ESPRIT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(STOCK CODE: 00330)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

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 2012 as follows:

Condensed consolidated income statement

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

Condensed consolidated statement of comprehensive income

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

Condensed consolidated statement of financial position

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

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 17 for the six months ended 31 December 2012 has been prepared in accordance with the International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

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

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

IAS 1 (Amendment)	Presentation of Financial Statements – Amendments to Revise the Way Other Comprehensive Income is Presented
IAS12 (Amendment)	Deferred Tax: Recovery of Underlying Assets

1. Basis of preparation (continued)

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

		Effective for accounting periods beginning on or after
IAS 19 (Revised)	Employee Benefits – Amended Standard Resulting from the Post-Employment Benefits and Termination Benefits Projects	1 January 2013
IAS 27 (Revised)	Consolidated and Separate Financial Statements – Reissued as IAS 27 Separate Financial Statements	1 January 2013
IAS 28 (Revised)	Investments in Associates – Reissued as IAS 28 Investments in Associates and Joint Ventures	1 January 2013
IAS 32 (Amendment)	Offsetting Financial Assets and Financial Liabilities	1 January 2014
IFRS 1 (Amendment)	Government Loans	1 January 2013
IFRS 7 (Amendment)	Disclosures - Offsetting Financial Assets and Financial Liabilities	1 January 2013
IFRS 9 and 7 (Amendments)	Mandatory Effective Date of IFRS 9 and Transition Disclosures	1 January 2015
IFRS 9	Financial Instruments	1 January 2015
IFRS 10	Consolidated Financial Statements	1 January 2013
IFRS 11	Joint Arrangements	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013
IFRS 10,11,12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013
IFRS 10,12 and IAS 27 (Amendments)	Investment Entities	1 January 2014
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
IFRSs (Amendments)	Annual Improvements to IFRSs 2009-2011 Cycle	1 January 2013

2. Turnover and segment information

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

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

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

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

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

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

2. Turnover and segment information (continued)

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

2. Turnover and segment information (continued)

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

3. Operating (loss)/profit

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

4. Finance costs

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

5. Taxation

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

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

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

6. Interim dividend

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

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

7. (Loss)/earnings per share

Basic

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

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

Diluted

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

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

8. Property, plant and equipment

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

9. Debtors, deposits and prepayments

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

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

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

10. Cash, bank balances and deposits

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

11. Creditors and accrued charges

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

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

12. Provision for store closure

Movements in provision for store closure are as follows:

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

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

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

13. Bank loans

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

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

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

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

14. Share capital

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

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

Notes:

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

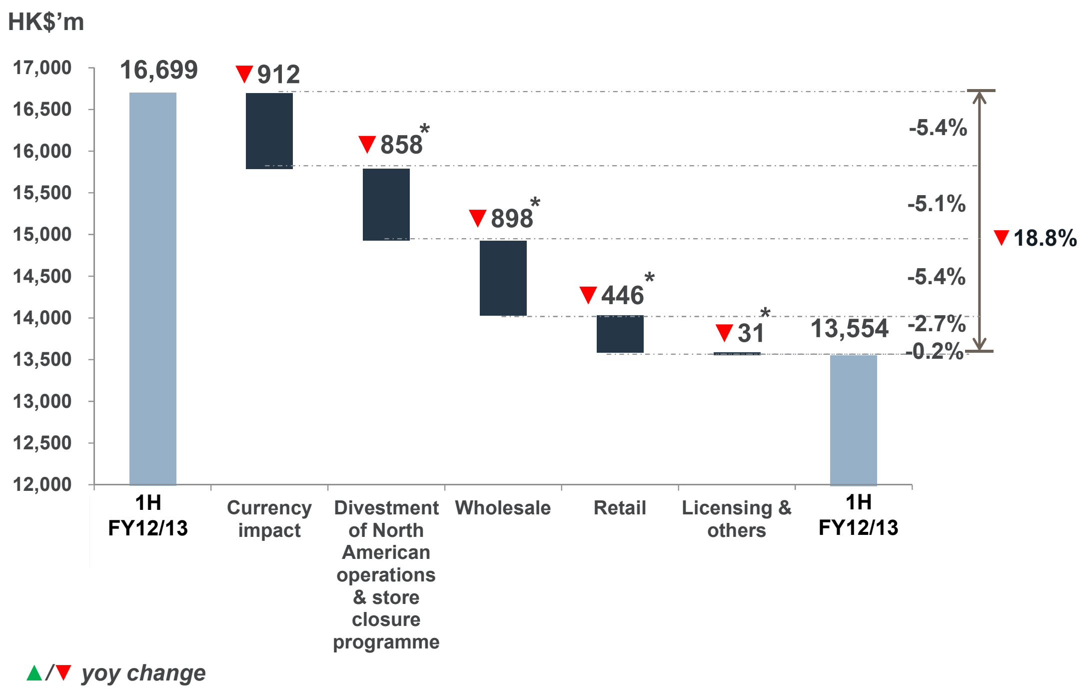
Although the Group continues to make progress in the implementation of the Transformation Plan, it will take time to see the benefits translated into operating results. While we see improvements in our product, supply chain, store concept and relationships with our business partners, it is important to remember that most initiatives in the Transformation Plan are still work in progress. Additionally, as it is always the case, it will require time to make these improvements visible to our customers and gain them back into our stores.

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

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

FINANCIAL REVIEW

Analysis of Group Turnover



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

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

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

Turnover by Product Divisions

Turnover by Product Divisions

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

* Others include mainly salon, licensing income & licensed products like timewear, eyewear, jewellery, bed & bath, houseware, etc.
^ edc others include edc kids, edc shoes, edc accessories and edc bodywear
n.a. Not applicable

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

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

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

Turnover by Distribution Channels

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

Turnover by Distribution Channels

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

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

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

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

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

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

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

in 1Q FY12/13 to -2.7% in local currency. This improvement was primarily driven by 5.2% local currency sales growth in China in 2Q FY12/13.

Retail Turnover by Countries

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

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

The Group continued to expand its retail store network with strong emphasis on quality instead of quantity. During 1H FY12/13, excluding the store closure programme, our retail selling space grew 2.4% to 346,217 m^2 as at 31 December 2012. This increase was mainly driven by the 24.7% increase in retail selling space of outlets representing a net addition of 13 outlets, which is in line with the Group's strategy to establish a strong outlet network to improve inventory management across channels.

Directly Managed Retail Stores by Store Types

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

Directly Managed Retail Stores by Countries

As at 31 December 2012

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

* Net change from 30 June 2012
** All e-shops within Europe are shown as 1 comparable store in Germany
^ 2 out of the 33 stores included under the store closure programme FY09/10 were closed for the six months ended 31 December 2012 and 12 out of the 80 stores included under the store closure programme FY10/11 were closed for the six months ended 31 December 2012
n.a. Not applicable

Retail Performance Scorecard

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

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

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

Wholesale Turnover by Countries

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

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

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

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

In 1H FY12/13, a total of 694 new controlled wholesale POS were opened, comprising 128 partnership stores, 358 shop-in-stores and 208 identity corners. The majority of these new stores are located in Germany, Belgium, France and China. Simultaneously, the Group lost controlled wholesale space as a result of the dropping out of customers. As a consequence, total controlled wholesale space was 614,618 m^2 as at 31 December 2012, representing a -9.0% year-on-year decline or a -5.9% decline from 30 June 2012.

Wholesale Performance Scorecard

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

Wholesale Distribution Channel by Countries (controlled space only) – Movement since 31 December 2011

As at 31 December 2012

	Franchise stores**				Shop-in-stores**				Identity corners**				Total**			
Countries	**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**
Esprit Europe	**992**	**249,325**	**(69)**	**-5.5%**	**4,426**	**168,012**	**(314)**	**-7.5%**	**3,494**	**74,025**	**(856)**	**-22.3%**	**8,912**	**491,362**	**(1,239)**	**-9.1%**
Germany***	375	101,679	(21)	-4.8%	3,418	135,004	(224)	-7.5%	1,985	37,551	(387)	-17.2%	5,778	274,234	(632)	-8.0%
Benelux	161	51,385	(3)	-0.1%	158	6,631	(9)	-5.0%	459	11,083	(174)	-32.4%	778	69,099	(186)	-7.6%
France	164	29,284	(27)	-13.9%	353	8,237	(38)	-8.7%	257	7,072	(64)	-21.8%	774	44,593	(129)	-14.4%
Sweden	73	22,937	(4)	-6.9%	-	-	(1)	-100.0%	64	1,389	(35)	-30.3%	137	24,326	(40)	-8.8%
Austria	76	13,237	(4)	-8.3%	90	3,210	(26)	-19.3%	70	1,807	(42)	-38.2%	236	18,254	(72)	-14.5%
Italy	46	8,824	(2)	-7.1%	29	1,034	(10)	-38.2%	161	2,701	(59)	-43.3%	236	12,559	(71)	-21.2%
Finland	29	8,117	5	21.0%	91	4,192	(7)	-11.2%	273	7,004	(40)	-17.1%	393	19,313	(42)	-2.8%
Switzerland	31	5,445	(13)	-32.9%	60	3,029	11	14.5%	40	795	(24)	-36.5%	131	9,269	(26)	-22.8%
Denmark	19	5,274	2	26.7%	1	25	(2)	-70.9%	42	1,105	(69)	-57.7%	62	6,404	(69)	-6.6%
Spain	11	1,771	1	-11.6%	204	5,786	(5)	1.4%	58	1,680	41	270.0%	273	9,237	37	13.2%
Portugal	2	569	-	0.0%	-	-	-	-	5	85	-	-	7	654	-	-
United Kingdom	3	370	(1)	-37.2%	12	473	1	12.1%	72	1,627	(1)	-4.7%	87	2,470	(1)	-9.2%
Norway	1	240	(1)	-46.1%	-	-	-	-	-	-	(2)	-100.0%	1	240	(3)	-51.5%
Ireland	1	193	(1)	-48.5%	10	391	(4)	-19.0%	8	126	-	-27.2%	19	710	(5)	-31.1%
Esprit Asia Pacific	**943**	**120,731**	**(91)**	**-7.6%**	**103**	**2,525**	**(33)**	**-31.8%**	**-**	**-**	**-**	**-**	**1,046**	**123,256**	**(124)**	**-8.3%**
China	611	78,374	(103)	-11.2%	-	-	-	-	-	-	-	-	611	78,374	(103)	-11.2%
The Middle East	42	10,971	(2)	-9.1%	-	-	-	-	-	-	-	-	42	10,971	(2)	-9.1%
Thailand	92	7,061	4	12.7%	-	-	-	-	-	-	-	-	92	7,061	4	12.7%
India	64	7,027	-	-3.8%	-	-	-	-	-	-	-	-	64	7,027	-	-3.8%
Philippines	24	3,026	7	20.5%	-	-	-	-	-	-	-	-	24	3,026	7	20.5%
Australia	-	-	-	-	18	674	(37)	-65.2%	-	-	-	-	18	674	(37)	-65.2%
Others	110	14,272	3	0.1%	85	1,851	4	5.1%	-	-	-	-	195	16,123	7	0.6%
Total	**1,935**	**370,056**	**(160)**	**-6.2%**	**4,529**	**170,537**	**(347)**	**-8.0%**	**3,494**	**74,025**	**(856)**	**-22.3%**	**9,958**	**614,618**	**(1,363)**	**-9.0%**

Wholesale Distribution Channel by Regions (controlled space only) – Movement since 30 June 2012

As at 31 December 2012

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

* Net change from 30 June 2012

** Excludes Red Earth and salon

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

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

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

Turnover by Geographies

Turnover by Countries

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

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

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

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

* Includes licensing

** Includes salon

From a regional perspective, a larger decline in turnover was recorded in Europe than in Asia Pacific. This was due to weaker wholesale sales performance in

Europe, which has a higher proportion of wholesale turnover. The negative impact of currency exchange rate has also had a larger effect on our European figures.

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

In Asia Pacific, the turnover decline was mainly attributable to the -11.2% local currency sales decline in China, which was primarily a result of -25.0% wholesale turnover decline in local currency while retail turnover remained largely flat year-on-year. Meanwhile, our management team in China is focusing on improving the quality and productivity of our distribution channels and hence, the pace of expansion may be slower than planned depending on sales performance.

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

Profitability

Consolidated Income Statement

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

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

Adjusted Consolidated Income Statement
(excluding North American operations and store closure programme)

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

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

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

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

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

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

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

Liquidity and Financial Resources

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

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

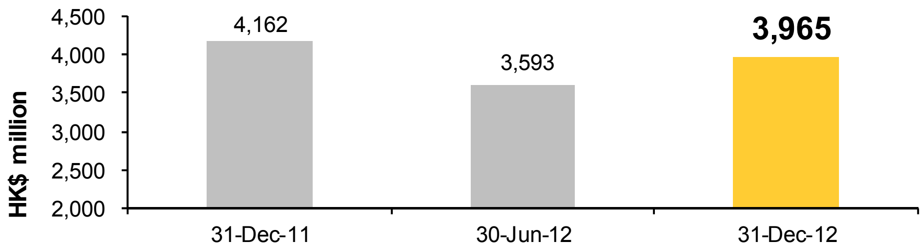
- Lower profitability as a result of the decline in turnover and profit; and
- Increase in working capital

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

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

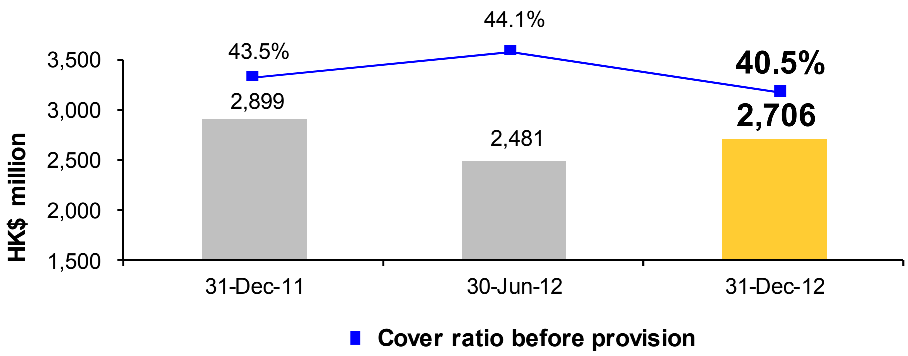
Inventories are slightly lower than on the same date of last year but increased by 10.4% during the six months ended 31 December 2012 to HK$3,965 million (30 June 2012: HK$3,593 million). This was mainly due to: i) slower product sell-through; ii) return of aged inventory from wholesale customers as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

Inventories



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

Net trade debtors



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

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

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

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

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

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.

FOREIGN EXCHANGE RISK MANAGEMENT

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

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

OUTLOOK

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

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

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

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

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

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

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

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

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

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

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

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

INTERIM DIVIDEND

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

AUDIT COMMITTEE

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

HUMAN RESOURCES

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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

CORPORATE GOVERNANCE

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in Appendix 10 of 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 2012.

BOARD OF DIRECTORS

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

Executive Directors:	Mr Jose Manuel MARTINEZ GUTIERREZ *(Group CEO)* Mr Thomas TANG Wing Yung *(Group CFO)*
Non-executive Director:	Mr Jürgen Alfred Rudolf FRIEDRICH
Independent Non-executive Directors:	Mr Raymond OR Ching Fai *(Chairman)* Mr Paul CHENG Ming Fun *(Deputy Chairman)* Mrs Eva CHENG LI Kam Fun Mr Alexander Reid HAMILTON Mr Norbert Adolf PLATT

By Order of the Board
Florence NG Wai Yin
Company Secretary

Hong Kong, 27 February 2013

Forward-Looking Statements

This announcement contains certain forward-looking statements. Such forward-looking statements are subject to various risks and uncertainties, including without limitation, statements relating to our plans to transform the Company's business, make significant investment in our businesses and achieve sustainable profitability in the future, and other risks and factors identified by us from time to time. Although the Group believes that the anticipations, believes, estimates, expectations and/or plan stated in this announcement are true, actual events and/or results could differ materially. It cannot assure you that those current anticipations, believes, estimates, expectations and/or plan will prove to be correct and you are cautioned not to place undue reliance on such statements. The Group undertakes no obligation to publicly update or revise any forward-looking statements contained in this announcement, whether as a result of new information, future events or otherwise, except as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited or any other applicable laws and regulations.