ESPRIT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(STOCK CODE: 00330)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

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 2014 as follows:

Condensed consolidated income statement

	Notes	Unaudited for the 6 months ended 31 December 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

Condensed consolidated statement of comprehensive income

	Unaudited for the 6 months ended 31 December	
	2014	2013
	HK$ million	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

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

Notes to the condensed consolidated interim financial information

1. Basis of preparation

This unaudited condensed consolidated interim financial information ("interim financial information") on pages 2 to 17 for the six months ended 31 December 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.

1. Basis of preparation (continued)

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	2013
	HK$ million	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)

2. Turnover and segment information (continued)

	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	2013
	HK$ million	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	2013
	HK$ million	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	2013
	HK$ million	HK$ million
Current tax		
Hong Kong profits tax		
Provision for current period	**1**	1
Overseas taxation		
Provision for current period	**61**	106
(Over)/under-provision for prior years	**(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	2013
	HK$ million	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

7. Earnings per share (continued)

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	2013
	HK$ million	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

14. Share capital (continued)

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”).

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 headway 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.

Financial Review

Highlights for the six months ended 31 December 2014

- Group turnover declined year-on-year by -16.3%, (-13.2% in local currency), mostly reflecting expected space reduction, unusually warm weather in Europe and unfavorable exchange rate movements

- 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

- Operating expenses (OPEX) were managed through tight cost control with -11.9% reduction year-on-year (-8.9% in local currency)

- 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)

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

	For the 6 months ended 31 December				Change in %	
	2014		2013			
Product divisions	**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, jewelery, 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.

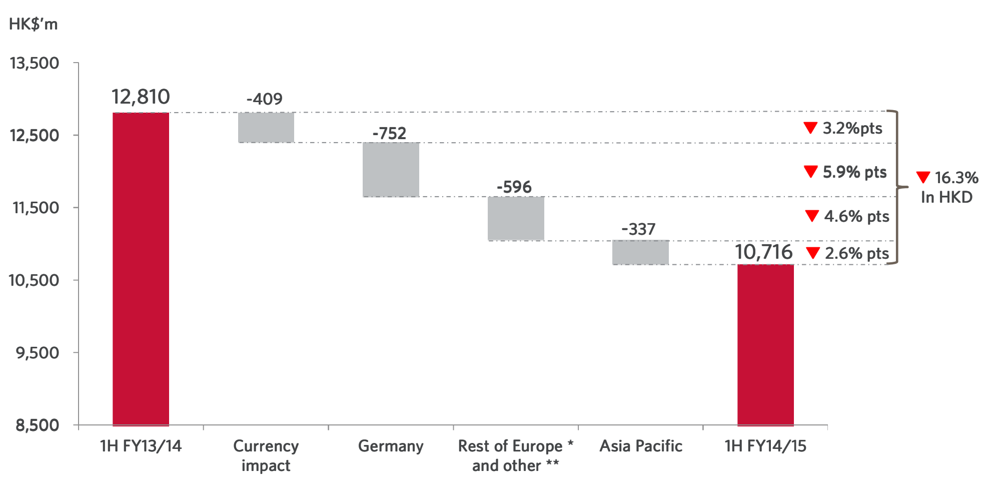
Turnover of edc branded products accounted for 23.2% of Group turnover (1H FY13/14: 23.3%) and declined by -13.4% in local currency in line with Esprit divisions. It is worth mentioning that in order to extend the Vertical Model initiated in Esprit to edc, we have recently strengthened the product team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

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



* *Rest of Europe include all European countries excluding Germany, plus Latin America and the Middle East*
** *Other represents North America*
▲/▼ *year-on-year change*

Turnover by country

Countries[#]	For the 6 months ended 31 December 2014 HK$ million	2014 % to Group Turnover	2013 HK$ million	2013 % to Group Turnover	Turnover change in % HK$	Turnover change in % Local currency	Net change in net sales area[^]
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

* 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						
	2014		2013		Turnover change in %		Net change
Distribution Channels	HK$ million	% to Total Turnover	HK$ million	% to Total Turnover	HK$	Local currency	in net sales area^
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						
	2014		2013		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 #	**2,158**	**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 2014, 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 m^2) 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						
	2014		2013		Turnover change in %		Net change
Distribution Channels	**HK$ million**	**% to Total Turnover**	HK$ million	% to Total Turnover	HK$	Local currency	in net sales area^
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 HK$ million	2014 % to Group Turnover	2013 HK$ million	2013 % to Group Turnover	Turnover change in % HK$	Turnover change in % Local currency	Net change in net sales area^
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 m^2, which was largely similar to 330,233 m^2 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

Region #	For the 6 months ended 31 December 2014 HK$ million	2014 % of Retail Turnover	2013 HK$ million	2013 % of Retail Turnover	Turnover change in % HK$	Turnover change in % Local currency	Net change in net sales area ^	Comp-store sales growth
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

	No. of POS					Net sales area (m^2)				
	As at	vs 1 January 2014		As at		As at	vs 1 January 2014		As at	
Store types	31 December 2014	Opened	Closed	1 January 2014	Net change	31 December 2014	Opened	Closed	1 January 2014	Net change
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

	For the 6 months ended 31 December						
	2014		2013		Turnover change in %		Net change in net sales area^
Region	**HK$ million**	**% of Wholesale Turnover**	HK$ million	% of Wholesale Turnover	HK$	Local currency	
Germany	**1,908**	**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
	Franchise stores**				**Shop-in-stores****				**Identity corners****				**Total****			
Countries	**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%

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).

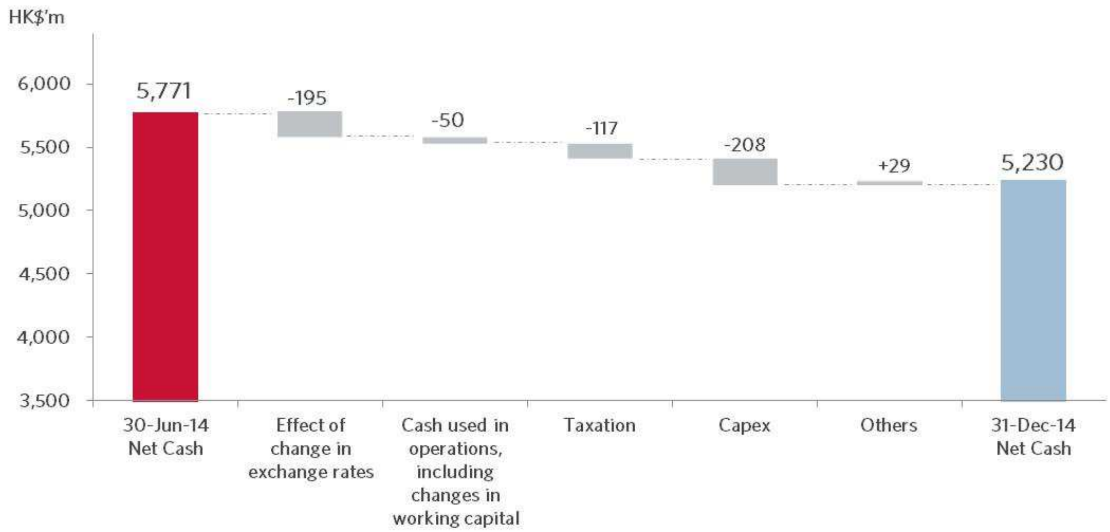
Taxation was a net tax credit of HK$1 million (1H FY13/14: net tax charge of HK$175 million) mainly due to a non-recurring tax credit of approximately HK$155 million as a result of a successful claim on deductibility of certain expense items in the United States of America.

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

Liquidity and financial resources analysis

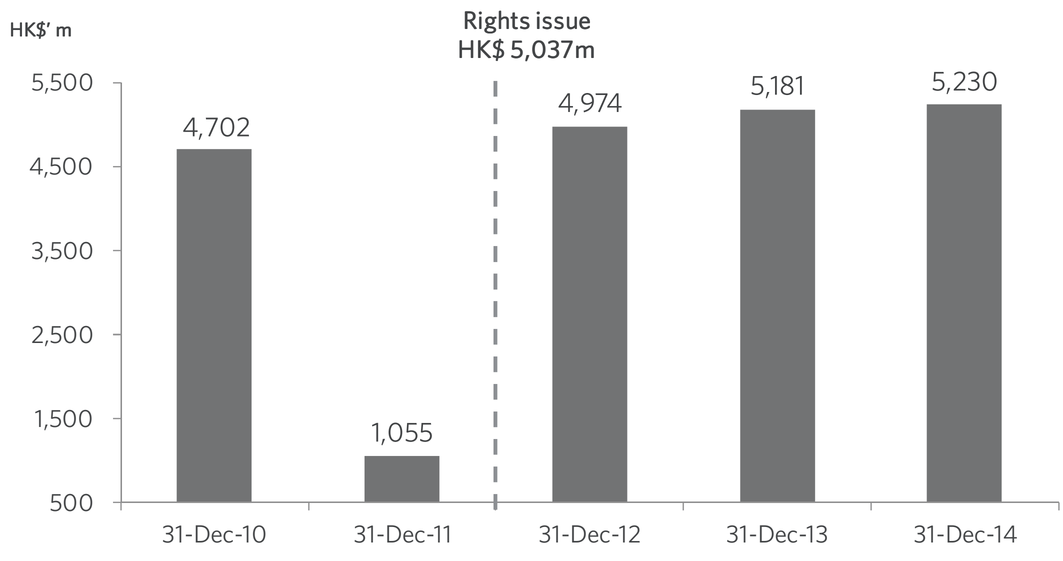
During the Period Under Review, the Group remained vigilant about cash and working capital management.

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.

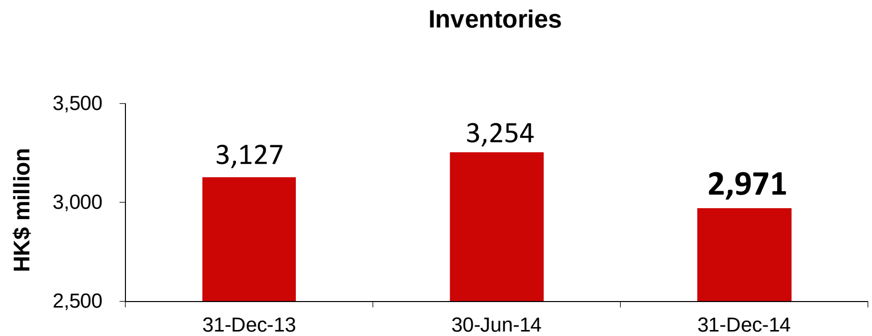


Nonetheless, year-on-year development of our net cash position continues to be positive during the Transformation phase of our project.

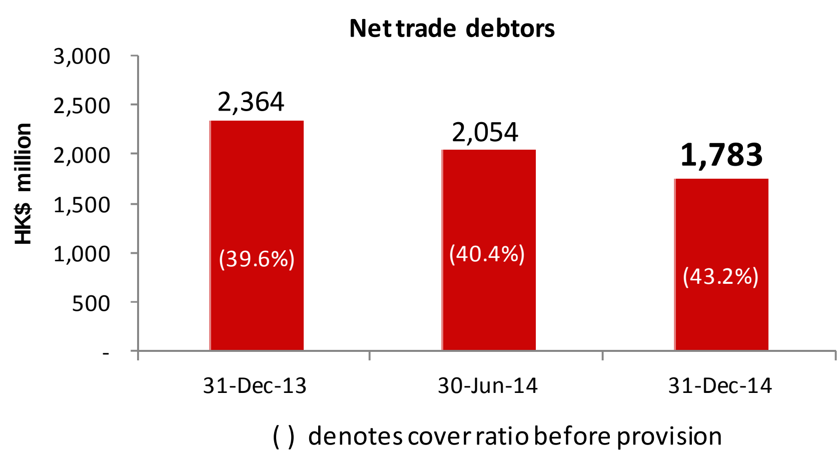
Recent development of net cash position



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).



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%).



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.

	For the 6 months ended 31 December	
HK$ million	**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.

Seasonality of Business

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

Foreign Exchange Risk Management

The Group 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 a better rate 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.

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.

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 of Hong Kong Limited (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.

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 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 2014.

BOARD OF DIRECTORS

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

Executive Directors:	Mr Jose Manuel MARTINEZ GUTIERREZ *(Group CEO)* Mr Thomas TANG Wing Yung *(Group CFO)*
Non-executive Director:	Mr Jürgen Alfred Rudolf FRIEDRICH
Independent Non-executive Directors:	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, 25 February 2015

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.