

# ESPRIT

INTERIM REPORT FY 08|09

STOCK CODE 00330

ESPRIT IS AN INTERNATIONAL, YOUTHFUL  
LIFESTYLE BRAND OFFERING SMART,  
AFFORDABLE LUXURY AND BRINGING  
NEWNESS AND STYLE TO LIFE.





01 FINANCIAL HIGHLIGHTS

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02 MANAGEMENT DISCUSSION & ANALYSIS

---

03 FINANCIAL REVIEW

---

04 INDEPENDENT REVIEW REPORT

---

05 INTERIM FINANCIAL INFORMATION

---

06 OTHER INFORMATION

---

07 INVESTOR INFORMATION

---



# 01 FINANCIAL HIGHLIGHTS

## 01 FINANCIAL HIGHLIGHTS

**GROUP TURNOVER** OF HK\$19.1 BILLION  
STORE SALES GROWTH OF 6.3% **GROSS MARGIN**  
AMOUNTED TO HK\$3.8 BILLION **RETAIL AND**  
11% AND 7% RESPECTIVELY **MAINTAIN**

**RETAIL TURNOVER GREW 10.3%, WITH COMP HOLDING UP AT 53.2%**  
**NET CASH POSITION CONTROLLED WHOLESALE SPACE GREW**  
**INTERIM DIVIDEND PAYOUT RATIO AT 35%**



# 02 MANAGEMENT DISCUSSION AND ANALYSIS

## 02 MANAGEMENT DISCUSSION & ANALYSIS

### STEERING STEADILY IN THE STORM

The impact of the financial turmoil in year 2008 reached far and wide globally into each and every economy and industry.

While we brace ourselves against stronger-than-ever headwind, we believe this storm, together with its rippling effects, will eventually subside. Our goal is to weather the storm and to emerge as a company that is even stronger than before.

During the reporting period, we are particularly encouraged by the 10.3% retail turnover growth, 6.3% retail comparable store sales growth, and the encouraging growth achieved in high potential markets, such as China, Middle East and Russia, which recorded turnover growth rates of 34.5%, 33.4% and 32.6%, representing 7.4%, 0.7% and 1.2% of the Group's wholesale turnover respectively.

We demonstrated our continued commitment to enhance shareholders return by returning more cash to our shareholders. During the reporting period, the Group paid record final and special dividends for FY2007/2008 of HK\$4,042 million and repurchased shares with a total value of HK\$204 million.





## 02 MANAGEMENT DISCUSSION & ANALYSIS

### PAVING THE WAY FOR LONG-TERM GROWTH

Achieving sustainable and profitable long-term growth remains our long-term goal. We see the current market condition as an opportunity to grow market share as weaker competitors exit the market.

During the reporting period, we opened a total of 77 directly managed retail stores (net), of which 9 are mega and flagship stores, to our store portfolio with a total of 774 directly managed retail stores as of December 31, 2008. We are particularly excited about the opening of a flagship store in July 2008 on the prestigious Avenue des Champs-Élysées in Paris, the world's fashion capital, carrying all product lines under one roof in a relaxed and spacious atmosphere. Other new premium location openings around the world included Friedrichstrasse in Berlin, Matosinhos Plaza in Porto, Paseo de Gracia in Barcelona, La Gavia in Madrid and Causeway Bay in Hong Kong.

Our strategy for the wholesale business is to aim at gaining more new wholesale customers and thus, potentially increasing point-of-sales for Esprit products in anticipation of the recovery of the economy. Since the beginning of the financial year, we have added 560 controlled space wholesale point-of-sales (net) to a total of 15,150 controlled space wholesale point-of-sales all over the world as of December 31, 2008.

### BEHIND OUR EXCELLENCE

Our strong brand, competency in consistently delivering the market-right quality products for target group, ongoing improvement of operational efficiency, and efficient financial management are the main drivers behind our excellence.

### Esprit as a strong brand

Esprit was made strong as a brand through a combination of careful steps made over the past 40 years. To celebrate this important milestone and to rejuvenate and strengthen our brand, an extensive 40th anniversary celebration campaign was launched with a series of limited edition products and large promotional events.

Ongoing efforts to build the edc brand continue with our second year of partnership with MTV Awards. Driven by the success achieved in the 2007 MTV Europe Music Awards in Munich, this year we continued the sponsorship of the MTV Europe Music Awards 2008, which was held in Liverpool. More excitedly, this year edc is also the official regional partner of the MTV Asia Awards 2008, held in Genting Highlands, Malaysia. Sponsorship with MTV marks the strong connection between fashion and music, offering us the channel to reach out to edc's young fashion-conscious target customers. To leverage off these exciting events, numerous promotional events and limited edition apparel collections were launched in participating locations.

### Large loyal customer base – our biggest asset

Over the years, we have not only established a well-known brand, but have also accumulated a large loyal customer following. Today, we have over 4 million Esprit Club members worldwide. These are the customers who continue to return to our stores to find their favourite items. Focused promotional events, such as participation in the Glamour Shopping Week, Family and Friends VIP shopping, €10 Celebration Card to celebrate our 40th anniversary, were organised aiming at reaching out to our target customer groups. As a result, a higher proportion of the traffic was from customers who were interested to buy our products, thus achieving a higher conversion rate amid less traffic in the challenging market condition.

### Quality first

We strive to provide best quality products at a reasonable price to our customers. We believe we have found a fine balance between price and quality. To enrich product offerings in specific markets, we began localizing the design of a small part of the product portfolio in Asia.

Under challenging times like today, we anticipated higher demand for our mid to upper priced product categories as consumers trade down from luxury brands. Instead of implementing an aggressive pricing strategy to attract these customers – which we strongly believe will do more harm than good to the brand, we have strengthened the quality of our mid to upper priced product categories. The feedback from customers was positive as reflected in the strong comparable store sales growth.

Amid rising raw material cost and foreign exchange fluctuation, we maintained stable pricing without sacrificing quality by leveraging on our competency in sourcing products from our vast pool of over 400 suppliers globally, mainly located in China, Southeast Asia and Southeastern Europe.

## 02 MANAGEMENT DISCUSSION &amp; ANALYSIS

Our strong brand, competency in consistently delivering the right quality products for our target group, ongoing improvement of operational efficiency and efficient financial management are the main drivers behind our excellence.



## 02 MANAGEMENT DISCUSSION & ANALYSIS

### OUTLOOK

Given the dramatic change in the operating environment, we believe it is an opportune time to fine-tune our priorities with a stronger emphasis on long-term rather than short-term and to implement improvements to equip our operations for the next growth phase. We will seek opportunities to leverage on the current financial turmoil to gain market share while continuing to expand with a cautious view on capital spending.

To strengthen our foundation for the next phase of growth, we place top priorities on reinforcing our inner strength through, amongst other things, focusing on our target groups, continuing to fine-tune the size of product lines, initiating business projects with the objective of enhancing our IT and logistics systems in order to optimize and unify workflows and achieving long-term savings, planned opening of a new distribution centre and being more cost conscious. On the products front, we will continue to strengthen the mid to upper priced product categories by increasing value for money through improved quality. While we expect the short-term turnover growth to be moderate during this evolution, we believe this is necessary to pave the way for long-term growth.

Planned openings in the second half of the financial year include a net addition of over 25 directly managed retail stores and over 500 controlled space wholesale point-of-sales. Approximately HK\$600 million will be invested in opening new directly managed retail stores and refurbishing existing stores. New directly managed retail stores are planned to be opened in core markets.

Due to the anticipated continuing challenging operating environment, new directly managed retail stores are expected to take relatively longer to mature, thus resulting in short-term pressure on the retail EBIT margin. To mitigate some of the pressure on EBIT margin, we will continue to tighten cost control and carefully review every aspect of our operation to further enhance efficiency.

While the wholesale order book between January and May 2009 shows a negative single digit percentage year-on-year growth, the actual wholesale turnover growth realized may deteriorate further if market conditions worsen.

In the second half of the financial year, we hope to maintain a similar overall turnover growth in local currency terms to that of the first half of the financial year. Looking ahead, we remain optimistic about our prospect in the long run. With our quality products, fundamentally sound business model, strong international brand and robust balance sheet, the Group is confident that we will emerge out of this storm well positioned to take full advantage of the upturn when it comes.



# 03 FINANCIAL REVIEW

## 03 FINANCIAL REVIEW

The Group's turnover continued to grow during the first half of the financial year despite the tough market conditions.

### TURNOVER

During the six months ended December 31, 2008, the Group's turnover grew to HK\$19,064 million (1H2007/2008: HK\$18,527 million) backed by positive comparable store sales growth and year-on-year increase in total sales area of directly managed retail stores and controlled space wholesale point-of-sales. As of December 31, 2008, the total selling space of directly managed retail stores and controlled space wholesale point-of-sales reached over 1,100,000 m<sup>2</sup> in more than 40 countries.

The financial turmoil has, to a certain extent, suppressed the productivity of our wholesale distribution channel and prolonged the maturity of new directly managed retail stores. The weak wholesale sales performance was caused by lower average order size due to cautious customer buying and customer orders downsized by the Group due to more stringent credit control to reduce bad debt exposure. In addition, cancellation of wholesale partnership store opening due to difficulties faced by our franchisees to obtain credit led to less than expected sales contribution from new controlled space wholesale point-of-sales.

### PROFITABILITY

As our sales is not driven by an aggressive pricing strategy, the gross profit margin of the Group stayed similar to that of the same period last financial year at 53.2% (1H2007/2008: 53.5%).

The Group's operating profit during the six months ended December 31, 2008 was HK\$3,411 million (1H2007/2008: HK\$4,020 million) with operating profit margin of 17.9% (1H2007/2008: 21.7%). The decrease in operating profit margin was partially due to suppressed productivity of our distribution channels

as described in the previous section and the shift in wholesale-to-retail turnover mix. Retail turnover represented 46% of the Group's turnover, up from 43% of the Group's turnover a year ago.

Wholesale EBIT margin was 23.5% (1H2007/2008: 26.9%) for the reporting period. The decline in wholesale EBIT margin was partly due to majority of the wholesale operating costs being fixed and cannot be altered in the short-term to match the weaker wholesale turnover growth. Nevertheless, the wholesale EBIT margin of our core markets, Germany and Benelux, remained higher than the overall wholesale EBIT margin.

Retail EBIT margin was 14.2% (1H2007/2008: 16.5%). Our investment in future growth has affected the retail EBIT margin, such as the high pre-opening costs incurred in the opening of several flagship stores including the additional overheads in connection with the expansion in Spain and Scandinavia.

Our China associated companies' contribution to the Group's earnings before tax (EBT) was HK\$91 million (1H2007/2008: HK\$81 million) benefiting from the continual strong domestic demand in China and an increase in earnings.

The Group's EBT was HK\$3,566 million (1H2007/2008: HK\$4,203 million). Net earnings of the Group was HK\$2,853 million (1H2007/2008: HK\$3,293 million) while net earnings margin was 15.0% (1H2007/2008: 17.8%).

### 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.

### LIQUIDITY AND FINANCIAL RESOURCES

The Group's persistence in making disciplined capital deployment and managing working capital efficiently has led to a strong balance sheet allowing management to focus on the operations without being preoccupied about potential liquidity issues. As at December 31, 2008, our net cash balance was HK\$3,848 million (as at June 30, 2008: HK\$6,521 million). The drop in net cash balance was also partially due to the unfavourable currency impact of EUR:USD exchange rate which was 1.4058 for December 2008 closing rate (June 2008 closing rate: 1.5793).

During the reporting period, the net cash inflow from operating activities was HK\$2,527 million. Moreover, the Group invested HK\$1,167 million in capital expenditure. Among the capital expenditure spent, HK\$845 million was spent on the opening of new stores and refurbishment of existing stores. In addition, we also invested HK\$266 million in IT projects to optimize and unify workflows to prepare for long-term growth.

As at December 31, 2008, the Group had no long-term bank borrowings and did not pledge any assets as security for overdraft or any short-term revolving facility. The debt-to-equity ratio (interest bearing external borrowings divided by shareholders' funds) was 0%. Working capital remained healthy as the current ratio (current assets divided by current liabilities) was 2.4 times as at December 31, 2008 (as at June 30, 2008: 2.7 times).

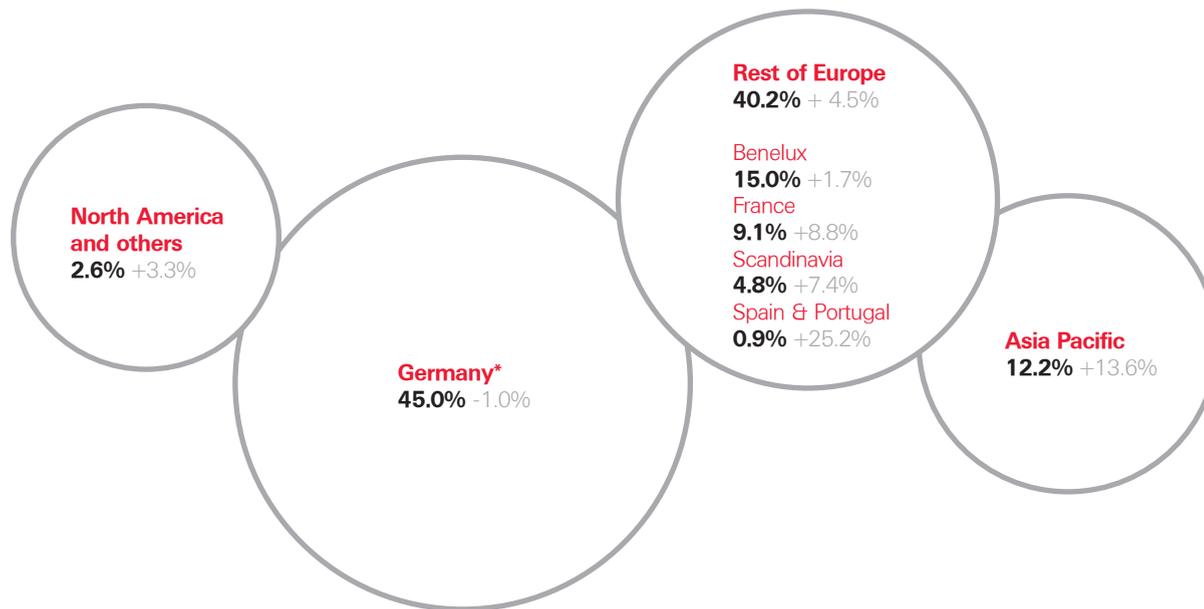
### FOREIGN EXCHANGE RISK MANAGEMENT

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

Esprit was made strong as a brand through a combination of careful steps made over the past forty years.



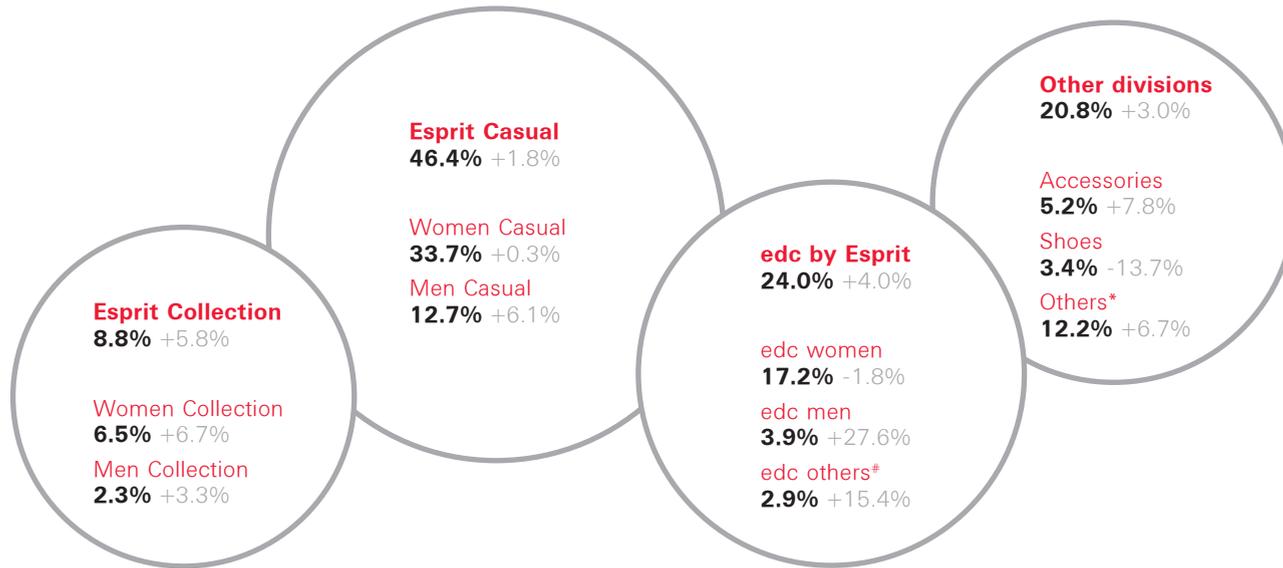
TURNOVER BY REGIONS



\* Turnover of Germany includes wholesale sales orders taken up by Germany and sold to countries out of Germany, mainly Russia, Poland, Greece and Croatia  
 % of total turnover % growth from same period last financial year

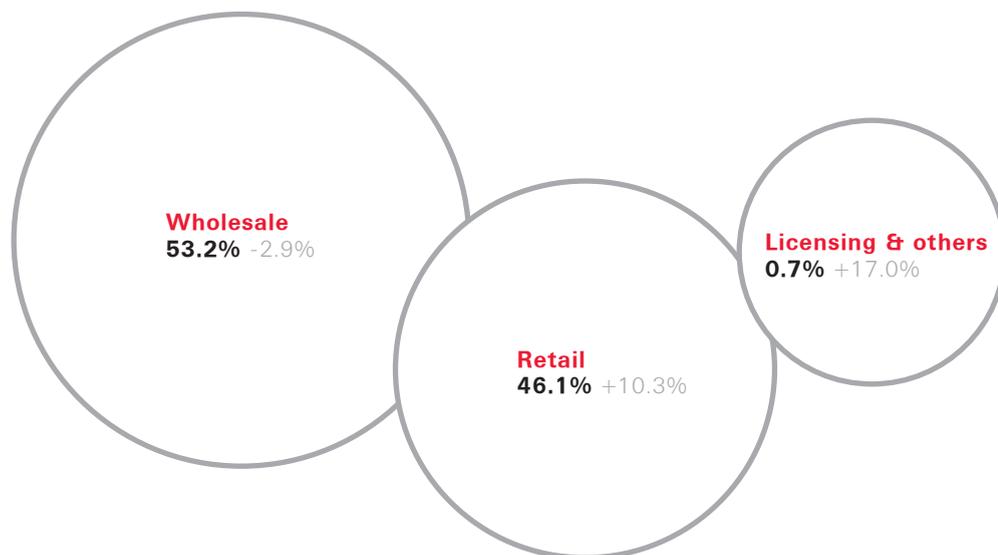
## 03 FINANCIAL REVIEW

### TURNOVER BY KEY PRODUCT DIVISIONS



\* Others include Esprit's kids, sports, bodywear, de.corp, red earth, salon and licensed products  
\* edc others include edc kids, edc accessories, edc shoes and edc bodywear.  
% of group's turnover % growth from same period last financial year

TURNOVER BY DISTRIBUTION CHANNELS



% of group's turnover    % growth from same period last financial year

RETAIL PERFORMANCE SCORECARD

	1H 08 09	1H 07 08
YoY sales growth	<b>10.3%</b>	23.8%
Segment EBIT margin*	<b>14.2%</b>	16.5%
No. of POS**	<b>774</b>	658
Sales area (m <sup>2</sup> )	<b>301,340</b>	256,742
Net change in sales area ^	<b>10.9%</b>	8.0%
Comparable store sales growth	<b>6.3%</b>	7.9%

WHOLESALE PERFORMANCE SCORECARD

	1H 08 09	1H 07 08
YoY sales growth	<b>-2.9%</b>	29.7%
Segment EBIT margin*	<b>23.5%</b>	26.9%
No. of controlled space POS	<b>15,150</b>	14,021
Controlled space area (m <sup>2</sup> )	<b>800,935</b>	695,011
Net change in controlled space area ^	<b>7.3%</b>	10.3%

\* Segment EBIT margin excluding inter-segment licensing expense

\*\* Calculation excluding salon

^ Net change from June 30, 2008 and June 30, 2007

WE SOURCE FROM OVER 400  
SUPPLIERS GLOBALLY





## 03 FINANCIAL REVIEW

### EUROPE RETAIL

#### Europe retail turnover

	% of group retail turnover	% growth from same period last financial year
<b>Europe</b>	<b>81.4%</b>	<b>11.7%</b>
Germany	48.8%	8.8%
Benelux	13.6%	4.5%
France	5.9%	36.6%
Rest of Europe	13.1%	23.0%



#### Key retail distribution channels – Europe

As at December 31, 2008

	Directly managed stores		
	no. of stores	sales area m <sup>2</sup>	net change in sales area*
<b>Europe</b>	<b>364</b>	<b>208,471</b>	<b>12.6%</b>
Germany	156	108,170	7.9%
France	46	19,095	13.4%
The Netherlands	54	18,055	3.6%
Belgium	20	15,077	1.2%
Switzerland	31	12,609	20.5%
Austria	11	10,812	5.1%
Great Britain	25	10,390	47.9%
Denmark	7	4,341	80.0%
Spain	7	4,124	113.1%
Finland	2	1,889	33.7%
Portugal	2	1,667	n.a.
Luxembourg	2	1,149	0.0%
Norway	1	1,093	0.1%

\* Net change from June 30, 2008  
n.a. Means stores opened in FY2008/2009

## EUROPE WHOLESALE

## Europe wholesale turnover

	% of group retail turnover	% growth from same period last financial year
<b>Europe</b>	<b>89.0%</b>	<b>-5.5%</b>
Germany*	42.0%	-9.4%
Benelux	16.4%	-0.3%
France	11.8%	-0.1%
Rest of Europe	18.8%	-3.8%

\* Wholesale turnover of Germany includes wholesale sales orders taken up by Germany and sold to countries out of Germany, mainly Russia, Poland, Greece and Croatia

## Key wholesale distribution channels – Europe (controlled space only)

As at December 31, 2008

	Partnership stores <sup>^</sup>			Shop-in-stores <sup>^</sup>			Identity corners I others <sup>^</sup>		
	no. of stores	sales area m <sup>2</sup>	net change in sales area*	no. of stores	sales area m <sup>2</sup>	net change in sales area*	no. of stores	sales area m <sup>2</sup>	net change in sales area*
<b>Europe</b>	<b>1,183</b>	<b>275,854</b>	<b>9.9%</b>	<b>5,115</b>	<b>207,067</b>	<b>9.9%</b>	<b>6,449</b>	<b>142,864</b>	<b>-4.0%</b>
Germany**	397	109,542	9.2%	4,023	169,616	10.0%	3,502	72,227	-12.4%
France	261	40,790	19.3%	374	10,672	-1.0%	495	12,853	8.5%
Scandinavia	117	33,019	16.5%	107	4,540	-0.5%	823	19,671	34.8%
The Netherlands	92	25,510	6.9%	58	2,579	131.5%	489	11,722	3.6%
Belgium	77	21,589	13.1%	123	4,593	6.6%	402	9,102	-14.0%
Austria	111	20,787	1.5%	122	4,595	9.7%	233	5,680	21.7%
Switzerland	47	9,382	-20.0%	50	2,568	41.6%	123	3,072	35.5%
Italy	54	8,670	6.2%	18	1,001	-8.5%	231	5,764	-34.4%
Spain	14	3,822	63.7%	190	4,741	14.0%	43	255	-44.1%
U.K. & Ireland	13	2,743	12.8%	50	2,162	-4.9%	108	2,518	44.6%

<sup>^</sup> Include Esprit and Red Earth stores/units

\* Net change from June 30, 2008

\*\* Include controlled space in countries out of Germany, mainly Russia and Poland

## 03 FINANCIAL REVIEW

### ASIA PACIFIC & NORTH AMERICA RETAIL

#### Asia Pacific & North America retail turnover

	% of group retail turnover	% growth from same period last financial year
Asia Pacific	14.2%	3.4%
North America	4.4%	7.0%



#### Key retail distribution channels – Asia Pacific & North America

As at December 31, 2008

	Directly managed stores ^		
	no. of stores	sales area m <sup>2</sup>	net change in sales area*
<b>Asia Pacific</b>	<b>335</b>	<b>62,540</b>	<b>8.7%</b>
Australia & New Zealand	162	23,143	7.3%
Hong Kong	25	12,623	13.9%
Malaysia	31	8,754	2.1%
Taiwan	90	8,140	11.2%
Singapore	23	8,015	12.3%
Macau	4	1,865	0.0%
<b>North America</b>	<b>75</b>	<b>30,329</b>	<b>4.6%</b>
Canada	49	17,031	2.4%
U.S.	26	13,298	7.6%

\* Net change from June 30, 2008

^ Include all Esprit stores, exclude salon

## ASIA PACIFIC &amp; NORTH AMERICA WHOLESAL

## Asia Pacific &amp; North America wholesale turnover

	% of group wholesale turnover	% growth from same period last financial year
Asia Pacific	10.1%	29.6%
North America	0.9%	-9.8%

## Key wholesale distribution channels – Asia Pacific &amp; North America (controlled space only)

As at December 31, 2008

	Partnership stores <sup>^</sup>			Shop-in-stores <sup>^</sup>			Identity corners   others <sup>^</sup>		
	no. of stores	sales area m <sup>2</sup>	net change in sales area*	no. of stores	sales area m <sup>2</sup>	net change in sales area*	no. of stores	sales area m <sup>2</sup>	net change in sales area*
<b>Asia Pacific</b>	<b>326</b>	<b>75,671</b>	<b>9.7%</b>	<b>223</b>	<b>11,102</b>	<b>16.9%</b>	<b>1,382</b>	<b>88,377</b>	<b>10.4%</b>
China**	124	39,098	10.6%	7	132	-5.7%	961	87,151	10.4%
The Middle East	62	13,599	2.8%	4	1,269	29.2%	-	-	-
India	20	5,614	33.2%	27	2,137	29.4%	-	-	-
Thailand	32	4,352	1.7%	78	3,113	7.8%	19	267	12.7%
Philippines	16	2,232	-2.1%	-	-	-	10	4	0.0%
Korea	-	-	-	-	-	-	49	182	0.0%
Japan	-	-	-	-	-	-	1	8	0.0%
Australia	-	-	-	48	1,774	52.7%	205	576	0.0%
Others	72	10,776	12.2%	59	2,677	0.0%	137	189	45.4%
<b>North America</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>472</b>	<b>n.a.</b>	<b>n.a.</b>
U.S.	-	-	-	-	-	-	188	n.a.	n.a.
Canada	-	-	-	-	-	-	284	n.a.	n.a.

<sup>^</sup> Include Esprit and Red Earth stores/units

\* Net change from June 30, 2008

\*\* Managed by China joint venture or its franchise partners

n.a. Means not applicable



WE HAVE OVER 4 MILLION ESPRIT  
CLUB MEMBERS WORLDWIDE



# 03 FINANCIAL REVIEW

## LICENSING

### Key licensed product categories

As at December 31, 2008

	Europe	Asia Pacific	North America	Latin America
<b>Accessories' World</b>				
Costume jewelry edc	●			
Eyewear	●	●	●	●
Fragrance	●	●	●	●
Jewelry	●	●		
Outerwear			●	
Shoes				●
Sleepwear/daywear			●	
Socks + tights Esprit	●	●	●	
Stationery	●	●		
Swimwear			●	
Timewear	●	●	●	●
Umbrellas	●	●		

	Europe	Asia Pacific	North America	Latin America
<b>Home World</b>				
Bathroom	●	●		
Bedding	●	●	●	●
Carpets	●	●		
Down	●	●		
Furniture	●			
Glassware	●	●		●
Home accessories	●	●		●
Lighting	●	●		
Towels	●	●	●	●
Wallpaper	●	●		

	Europe	Asia Pacific	North America	Latin America
<b>Babies' &amp; Kids' World</b>				
Baby carriages	●	●	●	
Baby furniture	●	●		
Kids' apparel			●	
Kids' bedding	●	●		
Kids' shoes			●	
Maternity	●			
School	●			
Soft toys	●			

# 03 FINANCIAL REVIEW



## ACCESSORIES WORLD



## BABIES & KIDS WORLD



## HOME WORLD



# 04 INDEPENDENT REVIEW REPORT



## 04 INDEPENDENT REVIEW REPORT

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

**Introduction**

We have reviewed the interim financial information set out on pages 40 to 49, which comprises the condensed consolidated balance sheet of Esprit Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at December 31, 2008 and the related condensed consolidated statements of income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

**Scope of Review**

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

**Conclusion**

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

*PricewaterhouseCoopers*

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, February 4, 2009



# 05 INTERIM FINANCIAL INFORMATION

## 05 INTERIM FINANCIAL INFORMATION

The Board of Directors of Esprit Holdings Limited (the "Company") is pleased to present the unaudited condensed consolidated interim financial information, along with selected explanatory notes, of the Company and its subsidiaries (the "Group") for the six months ended December 31, 2008 as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Unaudited For the 6 months ended December 31,	
		2008	2007
		HK\$ million	HK\$ million
<b>Turnover</b>	2	<b>19,064</b>	18,527
Cost of goods sold		<b>(8,916)</b>	(8,607)
<b>Gross profit</b>		<b>10,148</b>	9,920
Staff costs		<b>(2,110)</b>	(2,033)
Occupancy costs		<b>(1,627)</b>	(1,401)
Depreciation		<b>(375)</b>	(341)
Other operating costs		<b>(2,625)</b>	(2,125)
<b>Operating profit</b>	3	<b>3,411</b>	4,020
Interest income		<b>64</b>	102
Share of results of associates		<b>91</b>	81
<b>Profit before taxation</b>	2	<b>3,566</b>	4,203
Taxation	4	<b>(713)</b>	(910)
<b>Profit attributable to shareholders</b>		<b>2,853</b>	3,293
<b>Interim dividend</b>	5	<b>996</b>	1,181
<b>Earnings per share</b>			
- Basic	6	<b>HK\$2.30</b>	HK\$2.67
- Diluted	6	<b>HK\$2.29</b>	HK\$2.64

## CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	Unaudited	Audited
		December 31, 2008	June 30, 2008
		HK\$ million	HK\$ million
<b>Non-current assets</b>			
Intangible assets		<b>2,061</b>	2,121
Property, plant and equipment	7	<b>3,748</b>	3,395
Other investments		<b>7</b>	7
Investments in associates		<b>441</b>	583
Prepaid lease payments		<b>167</b>	170
Deferred tax assets		<b>493</b>	510
		<b>6,917</b>	6,786
<b>Current assets</b>			
Inventories		<b>3,237</b>	3,170
Debtors, deposits and prepayments	8	<b>4,651</b>	5,332
Amounts due from associates		<b>178</b>	83
Bank balances and cash		<b>2,364</b>	2,767
Short-term bank deposits		<b>1,484</b>	3,754
		<b>11,914</b>	15,106
<b>Current liabilities</b>			
Creditors and accrued charges	9	<b>3,875</b>	4,571
Taxation		<b>1,132</b>	989
		<b>5,007</b>	5,560
<b>Net current assets</b>		<b>6,907</b>	9,546
<b>Total assets less current liabilities</b>		<b>13,824</b>	16,332
<b>Equity</b>			
Share capital	10	<b>125</b>	124
Reserves		<b>13,276</b>	15,820
<b>Shareholders' funds</b>		<b>13,401</b>	15,944
<b>Non-current liabilities</b>			
Deferred tax liabilities		<b>423</b>	388
		<b>13,824</b>	16,332

The notes on pages 44 to 49 form an integral part of this condensed consolidated interim financial information.

## 05 INTERIM FINANCIAL INFORMATION

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited	
	For the 6 months ended	
	December 31,	
	2008	2007
	HK\$ million	HK\$ million
<b>Cash flows from operating activities</b>		
Cash generated from operations	3,134	4,012
Hong Kong profits tax paid	(1)	-
Overseas tax paid	(606)	(688)
<b>Net cash inflow from operating activities</b>	<b>2,527</b>	<b>3,324</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(1,167)	(668)
Proceeds from disposal of property, plant and equipment	4	3
Interest received	64	102
Dividend received from an associate	220	-
<b>Net cash used in investing activities</b>	<b>(879)</b>	<b>(563)</b>
<b>Cash flows from financing activities</b>		
Net proceeds on issue of shares for cash	92	349
Repurchase of shares	(204)	-
Dividends paid	(4,042)	(3,075)
<b>Net cash used in financing activities</b>	<b>(4,154)</b>	<b>(2,726)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(2,506)</b>	<b>35</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>6,521</b>	<b>5,232</b>
<b>Effect of change in exchange rates</b>	<b>(167)</b>	<b>235</b>
<b>Cash and cash equivalents at end of period</b>	<b>3,848</b>	<b>5,502</b>
<b>Analysis of the balances of cash and cash equivalents</b>		
Bank balances and cash	2,364	2,409
Short-term bank deposits	1,484	3,093
	<b>3,848</b>	<b>5,502</b>

The notes on pages 44 to 49 form an integral part of this condensed consolidated interim financial information.

## 05 INTERIM FINANCIAL INFORMATION

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

The notes on pages 44 to 49 form an integral part of this condensed consolidated interim financial information.

## 05 INTERIM FINANCIAL INFORMATION

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Unaudited  
For the 6 months ended December 31, 2007

	Share capital	Share premium	Employee share-based payment reserve	Hedging reserve	Contributed surplus	Translation reserve	Capital reserve	Retained profits	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
<b>At July 1, 2007</b>	123	2,391	282	(12)	7	755	1	8,534	12,081
Exchange translation recognized directly in equity	-	-	-	-	-	643	-	-	643
Fair value gain on cash flow hedge	-	-	-	8	-	-	-	-	8
Profit attributable to shareholders	-	-	-	-	-	-	-	3,293	3,293
<b>Total recognized income</b>	-	-	-	8	-	643	-	3,293	3,944
2006/07 final and special dividends paid	-	-	-	-	-	-	-	(3,075)	(3,075)
Issues of shares	1	348	-	-	-	-	-	-	349
Employee share option benefits	-	-	63	-	-	-	-	-	63
Transfer of reserve	-	89	(89)	-	-	-	-	-	-
<b>At December 31, 2007</b>	124	2,828	256	(4)	7	1,398	1	8,752	13,362

The notes on pages 44 to 49 form an integral part of this condensed consolidated interim financial information.

## 05 INTERIM FINANCIAL INFORMATION

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

#### 1. Basis of preparation

This unaudited condensed consolidated interim financial information ("interim financial information") on pages 40 to 49 for the six months ended December 31, 2008 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 June 30, 2008. 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 June 30, 2008. In the current period, the Group has adopted International Financial Reporting Interpretations Committee ("IFRIC") Interpretation 13 "Customer Loyalty Programmes" which is effective for the Group's annual accounting period commencing July 1, 2008. The adoption of IFRIC 13 did not result in any significant change to the Group's accounting policies.

The Group did not early adopt the following IAS, International Financial Reporting Standard ("IFRS") and IFRIC interpretations that have been issued in the period from July 1, 2008 to December 31, 2008. 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 39 (Amendment)	Eligible Hedged Items	July 1, 2009
IFRS 1 (Revised)	First-time Adoption of International Financial Reporting Standards	July 1, 2009
IFRIC 15	Agreements for the Construction of Real Estate	January 1, 2009
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	October 1, 2008
IFRIC 17	Distributions of Non-cash Assets to Owners	July 1, 2009

#### 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, together with Red Earth cosmetics, skin and body care products.

	Unaudited For the 6 months ended December 31,	
	2008	2007
	HK\$ million	HK\$ million
Turnover		
Sales of goods	<b>18,941</b>	18,422
Licensing and other income	<b>123</b>	105
	<b>19,064</b>	18,527

#### Primary reporting format – business segments

The Group's businesses are managed according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Inter-segment transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties. Global brand development costs are fully reflected within the licensing segment to reflect the Esprit brand owners' initiative to develop the brand globally both in existing and prospective new markets.

## 05 INTERIM FINANCIAL INFORMATION

## 2. Turnover and segment information (continued)

## Primary reporting format – business segments (continued)

	Unaudited For the 6 months ended December 31, 2008				
	Wholesale HK\$ million	Retail HK\$ million	Licensing & others HK\$ million	Eliminations HK\$ million	Group HK\$ million
Turnover	10,150	8,791	123	–	19,064
Inter-segment sales	–	–	512	(512)	–
	10,150	8,791	635	(512)	19,064
Segment results	2,273	1,204	225	(26)	3,676
Unallocated net expenses					(265)
Interest income					64
Share of results of associates					91
Profit before taxation					3,566
Segment EBIT – ex-inter-segment licensing expense/income (note)	2,389	1,247	66	(26)	3,676

	Unaudited For the 6 months ended December 31, 2007				
	Wholesale HK\$ million	Retail HK\$ million	Licensing & others HK\$ million	Eliminations HK\$ million	Group HK\$ million
Turnover	10,450	7,972	105	–	18,527
Inter-segment sales	–	–	478	(478)	–
	10,450	7,972	583	(478)	18,527
Segment results	2,631	1,257	293	(8)	4,173
Unallocated net expenses					(153)
Interest income					102
Share of results of associates					81
Profit before taxation					4,203
Segment EBIT – ex-inter-segment licensing expense/income (note)	2,809	1,319	53	(8)	4,173

Note: The trademark owners receive licensing income based on wholesale and retail turnover. Should the licensing fee not be allocated to the wholesale and retail segments, the segment EBIT ("earnings before interest and taxation, finance costs, share of results of associates and unallocated net income/expenses") of the wholesale and retail segments would have been **HK\$2,389 million** (2007: HK\$2,809 million) and **HK\$1,247 million** (2007: HK\$1,319 million) respectively, representing wholesale segment EBIT margin ("segment EBIT/segment turnover") of **23.5%** (2007: 26.9%) and retail segment EBIT margin of **14.2%** (2007: 16.5%).

## Secondary reporting format – geographical segments

In determining the Group's geographical segments, turnover is attributed to the segments based on the location of customers.

	Unaudited For the 6 months ended December 31, 2008		2007
	HK\$ million		HK\$ million
Turnover			
Europe	16,236		15,994
Asia Pacific	2,333		2,054
North America and others	495		479
	19,064		18,527

## 05 INTERIM FINANCIAL INFORMATION

## 3. Operating profit

	Unaudited	
	For the 6 months ended December 31,	
	2008	2007
	HK\$ million	HK\$ million
Operating profit is arrived at after charging and (crediting) the following:		
Depreciation	375	341
Loss on disposal of property, plant and equipment	24	16
Impairment of property, plant and equipment	13	-
Net exchange losses/(gains)	127	(28)
Net charge/(write back) for provision for obsolete inventories	14	(1)
Occupancy costs		
Operating lease charge	1,234	1,044
Other occupancy costs	393	357
Provision for impairment of trade debtors/bad debts written off	70	36

## 4. Taxation

	Unaudited	
	For the 6 months ended December 31,	
	2008	2007
	HK\$ million	HK\$ million
Current tax		
Hong Kong profits tax		
Provision for current period	1	-
Overseas taxation		
Provision for current period	756	866
Underprovision in prior years	3	24
	760	890
Deferred tax		
Current period	(47)	(57)
Effect of changes in tax rates	-	77
Taxation	713	910

Hong Kong profits tax is calculated at **16.5%** (2007: 17.5%) on the estimated assessable profit for the period, net of tax losses carried forward, if applicable.

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

Share of associates' taxation for the six months ended December 31, 2008 was a net tax charge of **HK\$24 million** (2007: a net tax charge of HK\$27 million) which has been included in the condensed consolidated income statement as share of results of associates.

## 5. Interim dividend

	Unaudited	
	For the 6 months ended December 31,	
	2008	2007
	HK\$ million	HK\$ million
Interim dividend declared of <b>HK\$0.80</b> (2007: HK\$0.95) per share	996	1,181

The amount of interim dividend is based on **1,245,049,934** shares in issue on **February 4, 2009** (2007: 1,242,675,434 shares in issue on January 30, 2008).

## 05 INTERIM FINANCIAL INFORMATION

## 6. Earnings per share

## Basic

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

	Unaudited For the 6 months ended December 31, 2008	2007
Profit attributable to shareholders (HK\$ million)	2,853	3,293
Weighted average number of ordinary shares in issue (million)	1,243	1,234
Basic earnings per share (HK\$ per share)	2.30	2.67

## 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 after adjusting for the number of dilutive potential ordinary shares granted under the Company's share option scheme.

	Unaudited For the 6 months ended December 31, 2008	2007
Profit attributable to shareholders (HK\$ million)	2,853	3,293
Weighted average number of ordinary shares in issue (million)	1,243	1,234
Adjustments for share options (million)	4	16
Weighted average number of ordinary shares for diluted earnings per share (million)	1,247	1,250
Diluted earnings per share (HK\$ per share)	2.29	2.64

## 7. Property, plant and equipment

	Unaudited HK\$ million
Balance at July 1, 2008	3,395
Exchange translation	(398)
Additions	1,167
Disposals	(28)
Depreciation (note 3)	(375)
Impairment charge (note 3)	(13)
<b>Balance at December 31, 2008</b>	<b>3,748</b>

During the six months ended December 31, 2008 the Group incurred **HK\$845 million** in expansion and refurbishment of retail shops in various locations and **HK\$322 million** in office improvements and purchase of office equipment.

## 8. Debtors, deposits and prepayments

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

	Unaudited December 31, 2008	Audited June 30, 2008
	HK\$ million	HK\$ million
Current	2,612	3,268
1-30 days	427	366
31-60 days	151	151
61-90 days	87	63
Over 90 days	227	159
Amount past due but not impaired	892	739
	<b>3,504</b>	4,007

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.

## 05 INTERIM FINANCIAL INFORMATION

## 9. Creditors and accrued charges

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

	Unaudited December 31, 2008	Audited June 30, 2008
	HK\$ million	HK\$ million
0-30 days	1,134	1,419
31-60 days	97	94
61-90 days	19	17
Over 90 days	24	42
	<b>1,274</b>	1,572

## 10. Share capital

	Unaudited December 31, 2008	Audited June 30, 2008
	HK\$ million	HK\$ million
<b>Authorized</b>		
2,000,000,000 shares of HK\$0.10 each	<b>200</b>	200

	Number of shares of HK\$0.10 each	Nominal value
	Million	HK\$ million
<b>Issued and fully paid</b>		
Balance at July 1, 2008	1,244	124
Exercise of share options (note (a))	4	1
Repurchase of shares (note (b))	(3)	-
<b>Balance at December 31, 2008</b>	<b>1,245</b>	<b>125</b>

- (a) During the period, **3,625,000** ordinary shares of **HK\$0.10** 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\$14.60** to **HK\$42.58** each (representing a premium in the range of **HK\$14.50** to **HK\$42.48** each).
- (b) During the period, the Company repurchased **2,615,500** of its own ordinary shares at a total consideration of **HK\$203 million** on The Stock Exchange of Hong Kong Limited.

## 11. Operating lease commitments

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

	Unaudited December 31, 2008	Audited June 30, 2008
	HK\$ million	HK\$ million
Land and buildings		
- within one year	2,498	2,582
- in the second to fifth year inclusive	9,014	9,521
- after the fifth year	9,255	9,675
	<b>20,767</b>	21,778
Other equipment		
- within one year	27	27
- in the second to fifth year inclusive	23	26
	<b>50</b>	53
	<b>20,817</b>	21,831

The total future minimum lease receipts under non-cancelable subleases in respect of land and buildings at December 31, 2008 are **HK\$75 million** (June 30, 2008: HK\$100 million).

## 12. Capital commitments

	Unaudited December 31, 2008	Audited June 30, 2008
	HK\$ million	HK\$ million
Contracted but not provided for	113	467
Authorized but not contracted for	1,072	1,250
	<b>1,185</b>	1,717

## 05 INTERIM FINANCIAL INFORMATION

**13. Derivative financial instruments**

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

	<b>Unaudited December 31, 2008</b>	Audited June 30, 2008
	HK\$ million	HK\$ million
Foreign currency forward contracts – cash flow hedges	<b>999</b>	492

At December 31, 2008, the fair value of the foreign currency forward contracts is estimated to be approximately **HK\$1 million** (June 30, 2008: HK\$13 million). These amounts are based on market values of equivalent instruments at the balance sheet date and are included in creditors and accrued charges.

**14. Related party transactions**

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

	<b>Unaudited For the 6 months ended December 31, 2008</b>	2007
	HK\$ million	HK\$ million
Transactions with associates		
Sales of finished goods	<b>756</b>	562
Royalty and accrued interest receivable/received	<b>18</b>	24
Commission receivable/received	<b>3</b>	3

**15. Comparative figures**

Certain comparative figures have been reclassified to conform with the current period's presentation.

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PRODUCTS AT A REASONABLE PRICE







# 06 OTHER INFORMATION

## 06 OTHER INFORMATION

### DIRECTORS' PROFILE

#### Executive Directors

HEINZ JÜRGEN **KROGNER-KORNALIK**, aged 67, is Executive Director and Group Chief Executive Officer, became Chairman of the Board effective from December 5, 2006. He has been with the Group since January 1995. Mr. KROGNER is primarily responsible for the overall corporate direction and strategy of the Group, as well as providing leadership for the management in achieving the goals and targets set by the Board. He possesses a degree in business administration and industrial engineering. He was a consultant with Kurt Salmon Associates in a variety of areas, including production, organization, marketing, strategy and brand positioning, as well as with several textile firms, always in executive positions, before joining the Group.

**CHEW** FOOK AUN, aged 46, has been appointed as Executive Director and Group Chief Financial Officer on February 1, 2009. He has over 20 years of experience in accounting, auditing and finance in the United Kingdom and Hong Kong. He is a graduate of the London School of Economics and Political Science of the University of London in the United Kingdom and holds a Bachelor of Science (Economics) degree from the University of London. Mr. CHEW is a Fellow member of the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the Institute of Chartered Accountants in England and Wales. Mr. CHEW is also a Council member of the HKICPA. He is also a member of the advisory committee of the Securities and Futures Commission, the corruption prevention advisory committee of the Independent Commission Against Corruption and the standing committee on company law reform of the Hong Kong Companies Registry. Mr. CHEW was an executive director and chief financial officer of The Link Management Limited, manager of The Link Real Estate Investment Trust from February 1, 2007 to January 16, 2009. He was also the chief financial officer of Kerry Properties Limited from 1996 to 2004, a director of corporate finance for Kerry Holdings

Limited from 1998 to 2004 and the executive director responsible for the property portfolio for Kyard Limited from 2004 to 2007.

THOMAS JOHANNES **GROTE**, aged 45, is President of the Esprit brand. In addition to acting as a major player in formulating and setting the global strategy of the Esprit brand, Mr. GROTE is responsible for ensuring proper execution of such global strategy. He is also responsible for overseeing all aspects of the Group's operations, including the Group's wholesale, retail and licensing business. Mr. GROTE has been with the Group for more than 14 years and during this time, has been overseeing the significant development and growth of the Group. He completed business college in 1983 and has over 20 years of experience in the fashion and textile industry.

#### Non-executive Directors

PAUL **CHENG** MING FUN, aged 72, has been an Independent Non-executive Director of the Company since November 2002 and became Deputy Chairman of the Company effective from July 20, 2008. Mr. CHENG is also an independent non-executive director of several companies which are listed on The Stock Exchange of Hong Kong Limited, and the AIM Board of the London Stock Exchange. He was a former member of the Hong Kong Legislative Council as well as Chairman of Inchcape Pacific Limited, N M Rothschild & Sons (Hong Kong) Ltd., the Hong Kong General Chamber of Commerce, and the American Chamber of Commerce in Hong Kong. He is currently an Honorary Steward of the Hong Kong Jockey Club.

JÜRGEN ALFRED RUDOLF **FRIEDRICH**, aged 70, founded Esprit's European operations in 1976 and was appointed a Non-executive Director of the Company in 1997. He has over 32 years of experience in the apparel distribution and marketing business and is currently retired in Switzerland.

ALEXANDER REID **HAMILTON**, aged 67, has been an Independent Non-executive Director of the Company since August 1995. He is also a director of CITIC Pacific Limited, China Cosco Holdings Company Limited, Shangri-La Asia Limited, China Central Properties Limited and a number of other Hong Kong companies. He was a partner of Price Waterhouse with whom he practiced for 16 years.

DR. HANS-JOACHIM **KÖRBER**, aged 62, was appointed an Independent Non-executive Director of the Company in May 2008. Dr. KÖRBER has 32 years of experience in finance & accounting, controlling, logistics and IT, including 23 years of experience in retailing. He graduated as Master Brewer in brewing technology and earned a doctor degree in business management from Technical University of Berlin, Germany. Dr. KÖRBER was the former Chairman and Chief Executive Officer of Metro AG, one of the world's largest retailers, until his retirement at the end of 2007. He is a director of Air Berlin PLC, Skandinaviska Enskilda Banken AB, Sysco Corporation and Bertelsmann AG.

RAYMOND **OR** CHING FAI, aged 59, was appointed an Independent Non-executive Director of the Company in 1996. He is the Vice Chairman and Chief Executive of Hang Seng Bank Limited, a director of The Hongkong and Shanghai Banking Corporation Limited, Cathay Pacific Airways Limited, Hutchison Whampoa Limited, 2009 East Asian Games (Hong Kong) Limited and Chairman of Hang Seng Life Limited.

FRANCESCO **TRAPANI**, aged 51, has been appointed an Independent Non-executive Director of the Company since December 2008. Mr. TRAPANI has over 20 years of experience in the luxury industry. He graduated with a degree in economics from the University of Naples and studied business administration at the New York University. Mr. TRAPANI is the chief executive officer of the Bulgari Group since 1984, who has since led the Bulgari Group to become one of today's leading global players in the luxury market offering world famous fine jewelry, watches, accessories, fragrances and skincare.

Bulgari SpA is listed on the Italian Stock Exchange. Mr. TRAPANI is also deputy chairman of the board of directors of Altagamma, the association of Italian companies operating in the high-end of the market.

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

As at December 31, 2008, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), were as follows:

#### (1) Shares of the Company

Name of Directors	Capacity	Beneficial interest in shares	Beneficial interest in unlisted underlying shares (Note 2)	Total number of shares	Approximate percentage of aggregate interests to total issued share capital
Heinz Jürgen <b>KROGNER-KORNALIK</b>	Beneficial owner	–	3,200,000	3,200,000	0.26%
Thomas Johannes <b>GROTE</b>	Beneficial owner	–	2,960,000	2,960,000	0.24%
Jerome Squire <b>GRIFFITH</b> <i>(Resigned on February 1, 2009)</i>	Beneficial owner	743,000	480,000	1,223,000	0.10%
Jürgen Alfred Rudolf <b>FRIEDRICH</b>	Beneficial owner	66,721,076	–	66,771,977	5.36%
	Interest of spouse (Note 1)	50,901	–		

#### Notes:

- The shares were held by Mrs. Anke Beck FRIEDRICH, the spouse of Mr. Jürgen Alfred Rudolf FRIEDRICH.
- The interests of Directors and chief executives of the Company in the underlying shares of equity derivatives in respect of share options granted to them pursuant to the 2001 Share Option Scheme are detailed in "Share Options" section below.
- All interests disclosed above represent long position in the shares and underlying shares of the Company.

#### (2) Share Options of the Company

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

## 06 OTHER INFORMATION

## SHARE OPTIONS

The Company adopted a share option scheme on November 26, 2001 (the “2001 Share Option Scheme”). Details of the grant of share options and a summary of the movements of the outstanding share options during the period under the 2001 Share Option Scheme were as follows:

## Directors

Heinz Jürgen **KROGNER-KORNALIK**

Date of Grant (mm/dd/yyyy)	Exercise Price (HK\$)	Vesting Date (mm/dd/yyyy)	Exercise Period (mm/dd/yyyy)	Number of Share Options				
				As at 07/01/2008	Granted	Exercised	Lapsed	As at 12/31/2008
11/26/2003	24.20	11/26/2008	11/26/2008 – 11/25/2009	600,000	-	-	-	600,000
11/27/2004	42.58	11/27/2008	11/27/2008 – 11/26/2010	600,000	-	-	-	600,000
		11/27/2009	11/27/2009 – 11/26/2010	600,000	-	-	-	600,000
02/07/2007	83.00	02/07/2008	02/07/2008 – 02/06/2013	160,000	-	-	-	160,000
		02/07/2009	02/07/2009 – 02/06/2013	160,000	-	-	-	160,000
		02/07/2010	02/07/2010 – 02/06/2013	160,000	-	-	-	160,000
		02/07/2011	02/07/2011 – 02/06/2013	160,000	-	-	-	160,000
		02/07/2012	02/07/2012 – 02/06/2013	160,000	-	-	-	160,000
02/11/2008	102.12	02/11/2009	02/11/2009 – 02/10/2014	120,000	-	-	-	120,000
		02/11/2010	02/11/2010 – 02/10/2014	120,000	-	-	-	120,000
		02/11/2011	02/11/2011 – 02/10/2014	120,000	-	-	-	120,000
		02/11/2012	02/11/2012 – 02/10/2014	120,000	-	-	-	120,000
		02/11/2013	02/11/2013 – 02/10/2014	120,000	-	-	-	120,000
<b>In aggregate</b>				<b>3,200,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,200,000</b>

## 06 OTHER INFORMATION

## SHARE OPTIONS (continued)

## Directors (continued)

Thomas Johannes GROTE				Number of Share Options				
Date of Grant (mm/dd/yyyy)	Exercise Price (HK\$)	Vesting Date (mm/dd/yyyy)	Exercise Period (mm/dd/yyyy)	As at 07/01/2008	Granted	Exercised	Lapsed	As at 12/31/2008
11/26/2003	24.20	11/26/2006	11/26/2006 – 11/25/2009	240,000	–	240,000	–	–
		11/26/2007	11/26/2007 – 11/25/2009	240,000	–	240,000	–	–
		11/26/2008	11/26/2008 – 11/25/2009	240,000	–	240,000	–	–
11/27/2004	42.58	11/27/2006	11/27/2006 – 11/26/2010	240,000	–	–	–	240,000
		11/27/2007	11/27/2007 – 11/26/2010	240,000	–	–	–	240,000
		11/27/2008	11/27/2008 – 11/26/2010	240,000	–	–	–	240,000
		11/27/2009	11/27/2009 – 11/26/2010	240,000	–	–	–	240,000
12/05/2006	80.95	12/05/2007	12/05/2007 – 12/04/2012	160,000	–	–	–	160,000
		12/05/2008	12/05/2008 – 12/04/2012	160,000	–	–	–	160,000
		12/05/2009	12/05/2009 – 12/04/2012	160,000	–	–	–	160,000
		12/05/2010	12/05/2010 – 12/04/2012	160,000	–	–	–	160,000
		12/05/2011	12/05/2011 – 12/04/2012	160,000	–	–	–	160,000
12/05/2007	118.70	12/05/2008	12/05/2008 – 12/04/2013	120,000	–	–	–	120,000
		12/05/2009	12/05/2009 – 12/04/2013	120,000	–	–	–	120,000
		12/05/2010	12/05/2010 – 12/04/2013	120,000	–	–	–	120,000
		12/05/2011	12/05/2011 – 12/04/2013	120,000	–	–	–	120,000
		12/05/2012	12/05/2012 – 12/04/2013	120,000	–	–	–	120,000
12/09/2008	44.25	12/09/2009	12/09/2009 – 12/08/2014	–	120,000	–	–	120,000
		12/09/2010	12/09/2010 – 12/08/2014	–	120,000	–	–	120,000
		12/09/2011	12/09/2011 – 12/08/2014	–	120,000	–	–	120,000
		12/09/2012	12/09/2012 – 12/08/2014	–	120,000	–	–	120,000
		12/09/2013	12/09/2013 – 12/08/2014	–	120,000	–	–	120,000
<b>In aggregate</b>				<b>3,080,000</b>	<b>600,000</b>	<b>720,000</b>	<b>–</b>	<b>2,960,000</b>

## 06 OTHER INFORMATION

## SHARE OPTIONS (continued)

## Directors (continued)

Jerome Squire **GRIFFITH** (Resigned on February 1, 2009)

Date of Grant (mm/dd/yyyy)	Exercise Price (HK\$)	Vesting Date (mm/dd/yyyy)	Exercise Period (mm/dd/yyyy)	Number of Share Options				
				As at 07/01/2008	Granted	Exercised	Lapsed	As at 12/31/2008
11/26/2003	24.20	11/26/2008	11/26/2008 – 11/25/2009	240,000	-	240,000	-	-
11/27/2004	42.58	11/27/2008 11/27/2009	11/27/2008 – 11/26/2010 11/27/2009 – 11/26/2010	240,000 240,000	- -	- -	- -	240,000 240,000
<b>In aggregate</b>				<b>720,000</b>	<b>-</b>	<b>240,000</b>	<b>-</b>	<b>480,000</b>

## 06 OTHER INFORMATION

## SHARE OPTIONS (continued)

## Directors (continued)

John POON Cho Ming (Resigned on July 20, 2008)

Date of Grant (mm/dd/yyyy)	Exercise Price (HK\$)	Vesting Date (mm/dd/yyyy)	Exercise Period (mm/dd/yyyy)	Number of Share Options				As at 12/31/2008
				As at 07/01/2008	Granted	Exercised	Lapsed	
11/26/2003	24.20	07/20/2008 (v)	07/20/2008 – 10/19/2008 (v)	360,000	–	360,000	–	–
11/27/2004	42.58	07/20/2008 (vi)	07/20/2008 – 10/19/2008 (vi)	360,000	–	360,000	–	–
		07/20/2008 (vii)	07/20/2008 – 10/19/2008 (vii)	360,000	–	360,000	–	–
02/07/2007	83.00	02/07/2008	02/07/2008 – 10/19/2008 (viii)	160,000	–	–	160,000	–
		02/07/2009	02/07/2009 – 02/06/2013	160,000	–	–	160,000	–
		02/07/2010	02/07/2010 – 02/06/2013	160,000	–	–	160,000	–
		02/07/2011	02/07/2011 – 02/06/2013	160,000	–	–	160,000	–
		02/07/2012	02/07/2012 – 02/06/2013	160,000	–	–	160,000	–
02/11/2008	102.12	02/11/2009	02/11/2009 – 02/10/2014	120,000	–	–	120,000	–
		02/11/2010	02/11/2010 – 02/10/2014	120,000	–	–	120,000	–
		02/11/2011	02/11/2011 – 02/10/2014	120,000	–	–	120,000	–
		02/11/2012	02/11/2012 – 02/10/2014	120,000	–	–	120,000	–
		02/11/2013	02/11/2013 – 02/10/2014	120,000	–	–	120,000	–
<b>In aggregate</b>				<b>2,480,000</b>	<b>–</b>	<b>1,080,000</b>	<b>1,400,000</b>	<b>–</b>

## 06 OTHER INFORMATION

## SHARE OPTIONS (continued)

## Employees &amp; Consultants

Date of Grant (mm/dd/yyyy)	Exercise Price (HK\$)	Vesting Date (mm/dd/yyyy)	Exercise Period (mm/dd/yyyy)	Number of Share Options				
				As at 07/01/2008	Granted	Exercised	Lapsed	As at 12/31/2008
11/26/2002	14.60	11/26/2005	11/26/2005 – 11/25/2009 (x)	120,000	–	120,000	–	–
		11/26/2006	11/26/2006 – 11/25/2009 (x)	360,000	–	320,000	–	40,000
		11/26/2007	11/26/2007 – 11/25/2009 (x)	720,000	–	480,000	–	240,000
11/26/2003	24.20	11/26/2006	11/26/2006 – 11/25/2009	415,000	–	90,000	–	325,000
		11/26/2007	11/26/2007 – 11/25/2009	770,000	–	155,000	–	615,000
		11/26/2008	11/26/2008 – 11/25/2009	1,822,000	–	420,000	200,000	1,202,000
12/23/2003	24.45	12/23/2006	12/23/2006 – 12/22/2009	120,000	–	–	–	120,000
		12/23/2007	12/23/2007 – 12/22/2009	120,000	–	–	–	120,000
		12/23/2008	12/23/2008 – 12/22/2009	120,000	–	–	–	120,000
11/27/2004	42.58	11/27/2005	11/27/2005 – 11/26/2010	280,000	–	–	–	280,000
		11/27/2006	11/27/2006 – 11/26/2010	450,000	–	–	–	450,000
		11/27/2007	11/27/2007 – 11/26/2010	795,000	–	–	–	795,000
		11/27/2008	11/27/2008 – 11/26/2010	2,107,000	–	–	210,000	1,897,000
		11/27/2009	11/27/2009 – 11/26/2010	2,107,000	–	–	300,000	1,807,000
12/23/2004	47.10	12/23/2005	12/23/2005 – 12/22/2010	90,000	–	–	–	90,000
		12/23/2006	12/23/2006 – 12/22/2010	90,000	–	–	–	90,000
		12/23/2007	12/23/2007 – 12/22/2010	90,000	–	–	–	90,000
		12/23/2008	12/23/2008 – 12/22/2010	90,000	–	–	–	90,000
		12/23/2009	12/23/2009 – 12/22/2010	90,000	–	–	–	90,000
01/21/2005	45.60	01/21/2009	01/21/2009 – 01/20/2011	80,000	–	–	80,000	–
		01/21/2010	01/21/2010 – 01/20/2011	80,000	–	–	80,000	–
11/28/2005	55.11	11/28/2006	11/28/2006 – 11/27/2011	135,000	–	–	–	135,000
		11/28/2007	11/28/2007 – 11/27/2011	150,000	–	–	–	150,000
		11/28/2008	11/28/2008 – 11/27/2011	450,000	–	–	–	450,000
		11/28/2009	11/28/2009 – 11/27/2011	450,000	–	–	–	450,000
		11/28/2010	11/28/2010 – 11/27/2011	450,000	–	–	–	450,000
12/02/2005	56.20	12/02/2006	12/02/2006 – 12/01/2011	100,000	–	–	–	100,000
		12/02/2007	12/02/2007 – 12/01/2011	140,000	–	–	–	140,000
		12/02/2008	12/02/2008 – 12/01/2011	280,000	–	–	–	280,000
		12/02/2009	12/02/2009 – 12/01/2011	280,000	–	–	–	280,000
		12/02/2010	12/02/2010 – 12/01/2011	280,000	–	–	–	280,000
12/23/2005	56.50	12/23/2006	12/23/2006 – 12/22/2011	90,000	–	–	–	90,000
		12/23/2007	12/23/2007 – 12/22/2011	90,000	–	–	–	90,000
		12/23/2008	12/23/2008 – 12/22/2011	90,000	–	–	–	90,000
		12/23/2009	12/23/2009 – 12/22/2011	90,000	–	–	–	90,000
		12/23/2010	12/23/2010 – 12/22/2011	90,000	–	–	–	90,000

## 06 OTHER INFORMATION

## SHARE OPTIONS (continued)

## Employees &amp; Consultants (continued)

Date of Grant (mm/dd/yyyy)	Exercise Price (HK\$)	Vesting Date (mm/dd/yyyy)	Exercise Period (mm/dd/yyyy)	Number of Share Options				
				As at 07/01/2008	Granted	Exercised	Lapsed	As at 12/31/2008
02/23/2006	64.31	02/23/2009	02/23/2009 – 02/22/2012	140,000	–	–	140,000	–
		02/23/2010	02/23/2010 – 02/22/2012	140,000	–	–	140,000	–
		02/23/2011	02/23/2011 – 02/22/2012	140,000	–	–	140,000	–
11/27/2006	80.60	11/27/2007	11/27/2007 – 11/26/2012	45,000	–	–	–	45,000
		11/27/2008	11/27/2008 – 11/26/2012	255,000	–	–	–	255,000
		11/27/2009	11/27/2009 – 11/26/2012	255,000	–	–	–	255,000
		11/27/2010	11/27/2010 – 11/26/2012	255,000	–	–	–	255,000
		11/27/2011	11/27/2011 – 11/26/2012	255,000	–	–	–	255,000
12/04/2006	79.49	12/04/2007	12/04/2007 – 12/03/2012	150,000	–	–	–	150,000
		12/04/2008	12/04/2008 – 12/03/2012	210,000	–	–	–	210,000
		12/04/2009	12/04/2009 – 12/03/2012	210,000	–	–	–	210,000
		12/04/2010	12/04/2010 – 12/03/2012	210,000	–	–	–	210,000
		12/04/2011	12/04/2011 – 12/03/2012	210,000	–	–	–	210,000
12/05/2006	80.95	12/05/2007	12/05/2007 – 12/04/2012	616,000	–	–	–	616,000
		12/05/2008	12/05/2008 – 12/04/2012	696,000	–	–	–	696,000
		12/05/2009	12/05/2009 – 12/04/2012	696,000	–	–	–	696,000
		12/05/2010	12/05/2010 – 12/04/2012	696,000	–	–	–	696,000
		12/05/2011	12/05/2011 – 12/04/2012	696,000	–	–	–	696,000
02/07/2007	83.00	02/07/2008	02/07/2008 – 02/06/2013	80,000	–	–	–	80,000
		02/07/2009	02/07/2009 – 02/06/2013	80,000	–	–	–	80,000
		02/07/2010	02/07/2010 – 02/06/2013	80,000	–	–	–	80,000
		02/07/2011	02/07/2011 – 02/06/2013	80,000	–	–	–	80,000
		02/07/2012	02/07/2012 – 02/06/2013	80,000	–	–	–	80,000
02/28/2007	86.85	02/28/2008	02/28/2008 – 02/27/2013	60,000	–	–	60,000	–
		02/28/2009	02/28/2009 – 02/27/2013	120,000	–	–	120,000	–
		02/28/2010	02/28/2010 – 02/27/2013	120,000	–	–	120,000	–
		02/28/2011	02/28/2011 – 02/27/2013	120,000	–	–	120,000	–
		02/28/2012	02/28/2012 – 02/27/2013	120,000	–	–	120,000	–
12/04/2007	119.00	12/04/2008	12/04/2008 – 12/03/2013	210,000	–	–	–	210,000
		12/04/2009	12/04/2009 – 12/03/2013	210,000	–	–	–	210,000
		12/04/2010	12/04/2010 – 12/03/2013	210,000	–	–	–	210,000
		12/04/2011	12/04/2011 – 12/03/2013	210,000	–	–	–	210,000
		12/04/2012	12/04/2012 – 12/03/2013	210,000	–	–	–	210,000

## 06 OTHER INFORMATION

## SHARE OPTIONS (continued)

## Employees &amp; Consultants (continued)

Date of Grant (mm/dd/yyyy)	Exercise Price (HK\$)	Vesting Date (mm/dd/yyyy)	Exercise Period (mm/dd/yyyy)	Number of Share Options				
				As at 07/01/2008	Granted	Exercised	Lapsed	As at 12/31/2008
12/05/2007	118.70	12/05/2008	12/05/2008 – 12/04/2013	522,000	–	–	–	522,000
		12/05/2009	12/05/2009 – 12/04/2013	522,000	–	–	–	522,000
		12/05/2010	12/05/2010 – 12/04/2013	522,000	–	–	–	522,000
		12/05/2011	12/05/2011 – 12/04/2013	522,000	–	–	–	522,000
		12/05/2012	12/05/2012 – 12/04/2013	522,000	–	–	–	522,000
01/31/2008	100.80	01/31/2009	01/31/2009 – 01/30/2014	1,400,000	–	–	360,000	1,040,000
		01/31/2010	01/31/2010 – 01/30/2014	1,400,000	–	–	360,000	1,040,000
		01/31/2011	01/31/2011 – 01/30/2014	1,400,000	–	–	360,000	1,040,000
		01/31/2012	01/31/2012 – 01/30/2014	1,400,000	–	–	360,000	1,040,000
		01/31/2013	01/31/2013 – 01/30/2014	1,400,000	–	–	360,000	1,040,000
02/11/2008	102.12	02/11/2009	02/11/2009 – 02/10/2014	60,000	–	–	–	60,000
		02/11/2010	02/11/2010 – 02/10/2014	60,000	–	–	–	60,000
		02/11/2011	02/11/2011 – 02/10/2014	60,000	–	–	–	60,000
		02/11/2012	02/11/2012 – 02/10/2014	60,000	–	–	–	60,000
		02/11/2013	02/11/2013 – 02/10/2014	60,000	–	–	–	60,000
05/06/2008	94.80	05/06/2009	05/06/2009 – 05/05/2014	60,000	–	–	60,000	–
		05/06/2010	05/06/2010 – 05/05/2014	60,000	–	–	60,000	–
		05/06/2011	05/06/2011 – 05/05/2014	60,000	–	–	60,000	–
		05/06/2012	05/06/2012 – 05/05/2014	60,000	–	–	60,000	–
		05/06/2013	05/06/2013 – 05/05/2014	60,000	–	–	60,000	–
12/09/2008	44.25	12/09/2009	12/09/2009 – 12/08/2014	–	522,000	–	–	522,000
		12/09/2010	12/09/2010 – 12/08/2014	–	522,000	–	–	522,000
		12/09/2011	12/09/2011 – 12/08/2014	–	522,000	–	–	522,000
		12/09/2012	12/09/2012 – 12/08/2014	–	522,000	–	–	522,000
		12/09/2013	12/09/2013 – 12/08/2014	–	522,000	–	–	522,000
12/11/2008	45.95	12/11/2009	12/11/2009 – 12/10/2014	–	756,000	–	–	756,000
		12/11/2010	12/11/2010 – 12/10/2014	–	756,000	–	–	756,000
		12/11/2011	12/11/2011 – 12/10/2014	–	756,000	–	–	756,000
		12/11/2012	12/11/2012 – 12/10/2014	–	756,000	–	–	756,000
		12/11/2013	12/11/2013 – 12/10/2014	–	756,000	–	–	756,000
<b>In aggregate</b>				<b>32,156,000</b>	<b>6,390,000</b>	<b>1,585,000</b>	<b>3,930,000</b>	<b>33,031,000</b>
<b>Total</b>				<b>41,636,000</b>	<b>6,990,000</b>	<b>3,625,000</b>	<b>5,330,000</b>	<b>39,671,000</b>

## SHARE OPTIONS (continued)

## Notes:

- (i) The closing prices of the shares of the Company immediately before the share options granted on December 9, 2008 and December 11, 2008 were HK\$44.35 and HK\$50.10 respectively.
- (ii) The weighted average closing price of the shares immediately before the date of exercise by Mr. Thomas Johannes GROTE was HK\$45.50.
- (iii) The weighted average closing price of the shares immediately before the date of exercise by Mr. Jerome Squire GRIFFITH was HK\$44.35.
- (iv) The weighted average closing price of the shares immediately before the date of exercise by Mr. John POON Cho Ming was HK\$73.15.
- (v) With effect from July 20, 2008, the vesting date was accelerated from November 26, 2008 to July 20, 2008 and the exercise period was changed from November 26, 2008 – November 25, 2009 to July 20, 2008 – October 19, 2008.
- (vi) With effect from July 20, 2008, the vesting date was accelerated from November 27, 2008 to July 20, 2008 and the exercise period was changed from November 27, 2008 – November 26, 2010 to July 20, 2008 – October 19, 2008.
- (vii) With effect from July 20, 2008, the vesting date was accelerated from November 27, 2009 to July 20, 2008 and the exercise period was changed from November 27, 2009 – November 26, 2010 to July 20, 2008 – October 19, 2008.
- (viii) With effect from July 20, 2008, the exercise period was changed from February 7, 2008 – February 6, 2013 to February 7, 2008 – October 19, 2008.
- (ix) The weighted average closing price of the shares immediately before the dates of exercise by the employees and consultants was HK\$56.03.
- (x) A one year extension to the option period from six years to seven years from the date of grant has been granted during the period under review.
- (xi) No share options were cancelled under the 2001 Share Option Scheme during the six months ended December 31, 2008.

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

## Share options expenses

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

Date of grant	Option value <sup>1</sup> HK\$	Share price at the date of grant HK\$	Exercisable price HK\$	Expected volatility <sup>2</sup>	Annual risk-free interest rate <sup>3</sup>	Life of option <sup>4</sup>	Dividend yield <sup>5</sup>
December 9, 2008	8.91 – 14.14	44.25	44.25	45.21%	0.90% – 1.65%	2 – 6 years	2.52%
December 11, 2008	9.35 – 14.81	45.95	45.95	45.84%	0.85% – 1.57%	2 – 6 years	2.52%

## Notes:

1. Since option pricing model requires input of highly subjective assumptions, fair values calculated are therefore inherently subjective and the model may not necessarily provide a reliable measure of share option expense.
2. Estimated volatility was based on the historical stock prices over 3 years preceding the grant date, expressed as an annualized rate and based on daily price changes.
3. The risk-free interest rate was based on the market yield of Hong Kong Exchange Fund notes with a remaining life corresponding to the expected option life.
4. The expected option life was determined by reference to historical data of option holders behaviour.
5. Dividend yield was based on the average dividend yield (excluding special dividend) for the three years preceding the year of grant.

## 06 OTHER INFORMATION

### DISCLOSURE OF INFORMATION ON DIRECTORS

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

With effect from January 1, 2009, the Nomination Committee consists of Mr. Paul CHENG Ming Fun (chairman), Mr. Heinz Jürgen KROGNER-KORNALIK, Dr. Hans-Joachim KÖRBER and Mr. Francesco TRAPANI and the Remuneration Committee consists of Mr. Raymond OR Ching Fai (chairman), Mr. Heinz Jürgen KROGNER-KORNALIK, Mr. Alexander Reid HAMILTON and Mr. Francesco TRAPANI. Each Non-executive Director continues to be entitled to HK\$350,000 per annum for his directorship, and an additional HK\$75,000 for each Board Committee seat and HK\$150,000 for acting as chairman of a Board Committee.

### SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at December 31, 2008, the following shareholders (other than the Directors and chief executives of the Company whose interests or short positions in the shares and underlying shares of the Company as disclosed above) had interests or short positions in the shares and underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of shareholders	Capacity	Number of shares (Long position)	Number of shares (Short position)	Total number of shares	Approximate percentage of aggregate interests to total issued share capital
Capital Research and Management Company	Investment manager (Note 1)	212,701,500	Nil	212,701,500	17.08%
JPMorgan Chase & Co.	Interest of controlled corporations (Notes 2 to 5)	112,548,934	2,301,800	114,850,734	9.22%
HSBC International Trustee Limited	Trustee (Note 6)	106,322,752	Nil	106,322,752	8.54%
Janus Capital Management LLC	Investment Manager (Note 1)	78,597,490	Nil	78,597,490	6.31%

Notes:

- All interests disclosed herein represent long positions in the shares of the Company.
- The shares held by JPMorgan Chase & Co. were held in the following capacities:

Capacity	Number of shares (Long position)	Number of shares (Short position)
Beneficial owner	4,220,450	2,301,800
Investment manager	50,354,784	Nil
Custodian corporation/ approved lending agent	57,973,700	Nil

## 06 OTHER INFORMATION

## SUBSTANTIAL SHAREHOLDERS' INTERESTS (continued)

3. Details of the interest in long position of the 112,548,934 shares held by JPMorgan Chase & Co. were as follows:

Name	Direct (D)/ Indirect (I) interests in the shares	Aggregate long position in the shares	Approximate percentage of aggregate interests to total issued share capital
JPMorgan Chase Bank, N.A.	D	59,257,343	4.76%
JPMorgan Chase Bank, N.A.	I	4,220,450	0.34%
J.P. Morgan International Inc.	I	4,220,450	0.34%
Bank One International Holdings Corporation	I	4,220,450	0.34%
J.P. Morgan International Finance Limited	I	4,220,450	0.34%
J.P. Morgan Overseas Capital Corporation	I	2,119,750	0.17%
J.P. Morgan Whitefriars Inc.	D	2,119,750	0.17%
JPMorgan Asset Management Holdings Inc.	I	49,071,141	3.94%
J.P. Morgan Investment Management Inc.	D	4,549,704	0.37%
JPMorgan Asset Management (Asia) Inc.	I	22,444,902	1.80%
JF Asset Management (Singapore) Limited – Co Reg #: 197601586K	D	4,500,000	0.36%
JF Asset Management Limited	D	17,445,702	1.40%
JF Asset Management Limited	I	499,200	0.04%
JF Funds Limited	I	499,200	0.04%
JF Asset Management (Taiwan) Limited (subsequently changed name to JPMorgan Asset Management (Taiwan) Limited)	D	499,200	0.04%
JPMorgan Asset Management International Limited	I	22,076,535	1.77%
JPMorgan Asset Management Holdings (UK) Limited	I	22,076,535	1.77%
JPMorgan Asset Management (UK) Limited	D	22,076,535	1.77%
J.P. Morgan Capital Holdings Limited	I	2,100,700	0.17%
J.P. Morgan Chase (UK) Holdings Limited	I	2,100,700	0.17%
J.P. Morgan Chase International Holdings Limited	I	2,100,700	0.17%
J.P. Morgan Securities Ltd.	D	2,100,700	0.17%

## Explanatory Notes:

All the following interests were deemed to be held by the relevant company under the SFO. JPMorgan Chase & Co. was deemed to be interested in an aggregate of 112,548,934 shares held or deemed to be held by: (I) JPMorgan Chase Bank, N.A. (63,477,793 shares); and (II) JPMorgan Asset Management Holdings Inc. (49,071,141 shares), all were wholly-owned subsidiaries of JPMorgan Chase & Co.

- (I) JPMorgan Chase Bank, N.A. directly held 59,257,343 shares and was also deemed to be interested in an aggregate of 4,220,450 shares held by the following indirect subsidiaries held through J.P. Morgan International Finance Limited ("JPIF"):
- (a) 2,119,750 shares were held by J.P. Morgan Whitefriars Inc., wholly-owned by J.P. Morgan Overseas Capital Corporation, a wholly-owned subsidiary of JPIF; and
  - (b) 2,100,700 shares were held by J.P. Morgan Securities Ltd., 98.95% subsidiary of J.P. Morgan Chase International Holdings Limited, wholly-owned by J.P. Morgan Chase (UK) Holdings Limited, wholly-owned by J.P. Morgan Capital Holdings Limited, a wholly-owned subsidiary of JPIF.
- (II) JPMorgan Asset Management Holdings Inc. ("JPAMH") was deemed to be interested in an aggregate of 49,071,141 shares held by the following subsidiaries:
- (a) 4,549,704 shares were held by J.P. Morgan Investment Management Inc., directly wholly-owned by JPAMH;
  - (b) 22,444,902 shares were deemed to be held by JPMorgan Asset Management (Asia) Inc. ("JPAsia"), directly wholly-owned by JPAMH, through the following subsidiaries:
    - (i) 4,500,000 shares were held by JF Asset Management (Singapore) Limited – Co Reg #: 197601586K, wholly-owned by JPAsia;
    - (ii) 17,445,702 shares were held by JF Asset Management Limited, wholly-owned by JPAsia; and
    - (iii) 499,200 shares were held by JF Asset Management (Taiwan) Limited (subsequently changed name to JPMorgan Asset Management (Taiwan) Limited), wholly-owned by JF Funds Limited, wholly-owned by JF Asset Management Limited, wholly-owned by JPAsia.
  - (c) 22,076,535 shares were held by JPMorgan Asset Management (UK) Limited, wholly-owned by JPMorgan Asset Management Holdings (UK) Limited, wholly-owned by JPMorgan Asset Management International Limited, directly wholly-owned by JPAMH.
4. 57,973,700 shares of the interests disclosed in Note 3 above represent shares of the Company in the lending pool.

## 06 OTHER INFORMATION

## SUBSTANTIAL SHAREHOLDERS' INTERESTS (continued)

5. Details of the interest in short position of the 2,301,800 shares held by JPMorgan Chase & Co. were as follows:

Name	Direct (D)/ Indirect (I) interests in the shares	Aggregate short position in the shares	Approximate percentage of aggregate interests to total issued share capital
JPMorgan Chase Bank, N.A.	I	2,301,800	0.18%
J.P. Morgan International Inc.	I	2,301,800	0.18%
Bank One International Holdings Corporation	I	2,301,800	0.18%
J.P. Morgan International Finance Limited	I	2,301,800	0.18%
J.P. Morgan Capital Holdings Limited	I	2,100,000	0.17%
J.P. Morgan Chase (UK) Holdings Limited	I	2,100,000	0.17%
J.P. Morgan Chase International Holdings Limited	I	2,100,000	0.17%
J.P. Morgan Securities Ltd.	D	2,100,000	0.17%
J.P. Morgan Structured Products B.V.	D	201,800	0.02%

**Explanatory Notes:**

All the following interests were deemed to be held by the relevant company under the SFO. JPMorgan Chase & Co. was deemed to have a short position in an aggregate of 2,301,800 shares held by the following indirect subsidiaries:

- 2,100,000 shares held by J.P. Morgan Securities Ltd., 98.95% subsidiary of J.P. Morgan Chase International Holdings Limited, wholly-owned by J.P. Morgan Chase (UK) Holdings Limited, indirect wholly-owned subsidiary of JPMorgan Chase & Co; and
- 201,800 shares held by J.P. Morgan Structured Products B.V., indirect wholly-owned subsidiary of JPMorgan Chase & Co.

6. Details of the interest in the 106,322,752 shares held by HSBC International Trustee Limited were as follows:

Name	Direct (D)/ Indirect (I) interests in the shares	Aggregate long position in the shares	Approximate percentage of aggregate interests to total issued share capital
Michael YING Lee Yuen	I	106,208,352	8.53%
YET Holdings Limited	I	106,208,352	8.53%
Great View International Limited	D	106,208,352	8.53%
HSBC International Trustee Limited	D	114,400	0.01%

**Explanatory Notes:**

All the following interests were deemed to be held by the relevant company under SFO. HSBC International Trustee Limited ("HKIT"), being the trustee of the discretionary trust set up by Mr. Michael YING Lee Yuen on January 9, 2006 and other discretionary trusts, was directly interested or deemed to be interested in an aggregate of 106,322,752 shares. HKIT was also deemed to be interested in 106,208,352 shares held by Great View International Limited, a wholly-owned subsidiary of YET Holdings Limited, 100% controlled by HKIT.

Save as aforesaid and as disclosed in the "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" section of this report, the Company has not been notified by any person who had interest or short position in the shares or underlying shares of the Company as at December 31, 2008 which were required to be notified to the Company pursuant to Part XV of the SFO or which are recorded in the register required to be kept by the Company under Section 336 of the SFO.

## 06 OTHER INFORMATION

### INTERIM DIVIDEND

The Board of Directors has declared an interim dividend for the six months ended December 31, 2008 of HK\$0.80 per share (FY2007/2008: HK\$0.95). The dividend will be payable on or about April 8, 2009 to the shareholders whose names appear on the Registers of Members of the Company at close of business on March 31, 2009 (the "Shareholders"). The relevant dividend warrants will be despatched to the Shareholders on or about April 7, 2009.

### CLOSURE OF REGISTERS OF MEMBERS

The Registers of Members of the Company will be closed from April 1, 2009 to April 2, 2009, 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 p.m. on March 31, 2009.

### AUDIT COMMITTEE

The Audit Committee comprises five Non-executive Directors, four 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 for the six months ended December 31, 2008 with the management.

### HUMAN RESOURCES

As at December 31, 2008, the Group employed over 11,100 full-time equivalent staff (December 31, 2007: 10,400) 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

The Company has purchased a total of 2,615,500 shares on the Stock Exchange during the six months ended December 31, 2008 and the aggregate consideration paid was HK\$203,345,307.50.

Save as disclosed above, 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 complied with the code provisions of Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended December 31, 2008, with the deviations as stated below:

Under the code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Heinz Jürgen KROGNER-KORNALIK, Group CEO, was unanimously elected by the Board as Chairman on December 5, 2006. The dual role arrangement is considered to be appropriate by the Board at the current stage of development of the Company and will be reviewed periodically.

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.

## 06 OTHER INFORMATION

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

The Company has made specific enquiry with all Directors and all of them confirmed that they have complied with the required standard set out in the Model Code for the six months ended December 31, 2008.

### TERMS OF REFERENCE

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

On behalf of the Board

**ESPRIT HOLDINGS LIMITED**  
**Heinz Jürgen KROGNER-KORNALIK**  
*Chairman*

Hong Kong, February 4, 2009





# 07 INVESTOR INFORMATION

## 07 INVESTOR INFORMATION

### EXECUTIVE DIRECTORS

HEINZ JÜRGEN **KROGNER-KORNALIK** (Chairman)  
**CHEW** FOOK AUN  
THOMAS JOHANNES **GROTE**

### NON-EXECUTIVE DIRECTOR

JÜRGEN ALFRED RUDOLF **FRIEDRICH**

### INDEPENDENT NON-EXECUTIVE DIRECTORS

PAUL **CHENG** MING FUN (Deputy Chairman)  
ALEXANDER REID **HAMILTON**  
DR. HANS-JOACHIM **KÖRBER**  
RAYMOND **OR** CHING FAI  
FRANCESCO **TRAPANI**

### COMPANY SECRETARY

BELLA **CHHOA** PECK LIM

### FINANCIAL CALENDAR

Book close	April 1, – April 2, 2009
Payment of interim dividend	on or about April 8, 2009
Financial year end	June 30, 2009

### SHAREHOLDERS ENQUIRIES

For enquiries about share transfer and registration, please contact the Company's branch share registrar in Hong Kong:

Tricor Secretaries Limited  
26/F, Tesbury Centre  
28 Queen's Road East  
Wanchai  
Hong Kong  
**t** +852 2980 1333  
**f** +852 2810 8185

### INVESTOR INFORMATION

For enquiries from investors and securities analysts, please contact:

Investor Relations Department  
Esprit Holdings Limited  
43/F, Enterprise Square Three  
39 Wang Chiu Road, Kowloon Bay  
Kowloon, Hong Kong  
**e** esprit-ir@esprit.com

Contact person:

PATRICK **LAU** YIU PONG  
**t** +852 2765 4232  
**f** +852 2362 5576  
**e** patrick.lau@esprit.com

### WEBSITE

[www.espritholdings.com](http://www.espritholdings.com)

### HONG KONG HEAD OFFICE

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39 Wang Chiu Road, Kowloon Bay  
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**t** +852 2765 4321  
**f** +852 2362 5576

### GLOBAL BUSINESS HEADQUARTERS

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

### SHARE LISTING

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

[www.espritholdings.com](http://www.espritholdings.com)