

HONG KONG STOCK CODE 00330

INTERIM REPORT

ESPRIT HOLDINGS LIMITED
SIX MONTHS ENDED
31 DECEMBER 2015

ESPRIT





A great man and true visionary has left us.
We deeply appreciate and respect his pioneering work
to build up Esprit - and his inimitable passion for this planet.

Rest in Peace.

Doug Tompkins

Esprit Founder and Force of Nature
* 20 March 1943 † 8 December 2015

Doug Tompkins – Esprit Founder and Force of Nature

Esprit is an attitude, not an age

There are not enough labels to capture the life and devotion of Douglas–Doug–Tompkins: “conservationist, outdoorsman, philanthropist, agriculturalist, businessman, Esprit co-founder ...”. In 1968, together with his wife at that time, Susie Buell, the couple embarked on a journey and brought forth a company, that breathes in their San Francisco spirit still today. Its basis: creativity and responsibility for society and environment, fused with sunny California. “Esprit is an attitude, not an age” – Doug’s saying is leading the way.



DOUG & SUSIE 1985

Chronicle /Gary Fong 1985

Starting by selling dresses designed at the kitchen table out of the back of a VW bus to the rise as one of the hottest brands of the era, Doug turned Esprit into a globally successful company. The all-encompassing design principles that Doug had created for the brand still shine through, as leading industry examples and inspiration for the good feel spirit that Esprit embraces until today.



DOUG & ESPRIT TEAM 1985

When Doug left Esprit in 1989, he continued his environmental efforts and turned his passion towards biodiversity promotion through wildlife recovery and ecological agriculture in Chile. He never lost connection with Esprit and his legacy will be upheld with deep gratitude and remembrance.



Corporate information

Chairman

- Raymond OR Ching Fai
Independent Non-executive Director

Deputy Chairman

- Paul CHENG Ming Fun
Independent Non-executive Director

Executive Directors

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

Non-executive Director

- Jürgen Alfred Rudolf FRIEDRICH

Independent Non-executive Directors

- José María CASTELLANO RIOS
- Alexander Reid HAMILTON
- Carmelo LEE Ka Sze
- Norbert Adolf PLATT

Company Secretary

- Florence NG Wai Yin

Principal bankers

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

Auditor

- PricewaterhouseCoopers
Certified Public Accountants

Principal legal advisor

- Baker & McKenzie
- Freshfields Bruckhaus Deringer

Share listing

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

Stock code

- SEHK : 00330
- ADR : ESPGY

Principal share registrar

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

Hong Kong branch share registrar

Tricor Secretaries Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Registered office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Hong Kong headquarters

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39 Wang Chiu Road
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Global business headquarters

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Corporate profile

Founded in 1968, Esprit is an international fashion brand that pays homage to its roots and expresses a relaxed, sunny Californian attitude towards life. Esprit creates inspiring collections for women, men and kids made from high-quality materials paying great attention to detail. All of Esprit's products demonstrate the Group's commitment to make consumers "feel good to look good". The Company's "esprit de corps" reflects a positive and caring attitude towards life that embraces community, family and friends - in that casual, laid-back California style. The Esprit style.

Esprit's collections are available in around 40 countries worldwide, in around 870 directly managed retail stores and through over 7,500 wholesale points of sales including franchise stores and sales space in department stores. The Group markets its products under two brands, namely the Esprit brand and the edc brand. Listed on The Hong Kong Stock Exchange since 1993, Esprit has headquarters in Germany and Hong Kong.





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01 Highlights

• Financially, Group performance was largely in line with expectation

- Group turnover flat year-on-year (-0.4% in LCY), against a year-on-year reduction of -8.0% in total controlled space:
 - Positive retail turnover growth (+6.0% in LCY)
 - Wholesale turnover decline (-11.4% in LCY)
- Gross Profit Margin maintained stable at 50.5%
- OPEX increased by +5.1% year-on-year in LCY primarily due to an exceptional net inventory provision write-back last year and the planned spending in Brand Marketing campaigns
- Net loss of HK\$238 million, in line with market expectation
- Healthy net cash position of HK\$4.2 billion with zero debt

• Positive progress in the key pillars of our strategic plan

- Vertical Model - improved products in terms of design, quality and value-for-money driving comparable retail stores sales growth of +8.0% in LCY, mainly fueled by our largest product divisions (i.e. women)
- Omnichannel Model - first initiatives driving rapid growth in all related indicators: number of loyal consumers, share of multichannel consumers, online sales, share of mobile sales, etc.
- Positive performance during the first season of the new Brand Marketing campaign: #ImPerfect

Turnover

Group turnover (HK\$ million) 9,315 ▼ 13.1% in HKD terms ▼ 0.4% in LCY	Retail turnover (HK\$ million) 6,260 ▼ 6.9% in HKD terms ▲ 6.0% in LCY	Wholesale turnover (HK\$ million) 2,981 ▼ 23.9% in HKD terms ▼ 11.4% in LCY
Total controlled space (Sqm) (retail & wholesale combined) 719,755 ▼ 8.0%	Retail controlled space (Sqm) 317,378 ▼ 4.9%	Wholesale controlled space (Sqm) 402,377 ▼ 10.3%
Gross profit (HK\$ million) 4,700 ▼ 13.1% in HKD terms	LBIT (HK\$ million) 247 (2014: EBIT of HK\$37 million)	Net loss (HK\$ million) 238 (2014: net profit of HK\$47 million)
Gross profit margin (%) 50.5% flat in HKD terms		

▲/▼ year-on-year change

Turnover by product division

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

WOMEN

women casual

2,865 // 30.8% // 5.0%

women collection

1,124 // 12.1% // 1.2%

trend

227 // 2.4% // -5.9%

MEN

men casual

1,046 // 11.2% // -6.9%

men collection

235 // 2.5% // -14.4%

edc

edc women

1,619 // 17.4% // 0.7%

edc men

437 // 4.7% // -1.4%

edc others ^

111 // 1.2% // -7.5%

OTHERS

accessories

445 // 4.8% // -2.7%

bodywear

380 // 4.1% // 8.1%

shoes

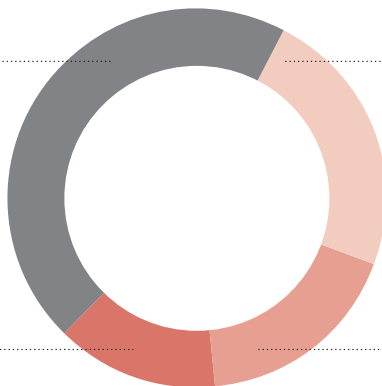
317 // 3.4% // 0.3%

kids

272 // 2.9% // -13.6%

others *

237 // 2.5% // -10.6%



The Trend Division was set up as a laboratory to test our fast-to-market product development processes. The lessons we have learned have been applied to other product divisions under the Women segment, hence it is more meaningful to interpret the combined performance of these product divisions

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

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

Turnover by distribution channel

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

RETAIL

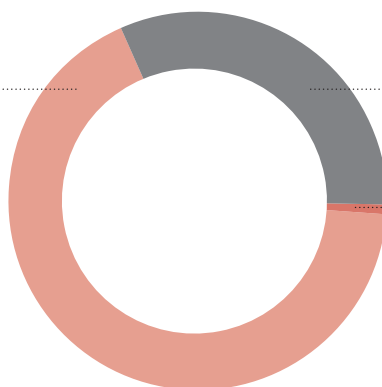
6,260 // 67.2% // 6.0%

WHOLESALE

2,981 // 32.0% // -11.4%

LICENSING AND OTHERS

74 // 0.8% // -3.9%



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

Turnover by country

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



■ NORTH AMERICA

United States **

62 // 0.7% // -6.2%

■ EUROPE

Germany *-

4,444 // 47.7% // 1.5%

Rest of Europe

3,384 // 36.3% // -0.5%

Benelux *

1,115 // 12.0% // -4.4%

France

602 // 6.5% // 2.2%

Switzerland

506 // 5.4% // 0.0%

Austria

436 // 4.7% // 2.2%

Scandinavia

320 // 3.4% // -4.5%

Spain

109 // 1.2% // 12.7%

United Kingdom

85 // 0.9% // -23.7%

Italy

68 // 0.7% // 5.7%

Ireland

4 // 0.0% // 11.1%

Portugal

1 // 0.0% // -86.3%

Others

138 // 1.5% // 39.4%

■ ASIA PACIFIC

China

655 // 7.0% // -11.6%

Hong Kong

185 // 2.0% // -0.4%

Australia and New Zealand

162 // 1.7% // 0.3%

Singapore

129 // 1.4% // -4.7%

Taiwan

98 // 1.1% // 6.5%

Malaysia

97 // 1.0% // -2.7%

Macau

56 // 0.6% // -12.7%

Others @

43 // 0.5% // 6.2%

Country as a whole includes retail, wholesale and licensing operations

** Turnover from the United States represents third party licensing income that mainly comes from Asia Pacific and the Rest of Europe

* Includes licensing

** Since FY15/16, our German wholesale operation team has taken over the management of the wholesale business in other European countries, mainly Bosnia-Herzegovina, Romania and Bulgaria. As a consequence, for the six months ended 31 December 2015, wholesale sales to these European countries have been re-grouped from Others under Rest of Europe to Germany. Comparative figures have been restated accordingly

Others under Rest of Europe include wholesale sales to other countries mainly Chile, Colombia, and the Middle East

@ Others under Asia Pacific include wholesale sales to other countries mainly Thailand, and the Philippines







02
AT A GLANCE

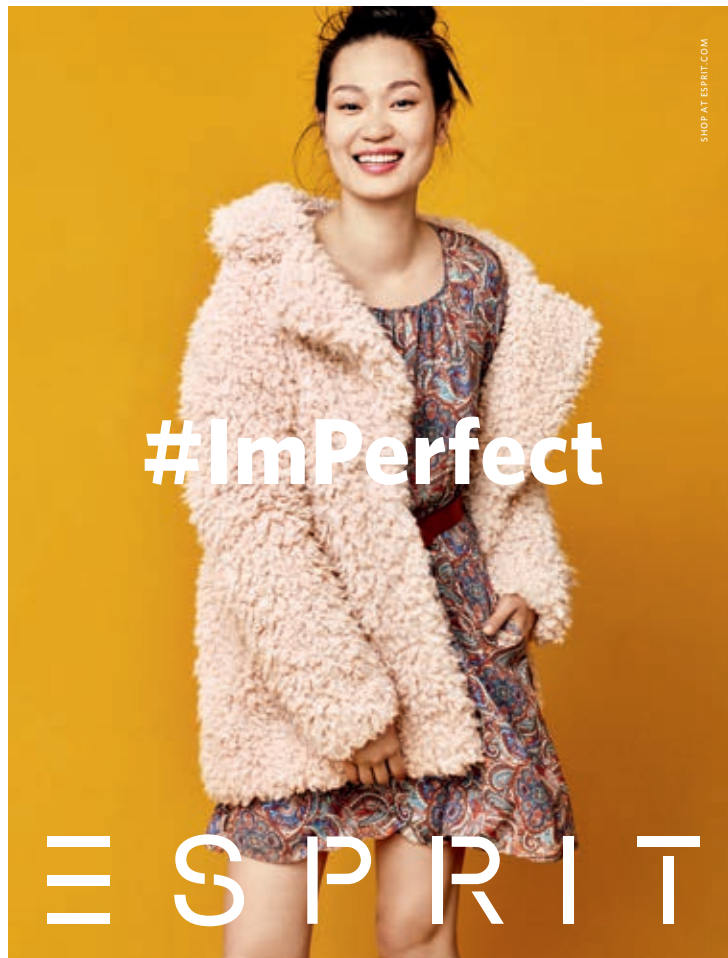
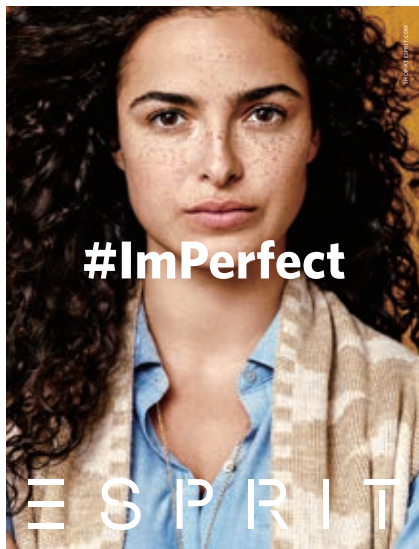
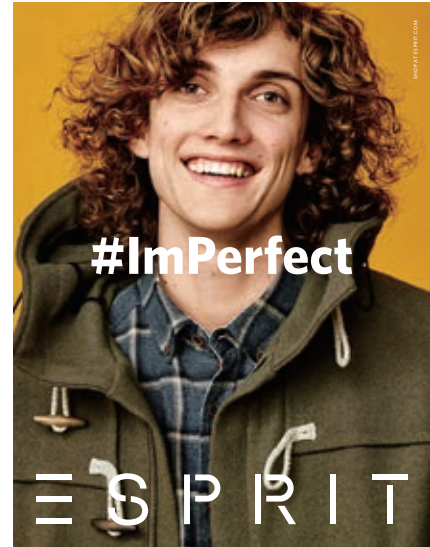


Fall 2015 Campaign

#ImPerfect – Celebrating the perfect “You”

For Fall/Winter 2015, Esprit continued the successful #ImPerfect campaign, once again using the #ImPerfect hashtag and a lively and diverse cast of unique-looking characters in TV commercials, print, online and out-of-home formats from September through December 2015.

The campaign message is a reflection of the brand’s core philosophy, aiming to empower the individual to love all those little imperfections and different ways of being, qualities which render each of us perfect in our own right. It is an invitation to experiment with fashion, to celebrate and embrace who we are, rather than strive to be like everyone else. With its simplicity and double meaning, the campaign allows viewers to make up their own minds concerning what #ImPerfect means to them. Esprit is thus once again intensifying its marketing efforts.



TV COMMERCIALS



We are extremely pleased to see the success of an unique campaign that reconnects to the roots of Esprit and the early days of the brand, reinstating the empowerment, the passion for a cause and the human spirit that has always been in our DNA. Through exploring the campaign message further for Fall/Winter 2015, it will continue to resonate with today's younger generation in a distinctive and authentic way.



SELFIE TOOL AT ESPRIT.COM

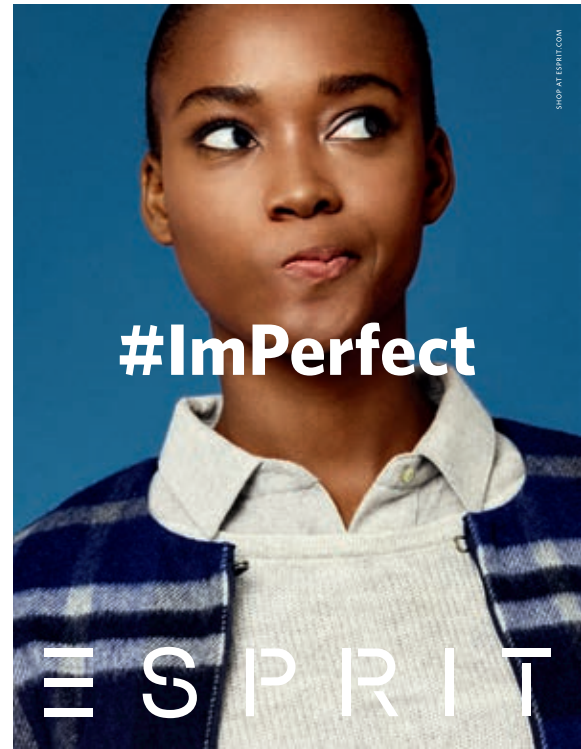
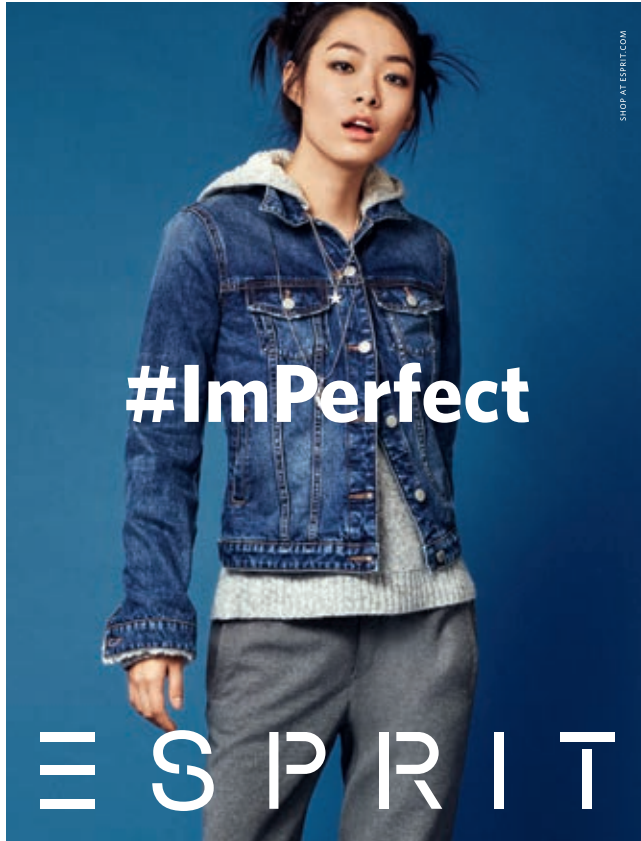


MAGAZINE ADVERTISING

Winter 2015 Campaign

Art direction

The photography continued in the visual language of the previous season, shooting the winter collection against a rich blue backdrop. Energy and strong expressions are defining the overall art direction, celebrating imperfections in a positive, confident manner.

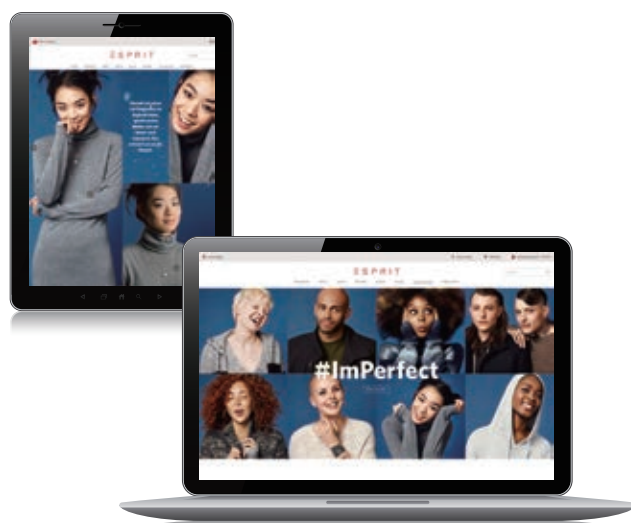


CAMPAIGN IMAGERY



TV concept

Esprit embraced the spirit of the holiday season, as a cast of 15 came together to perform a well-known Christmas tune. The TV commercials open to the first musical phrase of the iconic “Jingle Bells” to establish the tune with “Jingle all the way...”, Esprit seasonal claim, used on in-store materials and to promote the gift-giving marketing efforts.

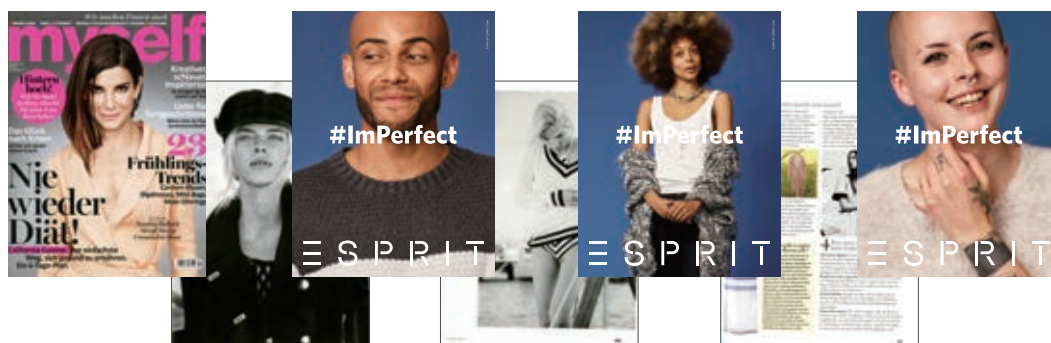


esprit.com

Bespoke campaign imagery was used on the Esprit website, reinforcing the omnichannel approach of all efforts and highlighting seasonal key pieces to drive online sales.

Magazine Advertising

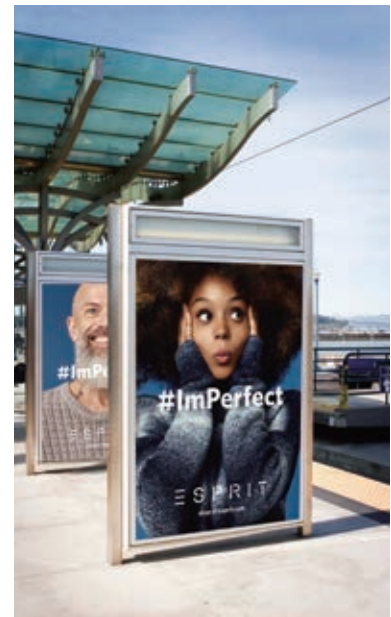
The print campaign was featured in a combination of key PR magazines and broad reach titles for the German market. It consisted of three consecutive single pages, displayed in several variations.



Esprit Stores and Out of Home Media

Store takeover and strong inner-city presence

To further strengthen the campaign statement and maximize impact, Esprit set a powerful visual statement by leveraging the brand's own out-of-home space of 24 stores in major European cities and covering the facades and windows with campaign imagery. The out-of-home activation of the campaign was complemented by large-format advertising on billboards, hoardings as well as digital screens on key locations in several German cities.



FACADES, BILLBOARDS, POSTERS & HOARDINGS

Social Media

Facebook



+81%*
monthly fan growth

53%*
of new fans are women between 25-35

Instagram



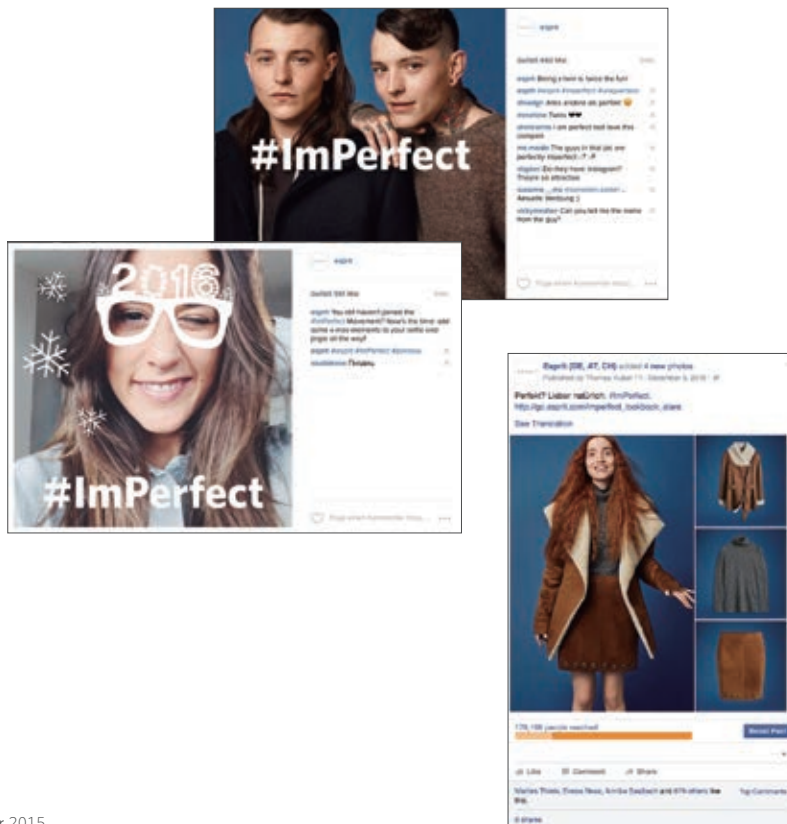
+168%*
monthly fan growth

Engagement rate

x19*
on Esprit Social Channels



SELFIE TOOL AT ESPRIT.COM



* Social Media data for campaign period from 29 August to 13 December 2015



#ImPerfect PANEL DISCUSSION



Fashion PR

Blogger Event

On 29 October 2015, Esprit welcomed 40 national and international bloggers, stylists and journalists to the Bauakademie in Berlin for an exclusive #ImPerfect Esprit Panel Discussion inspired by the Esprit Fall/Winter 2015 campaign.



Key speakers from the fashion industry including Dr. Mahret Kupka (freelance lecturer and curator for fashion, bodies and performance), Hadley Hudson (fashion photographer), Melissa Drier (journalist), Laura Laine (fashion illustrator), Antje Winter (fashion stylist) and Katie Sturino (founder of the blog 'The 12ish Style') raised questions around the idea of perfection and imperfection, ultimately celebrating the idea of individualism.

Post panel discussion, guests were invited to discover the new Esprit Fall/Winter 2015 collection. Different perspectives of the contemporary idea of perfection in fashion and beauty were discussed vividly amongst an array of German social influencers including Tanja Trutschnig (Blogger Bazaar), Lori Afia (Fabeau Trends), Dustin Hanke (Shiggers on Street), Anne-Kathrin Liebknecht (Modeschopf) and Amandine Hach (Les Berlinettes). Additionally, European social influencers in attendance included Ester Maria Bellón from Spain (Mi amario en ruinas), Yara Michels from Netherlands (Chapter Friday), Annabel Pesant from Belgium (Annabel Pesant), Edisa Shahini from Austria (Disicouture) and Vanja Wikström from Sweden (Modette/GlamMom).

The event generated 55 clippings on websites and a total digital reach of over 31 million on social media platforms.



BAUAKADEMIE BERLIN



Social Influencer Collaborations

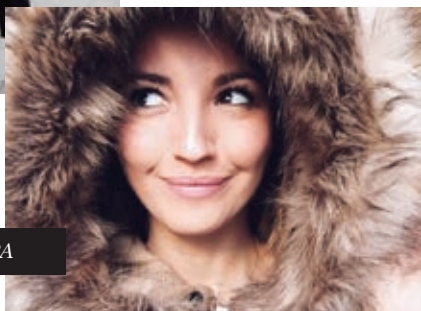
In 2015, Esprit continued to increase the visibility and viral presence of the brand through influencer relations. Word of mouth marketing was achieved via influencers that were selected for project specific purposes based on their character, imagery, audience, reach or engagement. The seasonal editorials created by digital influencers on platforms such as blogs or Instagram showcased key PR styles. The coverage on social media platforms increased brand awareness and product exposure, thus strengthening Esprit's credibility as a lifestyle brand. Social influencers shared content on their websites and social media channels and in turn, Esprit featured key content on its own platforms.

MAJA WYH



CAROLINE BLOMST

LOVELY PEPA



Esprit and international fashion media

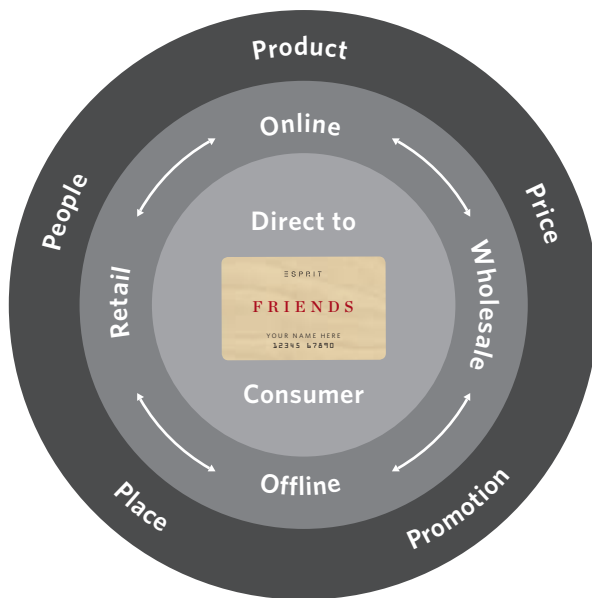
Esprit's international PR and social media network ensured continuous exposure of selected collections' key styles in international fashion editorials - both print and online - throughout the seasons. Here are just a few examples of the high quality media coverage that were generated in the first half of FY 15/16.



Omnichannel Model

Positive launch of new commercial strategy

In order to maximize the selling potential of the improved products, the Group started to develop a more ambitious commercial strategy that aims to optimize the joint performance of all sales channels: offline and online, retail and wholesale – the “Omnichannel Model”.



We are in the early stage of executing our Omnichannel Model, which comprises a myriad of improvements structured along two major goals:

- i) growing and optimizing the management of our loyal customer base “Esprit Friends”, and
- ii) fully integrating the commercial activities of all our sales channels: online and offline, retail and wholesale.

This approach leverages key competitive advantages of Esprit – broad base of loyal consumers, strong CRM capabilities, state of the art e-commerce competence, ability to operate across multiple channels. We expect it to be instrumental in facilitating our growth in the short and the medium term.

In the six months period of the first half of FY15/16, we are particularly encouraged by the following developments:

New recruitment program across all channels
+23% year-on-year growth of active Esprit Friends members (i.e. members of the program who have purchased in the last 12 months)

Strengthened commercial plan focused on loyal consumers
Increasing share of Esprit Friends on retail net sales up to 70%

Cross-channel activation initiatives
+ 11% of Esprit Friends becoming multichannel (i.e. buying both offline and online)

New online incentive scheme for Wholesale
90% of wholesale partners offered to join our Omnichannel Model already signed up for an incentive scheme that will fully integrate them into the “Esprit Friends” program, Esprit’s Commercial Plan and the business of our e-shop “esprit.com”



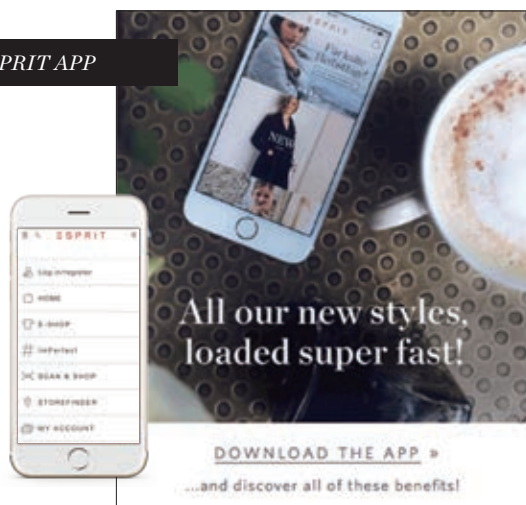
ESPRIT FRIENDS



STORE & e-SHOP



ESPRIT APP



New mobile / app with enhanced features
Increase to 49% share of mobile traffic within the total e-shop traffic and +92% year-on-year growth of smartphone sales

Omnichannel organization in place
Omnichannel organization in place for Planning, Merchandising, Marketing and Operations





03 Management discussion and analysis

As discussed in our last Annual Report, the Group underwent the most demanding phase of our strategic plan in the previous financial year, when we started the implementation of a vertically integrated business model within Esprit ("Vertical Model"). As a result, more cost efficient product development and supply chain processes are now allowing the Group to develop improved products in terms of design, quality, and value-for-money ("Vertical Products"). Additionally, in order to maximize the selling potential of the improved products, the Group started to develop a more ambitious commercial strategy that aims to optimize the joint performance of all sales channels: offline and online, retail and wholesale (the "Omnichannel Model"). Finally, since September 2015, we have been deploying an intensive brand marketing campaign to strengthen and rejuvenate our brand image.

The performance during the first six months of this financial year (between July and December 2015) gives us confidence that the implementation of our Vertical and Omnichannel model is an effective basis to turnaround our business. Since the introduction of the first Vertical Products in Spring/Summer 2015, we have been observing positive trends in our retail sales performance. Similarly, since the implementation of the first Omnichannel initiatives, we have observed a positive development of most of the key related indicators, including the number of loyal consumers, online sales, mobile sales, etc.

Driving these productivity gains further (i.e. increasing sales per square meter of our controlled space) remains our top priority in the near term. Consequently, our main focus during the coming months will still be on systematically enhancing the execution of our Vertical and Omnichannel model. This is the key foundation on which we are preparing the Group for profitable growth in the near future.

Vertical Model – Key strategic product initiative starting to bear fruit

Over the past two years, management have devoted most of their time and efforts to design and implement a new way of working in all the areas related to products, our Vertical Model, in order to produce more competitive collections because we were and still are certain that product improvement is the key imperative to make Esprit successful again.

In this respect, the sales performance of the new Vertical Products is fundamental for our strategy. We assess such performance in terms of retail sales because our retail stores and e-shop provide the best measurement of product success amongst end consumers.

During the period under review, the positive development of our retail sales has confirmed the positive momentum of the latter part of last financial year. More specifically, in the first half of this financial year ("1H FY15/16"):

- Retail turnover (67.2% of the Group's turnover), grew +6.0% year-on-year in local currency, despite a year-on-year reduction in retail net sales area of -4.9%, fueled by comparable store sales growth of +8.0% in local currency

- Retail sales in all Europe grew +8.6% year-on-year in local currency, with comparable store sales growth of +8.3% in local currency

- In Germany, the Group's largest market, our comparable full-price brick and mortar stores* outperformed the market every month between July and December 2015 by an average of +10.2 percentage points (based on the comparable market data published by TextilWirtschaft)

* This group of stores is selected because it is the type of stores used by TextilWirtschaft to show the German retail market development.

- From a product perspective, growth was driven by the women divisions (including Esprit and edc branded products), which reported retail turnover growth of +9.7% year-on-year in local currency, with comparable store sales growth of +11.9% in local currency

The positive retail sales development in Europe was, unfortunately, offset by i) the continued weakness in the wholesale channel and ii) the negative development of the Asia Pacific region. Both of which remain challenging areas of our business.

Wholesale partners are starting to benefit from our improved products but we continue to see significant pressure on this channel across all the countries, with many players suffering from declining traffic and financial difficulties. The Group Wholesale turnover recorded a year-on-year decline of -11.4%, in local currency in 1H FY15/16, broadly in line with the corresponding reduction in controlled wholesale space of -10.3% year-on-year. It is worth noting that:

- The year-on-year reduction in controlled wholesale space of -10.3% was largely a carried forward effect from the last financial year, when our controlled wholesale space year-on-year declined by -14.2%
- The reduction in wholesale controlled space has slowed down to a smaller degree of -4.0% for the six months of 1H FY15/16 as compared to -8.1% for the same period last year, although we have no certainty that the pace of decline will continue to be smoother in the coming months

With respect to Asia Pacific, the region was adversely impacted by the challenging operating environment. The volatility in financial markets and the economic slowdown in China significantly dampened consumer sentiment and reduced consumers' traffic flow in retail destinations. As a consequence, the market has also been highly promotional. Turnover in the region reported a -6.0% decline year-on-year in local currency, mainly dragged down by China, which reported -11.6% year-on-year turnover decline in local currency and -20.0% year-on-year reduction of controlled space.

Omnichannel Model – Positive launch of new commercial strategy

As mentioned in previous reports of the Group, we consider that the production of more competitive collections will not suffice. Hence, it must be accompanied by enhanced channels performance, which we are aiming to achieve by establishing a new Omnichannel Model for Esprit.

We are in the early stage of developing that Omnichannel Model, which comprises a vast myriad of improvements structured along two major goals: i) growing and optimizing management of our loyal customer base “Esprit Friends”, and ii) fully integrating the commercial activities of all our sales channels: online and offline, retail and wholesale. This approach leverages key competitive advantages of Esprit (e.g. broad base of loyal consumers, strong CRM capabilities, best in class ecommerce competence, ability to operate across multiple channels, etc.) and we expect it to be instrumental in facilitating our growth in the short and the medium term.

In the six months period of 1H FY15/16, we are particularly encouraged by the following developments:

- +23% year-on-year growth of active Esprit Friends members (i.e. members of the program who have purchased in the last 12 months)
- +11% of Esprit Friends becoming multichannel (i.e. buying both offline and online)
- 90% of wholesale partners offered to join our Omnichannel Model already signed up for an incentive scheme that will fully integrate them into the “Esprit Friends” program, Esprit’s Commercial Plan and the business of our e-shop “esprit.com”
- Increase to 49% share of mobile traffic within the total e-shop traffic and +92% year-on-year growth of smartphone sales

Preparing the Company for future growth

While the Vertical and Omnichannel model is the basis for a successful operation, management is already working on additional initiatives to accelerate both top line and bottom line improvement over the coming years. The three most important additional work streams are the following:

Brand Marketing: Following our decision to step up our brand marketing efforts, we have raised the “boldness” of our campaigns and increased our marketing spend. As a first step, we launched the “#ImPerfect” campaign in Germany during Autumn/Winter 2015, with a louder and younger concept, as compared to our previous campaigns, and a stronger focus on digital media. The campaign worked well in terms of visibility and brand appreciation and it likely contributed to the positive development of our retail sales in Germany. The #ImPerfect campaign will continue in Spring/Summer 2016.

Cost Restructuring: In the very short term, we will continue to see the closure of unprofitable spaces from our retail stores network and our wholesale partners’ points of sales. We aim to offset this loss of selling areas with improvements in productivity and the Group turnover may remain a stable, or even be reduced, depending on the speed of the closures. This downsizing of our footprint is a true “must” in order to count on a distribution network that can be turned profitable.

In parallel with this development, management is implementing a plan to significantly restructure the cost base of the Group. While cost saving efforts in previous years helped reduce the operating expenses (“OPEX”) of the existing operation, we are now pursuing opportunities to drastically change the structural aspects of the Group (e.g. legal entities, IT systems, business models, core operational processes, etc.) so that the OPEX can be brought down to a much lower level. Implementation of multiple measures is already underway, while others are still under scrutiny. We expect savings to start happening already in the second half of the financial year (“2H FY15/16”) but the full impact will take effect over the next 2-3 years. The leaner cost base resulting from both, closure of loss-making distribution and implementation of structural cost cutting measures, must be a major contribution to improve the Group’s profitability in the short and the medium term.

Expansion Plan: Until the Company reaches a sustainable level of sales productivity and business profitability, Expansion will not be a top priority. Still the Group is taking action when the opportunity exists to build additional business in attractive markets and with the right partnership. In December 2015, the Group announced a strategic partnership with Canadian distributor Freemark Apparel Brands to enter the Canadian market (first door expected to open in Spring 2016). We consider a successful return to the Canadian market pivotal to our eventual return to the U.S. market in the future.

03.1 Revenue analysis

For the six months ended 31 December 2015, Group turnover amounted to HK\$9,315 million (1H FY14/15: HK\$10,716 million), almost flat year-on-year in local currency with a marginal decline of -0.4%. This compares favorably against the corresponding year-on-year reduction in total controlled space of -8.0%, reflecting an important gain in space productivity. This interim top line performance also represents a substantial improvement after the previous four consecutive interim first half periods of significant year-on-year turnover declines in local currency (-13.2%, -9.3%, -13.4% and -10.0% in FY14/15, FY13/14, FY12/13 and FY11/12 respectively). Due to unfavorable currency impact resulting from the year-on-year depreciation of the EUR/HKD average exchange rate of -14.3%, the year-on-year decline in Group turnover was -13.1% in Hong Kong Dollar terms.

From a quarterly perspective, the Group reported a year-on-year decline in turnover of -0.4% in local currency in both the three months ended 30 September 2015 (the “First Quarter”) and the three months ended 31 December 2015 (the “Second Quarter”). As disclosed in our FY15/16 First Quarter update, the sales performance in the First Quarter compared favorably against the corresponding reduction in total controlled space of -7.6%. This favorable development was mainly driven by the positive retail sales growth (online and offline), particularly in Europe, which reflects improved product performance, as well as improved marketing and channel operations. While the wholesale business remained challenging, its top line performance was largely in line with space development.

In the Second Quarter (2Q FY15/16), we recorded retail sales growth of +3.5% year-on-year in local currency (as compared to +9.1% in the First Quarter). The relatively softer retail sales growth in the Second Quarter was due to accelerated store closures (retail net sales area was reduced by -4.9% year-on-year for the Second Quarter as compared to -1.3% year-on-year in the First Quarter) and the unseasonably warm weather in Europe during the months of November and December 2015. Fortunately, the softer retail sales performance was compensated by the relative improvement in sales performance of the wholesale channel. Although the Wholesale business continues to face ongoing market pressure, the decline in Wholesale turnover narrowed in the Second Quarter to -9.9% year-on-year in local currency (as compared to -12.3% in the First Quarter).

In summary, from a channels perspective, top line improvement was driven by the positive retail sales growth, whilst our wholesale business remains challenging. From a geographic market point of view, the positive evolution is more evident in Europe, whilst our business in Asia Pacific faces more challenges. Details of our overall performances are presented by product division, by region and by distribution channel in the following sections.

Turnover by product division

The Group markets its products under two brands, namely the Esprit brand and edc brand. In 1H FY15/16, turnover of Esprit branded products accounted for 76.7% (1H FY14/15: 76.8%) and edc branded products 23.3% (1H FY14/15: 23.2%) of the Group total turnover respectively.

Turnover by product division						
For the 6 months ended 31 December						
Product divisions	2015		2014		Change in %	
	HK\$ million	% to Group Turnover	HK\$ million	% to Group Turnover	HK\$	Local currency
women	4,216	45.3%	4,682	43.7%	-10.0%	3.3%
women casual	2,865	30.8%	3,129	29.2%	-8.4%	5.0%
women collection	1,124	12.1%	1,274	11.9%	-11.9%	1.2%
trend #	227	2.4%	279	2.6%	-18.4%	-5.9%
men	1,281	13.7%	1,585	14.8%	-19.2%	-8.4%
men casual	1,046	11.2%	1,273	11.9%	-17.8%	-6.9%
men collection	235	2.5%	312	2.9%	-24.7%	-14.4%
others	1,651	17.7%	1,958	18.3%	-15.7%	-3.1%
accessories	445	4.8%	522	4.9%	-14.6%	-2.7%
bodywear	380	4.1%	409	3.8%	-7.1%	8.1%
shoes	317	3.4%	369	3.5%	-14.1%	0.3%
kids	272	2.9%	365	3.4%	-25.4%	-13.6%
others *	237	2.5%	293	2.7%	-19.2%	-10.6%
Esprit total	7,148	76.7%	8,225	76.8%	-13.1%	-0.5%
edc women	1,619	17.4%	1,846	17.2%	-12.3%	0.7%
edc men	437	4.7%	506	4.7%	-13.6%	-1.4%
edc others ^	111	1.2%	139	1.3%	-20.0%	-7.5%
edc total	2,167	23.3%	2,491	23.2%	-13.0%	-0.2%
Group Total	9,315	100.0%	10,716	100.0%	-13.1%	-0.4%

The Trend Division was set up as a laboratory to test our fast-to-market product development processes. The lessons we have learned have been applied to other product divisions under the Women segment, hence it is more meaningful to interpret the combined performance of these product divisions

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

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

As mentioned in the previous section, we are observing better sales performance as the benefits of the Vertical and Omnichannel model continue to surface. The improvement in top line concentrated mainly in the Women divisions of Esprit and edc. Although Men's products (including Esprit Men and edc Men) and the remaining product divisions are tracking behind, they also reported improved performance as compared to the same period last year.

Esprit Women is the Group's largest product division. Due to its size and strategic importance, it has been our key focus and the first one to fully adopt the Vertical Model. We are thus very encouraged by the much improved performance of Esprit Women, which recorded +3.3% year-on-year growth in turnover in local currency. This improvement is even more promising in the retail channel, where Esprit Women recorded turnover growth of +9.2% year-on-year in local currency.

edc Women, where the Vertical Model was rolled out at a later stage, is also seeing positive sales growth. Turnover of the edc Women business grew more discreetly, +0.7% year-on-year in local currency but, similar to Esprit Women, the improvement was much stronger in the Retail channel where edc Women recorded a turnover growth of +11.1% year-on-year in local currency.

Esprit Men and edc Men remain to be a challenge and reported year-on-year decline in turnover, although the rates of decline have narrowed to -8.4% and -1.4% in local currency, as compared to -16.4% and -4.9% in the same period last year respectively. These product divisions have yet to fully benefit from the Vertical Model. Management is already devoting renewed efforts to strengthening the Men divisions teams.

Others product groups under the Esprit brand mainly include accessories, bodywear, shoes and kids, which collectively accounted for 17.7% of the Group turnover during the period. This product group was able to deliver a relatively stable top line performance with the rate of turnover decline narrowing to -3.1% year-on-year in local currency. This development was mainly driven by the positive growth of bodywear (+8.1% year-on-year in local currency) and shoes (+0.3% year-on-year in local currency). As for the Kids division, its turnover decline was due to our decision to wind down its operation in preparation for our partnership with Groupe Zannier under a license agreement. This partnership is designed to rebuild a relevant scale of this product group mostly in the European markets and its full implementation has begun in January 2016, with Autumn/Winter 2016 being its first collection.

Turnover by region

The majority of the Group's business is located in Europe and Asia Pacific. Countries in which we operate are grouped along three major regions: "Germany", "Rest of Europe" and "Asia Pacific". During 1H FY15/16, turnover from Germany, Rest of Europe and Asia Pacific represented 47.7% (1H FY14/15: 47.6%), 36.3% (1H FY14/15: 36.6%) and 15.3% (1H FY14/15: 15.2%) of the Group's turnover respectively. The remaining 0.7% (1H FY14/15: 0.6%) represents primarily third party licensing income, the majority of which comes from Asia Pacific and Rest of Europe.

Turnover by country

For the 6 months ended 31 December							
Countries #	2015		2014		Turnover change in %		Net change in net sales area ^
	HK\$ million	% to Group Turnover	HK\$ million	% to Group Turnover	HK\$	Local currency	
Germany **	4,444	47.7%	5,102	47.6%	-12.9%	1.5%	-6.3%
Rest of Europe	3,384	36.3%	3,917	36.6%	-13.6%	-0.5%	-6.4%
Benelux *	1,115	12.0%	1,362	12.7%	-18.1%	-4.4%	-6.7%
France	602	6.5%	689	6.4%	-12.6%	2.2%	-5.9%
Switzerland	506	5.4%	541	5.1%	-6.4%	0.0%	-3.1%
Austria	436	4.7%	497	4.6%	-12.2%	2.2%	-0.9%
Scandinavia	320	3.4%	394	3.7%	-18.9%	-4.5%	-19.0%
Spain	109	1.2%	113	1.1%	-3.8%	12.7%	2.9%
United Kingdom	85	0.9%	122	1.2%	-30.4%	-23.7%	-42.2%
Italy	68	0.7%	76	0.7%	-10.5%	5.7%	8.0%
Ireland	4	0.0%	4	0.0%	-5.3%	11.1%	-24.1%
Portugal	1	0.0%	4	0.0%	-88.2%	-86.3%	-93.8%
Others ##	138	1.5%	115	1.1%	19.2%	39.4%	10.0%
Asia Pacific	1,425	15.3%	1,631	15.2%	-12.6%	-6.0%	-15.1%
China	655	7.0%	765	7.1%	-14.4%	-11.6%	-20.0%
Hong Kong	185	2.0%	186	1.7%	-0.4%	-0.4%	-4.5%
Australia and New Zealand	162	1.7%	198	1.9%	-18.1%	0.3%	-12.6%
Singapore	129	1.4%	148	1.4%	-13.0%	-4.7%	-17.0%
Taiwan	98	1.1%	97	0.9%	0.3%	6.5%	2.2%
Malaysia	97	1.0%	125	1.2%	-22.7%	-2.7%	5.6%
Macau	56	0.6%	64	0.6%	-12.7%	-12.7%	-20.3%
Others @	43	0.5%	48	0.4%	-9.0%	6.2%	-19.0%
North America	62	0.7%	66	0.6%	-6.2%	-6.2%	n.a.
United States **	62	0.7%	66	0.6%	-6.2%	-6.2%	n.a.
Total	9,315	100.0%	10,716	100.0%	-13.1%	-0.4%	-8.0%

^ Net change since 1 January 2015

** Since FY15/16, our German wholesale operation team has taken over the management of the wholesale business in other European countries, mainly Bosnia-Herzegovina, Romania and Bulgaria. As a consequence, for the six months ended 31 December 2015, wholesale sales to these European countries have been re-grouped from Others under Rest of Europe to Germany. Comparative figures have been restated accordingly

Country as a whole includes retail, wholesale and licensing operations

Others under Rest of Europe include wholesale sales to other countries mainly Chile, Colombia, and the Middle East

@ Others under Asia Pacific include wholesale sales to other countries mainly Thailand and the Philippines

* Includes licensing

** Turnover from the United States represents third party licensing income that mainly comes from Asia Pacific and the Rest of Europe

n.a. Not applicable

Germany

As the largest geographic market of the Group, Germany recorded turnover of HK\$4,444 million (1H FY14/15: HK\$5,102 million) representing a year-on-year growth of +1.5% in local currency. In terms of distribution channels, retail, wholesale and licensing businesses contributed 65.4%, 34.5% and 0.1% of Germany's turnover respectively.

The table below sets forth the breakdown of turnover from Germany by distribution channels.

For the 6 months ended 31 December							
Distribution channels	2015		2014		Turnover change in %		Net change in net sales area ^
	HK\$ million	% to Total Turnover	HK\$ million	% to Total Turnover	HK\$	Local currency	
Retail #	2,906	65.4%	3,110	61.0%	-6.6%	8.6%	-2.5%
Wholesale *	1,532	34.5%	1,985	38.9%	-22.8%	-9.6%	-8.4%
Licensing and others	6	0.1%	7	0.1%	-10.2%	4.6%	n.a.
Total	4,444	100.0%	5,102	100.0%	-12.9%	1.5%	-6.3%

^ Net change since 1 January 2015

Retail sales include sales from e-shop

* Since FY15/16, our German wholesale operation team has taken over the management of the wholesale business in other European countries, mainly Bosnia-Herzegovina, Romania and Bulgaria. As a consequence, for the six months ended 31 December 2015, wholesale sales to these European countries have been re-grouped from Others under Rest of Europe to Germany. Comparative figures have been restated accordingly

n.a. Not applicable

Germany Retail turnover grew year-on-year by +8.6% in local currency notwithstanding a -2.5% year-on-year reduction in net sales area. Comparable retail store sales grew by +7.7% year-on-year in local currency, including brick-and-mortar stores and e-commerce in the region. As commented before, the turnover growth in the Second Quarter (+6.8% year-on-year in local currency) was softer than that of the First Quarter (+10.7% year-on-year in local currency) due to accelerated store closures and unseasonably warm weather in Europe during November and December 2015. Nevertheless, Esprit retail brick-and-mortar stores* in Germany continued to outperform the market by +13.7% points, +5.7% points and +8.6% points in October, November and December 2015 respectively (based on the comparable market data published by TextilWirtschaft).

* This group of stores is selected because it is the type of stores used by TextilWirtschaft to show the German retail market development

Germany Wholesale turnover declined year-on-year by -9.6% in local currency, slightly worse than the corresponding -8.4% year-on-year reduction in controlled wholesale space, which was partly due to the conversion of 11 wholesale POS in Poland into retail format in 2H FY14/15. While we continue to see reduction of the controlled wholesale space in the country, the rate of decline has narrowed to -3.7% for the six months in 1H FY15/16. Nonetheless, we continue to observe ongoing pressure in this channel across the entire industry, with many customers suffering from declining traffic and financial difficulties, and therefore, we still foresee further pressure on our controlled wholesale space in the coming years. On the other hand, we expect our wholesale partners to experience better sell through of the Vertical Products, similar to what we have seen in our own retail channel, and to gradually increase their order intake.

Rest of Europe

The Rest of Europe region includes (i) European countries except Germany; (ii) all countries in America; and (iii) the Middle East. The region recorded a turnover of HK\$3,384 million (1H FY14/15: HK\$3,917 million), almost flat year-on-year with a slight decline of -0.5% in local currency. In terms of distribution channels, retail, wholesale and licensing businesses contributed 60.5%, 39.3% and 0.2% of the region's turnover respectively.

The table below presents the breakdown of turnover from Rest of Europe by distribution channels.

For the 6 months ended 31 December							
Distribution channels	2015		2014		Turnover change in %		Net change in net sales area ^
	HK\$ million	% to Total Turnover	HK\$ million	% to Total Turnover	HK\$	Local currency	
Retail #	2,047	60.5%	2,158	55.1%	-5.1%	8.6%	-6.8%
Benelux	771	22.8%	832	21.3%	-7.4%	7.9%	-4.4%
Switzerland	437	12.9%	445	11.4%	-1.8%	5.3%	-4.3%
Austria	317	9.4%	345	8.8%	-8.0%	6.9%	-4.1%
France	293	8.7%	339	8.7%	-13.4%	0.7%	-17.5%
Sweden	59	1.8%	23	0.6%	154.6%	198.7%	-8.8%
Finland	44	1.3%	53	1.4%	-17.4%	-3.6%	-29.5%
United Kingdom	33	1.0%	60	1.5%	-44.9%	-36.7%	-84.9%
Denmark	28	0.8%	28	0.7%	-1.2%	15.0%	-
Spain	7	0.2%	5	0.1%	42.8%	65.2%	n.a.
Italy	4	0.1%	3	0.1%	38.3%	60.5%	n.a.
Ireland	1	0.0%	1	0.0%	1.1%	17.4%	n.a.
Portugal	1	0.0%	1	0.0%	15.8%	34.7%	n.a.
Norway	-	-	8	0.2%	-100.0%	-100.0%	-100.0%
Others *	52	1.5%	15	0.3%	241.0%	296.5%	n.a.
Wholesale	1,331	39.3%	1,753	44.8%	-24.1%	-11.6%	-6.2%
Benelux	338	10.0%	524	13.4%	-35.4%	-24.0%	-8.5%
France	309	9.1%	350	8.9%	-11.7%	3.6%	-0.9%
Scandinavia	189	5.6%	282	7.2%	-32.9%	-20.7%	-17.6%
Austria	119	3.5%	152	3.9%	-21.8%	-8.4%	2.9%
Spain	102	3.0%	108	2.8%	-5.8%	10.4%	2.9%
Switzerland	69	2.1%	96	2.4%	-27.7%	-24.5%	0.1%
Italy	64	1.9%	73	1.8%	-12.5%	3.4%	8.0%
United Kingdom	52	1.5%	62	1.6%	-16.5%	-11.2%	-3.2%
Ireland	3	0.1%	3	0.1%	-8.3%	8.0%	-24.1%
Portugal	-	-	3	0.1%	-100.0%	-100.0%	-93.8%
Others **	86	2.5%	100	2.6%	-14.4%	0.5%	-9.9%
Licensing and others ***	6	0.2%	6	0.1%	-4.1%	11.6%	n.a.
Total	3,384	100.0%	3,917	100.0%	-13.6%	-0.5%	-6.4%

^ Net change since 1 January 2015

** Since FY15/16, our German wholesale operation team has taken over the management of the wholesale business in other European countries, mainly Bosnia-Herzegovina, Romania and Bulgaria. As a consequence, for the six months ended 31 December 2015, wholesale sales to these European countries have been re-grouped from Others under Rest of Europe to Germany. Comparative figures have been restated accordingly

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

* "Others" retail turnover represents retail turnover from Poland, the Czech Republic, Hungary, Slovakia, Malta, Latvia, Slovenia, Estonia and Greece

** "Others" wholesale turnover represents wholesale sales to other countries mainly Chile, Colombia and the Middle East

*** Majority represents third party licensing income that comes from the United States

n.a. Not applicable

Rest of Europe Retail operations recorded a year-on-year increase in turnover of +8.6% in local currency, which compares very favorably against a -6.8% year-on-year reduction in net sales area. Comparable retail store sales in the region increased by +9.4% year-on-year in local currency, with positive offline and online growth observed across countries in the region. From a quarterly perspective, the region reported softer retail sales growth of +4.4% in local currency in 2Q FY15/16 (as compared to 1Q FY15/16: +13.6%) for the same reasons as explained for Germany.

As for the region's retail space development, the -6.8% year-on-year decline of its retail net sales area in 1H FY15/16 reflects our efforts in accelerating the closure of unprofitable retail stores.

Rest of Europe Wholesale operations recorded a -11.6% turnover decline year-on-year in local currency, which represents a negative gap as compared to the corresponding year-on-year reduction in controlled wholesale space of -6.2%, partly because special one-off returns were granted to selected partners as a support measure in view of their weak performances. Although we still foresee further losses of un-sustainable controlled space in the region in the coming years, the rate of reduction in the region's controlled wholesale space has slowed down to -2.5% for the six months of 1H FY15/16.

Asia Pacific

While we have seen signs of recovery in Europe, led by positive retail sales developments, relatively weaker performance has been observed in Asia Pacific. In 1H FY15/16, turnover in Asia Pacific amounted to HK\$1,425 million (1H FY14/15: HK\$1,631 million) representing a -6.0% year-on-year decline in local currency. The underperformance of Asia Pacific was partly attributable to a combination of unfavorable macroeconomic factors: volatility in the financial markets, the economic slowdown in China and the devaluation of Renminbi significantly dampened consumer sentiment and reduced tourist flow in the region. As a consequence, the market has been very promotionally driven, which has resulted in very high pressure on margins.

From a regional perspective, the negative performance in Asia Pacific was mostly driven by the weak performance in China, representing 46.0% of the region's turnover, where there was a year-on-year turnover decline of -11.6% in local currency. In terms of distribution channels, more than 90% of the region's turnover was generated from the retail channel while less than 10% was generated from Wholesale business, mostly from China.

The table below sets forth the breakdown of turnover from Asia Pacific by distribution channels.

For the 6 months ended 31 December							
Distribution channels	2015		2014		Turnover change in %		Net change in net sales area ^
	HK\$ million	% to Total Turnover	HK\$ million	% to Total Turnover	HK\$	Local currency	
Retail#	1,307	91.8%	1,453	89.1%	-10.0%	-3.3%	-5.9%
China	580	40.8%	635	38.9%	-8.5%	-5.6%	-5.8%
Hong Kong	185	13.0%	186	11.4%	-0.4%	-0.4%	-4.5%
Australia and New Zealand	162	11.4%	198	12.1%	-18.1%	0.3%	-12.6%
Singapore	129	9.0%	148	9.1%	-13.0%	-4.7%	-17.0%
Taiwan	98	6.9%	97	6.0%	0.3%	6.5%	2.2%
Malaysia	97	6.8%	125	7.7%	-22.7%	-2.7%	5.6%
Macau	56	3.9%	64	3.9%	-12.7%	-12.7%	-20.3%
Wholesale	118	8.2%	178	10.9%	-33.9%	-28.3%	-34.8%
China	75	5.2%	130	8.0%	-42.9%	-40.9%	-41.6%
Others *	43	3.0%	48	2.9%	-9.0%	6.2%	-19.0%
Total	1,425	100.0%	1,631	100.0%	-12.6%	-6.0%	-15.1%

^ Net change since 1 January 2015

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

* Others represent wholesale sales to other countries mainly Thailand and the Philippines

Asia Pacific Retail operations recorded a year-on-year decline in turnover of -3.3% in local currency, but this performance compares favorably against the corresponding reduction in net sales area of -5.9%. The year-on-year comparable retail store sales growth of +5.1% in local currency reported in the region was due to the combined effect of a growing e-commerce business and productivity of our stand alone stores proving better than that of our concession counters in department stores (majority of which are not part of our comparable stores group). All markets in the region experienced a similar dynamic and reported positive comparable retail store sales growth except for Malaysia, where the slump in oil prices has severely impacted the local economy. **China Retail** accounted for 44.4% of the region's retail turnover and recorded a turnover decline of -5.6% year-on-year in local currency. Sales of comparable retail stores in China grew +3.1% year-on-year in local currency, again thanks to the contribution from e-commerce, which

compensated for the very weak performance of concession counters in department stores, where we have observed continued decline in traffic and more aggressive clearance sales across the whole market (e.g. early launch of the Big Winter Sale).

As for **Asia Pacific Wholesale**, persisting market pressure on the channel led to a year-on-year turnover decline of -28.3% in local currency, driven by a year-on-year reduction in controlled space of -34.8%. **China Wholesale**, accounting for 63.3% of the Region's wholesale turnover, recorded a turnover decline of -40.9% year-on-year in local currency, in line with the corresponding -41.6% year-on-year reduction in controlled wholesale space. Given that **Asia Pacific Wholesale** turnover only represented 1.3% of the Group's turnover, its real impact on the Group's overall top line performance has been limited.

Turnover by distribution channel

The Group distributes its products primarily through directly managed retail stores, as well as points-of-sales (“POS”) managed by third parties. Directly-managed retail stores include standalone stores, concession counters in department stores, the online shop (“e-shop”) and off-price outlets, which together are reported under the retail channel. POS managed by third parties include franchise stores, shop-in-stores and identity corners in multi-label stores, which together are reported under the wholesale channel. In 1H FY15/16, turnover from the retail and wholesale channels represented 67.2% (1H FY14/15: 62.7%) and 32.0% (1H FY14/15: 36.5%) of the Group’s turnover respectively.

Turnover by distribution channel

For the 6 months ended 31 December							
Key distribution channels	2015		2014		Turnover change in %		Net change in net sales area [^]
	HK\$ million	% to Group Turnover	HK\$ million	% to Group Turnover	HK\$	Local currency	
Retail [#]	6,260	67.2%	6,721	62.7%	-6.9%	6.0%	-4.9%
Wholesale	2,981	32.0%	3,916	36.5%	-23.9%	-11.4%	-10.3%
Licensing and others	74	0.8%	79	0.8%	-6.4%	-3.9%	n.a.
Total	9,315	100.0%	10,716	100.0%	-13.1%	-0.4%	-8.0%

[^] Net change since 1 January 2015

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

n.a. Not applicable

Our **Retail** operations are off to a good start as the positive top line improvement momentum observed in the latter part of the last financial year has continued into 1H FY15/16. The Group’s retail turnover grew year-on-year by +6.0% in local currency, despite a corresponding year-on-year reduction in retail net sales area of -4.9%. Comparable retail store sales grew year-on-year by +8.0% in local currency. These favorable developments reflect our well received Autumn/Winter 2015 collections, together with the success of our Omnichannel initiatives and the #ImPerfect brand marketing campaign.

In terms of retail space development, the year-on-year space reduction of -4.9% was largely attributable to the -5.8% year-on-year space reduction of the store/concession counter category, which is in line with our efforts in rightsizing the store network to maximize space productivity of that channel. Among the 103 stores/concession counters closed over the past twelve months, 13 were stores under store closure and onerous leases announced previously and 74 were mainly non-performing concession counters in department stores in China closed upon lease expiry. As for the outlet channel, which plays a key role in better managing aged inventories, its retail net sales area increased year-on-year by +1.9%, representing 12.9% of total retail net sales area (30 June 2015: 12.4%).

Retail turnover by region

For the 6 months ended 31 December								
Region [#]	2015		2014		Turnover change in %		Net change in net sales area [^]	Comp-store sales growth
	HK\$ million	% of Retail Turnover	HK\$ million	% of Retail Turnover	HK\$	Local currency		
Germany	2,906	46.4%	3,110	46.3%	-6.6%	8.6%	-2.5%	7.7%
Rest of Europe	2,047	32.7%	2,158	32.1%	-5.1%	8.6%	-6.8%	9.4%
Asia Pacific	1,307	20.9%	1,453	21.6%	-10.0%	-3.3%	-5.9%	5.1%
Total	6,260	100.0%	6,721	100.0%	-6.9%	6.0%	-4.9%	8.0%

[^] Net change since 1 January 2015

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

Directly managed retail stores by country - movement since 1 January 2015

As at 31 December 2015						
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
Germany **	148	(7)	121,383	-2.5%	130	7.7%
Rest of Europe	189	(6)	99,984	-6.8%	139	9.4%
Netherlands	54	(1)	20,393	-6.4%	39	6.6%
Switzerland	38	(2)	17,459	-4.3%	34	6.8%
Belgium	25	(2)	17,959	-2.5%	23	8.0%
France	23	(7)	13,324	-17.5%	21	9.6%
Austria	20	(1)	16,831	-4.1%	14	10.2%
Poland	11	11	3,273	n.a.	-	n.a.
Sweden	10	-	5,804	-8.8%	-	n.a.
Finland	3	(2)	2,130	-29.5%	3	12.6%
Luxembourg	3	-	1,869	0.2%	3	13.0%
United Kingdom	1	(1)	317	-84.9%	1	24.1%
Denmark	1	-	625	-	1	15.0%
Norway	-	(1)	-	-100.0%	-	n.a.
Asia Pacific	527	(30)	96,011	-5.9%	252	5.1%
China **	296	(25)	47,735	-5.8%	129	3.1%
Taiwan	74	3	7,338	2.2%	26	4.7%
Australia **	69	(6)	8,519	-13.1%	54	14.4%
Malaysia	39	2	13,697	5.6%	22	-7.3%
Singapore	21	(3)	7,385	-17.0%	11	10.0%
Hong Kong	15	-	7,177	-4.5%	3	12.9%
New Zealand	9	-	1,778	-10.1%	3	9.9%
Macau	4	(1)	2,382	-20.3%	4	9.5%
Total	864	(43)	317,378	-4.9%	521	8.0%

* Net change since 1 January 2015

** All e-shops within Europe (i.e. Germany and Rest of Europe), the e-shop in China and the e-shop in Australia are shown as one comparable store in Germany and two comparable stores in Asia Pacific respectively

n.a. Not applicable

Directly managed retail stores by store type - movement since 1 January 2015

Store types	No. of POS					Net sales area (m ²)				
	As at 31 December 2015	vs 1 January 2015		As at 1 January 2015	Net change	As at 31 December 2015	vs 1 January 2015		As at 1 January 2015	Net change
		Opened	Closed				Opened	Closed		
Stores/Concession counters	775	54	(103)	824	(49)	276,582	11,763	(28,863)	293,682	-5.8%
- Germany	137	3	(11)	145	(8)	108,737	1,190	(4,699)	112,246	-3.1%
- Rest of Europe	178	12	(18)	184	(6)	91,675	3,501	(10,645)	98,819	-7.2%
- Asia Pacific	460	39	(74)	495	(35)	76,170	7,072	(13,519)	82,617	-7.8%
Outlets	89	15	(9)	83	6	40,796	3,569	(2,803)	40,030	1.9%
- Germany	11	1	-	10	1	12,646	405	(3)	12,244	3.3%
- Rest of Europe	11	1	(1)	11	-	8,309	181	(281)	8,409	-1.2%
- Asia Pacific	67	13	(8)	62	5	19,841	2,983	(2,519)	19,377	2.4%
Total	864	69	(112)	907	(43)	317,378	15,332	(31,666)	333,712	-4.9%

Retail performance scorecard

	For the 6 months ended 31 December	
	2015	2014
No. of POS	864	907
Net sales area (m ²)	317,378	333,712
Year-on-year change in net sales area	-4.9%	-2.0%
Year-on-year local currency turnover growth	6.0%	-12.4%
Comparable store sales growth	8.0%	-8.5%

Due to ongoing market pressure in the **Wholesale** channel, our wholesale performance has yet to benefit from the positive retail sales developments. The Group's Wholesale turnover has recorded a year-on-year decrease of -11.4% in local currency, broadly in line with the year-on-year reduction in controlled wholesale space of -10.3%. This year-on-year reduction in controlled wholesale space was largely a carried forward effect from the last financial year FY14/15, where our controlled wholesale space recorded a decline of -14.2% for the full year. The unfavorable development of the wholesale channel has exerted considerable challenge to our wholesale footprint and resulted in continuous reduction in space. It is also noteworthy that the Wholesale performance is the result of orders placed some six months ago, and does not reflect the actual sales to end consumers through this channel.

Wholesale turnover by region

Region	For the 6 months ended 31 December						
	2015		2014		Turnover change in %		Net change in net sales area ^
	HK\$ million	% of Wholesale Turnover	HK\$ million	% of Wholesale Turnover	HK\$	Local currency	
Germany *	1,532	51.4%	1,985	50.7%	-22.8%	-9.6%	-8.4%
Rest of Europe	1,331	44.7%	1,753	44.8%	-24.1%	-11.6%	-6.2%
Asia Pacific	118	3.9%	178	4.5%	-33.9%	-28.3%	-34.8%
Total	2,981	100.0%	3,916	100.0%	-23.9%	-11.4%	-10.3%

^ Net change since 1 January 2015

* Since FY15/16, our German wholesale operation team has taken over the management of the wholesale business in other European countries, mainly Bosnia-Herzegovina, Romania and Bulgaria. As a consequence, for the six months ended 31 December 2015, wholesale sales to these European countries have been re-grouped from Others under Rest of Europe to Germany. Comparative figures have been restated accordingly

Wholesale distribution channel by country (controlled space only) – movement since 1 January 2015

Countries	As at 31 December 2015															
	Franchise stores **				Shop-in-stores **				Identity corners **				Total **			
	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 *
Germany #	267	67,834	(38)	-13.9%	2,890	107,614	(107)	-5.9%	1,375	25,807	(51)	-3.1%	4,532	201,255	(196)	-8.4%
Rest of Europe	527	109,624	(44)	-9.7%	1,042	33,019	10	2.1%	1,170	27,434	37	-0.6%	2,739	170,077	3	-6.2%
Benelux	122	36,446	(15)	-9.8%	149	6,091	(8)	-4.1%	320	7,329	(8)	-5.4%	591	49,866	(31)	-8.5%
France	131	24,433	(2)	-2.0%	319	7,232	(1)	-1.0%	179	4,805	31	5.5%	629	36,470	28	-0.9%
Austria	63	10,432	(1)	-0.7%	103	3,461	15	13.5%	48	1,170	8	7.2%	214	15,063	22	2.9%
Sweden	26	7,271	(12)	-32.4%	-	-	-	-	44	1,081	(1)	-14.6%	70	8,352	(13)	-30.6%
Finland	20	4,791	(3)	-16.1%	85	3,736	(3)	-2.7%	150	4,071	(18)	-9.8%	255	12,598	(24)	-10.4%
Italy	19	3,658	(2)	-4.1%	41	1,245	5	1.2%	215	3,608	38	27.2%	275	8,511	41	8.0%
Switzerland	23	3,653	(3)	-16.5%	56	3,233	1	29.1%	23	471	(2)	0.4%	102	7,357	(4)	0.1%
Denmark	12	3,173	(1)	-7.7%	2	28	2	-	30	748	-	-0.5%	44	3,949	1	-5.8%
Spain	18	2,658	3	21.8%	174	5,088	(4)	-2.8%	89	2,580	(2)	-1.4%	281	10,326	(3)	2.9%
Norway	1	242	-	-	-	-	-	-	-	-	-	-	1	242	-	-
United Kingdom	2	143	(1)	-33.5%	15	649	4	24.6%	63	1,430	(6)	-8.3%	80	2,222	(3)	-3.2%
Portugal	-	-	(1)	-100.0%	-	-	-	-	2	35	(3)	-58.8%	2	35	(4)	-93.8%
Ireland	-	-	-	-	3	152	(2)	-35.0%	7	106	-	-	10	258	(2)	-24.1%
Others ^	90	12,724	(6)	-11.5%	95	2,104	1	1.4%	-	-	-	-	185	14,828	(5)	-9.9%
Asia Pacific	266	31,045	(116)	-34.8%	-	-	-	-	-	-	-	-	266	31,045	(116)	-34.8%
China	139	19,552	(93)	-41.6%	-	-	-	-	-	-	-	-	139	19,552	(93)	-41.6%
Thailand	95	6,534	(6)	0.6%	-	-	-	-	-	-	-	-	95	6,534	(6)	0.6%
Philippines	21	2,867	(6)	-21.5%	-	-	-	-	-	-	-	-	21	2,867	(6)	-21.5%
Others	11	2,092	(11)	-48.3%	-	-	-	-	-	-	-	-	11	2,092	(11)	-48.3%
Total	1,060	208,503	(198)	-15.9%	3,932	140,633	(97)	-4.1%	2,545	53,241	(14)	-1.8%	7,537	402,377	(309)	-10.3%

* Net change since 1 January 2015

** Excludes salon

For the six months ended 31 December 2015, controlled wholesale POS and space in other European countries mainly Bosnia-Herzegovina and Bulgaria have been re-grouped from Others under Rest of Europe to Germany. Comparative figures have been restated accordingly

^ Controlled wholesale POS and space in Others under Rest of Europe included controlled wholesale POS and space in countries, mainly Colombia, Chile and the Middle East

Wholesale performance scorecard

	For the 6 months ended 31 December	
	2015	2014
No. of Esprit controlled space POS	7,537	7,846
Esprit controlled space area (m ²)	402,377	448,742
Year-on-year change in Esprit controlled space area	-10.3%	-15.2%
Year-on-year local currency turnover growth	-11.4%	-14.3%

03.2 Profitability analysis

The Group's **gross profit** was HK\$4,700 million (1H FY14/15: HK\$5,407 million), while gross profit margin remained stable year-on-year at 50.5% (1H FY14/15: 50.5%). The Group gross profit margin benefitted from a higher proportion of retail turnover (67.2% of Group turnover as opposed to 62.7% last year), offsetting the negative impact from the weakness of the Euro and the higher markdowns as a result of the highly promotional market in Asia Pacific.

Operating expenses ("OPEX") amounted to HK\$4,947 million (1H FY14/15: HK\$5,370 million), representing a year-on-year decline of -7.9% in Hong Kong Dollar terms. In local currency, OPEX increased year-on-year by +5.1%. The table set forth below provides the breakdown of OPEX by key items.

	For the 6 months ended 31 December			
	2015	2014	Change in %	
	HK\$ million	HK\$ million	HK\$	Local currency
Staff costs	1,616	1,896	-14.8%	-3.4%
Occupancy costs	1,428	1,689	-15.5%	-4.9%
Marketing and advertising expenses	535	419	27.7%	46.8%
Logistics expenses	516	569	-9.4%	5.4%
Depreciation	302	371	-18.7%	-7.0%
Other operating costs	550	426	29.3%	51.1%
Total OPEX	4,947	5,370	-7.9%	5.1%

The Group remains vigilant in controlling costs and most recurring cost lines were reduced as planned. The two largest recurring cost lines, staff and occupancy costs, declined year-on-year by -3.4% and -4.9% respectively in local currency.

The increase in OPEX in local currency terms was mainly attributable to:

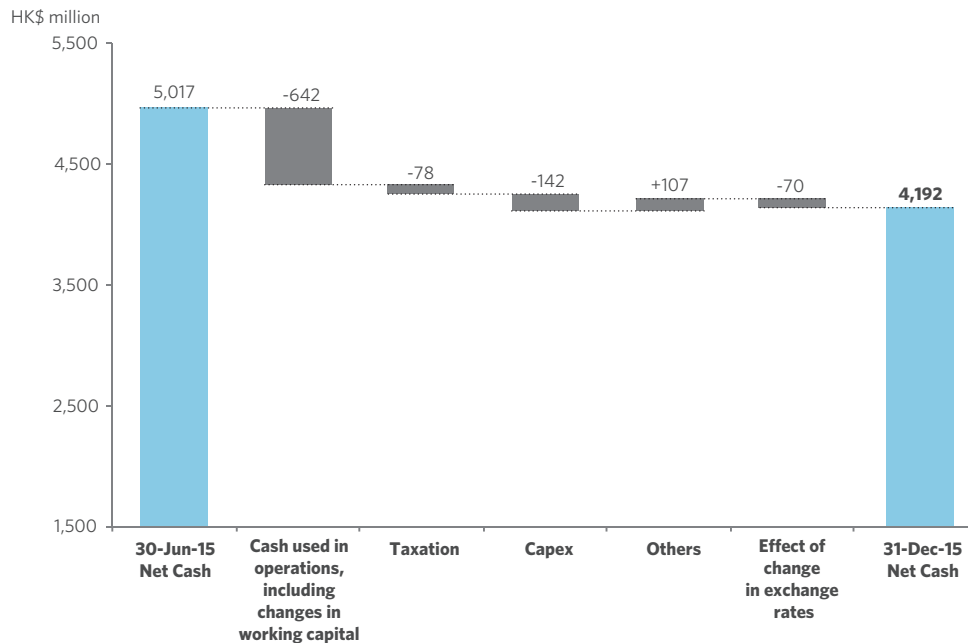
1. The increase in logistics expenses mainly attributable to the growth of our e-commerce business.
2. The increase in marketing and advertising expenses as a result of our strategic decision to step up Brand Marketing efforts.
3. The +51.1% year-on-year increase in Other operating costs in local currency mainly due to:
 - a. a normalized HK\$18 million net stock provision this year as compared to an exceptional HK\$257 million net write-back of stock provision last year,
 - b. partly offset by a net exchange gain of HK\$113 million this year mainly due to the settlement of foreign currency inter-company loans as compared to a net exchange loss of HK\$24 million last year.

EBIT was a loss of HK\$247 million (1H FY14/15: positive EBIT of HK\$37 million). With turnover in line with last year's (in local currency) and gross profit margin identical to last year's, it is the increase in OPEX (also in local currency) that has driven the difference against our results last year. As mentioned in an earlier section, the Group has activated structural measures to reduce the overhead and general cost of the business. We expect these measures to have a positive impact on our cost base starting 2H FY15/16 and with a more noticeable impact in the coming financial years.

Loss before taxation was HK\$242 million (1H FY14/15: profit before taxation of HK\$46 million). **Taxation** was a net tax credit of HK\$4 million (1H FY14/15: net tax credit of HK\$1 million). And **Net loss** was HK\$238 million as compared to a net profit of HK\$47 million in the same period last year.

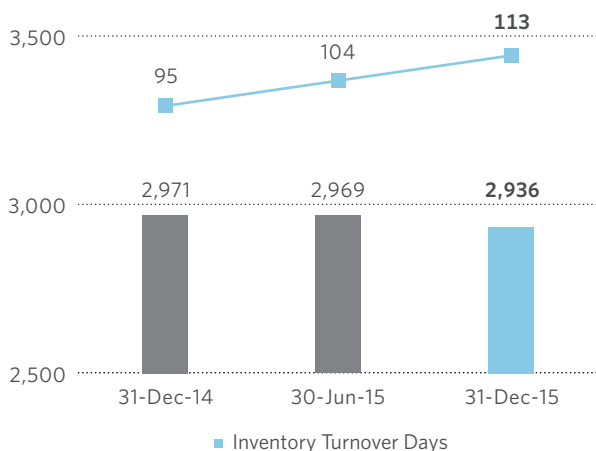
03.3 Liquidity and financial resources analysis

Cash: As at 31 December 2015, the Group remained debt free with **cash, bank balances and deposits** of HK\$4,192 million (30 June 2015: HK\$5,017 million), representing a net cash utilization of HK\$825 million (1H FY14/15: HK\$541 million) for the six months in 1H FY15/16. The increase in net cash utilization was mainly attributable to our decision to step up our Brand Marketing efforts and our investment in Omnichannel initiatives, as well as increased purchase of inventory in line with positive retail sales development.



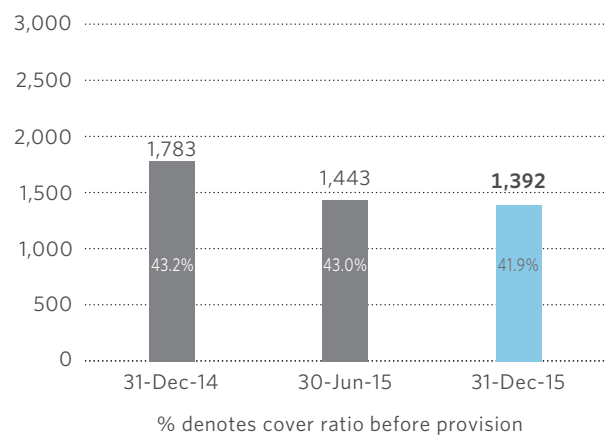
Inventories: Our inventory balance remained similar year-on-year at HK\$2,936 million (31 December 2014: HK\$2,971 million) because the year-on-year depreciation of the EUR/HKD closing rate of -10.1% offset the larger volume of stock. The unit of inventory actually increased by +7.7% year-on-year due to our deliberate decision to increase the purchase of the new collections to push retail sales (retail comparable stores sales up +8.0% year-to-date). Notwithstanding this increase, the ageing profile of our inventory remained healthy, with the proportion of inventory (in terms of units) aged over six months dropped to 19.9% (31 December 2014: 21.9%). Inventory turnover days was 113 days (31 December 2014: 95 days).

Inventories (HK\$ million)



Net trade debtors was HK\$1,392 million (31 December 2014: HK\$1,783 million), representing a year-on-year decrease of -21.9% mainly due to lower wholesale sales (-11.4% year-on-year in local currency) and the year-on-year depreciation of the EUR/HKD closing rate of -10.1%. The amount of net trade debtors overdue over 90 days was HK\$132 million (31 December 2014: HK\$161 million). The cover ratio before provision (the amount of insured and secured gross trade debtors including VAT over total gross trade debtors including VAT) decreased to 41.9% (31 December 2014: 43.2%).

Net trade debtors (HK\$ million)



% denotes cover ratio before provision

Capital expenditure (CAPEX): In 1H FY15/16, the Group invested HK\$142 million (1H FY14/15: HK\$208 million) in CAPEX, representing a year-on-year decrease of -31.9%. The decline was largely attributable to the CAPEX decline in new store openings as 40 new directly managed retail stores were opened in 1H FY15/16, as compared to 64 for the same period last year.

For the 6 months ended 31 December		
HK\$ million	2015	2014
New stores	42	84
Refurbishment	54	45
IT projects	25	41
Office & others	21	38
Purchase of property, plant and equipment	142	208

Total interest bearing external borrowings: As at 31 December 2015, the Group had no interest bearing external borrowings (31 December 2014: HK\$260 million) as the Group repaid the last instalment of the bank loan used to finance the acquisition of the remaining interest in China Joint Venture in February 2015.

03.4 Seasonality of business

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

03.5 Foreign exchange risk management

The Group faces foreign exchange risk arising from exposure to various currencies, primarily with respect to the Euro.

While the majority of the Group's revenue is denominated in Euro, we report our financial results in Hong Kong Dollars. As a result, fluctuations in the value of the Euro against the Hong Kong Dollar could adversely affect our turnover which is reported in Hong Kong Dollar. In addition, the purchases of finished goods in Euro account for only a small portion of our total purchases of finished goods while our net sales, which are generated primarily in Euro, may pose severe pressure on our gross margin. Although we currently use foreign currency forward contracts to hedge exposure to the foreign exchange risk related to our purchases, fluctuations in the value of the Euro against other currencies, mostly against the US Dollar, could affect our margins and profitability.

Since the beginning of FY15/16, the Euro exchange rate has maintained its weakness and the Group has taken measures to proactively manage its Euro exposure, specifically early hedging of all purchases of finished goods for FY15/16 at an average rate slightly better than the prevailing market rates. Moving forward, the ongoing weakness of the Euro undoubtedly presents a challenge to the Group's profit margins. The Group will continuously monitor and review purchases of finished goods as well as potential price adjustment, depending on the movements of relevant exchange rates.

03.6 Second half outlook

Looking ahead into the second half of FY15/16, we remain confident that we are heading in the right direction and are laying the necessary foundation to restore competitiveness and long term growth for Esprit. Therefore, the Group will maintain its focus on executing the strategic plan as described above. We are conscious that the operating environment appears challenging as volatility in financial markets and economic uncertainty across regions may significantly dampen consumer sentiment, especially in our Asian markets. In terms of turnover, improvement in controlled space productivity resulting from better product and channels performance shall help offset the impact of the ongoing reduction of unprofitable retail space and the decline in the wholesale business. As for profitability, the weakness in the Euro, if persists, will put some pressure on the Group's gross profit margin. Nevertheless, we anticipate that the higher proportion of retail turnover will provide support to the Group's gross profit margin and help mitigate the negative impact.

With respect to OPEX, the planned increase of our expenditure in Brand Marketing and Omnichannel initiatives to fuel future growth will continue to put some pressure on short-term profitability. Nevertheless, the activation of more aggressive OPEX reduction measures, as discussed in previous sections, should start to make a positive contribution to our cost base in the second half of FY15/16 and help alleviate some of the pressure. It is important to understand that the full benefits of these growth and savings initiatives will take time to realize, yet we are confident that they are instrumental to drive faster sales growth and greater economies of scale in the near future.

Finally, a potential exceptional gain is expected in the second half of this year. As disclosed in December 2015, the Group has agreed to sell and lease back the properties currently occupied by the Group as its Hong Kong offices. The completion of this transaction is expected to be on or before 21 March 2016, wherein if closed, would generate an exceptional net gain of approximately HK\$725 million. The sale will enable the Group to focus on its core operations and the lease back arrangement will better reflect the cost of the local operation and help management efforts to streamline the actual current cost structure.





04
FINANCIAL SECTION

04.1 Independent review report

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

Introduction

We have reviewed the interim financial information set out on pages 51 to 63, which comprises the condensed consolidated statement of financial position of Esprit Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 31 December 2015 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Conclusion

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



PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 February 2016

04.2 Interim financial information

The Board of Directors of Esprit Holdings Limited (the “Company”) is pleased to present the unaudited condensed consolidated interim financial information, along with selected explanatory notes, of the Company and its subsidiaries (the “Group”) for the six months ended 31 December 2015 as follows:

Condensed consolidated income statement

	Unaudited for the 6 months ended 31 December		
	Notes	2015 HK\$ million	2014 HK\$ million
Revenue	2	9,315	10,716
Cost of goods sold		(4,615)	(5,309)
Gross profit		4,700	5,407
Staff costs		(1,616)	(1,896)
Occupancy costs		(1,428)	(1,689)
Marketing and advertising expenses		(535)	(419)
Logistics expenses		(516)	(569)
Depreciation		(302)	(371)
Impairment of property, plant and equipment		(4)	(28)
Write-back of provision for store closures and leases, net		51	27
Other operating costs		(597)	(425)
Operating (loss)/profit ((LBIT)/EBIT)	3	(247)	37
Interest income		21	23
Finance costs	4	(16)	(14)
(Loss)/profit before taxation		(242)	46
Taxation	5	4	1
(Loss)/profit attributable to shareholders of the Company		(238)	47
(Loss)/earnings per share			
- Basic and diluted	7	HK\$(0.12)	HK\$0.02

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

The notes on pages 57 to 63 form an integral part of this condensed consolidated interim financial information.

Condensed consolidated statement of comprehensive income

	Unaudited for the 6 months ended 31 December	
	2015 HK\$ million	2014 HK\$ million
(Loss)/profit attributable to shareholders of the Company	(238)	47
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Fair value (loss)/gain on cash flow hedge	(21)	189
Exchange translation	(415)	(926)
	(436)	(737)
Total comprehensive income for the period attributable to shareholders of the Company	(674)	(690)

The notes on pages 57 to 63 form an integral part of this condensed consolidated interim financial information.

Condensed consolidated statement of financial position

	Notes	Unaudited 31 December 2015 HK\$ million	Audited 30 June 2015 HK\$ million
Non-current assets			
Intangible assets		2,944	3,031
Property, plant and equipment	8	2,409	2,835
Investment properties		17	17
Other investments		7	7
Debtors, deposits and prepayments		231	240
Deferred tax assets		691	649
		6,299	6,779
Current assets			
Inventories		2,936	2,969
Debtors, deposits and prepayments	9	1,884	2,008
Tax receivable		725	640
Cash, bank balances and deposits	10	4,192	5,017
		9,737	10,634
Assets classified as held for sale	17	182	-
		9,919	10,634
Current liabilities			
Creditors and accrued charges	11	3,201	3,672
Provision for store closures and leases	12	442	557
Tax payable		769	687
		4,412	4,916
Net current assets			
		5,507	5,718
Total assets less current liabilities			
		11,806	12,497
Equity			
Share capital	13	194	194
Reserves		11,034	11,704
Total equity		11,228	11,898
Non-current liabilities			
Deferred tax liabilities		578	599
		11,806	12,497

The notes on pages 57 to 63 form an integral part of this condensed consolidated interim financial information.

Condensed consolidated statement of cash flows

	Unaudited for the 6 months ended 31 December	
	2015 HK\$ million	2014 HK\$ million
Cash flows from operating activities		
Cash used in operations	(642)	(50)
Hong Kong profits tax paid	(3)	(3)
Overseas tax paid, net	(75)	(114)
Net cash used in operating activities	(720)	(167)
Cash flows from investing activities		
Purchase of property, plant and equipment	(142)	(208)
Proceeds from disposal of property, plant and equipment	1	3
Interest received	21	23
Net decrease/(increase) in bank deposits with maturities of more than three months	471	(371)
Deposit received from disposal of subsidiaries	92	-
Net cash generated from/(used in) investing activities	443	(553)
Cash flows from financing activities		
Net proceeds on issue of shares for cash	-	3
Interest paid on bank loan	-	(1)
Net cash generated from financing activities	-	2
Net decrease in cash and cash equivalents	(277)	(718)
Cash and cash equivalents at beginning of period	3,688	3,661
Effect of change in exchange rates	(70)	(195)
Cash and cash equivalents at end of period	3,341	2,748
Analysis of balances of cash and cash equivalents		
Bank balances and cash	2,223	2,624
Bank deposits	1,969	2,866
Cash, bank balances and deposits	4,192	5,490
Less: bank deposits with maturities of more than three months	(851)	(2,742)
	3,341	2,748

The notes on pages 57 to 63 form an integral part of this condensed consolidated interim financial information.

Condensed consolidated statement of changes in equity

Unaudited for the 6 months ended 31 December 2015

	Share capital HK\$ million	Share premium HK\$ million	Employee share-based payment reserve HK\$ million	Hedging reserve HK\$ million	Contributed surplus HK\$ million	Translation reserve HK\$ million	Capital reserve HK\$ million	Retained profits HK\$ million	Total HK\$ million
At 1 July 2015	194	8,220	836	126	7	(798)	1	3,312	11,898
Exchange translation	-	-	-	-	-	(415)	-	-	(415)
Fair value loss on cash flow hedge	-	-	-	-	-	-	-	-	-
- net fair value gain	-	-	-	123	-	-	-	-	123
- transferred to income statement - exchange difference	-	-	-	(11)	-	-	-	-	(11)
- transferred to inventories	-	-	-	(133)	-	-	-	-	(133)
Loss attributable to shareholders of the Company	-	-	-	-	-	-	-	(238)	(238)
Total comprehensive income	-	-	-	(21)	-	(415)	-	(238)	(674)
Transactions with owners									
Employee share option benefits	-	-	4	-	-	-	-	-	4
Total transactions with owners	-	-	4	-	-	-	-	-	4
At 31 December 2015	194	8,220	840	105	7	(1,213)	1	3,074	11,228

The notes on pages 57 to 63 form an integral part of this condensed consolidated interim financial information.

Condensed consolidated statement of changes in equity

Unaudited for the 6 months ended 31 December 2014

	Share capital HK\$ million	Share premium HK\$ million	Employee share-based payment reserve HK\$ million	Hedging reserve HK\$ million	Contributed surplus HK\$ million	Translation reserve HK\$ million	Capital reserve HK\$ million	Retained profits HK\$ million	Total HK\$ million
At 1 July 2014	194	8,204	774	(38)	7	654	1	7,115	16,911
Exchange translation	-	-	-	-	-	(926)	-	-	(926)
Fair value gain on cash flow hedge - net fair value gain	-	-	-	253	-	-	-	-	253
- transferred to income statement - exchange difference	-	-	-	-	-	-	-	-	-
- transferred to inventories	-	-	-	(64)	-	-	-	-	(64)
Profit attributable to shareholders of the Company	-	-	-	-	-	-	-	47	47
Total comprehensive income	-	-	-	189	-	(926)	-	47	(690)
Transactions with owners									
2013/14 final dividend payable	-	-	-	-	-	-	-	(78)	(78)
Issue of shares	-	3	-	-	-	-	-	-	3
Employee share option benefits	-	-	33	-	-	-	-	-	33
Transfer of reserve upon exercise of share options	-	1	(1)	-	-	-	-	-	-
Total transactions with owners	-	4	32	-	-	-	-	(78)	(42)
At 31 December 2014	194	8,208	806	151	7	(272)	1	7,084	16,179

The notes on pages 57 to 63 form an integral part of this condensed consolidated interim financial information.

Notes to the condensed consolidated interim financial information

1. Basis of preparation

This unaudited condensed consolidated interim financial information ("interim financial information") on pages 51 to 63 for the six months ended 31 December 2015 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 2015. 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 2015.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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

		Effective for accounting periods beginning on or after
IAS 1 (Amendments)	Disclosure Initiative	1 January 2016
IAS 7 (Amendments)	Disclosure Initiative	1 January 2017
IAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
IAS 16 and 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortization	1 January 2016
IAS 16 and 41 (Amendments)	Agriculture: Bearer Plants	1 January 2016
IAS 27 (Amendments)	Equity Method in Separate Financial Statements	1 January 2016
IFRS 9	Financial Instruments	1 January 2018
IFRS 10, 12 and IAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception	1 January 2016
IFRS 10 and IAS 28 (Amendments)	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
IFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
IFRS 14	Regulatory Deferral Accounts	1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019
IFRSs (Amendments)	Annual Improvements to IFRSs 2012-2014 Cycle	1 January 2016

2. Revenue and segment information

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

Unaudited for the 6 months ended 31 December		
	2015 HK\$ million	2014 HK\$ million
Revenue from external customers		
Retail	6,260	6,721
Wholesale	2,981	3,916
Licensing and other income	74	79
	9,315	10,716

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 retail and wholesale distribution and licensing of quality fashion and non-apparel products designed under its own internationally-known Esprit brand name.

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

2. Revenue and segment information (continued)

Unaudited for the 6 months ended 31 December 2015					
	Retail HK\$ million	Wholesale HK\$ million	Licensing HK\$ million	Corporate services, sourcing and others HK\$ million	Group HK\$ million
Total revenue	6,260	2,981	74	8,798	18,113
Inter-segment revenue	-	-	-	(8,798)	(8,798)
Revenue from external customers	6,260	2,981	74	-	9,315
(LBIT)/EBIT	52	211	59	(569)	(247)
Interest income					21
Finance costs					(16)
Loss before taxation					(242)
Capital expenditure	98	12	-	32	142
Depreciation	137	20	-	145	302
Impairment of property, plant and equipment	4	-	-	-	4
Write-back of provision for store closures and leases, net	(51)	-	-	-	(51)

Unaudited for the 6 months ended 31 December 2014					
	Retail HK\$ million	Wholesale HK\$ million	Licensing HK\$ million	Corporate services, sourcing and others HK\$ million	Group HK\$ million
Total revenue	6,721	3,916	79	9,426	20,142
Inter-segment revenue	-	-	-	(9,426)	(9,426)
Revenue from external customers	6,721	3,916	79	-	10,716
(LBIT)/EBIT	55	454	62	(534)	37
Interest income					23
Finance costs					(14)
Profit before taxation					46
Capital expenditure	128	24	-	56	208
Depreciation	178	26	-	167	371
Impairment of property, plant and equipment	28	-	-	-	28
Write-back of provision for store closures and leases, net	(27)	-	-	-	(27)

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

Unaudited for the 6 months ended 31 December		
	2015	2014
	HK\$ million	HK\$ million
(LBIT)/EBIT is arrived at after charging and (crediting) the following:		
Depreciation	302	371
Amortization of customer relationships	32	33
Loss on disposal of property, plant and equipment	3	6
Impairment of property, plant and equipment	4	28
Write-back of provision for store closures and leases, net	(51)	(27)
Net exchange (gain)/loss	(113)	24
Additional/(write-back of) provision for obsolete inventories, net	18	(257)
Occupancy costs		
- Operating lease charge	1,135	1,340
- Other occupancy costs	293	349
Provision for impairment of trade debtors, net	43	18

4. Finance costs

Unaudited for the 6 months ended 31 December		
	2015	2014
	HK\$ million	HK\$ million
Interest on bank loan wholly repayable within five years	-	1
Imputed interest on financial assets and financial liabilities	16	13
	16	14

5. Taxation

Unaudited for the 6 months ended 31 December		
	2015	2014
	HK\$ million	HK\$ million
Current tax		
Hong Kong profits tax		
Provision for current period	1	1
Overseas taxation		
Provision for current period	70	61
Over-provision for prior years	(1)	(92)
	70	(30)
Deferred tax		
Current period net (credit)/charge	(74)	29
Taxation	(4)	(1)

Hong Kong profits tax is calculated at **16.5%** (2014: 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.

The Inland Revenue Department of Hong Kong ("IRD") had initiated tax inquiries concerning taxability of income generated by a subsidiary engaged in the distribution operation of the Group. During the financial years from FY2012/2013 to FY2014/2015, the IRD issued notices of tax assessment for additional tax in aggregate sum of approximately HK\$1,664 million for the years of assessment from 2006/2007 to 2008/2009. Objections and holdover applications against the additional tax assessments had been lodged. The IRD agreed to hold over the additional tax subject to the purchase of tax reserve certificates ("TRC") of HK\$319 million for the years of assessment from 2006/2007 to 2008/2009. The Group purchased these TRC. While the ultimate outcome of these tax inquiries cannot presently be determined, after considering the advice from the Group's tax advisor and based on the current facts and circumstances, the Directors of the Company are of the opinion that adequate provision has been made in the Group's consolidated financial statements.

In June 2014, a subsidiary of the Group in Germany received a letter from the tax authority in relation to a dispute on a value-added-tax ("VAT") matter involving payment of interests totaling approximately HK\$780 million, to which the subsidiary had lodged objection. Based on the advice from the Group's tax advisor, the Board of Directors considers that the payment of interests is unlikely, and therefore no additional provision has been made.

6. Interim dividend

Unaudited for the 6 months ended 31 December		
	2015	2014
	HK\$ million	HK\$ million
No Interim dividend declared (2014: HK\$0.015 per share)	-	29

The amount of interim dividend for the six months ended 31 December 2014 was based on 1,943,460,352 shares in issue on 25 February 2015.

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		
	2015	2014
(Loss)/profit attributable to shareholders of the Company (HK\$ million)	(238)	47
Weighted average number of ordinary shares in issue (million)	1,944	1,943
Basic (loss)/earnings per share (HK\$ per share)	(0.12)	0.02

7. (Loss)/earnings per share (continued)

Diluted

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

Unaudited for the 6 months ended 31 December		
	2015	2014
(Loss)/profit attributable to shareholders of the Company (HK\$ million)	(238)	47
Weighted average number of ordinary shares in issue (million)	1,944	1,943
Adjustments for share options (million)	-	1
Weighted average number of ordinary shares for diluted earnings per share (million)	1,944	1,944
Diluted (loss)/earnings per share (HK\$ per share)	(0.12)	0.02

Diluted loss per share for the six months ended 31 December 2015 was the same as the basic loss per share since the share options had anti-dilutive effect.

8. Property, plant and equipment

Unaudited for the 6 months ended 31 December		
	2015	2014
	HK\$ million	HK\$ million
At 1 July	2,835	3,972
Exchange translation	(77)	(379)
Additions	142	208
Disposals	(4)	(9)
Depreciation (Note 3)	(302)	(371)
Impairment charge (Note 3)	(4)	(28)
Transferred to assets classified as held for sale (Note 17)	(181)	-
At 31 December	2,409	3,393

9. Debtors, deposits and prepayments

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

	Unaudited 31 December 2015 HK\$ million	Unaudited 30 June 2015 HK\$ million
0-30 days	823	916
31-60 days	261	171
61-90 days	88	117
Over 90 days	220	239
	1,392	1,443

* The amendment to paragraph 4(2) in Appendix 16 of the Listing Rules specifies that the aging analysis should normally be presented on the basis of the invoice date. The Group presented the aging analysis by due date in prior financial years. The Group has changed to present the aging analysis by invoice date. Comparative figures were presented accordingly.

As of 31 December 2015, trade debtors net of provision for impairment of **HK\$431 million** (30 June 2015: HK\$326 million) were past due but not impaired. The aging analysis of these trade debtors is as follows:

	Unaudited 31 December 2015 HK\$ million	Audited 30 June 2015 HK\$ million
1-30 days	249	93
31-60 days	36	46
61-90 days	14	25
Over 90 days	132	162
	431	326

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 2015 HK\$ million	Audited 30 June 2015 HK\$ million
Bank balances and cash	2,223	2,602
Bank deposits with maturities within three months	1,118	1,086
Bank deposits with maturities of more than three months	851	1,329
	4,192	5,017

Included in bank deposits with maturities of more than three months as at 31 December 2015, **HK\$286 million** are pledged as a security to a bank for granting the bank facility to the Group.

11. Creditors and accrued charges

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

	Unaudited 31 December 2015 HK\$ million	Unaudited 30 June 2015 HK\$ million
0-30 days	686	1,032
31-60 days	187	302
61-90 days	86	107
Over 90 days	49	60
	1,008	1,501

* The amendment to paragraph 4(2) in Appendix 16 of the Listing Rules specifies that the aging analysis should normally be presented on the basis of the invoice date. The Group presented the aging analysis by due date in prior financial years. The Group has changed to present the aging analysis by invoice date. Comparative figures were presented accordingly.

12. Provision for store closures and leases

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

Unaudited for the 6 months ended 31 December		
	2015 HK\$ million	2014 HK\$ million
At 1 July	557	508
Write-back of provision for store closures and leases, net	(51)	(27)
Amounts used during the period	(47)	(88)
Exchange translation	(17)	(47)
At 31 December	442	346

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

13. Share capital

	Number of shares of HK\$0.10 each million	Unaudited HK\$ million
Authorized:		
At 1 July 2015 and 31 December 2015	3,000	300

	Number of shares of HK\$0.10 each million	Unaudited Nominal value HK\$ million
Issued and fully paid:		
At 1 July 2015 and 31 December 2015	1,944	194
At 1 July 2014	1,942	194
Exercise of share options (Note (a))	1	-
At 31 December 2014	1,943	194

Notes:

(a) Exercise of share options

During the period ended 31 December 2015, no share option was exercised. (2014: 315,000 ordinary shares of HK\$0.10 each were issued in respect of share options exercised under the 2009 Share Option Scheme (defined in note (b) below) at an exercise price of HK\$8.76 each (representing a premium of HK\$8.66 each)).

(b) Share options

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

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

14. Operating lease commitments

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

	Unaudited 31 December 2015 HK\$ million	Audited 30 June 2015 HK\$ million
Land and buildings		
- within one year	1,997	2,082
- in the second to fifth year inclusive	4,747	5,379
- after the fifth year	1,569	1,927
	8,313	9,388
Other equipment		
- within one year	10	13
- in the second to fifth year inclusive	11	15
	21	28
	8,334	9,416

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

The total future minimum lease receipts under non-cancelable subleases in respect of land and buildings at 31 December 2015 are **HK\$119 million** (30 June 2015: HK\$159 million).

15. Capital commitments

	Unaudited 31 December 2015 HK\$ million	Audited 30 June 2015 HK\$ million
Property, plant and equipment - Contracted but not provided for	55	49

16. Derivative financial instruments

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

At 31 December 2015, the fair values of the forward foreign exchange contracts included in other receivables and other payables are as follows:

	Unaudited 31 December 2015		Audited 30 June 2015	
	Assets HK\$ million	Liabilities HK\$ million	Assets HK\$ million	Liabilities HK\$ million
Forward foreign exchange contracts - Cash flow hedges	141	7	189	23

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

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

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

	Unaudited At 31 December 2015			
	Level 1 HK\$ million	Level 2 HK\$ million	Level 3 HK\$ million	Total HK\$ million
Recurring fair value measurements:				
Assets				
Derivative financial instruments:				
- Forward foreign exchange contracts	-	141	-	141
Recurring fair value measurements:				
Liabilities				
Derivative financial instruments:				
- Forward foreign exchange contracts	-	7	-	7

	Audited At 30 June 2015			
	Level 1 HK\$ million	Level 2 HK\$ million	Level 3 HK\$ million	Total HK\$ million
Recurring fair value measurements:				
Assets				
Derivative financial instruments:				
- Forward foreign exchange contracts	-	189	-	189
Recurring fair value measurements:				
Liabilities				
Derivative financial instruments:				
- Forward foreign exchange contracts	-	23	-	23

During the six months ended 31 December 2015, there were no transfers between Level 1 and Level 2.

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

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

	Unaudited 31 December 2015 HK\$ million	Audited 30 June 2015 HK\$ million
Forward foreign exchange contracts	4,155	5,165

17. Assets classified as held for sale

On 21 December 2015, the Group concluded a sale and purchase agreement to sell six of its wholly-owned subsidiaries which own the Hong Kong office properties of the Group to independent third parties. The consideration attributing to the value of properties is HK\$918 million. The Group expects the disposal will record an estimated net gain of approximately HK\$725 million. On completion of the disposal, the Group will lease back majority of the properties with an aggregate rent of approximately HK\$2.4 million per month for the first three years and an aggregate rent of approximately HK\$2.9 million per month for the next three years. The Company has agreed to guarantee certain obligations under the sale and purchase agreement and the leases.

The carrying amounts of assets classified as held for sale are as follows:

	Unaudited 31 December 2015 HK\$ million
Assets classified as held for sale	
Property, plant and equipment (Note 8)	181
Debtors, deposits and prepayments	1
	182

05

OTHER INFORMATION

05 Other information

Directors' profile

Executive Directors

Jose Manuel MARTINEZ GUTIERREZ, aged 46, has been an Executive Director of the Company and Group Chief Executive Officer since September 2012. He is responsible for the overall management and control of the business of the Group. He is a member of the Remuneration Committee and the General Committee of the Board, a director of certain subsidiaries and a trustee of a trust of the Company.

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

His professional career spans investment banking, strategy consulting and senior management positions in the global retail and consumer goods industries. Prior to joining Esprit, Mr MARTINEZ was the group director of distribution and operations for Industria De Diseño Textil, S.A. ("Inditex") based in Spain. Prior to joining Inditex, Mr MARTINEZ spent 8 years at McKinsey & Company leading the firm's retail and consumer goods practice in Spain, and advising clients in Europe and South America on strategy, category management and store operations.

Thomas TANG Wing Yung, aged 60, has been an Executive Director of the Company and Group Chief Financial Officer since May 2012. He is a member of the Risk Management Committee and the General Committee of the Board and a director of certain subsidiaries of the Company. Mr TANG obtained a Bachelor of Science degree in Modern Mathematics from Surrey University, United Kingdom. He has been an associate member of The Institute of Chartered Accountants in England and Wales since 1981. He is also a fellow member of The Hong Kong Institute of Certified Public Accountants (Practising) and has over 35 years of experience in accounting and finance.

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

Non-executive Directors

Dr Raymond OR Ching Fai, aged 66, has been an Independent Non-executive Director of the Company since 1996 and became Chairman of the Board since June 2012. He is the Chairman of the Nomination Committee of the Board, a director of a subsidiary and a trustee of a trust of the Company. He was conferred an Honorary Doctor of Social Science by the City University of Hong Kong in November 2014. Dr OR is an executive director, chief executive officer and chairman of China Strategic Holdings Limited, an independent non-executive director and a vice chairman of G-Resources Group Ltd. and an independent non-executive director of Chow Tai Fook Jewellery Group Limited, Industrial and Commercial Bank of China Limited, Television Broadcasts Limited and Regina Miracle International (Holdings) Limited. All these companies are listed on the Stock Exchange. He is a non-executive director and deputy chairman of Aquis Entertainment Limited, a company listed on the Australian Securities Exchange. He was the former vice chairman and chief executive of Hang Seng Bank Limited, the former chairman of Hang Seng Life Limited and a director of The Hongkong and Shanghai Banking Corporation Limited, Cathay Pacific Airways Limited and Hutchison Whampoa Limited until his retirement in May 2009.

Paul CHENG Ming Fun, aged 79, has been an Independent Non-executive Director of the Company since November 2002 and became Deputy Chairman of the Board since July 2008. He is the Chairman of the Remuneration Committee and a member of the Nomination Committee of the Board, a director of a subsidiary and a trustee of a trust of the Company. Mr CHENG obtained his Bachelor of Arts degree from Lake Forest University (Illinois, USA) and Master of Business Administration degree from the Wharton School of the University of Pennsylvania. Mr CHENG is an independent non-executive director of Chow Tai Fook Jewellery Group Limited, a company listed on the Stock Exchange. He is an independent non-executive director of Global Logistic Properties Limited, a company listed on the Singapore Stock Exchange. He is also an independent non-executive director of Pacific Alliance China Land Ltd., a company listed on the AIM Board of the London Stock Exchange. Mr CHENG was a former member of the Hong Kong Legislative Council as well as the former chairman of Inchcape Pacific Limited, N M Rothschild & Sons (Hong Kong) Ltd., The Link Management Limited (Link Asset Management Limited) and the Hong Kong General Chamber of Commerce. He is currently an Honorary Steward of the Hong Kong Jockey Club.

Dr José María CASTELLANO RIOS, aged 68, has been an Independent Non-executive Director of the Company since December 2014. He is a member of the Audit Committee and the Risk Management Committee of the Board. He was the deputy chairman, chief executive officer and director of Inditex, the Spanish listed company owner of Zara and several other fashion apparel brands, which he served from 1985 to 2005. After being in the industry of international fashion and apparel for around 30 years, Dr CASTELLANO became the president, chief executive officer and director of Grupo Corporativo ONO, S.A. and Cableuropa S.A.U. from 2006 to 2009. He was also the vice-chairman of N M Rothschild in Spain for a number of years starting from 2007. Most recently, Dr CASTELLANO was the chairman and president of Nova Caixa Bank between 2011 and 2014.

Dr CASTELLANO obtained a Bachelor of Art degree in Economics from the University of Santiago de Compostela in Spain and a Doctor of Philosophy degree in Economics from the University of Madrid in Spain. He was a professor of financial economics and accounting at the University of A Coruña in Spain until 2013.

Directors' profile (continued)

Non-executive Directors (continued)

Jürgen Alfred Rudolf FRIEDRICH, aged 77, founded Esprit's European operations in 1976 and has been a Non-executive Director of the Company since 1997. He is a member of the Remuneration Committee of the Board. Mr FRIEDRICH has over 32 years of experience in the apparel distribution and marketing business and is currently retired in Switzerland.

Alexander Reid HAMILTON, aged 74, has been an Independent Non-executive Director of the Company since August 1995. He is the Chairman of the Audit Committee and a member of the Nomination Committee of the Board. Mr HAMILTON is an independent non-executive director of COSCO International Holdings Limited and Shangri-La Asia Limited. Both companies are listed on the Stock Exchange. He is also an independent non-executive director of JPMorgan China Region Fund, Inc., a USA registered closed end fund quoted on the New York Stock Exchange. Mr HAMILTON is also a director of Octopus Cards Limited and other Hong Kong companies. He was an independent non-executive director of CITIC Limited and China COSCO Holdings Company Limited. He was a partner of Price Waterhouse with whom he practiced for 16 years.

Carmelo LEE Ka Sze, aged 55, has been an Independent Non-executive Director of the Company since July 2013. He is the Chairman of the Risk Management Committee and a member of the Nomination Committee and the Remuneration Committee of the Board. He is a partner of Messrs. Woo, Kwan, Lee & Lo, Solicitors & Notaries. Mr LEE is a member of the SFC (HKEC Listing) Committee and a member of the SFC Dual Filing Advisory Group of the Securities and Futures Commission. He is also a member of the Disciplinary Panels of the Hong Kong Institute of Certified Public Accountants. He is a member of the Campaign Committee and a Co-Chairman of the Corporate Challenge Half Marathon of The Community Chest of Hong Kong. He served as the chairman of the Listing Committee of the Stock Exchange from 2012 to 2015 after serving as deputy chairman and member of the Listing Committee of the Stock Exchange from 2009 to 2012 and from 2000 to 2003 respectively.

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

Mr LEE is a non-executive director of Hopewell Holdings Limited, CSPC Pharmaceutical Group Limited, Yugang International Limited, Y.T. Realty Group Limited, Safety Godown Company Limited and Termbray Industries International (Holdings) Limited and an independent non-executive director of KWG Property Holding Limited and China Pacific Insurance (Group) Co., Ltd., all these companies are listed on the Stock Exchange. He was a non-executive director of The Cross-Harbour (Holdings) Limited from September 2004 to December 2012 and an independent non-executive director of Ping An Insurance (Group) Company of China, Ltd. from June 2009 to June 2015.

Norbert Adolf PLATT, aged 68, has been an Independent Non-executive Director of the Company since December 2012. He is a member of the Audit Committee and the Remuneration Committee of the Board. He has 40 years of extensive experience in the industry of luxury goods. Mr PLATT was the chief executive officer of the Richemont group from October 2004 to March 2010. The Richemont group's luxury goods interests encompass a portfolio of internationally renowned brands including Cartier, Van Cleef & Arpels, Piaget, Montblanc, Chloé and Alfred Dunhill. Under his leadership, the Richemont group recorded significant growth in turnover and profits. Mr PLATT is currently a non-executive director of Compagnie Financière Richemont SA, the holding company of the Richemont group which is listed in Switzerland.

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

Mr PLATT graduated with a Master of Science Degree in Precision Mechanical Engineering, and attended business management and marketing programs at Harvard Business School of Harvard University and INSEAD.

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

As at 31 December 2015, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the 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 6)	Total number of shares	Approximate percentage of aggregate interest to total issued share capital
Jose Manuel MARTINEZ GUTIERREZ	Beneficial owner	1,500,000	5,800,000	7,300,000	0.37%
Thomas TANG Wing Yung	Beneficial owner	100,000	2,900,000	3,000,000	0.15%
Raymond OR Ching Fai	Beneficial owner Interest of spouse (Note 1)	2,800,000 200,000	450,000	3,450,000	0.17%
Paul CHENG Ming Fun	Beneficial owner (Note 2) Interest of spouse (Note 3)	881,836 881,942	280,000	2,043,778	0.10%
Jürgen Alfred Rudolf FRIEDRICH	Beneficial owner (Note 4) Interest of spouse (Note 5)	45,500,000 53,669	110,000	45,663,669	2.34%
Alexander Reid HAMILTON	Beneficial owner	-	110,000	110,000	0.00%
Carmelo LEE Ka Sze	Beneficial owner	-	100,000	100,000	0.00%
Norbert Adolf PLATT	Beneficial owner	-	110,000	110,000	0.00%

Notes:

- The shares were held by the spouse of Dr Raymond OR Ching Fai, Mrs OR WONG Lai Ning.
- The interests of the 881,836 shares were held jointly by Mr Paul CHENG Ming Fun and his spouse, Mrs Janet Mary CHENG.
- The shares were deemed to be held by the spouse of Mr Paul CHENG Ming Fun, Mrs Janet Mary CHENG.
- Mr Jürgen Alfred Rudolf FRIEDRICH has entered into a securities lending agreement with a third party for the interest of 10,000,000 shares beneficially owned by him.
- The shares were held by the spouse of Mr Jürgen Alfred Rudolf FRIEDRICH, Mrs Anke Beck FRIEDRICH.
- The interests of the Directors and chief executives of the Company in the underlying shares of equity derivatives in respect of share options of the Company are detailed in "Share options" section below.
- All interests disclosed above represent long position in the shares and underlying shares of the Company.

(2) Share options of the Company

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

Save as disclosed above, as at 31 December 2015, none of the Directors and chief executives of the Company or their respective associates had any interests or short positions, whether beneficial or non-beneficial, in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Share options

2001 Share Option Scheme

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

2001 Share Option Scheme (continued)

Employees & consultants

Date of grant (dd/mm/yyyy)	Exercise price (HK\$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	Number of share options				
				As at 01/07/2015	Granted	Exercised	Lapsed	As at 31/12/2015
09/12/2009	53.74	09/12/2010	09/12/2010 - 08/12/2015	184,000	-	-	184,000	-
		09/12/2011	09/12/2011 - 08/12/2015	184,000	-	-	184,000	-
		09/12/2012	09/12/2012 - 08/12/2015	184,000	-	-	184,000	-
		09/12/2013	09/12/2013 - 08/12/2015	184,000	-	-	184,000	-
		09/12/2014	09/12/2014 - 08/12/2015	184,000	-	-	184,000	-
11/12/2009	53.90	11/12/2010	11/12/2010 - 10/12/2015	111,000	-	-	111,000	-
		11/12/2011	11/12/2011 - 10/12/2015	111,000	-	-	111,000	-
		11/12/2012	11/12/2012 - 10/12/2015	111,000	-	-	111,000	-
		11/12/2013	11/12/2013 - 10/12/2015	111,000	-	-	111,000	-
		11/12/2014	11/12/2014 - 10/12/2015	111,000	-	-	111,000	-
04/02/2010	57.70	04/02/2011	04/02/2011 - 03/02/2016	120,000	-	-	-	120,000
		04/02/2012	04/02/2012 - 03/02/2016	120,000	-	-	-	120,000
		04/02/2013	04/02/2013 - 03/02/2016	120,000	-	-	-	120,000
		04/02/2014	04/02/2014 - 03/02/2016	120,000	-	-	-	120,000
		04/02/2015	04/02/2015 - 03/02/2016	120,000	-	-	-	120,000
05/02/2010	55.46	05/02/2011	05/02/2011 - 04/02/2016	60,000	-	-	-	60,000
		05/02/2012	05/02/2012 - 04/02/2016	60,000	-	-	-	60,000
		05/02/2013	05/02/2013 - 04/02/2016	60,000	-	-	-	60,000
		05/02/2014	05/02/2014 - 04/02/2016	60,000	-	-	-	60,000
		05/02/2015	05/02/2015 - 04/02/2016	60,000	-	-	-	60,000
09/12/2010	37.92	09/12/2011	09/12/2011 - 08/12/2016	138,000	-	-	48,000	90,000
		09/12/2012	09/12/2012 - 08/12/2016	138,000	-	-	48,000	90,000
		09/12/2013	09/12/2013 - 08/12/2016	138,000	-	-	48,000	90,000
		09/12/2014	09/12/2014 - 08/12/2016	138,000	-	-	48,000	90,000
		09/12/2015	09/12/2015 - 08/12/2016	138,000	-	-	48,000	90,000
13/12/2010	38.10	13/12/2011	13/12/2011 - 12/12/2016	111,000	-	-	42,000	69,000
		13/12/2012	13/12/2012 - 12/12/2016	111,000	-	-	42,000	69,000
		13/12/2013	13/12/2013 - 12/12/2016	111,000	-	-	42,000	69,000
		13/12/2014	13/12/2014 - 12/12/2016	111,000	-	-	42,000	69,000
		13/12/2015	13/12/2015 - 12/12/2016	111,000	-	-	60,000	51,000
11/02/2011	40.40	11/02/2012	11/02/2012 - 10/02/2017	60,000	-	-	-	60,000
		11/02/2013	11/02/2013 - 10/02/2017	60,000	-	-	-	60,000
		11/02/2014	11/02/2014 - 10/02/2017	60,000	-	-	-	60,000
		11/02/2015	11/02/2015 - 10/02/2017	60,000	-	-	-	60,000
		11/02/2016	11/02/2016 - 10/02/2017	60,000	-	-	-	60,000
09/12/2011	11.09	09/12/2012	09/12/2012 - 08/12/2017	138,000	-	-	48,000	90,000
		09/12/2013	09/12/2013 - 08/12/2017	138,000	-	-	48,000	90,000
		09/12/2014	09/12/2014 - 08/12/2017	138,000	-	-	48,000	90,000
		09/12/2015	09/12/2015 - 08/12/2017	138,000	-	-	48,000	90,000
		09/12/2016	09/12/2016 - 08/12/2017	138,000	-	-	48,000	90,000
TOTAL				4,610,000	-	-	2,183,000	2,427,000

Note:

No share options were canceled under the 2001 Share Option Scheme during the six months ended 31 December 2015.

2009 Share Option Scheme

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

Directors

Jose Manuel MARTINEZ GUTIERREZ

Date of grant (dd/mm/yyyy)	Exercise price (HK\$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	Number of share options				
				As at 01/07/2015	Granted	Exercised	Lapsed	As at 31/12/2015
11/03/2013	10.04	11/03/2016	11/03/2016 - 10/03/2023	3,000,000	-	-	-	3,000,000
		11/03/2017	11/03/2017 - 10/03/2023	1,000,000	-	-	-	1,000,000
		11/03/2018	11/03/2018 - 10/03/2023	1,000,000	-	-	-	1,000,000
04/11/2013	14.18	04/11/2016	04/11/2016 - 03/11/2023	400,000	-	-	-	400,000
31/10/2014	10.124	31/10/2017	31/10/2017 - 30/10/2024	400,000	-	-	-	400,000
In aggregate				5,800,000	-	-	-	5,800,000

Thomas TANG Wing Yung

Date of grant (dd/mm/yyyy)	Exercise price (HK\$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	Number of share options				
				As at 01/07/2015	Granted	Exercised	Lapsed	As at 31/12/2015
11/03/2013	10.04	11/03/2016	11/03/2016 - 10/03/2023	1,500,000	-	-	-	1,500,000
		11/03/2017	11/03/2017 - 10/03/2023	400,000	-	-	-	400,000
		11/03/2018	11/03/2018 - 10/03/2023	400,000	-	-	-	400,000
04/11/2013	14.18	04/11/2016	04/11/2016 - 03/11/2023	300,000	-	-	-	300,000
31/10/2014	10.124	31/10/2017	31/10/2017 - 30/10/2024	300,000	-	-	-	300,000
In aggregate				2,900,000	-	-	-	2,900,000

Raymond OR Ching Fai

Date of grant (dd/mm/yyyy)	Exercise price (HK\$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	Number of share options				
				As at 01/07/2015	Granted	Exercised	Lapsed	As at 31/12/2015
30/06/2014	11.00	30/06/2015	30/06/2015 - 29/06/2024	450,000	-	-	-	450,000
In aggregate				450,000	-	-	-	450,000

Paul CHENG Ming Fun

Date of grant (dd/mm/yyyy)	Exercise price (HK\$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	Number of share options				
				As at 01/07/2015	Granted	Exercised	Lapsed	As at 31/12/2015
30/06/2014	11.00	30/06/2015	30/06/2015 - 29/06/2024	280,000	-	-	-	280,000
In aggregate				280,000	-	-	-	280,000

Jürgen Alfred Rudolf FRIEDRICH

Date of grant (dd/mm/yyyy)	Exercise price (HK\$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	Number of share options				
				As at 01/07/2015	Granted	Exercised	Lapsed	As at 31/12/2015
30/06/2014	11.00	30/06/2015	30/06/2015 - 29/06/2024	110,000	-	-	-	110,000
In aggregate				110,000	-	-	-	110,000

2009 Share Option Scheme (continued)

Directors (continued)

Alexander Reid HAMILTON

Date of grant (dd/mm/yyyy)	Exercise price (HK\$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	Number of share options				As at 31/12/2015
				As at 01/07/2015	Granted	Exercised	Lapsed	
30/06/2014	11.00	30/06/2015	30/06/2015 - 29/06/2024	110,000	-	-	-	110,000
In aggregate				110,000	-	-	-	110,000

Carmelo LEE Ka Sze

Date of grant (dd/mm/yyyy)	Exercise price (HK\$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	Number of share options				As at 31/12/2015
				As at 01/07/2015	Granted	Exercised	Lapsed	
30/06/2014	11.00	30/06/2015	30/06/2015 - 29/06/2024	100,000	-	-	-	100,000
In aggregate				100,000	-	-	-	100,000

Norbert Adolf PLATT

Date of grant (dd/mm/yyyy)	Exercise price (HK\$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	Number of share options				As at 31/12/2015
				As at 01/07/2015	Granted	Exercised	Lapsed	
30/06/2014	11.00	30/06/2015	30/06/2015 - 29/06/2024	110,000	-	-	-	110,000
In aggregate				110,000	-	-	-	110,000

Employees & consultants

Date of grant (dd/mm/yyyy)	Exercise price (HK\$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	Number of share options				As at 31/12/2015
				As at 01/07/2015	Granted	Exercised	Lapsed	
19/04/2010	62.21	19/04/2011	19/04/2011 - 18/04/2016	160,000	-	-	160,000	-
		19/04/2012	19/04/2012 - 18/04/2016	160,000	-	-	160,000	-
		19/04/2013	19/04/2013 - 18/04/2016	160,000	-	-	160,000	-
		19/04/2014	19/04/2014 - 18/04/2016	160,000	-	-	160,000	-
		19/04/2015	19/04/2015 - 18/04/2016	160,000	-	-	160,000	-
27/09/2010	43.00	27/09/2013	27/09/2013 - 26/09/2020	2,830,000	-	-	500,000	2,330,000
19/04/2011	34.71	19/04/2012	19/04/2012 - 18/04/2017	120,000	-	-	120,000	-
		19/04/2013	19/04/2013 - 18/04/2017	120,000	-	-	120,000	-
		19/04/2014	19/04/2014 - 18/04/2017	120,000	-	-	120,000	-
		19/04/2015	19/04/2015 - 18/04/2017	120,000	-	-	120,000	-
		19/04/2016	19/04/2016 - 18/04/2017	120,000	-	-	120,000	-
17/05/2011	30.90	17/05/2014	17/05/2014 - 16/05/2021	600,000	-	-	600,000	-
		17/05/2015	17/05/2015 - 16/05/2021	200,000	-	-	200,000	-
		17/05/2016	17/05/2016 - 16/05/2021	200,000	-	-	200,000	-
16/09/2011	18.17	16/09/2014	16/09/2014 - 15/09/2021	600,000	-	-	600,000	-
		16/09/2015	16/09/2015 - 15/09/2021	200,000	-	-	200,000	-
		16/09/2016	16/09/2016 - 15/09/2021	200,000	-	-	200,000	-
27/09/2011	8.76	27/09/2014	27/09/2014 - 28/02/2016 (Note 2)	425,000	-	-	-	425,000
		27/09/2014	27/09/2014 - 26/09/2021	7,275,000	-	-	1,750,000	5,525,000

2009 Share Option Scheme (continued)

Employees & consultants (continued)

Date of grant (dd/mm/yyyy)	Exercise price (HK\$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	Number of share options				
				As at 01/07/2015	Granted	Exercised	Lapsed	As at 31/12/2015
10/05/2012	14.78	10/05/2013	10/05/2013 - 09/05/2018	120,000	-	-	120,000	-
		10/05/2014	10/05/2014 - 09/05/2018	120,000	-	-	120,000	-
		10/05/2015	10/05/2015 - 09/05/2018	120,000	-	-	120,000	-
		10/05/2016	10/05/2016 - 09/05/2018	120,000	-	-	120,000	-
		10/05/2017	10/05/2017 - 09/05/2018	120,000	-	-	120,000	-
12/12/2012	12.32	12/12/2015	12/12/2015 - 11/12/2022	4,840,000	-	-	1,225,000	3,615,000
11/03/2013	10.04	11/03/2016	11/03/2016 - 10/03/2023	6,744,000	-	-	1,620,000	5,124,000
		11/03/2017	11/03/2017 - 10/03/2023	2,248,000	-	-	540,000	1,708,000
		11/03/2018	11/03/2018 - 10/03/2023	2,248,000	-	-	540,000	1,708,000
04/11/2013	14.18	04/11/2016	04/11/2016 - 03/11/2023	9,355,000	-	-	1,475,000	7,880,000
		04/11/2017	04/11/2017 - 03/11/2023	660,000	-	-	-	660,000
		04/11/2018	04/11/2018 - 03/11/2023	660,000	-	-	-	660,000
21/03/2014	13.592	21/03/2017	21/03/2017 - 20/03/2024	510,000	-	-	210,000	300,000
		21/03/2018	21/03/2018 - 20/03/2024	170,000	-	-	70,000	100,000
		21/03/2019	21/03/2019 - 20/03/2024	170,000	-	-	70,000	100,000
30/06/2014	11.00	30/06/2017	30/06/2017 - 29/06/2024	210,000	-	-	-	210,000
		30/06/2018	30/06/2018 - 29/06/2024	70,000	-	-	-	70,000
		30/06/2019	30/06/2019 - 29/06/2024	70,000	-	-	-	70,000
31/10/2014	10.124	23/03/2015	23/03/2015 - 30/10/2024	60,000	-	-	-	60,000
		(Note 3)	(Note 3)					
		23/03/2015	23/03/2015 - 30/10/2024	20,000	-	-	-	20,000
		(Note 4)	(Note 4)					
		23/03/2015	23/03/2015 - 30/10/2024	20,000	-	-	-	20,000
		(Note 5)	(Note 5)					
31/10/2017	31/10/2017 - 30/10/2024	10,495,000	-	-	1,700,000	8,795,000		
31/10/2018	31/10/2018 - 30/10/2024	40,000	-	-	-	40,000		
31/10/2019	31/10/2019 - 30/10/2024	40,000	-	-	-	40,000		
13/10/2015	6.55	13/10/2018	13/10/2018 - 12/10/2025	-	8,840,000	-	-	8,840,000
		13/10/2019	13/10/2019 - 12/10/2025	-	680,000	-	-	680,000
		13/10/2020	13/10/2020 - 12/10/2025	-	680,000	-	-	680,000
23/12/2015	8.07	13/10/2018	13/10/2018 - 12/10/2025	-	125,000	-	-	125,000
In aggregate				53,160,000	10,325,000	-	13,700,000	49,785,000
TOTAL				63,020,000	10,325,000	-	13,700,000	59,645,000

Notes:

- The closing prices of the shares of the Company immediately before the share options granted on 13 October 2015 and 23 December 2015 were HK\$6.41 and HK\$8.20 respectively.
- With effect from 8 December 2015, the exercise period of 425,000 share options at exercise price of HK\$8.76 was changed from the period of 27 September 2014 to 26 September 2021 to the period of 27 September 2014 to 28 February 2016.
- With effect from 10 April 2015, the vesting date of 60,000 share options at exercise price of HK\$10.124 was accelerated from 31 October 2017 to 23 March 2015 and the exercise period was changed from the period of 31 October 2017 to 30 October 2024 to the period of 23 March 2015 to 30 October 2024.
- With effect from 10 April 2015, the vesting date of 20,000 share options at exercise price of HK\$10.124 was accelerated from 31 October 2018 to 23 March 2015 and the exercise period was changed from the period of 31 October 2018 to 30 October 2024 to the period of 23 March 2015 to 30 October 2024.
- With effect from 10 April 2015, the vesting date of 20,000 share options at exercise price of HK\$10.124 was accelerated from 31 October 2019 to 23 March 2015 and the exercise period was changed from the period of 31 October 2019 to 30 October 2024 to the period of 23 March 2015 to 30 October 2024.
- No share options were canceled under the 2009 Share Option Scheme during the six months ended 31 December 2015.

Share options expenses under the 2009 Share Option Scheme

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

Date of grant	Share option value ¹ (HK\$)	Share price at the date of grant ² (HK\$)	Exercise price (HK\$)	Expected volatility ³	Annual risk-free interest rate ⁴	Life of share option ⁵	Dividend yield ⁶
2009 Share Option Scheme							
13 October 2015	2.40 - 2.92	6.55	6.55	47.36% - 48.84%	0.78% - 1.12%	4 - 6 years	0.28%
23 December 2015	2.72	8.07	8.07	44.15%	0.86%	3.8 years	0.28%

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

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

Substantial shareholders' interests

As at 31 December 2015, 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 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)	Approximate percentage of aggregate interest to total issued share capital	Number of shares (Short position)	Approximate percentage of aggregate interest to total issued share capital
Massachusetts Financial Services Company (Note 1)	Investment manager	253,199,660	13.02%	-	-
Sun Life Financial, Inc. (Note 1)	Investment manager	253,199,660	13.02%	-	-
Lone Pine Capital LLC	Investment manager	243,468,305	12.52%	-	-
HSBC International Trustee Limited (Notes 2 and 3)	Trustee	212,469,318	10.92%	-	-
Total Market Limited (Notes 2 and 3)	Beneficial owner	211,822,656	10.89%	-	-
Spring Forest International Limited (Notes 2 and 3)	Interest in a controlled corporation	211,822,656	10.89%	-	-
YFT Group Limited (Notes 2 and 3)	Interest in a controlled corporation	211,822,656	10.89%	-	-
YFT Holdings Limited (Notes 2 and 3)	Interest in a controlled corporation	211,822,656	10.89%	-	-
Michael YING Lee Yuen (Notes 2 to 4)	Interest in a controlled corporation	211,822,656	10.89%	-	-
Marathon Asset Management LLP (Note 5)	Investment manager	132,419,215	6.81%	-	-
Sanderson Asset Management LLP	Investment manager	99,155,648	5.10%	-	-

Substantial shareholders' interests (continued)

Notes:

1. Massachusetts Financial Services Company ("MFS") is a subsidiary of Sun Life Financial, Inc. ("SLF"). Accordingly, SLF was deemed to be interested in the shares held by MFS and its direct and indirect subsidiaries.
2. The entire issued share capital of Total Market Limited ("Total Market") is held by Spring Forest International Limited, which in turn is a wholly-owned subsidiary of YFT Group Limited ("YFT Group"). YFT Group is a wholly-owned subsidiary of YFT Holdings Limited ("YFT Holdings"). HSBC International Trustee Limited ("HITL") controls 100% of YFT Holdings.
3. HITL, in its capacity as trustee of the discretionary trust set up by Mr Michael YING Lee Yuen ("Mr YING") as settlor and other trusts, was directly interested or deemed to be interested in the shares held by Total Market and in the remaining 646,662 shares respectively pursuant to Part XV of the SFO.
4. Mr YING was deemed to be interested in the shares held by Total Market pursuant to Part XV of the SFO.
5. Marathon Asset Management LLP is 40.05%, 40.05% and 19.90% controlled by Mr William ARAH, Mr Neil OSTRER and Marathon Asset Management (Services) Ltd respectively.

Save as disclosed hereinabove and in the "Directors' interests and short positions in shares, underlying shares and debentures" section above, the Company has not been notified by any person who had interest or short position in the shares or underlying shares of the Company as at 31 December 2015 which were required to be notified to the Company pursuant to Part XV of the SFO or which are recorded in the register required to be kept by the Company under Section 336 of the SFO.

Interim dividend

The Board of Directors maintains the dividend payout ratio of 60% of basic earnings per share. As the Group recorded a loss for the six months ended 31 December 2015, the Board of Directors has resolved not to declare an interim dividend for the six months ended 31 December 2015 (1H FY14/15: HK\$0.015 per share).

Audit Committee

The Audit Committee currently comprises three Independent Non-executive Directors. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and has also discussed auditing, internal controls and financial reporting matters including the review of the quarterly updates, interim results and annual results of the Group. The unaudited interim results of the Group for the six months ended 31 December 2015 have been reviewed by the Audit Committee with the management.

Human resources

As at 31 December 2015, the Group employed over 9,000 full-time equivalent staff (31 December 2014: over 9,000) 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 newsletters and global intranet.

Purchase, sale or redemption of the Company's shares

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

American Depository Receipt Program

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

Symbol	ESPGY
CUSIP	29666V204
ISIN	US29666V2043
Ratio	2 Ordinary shares: 1 ADR
Country	Hong Kong
Effective Date	18 November 2009
Depository	Deutsche Bank Trust Company Americas

Corporate governance

The Company has applied the principles of, and complied with the Corporate Governance Code and Corporate Governance Report (the "Code") as set out in Appendix 14 of the Listing Rules for the six months ended 31 December 2015, except that Non-executive Directors of the Company do not have specific term of appointment (code provision A.4.1 of the Code). Nevertheless, under bye-law 87 of the Company's Bye-laws, all Directors, including Non-executive Directors, of the Company are subject to retirement by rotation and re-election in the annual general meeting of the Company and each Director is effectively appointed under an average term of not more than three years.

Model code for securities transactions by Directors

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

The Company has made specific enquiry with all Directors and all of them confirmed that they have complied with the required standard set out in the Model Code for the six months ended 31 December 2015.

Terms of reference

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

On Behalf of the Board
ESPRIT HOLDINGS LIMITED

Dr Raymond OR Ching Fai
Chairman

Hong Kong, 23 February 2016

06

GLOSSARY OF TERMS

06 Glossary of terms

A

ADR
American Depositary Receipt

C

Capex
Capital expenditure

Comparable store (comp-store)

A directly managed retail store in existence on 1 July of the previous financial year and is still in operation at the reporting period end date and its total net sales area has been changed by less than 10% within the current reporting period

Comp-store sales growth

Local currency year-on-year change in sales generated by comparable stores

Controlled wholesale space

POS which Esprit wholesale management team has control over the look and feel such as Esprit brand name logo, visual merchandising, etc. Includes franchise stores, shop-in-stores and identity corners with wholesale partners

D

Directly managed retail stores

Stand-alone stores, concession counters in department stores and outlets fully managed by Esprit

E

e-shop
On-line store

EBIT/LBIT

Earnings before interest and tax/Loss before interest and tax

F

Franchise stores

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

I

Identity corners

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

Inventory turnover days

Calculated as average inventory (excluding consumables) over cost of goods sold

L

LCY
Local currency

O

Outlet stores

Situated in the vicinity of major markets. Offer prior season products at a more competitive price and product collection exclusively made for outlets

P

POS
Point-of-sales

R

Retail sales

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

Revenue

Revenue can be referred to as turnover or sales

S

Shop-in-stores

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

Sqm

Square meters

W

Wholesale sales

Sales of merchandise to third party wholesale partners



ESPRIT

espritholdings.com

