

STOCK CODE 00330

INTERIM REPORT

ESPRIT HOLDINGS LIMITED
SIX MONTHS ENDED
31 DECEMBER 2014



ESPRIT

INTERIM REPORT FY 14/15
ESPRIT HOLDINGS LIMITED

ESPRIT





*"We make you feel good
to look good."*

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
(appointed with effect from
4 December 2014)
- 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
- BNP Paribas
- Hang Seng Bank Limited
- Industrial and Commercial Bank of China
- ANZ Bank
- China Merchants Bank
- Mizuho Bank, Ltd

Auditor

- PricewaterhouseCoopers
Certified Public Accountants

Principal legal advisor

- Baker & McKenzie
- Freshfields Bruckhaus Deringer

Share listing

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

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

Esprit's collections are available in over 40 countries worldwide, in over 900 self-operated retail stores and through over 7,800 wholesale points of sales including franchise partners, and controlled wholesale space in department stores. The Group markets its products under two brands, namely the Esprit brand and the edc brand. Listed on The Stock Exchange of Hong Kong Limited since 1993, Esprit has headquarters in Germany and Hong Kong.





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01
FINANCIAL HIGHLIGHTS

01 Financial Highlights

- Group turnover declined year-on-year by -13.2% in local currency (-16.3% in Hong Kong dollar terms), mostly reflecting expected space reduction, unusually warm weather in Europe and unfavorable exchange rate movements
- Turnover decline in the second quarter narrowed to -9.9% in local currency, which was in line with the corresponding reduction of total controlled space of -10.0% year-on-year
- Continued good progress made on Transformation and encouraging initial wholesale response on the Spring/Summer 2015 collections, the first entirely developed under the new vertical model
- Gross profit margin was slightly higher at 50.5% (1H FY13/14: 49.6%) as a result of savings achieved from a leaner supply chain, which allowed to offset the impact of a discount-driven market environment
- OPEX reduction of -8.9% year-on-year in local currency (-11.9% in Hong Kong dollar terms), representing substantial savings of HK\$724 million
- The Group remained profitable and recorded net profit of HK\$47 million (1H FY13/14: HK\$95 million)
- The Group maintained a healthy net cash balance of HK\$5,230 million (31 December 2013: HK\$5,181 million)
- Interim dividend of HK 1.5 cents per share with scrip alternative

Turnover

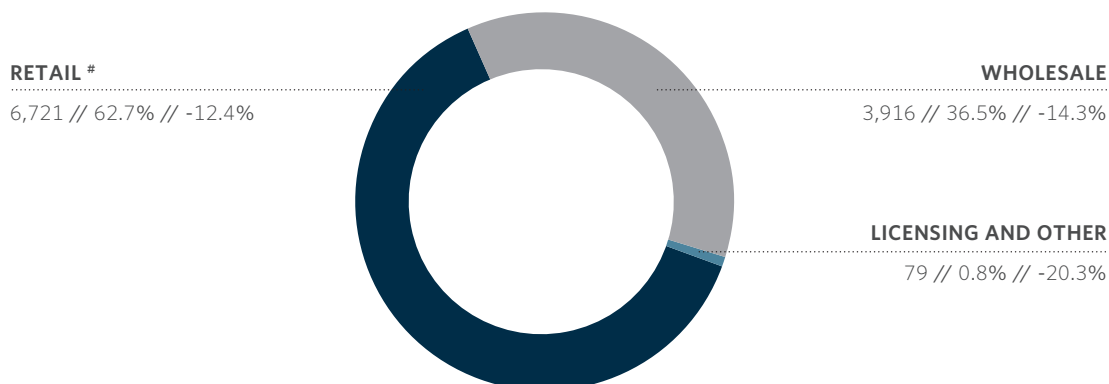
Group Turnover (HK\$ million) 10,716 ▼ 16.3% in HKD terms ▼ 13.2% in LCY	Retail Turnover (HK\$ million) 6,721 ▼ 15.8% in HKD terms ▼ 12.4% in LCY	Wholesale Turnover (HK\$ million) 3,916 ▼ 17.1% in HKD terms ▼ 14.3% in LCY
Total Controlled Space (Sqm) (Retail & Wholesale combined) 782,454 ▼ 10.0%	Retail Controlled Space (Sqm) 333,712 ▼ 2.0%	Wholesale Controlled Space (Sqm) 448,742 ▼ 15.2%
Gross Profit (HK\$ million) 5,407 ▼ 14.8% in HKD terms	EBIT (HK\$ million) 37 (2013: HK\$254 million)	Net Profit (HK\$ million) 47 (2013: HK\$95 million)
Gross Profit Margin (%) 50.5% ▲ 0.9% pt in HKD terms	EBIT Margin (%) 0.3% (2013: 2.0%)	Net Profit Margin (%) 0.4% (2013: 0.7%)
Basic Earnings Per Share (HK\$) 0.02	Dividend Per Share (HK\$) & Payout Ratio* 0.015 (61.5% of Basic EPS)	

▲/▼ year-on-year change

* Calculated by dividing dividend per share by basic EPS

Turnover by distribution channel

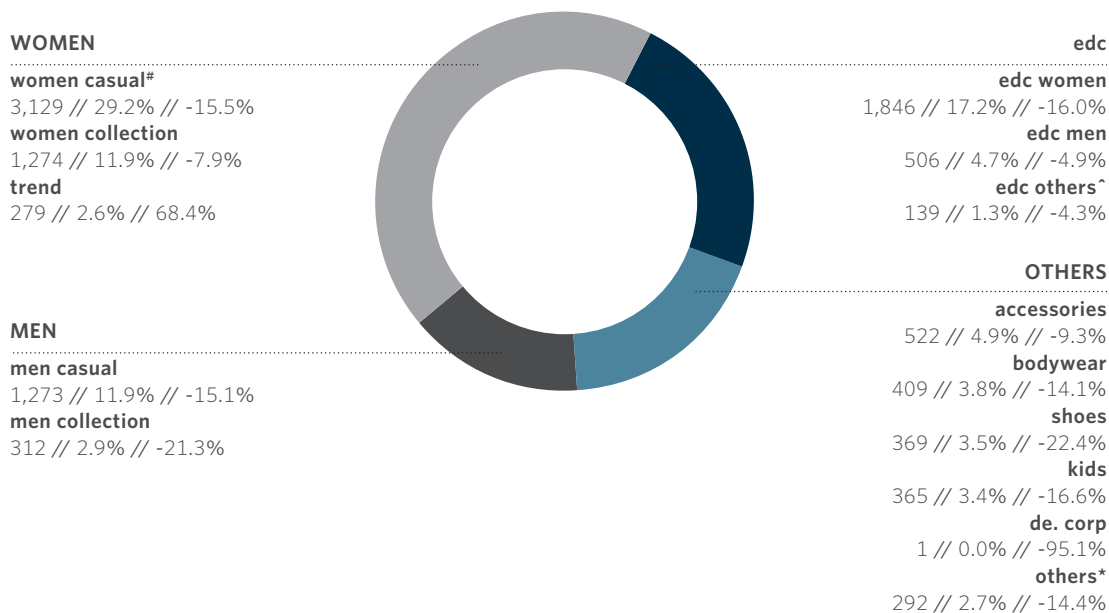
HK\$ million // % to Group turnover // % local currency growth



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

Turnover by product division

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



Turnover of sports has been re-grouped into women casual since FY14/15. Comparative figures have been restated accordingly

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

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

Turnover by country

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



■ NORTH AMERICA

United States ^

66 // 0.6% // -19.2%

■ EUROPE

Germany *

5,025 // 46.9% // -12.5%

Rest of Europe

3,994 // 37.3% // -12.2%

Benelux *

1,362 // 12.7% // -10.8%

France

689 // 6.4% // -13.7%

Switzerland

541 // 5.1% // -5.2%

Austria

497 // 4.6% // -12.5%

Scandinavia

394 // 3.7% // -12.9%

United Kingdom

122 // 1.2% // -23.2%

Spain

113 // 1.1% // 7.9%

Italy

76 // 0.7% // -3.1%

Portugal

4 // 0.0% // -37.3%

Ireland

4 // 0.0% // -25.7%

Others

192 // 1.8% // -31.7%

■ ASIA PACIFIC

China **

765 // 7.1% // -21.6%

Australia and New Zealand

198 // 1.9% // -14.0%

Hong Kong

186 // 1.7% // -9.5%

Singapore

148 // 1.4% // -15.6%

Malaysia

125 // 1.2% // -3.1%

Taiwan

97 // 0.9% // -7.3%

Macau

64 // 0.6% // 0.9%

Others @

48 // 0.4% // -39.0%

Country as a whole includes retail, wholesale and licensing operations

For the six months ended 31 December 2014, wholesale sales to other European countries mainly Poland and Bosnia-Herzegovina have been re-grouped from Germany to Others under Rest of Europe. In addition, wholesale sales to Latin America and the Middle East have also been re-grouped from Macau to Others under Rest of Europe. Comparative figures have been restated accordingly

^ Turnover from United States represents third party licensing income

@ For the six months ended 31 December 2014, wholesale sales to other countries mainly Thailand, the Philippines and Indonesia have been re-grouped from Macau to Others under Asia Pacific. Comparative figures have been restated accordingly

* Includes licensing

** Includes salon









02
AT A GLANCE

Fall/Winter 2014 Campaign

Everyday Amazing

The Fall/Winter 2014 campaign was inspired by the style and look of authentic women with real lives and real stories. We looked at the role of style in the everyday through the lens of the Fall/Winter 2014 collections, making our products the hero.

ELLA WOODWARD



The women embodying the collection and campaign were themselves both “everyday” and “amazing” – they are our Esprit Muses: Authentic women who are true to themselves, truly inspiring and connected to life in a caring way. They represent the core values of Esprit and reflect the Esprit style – casual fashion for a confident woman who has found her style and who cares about the world.

In the course of the Fall/Winter 2014 campaign we introduced seven women whose stories and looks we shared on esprit.com as well as social media and print advertising.



Festive Season 2014 Campaign

Thank you!

Our Everyday Amazing campaign champions the inspirational lives of our muses; real women, their lives, their styles and their values. For the festive season, we gave them the opportunity to thank the people who have contributed to making their everyday in 2014 that much more amazing.



THE ESPRIT MUSES

At our get-together, our seven muses were joined by the people in their lives that have made a significant difference to them. In the spirit of the season, they showed thanks to their supporters – a personal assistant, a sister or brother, a husband or partner. By giving thanks and expressing their appreciation in a beautiful, relaxing setting, we connected the Everyday Amazing movement to a wider world, where taking pleasure in life's moments goes that extra step further.

MAGAZINE ADVERTISING



CRM MAILING



WINDOW & INSTORE DISPLAY



ONLINE MEDIA





ELLA WOODWARD

Public Relations



Everyday Amazing press event

Esprit PR brought the “Everyday Amazing” Fall/Winter 2014 campaign to life with an inspirational press event and presentation of the winter collection hosted by Esprit campaign testimonial and muse Ella Woodward.

Guests, among them key fashion editors and top fashion bloggers, were invited to Rosendals Trädgård, a calm and enchanting, beautiful garden house just outside Stockholm’s bustling city centre. Ella, one of the seven amazing muses who were featured in Esprit’s ad campaign, shared her moving, personal story about how her life changed drastically following a debilitating illness. The popular food and healthy living blogger of “Deliciously Ella” then went on to perform a live cooking demonstration. After the group dinner, journalists were invited to get to know Esprit’s key pieces and see highlights from the Fall/Winter collection, keeping a personal showpiece as a gift. The event and personal dinner were a major success and big boost to our brand credibility, forming a tighter knit between the brand and opinion leaders, as well as influencers from the world of fashion.

PRESS DINNER



Esprit and international fashion media

Esprit's global PR and social media network ensures the continuous exposure of our collections' key styles in international fashion editorials - both print and online - throughout the seasons. Here are just a few examples of the high quality media coverage that we were able to generate in 2014.



Digital Experience

Esprit - Everyday Amazing

In Fall/Winter 2014, Esprit also launched the “Everyday Amazing” digital Campaign and introduced our seven muses, each framed in their individual stories on esprit.com. Promoted across all social media channels, we amplified the campaign story through inspirational content to show the brand on an even more personal level. All women were shown in everyday life situations wearing Esprit looks, which were directly available to buy online. Our consumers showed great interest in following the muses, resulting in a total of approximately 1.2 million visits of the esprit.com stories section. On Instagram, the Esprit fan base has increased by 29% during the Fall/Winter 2014 campaign period and has now reached over 30,000 followers.

GESA & HER MOTHER



ANNA & HER SISTER



SAY THANK YOU!



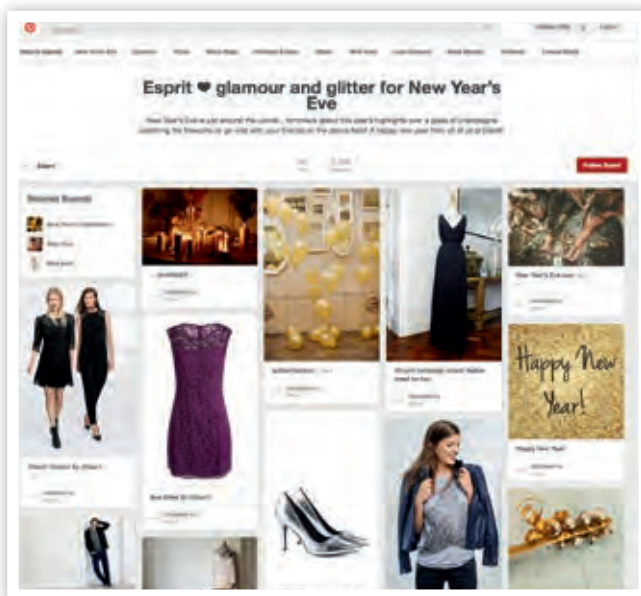
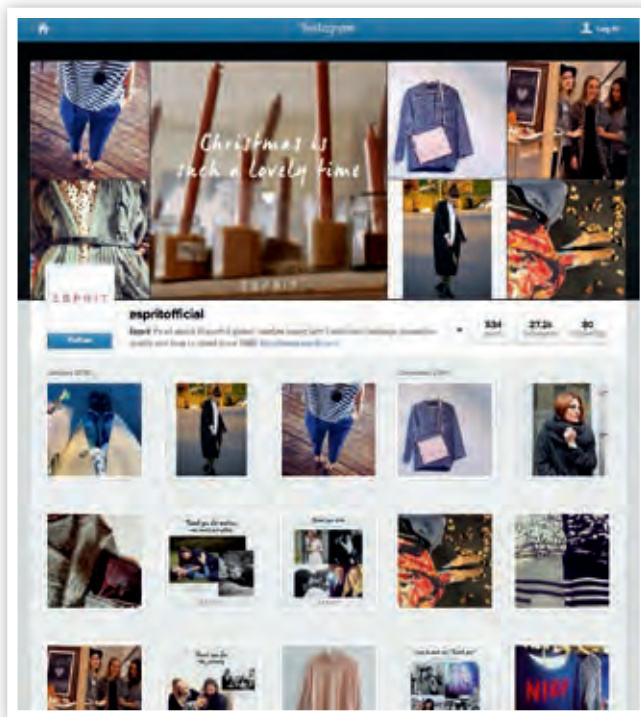
ESPRIT.COM



YouTube

Pinterest

Instagram



Hello there!

Hello Hong Kong!

On 10 November 2014, we celebrated the grand opening of our new 530 m² store, composed according to the inspirational Lighthouse concept, in the prestigious Leighton Centre. The new store is located in the heart of Causeway Bay, one of Hong Kong's prime shopping districts. A special event was hosted in the store with over 100 guests including local celebrities such as Kathy Chow, Jan Lamb, Priscilla Wong and Linda Chung, models Cara G, Jocelyn Luko and Jessica Jann, as well as popular bloggers such as Hana Tam, Joey Ma, Equeen and editors Anchor and Roanna.



The ceremony, hosted by former Miss Hong Kong Rabea Yeung, kicked off with guests releasing golden "Hello Causeway Bay" balloons. The new Lighthouse concept features discreet design elements that create a light and inviting, yet clear and easy space, allowing for our products to be the hero and take center stage! The comprehensively organized shelving and the light color concept, featuring white washed oak and brick as well as natural, raw materials like sisal and concrete, pays homage to Esprit's casual and effortless Californian heritage, while showcasing its modern and approachable take on minimal store design. A new look to showcase our original, unique essence.



Hello Germany!

Airy design, discreet brand logo, light woods and slim metals: the refurbishment efforts in Europe saw several retouched stores in Germany, in location such as Berlin, Hagen or Viernheim, featuring strong identity brand destinations with contemporary Esprit POS architecture.







03

MANAGEMENT DISCUSSION AND ANALYSIS

03 Management Discussion and Analysis

The six months ended 31 December 2014 (“1H FY14/15” or “Period Under Review” or “First Half”) were indeed a challenging time for Esprit, with a number of internal and external factors having considerable impact on our sales performance:

- Reduction in total controlled space (retail and wholesale combined). As reported in our FY13/14 annual report, the Group’s total controlled space is decreasing primarily due to our strategic decision to close unprofitable retail stores and rationalize our wholesale customer base to improve space productivity and to re-establish a healthier platform for our distribution in the future. Such streamlining of our distribution consequently impacts turnover.
- Unusually warm weather in Europe. The prolonged unusually warm weather conditions in most parts of Europe for the majority of the Period Under Review had a very significant impact on the expected sales of Autumn/Winter 2014 products. This situation also resulted in a highly promotional and discount driven market environment during the whole Autumn/Winter 2014 season.
- Finalization of the special return agreements in China. Although these agreements to address aged inventory in the country’s wholesale channel were completed in the first quarter, top line performance in the Period Under Review was impacted.
- Unfavorable exchange rate movements. Currency headwinds in the form of the depreciating Euro had a significant impact on the Group’s financial performance during the Period Under Review given that this currency represents approximately 78% of our total revenue.

As a result of these issues, the Group’s performance in 1H FY14/15 was far from satisfactory and below expectation. Turnover of the Group recorded a year-on-year decline of -13.2% in local currency to HK\$10,716 million (1H FY13/14: HK\$12,810 million) in the Period Under Review, larger than the -10.0% year-on-year reduction of our total controlled space (retail and wholesale combined). Due to the unfavorable currency impact resulting from the year-on-year depreciation of the EUR/HKD average rate, the turnover decline was -16.3% year-on-year in Hong Kong dollar terms.

Despite the weak top-line performance, the Group remained vigilant in controlling costs and improving working capital management. We achieved savings in operating expenses (“OPEX”) amounting to HK\$724 million, representing a year-on-year reduction of -11.9%. However, despite the savings achieved, the reduction in OPEX was not enough to compensate for the negative impact from declining turnover, resulting in a decline in Group profit. Overall, the Group maintained profitability with a net profit of HK\$47 million for the Period Under Review (1H FY13/14: HK\$95 million) and a healthy net cash position of HK\$5,230 million as of 31 December 2014.

On a positive note, while our Transformation is still a work in progress, the Group has made progress in various fronts of the project, particularly in the most relevant aspects below:

- **Product and “Vertical Model”:** Our maximum efforts continue to be devoted to significantly improving our products, which we see as the most important aspect of our transformation, by implementing faster and more cost-efficient product development and supply chain management processes. In this respect, our operations have been running under a new Vertical Model since the beginning of the financial year FY14/15, in July 2014, and we are on track to launch the Spring/Summer 2015 collections in February 2015, the first ones that have been entirely developed under the new model. We consider that the products developed under the Vertical Model have improved considerably in terms of design, quality and value-for-money. They have thus far been very well-received by our wholesale partners as evidenced by their order intake, which has shown sequential improvement season by season, when comparing year-on-year development.

While we welcome this positive reaction to our first “vertical collections”, we are also conscious that the development of the Vertical Model is still, to a great extent, work in progress. The last six months have been highly demanding for most teams in Esprit as almost every area in the Company has been introducing significant changes to their daily operations. Visible and positive progress has been made in all eight fundamental projects to implement our Vertical Model. Nonetheless, we expect the next six months to be equally intense so that, by July 2015, the most critical elements of the model are engrained in the organization.

Accompanying product improvement, our leaner supply chain is beginning to have a positive impact on our sourcing costs. This has enabled a slight increase in gross profit margin notwithstanding the tactical promotions and markdowns implemented as part of our efforts to improve inventory management and activate turnover in what has been a heavily promotional marketplace, with considerable discounting from the competition.

- **Omni-channel Model:** In parallel with the aforementioned initiatives, we have been stepping up our efforts to develop an omni-channel model that shall enhance the customer experience across our multiple distribution channels. We will leverage on our sizable loyal customer base (“Esprit Friends” program) and our well established e-commerce platform in order to enable consumers to better interact with our brand across all its sales channels (retail and wholesale, off-line and on-line). We have evidence that this integrated approach is the most effective model for Esprit to maximize the potential of our channels and to drive consumer satisfaction, loyalty, and ultimately value.

We see our Vertical Model (for improved products) and our Omni-channel Model (for improved distribution) as perfectly complementary projects, which together shall be the basis for Esprit’s competitiveness in the near future.

Notwithstanding the good progress that we have made in the first half in relation to our Transformation, it is important to understand that it may take time for all these initiatives to have a visible impact on the Group's performance. Consumer response must still be fully tested and we can only then gauge the subsequent impact on our operational results. We have no doubt that continuous fine tuning will be required all throughout the process and that the full potential of the Transformation project will be unlocked and optimized over time.

03.1 Revenue Analysis

For the Period Under Review, the Group recorded turnover of HK\$10,716 million (1H FY13/14: HK\$12,810 million), representing a year-on-year decline of -13.2% in local currency. Due to the unfavorable currency impact resulting from the year-on-year depreciation of the EUR/HKD average rate of -4.2%, the decline was -16.3% in Hong Kong dollar terms.

From a quarterly perspective, the Group reported a year-on-year decline in turnover of -16.3% for the three months ended 30 September 2014 (the "First Quarter") and -9.9% in local

currency for the three months ended 31 December 2014 (the "Second Quarter"). As disclosed in our First Quarter update, sales performance for the First Quarter was adversely impacted by the year-on-year reduction in total controlled space (-11.3% year-on-year), unusually warm weather in Europe, special return agreements in China and less merchandise available for sales promotions.

In the Second Quarter, the weather in Europe gradually normalized and there was no longer a drag from the special return agreements in China. Leveraging on the colder weather in November and December 2014, which had a favorable impact on sales of higher ticket items such as outerwear and knitwear, the Group took decisive measures to undertake more tactical promotions and markdowns to drive store traffic and to activate top line sales. We were able to narrow the rate of turnover decline in the Second Quarter to -9.9% in local currency which was in line with both the corresponding reduction of controlled space of -10.0% year-on-year as well as with the overall performance of the Group in the last financial year. However, the favorable top line impact from these measures was partially offset by the discounting undertaken due to intensified competition, and hence it was not enough to compensate for the weak performance in earlier months.

Turnover by product division

Turnover by product division

Product divisions	For the 6 months ended 31 December					
	2014		2013		Change in %	
	HK\$ million	% to Group Turnover	HK\$ million	% to Group Turnover	HK\$	Local currency
women	4,682	43.7%	5,460	42.6%	-14.2%	-10.8%
women casual #	3,129	29.2%	3,846	30.0%	-18.6%	-15.5%
women collection	1,274	11.9%	1,441	11.3%	-11.6%	-7.9%
trend	279	2.6%	173	1.3%	61.8%	68.4%
men	1,585	14.8%	1,963	15.4%	-19.3%	-16.4%
men casual	1,273	11.9%	1,553	12.2%	-18.0%	-15.1%
men collection	312	2.9%	410	3.2%	-23.9%	-21.3%
others	1,958	18.3%	2,399	18.7%	-18.4%	-15.5%
accessories	522	4.9%	601	4.7%	-13.2%	-9.3%
bodywear	409	3.8%	492	3.8%	-17.0%	-14.1%
shoes	369	3.5%	488	3.8%	-24.3%	-22.4%
kids	365	3.4%	453	3.5%	-19.5%	-16.6%
de. corp	1	0.0%	12	0.1%	-95.3%	-95.1%
others *	292	2.7%	353	2.8%	-17.0%	-14.4%
Esprit total	8,225	76.8%	9,822	76.7%	-16.3%	-13.1%
edc women	1,846	17.2%	2,285	17.8%	-19.2%	-16.0%
edc men	506	4.7%	552	4.3%	-8.4%	-4.9%
edc others ^	139	1.3%	151	1.2%	-8.2%	-4.3%
edc total	2,491	23.2%	2,988	23.3%	-16.6%	-13.4%
Group Total	10,716	100.0%	12,810	100.0%	-16.3%	-13.2%

Turnover of sports has been re-grouped into women casual since FY14/15. Comparative figures have been restated accordingly

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

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

Turnover of Esprit branded products accounted for 76.8% of Group turnover (1H FY13/14: 76.7%) and declined by -13.1% in local currency. As a result of our strong focus on improving the value-for-money proposition of women's products, the Group's Women divisions performed relatively better with a lower year-on-year decline of -10.8% in local currency. The Trend division, which was established to develop fast reaction products in Esprit, reported turnover growth of +68.4% in local currency in the Period Under Review.

Our Men divisions continued to underperform the Women divisions, reporting a bigger turnover decline of -16.4% in local currency. The focus on improving the design, quality and value-for-money of products has been extended to the Men Divisions and we expect to see better performance in the coming seasons.

Turnover of other product divisions under the Esprit brand declined by -15.5% in local currency.

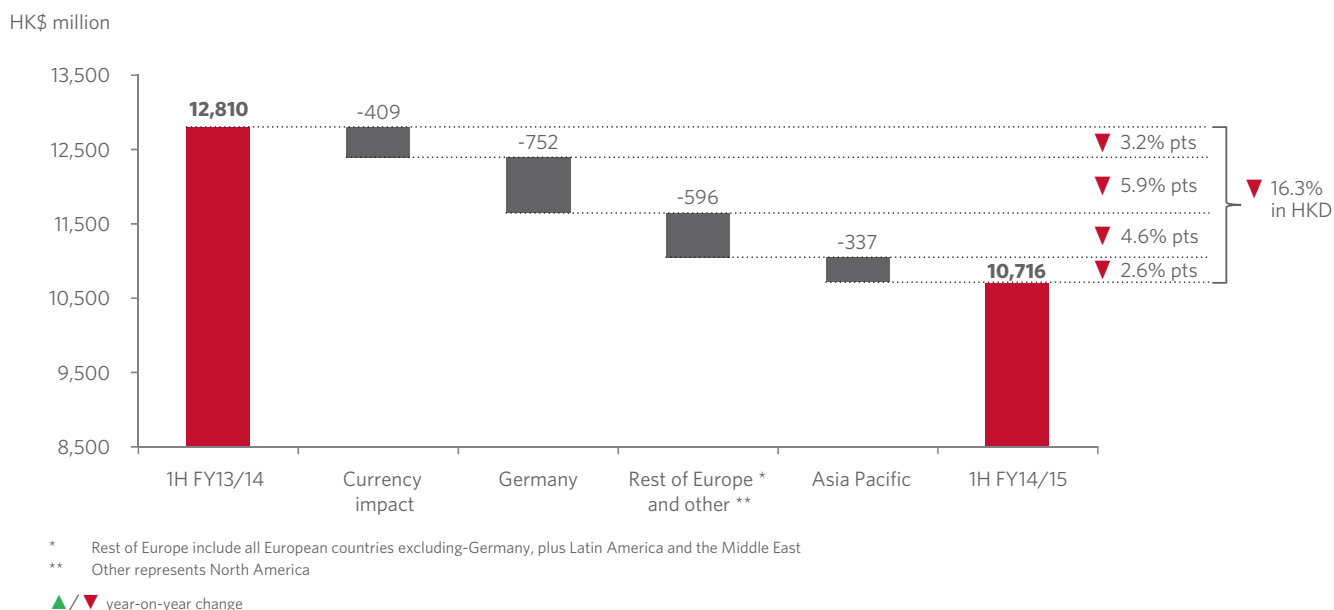
Turnover of edc branded products accounted for 23.2% of Group turnover (1H FY13/14: 23.3%) and declined by -13.4% in local currency in line with Esprit divisions. It is worth mentioning that in order to extend the Vertical Model initiated in Esprit to edc, we have recently strengthened the product team of edc and have re-focused its product strategy.

With the activation of the Vertical Model, we continue to work on significantly improving our products to drive top line performance by implementing faster and more cost-efficient product development and supply chain processes. As detailed in the FY13/14 annual report, this involves new ways of working in multiple areas, including: (i) lean supply chain management to reduce complexity, lead time and resources; (ii) category management teams to integrate product management functions (product development, supply chain and merchandising) by product categories to maximize know-how and synergies; (iii) centralized merchandising teams so that merchandising decisions are made faster to reduce our reaction time to changes and opportunities in specific stores and countries; (iv) reduced product ranges to increase efficiencies in our buying and sourcing; (v) a new seasonal product calendar to make the Vertical Model compatible for wholesale operations; (vi) applied lessons learned from the Trend Division on fast-to-market product development by other core divisions; (vii) new processes and tools that allow us to delay stock allocation decisions as much as possible so that maximum information is available and that sales potential of our merchandise is optimized; and (viii) market based pricing model with a focus on more competitive prices and on net realized gross profit margins.

Turnover by region

The majority of the Group's businesses are located in Europe and Asia Pacific. Countries are grouped along three major regions: "Germany", "Rest of Europe" and "Asia Pacific". In 1H FY14/15, turnover from Germany, Rest of Europe and Asia Pacific amounted to HK\$5,025 million, HK\$3,994 million and HK\$1,631 million respectively. The remaining HK\$66 million represents third party licensing income in North America.

The diagram below sets forth the development of the Group turnover in 1H FY14/15.



Turnover by country

For the 6 months ended 31 December							
Countries #	2014		2013		Turnover change in %		Net change in net sales area ^
	HK\$ million	% to Group Turnover	HK\$ million	% to Group Turnover	HK\$	Local currency	
Germany *	5,025	46.9%	6,004	46.9%	-16.3%	-12.5%	-5.8%
Rest of Europe	3,994	37.3%	4,733	36.9%	-15.6%	-12.2%	-11.2%
Benelux *	1,362	12.7%	1,587	12.4%	-14.2%	-10.8%	-6.0%
France	689	6.4%	830	6.5%	-17.0%	-13.7%	-7.9%
Switzerland	541	5.1%	590	4.6%	-8.3%	-5.2%	-1.3%
Austria	497	4.6%	595	4.6%	-16.4%	-12.5%	-5.7%
Scandinavia	394	3.7%	480	3.8%	-17.8%	-12.9%	-10.0%
United Kingdom	122	1.2%	157	1.2%	-22.3%	-23.2%	-39.0%
Spain	113	1.1%	108	0.9%	4.2%	7.9%	-3.6%
Italy	76	0.7%	80	0.6%	-5.4%	-3.1%	-11.9%
Portugal	4	0.0%	6	0.0%	-39.8%	-37.3%	-15.0%
Ireland	4	0.0%	6	0.0%	-28.6%	-25.7%	-5.6%
Others ##	192	1.8%	294	2.3%	-34.7%	-31.7%	-39.1%
Asia Pacific	1,631	15.2%	1,991	15.6%	-18.1%	-16.9%	-16.3%
China **	765	7.1%	984	7.7%	-22.3%	-21.6%	-23.1%
Australia and New Zealand	198	1.9%	240	1.9%	-17.1%	-14.0%	-20.6%
Hong Kong	186	1.7%	206	1.6%	-9.5%	-9.5%	3.2%
Singapore	148	1.4%	178	1.4%	-16.9%	-15.6%	-3.2%
Malaysia	125	1.2%	132	1.0%	-5.4%	-3.1%	4.3%
Taiwan	97	0.9%	108	0.9%	-9.8%	-7.3%	-1.9%
Macau	64	0.6%	63	0.5%	0.9%	0.9%	36.7%
Others @	48	0.4%	80	0.6%	-41.5%	-39.0%	-12.4%
North America	66	0.6%	82	0.6%	-19.2%	-19.2%	n.a.
United States @@	66	0.6%	82	0.6%	-19.2%	-19.2%	n.a.
Total	10,716	100.0%	12,810	100.0%	-16.3%	-13.2%	-10.0%

^ Net change since 1 January 2014

Country as a whole includes retail, wholesale and licensing operations

For the six months ended 31 December 2014, wholesale sales to other European countries mainly Poland and Bosnia-Herzegovina have been re-grouped from Germany to Others under Rest of Europe. In addition, wholesale sales to Latin America and the Middle East have also been re-grouped from Macau to Others under Rest of Europe. Comparative figures have been restated accordingly

@ For the six months ended 31 December 2014, wholesale sales to other countries mainly Thailand, the Philippines and Indonesia have been re-grouped from Macau to Others under Asia Pacific. Comparative figures have been restated accordingly

@@ Turnover from United States represents third party licensing income

* Includes licensing

** Includes salon

n.a. Not applicable

Germany

As the largest market of the Group, Germany accounted for 46.9% (1H FY13/14: 46.9%) of the total Group's turnover, and reported a -12.5% year-on-year decline in local currency terms. In terms of distribution channels, retail, wholesale and licensing businesses contributed 61.9%, 38.0% 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	2014		2013		Turnover change in %		Net change in net sales area ^
	HK\$ million	% to Total Turnover	HK\$ million	% to Total Turnover	HK\$	Local currency	
Retail #	3,110	61.9%	3,817	63.6%	-18.5%	-14.5%	-3.4%
Wholesale *	1,908	38.0%	2,176	36.2%	-12.3%	-9.1%	-7.1%
Licensing and others	7	0.1%	11	0.2%	-29.3%	-26.1%	n.a.
Total	5,025	100.0%	6,004	100.0%	-16.3%	-12.5%	-5.8%

^ Net change since 1 January 2014

Retail sales include sales from e-shop

* For the six months ended 31 December 2014, wholesale sales to other European countries mainly Poland and Bosnia-Herzegovina have been re-grouped from Germany to Others under Rest of Europe. Comparative figures have been restated accordingly

n.a. Not applicable

Germany Retail recorded year-on-year turnover decline of -14.5% in local currency, as compared to -3.4% reduction in controlled space mainly due to closure of 6 stores under store closure and stores with onerous leases announced in prior financial years during the Period Under Review. The much larger decline in turnover than in the reduction in controlled space was mainly due to adverse weather conditions and subsequent market competition as described in the beginning of this management discussion and analysis. **Germany Wholesale** recorded year-on-year turnover decline of -9.1% in local currency, which is broadly in line with the corresponding -7.1% reduction in controlled space. The decline was mainly due to the termination of very small wholesale accounts as part of our effort to rationalize wholesale customer base at the beginning of the Period Under Review, as well as lower order intake of edc products as a result of new planning for collection flow.

From a quarterly perspective, sales performance of both the **Germany Retail** and **Germany Wholesale** operations showed improvement in the Second Quarter, with the decline in turnover narrowing to -12.9% (1Q FY14/15: -16.3%) and -7.5% (1Q FY14/15: -10.2%) in local currency respectively.

Rest of Europe

The Rest of Europe region includes all European countries excluding Germany, plus Latin America and the Middle East. The region accounted for 37.3% (1H FY13/14: 36.9%) of the Group's turnover and reported a -12.2% year-on-year decline in local currency terms. In terms of distribution channels, retail, wholesale and licensing businesses contributed 54.0%, 45.8% and 0.2% of the region's turnover respectively.

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

For the 6 months ended 31 December							
Distribution Channels	2014		2013		Turnover change in %		Net change in net sales area ^
	HK\$ million	% to Total Turnover	HK\$ million	% to Total Turnover	HK\$	Local currency	
Retail #	2,158	54.0%	2,534	53.6%	-14.9%	-11.0%	0.6%
Benelux	832	20.9%	970	20.5%	-14.3%	-10.4%	0.0%
Switzerland	445	11.1%	491	10.4%	-9.5%	-6.0%	0.2%
Austria	345	8.6%	413	8.8%	-16.5%	-12.1%	0.2%
France	339	8.5%	419	8.8%	-19.0%	-15.0%	-12.8%
United Kingdom	60	1.5%	104	2.2%	-42.4%	-41.5%	-55.1%
Finland	53	1.3%	69	1.5%	-23.4%	-20.1%	-21.5%
Denmark	28	0.7%	33	0.7%	-13.6%	-9.6%	-
Sweden	23	0.6%	7	0.1%	232.3%	270.2%	n.a.
Spain	5	0.1%	3	0.1%	55.3%	64.1%	n.a.
Italy	3	0.1%	2	0.0%	52.1%	59.7%	n.a.
Ireland	1	0.0%	3	0.0%	-49.1%	-46.4%	n.a.
Portugal	1	0.0%	0	0.0%	4.0%	8.7%	n.a.
Others *	23	0.6%	20	0.5%	15.7%	23.2%	-
Wholesale	1,830	45.8%	2,193	46.3%	-16.5%	-13.8%	-16.8%
Benelux	524	13.1%	611	12.9%	-14.2%	-11.7%	-10.2%
France	350	8.8%	411	8.7%	-14.9%	-12.3%	-5.6%
Scandinavia	282	7.0%	363	7.7%	-22.4%	-17.8%	-25.0%
Austria	152	3.8%	182	3.8%	-16.3%	-13.5%	-11.8%
Spain	108	2.7%	105	2.2%	2.8%	6.4%	-3.6%
Switzerland	96	2.4%	99	2.1%	-2.5%	-1.1%	-5.0%
Italy	73	1.8%	78	1.7%	-6.8%	-4.7%	-11.9%
United Kingdom	62	1.6%	53	1.1%	16.6%	12.3%	-9.4%
Portugal	3	0.1%	6	0.1%	-42.7%	-40.3%	-15.0%
Ireland	3	0.1%	3	0.1%	-11.6%	-8.7%	-5.6%
Others **	177	4.4%	282	5.9%	-37.2%	-34.4%	-39.1%
Licensing and others	6	0.2%	6	0.1%	-11.5%	-5.6%	n.a.
Total	3,994	100.0%	4,733	100.0%	-15.6%	-12.2%	-11.2%

^ Net change since 1 January 2014

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

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

** For the six months ended 31 December 2014, wholesale sales to other European countries mainly Poland and Bosnia-Herzegovina have been re-grouped from Germany to Others under Rest of Europe. For the six months ended 31 December 2013, wholesale sales to Latin America and the Middle East have been re-grouped from Asia Pacific to Others under Rest of Europe. Comparative figures have been restated accordingly

n.a. Not applicable

The Group's **Retail** and **Wholesale** operations in the **Rest of Europe** recorded a year-on-year turnover decline of -11.0% and -13.8% in local currency, as compared to a +0.6% and -16.8% year-on-year change in controlled space, respectively. These figures deserve some clarification as there has been a relevant shift. The increase in retail net sales area was mainly due to the conversion of 10 wholesale franchise stores (totaling 6,365 m²) in Sweden to directly managed retail stores in the Second Quarter ("Store Conversion in Sweden"). Excluding these 10 stores, the retail net sales area of the region would have seen a decline of -5.3% in net sales area which included closure of 3 stores under store closure and stores with onerous leases announced in prior financial years during the Period Under Review. However, the Store Conversion in Sweden had a negative impact on controlled wholesale space, which when combined with (i) a reduction in space as a result of the exit of our wholesale partner in Russia, (ii) a reduction in franchise store space in the Middle East, and (iii) further loss of space in France and Belgium driven by the negative economic environment, contributed to the -16.8% reduction in wholesale controlled space in the region.

Beyond the impact of the Store Conversion in Sweden, it is worth highlighting the differences in the factors contributing to the relatively larger turnover decline of retail in the United Kingdom (-41.5% in local currency), and wholesale in Others under Rest of Europe (-34.4% in local currency). In the United Kingdom, the decline in retail turnover was mainly attributable to the reduction in retail controlled space of -55.1% as a result of our strategic decision to close unprofitable retail stores which was partially offset by positive turnover growth of e-commerce in local currency terms. In Others under Rest of Europe, the decline in wholesale turnover was primarily attributable to the aforementioned exit of our wholesale partner in Russia and reduction of controlled wholesale space in the Middle East.

From a quarterly perspective, sales performance of both the **Rest of Europe Retail** and the **Rest of Europe Wholesale** operations showed visible improvement in the Second Quarter, with the decline in turnover narrowing to -7.1% (1Q FY14/15: -15.6%) and -8.7% (1Q FY14/15: -16.6%) in local currency respectively.

Asia Pacific

In the Period Under Review, the Asia Pacific region accounted for 15.2% (1H FY13/14: 15.6%) of the Group's turnover, and reported a -16.9% year-on-year decline in local currency terms. This decline is largely in line with the corresponding year-on-year reduction in total controlled space of -16.3% in the region. In terms of distribution channels, the retail and wholesale businesses contributed 89.1% and 10.9% of the region's turnover respectively.

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

For the 6 months ended 31 December							
Distribution Channels	2014		2013		Turnover change in %		Net change in net sales area ^
	HK\$ million	% to Total Turnover	HK\$ million	% to Total Turnover	HK\$	Local currency	
Retail #	1,453	89.1%	1,634	82.1%	-11.1%	-9.8%	-3.1%
China	635	38.9%	712	35.8%	-10.9%	-10.2%	-2.5%
Australia and New Zealand	198	12.1%	235	11.8%	-15.5%	-12.4%	-20.6%
Hong Kong	186	11.4%	206	10.3%	-9.5%	-9.5%	3.2%
Singapore	148	9.1%	178	9.0%	-16.9%	-15.6%	-3.2%
Malaysia	125	7.7%	132	6.6%	-5.4%	-3.1%	4.3%
Taiwan	97	6.0%	108	5.4%	-9.8%	-7.3%	-1.9%
Macau	64	3.9%	63	3.2%	0.9%	0.9%	36.7%
Wholesale	178	10.9%	355	17.8%	-50.1%	-49.3%	-35.3%
China	130	8.0%	270	13.5%	-51.8%	-51.5%	-41.8%
Australia	-	-	5	0.2%	-100.0%	-100.0%	-
Others *	48	2.9%	80	4.1%	-41.5%	-39.0%	-12.4%
Others	-	-	2	0.1%	-100.0%	-100.0%	n.a.
Total	1,631	100.0%	1,991	100.0%	-18.1%	-16.9%	-16.3%

^ Net change since 1 January 2014

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

* For the six months ended 31 December 2014, wholesale sales to other countries mainly Thailand, the Philippines and Indonesia have been re-grouped from Macau to Others under Asia Pacific. Comparative figures have been restated accordingly

n.a. Not applicable

The Group's **Retail** and **Wholesale** operations in the **Asia Pacific** recorded year-on-year turnover decline of -9.8% and -43.9% in local currency, as compared to a -3.1% and -35.3% reduction in controlled space, respectively.

China, the Group's largest country in the Asia Pacific region, reported a year-on-year turnover decline of -21.6% in local currency as compared to a -23.1% reduction in controlled space. In terms of retail turnover, China represents 43.7% of the region and recorded a year-on-year decline of -10.2% in local currency. The turnover decline was mainly due to a decline in store traffic and weak performance in department store promotions. In terms of wholesale turnover, China represents 73.3% of the region and recorded a year-on-year decline of -51.5% in local currency. The large decline in wholesale turnover was due to the special return agreements in China, which were implemented to address the aged inventory problem in the wholesale channel and which were completed in the First Quarter. Without the drag from these special return agreements, the turnover decline of China wholesale narrowed significantly to -29.8% in local currency in 2Q FY14/15 (1Q FY14/15: -64.8%), which was smaller than the corresponding -41.8% year-on-year reduction in controlled space. Our China team has been able to successfully identify and sign up new wholesale partners in an effort to grow back our wholesale business.

Excluding China, retail turnover in the rest of Asia Pacific declined by -9.5% in local currency terms, mainly due to factors including: (i) the reduction in retail net sales area (-3.6% year-on-year); and (ii) the Occupy Central Movement in Hong Kong, which resulted in lower store traffic and shortening of trading hours in affected stores between October and early December 2014. In terms of wholesale, outside of China, turnover in the rest of Asia Pacific mainly came from Thailand, the Philippines and Indonesia, which collectively recorded a year-on-year decline of -39.0% in local currency. Despite the large percentage decline, its real impact on both regional and overall Group performance was relatively small given that wholesale turnover of these countries only amounted to HK\$48 million, and represents just 2.9% of the region's turnover and less than 0.5% of Group turnover.

From a quarterly perspective, sales performance of both the **Asia Pacific Retail** and the **Asia Pacific Wholesale** operations showed some improvement in the Second Quarter, with the decline in turnover narrowing to -9.3% (1Q FY14/15: -10.5%) and -32.1% (1Q FY14/15: -60.9%) in local currency respectively.

Turnover by distribution channel

The Group distributes its products primarily through the retail and wholesale channels. In 1H FY14/15, turnover from the retail and wholesale channels represented 62.7% (1H FY13/14: 62.3%) and 36.5% (1H FY13/14: 36.9%) of Group turnover respectively.

Turnover by distribution channel

Key Distribution Channels	For the 6 months ended 31 December						
	2014		2013		Turnover change in %		Net change in net sales area ^
	HK\$ million	% to Group Turnover	HK\$ million	% to Group Turnover	HK\$	Local currency	
Retail #	6,721	62.7%	7,985	62.3%	-15.8%	-12.4%	-2.0%
Wholesale	3,916	36.5%	4,724	36.9%	-17.1%	-14.3%	-15.2%
Licensing and others	79	0.8%	101	0.8%	-21.0%	-20.3%	n.a.
Total	10,716	100.0%	12,810	100.0%	-16.3%	-13.2%	-10.0%

^ Net change since 1 January 2014

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

n.a. Not applicable

The Group's **retail turnover** amounted to HK\$6,721 million (1H FY13/14: HK\$7,985 million) representing a decline of -15.8% in Hong Kong dollar terms or -12.4% in local currency terms. Comparable stores, which accounted for 66.9% of retail net sales area (31 December 2013: 57.5%), recorded a sales decline of -8.5% year-on-year in local currency terms.

We observed considerable improvement in the Second Quarter with the decline in retail turnover narrowing to -10.3% (1Q FY14/15: -15.0%) in local currency due to certain favorable developments in regions as discussed in the previous sections. The comparable store sales decline also significantly narrowed in 2Q FY14/15 to -5.9% (1Q FY14/15: -11.6%).

During the Period Under Review, the Group made good progress in the stabilization of controlled space in the retail channel. We were able to offset the loss in space due to store closures (including closures of 9 stores under store closures and stores with onerous leases) by adding new space through new store openings as well as through the Store Conversion in Sweden. Consequently, as at 31 December 2014, total retail net sales area amounted to 333,712 m², which was largely similar to 330,233 m² as at end of June 2014 and in line with our previous guidance for stabilizing controlled space development in the retail channel.

Retail turnover by region

For the 6 months ended 31 December								
Region #	2014		2013		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	3,110	46.3%	3,817	47.8%	-18.5%	-14.5%	-3.4%	-10.5%
Rest of Europe	2,158	32.1%	2,534	31.7%	-14.9%	-11.0%	0.6%	-8.4%
Asia Pacific	1,453	21.6%	1,634	20.5%	-11.1%	-9.8%	-3.1%	-2.0%
Total	6,721	100.0%	7,985	100.0%	-15.8%	-12.4%	-2.0%	-8.5%

[^] Net change since 1 January 2014

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

Directly managed retail stores by country - movement since 1 January 2014

As at 31 December 2014						
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 ^{**}	155	(11)	124,490	-3.4%	122	-10.5%
Rest of Europe	195	(13)	107,228	0.6%	124	-8.4%
Netherlands	55	1	21,798	1.1%	33	-8.0%
Switzerland	40	-	18,252	0.2%	33	-6.1%
France	30	(7)	16,157	-12.8%	16	-9.0%
Belgium	27	(2)	18,413	-1.2%	26	-13.2%
Austria	21	3	17,547	0.2%	11	-9.3%
Sweden	10	10	6,365	n.a.	-	28.3%
Finland	5	(1)	3,020	-21.5%	2	-9.5%
Luxembourg	3	-	1,866	-	3	-9.6%
United Kingdom	2	(17)	2,097	-55.1%	-	3.5%
Norway	1	-	1,088	-	-	n.a.
Denmark	1	-	625	-	-	-12.2%
Asia Pacific	557	(32)	101,994	-3.1%	312	-2.0%
China ^{**}	321	(12)	50,657	-2.5%	156	2.0%
Australia	75	(18)	9,804	-23.6%	61	9.2%
Taiwan	71	(5)	7,180	-1.9%	40	-5.5%
Malaysia	37	2	12,976	4.3%	22	-6.1%
Singapore	24	-	8,895	-3.2%	16	-12.4%
Hong Kong	15	-	7,516	3.2%	7	-9.7%
New Zealand	9	-	1,977	-1.3%	6	10.7%
Macau	5	1	2,989	36.7%	4	-10.3%
Total	907	(56)	333,712	-2.0%	558	-8.5%

^{*} Net change since 1 January 2014

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

n.a. Not applicable

Directly managed retail stores by store type - movement since 1 January 2014

Store types	No. of POS					Net sales area (m ²)				
	As at 31 December 2014	vs 1 January 2014		As at 1 January 2014	Net change	As at 31 December 2014	vs 1 January 2014		As at 1 January 2014	Net change
		Opened	Closed				Opened	Closed		
Stores/Concession counters	824	79	(138)	883	(59)	293,682	21,390	(30,086)	302,378	-2.9%
- Germany	145	4	(16)	157	(12)	112,246	2,184	(7,356)	117,418	-4.4%
- Rest of Europe	184	14	(27)	197	(13)	98,819	7,927	(7,642)	98,534	0.3%
- Asia Pacific	495	61	(95)	529	(34)	82,617	11,279	(15,088)	86,426	-4.4%
Outlets	83	9	(6)	80	3	40,030	3,516	(1,769)	38,283	4.6%
- Germany	10	1	-	9	1	12,244	819	(38)	11,463	6.8%
- Rest of Europe	11	1	(1)	11	-	8,409	812	(427)	8,024	4.8%
- Asia Pacific	62	7	(5)	60	2	19,377	1,885	(1,304)	18,796	3.1%
Total	907	88	(144)	963	(56)	333,712	24,906	(31,855)	340,661	-2.0%

Retail performance scorecard

	For the 6 months ended 31 December	
	2014	2013
No. of POS	907	963
Net sales area (m ²)	333,712	340,661
Year-on-year change in net sales area	-2.0%	-5.7%
Year-on-year local currency turnover growth	-12.4%	-5.0%
Segment EBIT margin	0.8%	6.2%
Comparable store sales growth	-8.5%	-4.1%

The Group's **wholesale turnover** was HK\$3,916 million (1H FY13/14: HK\$4,724 million), representing a year-on-year decrease of -17.1% in Hong Kong dollar terms. In local currency terms, the decline was -14.3%, largely in line with the year-on-year reduction in controlled wholesale space of -15.2%. The majority of the reduction in controlled space was brought forward from the last financial year as a result of our strategic decision to rationalize our customer base. In addition, the exit of our partner in Russia, the reduction in franchise store space in the Middle East, and the Store Conversion in Sweden also contributed to the reduction in controlled wholesale space.

As with retail, wholesale sales performance also showed considerable improvement in the Second Quarter with the turnover decline narrowing to -9.9% (1Q FY14/15: -17.0%) in local currency due to certain favorable developments in the regions as discussed in the previous sections.

Wholesale turnover by region

Region	For the 6 months ended 31 December						
	2014		2013		Turnover change in %		Net change in net sales area ^
	HK\$ million	% of Wholesale Turnover	HK\$ million	% of Wholesale Turnover	HK\$	Local currency	
Germany	1,908	48.8%	2,176	46.1%	-12.3%	-9.1%	-7.1%
Rest of Europe *	1,830	46.7%	2,193	46.4%	-16.5%	-13.8%	-16.8%
Asia Pacific	178	4.5%	355	7.5%	-50.1%	-49.3%	-35.3%
Total	3,916	100.0%	4,724	100.0%	-17.1%	-14.3%	-15.2%

^ Net change since 1 January 2014

* For the six months ended 31 December 2014, wholesale sales to other European countries mainly Poland and Bosnia-Herzegovina have been re-grouped from Germany to Rest of Europe. In addition, wholesale sales to Latin America and the Middle East have also been re-grouped from Asia Pacific to Rest of Europe. Comparative figures have been restated accordingly

Wholesale distribution channel by country (controlled space only) - movement since 1 January 2014

As at 31 December 2014																
Countries	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	278	71,262	(13)	-3.5%	2,995	114,316	(192)	-7.7%	1,426	26,643	(242)	-13.6%	4,699	212,221	(447)	-7.1%
Rest of Europe	598	128,893	(119)	-22.0%	1,034	32,377	(16)	-1.7%	1,133	27,601	(30)	-4.4%	2,765	188,871	(165)	-16.8%
Benelux	137	40,394	(6)	-12.5%	157	6,352	6	1.4%	328	7,748	(7)	-6.2%	622	54,494	(7)	-10.2%
France	133	24,920	(14)	-6.4%	320	7,308	6	2.8%	148	4,556	(22)	-13.1%	601	36,784	(30)	-5.6%
Sweden	38	10,761	(14)	-40.7%	-	-	-	-	45	1,266	1	4.6%	83	12,027	(13)	-37.9%
Austria	64	10,502	(8)	-13.0%	88	3,048	(3)	-3.1%	40	1,091	(14)	-21.3%	192	14,641	(25)	-11.8%
Finland	23	5,709	(3)	-15.6%	88	3,838	(3)	-3.8%	168	4,515	(32)	-11.2%	279	14,062	(38)	-11.2%
Switzerland	26	4,375	-	-1.1%	55	2,504	(6)	-11.3%	25	469	(1)	-3.1%	106	7,348	(7)	-5.0%
Italy	21	3,813	(8)	-29.6%	36	1,230	1	4.3%	177	2,837	36	20.8%	234	7,880	29	-11.9%
Denmark	13	3,438	(4)	-23.8%	-	-	-	-	30	752	-	0.3%	43	4,190	(4)	-20.3%
Spain	15	2,183	(3)	-10.4%	178	5,234	(17)	-7.4%	91	2,617	10	12.9%	284	10,034	(10)	-3.6%
Portugal	1	477	(1)	-17.2%	-	-	-	-	5	85	-	-	6	562	(1)	-15.0%
Norway	1	242	-	-	-	-	-	-	-	-	-	-	1	242	-	-
United Kingdom	3	215	(1)	-52.9%	11	521	(3)	-0.6%	69	1,559	1	0.3%	83	2,295	(3)	-9.4%
Ireland	-	-	-	-	5	234	-	-	7	106	(1)	-15.9%	12	340	(1)	-5.6%
Others ^	123	21,864	(57)	-41.5%	96	2,108	3	5.1%	-	-	(1)	-100.0%	219	23,972	(55)	-39.1%
Asia Pacific	382	47,650	(195)	-35.3%	-	-	-	-	-	-	-	-	382	47,650	(195)	-35.3%
China	232	33,457	(186)	-41.8%	-	-	-	-	-	-	-	-	232	33,457	(186)	-41.8%
Thailand	101	6,498	(2)	-10.7%	-	-	-	-	-	-	-	-	101	6,498	(2)	-10.7%
Philippines	27	3,651	(2)	-15.6%	-	-	-	-	-	-	-	-	27	3,651	(2)	-15.6%
Others	22	4,044	(5)	-12.0%	-	-	-	-	-	-	-	-	22	4,044	(5)	-12.0%
Total	1,258	247,805	(327)	-20.7%	4,029	146,693	(208)	-6.4%	2,559	54,244	(272)	-9.1%	7,846	448,742	(807)	-15.2%

* Net change since 1 January 2014

** Excludes salon

^ As at 31 December 2014, controlled wholesale POS and space in other European countries mainly Poland, Bulgaria and Malta have been re-grouped from Germany to Others under Rest of Europe. In addition, controlled wholesale POS and space in Latin America have been re-grouped from Others under Asia Pacific to Others under Rest of Europe whereas controlled wholesale POS and space in the Middle East have been re-grouped from Asia Pacific to Others under Rest of Europe. Comparative figures have been restated accordingly

Wholesale performance scorecard

	For the 6 months ended 31 December	
	2014	2013
No. of Esprit controlled space POS	7,846	8,653
Esprit controlled space area (m ²)	448,742	529,136
Year-on-year change in Esprit controlled space area	-15.2%	-13.9%
Year-on-year local currency turnover growth	-14.3%	-16.1%
Segment EBIT margin	11.6%	11.8%

03.2 Profitability Analysis

Gross profit was HK\$5,407 million (1H FY13/14: HK\$6,348 million) with a corresponding gross profit margin of 50.5% (1H FY13/14: 49.6%). This represented a slight increase of +0.9% point year-on-year mainly due to the savings achieved from our leaner supply chain, notwithstanding the more tactical promotions and markdowns implemented during the Period Under Review to drive store traffic and to activate sales. As and when sourcing savings are achieved, these will be partly reinvested into improving product quality and pricing, and will also contribute to improvements in profitability.

Operating expenses (“OPEX”) declined -11.9% year-on-year (-8.9% in local currency) to HK\$5,370 million (1H FY13/14: HK\$6,094 million), representing a savings of HK\$724 million. This considerable savings was achieved despite an increase in marketing and advertising expenses of +19.0% in local currency. While the overall improvement in OPEX was the result of further cost reduction initiatives undertaken by the management team, total OPEX declined at a lower rate than the decline in turnover due to the substantial savings already achieved in the previous year.

As a result of the bigger decline in turnover than in the OPEX savings achieved, **EBIT** declined to HK\$37 million (1H FY13/14: HK\$254 million).

Profit before taxation was HK\$46 million (1H FY13/14: HK\$270 million).

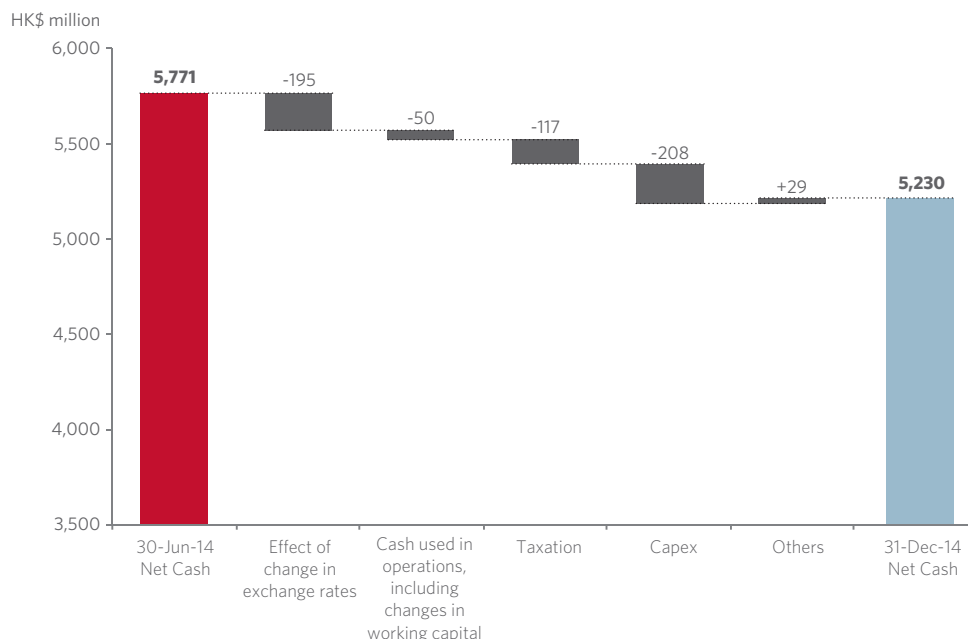
Taxation was a net tax credit of HK\$1 million (1H FY13/14: net tax charge of HK\$175 million) mainly due to a non-recurring tax credit of approximately HK\$155 million as a result of a successful claim on deductibility of certain expense items in the United States of America.

Net profit was HK\$47 million as compared to a net profit of HK\$95 million in the same period last year.

03.3 Liquidity and Financial Resources Analysis

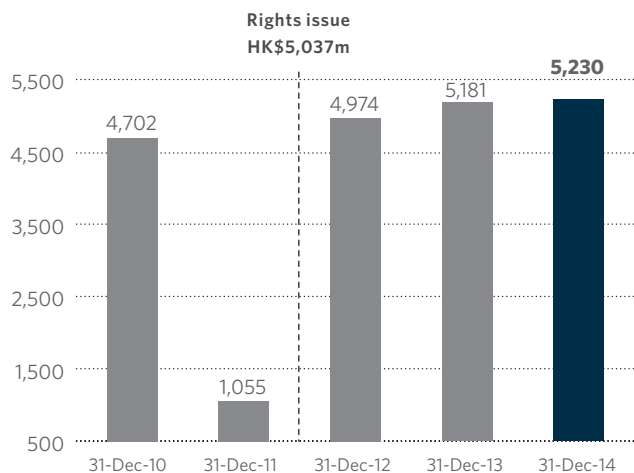
During the Period Under Review, the Group remained vigilant about cash and working capital management.

Cash: As at 31 December 2014, the Group’s **cash, bank balances and deposits** amounted to HK\$5,490 million (30 June 2014: HK\$6,031 million). **Net cash** was HK\$5,230 million (30 June 2014: HK\$5,771 million), representing a net cash consumption of HK\$541 million for the Period Under Review.



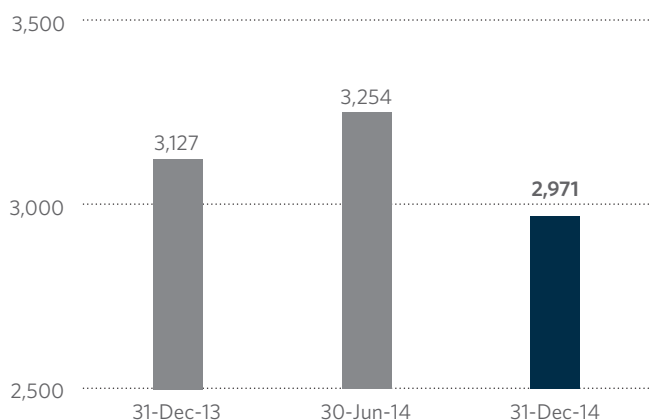
Nonetheless, year-on-year development of our net cash position continues to be positive during the Transformation phase of our project.

Recent development of net cash position (HK\$ million)



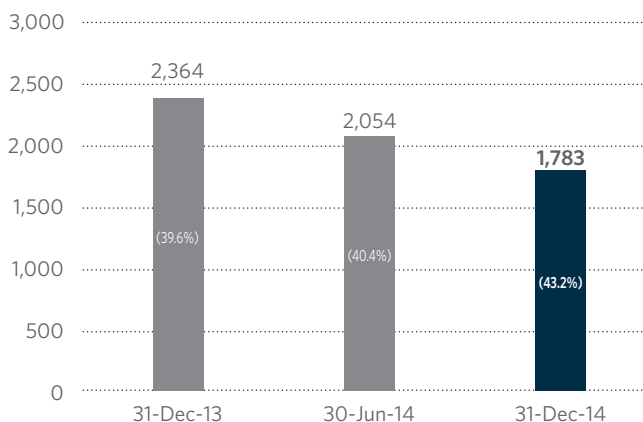
Inventories: Our inventory balance was HK\$2,971 million (31 December 2013: HK\$3,127 million) representing a year-on-year decline of -5.0%. The decline was mainly attributable to the combined effect of (i) the decrease in the number of finished goods units by -14.7% year-on-year and by -8.8% from the end of June 2014; (ii) the year-on-year depreciation of the EUR/HKD closing rate of -11.9%; which was partially offset by (iii) the decrease in inventory provision driven by fewer aged merchandise that was subject to inventory provision as well as the write-back of an over-provision of merchandise in the outlet channel. Inventory turnover days was 95 days (31 December 2013: 91 days).

Inventories (HK\$ million)



Net trade debtors was HK\$1,783 million (31 December 2013: HK\$2,364 million), representing a decrease of -24.6% year-on-year mainly due to the lower wholesale sales level and the year-on-year depreciation of the EUR/HKD closing rate as mentioned above. The amount of net trade debtors aged over 90 days was HK\$161 million (31 December 2013: HK\$302 million). The cover ratio before provision (the amount of insured and secured gross trade debtors including VAT over total gross trade debtors including VAT) increased to 43.2% (31 December 2013: 39.6%).

Net trade debtors (HK\$ million)



() denotes cover ratio before provision

Capital expenditure (CAPEX): The Group remained selective with its expansion and moderately deployed CAPEX to align with business development. In 1H FY14/15, CAPEX amounted to HK\$208 million (1H FY13/14: HK\$198 million), representing a year-on-year increase of +5.3% mainly due to the increase in CAPEX for new stores to HK\$84 million (1H FY13/14: HK\$69 million). The higher CAPEX for new stores was primarily attributable to the opening of our new store in Causeway Bay, Hong Kong, in October 2014.

HK\$ million	For the 6 months ended 31 December	
	2014	2013
Retail stores	129	118
IT projects	41	41
Office & others	38	39
Purchase of property, plant and equipment	208	198

Total interest bearing external borrowings amounted to HK\$260 million (30 June 2014: HK\$260 million) which represented the last installment of the bank loan used to finance the acquisition of the remaining interest in the China Joint Venture in 2009. The loan is denominated in Hong Kong dollars, unsecured and subject to floating interest rates, and it was repaid subsequent to the end of the Period Under Review on 4 February 2015. None of the Group's assets were pledged as security for overdraft or any short-term revolving facility.

03.4 Seasonality of Business

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

03.5 Foreign Exchange Risk Management

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

While approximately 78% 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 dollars. In addition, we purchase only approximately 15-20% of our finished goods in Euro while our net sales are generated primarily in Euro, which may pose severe pressure on our gross margin. Although we currently use foreign currency forward contracts to hedge exposure to the foreign exchange risk relating to our purchases, fluctuations in the value of the Euro against other currencies, mostly against the US dollar, could affect our margins and profitability.

Subsequent to the Period Under Review, the Euro has further depreciated substantially, a trend that if persists for the rest of the financial year, could have a significant impact on the Group's 2H FY14/15 results. Fortunately, the Group's purchase of finished goods for calendar year 2015 is hedged at better rates than the prevailing market rate and hence immediate impact on our gross profit margin may be moderate this year even with the recent depreciation of the Euro. For calendar year 2016, the Group is under continuous review for purchases of finished goods as well as potential price adjustment, depending on movement in exchange rate.

03.6 2H FY14/15 Outlook

Looking ahead to the Second Half of the financial year, the Group's performance remains uncertain as: (i) top line volatility is expected due to the first execution of the new Vertical Model in Spring/Summer 2015; (ii) the operating environment continues to be very challenging in most markets; (iii) possible further depreciation of the Euro, which if persists could have a significant impact on the Group's results in Hong Kong dollar terms; and (iv) due to seasonality, the business in the Second Half is normally not as profitable as it is in the First Half.

Whilst the Group will remain focused on finalizing the implementation of the various elements of the Vertical Model, for the 2H FY14/15, we expect the controlled space development in our retail channel to decline by a low single digit percentage, as we continue to close loss making stores. In terms of space productivity (sales per sqm), we expect to see recovery as compared to 1H FY14/15 in both the retail and wholesale channels. As a consequence, we anticipate a decline in the Group's top line in 2H FY14/15 in local currency that is in line with the decline in controlled space. Nonetheless, as mentioned, volatility is still expected due to the first ever execution of the new Vertical Model.

Gross profit margin is expected to see continued improvement in local currency terms driven by improvements in supply chain management although the EUR/HKD exchange rate development may negatively impact the gross profit margin in Hong Kong dollar terms.

As for OPEX, the Group will remain vigilant in cost control and will continue to look for every opportunity to further reduce OPEX. Overall, we expect OPEX to be under control although this year we will not benefit from the same one-off special effects as we did in the last financial year.

With respect to CAPEX, we will deploy moderately with investment for store refurbishments and store openings as previously announced.







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 2014 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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



PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 February 2015

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 2014 as follows:

Condensed consolidated income statement

	Unaudited for the 6 months ended 31 December		
	Notes	2014 HK\$ million	2013 HK\$ million
Turnover	2	10,716	12,810
Cost of goods sold		(5,309)	(6,462)
Gross profit		5,407	6,348
Staff costs		(1,896)	(1,984)
Occupancy costs		(1,689)	(1,819)
Logistics expenses		(569)	(670)
Marketing and advertising expenses		(419)	(371)
Depreciation		(371)	(419)
Impairment of property, plant and equipment		(28)	(57)
Write-back of/(additional) provision for store closures and leases, net		27	(80)
Other operating costs		(425)	(694)
Operating profit (EBIT)	3	37	254
Interest income		23	31
Finance costs	4	(14)	(15)
Profit before taxation		46	270
Taxation	5	1	(175)
Profit attributable to shareholders of the Company		47	95
Earnings per share			
- Basic and diluted	7	HK\$0.02	HK\$0.05

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	
	2014 HK\$ million	2013 HK\$ million
Profit attributable to shareholders of the Company	47	95
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Fair value gain/(loss) on cash flow hedge	189	(144)
Exchange translation	(926)	381
	(737)	237
Total comprehensive (loss)/income for the period attributable to shareholders of the Company	(690)	332

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 2014 HK\$ million	Audited 30 June 2014 HK\$ million
Non-current assets			
Intangible assets		5,622	5,670
Property, plant and equipment	8	3,393	3,972
Investment properties		16	16
Other investments		7	7
Debtors, deposits and prepayments		299	312
Deferred tax assets		559	615
		9,896	10,592
Current assets			
Inventories		2,971	3,254
Debtors, deposits and prepayments	9	2,460	2,723
Tax receivable		582	559
Cash, bank balances and deposits	10	5,490	6,031
		11,503	12,567
Current liabilities			
Creditors and accrued charges	11	3,254	4,120
Provision for store closures and leases	12	346	508
Tax payable		610	700
Dividend payable		78	-
Bank loan	13	260	260
		4,548	5,588
Net current assets			
		6,955	6,979
Total assets less current liabilities			
		16,851	17,571
Equity			
Share capital	14	194	194
Reserves		15,985	16,717
Total equity		16,179	16,911
Non-current liabilities			
Deferred tax liabilities		672	660
		16,851	17,571

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	
	2014 HK\$ million	2013 HK\$ million
Cash flows from operating activities		
Cash (used in)/generated from operations	(50)	920
Hong Kong profits tax paid	(3)	(1)
Overseas tax paid, net	(114)	(298)
Net cash (used in)/generated from operating activities	(167)	621
Cash flows from investing activities		
Purchase of property, plant and equipment	(208)	(198)
Proceeds from disposal of property, plant and equipment	3	14
Interest received	23	31
Net (increase)/decrease in bank deposits with maturities of more than three months	(371)	466
Net cash (used in)/generated from investing activities	(553)	313
Cash flows from financing activities		
Net proceeds on issue of shares for cash	3	7
Interest paid on bank loan	(1)	(2)
Net cash generated from financing activities	2	5
Net (decrease)/increase in cash and cash equivalents	(718)	939
Cash and cash equivalents at beginning of period	3,661	2,182
Effect of change in exchange rates	(195)	59
Cash and cash equivalents at end of period	2,748	3,180
Analysis of balances of cash and cash equivalents		
Bank balances and cash	2,624	2,424
Bank deposits	2,866	3,277
Cash, bank balances and deposits	5,490	5,701
Less: bank deposits with maturities of more than three months	(2,742)	(2,521)
	2,748	3,180

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	Share premium	Employee share-based payment reserve	Hedging reserve	Contributed surplus	Translation reserve	Capital reserve	Retained profits	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
At 1 July 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/(loss)	-	-	-	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.

Condensed consolidated statement of changes in equity

Unaudited for the 6 months ended 31 December 2013

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

The notes on pages 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 2014 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 2014. 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 2014.

In the current period, the Group has adopted the following IASs, International Financial Reporting Standards (“IFRS”) and International Financial Reporting Interpretations Committee (“IFRIC”) interpretation effective for the Group’s financial year beginning 1 July 2014:

IAS 19 (Amendments)	Defined Benefit Plans – Employee Contributions
IAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities
IAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets
IAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting
IFRS 10, 12 and IAS 27 (Amendments)	Investment Entities
IFRIC 21	Levies
IFRSs (Amendments)	Annual Improvements to IFRSs 2010-2012 Cycle
IFRSs (Amendments)	Annual Improvements to IFRSs 2011-2013 Cycle

The adoption of these new standards, amendments to standards and interpretation has not had any significant impact on the Group’s consolidated financial statements.

The Group has not early adopted the following IASs and 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 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	1 January 2016
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 2017
IFRSs (Amendments)	Annual Improvements to IFRSs 2012-2014 Cycle	1 January 2016

2. Turnover and segment information

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

	Unaudited for the 6 months ended 31 December	
	2014 HK\$ million	2013 HK\$ million
Revenue		
Wholesale	3,916	4,724
Retail	6,721	7,985
Licensing and other income	79	101
	10,716	12,810

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

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

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

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

2. Turnover and segment information (continued)

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

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

3. Operating profit (EBIT)

Unaudited for the 6 months ended 31 December		
	2014 HK\$ million	2013 HK\$ million
EBIT is arrived at after charging and (crediting) the following:		
Depreciation	371	419
Amortization of customer relationships	33	33
Loss/(gain) on disposal of property, plant and equipment	6	(4)
Impairment of property, plant and equipment	28	57
(Write-back of)/additional provision for store closures and leases, net	(27)	80
Net exchange loss/(gain)	24	(111)
Write-back of provision for obsolete inventories, net	(257)	(64)
Occupancy costs		
- Operating lease charge	1,340	1,472
- Other occupancy costs	349	347
Provision for impairment of trade debtors, net	18	122

4. Finance costs

Unaudited for the 6 months ended 31 December		
	2014 HK\$ million	2013 HK\$ million
Interest on bank loan wholly repayable within five years	1	2
Imputed interest on financial assets and financial liabilities	13	13
	14	15

5. Taxation

Unaudited for the 6 months ended 31 December		
	2014 HK\$ million	2013 HK\$ million
Current tax		
Hong Kong profits tax		
Provision for current period	1	1
Overseas taxation		
Provision for current period (Over)/under-provision for prior years	61	106
	(92)	26
	(30)	133
Deferred tax		
Current period net charge	29	42
Taxation	(1)	175

Hong Kong profits tax is calculated at **16.5%** (2013: 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 2012/2013, 2013/2014 and 2014/2015, the IRD issued notices of tax assessment for additional tax in aggregate sums of approximately HK\$449 million, HK\$550 million and HK\$658 million for the years of assessment 2006/2007, 2007/2008 and 2008/2009 respectively. 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\$99 million and HK\$118 million for the years of assessment 2006/2007 and 2007/2008 respectively. The Group purchased these TRC. The result of our holdover application for the year of assessment 2008/2009 is pending review by the IRD. 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 company 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		
	2014 HK\$ million	2013 HK\$ million
Interim dividend declared of HK\$0.015 (2013: HK\$0.03) per share	29	58

The amount of interim dividend is based on **1,943,460,352** shares in issue on **25 February 2015** (2013: 1,939,824,064 shares in issue on 21 February 2014).

7. Earnings per share

Basic

Basic earnings per share is calculated by dividing the 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		
	2014	2013
Profit attributable to shareholders of the Company (HK\$ million)	47	95
Weighted average number of ordinary shares in issue (million)	1,943	1,940
Basic earnings per share (HK\$ per share)	0.02	0.05

Diluted

Diluted earnings per share is calculated based on the 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		
	2014	2013
Profit attributable to shareholders of the Company (HK\$ million)	47	95
Weighted average number of ordinary shares in issue (million)	1,943	1,940
Adjustments for share options (million)	1	4
Weighted average number of ordinary shares for diluted earnings per share (million)	1,944	1,944
Diluted earnings per share (HK\$ per share)	0.02	0.05

8. Property, plant and equipment

Unaudited for the 6 months ended 31 December		
	2014 HK\$ million	2013 HK\$ million
At 1 July	3,972	4,363
Exchange translation	(379)	210
Additions	208	198
Disposals	(9)	(10)
Depreciation (Note 3)	(371)	(419)
Impairment charge (Note 3)	(28)	(57)
At 31 December	3,393	4,285

9. Debtors, deposits and prepayments

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

	Unaudited 31 December 2014 HK\$ million	Audited 30 June 2014 HK\$ million
Current portion	1,262	1,488
1-30 days	246	139
31-60 days	58	78
61-90 days	56	58
Over 90 days	161	291
Amount past due but not impaired	521	566
	1,783	2,054

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 2014 HK\$ million	Audited 30 June 2014 HK\$ million
Bank balances and cash	2,624	2,930
Bank deposits with maturities within three months	124	731
Bank deposits with maturities of more than three months	2,742	2,370
	5,490	6,031

11. Creditors and accrued charges

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

	Unaudited 31 December 2014 HK\$ million	Audited 30 June 2014 HK\$ million
0-30 days	1,052	1,424
31-60 days	29	31
61-90 days	1	7
Over 90 days	19	18
	1,101	1,480

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		
	2014 HK\$ million	2013 HK\$ million
At 1 July	508	591
(Write-back of)/additional provision for store closures and leases, net	(27)	80
Amounts used during the period	(88)	(106)
Exchange translation	(47)	28
At 31 December	346	593

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. Bank loan

At 31 December 2014, the Group's bank loan was payable as follows:

	Unaudited 31 December 2014 HK\$ million	Audited 30 June 2014 HK\$ million
Unsecured long-term bank loan repayable within one year	260	260

At 31 December 2014, the carrying amount of the total borrowing of **HK\$260 million** (30 June 2014: HK\$260 million) is denominated in Hong Kong dollar at floating rate. The bank loan was fully repaid in February 2015.

14. Share capital

	Number of shares of HK\$0.10 each million	Unaudited HK\$ million
Authorized		
At 1 July 2014 and 31 December 2014	3,000	300
	Number of shares of HK\$0.10 each million	Unaudited Nominal value HK\$ million
Issued and fully paid		
At 1 July 2014	1,942	194
Exercise of share options (Note (a))	1	-
At 31 December 2014	1,943	194
At 1 July 2013	1,939	194
Exercise of share options (Note (a))	1	-
At 31 December 2013	1,940	194

Notes:

(a) Exercise of share options

During the period, **315,000** (2013: 750,000) ordinary shares of HK\$0.10 each were issued in respect of share options exercised under the 2009 Share Option Scheme (defined in note (b) below) at an exercise price of **HK\$8.76** (2013: HK\$8.76) each (representing a premium of **HK\$8.66** (2013: HK\$8.66) each).

(b) Share options

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

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

15. Operating lease commitments

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

	Unaudited 31 December 2014 HK\$ million	Audited 30 June 2014 HK\$ million
Land and buildings		
- within one year	2,179	2,408
- in the second to fifth year inclusive	5,869	6,843
- after the fifth year	2,218	2,827
	10,266	12,078
Other equipment		
- within one year	12	17
- in the second to fifth year inclusive	11	14
	23	31
	10,289	12,109

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 2014 are **HK\$177 million** (30 June 2014: HK\$173 million).

16. Capital commitments

	Unaudited 31 December 2014 HK\$ million	Audited 30 June 2014 HK\$ million
Property, plant and equipment		
- Contracted but not provided for	81	68
- Authorized but not contracted for	189	453
	270	521

17. Derivative financial instruments

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

At 31 December 2014, the fair values of the forward foreign exchange contracts included in other receivables and other payables are as follows:

	Unaudited 31 December 2014		Audited 30 June 2014	
	Assets HK\$ million	Liabilities HK\$ million	Assets HK\$ million	Liabilities HK\$ million
Forward foreign exchange contracts				
- Cash flow hedges	179	-	1	10

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).

17. Derivative financial instruments (continued)

Unaudited At 31 December 2014				
	Level 1	Level 2	Level 3	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Recurring fair value measurements:				
Assets				
Derivative financial instruments:				
- Forward foreign exchange contracts	-	179	-	179
Recurring fair value measurements:				
Liabilities				
Derivative financial instruments:				
- Forward foreign exchange contracts	-	-	-	-

Audited At 30 June 2014				
	Level 1	Level 2	Level 3	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Recurring fair value measurements:				
Assets				
Derivative financial instruments:				
- Forward foreign exchange contracts	-	1	-	1
Recurring fair value measurements:				
Liabilities				
Derivative financial instruments:				
- Forward foreign exchange contracts	-	10	-	10

During the six months ended 31 December 2014, 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 2014 HK\$ million	Audited 30 June 2014 HK\$ million
Forward foreign exchange contracts	2,690	1,934

05

OTHER INFORMATION

05 Other Information

Directors' profile

Executive Directors

Jose Manuel MARTINEZ GUTIERREZ, aged 45, 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. In this role, he managed the group's distribution to its extensive global retail network. 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 59, has been an Executive Director of the Company and Group Chief Financial Officer since May 2012. He is a member of the General Committee of the Board and a director of certain subsidiaries of the Company. Mr TANG obtained a Bachelor of Science degree in Modern Mathematics from Surrey University, United Kingdom. He has been an associate member of The Institute of Chartered Accountants in England and Wales since 1981. He is also a fellow member of The Hong Kong Institute of Certified Public Accountants (Practising) and has over 30 years of experience in accounting and finance.

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

Non-executive Directors

Dr Raymond OR Ching Fai, aged 65, has been an Independent Non-executive Director of the Company since 1996 and became Chairman of the Board effective from 13 June 2012. He is the Chairman of the Nomination Committee of the Board, a director of a subsidiary and a trustee of a trust of the Company. 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 and Television Broadcasts Limited. All these companies are listed on the Stock Exchange. He was the former vice chairman and chief executive of Hang Seng Bank Limited, the former chairman of Hang Seng Life Limited and a director of The Hongkong and Shanghai Banking Corporation Limited, Cathay Pacific Airways Limited and Hutchison Whampoa Limited until his retirement in May 2009.

Paul CHENG Ming Fun, aged 78, has been an Independent Non-executive Director of the Company since November 2002 and became Deputy Chairman of the Board effective from 20 July 2008. He is the Chairman of the Remuneration Committee and a member of the Nomination Committee of the Board, a director of a subsidiary and a trustee of a trust of the Company. Mr CHENG obtained his Bachelor of Arts degree from Lake Forest University (Illinois, USA) and Master of Business Administration degree from the Wharton School of the University of Pennsylvania. Mr CHENG is an independent non-executive director of Chow Tai Fook Jewellery Group Limited, a company listed on the Stock Exchange. He is an independent non-executive director of Global Logistic Properties Limited, a company listed on the Singapore Stock Exchange. He is also an independent non-executive 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 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 67, has been appointed as Independent Non-executive Director of the Company since December 2014. He is a member of the Audit 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 76, 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 73, has been an Independent Non-executive Director of the Company since August 1995. He is the Chairman of the Audit Committee and a member of the Nomination Committee of the Board. Mr HAMILTON is an independent non-executive director of CITIC Limited (formerly known as "CITIC Pacific Limited"), COSCO International Holdings Limited and Shangri-La Asia Limited. All these companies are listed on the Stock Exchange. He is also an independent non-executive director of JPMorgan China Region Fund, Inc., a USA registered closed end fund quoted on the New York Stock Exchange. Mr HAMILTON is also a director of Octopus Cards Limited and a number of other Hong Kong companies. He was an independent non-executive director of China COSCO Holdings Company Limited. He was a partner of Price Waterhouse with whom he practiced for 16 years.

Carmelo LEE Ka Sze, aged 54, has been an Independent Non-executive Director of the Company since July 2013. He is a member of the Nomination Committee and the Remuneration Committee of the Board. He is a partner of Messrs. Woo, Kwan, Lee & Lo, Solicitors & Notaries. He has been the chairman of the Listing Committee of the Stock Exchange since 2012 after serving as deputy chairman and member of the Listing Committee of the Stock Exchange from 2009 to 2012 and from 2000 to 2003 respectively. Mr LEE is a member of the SFC (HKEX Listing) Committee and a member of the SFC Dual Filing Advisory Group of the Securities and Futures Commission. He is also a member of the Disciplinary Panels of the Hong Kong Institute of Certified Public Accountants. He is a member of the Campaign Committee and a Co-Chairman of the Corporate Challenge Half Marathon of The Community Chest of Hong Kong.

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

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

Norbert Adolf PLATT, aged 67, 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.

Disclosure of information of Directors

Pursuant to rule 13.51B(1) of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), the change of information of a Director is as follows:

Reference is made to the Company's announcement dated 3 December 2014 in relation to the change of composition of the Audit Committee of the Board with effect from 4 December 2014. Following the change, Mr Jürgen Alfred Rudolf FRIEDRICH is entitled to a director's fee of HK\$565,000 per annum, comprising HK\$480,000 for his directorship and HK\$85,000 for acting as a member of the Remuneration Committee of the Board.

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

As at 31 December 2014, 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 5)	Total number of shares	Approximate percentage of aggregate interest to total issued share capital
Jose Manuel MARTINEZ GUTIERREZ	Beneficial owner	1,000,000	5,800,000	6,800,000	0.35%
Thomas TANG Wing Yung	Beneficial owner	100,000	2,900,000	3,000,000	0.15%
Raymond OR Ching Fai	Beneficial owner	2,000,000	450,000	2,450,000	0.12%
Paul CHENG Ming Fun	Beneficial owner (Note 1) Interest of spouse (Note 2)	876,513 876,617	280,000	2,033,130	0.10%
Jürgen Alfred Rudolf FRIEDRICH	Beneficial owner (Note 3) Interest of spouse (Note 4)	45,500,000 53,669	110,000	45,663,669	2.35%
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 interests of the 876,513 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 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 2014, 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:

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 31/12/2014
				As at 01/07/2014	Granted	Exercised	Lapsed	
09/12/2008	44.25	09/12/2009	09/12/2009 - 08/12/2014	45,000	-	-	45,000	-
		09/12/2010	09/12/2010 - 08/12/2014	45,000	-	-	45,000	-
		09/12/2011	09/12/2011 - 08/12/2014	45,000	-	-	45,000	-
		09/12/2012	09/12/2012 - 08/12/2014	45,000	-	-	45,000	-
		09/12/2013	09/12/2013 - 08/12/2014	45,000	-	-	45,000	-
11/12/2008	45.95	11/12/2009	11/12/2009 - 10/12/2014	188,000	-	-	188,000	-
		11/12/2010	11/12/2010 - 10/12/2014	188,000	-	-	188,000	-
		11/12/2011	11/12/2011 - 10/12/2014	188,000	-	-	188,000	-
		11/12/2012	11/12/2012 - 10/12/2014	188,000	-	-	188,000	-
		11/12/2013	11/12/2013 - 10/12/2014	188,000	-	-	188,000	-
05/02/2009	39.76	05/02/2010	05/02/2010 - 04/02/2015	170,000	-	-	-	170,000
		05/02/2011	05/02/2011 - 04/02/2015	200,000	-	-	-	200,000
		05/02/2012	05/02/2012 - 04/02/2015	200,000	-	-	-	200,000
		05/02/2013	05/02/2013 - 04/02/2015	200,000	-	-	-	200,000
		05/02/2014	05/02/2014 - 04/02/2015	200,000	-	-	-	200,000
09/02/2009	41.70	09/02/2010	09/02/2010 - 08/02/2015	30,000	-	-	-	30,000
		09/02/2011	09/02/2011 - 08/02/2015	30,000	-	-	-	30,000
		09/02/2012	09/02/2012 - 08/02/2015	30,000	-	-	-	30,000
		09/02/2013	09/02/2013 - 08/02/2015	30,000	-	-	-	30,000
		09/02/2014	09/02/2014 - 08/02/2015	30,000	-	-	-	30,000
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	141,000	-	-	-	141,000
		11/12/2011	11/12/2011 - 10/12/2015	141,000	-	-	-	141,000
		11/12/2012	11/12/2012 - 10/12/2015	141,000	-	-	-	141,000
		11/12/2013	11/12/2013 - 10/12/2015	141,000	-	-	-	141,000
		11/12/2014	11/12/2014 - 10/12/2015	141,000	-	-	-	141,000
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

2001 Share Option Scheme (continued)

Employees & consultants (continued)

Date of grant (dd/mm/yyyy)	Exercise price (HK\$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	Number of share options				As at 31/12/2014		
				As at 01/07/2014	Granted	Exercised	Lapsed			
09/12/2010	37.92	09/12/2011	09/12/2011 - 08/12/2016	138,000	-	-	-	138,000		
		09/12/2012	09/12/2012 - 08/12/2016	138,000	-	-	-	138,000		
		09/12/2013	09/12/2013 - 08/12/2016	138,000	-	-	-	138,000		
		09/12/2014	09/12/2014 - 08/12/2016	138,000	-	-	-	138,000		
09/12/2015	37.92	09/12/2015	09/12/2015 - 08/12/2016	138,000	-	-	-	138,000		
		13/12/2010	38.10	13/12/2011	13/12/2011 - 12/12/2016	141,000	-	-	-	141,000
		13/12/2012		13/12/2012 - 12/12/2016	141,000	-	-	-	141,000	
		13/12/2013		13/12/2013 - 12/12/2016	141,000	-	-	-	141,000	
13/12/2014	13/12/2014 - 12/12/2016	141,000		-	-	-	141,000			
13/12/2015	13/12/2015 - 12/12/2016	141,000	-	-	-	141,000				
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	-	-	-	138,000		
		09/12/2013	09/12/2013 - 08/12/2017	138,000	-	-	-	138,000		
		09/12/2014	09/12/2014 - 08/12/2017	138,000	-	-	-	138,000		
		09/12/2015	09/12/2015 - 08/12/2017	138,000	-	-	-	138,000		
09/12/2016	09/12/2016 - 08/12/2017	138,000	-	-	-	138,000				
In aggregate				7,195,000	-	-	1,165,000	6,030,000		

Others

Date of grant (dd/mm/yyyy)	Exercise price (HK\$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	Number of share options				As at 31/12/2014
				As at 01/07/2014	Granted	Exercised	Lapsed	
09/02/2009	41.70	09/02/2010	09/02/2010 - 08/02/2015	120,000	-	-	-	120,000
		09/02/2011	09/02/2011 - 08/02/2015	120,000	-	-	-	120,000
		09/02/2012	09/02/2012 - 08/02/2015	120,000	-	-	-	120,000
		09/02/2013	09/02/2013 - 08/02/2015	120,000	-	-	-	120,000
09/02/2014	09/02/2014 - 08/02/2015	120,000	-	-	-	120,000		
In aggregate				600,000	-	-	-	600,000
TOTAL				7,795,000	-	-	1,165,000	6,630,000

Note:
No share options were canceled under the 2001 Share Option Scheme during the six months ended 31 December 2014.

2009 Share Option Scheme

The Company adopted the 2009 Share Option Scheme on 10 December 2009. 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				Number of share options				
Date of grant (dd/mm/yyyy)	Exercise price (HK\$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	As at	Granted	Exercised	Lapsed	As at
				01/07/2014				31/12/2014
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				5,400,000	400,000	-	-	5,800,000

Thomas TANG Wing Yung				Number of share options				
Date of grant (dd/mm/yyyy)	Exercise price (HK\$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	As at	Granted	Exercised	Lapsed	As at
				01/07/2014				31/12/2014
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				2,600,000	300,000	-	-	2,900,000

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

2009 Share Option Scheme (continued)

Directors (continued)

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 31/12/2014
				As at 01/07/2014	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

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 31/12/2014
				As at 01/07/2014	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 31/12/2014
				As at 01/07/2014	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 31/12/2014
				As at 01/07/2014	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

2009 Share Option Scheme (continued)

Employees & consultants

Date of grant (dd/mm/yyyy)	Exercise price (HK\$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	Number of share options						
				As at 01/07/2014	Granted	Exercised	Lapsed	As at 31/12/2014		
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	3,230,000	-	-	200,000	3,030,000		
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	01/05/2014	01/05/2014 - 31/07/2014	190,000	-	190,000	-	-		
		27/09/2014	27/09/2014 - 31/01/2015	400,000	-	-	-	400,000		
		(Note 3)	(Note 3)	27/09/2014	27/09/2014 - 26/09/2021	8,625,000	-	125,000	100,000	8,400,000
18/01/2012	11.40	31/10/2013	31/10/2013 - 30/06/2014	720,000	-	-	720,000	-		
		31/10/2013	31/10/2013 - 30/06/2014	240,000	-	-	240,000	-		
		31/10/2013	31/10/2013 - 30/06/2014	240,000	-	-	240,000	-		
10/05/2012	14.78	10/05/2013	10/05/2013 - 09/05/2018	120,000	-	-	-	120,000		
		10/05/2014	10/05/2014 - 09/05/2018	120,000	-	-	-	120,000		
		10/05/2015	10/05/2015 - 09/05/2018	120,000	-	-	-	120,000		
		10/05/2016	10/05/2016 - 09/05/2018	120,000	-	-	-	120,000		
		10/05/2017	10/05/2017 - 09/05/2018	120,000	-	-	-	120,000		
12/12/2012	12.32	31/10/2013	31/10/2013 - 30/06/2014	250,000	-	-	250,000	-		
		12/12/2015	12/12/2015 - 11/12/2022	5,990,000	-	-	450,000	5,540,000		
11/03/2013	10.04	01/12/2014	01/12/2014 - 28/02/2015	60,000	-	-	-	60,000		
		(Note 4)	(Note 4)	01/12/2014	01/12/2014 - 28/02/2015	20,000	-	-	20,000	
		(Note 5)	(Note 5)	01/12/2014	01/12/2014 - 28/02/2015	20,000	-	-	20,000	
		(Note 6)	(Note 6)	11/03/2016	11/03/2016 - 10/03/2023	6,984,000	-	-	60,000	6,924,000
				11/03/2017	11/03/2017 - 10/03/2023	2,428,000	-	-	120,000	2,308,000
		11/03/2018	11/03/2018 - 10/03/2023	2,428,000	-	-	120,000	2,308,000		
04/11/2013	14.18	04/11/2016	04/11/2016 - 03/11/2023	10,505,000	-	-	400,000	10,105,000		
		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		

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 01/07/2014	Granted	Exercised	Lapsed	As at 31/12/2014
21/03/2014	13.592	21/03/2017	21/03/2017 - 20/03/2024	510,000	-	-	-	510,000
		21/03/2018	21/03/2018 - 20/03/2024	170,000	-	-	-	170,000
		21/03/2019	21/03/2019 - 20/03/2024	170,000	-	-	-	170,000
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	31/10/2017	31/10/2017 - 30/10/2024	-	11,005,000	-	50,000	10,955,000
		31/10/2018	31/10/2018 - 30/10/2024	-	60,000	-	-	60,000
		31/10/2019	31/10/2019 - 30/10/2024	-	60,000	-	-	60,000
In aggregate				48,850,000	11,125,000	315,000	2,950,000	56,710,000
TOTAL				58,010,000	11,825,000	315,000	2,950,000	66,570,000

Notes:

- The closing price of the shares of the Company immediately before the share options granted on 31 October 2014 was HK\$10.08.
- The weighted average closing price of the shares immediately before the dates of exercise by the employees and consultants was approximately HK\$11.314.
- With effect from 30 July 2014, the exercise period of 400,000 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 31 January 2015.
- With effect from 28 November 2014, the vesting date of 60,000 share options at exercise price of HK\$10.04 was accelerated from 11 March 2016 to 1 December 2014 and the exercise period was changed from the period of 11 March 2016 to 10 March 2023 to the period of 1 December 2014 to 28 February 2015.
- With effect from 28 November 2014, the vesting date of 20,000 share options at exercise price of HK\$10.04 was accelerated from 11 March 2017 to 1 December 2014 and the exercise period was changed from the period of 11 March 2017 to 10 March 2023 to the period of 1 December 2014 to 28 February 2015.
- With effect from 28 November 2014, the vesting date of 20,000 share options at exercise price of HK\$10.04 was accelerated from 11 March 2018 to 1 December 2014 and the exercise period was changed from the period of 11 March 2018 to 10 March 2023 to the period of 1 December 2014 to 28 February 2015.
- No share options were canceled under the 2009 Share Option Scheme during the six months ended 31 December 2014.

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							
31 October 2014	3.45 - 4.10	9.71	10.124	49.36% - 51.61%	1.08% - 1.46%	4 - 6 years	1.76%

- 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.
- 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.
- 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.
- 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.
- The expected share option life was determined by reference to historical data of share option holders' behavior.
- 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 2014, the following shareholders (other than the Directors and chief executives of the Company whose interests or short positions in the shares and underlying shares of the Company as disclosed above) had interests or short positions in the shares and underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of shareholders	Capacity	Number of shares (Long position)	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
Lone Pine Capital LLC	Investment manager	244,006,205	12.55%	-	-
Massachusetts Financial Services Company (Note 1)	Investment manager	234,003,988	12.04%	-	-
Sun Life Financial, Inc. (Note 1)	Investment manager	234,003,988	12.04%	-	-
HSBC International Trustee Limited (Notes 2 and 3)	Trustee	212,125,117	10.91%	-	-
Total Market Limited (Notes 2 and 3)	Beneficial owner	211,822,656	10.90%	-	-
Spring Forest International Limited (Notes 2 and 3)	Interest in a controlled corporation	211,822,656	10.90%	-	-
YFT Group Limited (Notes 2 and 3)	Interest in a controlled corporation	211,822,656	10.90%	-	-
YFT Holdings Limited (Notes 2 and 3)	Interest in a controlled corporation	211,822,656	10.90%	-	-
Michael YING Lee Yuen (Notes 2 to 4)	Interest in a controlled corporation	211,822,656	10.90%	-	-
JPMorgan Chase & Co. (Notes 5 to 8)	Interest in a controlled corporation	150,325,945	7.73%	811,600	0.04%
Marathon Asset Management LLP (Note 9)	Investment manager	113,820,713	5.85%	-	-
Tiger Global Investments, L.P. (Note 10)	Beneficial owner	103,600,000	5.33%	-	-
Tiger Global, L.P. (Note 10)	Interest in a controlled corporation	103,600,000	5.33%	-	-
Tiger Global Master Fund, L.P. (Note 10)	Interest in a controlled corporation	103,600,000	5.33%	-	-
Tiger Global Performance, L.L.C. (Note 10)	Interest in a controlled corporation	103,600,000	5.33%	-	-
Tiger Global Management, L.L.C. (Note 10)	Investment manager	103,600,000	5.33%	-	-
Tiger Global, Ltd. (Note 10)	Interest in a controlled corporation	103,600,000	5.33%	-	-
Charles P. COLEMAN III (Notes 10 and 11)	Other	103,600,000	5.33%	-	-
Feroz DEWAN (Notes 10 and 11)	Other	103,600,000	5.33%	-	-

Notes:

- Details of the interest in long position of the 234,003,988 shares in which Sun Life Financial, Inc. was deemed to be interested were as follows:
 - 234,003,988 shares were held by Massachusetts Financial Services Company ("MFS"). MFS is a 91.65% owned subsidiary of Sun Life of Canada (U.S.) Financial Services Holdings, Inc. which was a 99.87% owned subsidiary of Sun Life Financial (U.S.) Investments LLC ("SLF(US)I"). SLF(US)I was a wholly-owned subsidiary of Sun Life Financial (U.S.) Holdings, Inc. which was a wholly-owned subsidiary of Sun Life Assurance Company of Canada – U.S. Operations Holdings, Inc. ("SLACC"). SLACC was a wholly-owned subsidiary of Sun Life Global Investments Inc. which was a wholly-owned subsidiary of Sun Life Financial, Inc.; and
 - MFS was deemed to be interested in an aggregate of 41,286,496 shares held by the following direct and indirect subsidiaries:
 - 3,442,450 shares were held by MFS Heritage Trust Company, a wholly-owned subsidiary of MFS;
 - 17,326,991 shares were held by MFS Institutional Advisors, Inc., a wholly-owned subsidiary of MFS;
 - 3,405,444 shares were held by MFS Investment Management K.K., a wholly-owned subsidiary of MFS;
 - 1,753,814 shares were deemed to be held by MFS International Singapore Pte Ltd., a wholly-owned subsidiary of MFS;
 - 11,610,497 shares were held by MFS International (U.K.) Limited, a wholly-owned subsidiary of MFS;
 - 3,587,800 shares were deemed to be held by MFS Investment Management Canada Limited, an indirect wholly-owned subsidiary of MFS; and
 - 159,500 shares were held by MFS Investment Management (LUX) S.a.r.l, a wholly-owned subsidiary of MFS.
- The entire issued share capital of Total Market Limited ("Total Market") is held by Spring Forest International Limited, which in turn is a wholly-owned subsidiary of YFT Group Limited ("YFT Group"). YFT Group is a wholly-owned subsidiary of YFT Holdings Limited ("YFT Holdings"). HSBC International Trustee Limited ("HITL") controls 100% of YFT Holdings.
- HITL, in its capacity as trustee of the discretionary trust set up by Mr Michael YING Lee Yuen ("Mr YING") as settlor and other trusts, was directly interested or deemed to be interested in the shares held by Total Market and in the remaining 302,461 shares respectively pursuant to Part XV of the SFO.
- Mr YING was deemed to be interested in the shares held by Total Market pursuant to Part XV of the SFO.
- The shares in which JPMorgan Chase & Co. was deemed to be interested were held in the following capacities:

Capacity	Number of shares (Long position)	Number of shares (Short position)
Beneficial owner	141,753,977 (Notes 6 and 7)	811,600 (Note 8)
Custodian corporation/ approved lending agent	8,571,968 (Notes 6 and 7)	

- Details of the interest in long position of the 150,325,945 shares in which JPMorgan Chase & Co. was deemed to be interested were as follows:

Name	Direct (D)/ Indirect (I) interest in the shares	Aggregate long position in the shares	Approximate percentage of aggregate interest to total issued share capital
JPMorgan Chase Bank, N.A.	D	8,571,968	0.44%
J.P. Morgan Whitefriars Inc.	D	1,396,358	0.07%
J.P. Morgan Overseas Capital Corporation	I	1,396,358	0.07%
J.P. Morgan International Finance Limited	I	2,789,465	0.14%
Bank One International Holdings Corporation	I	2,789,465	0.14%
J.P. Morgan International Inc.	I	2,789,465	0.14%
JPMorgan Chase Bank, N.A.	I	2,789,465	0.14%
J.P. Morgan Securities plc	D	1,393,107	0.07%
J.P. Morgan Capital Financing Limited	I	1,393,107	0.07%
J.P. Morgan Chase International Holdings	I	1,393,107	0.07%
J.P. Morgan Chase (UK) Holdings Limited	I	1,393,107	0.07%
J.P. Morgan Capital Holdings Limited	I	1,393,107	0.07%
J.P. Morgan Clearing Corp	D	138,964,512	7.15%
J.P. Morgan Securities LLC	I	138,964,512	7.15%
J.P. Morgan Broker-Dealer Holdings Inc	I	138,964,512	7.15%

Substantial shareholders' interests (continued)

Explanatory notes:

All the following interests were deemed to be held by the relevant company under the SFO. JPMorgan Chase & Co. was deemed to be interested in an aggregate of 150,325,945 shares held or deemed to be held by: (I) JPMorgan Chase Bank, N.A. (11,361,433 shares); and (II) J.P. Morgan Broker-Dealer Holdings Inc (138,964,512 shares), all were wholly-owned subsidiaries of JPMorgan Chase & Co.

- (a) JPMorgan Chase Bank, N.A. directly held 8,571,968 shares and was also deemed to be interested in an aggregate of 2,789,465 shares held by the following indirect subsidiaries held through J.P. Morgan International Finance Limited ("JPIF"):
- (i) 1,396,358 shares were held by J.P. Morgan Whitefriars Inc., wholly-owned by J.P. Morgan Overseas Capital Corporation, a wholly-owned subsidiary of JPIF; and
- (ii) 1,393,107 shares were held by J.P. Morgan Securities plc, 99.31% owned subsidiary of J.P. Morgan Chase International Holdings and 0.69% owned by J.P. Morgan Capital Financing Limited (a wholly-owned subsidiary of JPMorgan Chase & Co.), J.P. Morgan Chase International Holdings was wholly-owned by J.P. Morgan Chase (UK) Holdings Limited, which in turn was wholly-owned by J.P. Morgan Capital Holdings Limited, which was a wholly-owned subsidiary of JPIF.
- (b) J.P. Morgan Broker-Dealer Holdings Inc ("JPBDH") was deemed to be interested in an aggregate of 138,964,512 shares held by J.P. Morgan Clearing Corp, wholly-owned by J.P. Morgan Securities LLC, a wholly-owned subsidiary of JPBDH.
7. 8,571,968 shares of the interest disclosed in note 6 above represent shares of the Company in the lending pool.
8. Details of the interest in short position of the 811,600 shares in which JPMorgan Chase & Co. was deemed to be interested were as follows:

Name	Direct (D)/ Indirect (I) interest in the shares	Aggregate short position in the shares	Approximate percentage of aggregate interest to total issued share capital
J.P. Morgan Whitefriars Inc.	D	277,600	0.01%
J.P. Morgan Overseas Capital Corporation	I	277,600	0.01%
J.P. Morgan International Finance Limited	I	611,600	0.03%
Bank One International Holdings Corporation	I	611,600	0.03%
J.P. Morgan International Inc.	I	611,600	0.03%
JPMorgan Chase Bank, N.A.	I	611,600	0.03%
J.P. Morgan Securities plc	D	334,000	0.01%
J.P. Morgan Capital Financing Limited	I	334,000	0.01%
J.P. Morgan Chase International Holdings	I	334,000	0.01%
J.P. Morgan Chase (UK) Holdings Limited	I	334,000	0.01%
J.P. Morgan Capital Holdings Limited	I	334,000	0.01%
J.P. Morgan Clearing Corp	D	200,000	0.01%
J.P. Morgan Securities LLC	I	200,000	0.01%
J.P. Morgan Broker-Dealer Holdings Inc	I	200,000	0.01%

Explanatory notes:

All the following interests were deemed to be held by the relevant company under the SFO. JPMorgan Chase & Co. was deemed to be interested to have a short position in an aggregate of 811,600 shares held by the following indirect subsidiaries:

- (a) 277,600 shares held by J.P. Morgan Whitefriars Inc., which was wholly-owned by J.P. Morgan Overseas Capital Corporation, which in turn was wholly-owned by JPIF, an indirect wholly-owned subsidiary of JPMorgan Chase & Co.;
- (b) 334,000 shares held by J.P. Morgan Securities plc, 99.31% owned subsidiary of J.P. Morgan Chase International Holdings and 0.69% owned by J.P. Morgan Capital Financing Limited (a wholly-owned subsidiary of JPMorgan Chase & Co.), J.P. Morgan Chase International Holdings was wholly-owned by J.P. Morgan Chase (UK) Holdings Limited, which was wholly-owned by J.P. Morgan Capital Holdings Limited, which in turn was wholly-owned by JPIF, an indirect wholly-owned subsidiary of JPMorgan Chase & Co.; and
- (c) 200,000 shares held by J.P. Morgan Clearing Corp, wholly-owned by J.P. Morgan Securities LLC, wholly-owned by JPBDH, a wholly-owned subsidiary of JPMorgan Chase & Co.
9. 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.

10. Tiger Global Investments, L.P. ("Tiger Global") is 59.03% owned by Tiger Global, L.P. ("TGLP") and 39.21% owned by Tiger Global Master Fund, L.P. ("TGMF") and controlled by Tiger Global Management, L.L.C. ("TGM") in its capacity as investment manager and Tiger Global Performance L.L.C. ("TGP") in its capacity as general partner. TGLP is controlled by TGM in its capacity as investment manager and TGP in its capacity as general partner. TGMF is 97.47% owned by Tiger Global, Ltd. ("TGL"), and is controlled by TGM in its capacity as investment manager and TGP in its capacity as general partner. TGL is controlled by TGM in its capacity as investment manager. Both TGP and TGM are controlled by Mr Charles P. COLEMAN III ("Mr COLEMAN") and Mr Feroz DEWAN ("Mr DEWAN").
11. As Tiger Global, TGMF, TGL, TGLP, TGP and TGM were accustomed to act in accordance with the directions of Mr COLEMAN and Mr DEWAN, Mr COLEMAN and Mr DEWAN were accordingly deemed to be interested in the shares held or deemed to be held by such companies pursuant to Part XV of the SFO.

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 2014 which were required to be notified to the Company pursuant to Part XV of the SFO or which are recorded in the register required to be kept by the Company under Section 336 of the SFO.

Interim dividend

The Board of Directors maintains the dividend payout ratio of 60% of basic earnings per share. It has declared an interim dividend of HK\$0.015 per share (1H FY13/14: HK\$0.03 per share) for the six months ended 31 December 2014 to the shareholders of the Company (the "Shareholders") whose names appear on the registers of members of the Company at 4:00 pm on Thursday, 12 March 2015. Shareholders will be provided with an option to receive the interim dividend wholly or partly in form of new fully paid shares of the Company in lieu of cash ("Scrip Dividend Reinvestment Scheme"). Such new shares so issue will rank pari passu in all respects with the existing issued shares in the capital of the Company.

The dividend reinvestment price shall be determined by the average closing price of the shares of the Company as quoted on the Stock Exchange for the five consecutive trading days immediately preceding Friday, 6 March 2015. The Scrip Dividend Reinvestment Scheme is conditional upon the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the new shares of the Company to be issued under the Scrip Dividend Reinvestment Scheme.

A circular containing details of the Scrip Dividend Reinvestment Scheme and an election form (where applicable) will be despatched to the Shareholders on or around Monday, 23 March 2015.

Subject to the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the new shares of the Company, dividend warrants and shares certificates for the new shares will be despatched to the Shareholders by ordinary mail at their own risk on or around Tuesday, 28 April 2015.

Closure of registers of members

The registers of members of the Company will be closed from Friday, 13 March 2015 to Monday, 16 March 2015, both dates inclusive, during such period no transfer of shares of the Company will be effected. In order to qualify for the entitlement to the interim dividend mentioned above, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 pm on Thursday, 12 March 2015.

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 unaudited interim results of the Group for the six months ended 31 December 2014 with the management.

Human resources

As at 31 December 2014, the Group employed over 9,000 full-time equivalent staff (31 December 2013: over 10,000) 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 2014, 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 2014.

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, 25 February 2015

06

GLOSSARY OF TERMS

06 Glossary of terms

A

ADR

American Depository 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 net sales area has been changed by 10% or less within that period; or
- its cumulative renovated area within the same financial year is 20% or less (regardless of any net sales area change)

Comp-store sales growth

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

Concession stores

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

Controlled wholesale space

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

D

Directly managed retail stores

Stores, concessions and outlets fully managed by Esprit

E

e-shop

On-line store

EBIT

Earnings before interest and tax

EPS

Earnings per share

F

Franchise stores

Stand-alone stores or concession stores located 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

L

LCY

Local currency

O

Opex

Operating expenses

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

Partnership stores

Same as franchise stores

POS

Point-of-sales

R

Retail sales

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

S

Segment EBIT margin

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

Shop-in-stores

Controlled wholesale space in department stores managed by wholesale 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

Sale of merchandise to third party wholesale partners



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