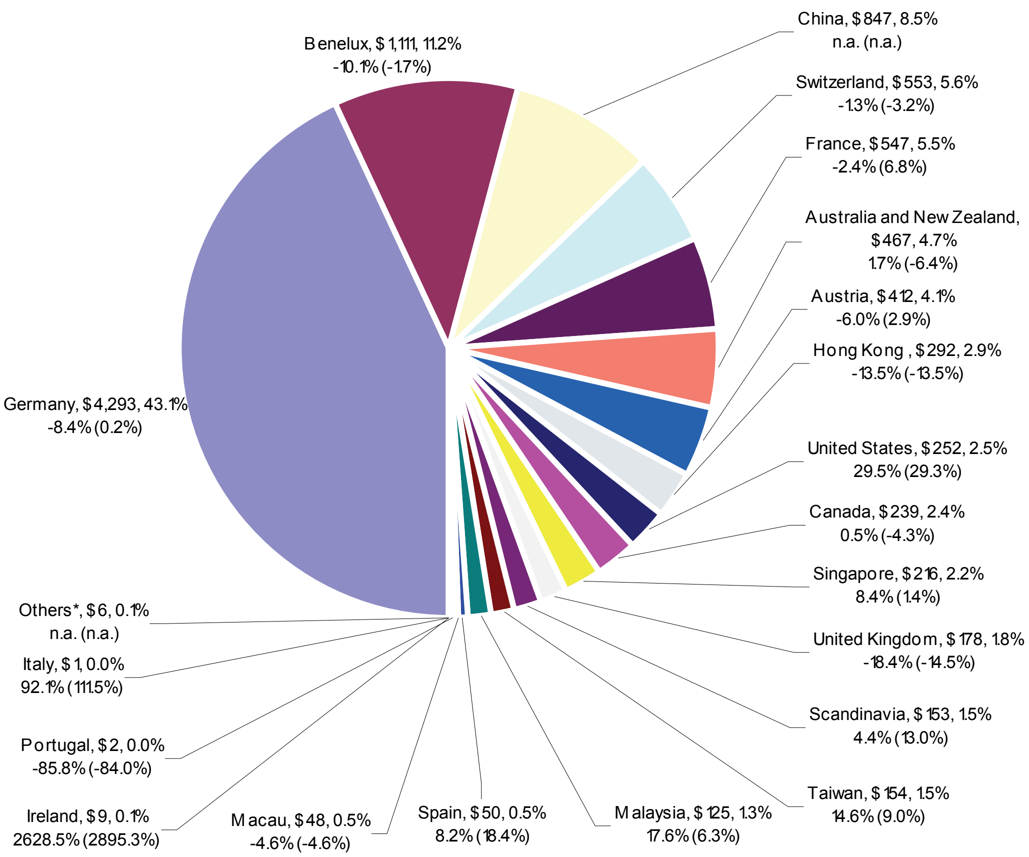
Retail Scorecard

	For the 6 months ended 31 December		
	2010		2009
	Total	**Excl. China**	
Year-on-year local currency turnover growth	**8.7%**	**0.1%**	5.5%
Segment EBIT margin	**12.3%**	**12.3%**	15.2%
No. of Esprit POS	**1,154**	**855**	829
Esprit net sales area (m^2)	**394,676**	**344,474**	332,053
Year-on-year change in Esprit sales area	**18.9%**	**3.7%**	10.2%
Esprit average sales area per store* (m^2)	**342**	**403**	401
Comparable store sales growth	**-1.5%**	**-1.6%**	-1.2%

* Calculated by dividing Esprit net sales area by number of POS as at 31 December 2010 and 31 December 2009

Retail Turnover by Countries

Total Retail Turnover: HK$9,955 million



Country, HK$ million, % of retail turnover
% HK$ growth (% local currency growth)

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

n.a. Means not applicable

During the six months ended 31 December 2010, our retail expansion was on track and the expansion focus remains on China and core markets in Europe. Whilst our retail expansion capabilities were strengthened, we put a stronger emphasis on quality than quantity. The Group had a net addition of 31 directly managed retail stores, which comprised of 73 openings, 35 normal closures and 7 exceptional closures resulting from the 33-store closure program. Among the 7 exceptional closures, 5 were in Europe and 2 were in Asia Pacific. Our focus to expand the outlet business in North America was evidenced by 14 new outlet openings. As at 31 December 2010, the total number of directly managed retail stores increased to 1,154 (30 June 2010: 1,123). Excluding the impact of the store closure program, the retail selling space has grown 3.1% from 30 June 2010. The new space added included the largest flagship store which re-opened in Frankfurt in mid September 2010 with 3,600 m^2 of selling space. In e-commerce, we introduced e-shop to Latvia and Slovenia during the first half of the financial year, increasing the total number of countries served by our e-shop to 26.

Directly Managed Stores by Countries

	As at 31 December 2010					
COUNTRIES	**No. of store**	**Net opened stores***	**Net sales area m^2**	**Change in net sales area***	**No. of comp stores**	**Comp-store sales growth**
EUROPE	**419**	**-**	**244,322**	**0.4%**	**291**	**-1.7%**
Germany**	173	-	125,895	2.3%	132	-0.7%
Benelux	88	2	38,139	0.0%	58	-4.7%
France	49	-	23,989	0.0%	39	-1.7%
Switzerland	39	-	17,030	0.1%	30	-5.1%
United Kingdom	33	(1)	9,219	-11.4%	14	-4.6%
Austria	15	1	15,226	3.7%	11	-3.0%
Scandinavia	14	1	9,386	4.9%	6	12.7%
Spain	6	(1)	4,913	-1.3%	1	8.7%
Ireland	2	-	525	-6.6%	-	n.a.
Portugal	-	(2)	-	-100.0%	-	n.a.
ASIA PACIFIC	**640**	**18**	**115,532**	**3.3%**	**354**	**0.6%**
China	299	11	50,202	3.7%	126	0.5%
Australia	168	11	24,423	6.9%	106	-10.6%
Taiwan	88	(2)	8,382	0.3%	65	10.2%
Malaysia	31	2	9,296	9.7%	23	4.7%
Singapore	21	(1)	9,195	2.2%	16	0.2%
Hong Kong	17	(3)	9,356	-7.3%	9	15.2%
New Zealand	13	-	3,004	0.0%	7	-5.9%
Macau	3	-	1,674	-1.6%	2	-1.7%
NORTH AMERICA	**95**	**13**	**34,822**	**14.0%**	**66**	**-4.9%**
Canada	52	4	17,766	8.4%	39	-7.4%
United States**	43	9	17,056	20.6%	27	-2.2%
TOTAL	**1,154**	**31**	**394,676**	**2.3%**	**711**	**-1.5%**

* Net change from 30 June 2010
** All e-shops within Europe are shown as 1 comparable store in Germany and the e-shop in U.S. is shown as 1 comparable store in U.S.
n.a. Means not applicable

Wholesale

Wholesale turnover was HK$7,621 million (1H FY09/10: HK$8,738 million) and contributed 43.1% of Group turnover (1H FY09/10: 47.3%). In local currency, wholesale turnover declined 6.2% year-on-year (1Q FY10/11: -12.8%) or 5.7% excluding China. Controlled wholesale space reached 722,118 m^2 as at 31 December 2010.

As compared with the first quarter, the decline in wholesale turnover narrowed, mainly driven by strong growth of short lead-time orders, such as Specials and Never-Out-of-Stock ("NOOS") in the second quarter. As a result, wholesale turnover in the second quarter grew 3.2% year-on-year in local currency. In Europe, wholesale turnover in local currency grew by 1.8% in the second quarter. This is the first time we have seen positive wholesale turnover growth since 30 June 2008. Wholesale sales development was strong in the second quarter, despite continued weak consumer spending in Europe.

Emerging markets in Europe and Asia Pacific reported above average wholesale turnover growth. Wholesale turnover from Russia, Poland, Columbia, Thailand, India and the Middle East increased by 20.6%, 13.2%, 175.2%, 70.2%, 40.8% and 12.5% year-on-year in local currency respectively. Thanks to the robust wholesale turnover growth of emerging markets, wholesale turnover in Asia Pacific (excluding China) climbed 29.8% year-on-year in local currency.

Wholesale Scorecard

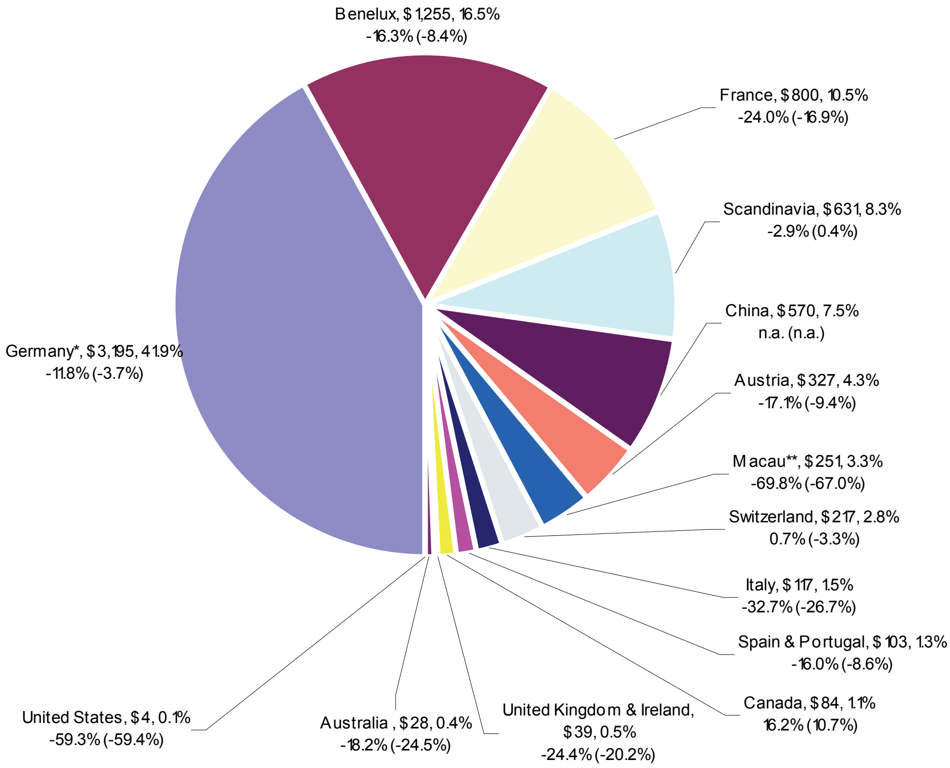
	For the 6 months ended 31 December		
	2010		2009
	Total	**Excl. China**	
Year-on-year local currency turnover growth	**-6.2%**	**-5.7%**	-15.4%
Segment EBIT margin	**26.9%**	**25.4%**	25.3%
No. of Esprit controlled space POS ^	**12,056**	**11,353**	13,034
Esprit controlled space area (m^2) ^	**722,118**	**636,221**	765,756
Year-on-year change in Esprit's controlled space area	**-5.7%**	**-0.2%**	1.4%
Esprit average sales area per controlled space POS* (m^2)	**60**	**56**	59

* Calculated by dividing Esprit controlled space area by number of Esprit controlled space POS as at 31 December 2010 and 31 December 2009

^ With the roll out of the SAP program for the wholesale business, the Group has tightened the definitions of inactive accounts, resulting in the restatement of wholesale POS and controlled space

Wholesale Turnover by Countries

Total Wholesale Turnover: HK$7,621 million



Country, HK$ million, % of wholesale turnover
% HK$ growth (% local currency growth)

* Germany wholesale sales includes sales to other European countries mainly Russia, Poland, Greece, Czech Republic and Slovenia

** Macau wholesale sales includes sales to other countries mainly Middle East, Thailand and India. Macau sales for the six months ended 31 December 2009 also included wholesale sales to the former China Joint Venture

n.a. Means not applicable

We continued our strategy to strengthen our overall wholesale distribution channel by focusing on franchise and optimising our shop-in-store and identity corner point-of-sales. As at 31 December 2010, wholesale POS number fell to 12,056 including 672 openings and 902 closures. The decrease in wholesale POS number was mainly due to 217 net closures of identity corners in Europe. The number of franchise stores increased to 2,151 mainly due to a net addition of 60 franchise stores in China and the reclassification of 118 shop-in-stores to franchise stores in Thailand, India, Indonesia, Vietnam, the Middle East and Mongolia. With the acquisition of the remaining interest in the former China Joint Venture, concession spaces previously considered wholesale were reclassified as retail and franchise stores. As a result of this, the 118 shop-in-stores noted above were also reclassified as franchise stores during this period to be consistent with the rest of the Group. Total wholesale controlled space was largely flat from 30 June 2010 mainly due to a 4.1% increase in controlled wholesale space in Asia Pacific offset by a slight decline in controlled wholesale space in Europe as a consequence of net closures of identity corners.

Wholesale Distribution Channel by Countries (controlled space only)

As at 31 December 2010

Countries	Franchise stores**				Shop-in-stores**				Identity Corners**				Total**			
	No. of stores	Sales area m^2	Net opened stores/ Reclassification*	Net change in net sales area*	No. of stores	Sales area m^2	Net opened stores/ Reclassification*	Net change in net sales area*	No. of stores	Sales area m^2	Net opened stores/ Reclassification*	Net change in net sales area*	No. of stores	Sales area m^2	Net opened stores/ Reclassification*	Net change in net sales area*
Esprit Europe#	**1,149**	**286,008**	**-**	**1.3%**	**4,943**	**196,365**	**(74)**	**-1.7%**	**4,827**	**109,311**	**(217)**	**-4.3%**	**10,919**	**591,684**	**(291)**	**-0.8%**
Germany***	424	119,603	7	3.3%	3,785	157,393	(47)	-1.5%	2,700	53,357	(95)	-4.3%	6,909	330,353	(135)	-0.3%
Benelux	175	51,754	-	0.1%	164	6,906	(2)	-0.5%	660	16,977	(82)	-9.2%	999	75,637	(84)	-2.2%
France	222	37,352	(6)	-1.2%	403	10,541	(8)	-5.7%	381	10,646	(24)	-3.0%	1,006	58,539	(38)	-2.4%
Scandinavia	125	36,906	1	2.8%	101	4,796	5	4.0%	580	14,644	22	3.3%	806	56,346	28	3.0%
Austria	88	16,802	-	-1.8%	144	5,218	5	5.3%	186	4,399	(21)	-9.8%	418	26,419	(16)	-2.0%
Italy	44	9,120	(4)	-6.0%	34	1,617	3	6.7%	130	3,355	3	6.3%	208	14,092	2	-2.0%
Switzerland	46	8,699	(2)	-5.7%	50	2,836	2	2.1%	76	1,578	(10)	-17.9%	172	13,113	(10)	-5.9%
Spain	17	4,467	5	26.7%	216	5,395	(26)	-11.0%	11	193	(1)	-14.6%	244	10,055	(22)	2.5%
United Kingdom and Ireland	8	1,305	(1)	-16.6%	46	1,663	(6)	-12.9%	103	4,162	(9)	-4.8%	157	7,130	(16)	-9.1%
Esprit Asia Pacific	**1,002**	**126,842**	**180**	**9.8%**	**135**	**3,592**	**(116)**	**-63.2%**	**-**	**-**	**(3)**	**-100.0%**	**1,137**	**130,434**	**61**	**4.1%**
China	703	85,897	60	6.3%	-	-	-	-	-	-	-	-	703	85,897	60	6.3%
The Middle East	47	12,530	-	2.5%	-	-	(4)	-100.0%	-	-	-	-	47	12,530	(4)	-4.3%
India	53	7,870	33	48.1%	-	-	(27)	-100.0%	-	-	-	-	53	7,870	6	15.9%
Thailand	93	5,915	70	101.1%	-	-	(71)	-100.0%	-	-	-	-	93	5,915	(1)	3.4%
Philippines	16	2,389	-	0.5%	-	-	-	-	-	-	-	-	16	2,389	-	0.5%
Australia	-	-	-	-	55	1,938	(3)	-4.5%	-	-	-	-	55	1,938	(3)	-4.5%
Others	90	12,241	17	3.3%	80	1,654	(11)	-36.8%	-	-	(3)	-100.0%	170	13,895	3	-4.4%
TOTAL#	**2,151**	**412,850**	**180**	**3.8%**	**5,078**	**199,957**	**(190)**	**-4.5%**	**4,827**	**109,311**	**(220)**	**-4.3%**	**12,056**	**722,118**	**(230)**	**0.1%**

* Net change from 30 June 2010

** Excludes Red Earth and salon

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

\# The opening balances of the POS numbers of franchise stores, shop-in-stores and identity corners in Europe were restated to 1,149, 5,017 and 5,044 respectively and the opening balances of the wholesale controlled space of franchise stores, shop-in-stores and identity corners in Europe were restated to 282,297m^2, 199,722m^2 and 114,166m^2 respectively. Consequently, the opening balances of franchise stores, shop-in-stores and identity corners for the Group were restated to 1,971, 5,268 and 5,047 respectively and the opening balances of the wholesale controlled space of franchise stores, shop-in-stores and identity corners for the Group were restated to 397,787m^2, 209,487m^2 and 114,226m^2 respectively. With the roll out of the SAP program for the wholesale business, the Group has tightened the definitions of inactive accounts, resulting in the restatement of wholesale POS and controlled space

Licensing

Licensing turnover (primarily license royalties) was HK$93 million (1H FY09/10: HK$92 million), increasing by 2.6% year-on-year in local currency.

During the first half of the financial year, we put in a lot of hard work to enhance the product offerings in the three licensed product worlds. In November 2010, Esprit home held an exclusive press preview of the 2011 collection with key styles from the five new living themes – Colour Splash, Bright Bazaar, Selected Nature, Modern Poetry and Sunny Blossom, as well as two new home product lines: the Esprit home kitchen and the carpet tiles. The five new Esprit home themes will be introduced to industry professionals at various international trade fairs in 2011.

Together with Alno, one of the largest international manufacturers of fitted kitchens, Esprit is launching a collection especially for the kitchen – Esprit home kitchen furniture. The Esprit home kitchen furniture celebrated its premiere at the "living kitchen" in Cologne, January 2011. The first Esprit home kitchen range will be available from kitchen retailers in Germany starting in March 2011.

In addition, through our partnership with Vorwerk Carpets, our new license partner characterised by a rich tradition and product innovations, Esprit home will launch a new line of freely scaled carpet tiles which has been registered a patent by Vorwerk. The carpets are in five colour combinations and three qualities and are available from January 2011.

In Accessories' World, ongoing efforts were made in developing accessories that made a perfect match to our major product lines. To celebrate a return to the fun and carefree roots of the Esprit lifestyle, a new fragrance "Esprit Jeans Style" will be launched in Spring 2011 with a pre-launch to the market in February 2011 in more than 70 Esprit stores. The market introduction will be completed with in-store and online promotion activities as well as a TV spot. Moreover, the new watch and jewellery lines of Esprit, edc and collection for 2011 were showcased in the annual distributor conference of MYWA, our license partner for watches and jewellery in Dubai in October 2010.

In Babies' and Kids' World, its first lookbook was published showcasing the Esprit babies' world for parents-to-be from baby clothing to furniture, wallpaper, rugs, home textiles, toys, prams and changing bags. Copies of the lookbook were distributed from August to December 2010 by midwives in antenatal courses and in Esprit retail stores with maternity areas. In addition, there were also new collections for Esprit home kids' wallpaper collection, new bed linen collection, new "Route 68" series pram collection and new Esprit baby series "Classic Bear" and "Summer Love".

Profitability Analysis

Gross profit was HK$9,838 million (1H FY09/10: HK$10,098 million). **Gross profit margin** increased to 55.6% (1H FY09/10: 54.7%) benefiting from higher retail turnover proportion and consolidation of China.

Operating expenses were HK$7,203 million (1H FY09/10: HK$6,731 million). The increase was mainly due to the consolidation of operating expenses in China. Excluding China, operating expenses were largely flat year-on-year.

Operating profit was HK$2,635 million (1H FY09/10: HK$3,367 million) and Group operating profit margin was 14.9% (1H FY09/10: 18.2%). The change of Group operating profit margin was mainly caused by continued shift in channel mix to retail, decline in retail EBIT margin partly offset by improved wholesale EBIT margin.

Wholesale EBIT margin was 26.9% (1H FY09/10: 25.3%). The increase in wholesale EBIT margin mainly benefited from the consolidation of China and was positively impacted by lower returns and lower bad debt provision.

Retail EBIT margin was 12.3% (1H FY09/10: 15.2%). The decline in retail EBIT margin was mainly due to slightly higher markdown and discount and slightly higher merchandise costs leading to a decrease in retail gross profit margin. Negative comparable store sales and higher advertising expense also contributed to the decline. Excluding the losses from stores to be closed as part of the exceptional store closure program, the retail EBIT margin is 13.4%.

Profit before taxation was HK$2,644 million (1H FY09/10: HK$3,448 million).

Effective tax rate decreased to 19.1% (1H FY09/10: 21.6%) partly due to the one-off underprovision in prior years incurred in the same period last year while there was a net write back of overprovision for prior years during the six months ended 31 December 2010. Excluding the impact of the one-off underprovision in prior years and the net write back of overprovision, the effective tax rates for 1H FY10/11 would be largely similar to that of 1H FY09/10.

Net profit was HK$2,140 million (1H FY09/10: HK$2,705 million) and **net profit margin** was 12.1% (1H FY09/10: 14.6%).

Balance Sheet Review

Liquidity and Financial Resources

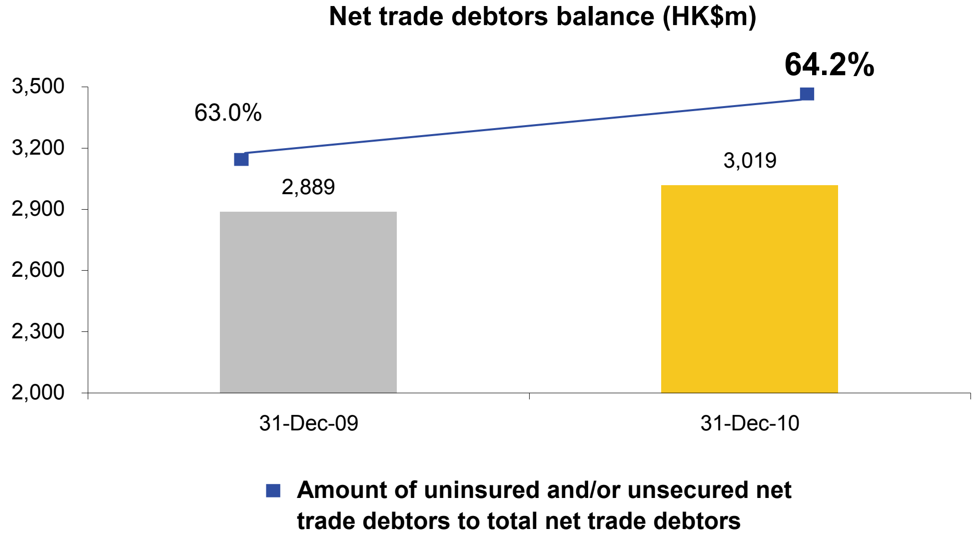
As at 31 December 2010, the Group had **cash and bank** balance of HK$7,302 million (30 June 2010: HK$6,748 million) while the net cash balance was HK$4,702 million (30 June 2010: HK$4,148 million). During the six months ended 31 December 2010, the Group generated HK$1,854 million net cash inflow from operating activities (1H FY09/10: HK$3,768 million). The decline of net cash inflow from operating activities was partly due to depreciation of EUR/HKD average rate, decline in profitability and increase in working capital.

	For the 6 months ended 31 December	
HK$ million	**2010**	**2009**
Cash and cash equivalents as at 1 July	6,748	4,840
Net cash inflow from operating activities	1,854	3,768
Net cash used in investing activities	(715)	(858)
Net cash outflow from acquisition of remaining interest in the associated companies	(150)	-
Deposit paid for acquisition of remaining interest in the associated companies	-	(388)
Purchase of property, plant and equipment	(590)	(743)
Proceeds from disposal of property, plant & equipment	2	10
Interest received	23	18
Dividend received from an associate	-	245
Net cash (used in)/inflow from financing activities	(830)	61
Net proceeds on issues of shares for cash	8	61
Interest paid on bank loans	(12)	-
Dividends paid	(826)	-
Net increase in cash and cash equivalents	**309**	**2,971**
Effect of change in exchange rates	**245**	**52**
Cash and cash equivalents as at 31 December	**7,302**	**7,863**
Less:		
Bank loans	2,600	-
Net cash balance	**4,702**	**7,863**

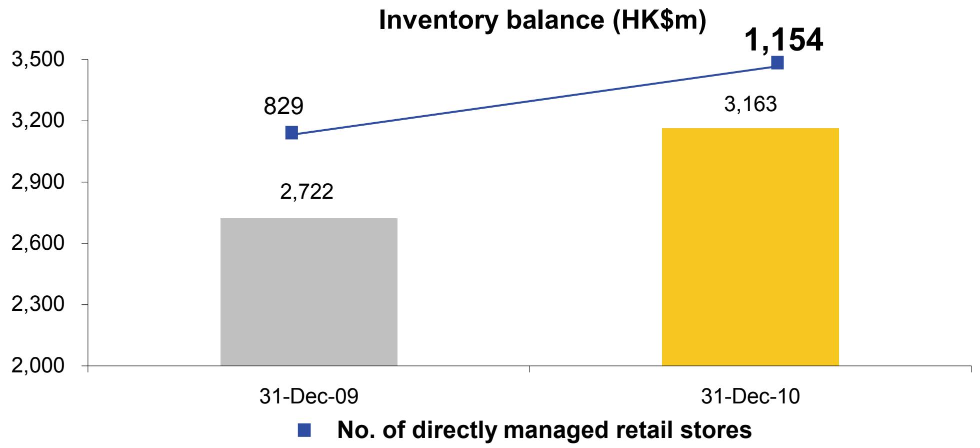
Capital expenditure of the Group was HK$590 million (1H FY09/10: HK$743 million). Majority of the HK$241 million investment in IT projects was related to the SAP/EPS project.

	For the 6 months ended 31 December	
HK$million	**2010**	2009
New stores and expansion	**187**	320
Existing stores	**97**	99
IT projects	**241**	299
Office & others	**65**	25
Purchase of property, plant and equipment	**590**	743

As at 31 December 2010, the Group had net trade debtors balance of HK$3,019 million (31 December 2009: HK$2,889 million). The increase was partly due to higher wholesale turnover in the second quarter ended 31 December 2010. Net trade debtors due over 90 days as a proportion to total net trade debtors fell to 8.4% (31 December 2009: 9.0%). The amount of uninsured and / or unsecured net trade debtors as a percentage of net trade debtors was 64.2% (31 December 2009: 63.0%)



As at 31 December 2010, the Group had an inventory balance of HK$3,163 million (31 December 2009: HK$2,722 million). The increase was partly due to the consolidation of China's inventory and increase in the number of directly managed retail stores. Inventory turnover days for the six months ended 31 December 2010 was 63 days (1H FY09/10: 60 days).



As at 31 December 2010, the Group had total interest bearing external borrowings of HK$2.6 billion (30 June 2010: HK$2.6 billion) which was used to finance the acquisition of the remaining interest of the China Joint Venture. None of the Group's assets were pledged as security for overdraft or any short-term revolving facility.

SEASONALITY OF BUSINESS

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

FOREIGN EXCHANGE RISK MANAGEMENT

In the past, most of the suppliers in Asia were asked to quote and settle in Euros. To better minimise our foreign exchange exposure on sourcing costs for merchandise produced for Europe and North America in Asia, some of the suppliers in Asia were asked to quote and settle in US dollar for selected pilot product divisions starting in the first half of the financial year. In addition, the Group entered into foreign exchange forward contracts with reputable financial institutions to hedge such foreign exchange risks.

OUTLOOK

In the second half of the financial year, total capital expenditure is expected to be around HK$1.3 billion. We plan to invest about HK$600 million in new store openings and existing store refurbishment. A total of approximately 70 new directly managed stores are planned to be opened. For the full financial year, we expect to increase retail selling space by 5% to 10% year-on-year.

Although we see signs of improvement, our wholesale business remains being impacted by cautious consumer sentiment and spending in our core markets. As a result, our wholesale customers remain conservative with their pre-orders. The wholesale order book keeps improving and for the period between January and May 2011 shows a low single digit percentage decline.

Our commitment to providing best-in-class support is reflected by our increased investment in enhancing our systems and processes. In the second half of the financial year, we will invest over HK$250 million in IT projects, primarily in the SAP/EPS project and over HK$260 million on the distribution centre in Europe.

Increase in raw materials price and labour costs will pose pressures on our cost of goods sold. With the implementation of our sourcing initiatives, we are confident that at least part of the costs will be compensated in the short-term.

CORPORATE SOCIAL RESPONSIBILITIES

Esprit continues to give back to the community. SOS Children's Villages and Esprit committed to a long-term partnership, focused to provide new home in the village with essential services of education, health and various livelihood support. To celebrate the opening of the SOS Children’s Village, the BIG BANG, a global campaign aimed at raising awareness of the charity project, was launched. Oscar nominated actress, Maggie Gyllenhaal and her husband Peter Sarsgaard acted as global ambassadors. Customers were invited to make their bang count in the participating 11 Esprit stores across the globe and also online. Esprit donated Euro 500,000 to the SOS Children’s Village as part of the campaign in November 2010.

INTERIM DIVIDEND

The Board of Directors has declared an interim dividend for the six months ended 31 December 2010 of HK$1.00 per share (FY2009/2010: HK$0.74).

In addition, the Board has provided the shareholders with an option to receive the interim dividend in form of new fully paid shares in lieu of cash. The dividend reinvestment price shall be determined by the average closing price of the shares of the Company for the five trading days preceding 7 March 2011. Further details of the scrip dividend reinvestment scheme and the election form will be despatched on or around 11 March 2011 and the election period will commence on 11 March 2011 to 25 March 2011, both days inclusive.

The dividend will be payable on or about 12 April 2011 to the shareholders whose names appear on the Registers of Members of the Company at the close of business on 4 March 2011 (the “Shareholders”). The relevant dividend warrants and/or share certificates for new shares will be despatched to the Shareholders on or about 12 April 2011.

The scrip dividend reinvestment scheme is conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) granting the listing of and permission to deal in the new shares to be issued under the scrip dividend reinvestment scheme.

CLOSURE OF REGISTERS OF MEMBERS

The Registers of Members of the Company will be closed from 7 March 2011 to 8 March 2011, both days inclusive, during which period no transfer of shares will be effected.

In order to qualify for the interim dividend mentioned above, all transfers accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Secretaries Limited, at 26/F, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong not later than 4:00 pm on 4 March 2011.

HUMAN RESOURCES

As at 31 December 2010, the Group employed over 14,500 full-time equivalent staff (31 December 2009: over 11,500) 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.

AUDIT COMMITTEE

The Audit Committee currently comprises five Independent Non-executive Directors. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and has also discussed auditing, internal controls and financial reporting matters including the review of the unaudited interim results of the Group for the six months ended 31 December 2010 with the management.

CORPORATE GOVERNANCE

The Company has complied with the code provisions of Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange throughout the six months ended 31 December 2010, with the deviation as stated below:

Under the code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term, subject to re-election. Non-executive Directors of the Company have not been appointed for a specific term. However, under Bye-law 87 of the Company's Bye-laws, all Directors, including Non-executive Directors, of the Company are subject to retirement by rotation and re-election in the annual general meeting of the Company and each Director is effectively appointed under an average term of three years.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in Appendix 10 to the Listing Rules.

The Company has made specific enquiry with all Directors and all of them confirmed that they have complied with the required standard set out in the Model Code for the six months ended 31 December 2010.

CHANGE OF CHAIRMAN OF THE BOARD AND RESIGNATION OF NON-EXECUTIVE DIRECTOR OF THE COMPANY

The Board announces that Mr Heinz Jürgen Krogner-Kornalik ("Mr Krogner"), the Non-executive Chairman of the Board and Non-executive Director of the Company, has tendered his resignation with effect from 11 February 2011 due to his intended pursuit of other personal commitments.

Following Mr Krogner's resignation, Dr Hans-Joachim Körber ("Dr Körber) has been unanimously elected by the Board as the successor of Mr Krogner to act as the Independent Non-executive Chairman of the Board with effect from 11 February 2011. Dr Körber has been an independent non-executive director of the Company since May 2008. Dr Körber was the former chief executive officer of Metro AG for many years until his retirement in 2007. Under his guidance, Metro has grown to become one of the largest retailers in the world. Dr Körber is a well-known executive in the international commercial community with extensive experience in finance & accounting, controlling, logistics and IT, including 23 years experience in retailing.

Mr Krogner confirmed that he has no disagreement with the Board and there are no other matters with respect to his resignation that need to be brought to the attention of the shareholders of the Company.

The Board would like to take this opportunity to express its sincerest gratitude to Mr Krogner for his valuable contributions to the Company's development and success during his tenure of office and to congratulate Dr Körber on the appointment.

BOARD OF DIRECTORS

As at the date of this announcement, the Directors of the Company are:

Executive Directors:	Mr Ronald VAN DER VIS *(Group CEO)* Mr CHEW Fook Aun *(Group CFO)*
Non-executive Directors:	Mr Heinz Jürgen KROGNER-KORNALIK *(Non-executive Chairman)* Mr Jürgen Alfred Rudolf FRIEDRICH
Independent Non-executive Directors:	Mr Paul CHENG Ming Fun *(Deputy Chairman)* Mr Alexander Reid HAMILTON Mr Raymond OR Ching Fai Dr Hans-Joachim KÖRBER Mr Francesco TRAPANI

By Order of the Board
Bella CHHOA Peck Lim
Company Secretary

Hong Kong, 10 February 2011