ESPRIT

ESPRIT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(STOCK CODE: 00330)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2015

INTERIM RESULTS

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

Condensed consolidated income statement

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

Condensed consolidated statement of comprehensive income

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

Condensed consolidated statement of financial position

	Notes	**Unaudited 31 December 2015 HK$ million**	Audited 30 June 2015 HK$ million
Non-current assets			
Intangible assets		**2,944**	3,031
Property, plant and equipment	8	**2,409**	2,835
Investment properties		**17**	17
Other investments		**7**	7
Debtors, deposits and prepayments		**231**	240
Deferred tax assets		**691**	649
		6,299	6,779
Current assets			
Inventories		**2,936**	2,969
Debtors, deposits and prepayments	9	**1,884**	2,008
Tax receivable		**725**	640
Cash, bank balances and deposits	10	**4,192**	5,017
		9,737	10,634
Assets classified as held for sale	14	**182**	-
		9,919	10,634
Current liabilities			
Creditors and accrued charges	11	**3,201**	3,672
Provision for store closures and leases	12	**442**	557
Tax payable		**769**	687
		4,412	4,916
Net current assets		**5,507**	5,718
Total assets less current liabilities		**11,806**	12,497
Equity			
Share capital	13	**194**	194
Reserves		**11,034**	11,704
Total equity		**11,228**	11,898
Non-current liabilities			
Deferred tax liabilities		**578**	599
		11,806	12,497

Notes to the condensed consolidated interim financial information

1. Basis of preparation

This unaudited condensed consolidated interim financial information ("interim financial information") on pages 2 to 16 for the six months ended 31 December 2015 has been prepared in accordance with the International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

This interim financial information should be read in conjunction with the annual financial statements for the year ended 30 June 2015. The accounting policies and methods of computation used in the preparation of this interim financial information are consistent with those used in the annual financial statements for the year ended 30 June 2015.

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

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

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

2. Revenue and segment information

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

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

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

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

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

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

2. Revenue and segment information (continued)

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

2. Revenue and segment information (continued)

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

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

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

4. Finance costs

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

5. Taxation

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

Hong Kong profits tax is calculated at **16.5%** (2014: 16.5%) on the estimated assessable profit for the period, net of tax losses carried forward, if applicable.

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

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

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

6. Interim dividend

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

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

7. (Loss)/earnings per share

Basic

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

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

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

Diluted

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

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

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

8. Property, plant and equipment

	Unaudited for the 6 months ended 31 December	
	2015	2014
	HK$ million	HK$ million
At 1 July	**2,835**	3,972
Exchange translation	**(77)**	(379)
Additions	**142**	208
Disposals	**(4)**	(9)
Depreciation (Note 3)	**(302)**	(371)
Impairment charge (Note 3)	**(4)**	(28)
Transferred to assets classified as held for sale (Note 14)	**(181)**	-
At 31 December	**2,409**	3,393

9. Debtors, deposits and prepayments

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

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

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

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

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

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

10. Cash, bank balances and deposits

	Unaudited 31 December 2015 HK$ million	Audited 30 June 2015 HK$ million
Bank balances and cash	**2,223**	2,602
Bank deposits with maturities within three months	**1,118**	1,086
Bank deposits with maturities of more than three months	**851**	1,329
	4,192	5,017

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

11. Creditors and accrued charges

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

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

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

12. Provision for store closures and leases

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

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

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

13. Share capital

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

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

13. Share capital (continued)

Notes:

(a) Exercise of share options

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

(b) Share options

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

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

14. Assets classified as held for sale

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

Vertical Model - Key strategic product initiative starting to bear fruit

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

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

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

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

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

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

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

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

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

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

- The year-on-year reduction in controlled wholesale space of -10.3% was largely a carried forward effect from the last financial year, when our controlled wholesale space year-on-year declined by -14.2%

- The reduction in wholesale controlled space has slowed down to a smaller degree of -4.0% for the six months of 1H FY15/16 as compared to -8.1% for the same period last year, although we have no certainty that the pace of decline will continue to be smoother in the coming months.

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

Omnichannel Model - Positive launch of new commercial strategy

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

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

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

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

Preparing the Company for future growth

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

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

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

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

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

REVENUE ANALYSIS

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

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

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

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

TURNOVER BY PRODUCT DIVISION

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

Turnover by product division

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

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

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

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

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

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

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

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

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

TURNOVER BY REGION

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

Turnover by country

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

^ Net change since 1 January 2015

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

Country as a whole includes retail, wholesale and licensing operations

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

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

* Includes licensing

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

n.a. Not applicable

GERMANY

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

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

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

^ Net change since 1 January 2015
# Retail sales include sales from e-shop
* Since FY15/16, our German wholesale operation team has taken over the management of the wholesale business in other European countries, mainly Bosnia-Herzegovina, Romania and Bulgaria. As a consequence, for the six months ended 31 December 2015, wholesale sales to these European countries have been re-grouped from Others under Rest of Europe to Germany. Comparative figures have been restated accordingly
n.a. Not applicable

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

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

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

REST OF EUROPE

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

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

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

^ Net change since 1 January 2015

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

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

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

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

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

n.a. Not applicable

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

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

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

ASIA PACIFIC

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

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

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

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

^ Net change since 1 January 2015
# Retail sales include sales from e-shops in countries where available
* Others represent wholesale sales to other countries mainly Thailand and the Philippines

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

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

TURNOVER BY DISTRIBUTION CHANNEL

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

Turnover by distribution channel

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

^ Net change since 1 January 2015
# Retail sales include sales from e-shops in countries where available
n.a. Not applicable

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

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

Retail turnover by region

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

^ Net change since 1 January 2015
\# Retail sales include sales from e-shops in countries where available

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

	As at 31 December 2015					
Countries	No. of stores	Net opened stores*	Net sales area (m^2)	Net change in net sales area*	No. of comp stores	Comp-store sales growth
Germany **	**148**	**(7)**	**121,383**	**-2.5%**	**130**	**7.7%**
Rest of Europe	**189**	**(6)**	**99,984**	**-6.8%**	**139**	**9.4%**
Netherlands	54	(1)	20,393	-6.4%	39	6.6%
Switzerland	38	(2)	17,459	-4.3%	34	6.8%
Belgium	25	(2)	17,959	-2.5%	23	8.0%
France	23	(7)	13,324	-17.5%	21	9.6%
Austria	20	(1)	16,831	-4.1%	14	10.2%
Poland	11	11	3,273	n.a.	-	n.a.
Sweden	10	-	5,804	-8.8%	-	n.a.
Finland	3	(2)	2,130	-29.5%	3	12.6%
Luxembourg	3	-	1,869	0.2%	3	13.0%
United Kingdom	1	(1)	317	-84.9%	1	24.1%
Denmark	1	-	625	-	1	15.0%
Norway	-	(1)	-	-100.0%	-	n.a.
Asia Pacific	**527**	**(30)**	**96,011**	**-5.9%**	**252**	**5.1%**
China **	296	(25)	47,735	-5.8%	129	3.1%
Taiwan	74	3	7,338	2.2%	26	4.7%
Australia **	69	(6)	8,519	-13.1%	54	14.4%
Malaysia	39	2	13,697	5.6%	22	-7.3%
Singapore	21	(3)	7,385	-17.0%	11	10.0%
Hong Kong	15	-	7,177	-4.5%	3	12.9%
New Zealand	9	-	1,778	-10.1%	3	9.9%
Macau	4	(1)	2,382	-20.3%	4	9.5%
Total	**864**	**(43)**	**317,378**	**-4.9%**	**521**	**8.0%**

* Net change since 1 January 2015
** All e-shops within Europe (i.e. Germany and Rest of Europe), the e-shop in China and the e-shop in Australia are shown as one comparable store in Germany and two comparable stores in Asia Pacific respectively
n.a. Not applicable

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

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

Retail performance scorecard

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

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

Wholesale turnover by region

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

^ Net change since 1 January 2015

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

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

As at 31 December 2015

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

* Net change since 1 January 2015
** Excludes salon
\# For the six months ended 31 December 2015, controlled wholesale POS and space in other European countries mainly Bosnia-Herzegovina and Bulgaria have been re-grouped from Others under Rest of Europe to Germany. Comparative figures have been restated accordingly
^ Controlled wholesale POS and space in Others under Rest of Europe included controlled wholesale POS and space in countries, mainly Colombia, Chile and the Middle East

Wholesale performance scorecard

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

PROFITABILITY ANALYSIS

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

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

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

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

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

1. The increase in logistics expenses mainly attributable to the growth of our e-commerce business.

2. The increase in marketing and advertising expenses as a result of our strategic decision to step up Brand Marketing efforts.

3. The +51.1% year-on-year increase in Other operating costs in local currency mainly due to:

   a. a normalized HK$18 million net stock provision this year as compared to an exceptional HK$257 million net write-back of stock provision last year,

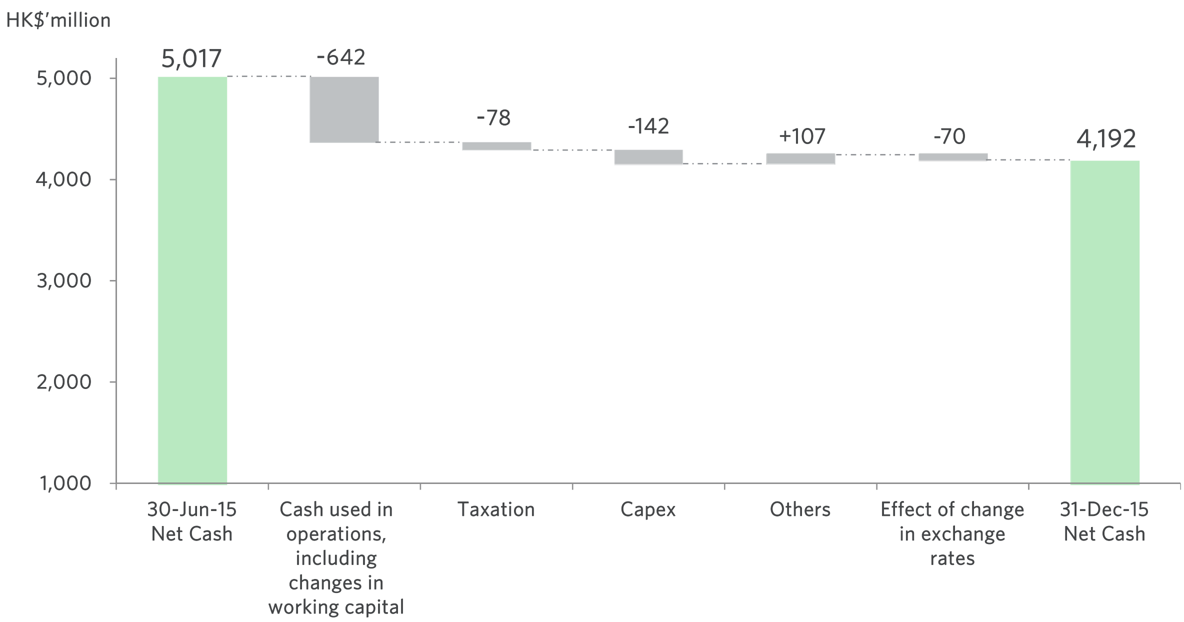
b. partly offset by a net exchange gain of HK$113 million this year mainly due to the settlement of foreign currency inter-company loans as compared to a net exchange loss of HK$24 million last year.

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

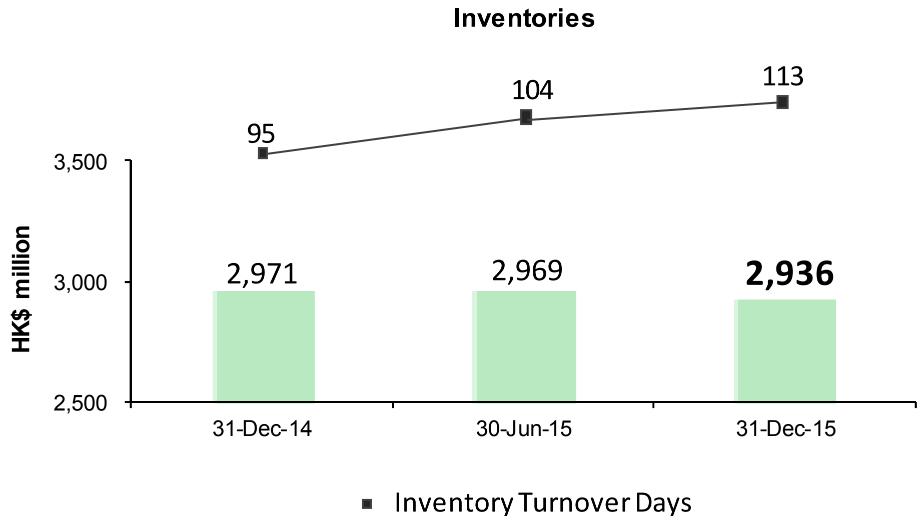
Loss before taxation was HK$242 million (1H FY14/15: Profit before taxation of HK$46 million). **Taxation** was a net tax credit of HK$4 million (1H FY14/15: net tax credit of HK$1 million). And **Net loss** was HK$238 million as compared to a net profit of HK$47 million in the same period last year.

LIQUIDITY AND FINANCIAL RESOURCES ANALYSIS

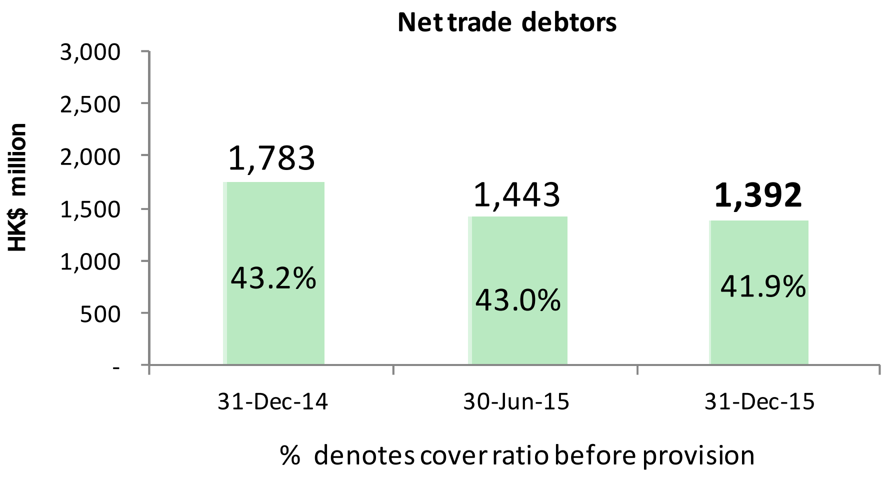
Cash: As at 31 December 2015, the Group remained debt free with **cash, bank balances and deposits** of HK$4,192 million (30 June 2015: HK$5,017 million), representing a net cash utilization of HK$825 million (1H FY14/15: HK$541 million) for the six months in 1H FY15/16. The increase in net cash utilization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



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



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



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

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

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

SEASONALITY OF BUSINESS

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

FOREIGN EXCHANGE RISK MANAGEMENT

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

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

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

2H FY15/16 OUTLOOK

Looking ahead into 2H FY15/16, we remain confident that we are heading in the right direction and are laying the necessary foundation to restore competitiveness and long term growth for Esprit. Therefore, the Group will maintain its focus on executing the strategic plan as described above. We are conscious that the operating environment appears challenging as volatility in financial markets and economic uncertainty across regions may significantly dampen consumer sentiment, especially in our Asian markets. In terms of turnover, improvement in controlled space productivity resulting from better product and channels performance shall help offset the impact of the ongoing reduction of unprofitable retail space and the decline in the wholesale business. As for profitability, the weakness in the Euro, if persists, will put some pressure on the Group's gross profit margin. Nevertheless, we anticipate that the higher proportion of retail turnover will provide support to the Group's gross profit margin and help mitigate the negative impact.

With respect to OPEX, the planned increase of our expenditure in Brand Marketing and Omnichannel initiatives to fuel future growth will continue to put some pressure on short-term profitability. Nevertheless, the activation of more aggressive OPEX reduction measures, as discussed in previous sections, should start to make a positive contribution to our cost base in 2H FY15/16 and help alleviate some of the pressure. It is important to understand that the full benefits of these growth and savings initiatives will take time to realize, yet we are confident that they are instrumental to drive faster sales growth and greater economies of scale in the near future.

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

INTERIM DIVIDEND

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

AUDIT COMMITTEE

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

HUMAN RESOURCES

As at 31 December 2015, the Group employed over 9,000 full-time equivalent staff (31 December 2014: over 9,000) around the globe. Competitive remuneration packages that take into account business performance, market practices and competitive market conditions are offered to employees in compensation for their contribution. In addition, share options and discretionary bonuses are also granted based on the Group's and individual's performances. All employees around the world are connected through the Group's newsletters and global intranet.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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

CORPORATE GOVERNANCE

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

BOARD OF DIRECTORS

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

Executive Directors:	Mr Jose Manuel MARTINEZ GUTIERREZ *(Group Chief Executive Officer)* Mr Thomas TANG Wing Yung *(Group Chief Financial Officer)*
Non-executive Director:	Mr Jürgen Alfred Rudolf FRIEDRICH
Independent Non-executive Directors:	Dr Raymond OR Ching Fai *(Chairman)* Mr Paul CHENG Ming Fun *(Deputy Chairman)* Dr José María CASTELLANO RIOS Mr Alexander Reid HAMILTON Mr Carmelo LEE Ka Sze Mr Norbert Adolf PLATT

By Order of the Board
Florence NG Wai Yin
Company Secretary

Hong Kong, 23 February 2016

Forward-Looking Statements

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