

HONG KONG STOCK CODE 00330

# INTERIM REPORT

ESPRIT HOLDINGS LIMITED  
SIX MONTHS ENDED  
31 DECEMBER 2016

ESPRIT



**INTERIM REPORT FY 16/17**  
*ESPRIT HOLDINGS LIMITED*

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**ESPRIT**

## Corporate information

### Chairman

- Raymond OR Ching Fai  
Independent Non-executive Director

### Deputy Chairman

- Paul CHENG Ming Fun  
Independent Non-executive Director

### Executive Directors

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

### Non-executive Director

- Jürgen Alfred Rudolf FRIEDRICH

### Independent Non-executive Directors

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

### Company Secretary

- Florence NG Wai Yin

### Principal bankers

- The Hongkong and Shanghai Banking Corporation Limited
- Deutsche Bank AG
- The Bank of Tokyo-Mitsubishi UFJ, Ltd.
- BNP Paribas
- Industrial and Commercial Bank of China Limited
- Hang Seng Bank Limited
- China Merchants Bank
- The Bank of East Asia, Limited
- Mizuho Bank, Ltd.
- Australia and New Zealand Banking Group Limited

### Auditor

- PricewaterhouseCoopers  
Certified Public Accountants

### Principal legal advisor

- Baker & McKenzie
- Freshfields Bruckhaus Deringer

### Share listing

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

### Stock code

- SEHK : 00330
- ADR : ESPGY

### Principal share registrar

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Pembroke HM08  
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### Hong Kong branch share registrar

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### Website

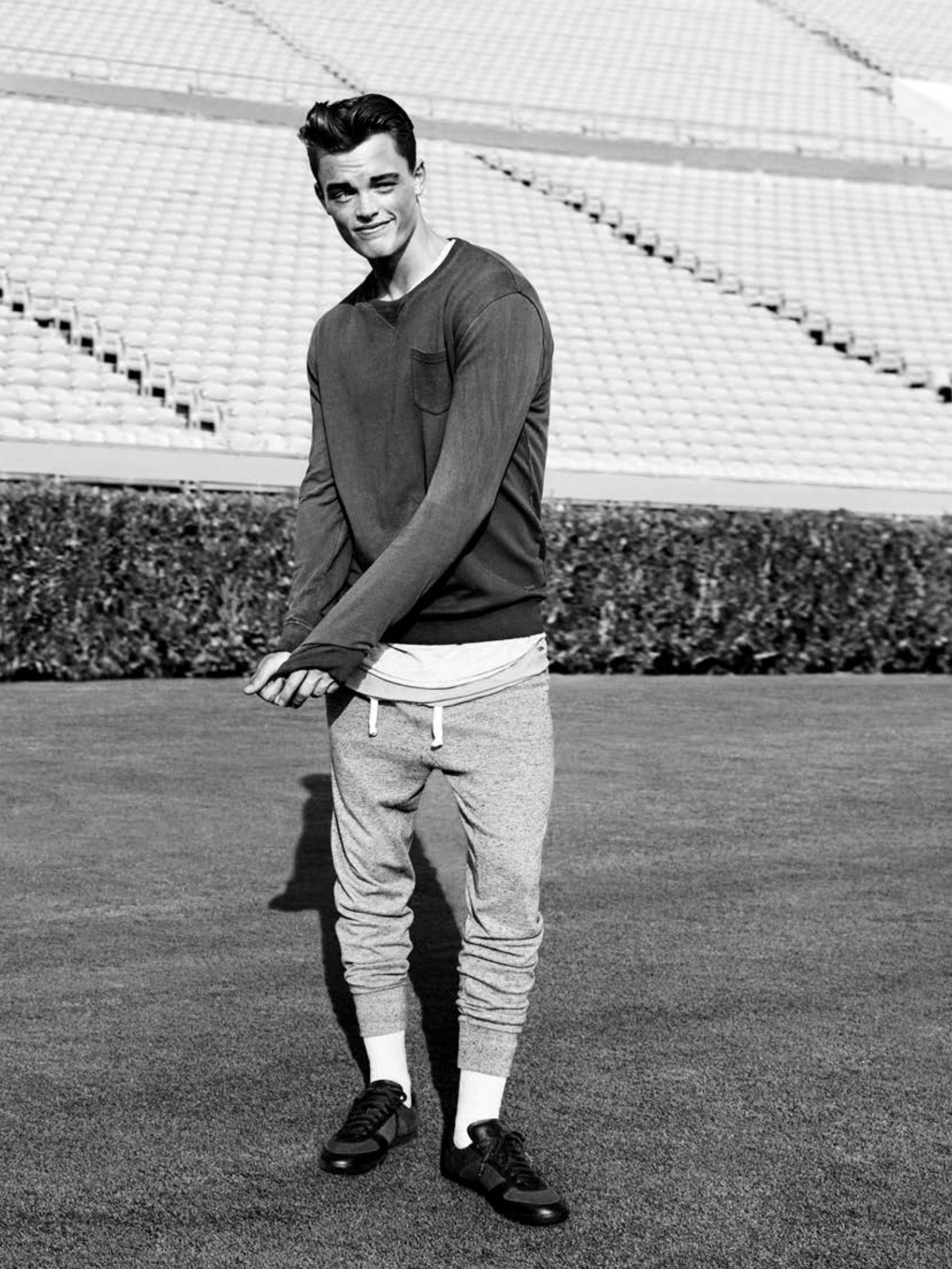
[www.espritholdings.com](http://www.espritholdings.com)

## Corporate profile

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

The Group distributes its products directly to end-consumers through directly-managed retail stores and online, and also distributes through third parties, both offline and online. The Group markets its products under two brands, namely the Esprit brand and the edc brand. Listed on the Hong Kong Stock Exchange since 1993, Esprit has headquarters in Germany and Hong Kong.





# Content

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**01**  
*HIGHLIGHTS*

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## 01 Highlights

### Continued improvement of financial results

- Net profit of HK\$61 million, as compared to a net loss of -HK\$238 million in the same period last year
- Positive EBIT from underlying operations (excluding exceptional items) of HK\$2 million, a significant recovery from LBIT of -HK\$252 million in the same period last year, driven by two major developments:
  - Downsizing of business (closure of unprofitable stores and loss of low-performing wholesale spaces)
  - Reduction of the level of promotional activities, price markdowns and wholesale discounts
- As a result, revenue declined -9.9% year-on-year (“yoy”) in local currency terms (“LCY”), against a -14.3% yoy reduction of total controlled space
- But, gross profit margin was increased by +2.0% pts yoy
- And regular OPEX was reduced by -11.2% yoy in LCY; hence, fully out-weighting the decline in top line
- Net cash balance of HK\$4.5 billion at 31 December 2016, with zero debt

### Continued progress in the execution of the Strategic Plan

- Progressive rejuvenation of the “Esprit brand”
- Development of the Vertical & Omnichannel models to improve products and channels performance
- Ambitious reduction of operating expenses (“OPEX”) to accelerate turnaround

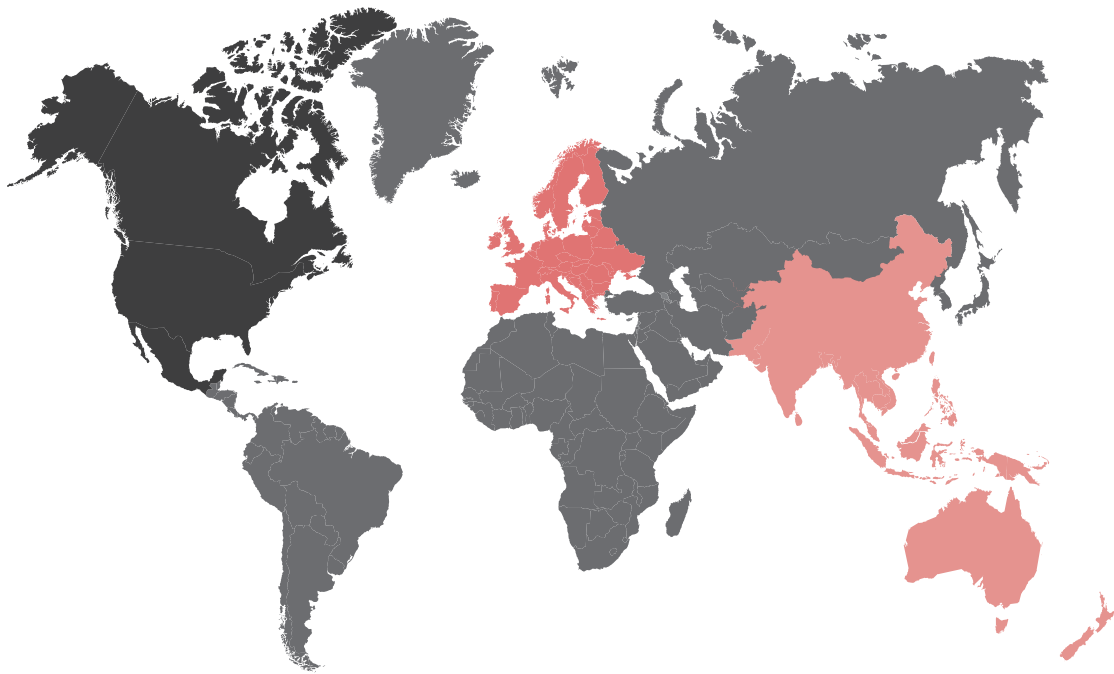
<b>Group revenue</b> <hr/> <b>HK\$8,323 million</b> ▼ 10.6% in HKD terms ▼ 9.9% in LCY	<b>EBIT of underlying operations<sup>#</sup></b> <hr/> <b>HK\$2 million</b> ▲ HK\$254 million	<b>Net profit</b> <hr/> <b>HK\$61 million</b> ▲ HK\$299 million
<b>Total controlled space (Sqm) (retail &amp; wholesale combined)</b> <hr/> <b>617,054</b> ▼ 14.3%	<b>EBIT<sup>#</sup> margin (%)</b> <hr/> <b>0.02%</b> ▲ 2.7% pts	<b>Net profit margin (%)</b> <hr/> <b>0.7%</b> ▲ 3.3% pts
<b>Basic earnings per share</b> <hr/> <b>HK\$0.03</b>	<b>Net cash</b> <hr/> <b>HK\$4,548 million</b>	<b>NAV per share</b> <hr/> <b>HK\$5.80</b>

<sup>#</sup> EBIT excluding exceptional items  
 ▲|▼ year-on-year change

## Our international distribution network

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To date, Esprit's collections are distributed via an international network covering over 40 countries worldwide through our directly managed retail stores, eshops and wholesale points of sales.

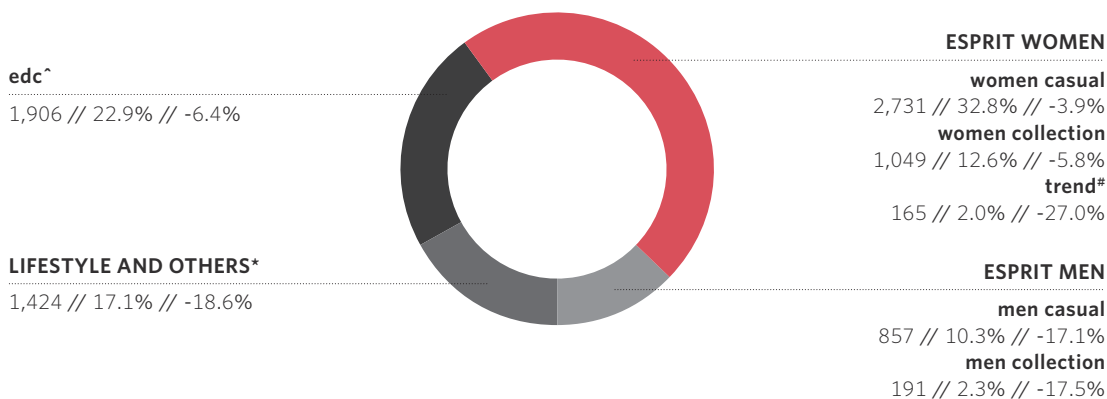


Over 40 countries  
20 eshops  
698 retail stores  
6,161 wholesale POS

## Our business across four major product groups

The Group markets its products under two brands, namely “Esprit” and “edc”, both of which offer apparel and lifestyle products for women, men and kids. In this Interim Report, products are categorized into four major groups: Esprit Women, Esprit Men, edc, and Lifestyle and others.

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



# 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

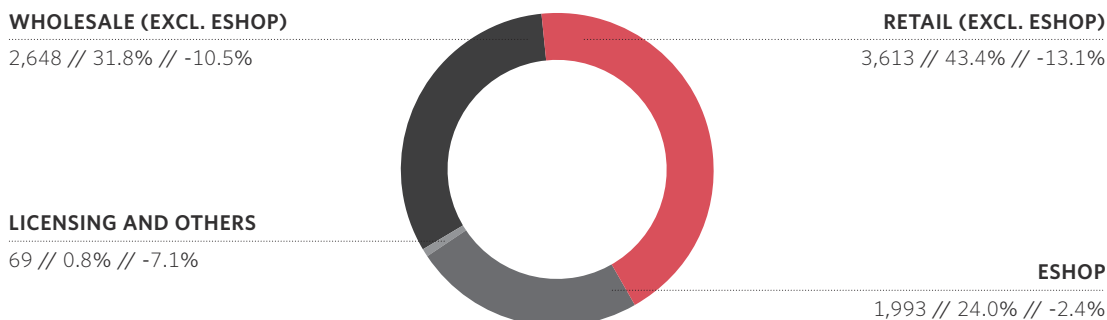
\* Lifestyle and others mainly include accessories, bodywear, shoes, and the sales and royalty income from licensed products such as kidswear, timewear, eyewear, jewelry, bed & bath, and houseware

<sup>^</sup> Accessories, bodywear, and shoes under edc brand are grouped together with those under Esprit brand in Lifestyle and others for the 6 months ended 31 December 2016 while they were grouped under the edc brand for the 6 months ended 31 December 2015. Comparative figure of edc has been restated accordingly

## Our business through four distribution channels

We distribute our products primarily through directly managed retail stores, points of sales (“POS”) managed by third parties and eshop. Directly managed retail stores include standalone stores, concession counters in department stores and outlets, which together are reported under the retail (excl. eshop) channel. POS managed by third parties include franchise stores, shop-in-stores and identity corners in multi-labels, which together are reported under the wholesale (excl. eshop) channel. Eshop comprises our directly managed e-commerce business in European and Asia Pacific countries and sales to third-party online distributor in Asia Pacific.

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



## Our business in three major markets

Geographically, the majority of the Group's business is generated in Europe and Asia Pacific. In this Interim Report, the countries in which we operate are grouped along three major regions: "Germany", "Rest of Europe" (including America and the Middle East) and "Asia Pacific".

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

### ASIA PACIFIC

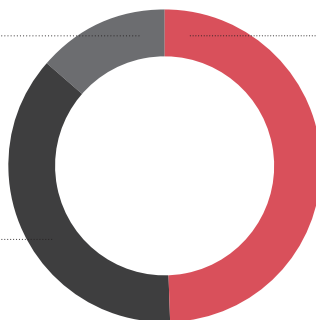
1,135 // 13.6% // -18.8%

### GERMANY

4,140 // 49.7% // -6.3%

### REST OF EUROPE

3,048 // 36.7% // -10.8%







**02**

*MANAGEMENT DISCUSSION AND ANALYSIS*

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## 02 Management discussion and analysis

As discussed in last year's Annual Report, the Group is immersed in the execution of a "Strategic Plan" to restore the long-term competitiveness of Esprit. At the core of this Strategic Plan are (i) the implementation of a "Vertical Model" to produce a sustained flow of competitive products, (ii) the optimization of sales channels operations through our "Omnichannel Model", and (iii) a progressive rejuvenation of the "Esprit Brand" image. Very importantly, the Strategic Plan is also complemented by other efforts to accelerate our turnaround, including an ambitious reduction of operating expenses ("OPEX"). The combination of all of these initiatives is the basis for the current and future improvement of the Group's results.

Building on the positive progress achieved in our last financial year ("FY15/16"), the financial performance of the Group has continued to improve in the six months ended 31 December 2016 ("1H FY16/17" or "Period Under Review") to record a Net Profit of HK\$61 million, which represents a significant recovery from the Net Loss of -HK\$238 million recorded for the same period last year.

While the improvement of the Group results in FY15/16 was driven by a significant growth of retail sales productivity, the improvement in 1H FY16/17 has been driven by two other major developments that are vital to increase our overall profitability:

1. The ongoing downsizing of the scale of the business, including the closure of the most unprofitable retail stores and the loss of low-performing wholesale locations, which together led to a visible reduction of the Group's controlled space.
2. The actions taken by management to increase the Group's gross profit margin, including a reduction of the level of promotional activities, price markdowns and discounts granted to wholesale partners.

On the one hand, these measures put obvious pressure on our top line in 1H FY16/17, aggravated by the impact of the unseasonably warm weather in Europe in the first quarter of FY16/17 ("First Quarter"). As a result, the Group's revenue amounted to HK\$8,323 million in 1H FY16/17, representing a -9.9% year-on-year ("yoy") decrease in local currency ("LCY"), less than the corresponding yoy reduction in total controlled space of -14.3%.

On the other hand, the measures produced the intended improvement in profitability: gross profit margin was increased by 2.0% points yoy and our regular OPEX were reduced by -11.2% yoy in LCY, during 1H FY16/17. Both factors together out-weighed the negative impact of the revenue decline to reach HK\$2 million EBIT from our underlying operations (i.e. EBIT excluding exceptional items) in the Period Under Review, compared with the LBIT of -HK\$252 million from the underlying operations in the same period last year.

To summarize, the financial performance of the Group continued to advance positively and in line with management expectations. Progress made in most areas of the Group makes us confident and we remain fully committed and focused on executing our Strategic Plan.

Highlights of the results for 1H FY16/17 are set out below.

### 02.1 Revenue analysis

Group revenue for 1H FY16/17 amounted to HK\$8,323 million (1H FY15/16: HK\$9,315 million), representing a yoy decline of -9.9% in LCY, with development in the second quarter of FY16/17 ("Second Quarter") (-7.8% yoy in LCY against -14.3% yoy reduction in total controlled space) significantly better than First Quarter (-11.8% against -14.5% yoy reduction in total controlled space) for every channel (Retail (excl. eshop), Eshop and Wholesale) except for Licensing, which is affected by the timing of payments from our licensors, and every market (Germany, Rest of Europe and Asia Pacific).

#### Revenue development by quarter

	Revenue change in % (yoy in LCY)		
	First Quarter	Second Quarter	1H FY16/17
<b>By Distribution Channel</b>			
Retail (excl. eshop)	-15.2%	-11.3%	-13.1%
Eshop	-7.0%	1.6%	-2.4%
Wholesale (excl. eshop)	-11.4%	-9.2%	-10.5%
Licensing and others	7.4%	-19.8%	-7.1%
<b>Total</b>	<b>-11.8%</b>	<b>-7.8%</b>	<b>-9.9%</b>
<b>By Region ^</b>			
Germany	-8.4%	-4.1%	-6.3%
Rest of Europe	-11.9%	-9.5%	-10.8%
Asia Pacific	-23.9%	-14.8%	-18.8%
<b>Total</b>	<b>-11.8%</b>	<b>-7.8%</b>	<b>-9.9%</b>

^ Region as a whole includes retail, eshop, wholesale and licensing operations



This development of revenue was mainly determined by the following factors:

**(i) Reduction in controlled space**

As the Group continues to right-size its distribution footprint, total controlled space (retail and wholesale combined) was reduced by 31,270 sqm in 1H FY16/17, coupled with the 71,431 sqm reduction in the previous six months, added up to a yoy reduction of -14.3%.

From a **Retail** perspective, the closure of unprofitable stores is fundamental in order to improve the results of the Group and to establish a healthier platform for future growth in this channel. Consequently, the Group executed a net closure of 9,412 sqm of retail sales area during 1H FY16/17, coupled with the net closure of 25,806 sqm in the previous six months, represented a -11.1% yoy reduction.

**Retail (excl. eshop) distribution channel by region  
(directly managed retail stores)**

As at 31 December 2016							
	No. of stores	Net change in no. of stores ^	Net sales area (m <sup>2</sup> )	Net change in net sales area since 1 July 2016		Net change in net sales area since 1 January 2016	
				(m <sup>2</sup> )	(%)	(m <sup>2</sup> )	(%)
<b>Germany</b>	<b>149</b>	<b>1</b>	<b>119,243</b>	<b>644</b>	<b>0.5%</b>	<b>(2,140)</b>	<b>-1.8%</b>
<b>Rest of Europe</b>	<b>141</b>	<b>(48)</b>	<b>84,654</b>	<b>(1,836)</b>	<b>-2.1%</b>	<b>(15,330)</b>	<b>-15.3%</b>
<b>Asia Pacific</b>	<b>408</b>	<b>(119)</b>	<b>78,263</b>	<b>(8,220)</b>	<b>-9.5%</b>	<b>(17,748)</b>	<b>-18.5%</b>
<b>Total</b>	<b>698</b>	<b>(166)</b>	<b>282,160</b>	<b>(9,412)</b>	<b>-3.2%</b>	<b>(35,218)</b>	<b>-11.1%</b>

^ Net change since 1 January 2016

With respect to **Wholesale**, the channel continues to face persistent structural pressure and we continue to see elimination of non-performing locations by our partners. As a result, Wholesale controlled space was reduced by 21,858 sqm in 1H FY16/17, which coupled with the net closure of 45,625 sqm in the previous six months, represented a yoy reduction of -16.8%.

**Wholesale distribution channel by region (controlled space only)**

As at 31 December 2016							
	No. of stores	Net change in no. of stores ^	Net sales area (m <sup>2</sup> )	Net change in net sales area since 1 July 2016		Net change in net sales area since 1 January 2016	
				(m <sup>2</sup> )	(%)	(m <sup>2</sup> )	(%)
<b>Germany</b>	<b>3,757</b>	<b>(775)</b>	<b>175,292</b>	<b>(4,460)</b>	<b>-2.5%</b>	<b>(25,963)</b>	<b>-12.9%</b>
Franchise stores	255	(12)	59,401	(3,814)	-6.0%	(8,433)	-12.4%
Shop-in-stores	2,342	(548)	93,195	(1,567)	-1.7%	(14,419)	-13.4%
Identity corners	1,160	(215)	22,696	921	4.2%	(3,111)	-12.1%
<b>Rest of Europe</b>	<b>2,246</b>	<b>(493)</b>	<b>142,414</b>	<b>(11,320)</b>	<b>-7.4%</b>	<b>(27,663)</b>	<b>-16.3%</b>
Franchise stores	465	(62)	93,085	(7,241)	-7.2%	(16,539)	-15.1%
Shop-in-stores	864	(178)	26,851	(2,566)	-8.7%	(6,168)	-18.7%
Identity corners	917	(253)	22,478	(1,513)	-6.3%	(4,956)	-18.1%
<b>Asia Pacific</b>	<b>158</b>	<b>(108)</b>	<b>17,188</b>	<b>(6,078)</b>	<b>-26.1%</b>	<b>(13,857)</b>	<b>-44.6%</b>
Franchise stores	158	(108)	17,188	(6,078)	-26.1%	(13,857)	-44.6%
<b>Total</b>	<b>6,161</b>	<b>(1,376)</b>	<b>334,894</b>	<b>(21,858)</b>	<b>-6.1%</b>	<b>(67,483)</b>	<b>-16.8%</b>
Franchise stores	878	(182)	169,674	(17,133)	-9.2%	(38,829)	-18.6%
Shop-in-stores	3,206	(726)	120,046	(4,133)	-3.3%	(20,587)	-14.6%
Identity corners	2,077	(468)	45,174	(592)	-1.3%	(8,067)	-15.2%

^ Net change since 1 January 2016

## (ii) Reduction of promotional activities, price markdowns and wholesale discounts

During the Period Under Review, management took decisive actions to increase the gross profit margins of every channel and region. These efforts have been instrumental to bringing an overall improvement of our bottom line, but they negatively impacted sales in our own retail, as reflected by the negative sales growth in comparable stores.

### Retail comparable stores sales growth (excl. eshop) in LCY

	First Quarter		Second Quarter		1H FY16/17	
	No. of comp-store	Comp-store sales growth	No. of comp-store	Comp-store sales growth	No. of comp-store	Comp-store sales growth
Germany	128	-8.6%	126	-5.3%	126	-6.8%
Rest of Europe	121	-1.9%	117	1.6%	117	0.1%
Asia Pacific	253	-10.1%	233	-8.3%	233	-9.2%
<b>Total</b>	<b>502</b>	<b>-6.6%</b>	<b>476</b>	<b>-3.5%</b>	<b>476</b>	<b>-4.9%</b>

For **Retail**, the intensity of promotional activities was reduced e.g. by shortening the duration of the Mid Season Sale period, delaying the start of the End of Season Sale, eliminating discount promotions in certain countries and specific product categories, and applying a smoother approach to certain promotional events such as Black Friday. In addition to this, the regular price markdowns in our full-price stores were reduced and the prices in our off-price outlets were increased.

In our **Wholesale** operations, actions taken to improve gross profit margins were milder and mainly directed at eliminating excessive discounts for selected partners. Consequently, the impact on the sales performance of the channel was less significant.

In general, the above approach in our different channels contrasted with the aggressive promotions and markdowns offered by our competitors; which imposed a drag to our revenue but produced the intended improvement of margins and operational results.

## (iii) Unfavorable weather in the First Quarter

As communicated in our Unaudited FY16/17 First Quarter Update announcement, temperatures in Europe in the First Quarter were much above the levels for the same period of the previous year and this unseasonably warm weather significantly impacted store traffic and sales of autumn collections.

## Revenue by product

The Group markets its products under two brands, namely "Esprit" and "edc", both of which offer apparel and lifestyle products for women, men and kids. For the purpose of this management discussion and analysis, products are categorized into four major groups: Esprit Women (47.4% of Group revenue), Esprit Men (12.6% of Group revenue), Lifestyle and others (17.1% of Group revenue), and edc (22.9% of Group revenue).

### Revenue by product

Product division	For the 6 months ended 31 December					
	2016		2015		Change in %	
	HK\$ million	% to Group Revenue	HK\$ million	% to Group Revenue	HK\$	Local currency
<b>Esprit Women</b>	<b>3,945</b>	<b>47.4%</b>	4,216	45.3%	-6.4%	-5.6%
women casual	2,731	32.8%	2,865	30.8%	-4.7%	-3.9%
women collection	1,049	12.6%	1,124	12.1%	-6.6%	-5.8%
trend #	165	2.0%	227	2.4%	-27.4%	-27.0%
<b>Esprit Men</b>	<b>1,048</b>	<b>12.6%</b>	1,281	13.7%	-18.2%	-17.1%
men casual	857	10.3%	1,046	11.2%	-18.1%	-17.1%
men collection	191	2.3%	235	2.5%	-18.7%	-17.5%
<b>Lifestyle and others *</b>	<b>1,424</b>	<b>17.1%</b>	1,762	18.9%	-19.1%	-18.6%
<b>edc ^</b>	<b>1,906</b>	<b>22.9%</b>	2,056	22.1%	-7.3%	-6.4%
<b>Total</b>	<b>8,323</b>	<b>100.0%</b>	9,315	100.0%	-10.6%	-9.9%

# 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

\* Lifestyle and others mainly include accessories, bodywear, shoes, and the sales and royalty income from licensed products such as kidswear, timewear, eyewear, jewelry, bed & bath, and houseware

^ Accessories, bodywear, and shoes under edc brand are grouped together with those under Esprit brand in Lifestyle and others for the 6 months ended 31 December 2016 while they were grouped under the edc brand for the 6 months ended 31 December 2015. Comparative figure of edc has been restated accordingly

## Esprit Women and edc

Esprit Women and edc, together representing 70.3% of the Group's revenue, recorded yoy decline in revenue of -5.6% and -6.4% in LCY respectively, with comparable retail sales (including eshop) declining by -2.6% and -1.4% yoy in LCY respectively. The declines were mainly attributable to the factors described in the beginning of this "Revenue Analysis" section, partly offset by continued product improvements as we continue to reap the benefits of the Vertical Model.

## Esprit Men

In 1H FY16/17, Esprit Men recorded revenue of HK\$1,048 million, representing a yoy decline of -17.1% in LCY. Due to the weak performance of our Men's division, the space allocated to their products in our retail stores is being reduced. Moreover, the team managing Esprit Men's products has been restructured and strengthened during the Period Under Review.

## Lifestyle and others

Lifestyle and others recorded revenue of HK\$1,424 million in 1H FY16/17, representing a yoy decline of -18.6% in LCY. This product group comprises mainly accessories, bodywear, shoes, and the sales and royalty income from licensed products such as kidswear, timewear, eyewear, jewelry, bed & bath, and houseware. The largest decline in revenue in this product group came from the Kids division (-62.8% yoy in LCY) due to the licensing of this business to Groupe Zannier since January 2016, which largely reduces our top line because the majority of net sales are now booked by our license partner, while Esprit's income is derived mostly from the corresponding royalties. Despite this effect, the licensing of the kids business benefits the long term performance of Esprit Kids. Excluding the Kids division, the sales decline of Lifestyle and others would have been -11.0% yoy in LCY.

## Revenue by region and by distribution channel

Geographically, the majority of the Group's business is generated in Europe and Asia Pacific. In our analysis, the countries in which we operate are grouped along three major regions: "Germany", "Rest of Europe" (including America and the Middle East) and "Asia Pacific".

The business in these markets is mainly generated through three distribution channels: "Retail (excl. eshop)", "Wholesale (excl. eshop)" and "Eshop".

Before analyzing the detailed revenue performance by region and by distribution channel, Retail (excl. eshop) and Wholesale (excl. eshop) deserve a comment on their overall development. Eshop is addressed separately later in this section.

**Retail (excl. eshop)** experienced -13.1% yoy in LCY revenue decline in the Period Under Review, larger than the yoy reduction of retail sales space of -11.1%. However, it is worth noting that, despite the reduction of promotional activities and price markdowns, the level of sales per square meter was maintained stable in our full-price stores (+0.3% yoy in LCY) and the entire decline of sales productivity was caused by the off-price outlets (-14.9% yoy in LCY). More importantly, the combination of slightly reduced sales per square meter and improved gross profit margin produced a net increase of the gross profit value generated by each full-priced retail square meter (+4.4% yoy in LCY). In other words, the profitability of our full-priced retail space kept on growing in 1H FY16/17.

As for **Wholesale (excl. eshop)**, the channel's profitability also improved in the Period Under Review. The closure of non-performing locations is increasing the average sales productivity of the remaining controlled space. For this reason, the sales decline of -10.5% yoy in LCY in 1H FY16/17 is significantly smaller than the corresponding yoy reduction in sales space of -16.8%. Gross profit margin and OPEX of the Wholesale channel also improved during this period.

The following table sets forth the breakdown of revenue across the three regions and the different distribution channels.

### Revenue by region and by distribution channel

For the 6 months ended 31 December							
	2016		2015		Revenue Change in %		Net change in net sales area ^
	HK\$ million	% to Group Revenue	HK\$ million	% to Group Revenue	HK\$	Local currency	
<b>Germany</b>	<b>4,140</b>	<b>49.7%</b>	4,444	47.7%	-6.8%	-6.3%	-8.7%
Retail (excl. eshop)	1,522	18.3%	1,653	17.8%	-7.9%	-7.2%	-1.8%
Eshop	1,176	14.1%	1,253	13.4%	-6.1%	-5.4%	n.a.
Wholesale	1,429	17.2%	1,532	16.4%	-6.7%	-6.4%	-12.9%
Licensing	13	0.1%	6	0.1%	93.1%	93.8%	n.a.
<b>Rest of Europe</b>	<b>3,048</b>	<b>36.7%</b>	3,446	37.0%	-11.5%	-10.8%	-15.9%
Retail (excl. eshop)	1,140	13.7%	1,317	14.1%	-13.4%	-12.5%	-15.3%
Eshop	698	8.4%	730	7.9%	-4.5%	-3.9%	n.a.
Wholesale	1,154	13.9%	1,331	14.3%	-13.3%	-12.5%	-16.3%
Licensing and others *	56	0.7%	68	0.7%	-16.8%	-16.8%	n.a.
<b>Asia Pacific</b>	<b>1,135</b>	<b>13.6%</b>	1,425	15.3%	-20.3%	-18.8%	-24.9%
Retail (excl. eshop)	951	11.4%	1,228	13.2%	-22.6%	-21.5%	-18.5%
Eshop	119	1.5%	79	0.8%	51.1%	58.7%	n.a.
Wholesale (excl. eshop)	65	0.7%	118	1.3%	-44.5%	-42.6%	-44.6%
<b>Total</b>	<b>8,323</b>	<b>100.0%</b>	9,315	100.0%	-10.6%	-9.9%	-14.3%
Retail (excl. eshop)	3,613	43.4%	4,198	45.1%	-13.9%	-13.1%	-11.1%
Eshop	1,993	24.0%	2,062	22.1%	-3.3%	-2.4%	n.a.
Wholesale (excl. eshop)	2,648	31.8%	2,981	32.0%	-11.2%	-10.5%	-16.8%
Licensing and others	69	0.8%	74	0.8%	-7.1%	-7.1%	n.a.

^ Net change since 1 January 2016

\* For the six months ended 31 December 2016, revenue from North America was re-grouped under Rest of Europe while it was disclosed separately for the six months ended 31 December 2015. Comparative figures have been restated accordingly

n.a. Not applicable

## Germany

As the largest market of the Group (representing 49.7% of total Group revenue), Germany recorded HK\$4,140 million revenue in 1H FY16/17, representing -6.3% yoy decline in LCY (-8.4% in the First Quarter and -4.1% in the Second Quarter). In terms of distribution channels, Retail (excl. eshop), Eshop, Wholesale and the Licensing business contributed 36.8%, 28.4%, 34.5% and 0.3% of Germany's revenue, respectively.

**Germany Retail (excl. eshop)** recorded revenue of HK\$1,522 million, representing a yoy decline of -7.2% in LCY. Besides the three major factors described in the beginning of this "Revenue Analysis" section, the revenue decline was also attributable to a weak and erratic retail market in the country. During the Period Under Review, the German apparel market recorded a yoy sales decline in the first three months and flat yoy development in the remaining three months, as published by TextilWirtschaft. As for our space under Germany Retail (excl. eshop), there was a yoy reduction of -1.8%, which is below our expectation due to the difficulties to terminate longer lease terms compared to those in other markets.

**Germany Wholesale** revenue declined by -6.4% yoy in LCY, much less than the corresponding reduction of controlled space by -12.9% yoy. The underlying gain in productivity has been driven by improved order intakes from both offline and online partners. The reduction in controlled space was partly attributable to the transfer of 713 points of sales ("POS") under the Kids division to our new licensing partner.

## Rest of Europe

Rest of Europe comprises countries in Europe (except Germany), in America and in the Middle East (representing 36.7% of total Group revenue). The region recorded revenue of HK\$3,048 million in 1H FY16/17, representing a yoy decline of -10.8% in LCY (-11.9% in the First Quarter and -9.5% in the Second Quarter). In terms of distribution channels, Retail (excl. eshop), Eshop, Wholesale and Licensing businesses contributed to 37.4%, 22.9%, 37.9% and 1.8% of the region's revenue, respectively.

**Rest of Europe Retail (excl. eshop)** recorded revenue of HK\$1,140 million, representing a yoy decline of -12.5% in LCY, which compares favorably against the corresponding yoy decline in retail sales area of -15.3%. The significant space decline was attributable to the successful net closure of 17 unprofitable stores and the closure of 31 concession counters in the Netherlands as a result of the bankruptcy of a local department store.

**Rest of Europe Wholesale** revenue declined by -12.5% yoy in LCY, also less than the corresponding -16.3% yoy reduction in controlled space, reflecting a similar improvement of partners' order intakes as in Germany Wholesale. The reduction in controlled wholesale space was partly attributable to the transfer of 150 POS under the Kids division to our new licensing partner.

## Asia Pacific

Asia Pacific (“APAC”) comprises mainly China, Australia and New Zealand, Hong Kong, Singapore, Malaysia, Taiwan and Macau (representing 13.6% of total Group revenue). The region recorded revenue decline of -18.8% yoy in LCY in 1H FY16/17 (-23.9% in the First Quarter and -14.8% in the Second Quarter).

As discussed in the last Annual Report, APAC faces difficulties that are different from the challenges in Europe. From a macroeconomic perspective, the economic growth slowdown in China has dampened consumption sentiment, resulting in reduced traffic to the malls across the region, including shopping and tourist destinations that are key for Esprit. From an internal perspective, there are brand-specific weaknesses related to our distribution network in APAC, i.e. Esprit’s retail space concentration in department stores and discount factory outlets. A clear action plan to face these challenges is in place and we continued to make good progresses along this plan during the Period Under Review, including closure of loss-making spaces, rapid e-commerce sales growth, gross profit margin normalization, improved operations across retail functions, downsizing of local structures and cost, etc. These positive developments make us confident about the revival of our long-term potential in the region.

**Asia Pacific Retail (excl. eshop)** accounted for 83.8% of total revenue in the region and recorded HK\$951 million in revenue, representing a yoy decline of -21.5% in LCY against -18.5% yoy reduction in retail sales area. It is important to note that in APAC we had the most drastic reduction of promotional activities and price markdowns, which explains the -9.2% yoy decline in comparable retail sales (excl. eshop). Despite the significant sales drop, the consequent recovery of gross profit margin and reduction of operating expenses resulted in a positive development of the channel’s bottom line.

**Asia Pacific Wholesale (excl. eshop)** revenue only represented 5.7% of the region’s total revenue (0.7% of the Group’s revenue) and recorded HK\$65 million in revenue, representing a decline of -42.6% yoy in LCY against a -44.6% yoy decline in wholesale controlled space. The majority of the space loss took place in China, while we see opportunities to expand the wholesale business in new countries within the region. In this respect, Esprit has re-entered the India market through an exclusive partnership with Myntra.com, a leading online retailer of fashion and lifestyle products in the country, in the Second Quarter.

## Eshop

Eshop comprises our directly managed e-commerce business in European and APAC countries (representing 24.0% of total Group revenue) and sales to third parties online distributor in APAC. In the Period Under Review, this channel generated HK\$1,993 million in revenue, representing a yoy decline of -2.4% in LCY (-7.0% in the First Quarter and +1.6% in the Second Quarter), compared to a very successful sales development in the same period last year (+15.9% yoy growth in LCY).

**Eshop Germany and Rest of Europe** contributed 59.0% and 35.0% respectively of the total Eshop revenue in 1H FY16/17. Eshop Germany had a yoy decline of -5.4% in LCY, and Eshop Rest of Europe had a -3.9% yoy decline in LCY. This drop in net sales was driven by lower traffic in our online shops in Europe during the warm month of September 2016, and during the festive season (November and December 2016). Nonetheless, the channel continues to be highly productive and profitable, and we continued to develop our Omnichannel solutions during the First Half of the financial year to achieve (i) increased number of active Esprit Friends by +20% vs last year, (ii) fast growth of sales initiated from smartphones, up by +40% vs last year, (iii) a higher level of personalization of the consumer experience, (iv) shorter delivery times for our customers, and (v) the roll-out of our integrated online-offline features, including click & collect of orders from our stores and the capability to reserve store products online and return Eshop products in the stores.

**Eshop APAC** reached HK\$119 million revenue in 1H FY16/17, representing an increase of +58.7% yoy in LCY. China represented over 80% of the Eshop sales in the region and recorded revenue growth of +54.9% yoy in LCY, fueled by actions such as the integration of the Esprit Friends loyalty program into our eshop, the strengthening of our operations with Tmall, the expansion of our online presence in China through local platforms such as Weibo or WeChat, and the collaboration with celebrities and key opinion leaders to enhance our brand equity through social media.

## 02.2 Profitability analysis

The table below presents the results of the Group for the six months ended 31 December 2016 and 2015, with a differentiation of Regular OPEX and Exceptional Items as defined in the last Annual Report.

	For the six months ended 31 December			
	2016	2015	Change in %	
	HK\$ million	HK\$ million	HK\$	Local currency
<b>Revenue</b>	<b>8,323</b>	9,315	-10.6%	-9.9%
Cost of goods sold	<b>(3,952)</b>	(4,615)	-14.4%	-13.5%
<b>Gross profit</b>	<b>4,371</b>	4,700	-7.0%	-6.2%
<i>Gross profit margin</i>	<b>52.5%</b>	50.5%	2.0% pts	2.0% pts
<b>Regular OPEX</b>				
Staff costs	<b>(1,474)</b>	(1,574)	-6.3%	-5.7%
Occupancy costs	<b>(1,276)</b>	(1,428)	-10.6%	-9.9%
Logistics expenses	<b>(473)</b>	(516)	-8.3%	-7.6%
Marketing and advertising expenses	<b>(402)</b>	(535)	-24.9%	-24.3%
Depreciation	<b>(260)</b>	(302)	-13.7%	-13.1%
Other operating costs	<b>(484)</b>	(597)	-19.2%	-18.9%
Subtotal	<b>(4,369)</b>	(4,952)	-11.8%	-11.2%
<b>EBIT/(LBIT) of underlying operations</b>	<b>2</b>	(252)		
<b>Exceptional items</b>				
i) One-off costs in relation to staff reduction plans	<b>(17)</b>	(42)		
ii) Net write-back of provision for store closures and leases	<b>4</b>	51		
iii) Impairment of property, plant and equipment	<b>(2)</b>	(4)		
Subtotal	<b>(15)</b>	5		
<b>(LBIT) of the Group</b>	<b>(13)</b>	(247)	<b>94.6%</b>	<b>96.9%</b>
<b>Net interest income</b>	-	5		
<b>(Loss) before taxation</b>	<b>(13)</b>	(242)		
<b>Net taxation credit</b>	<b>74</b>	4		
<b>Net profit/(loss)</b>	<b>61</b>	(238)		

For the Period Under Review, the Group recorded **Gross Profit** of HK\$4,371 million, which results in gross profit margin of 52.5%, representing a yoy increase of +2.0% points, despite the detrimental development of the Euro exchange rates. This improvement is mainly the result of the actions to reduce the level of promotional activities, price markdowns and wholesale discounts, as described in the beginning of the "Revenue Analysis" section. The improvement in gross profit margin was observed across all channels (except for Licensing and others), regions and key product divisions.

**Regular OPEX** (excluding Exceptional Items) amounted to HK\$4,369 million in 1H FY16/17, representing a yoy decline of -11.2% in LCY. Savings were achieved in all key cost lines mainly through the accelerated closure of loss-making stores, the implementation of overhead cost restructuring measures and the lower marketing and advertising expenditure, down to normalized levels after the strong push last year. The Group remains on track to achieve our target to reduce OPEX by HK\$1 billion (excluding exchange rate impact) over 2 years from FY15/16 level.

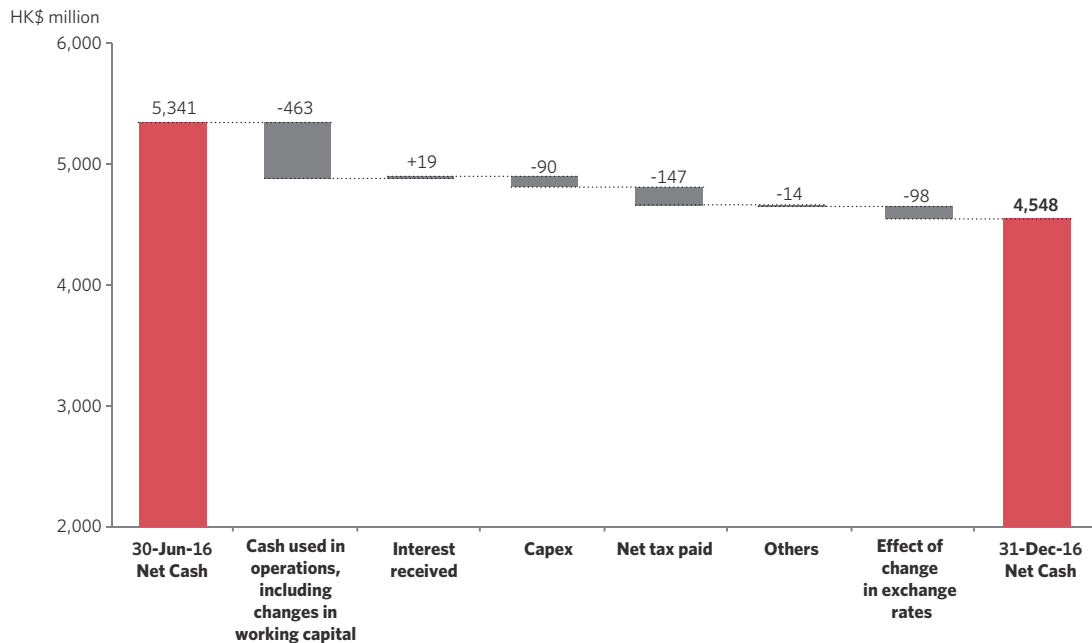
**Exceptional Items** refer to exceptional income and expenses arising from relevant non-operational activities of the Group. As detailed in the table at the beginning of this section, there was a net exceptional expense of HK\$15 million in 1H FY16/17 related to staff reduction plans, the net write-back of provisions for store closures and leases, and the impairment of property, plant and equipment.

**EBIT of Underlying Operations** (i.e. excluding the Exceptional Items) was HK\$2 million, compared to a LBIT of -HK\$252 million in the same period last year. After including the Exceptional Items, LBIT was -HK\$13 million in 1H FY16/17, also a significant improvement when compared with a LBIT of -HK\$247 million in the same period last year.

**Net Profit** reached HK\$61 million in 1H FY16/17 (including a net tax credit of HK\$74 million), compared with a net loss of -HK\$238 million in the same period last year.

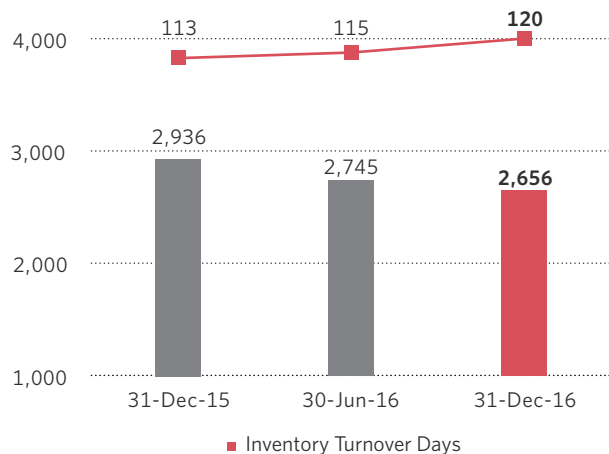
### 02.3 Liquidity and financial resources analysis

**Net Cash:** As at 31 December 2016, the Group remained debt free with cash, bank balances and deposits totaling HK\$4,548 million (30 June 2016: HK\$5,341 million), representing a net cash utilization of HK\$793 million in 1H FY16/17, less than the HK\$825 million net cash utilization for the same period last year. It is worth noting that the net cash balance at the end of December is generally lower than that at the end of June due to the seasonality of our business causing a stock up of higher value winter inventories.



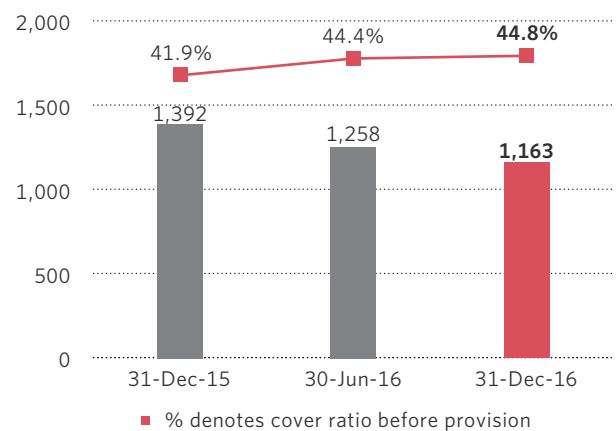
**Inventories:** Our inventory balance amounted to HK\$2,656 million (31 December 2015: HK\$2,936 million), representing a yoy reduction of -9.5%, helped by the depreciation of the EUR/HKD closing rate of -4.0% yoy. Inventory turnover days was 120 days, an increase of 7 days as compared to a year ago (31 December 2015: 113 days), and was primarily attributable to the higher share of retail business vs wholesale, the leftovers carried over from the previous financial year, and the lower revenue in comparable retail stores and eshop.

#### Inventories (HK\$ million)



**Net Trade Debtors** was HK\$1,163 million (31 December 2015: HK\$1,392 million), representing a yoy decrease of -16.5%, which is in line with the lower wholesale revenue and the depreciation of the EUR/HKD closing rate of -4.0% yoy. 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 44.8% (31 December 2015: 41.9%).

#### Net trade debtors (HK\$ million)



**Capital Expenditure (CAPEX):** We remain cautious in terms of CAPEX investments as we stay vigilant in our cash management. The Group invested HK\$90 million in CAPEX in 1H FY16/17 (1H FY15/16: HK\$142 million), representing a reduction of 36.2% yoy with the largest reductions in store openings and refurbishments, as large scale refurbishments are mostly completed.

For the 6 months ended 31 December		
HK\$ million	2016	2015
New stores	26	42
Refurbishment	18	54
IT projects	29	25
Office & others	17	21
<b>Purchase of property, plant and equipment</b>	<b>90</b>	142

**Total interest bearing external borrowings:** As at 31 December 2016, the Group had no interest bearing external borrowings (31 December 2015: Nil).

## 02.4 Seasonality of business

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

## 02.5 Foreign exchange risk management

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

While the majority of the Group's revenue is denominated in Euro, we report our financial results in Hong Kong Dollars. As a result, fluctuations in the value of the Euro against the Hong Kong Dollar could adversely affect our revenue 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. In June 2016, the United Kingdom's vote to leave the European Union ("Brexit") has caused much uncertainty in the European economy, as well as substantial depreciation of the British Pounds. As our business in the United Kingdom contributes less than 1% of the Group's revenue, the depreciation of the British Pounds will have little direct impact on the Group's revenue. That said, Brexit may put pressure on the Euro currency. In view of this potential risk, the Group has taken measures to proactively manage its Euro exposure, specifically early hedging of virtually all purchases of finished goods for FY16/17 at an average rate better than the prevailing market rates, which should help protect our gross margin for the current financial year. 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.

## 02.6 Second half outlook for FY16/17

Moving forward, we expect in the Second Half of this financial year ("2H FY16/17") a similar development as observed in the First Half. We continue to execute our Strategic Plan with primary focus on improving our bottom line. In the short term, this approach implies a decline in revenue due to the reduction of unprofitable controlled space, countered by better sales productivity, improved margins and reduced operating expenses.



## Appendix

### Revenue by country

For the 6 months ended 31 December							
Country ^^	2016		2015		Revenue change in %		Net change in net sales area ^
	HK\$ million	% to Group Revenue	HK\$ million	% to Group Revenue	HK\$	Local currency	
<b>Germany #</b>	<b>4,140</b>	<b>49.7%</b>	4,444	47.7%	-6.8%	-6.3%	-8.7%
<b>Rest of Europe</b>	<b>3,048</b>	<b>36.7%</b>	3,446	37.0%	-11.5%	-10.8%	-15.9%
Benelux #	976	11.7%	1,115	12.0%	-12.5%	-12.0%	-25.3%
France	513	6.2%	602	6.5%	-14.9%	-14.5%	-12.5%
Switzerland	471	5.7%	506	5.4%	-6.9%	-5.8%	-4.9%
Austria	390	4.7%	436	4.7%	-10.7%	-10.1%	-10.4%
Sweden	119	1.4%	137	1.5%	-12.9%	-10.8%	-22.9%
Finland	112	1.4%	124	1.3%	-10.0%	-9.6%	-17.9%
Spain	103	1.3%	109	1.2%	-5.0%	-4.8%	-4.0%
Italy	58	0.7%	68	0.7%	-13.5%	-13.4%	-8.5%
United Kingdom	50	0.6%	85	0.9%	-41.4%	-34.9%	-25.6%
Denmark	49	0.6%	57	0.6%	-13.8%	-13.5%	-36.9%
Poland	38	0.5%	35	0.4%	8.9%	12.4%	20.6%
Ireland	4	0.0%	4	0.0%	-1.4%	-1.1%	-0.4%
Norway	2	0.0%	2	0.0%	-8.0%	-7.9%	-
Portugal	-	0.0%	1	0.0%	1.5%	2.2%	-
Others ##	163	1.9%	165	1.8%	-1.4%	-1.3%	-5.3%
<b>Asia Pacific</b>	<b>1,135</b>	<b>13.6%</b>	1,425	15.3%	-20.3%	-18.8%	-24.9%
China	467	5.6%	655	7.0%	-28.7%	-24.1%	-38.0%
Australia and New Zealand	161	2.0%	162	1.7%	-1.0%	-5.5%	-1.5%
Hong Kong	146	1.7%	185	2.0%	-21.3%	-21.3%	-10.7%
Singapore	116	1.4%	129	1.4%	-9.5%	-10.2%	-10.3%
Malaysia	90	1.1%	97	1.0%	-6.9%	-5.6%	-9.1%
Taiwan	82	1.0%	98	1.1%	-16.6%	-18.2%	-6.5%
Macau	45	0.5%	56	0.6%	-18.4%	-18.4%	7.3%
Others @	28	0.3%	43	0.5%	-35.7%	-35.7%	-24.4%
<b>Total</b>	<b>8,323</b>	<b>100.0%</b>	9,315	100.0%	-10.6%	-9.9%	-14.3%

^ Net change since 1 January 2016

^^ Country as a whole includes retail, eshop, wholesale and licensing operations

# Includes licensing

## Others under Rest of Europe include i) retail (including eshop) revenue from Czech Republic, Hungary, Slovakia, Latvia, Slovenia, Malta, Estonia, Greece, Romania, Croatia and Bulgaria; ii) wholesale revenue from other countries mainly Chile, Colombia, Canada and the Middle East, as well as iii) third-party licensing income that comes from Asia Pacific, Europe other than Germany, America and the Middle East

\* For the six months ended 31 December 2016, revenue from North America was re-grouped under Rest of Europe while it was disclosed separately for the six months ended 31 December 2015. Comparative figures have been restated accordingly

@ Others under Asia Pacific include wholesale revenue from other countries mainly Thailand and the Philippines

Retail (excl. eshop) revenue by country

For the 6 months ended 31 December							
Country	2016		2015		Revenue change in %		Net change in net sales area ^
	HK\$ million	% to Total Revenue	HK\$ million	% to Total Revenue	HK\$	Local currency	
<b>Germany</b>	<b>1,522</b>	<b>42.1%</b>	1,653	39.4%	-7.9%	-7.2%	-1.8%
<b>Rest of Europe</b>	<b>1,140</b>	<b>31.6%</b>	1,317	31.3%	-13.4%	-12.5%	-15.3%
Benelux	410	11.3%	491	11.7%	-16.6%	-16.0%	-19.1%
Switzerland	309	8.6%	321	7.6%	-3.6%	-2.3%	-1.1%
Austria	195	5.4%	218	5.2%	-10.7%	-10.1%	-11.8%
France	134	3.7%	166	3.9%	-19.0%	-18.4%	-16.4%
Poland	30	0.9%	33	0.8%	-7.7%	-4.2%	20.6%
Sweden	30	0.8%	47	1.1%	-37.1%	-35.1%	-56.2%
Finland	24	0.7%	29	0.7%	-16.3%	-15.7%	-18.1%
Denmark	8	0.2%	8	0.2%	1.3%	1.7%	-
United Kingdom	-	-	4	0.1%	-100.0%	-100.0%	-100.0%
<b>Asia Pacific</b>	<b>951</b>	<b>26.3%</b>	1,228	29.3%	-22.6%	-21.5%	-18.5%
China	331	9.2%	512	12.2%	-35.5%	-31.3%	-30.4%
Australia and New Zealand	149	4.1%	154	3.7%	-3.5%	-7.9%	-1.5%
Hong Kong	145	4.0%	185	4.4%	-21.5%	-21.5%	-10.7%
Singapore	111	3.1%	128	3.1%	-12.7%	-13.5%	-10.3%
Malaysia	89	2.4%	96	2.3%	-7.5%	-6.2%	-9.1%
Taiwan	81	2.2%	97	2.3%	-17.4%	-19.0%	-6.5%
Macau	45	1.3%	56	1.3%	-18.4%	-18.4%	7.3%
<b>Total</b>	<b>3,613</b>	<b>100.0%</b>	4,198	100.0%	-13.9%	-13.1%	-11.1%

^ Net change since 1 January 2016

Directly managed retail stores by country - movement since 1 January 2016

As at 31 December 2016							
Country	No. of stores	Net opened stores ^	Net sales area (m <sup>2</sup> )	Net change in net sales area ^	No. of comp stores (excl. eshop)	Comp-store sales growth (excl. eshop)	
<b>Germany</b>	<b>149</b>	<b>1</b>	<b>119,243</b>	<b>-1.8%</b>	<b>126</b>	<b>-6.8%</b>	
<b>Rest of Europe</b>	<b>141</b>	<b>(48)</b>	<b>84,654</b>	<b>-15.3%</b>	<b>117</b>	<b>0.1%</b>	
Switzerland	38	-	17,259	-1.1%	34	-1.8%	
Belgium	22	(3)	16,190	-9.9%	21	2.6%	
Netherlands	20	(34)	14,492	-28.9%	18	5.3%	
France	19	(4)	11,145	-16.4%	18	-8.4%	
Austria	19	(1)	14,841	-11.8%	16	-1.2%	
Poland	13	2	3,946	20.6%	-	n.a.	
Sweden	4	(6)	2,542	-56.2%	4	26.9%	
Luxembourg	3	-	1,869	-	3	-4.1%	
Finland	2	(1)	1,745	-18.1%	2	4.1%	
Denmark	1	-	625	-	1	1.7%	
United Kingdom	-	(1)	-	-100.0%	-	n.a.	
<b>Asia Pacific</b>	<b>408</b>	<b>(119)</b>	<b>78,263</b>	<b>-18.5%</b>	<b>233</b>	<b>-9.2%</b>	
China	188	(108)	33,218	-30.4%	106	-10.8%	
Taiwan	72	(2)	6,861	-6.5%	42	-19.5%	
Australia	69	-	8,582	0.7%	43	-5.2%	
Malaysia	32	(7)	12,445	-9.1%	20	-2.9%	
Singapore	21	-	6,628	-10.3%	10	-7.3%	
Hong Kong	13	(2)	6,410	-10.7%	4	-14.9%	
New Zealand	8	(1)	1,564	-12.0%	6	0.4%	
Macau	5	1	2,555	7.3%	2	-5.6%	
<b>Total</b>	<b>698</b>	<b>(166)</b>	<b>282,160</b>	<b>-11.1%</b>	<b>476</b>	<b>-4.9%</b>	

^ Net change since 1 January 2016

n.a. Not applicable

Directly managed retail stores by store type - movement since 1 January 2016

Store type	No. of POS					Net sales area (m <sup>2</sup> )				
	As at	vs 1 January 2016		As at	Net change	As at	vs 1 January 2016		As at	Net change
	31 December 2016	Opened	Closed	1 January 2016		31 December 2016	Opened	Closed	1 January 2016	
<b>Stores</b>	<b>380</b>	22	(56)	414	(34)	<b>219,639</b>	6,336	(27,811)	241,114	-8.9%
- Germany	134	3	(5)	136	(2)	105,337	1,556	(4,389)	108,170	-2.6%
- Rest of Europe	130	5	(22)	147	(17)	76,345	1,483	(13,393)	88,255	-13.5%
- Asia Pacific	116	14	(29)	131	(15)	37,957	3,297	(10,029)	44,689	-15.1%
<b>Concession counters</b>	<b>233</b>	11	(139)	361	(128)	<b>22,069</b>	1,997	(15,396)	35,468	-37.8%
- Germany	4	3	-	1	3	1,260	693	-	567	122.2%
- Rest of Europe	-	-	(31)	31	(31)	-	-	(3,420)	3,420	-100.0%
- Asia Pacific	229	8	(108)	329	(100)	20,809	1,304	(11,976)	31,481	-33.9%
<b>Outlets</b>	<b>85</b>	7	(11)	89	(4)	<b>40,452</b>	2,212	(2,556)	40,796	-0.8%
- Germany	11	-	-	11	-	12,646	-	-	12,646	-
- Rest of Europe	11	-	-	11	-	8,309	-	-	8,309	-
- Asia Pacific	63	7	(11)	67	(4)	19,497	2,212	(2,556)	19,841	-1.7%
<b>Total</b>	<b>698</b>	40	(206)	864	(166)	<b>282,160</b>	10,545	(45,763)	317,378	-11.1%

Wholesale (excl. eshop) revenue by country

Country	For the 6 months ended 31 December						
	2016		2015		Revenue change in %		Net change in net sales area ^
	HK\$ million	% to Total Revenue	HK\$ million	% to Total Revenue	HK\$	Local currency	
<b>Germany</b>	<b>1,429</b>	<b>54.0%</b>	1,532	51.4%	-6.7%	-6.4%	-12.9%
<b>Rest of Europe</b>	<b>1,154</b>	<b>43.6%</b>	1,331	44.7%	-13.3%	-12.5%	-16.3%
Benelux	285	10.8%	338	11.4%	-15.8%	-15.6%	-30.3%
France	269	10.1%	309	10.4%	-13.0%	-12.8%	-11.1%
Spain	96	3.7%	102	3.4%	-5.6%	-5.4%	-4.0%
Austria	93	3.5%	119	4.0%	-21.8%	-21.5%	-8.9%
Sweden	74	2.8%	78	2.6%	-4.1%	-1.8%	0.2%
Finland	74	2.8%	80	2.7%	-8.4%	-8.0%	-17.8%
Switzerland	62	2.3%	69	2.3%	-10.8%	-9.8%	-13.7%
Italy	55	2.1%	64	2.1%	-13.8%	-13.7%	-8.5%
United Kingdom	27	1.0%	52	1.7%	-48.1%	-37.8%	-15.0%
Denmark	23	0.9%	29	1.0%	-19.8%	-19.7%	-42.7%
Ireland	2	0.1%	3	0.1%	-6.4%	-6.4%	-0.4%
Norway	2	0.0%	2	0.1%	-8.0%	-8.0%	-
Portugal	-	0.0%	-	0.0%	-100.0%	-100.0%	-
Others #	92	3.5%	86	2.9%	6.7%	6.7%	-5.3%
<b>Asia Pacific</b>	<b>65</b>	<b>2.4%</b>	118	3.9%	-44.5%	-42.6%	-44.6%
China	37	1.4%	75	2.5%	-49.6%	-46.5%	-56.5%
Others ®	28	1.0%	43	1.4%	-35.7%	-35.7%	-24.4%
<b>Total</b>	<b>2,648</b>	<b>100.0%</b>	2,981	100.0%	-11.2%	-10.5%	-16.8%

^ Net change since 1 January 2016

# Others under Rest of Europe include wholesale revenue from other countries mainly Chile, Colombia, Canada and the Middle East

® Others under Asia Pacific include wholesale revenue from other countries mainly Thailand and the Philippines

Wholesale distribution channel by country (controlled space only) - movement since 1 January 2016

As at 31 December 2016

Country	Franchise stores				Shop-in-stores				Identity corners				Total			
	No. of stores	Net sales area (m <sup>2</sup> )	Net opened stores <sup>^</sup>	Net change in net sales area <sup>^</sup>	No. of stores	Net sales area (m <sup>2</sup> )	Net opened stores <sup>^</sup>	Net change in net sales area <sup>^</sup>	No. of stores	Net sales area (m <sup>2</sup> )	Net opened stores <sup>^</sup>	Net change in net sales area <sup>^</sup>	No. of stores	Net sales area (m <sup>2</sup> )	Net opened stores <sup>^</sup>	Net change in net sales area <sup>^</sup>
<b>Germany</b>	<b>255</b>	<b>59,401</b>	<b>(12)</b>	<b>-12.4%</b>	<b>2,342</b>	<b>93,195</b>	<b>(548)</b>	<b>-13.4%</b>	<b>1,160</b>	<b>22,696</b>	<b>(215)</b>	<b>-12.1%</b>	<b>3,757</b>	<b>175,292</b>	<b>(775)</b>	<b>-12.9%</b>
<b>Rest of Europe</b>	<b>465</b>	<b>93,085</b>	<b>(62)</b>	<b>-15.1%</b>	<b>864</b>	<b>26,851</b>	<b>(178)</b>	<b>-18.7%</b>	<b>917</b>	<b>22,478</b>	<b>(253)</b>	<b>-18.1%</b>	<b>2,246</b>	<b>142,414</b>	<b>(493)</b>	<b>-16.3%</b>
Benelux	89	26,119	(33)	-28.3%	77	3,517	(72)	-42.3%	192	5,124	(128)	-30.1%	358	34,760	(233)	-30.3%
France	126	22,063	(5)	-9.7%	261	5,875	(58)	-18.8%	158	4,497	(21)	-6.4%	545	32,435	(84)	-11.1%
Austria	56	9,247	(7)	-11.4%	100	3,546	(3)	2.5%	40	936	(8)	-20.0%	196	13,729	(18)	-8.9%
Sweden	25	7,289	(1)	0.2%	-	-	-	-	43	1,077	(1)	-0.4%	68	8,366	(2)	0.2%
Finland	20	5,048	-	5.4%	60	2,435	(25)	-34.8%	91	2,869	(59)	-29.5%	171	10,352	(84)	-17.8%
Switzerland	21	3,466	(2)	-5.1%	49	2,463	(7)	-23.8%	20	421	(3)	-10.6%	90	6,350	(12)	-13.7%
Italy	13	2,905	(6)	-20.6%	35	1,046	(6)	-16.0%	227	3,833	12	6.2%	275	7,784	-	-8.5%
Spain	20	2,695	2	1.4%	179	5,485	5	7.8%	59	1,734	(30)	-32.8%	258	9,914	(23)	-4.0%
Denmark	7	1,685	(5)	-46.9%	2	28	-	-	21	549	(9)	-26.6%	30	2,262	(14)	-42.7%
Norway	1	242	-	-	-	-	-	-	-	-	-	-	1	242	-	-
United Kingdom	2	152	-	6.3%	11	438	(4)	-32.5%	57	1,298	(6)	-9.2%	70	1,888	(10)	-15.0%
Portugal	-	-	-	-	-	-	-	-	2	35	-	-	2	35	-	-
Ireland	-	-	-	-	3	152	-	-	7	105	-	-0.9%	10	257	-	-0.4%
Others <sup>*</sup>	85	12,174	(5)	-4.3%	87	1,866	(8)	-11.3%	-	-	-	-	172	14,040	(13)	-5.3%
<b>Asia Pacific</b>	<b>158</b>	<b>17,188</b>	<b>(108)</b>	<b>-44.6%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>158</b>	<b>17,188</b>	<b>(108)</b>	<b>-44.6%</b>
China	61	8,496	(78)	-56.5%	-	-	-	-	-	-	-	-	61	8,496	(78)	-56.5%
Thailand	76	5,727	(19)	-12.4%	-	-	-	-	-	-	-	-	76	5,727	(19)	-12.4%
Philippines	17	2,200	(4)	-23.3%	-	-	-	-	-	-	-	-	17	2,200	(4)	-23.3%
Others	4	765	(7)	-63.4%	-	-	-	-	-	-	-	-	4	765	(7)	-63.4%
<b>Total</b>	<b>878</b>	<b>169,674</b>	<b>(182)</b>	<b>-18.6%</b>	<b>3,206</b>	<b>120,046</b>	<b>(726)</b>	<b>-14.6%</b>	<b>2,077</b>	<b>45,174</b>	<b>(468)</b>	<b>-15.2%</b>	<b>6,161</b>	<b>334,894</b>	<b>(1,376)</b>	<b>-16.8%</b>

<sup>^</sup> Net change since 1 January 2016

<sup>\*</sup> Others under Rest of Europe include controlled wholesale POS and space in countries outside Europe, mainly Colombia, Chile, the Middle East and Canada







**03**

*FINANCIAL SECTION*

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### 03.1 Independent review report

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

##### Introduction

We have reviewed the interim financial information set out on pages 31 to 45, which comprises the condensed consolidated statement of financial position of Esprit Holdings Limited (the "Company") and its subsidiaries as at 31 December 2016 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

##### Scope of Review

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

##### Conclusion

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



PricewaterhouseCoopers  
Certified Public Accountants

Hong Kong, 22 February 2017



### 03.2 Interim financial information

The Board of Directors of Esprit Holdings Limited (the “Company”) is pleased to present the unaudited condensed consolidated interim financial information, along with selected explanatory notes, of the Company and its subsidiaries (the “Group”) for the six months ended 31 December 2016 as follows:

#### Condensed consolidated income statement

Unaudited for the 6 months ended 31 December			
	Notes	2016 HK\$ million	2015 HK\$ million
<b>Revenue</b>	2	<b>8,323</b>	9,315
Cost of goods sold		<b>(3,952)</b>	(4,615)
<b>Gross profit</b>		<b>4,371</b>	4,700
Staff costs		<b>(1,491)</b>	(1,616)
Occupancy costs		<b>(1,276)</b>	(1,428)
Logistics expenses		<b>(473)</b>	(516)
Marketing and advertising expenses		<b>(402)</b>	(535)
Depreciation		<b>(260)</b>	(302)
Impairment of property, plant and equipment		<b>(2)</b>	(4)
Write-back of provision for store closures and leases, net		<b>4</b>	51
Other operating costs		<b>(484)</b>	(597)
<b>Operating loss (LBIT)</b>	3	<b>(13)</b>	(247)
Interest income		<b>19</b>	21
Finance costs	4	<b>(19)</b>	(16)
<b>Loss before taxation</b>		<b>(13)</b>	(242)
Taxation credit	5	<b>74</b>	4
<b>Profit/(loss) attributable to shareholders of the Company</b>		<b>61</b>	(238)
<b>Earnings/(loss) per share</b>			
- Basic and diluted	7	<b>HK\$0.03</b>	HK\$(0.12)

The notes on pages 37 to 45 form an integral part of this condensed consolidated interim financial information.

## Condensed consolidated statement of comprehensive income

	Unaudited for the 6 months ended 31 December	
	2016 HK\$ million	2015 HK\$ million
<b>Profit/(loss) attributable to shareholders of the Company</b>	<b>61</b>	(238)
<b>Other comprehensive income</b>		
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Fair value gain/(loss) on cash flow hedge, net of tax	171	(21)
Exchange translation	(339)	(415)
	<b>(168)</b>	(436)
<b>Total comprehensive income for the period attributable to shareholders of the Company, net of tax</b>	<b>(107)</b>	(674)

The notes on pages 37 to 45 form an integral part of this condensed consolidated interim financial information.

## Condensed consolidated statement of financial position

	Notes	Unaudited 31 December 2016 HK\$ million	Audited 30 June 2016 HK\$ million
<b>Non-current assets</b>			
Intangible assets		2,812	2,902
Property, plant and equipment	8	1,853	2,159
Investment properties		19	19
Other investments		7	7
Debtors, deposits and prepayments		250	220
Deferred tax assets		620	745
		<b>5,561</b>	6,052
<b>Current assets</b>			
Inventories		2,656	2,745
Debtors, deposits and prepayments	9	1,666	1,571
Tax receivable		393	331
Cash, bank balances and deposits	10	4,548	5,341
		<b>9,263</b>	9,988
<b>Current liabilities</b>			
Creditors and accrued charges	11	2,705	3,495
Provision for store closures and leases	12	455	604
Tax payable		47	60
		<b>3,207</b>	4,159
<b>Net current assets</b>			
		<b>6,056</b>	5,829
<b>Total assets less current liabilities</b>			
		<b>11,617</b>	11,881
<b>Equity</b>			
Share capital	13	194	194
Reserves		11,088	11,203
<b>Total equity</b>		<b>11,282</b>	11,397
<b>Non-current liabilities</b>			
Deferred tax liabilities		335	484
		<b>11,617</b>	11,881

The notes on pages 37 to 45 form an integral part of this condensed consolidated interim financial information.

## Condensed consolidated statement of cash flows

	Unaudited for the 6 months ended 31 December	
	2016 HK\$ million	2015 HK\$ million
<b>Cash flows from operating activities</b>		
Cash used in operations	(463)	(642)
Hong Kong profits tax paid	(3)	(3)
Overseas tax paid, net	(144)	(75)
<b>Net cash used in operating activities</b>	<b>(610)</b>	<b>(720)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(90)	(142)
Proceeds from disposal of property, plant and equipment	20	1
Interest received	19	21
Net decrease in bank deposits with maturities of more than three months	981	471
Deposit received from disposal of subsidiaries	-	92
<b>Net cash generated from investing activities</b>	<b>930</b>	<b>443</b>
<b>Cash flows from financing activities</b>		
Purchase of shares for Share Award Scheme	(33)	-
<b>Net cash used in financing activities</b>	<b>(33)</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>287</b>	<b>(277)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>3,485</b>	<b>3,688</b>
<b>Effect of change in exchange rates</b>	<b>(98)</b>	<b>(70)</b>
<b>Cash and cash equivalents at end of period</b>	<b>3,674</b>	<b>3,341</b>
<b>Analysis of balances of cash and cash equivalents</b>		
Bank balances and cash	2,466	2,223
Bank deposits	2,082	1,969
Cash, bank balances and deposits	4,548	4,192
Less: bank deposits with maturities of more than three months	(874)	(851)
	<b>3,674</b>	<b>3,341</b>

The notes on pages 37 to 45 form an integral part of this condensed consolidated interim financial information.

## Condensed consolidated statement of changes in equity

Unaudited for the 6 months ended 31 December 2016

	Share capital HK\$ million	Share premium HK\$ million	Shares held for Share Award Scheme HK\$ million	Employee share-based payment reserve HK\$ million	Hedging reserve HK\$ million	Contributed surplus HK\$ million	Translation reserve HK\$ million	Capital reserve HK\$ million	Retained profits HK\$ million	Total HK\$ million
<b>At 1 July 2016</b>	194	8,220	(23)	862	(26)	7	(1,171)	1	3,333	11,397
Exchange translation	-	-	-	-	-	-	(339)	-	-	(339)
Fair value gain on cash flow hedge, net of tax	-	-	-	-	289	-	-	-	-	289
- net fair value gain	-	-	-	-	(43)	-	-	-	-	(43)
- transferred to inventories	-	-	-	-	(75)	-	-	-	-	(75)
- deferred tax effect	-	-	-	-	-	-	-	-	-	-
Profit attributable to shareholders of the Company	-	-	-	-	-	-	-	-	61	61
Total comprehensive income, net of tax	-	-	-	-	171	-	(339)	-	61	(107)
<b>Transactions with owners</b>										
Employee share-based compensation benefits	-	-	-	25	-	-	-	-	-	25
Purchase of shares for Share Award Scheme (Note 13(b))	-	-	(33)	-	-	-	-	-	-	(33)
<b>Total transactions with owners</b>	-	-	(33)	25	-	-	-	-	-	(8)
<b>At 31 December 2016</b>	194	8,220	(56)	887	145	7	(1,510)	1	3,394	11,282

The notes on pages 37 to 45 form an integral part of this condensed consolidated interim financial information.

## Condensed consolidated statement of changes in equity

Unaudited for the 6 months ended 31 December 2015

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

The notes on pages 37 to 45 form an integral part of this condensed consolidated interim financial information.

## Notes to the condensed consolidated interim financial information

### 1. Basis of preparation

This unaudited condensed consolidated interim financial information ("interim financial information") on pages 31 to 45 for the six months ended 31 December 2016 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 2016. 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 2016.

In the current period, the Group has adopted the following IASs and International Financial Reporting Standards ("IFRS") effective for the Group's financial year beginning 1 July 2016:

IAS 1 (Amendments)	Disclosure Initiative
IAS 16 and 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortization
IAS 16 and 41 (Amendments)	Agriculture: Bearer Plants
IAS 27 (Amendments)	Equity Method in Separate Financial Statements
IFRS 10, IFRS 12 and IAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception
IFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations
IFRS 14	Regulatory Deferral Accounts
IFRSs (Amendments)	Annual Improvements to IFRSs 2012-2014 Cycle

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

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

		Effective for accounting periods beginning on or after
IAS 7 (Amendments)	Disclosure Initiative	1 January 2017
IAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
IAS 40 (Amendments)	Transfers of Investment Property	1 January 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
IFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions	1 January 2018
IFRS 4 (Amendments)	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018
IFRS 9	Financial Instruments	1 January 2018
IFRS 10 and IAS 28 (Amendments)	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019
IFRSs (Amendments)	Annual Improvements to IFRSs 2014-2016 Cycle	1 January 2018

## 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 in Germany, Rest of Europe\*, Asia Pacific and via e-shop platform.

Unaudited for the 6 months ended 31 December		
	2016 HK\$ million	2015 HK\$ million Restated
Revenue from external customers		
Germany	2,951	3,185
Rest of Europe	2,294	2,648
Asia Pacific	1,016	1,346
e-shop	1,993	2,062
Licensing and others	69	74
	<b>8,323</b>	9,315

Operating segments are reported in a manner consistent with the internal management reports provided to the chief operating decision-maker. The chief operating decision-maker who is responsible for assessing performance and allocating resources for the reporting segments has been identified as the Executive Directors of the Group. The Group has been undergoing transformation in the past few years that the management and reporting structures have been reorganized. Currently, the chief operating decision-maker determines that the operating segments are Germany, Rest of Europe, Asia Pacific and global e-shop which are consistent with the latest management organization and reporting structures. Corporate services, sourcing and licensing activities are also determined as a separate operating segment. In addition, within the regions, the chief operating decision-maker also reviews the business in the retail and wholesale channel perspective which are also operating segments. The e-shops in Germany, Rest of Europe and Asia Pacific are aggregated into one reporting segment under global e-shop. Accordingly, the segment reporting presentation has been changed with comparative figures reclassified in accordance with the current period's presentation to enable comparisons to be made.

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

\* The Rest of Europe region includes our business in America and the Middle East.



2. Revenue and segment information (continued)

Unaudited for the 6 months ended 31 December 2016						
	Germany HK\$ million	Rest of Europe HK\$ million	Asia Pacific HK\$ million	e-shop HK\$ million	Corporate services, sourcing, licensing and others HK\$ million	Group HK\$ million
Total revenue						
Retail	1,522	1,140	951	1,990	-	5,603
Wholesale	1,429	1,154	65	3	-	2,651
Licensing and others	-	-	-	-	4,896	4,896
Total	2,951	2,294	1,016	1,993	4,896	13,150
Inter-segment revenue	-	-	-	-	(4,827)	(4,827)
Revenue from external customers						
Retail	1,522	1,140	951	1,990	-	5,603
Wholesale	1,429	1,154	65	3	-	2,651
Licensing and others	-	-	-	-	69	69
Total	2,951	2,294	1,016	1,993	69	8,323
Segment results						
Retail	(111)	24	(85)	470	(1)	297
Wholesale	339	115	1	1	7	463
Licensing and others	-	-	-	-	(773)	(773)
EBIT/(LBIT)	228	139	(84)	471	(767)	(13)
Interest income						19
Finance costs						(19)
Loss before taxation						(13)
Capital expenditure						
Retail	7	14	23	1	2	47
Wholesale	-	3	1	-	-	4
Licensing and others	-	-	4	4	31	39
Total	7	17	28	5	33	90
Depreciation						
Retail	42	32	26	1	7	108
Wholesale	6	7	3	-	1	17
Licensing and others	-	-	-	-	135	135
Total	48	39	29	1	143	260
Impairment of property, plant and equipment						
Retail	2	-	-	-	-	2
Total	2	-	-	-	-	2
Write-back of provision for store closures and leases, net						
Retail	(3)	1	(2)	-	-	(4)
Total	(3)	1	(2)	-	-	(4)

2. Revenue and segment information (continued)

	Unaudited for the 6 months ended 31 December 2015						Restated
	Germany HK\$ million	Rest of Europe HK\$ million	Asia Pacific HK\$ million	e-shop HK\$ million	Corporate services, sourcing, licensing and others HK\$ million	Group HK\$ million	
Total revenue							
Retail	1,653	1,317	1,228	2,062	-	6,260	
Wholesale	1,532	1,331	118	-	-	2,981	
Licensing and others	-	-	-	-	8,872	8,872	
Total	3,185	2,648	1,346	2,062	8,872	18,113	
Inter-segment revenue	-	-	-	-	(8,798)	(8,798)	
Revenue from external customers							
Retail	1,653	1,317	1,228	2,062	-	6,260	
Wholesale	1,532	1,331	118	-	-	2,981	
Licensing and others	-	-	-	-	74	74	
Total	3,185	2,648	1,346	2,062	74	9,315	
Segment results							
Retail	(62)	4	(204)	504	(4)	238	
Wholesale	312	60	4	-	13	389	
Licensing and others	-	-	-	-	(874)	(874)	
EBIT/(LBIT)	250	64	(200)	504	(865)	(247)	
Interest income						21	
Finance costs						(16)	
Loss before taxation						(242)	
Capital expenditure							
Retail	30	13	55	-	3	101	
Wholesale	4	4	3	-	3	14	
Licensing and others	-	-	2	1	24	27	
Total	34	17	60	1	30	142	
Depreciation							
Retail	47	45	38	1	6	137	
Wholesale	7	9	3	-	1	20	
Licensing and others	-	-	-	-	145	145	
Total	54	54	41	1	152	302	
Impairment of property, plant and equipment							
Retail	-	4	-	-	-	4	
Total	-	4	-	-	-	4	
Write-back of provision for store closures and leases, net							
Retail	8	(36)	-	-	-	(28)	
Wholesale	-	(16)	-	-	-	(16)	
Licensing and others	-	(7)	-	-	-	(7)	
Total	8	(59)	-	-	-	(51)	

### 3. Operating loss (LBIT)

Unaudited for the 6 months ended 31 December		
	2016	2015
	HK\$ million	HK\$ million
LBIT is arrived at after charging and (crediting) the following:		
Staff costs	1,491	1,616
Depreciation	260	302
Amortization of customer relationships	30	32
Loss on disposal of property, plant and equipment	4	3
Impairment of property, plant and equipment	2	4
Write-back of provision for store closures and leases, net	(4)	(51)
Net exchange loss/(gain) (Write-back of)/additional provision for obsolete inventories, net	67	(113)
Occupancy costs		
- Operating lease charges	1,006	1,135
- Other occupancy costs	270	293
Provision for impairment of trade debtors, net	15	43

### 4. Finance costs

Unaudited for the 6 months ended 31 December		
	2016	2015
	HK\$ million	HK\$ million
Imputed interest on financial assets and financial liabilities	19	16

### 5. Taxation

Unaudited for the 6 months ended 31 December		
	2016	2015
	HK\$ million	HK\$ million
<b>Current tax</b>		
Hong Kong profits tax		
Provision for current period	1	1
Overseas taxation		
Provision for current period	54	70
Over-provision for prior years	(4)	(1)
	51	70
<b>Deferred tax</b>		
Current period net credit	(125)	(74)
Taxation credit	(74)	(4)

Hong Kong profits tax is calculated at **16.5%** (2015: 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.

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

The Board of Directors has resolved not to declare an interim dividend for the six months ended 31 December 2016 (2015: Nil).

## 7. Earnings/(loss) per share

### Basic

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

Unaudited for the 6 months ended 31 December		
	2016	2015
Profit/(loss) attributable to shareholders of the Company (HK\$ million)	61	(238)
Number of ordinary shares in issue at 1 July (million)	1,944	1,944
Adjustment for shares held for Share Award Scheme (million)	(5)	-
Weighted average number of ordinary shares in issue less shares held for Share Award Scheme (million)	1,939	1,944
Basic earnings/(loss) per share (HK\$ per share)	0.03	(0.12)

### Diluted

Diluted earnings or loss per share is calculated based on the profit or loss attributable to shareholders of the Company, and the weighted average number of shares in issue during the period less shares held for Share Award Scheme 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 and Share Award Scheme. 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 and the vesting of awarded shares.

Unaudited for the 6 months ended 31 December		
	2016	2015
Profit/(loss) attributable to shareholders of the Company (HK\$ million)	61	(238)
Weighted average number of ordinary shares in issue less shares held for Share Award Scheme (million)	1,939	1,944
Adjustments for share options and awarded shares (million)	-	-
Weighted average number of ordinary shares for diluted earnings per share (million)	1,939	1,944
Diluted earnings/(loss) per share (HK\$ per share)	0.03	(0.12)

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		
	2016 HK\$ million	2015 HK\$ million
At 1 July	2,159	2,835
Exchange translation	(110)	(77)
Additions	90	142
Disposals	(24)	(4)
Depreciation (Note 3)	(260)	(302)
Impairment charge (Note 3)	(2)	(4)
Transferred to assets classified as held for sale	-	(181)
<b>At 31 December</b>	<b>1,853</b>	<b>2,409</b>

## 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 2016 HK\$ million	Audited 30 June 2016 HK\$ million
0-30 days	722	839
31-60 days	232	157
61-90 days	80	80
Over 90 days	129	182
	<b>1,163</b>	<b>1,258</b>

As of 31 December 2016, trade debtors net of provision for impairment of **HK\$340 million** (30 June 2016: HK\$317 million) were past due but not impaired. The aging analysis of these trade debtors is as follows:

	Unaudited 31 December 2016 HK\$ million	Audited 30 June 2016 HK\$ million
1-30 days	196	148
31-60 days	33	31
61-90 days	8	15
Over 90 days	103	123
	<b>340</b>	<b>317</b>

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 2016 HK\$ million	Audited 30 June 2016 HK\$ million
Bank balances and cash	2,466	2,856
Bank deposits with maturities within three months	1,208	629
Bank deposits with maturities of more than three months	874	1,856
	<b>4,548</b>	<b>5,341</b>

## 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 2016 HK\$ million	Audited 30 June 2016 HK\$ million
0-30 days	343	681
31-60 days	176	203
61-90 days	45	80
Over 90 days	26	57
	<b>590</b>	<b>1,021</b>

## 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	
	2016 HK\$ million	2015 HK\$ million
At 1 July	604	557
Write-back of provision for store closures and leases, net	(4)	(51)
Amounts used during the period	(134)	(47)
Exchange translation	(11)	(17)
<b>At 31 December</b>	<b>455</b>	<b>442</b>

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

## 13. Share capital

	Number of shares of HK\$0.10 each million	Unaudited HK\$ million
<b>Authorized: At 1 July 2016 and 31 December 2016</b>	<b>3,000</b>	<b>300</b>

	Number of shares of HK\$0.10 each million	Unaudited Nominal value HK\$ million
<b>Issued and fully paid: At 1 July 2016 and 31 December 2016</b>	<b>1,944</b>	<b>194</b>
At 1 July 2015 and 31 December 2015	1,944	194

Notes:

### (a) 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").

### (b) Awarded shares

The Board of Directors has adopted the Employees' Share Award Scheme (the "Share Award Scheme") on 17 March 2016. The purpose of the Share Award Scheme is to incentivize and retain selected senior management of the Group.

Pursuant to the rules relating to the Share Award Scheme (the "Scheme Rules"), the Board of Directors shall select any employees of the Group (the "Selected Employees") for participation in the Share Award Scheme and determine the awarded sums or the number of awarded shares. The Company has appointed an independent trustee for the administration of the Share Award Scheme. The trustee shall purchase the relevant number of shares from the market out of the Company's funds paid or to be paid to the trustee. The trustee shall hold such shares on trust for the relevant Selected Employees until they are vested and delivered in accordance with the Scheme Rules and the conditions of the award of such awarded shares (if any).

During the six months ended 31 December 2016, the following awarded shares were offered to Selected Employees under the Share Award Scheme:

Date of grant	Number of awarded shares granted	Fair value per share HK\$	Vesting date
31 October 2016	2,577,842	6.40	31 October 2018
31 October 2016	2,577,842	6.40	31 October 2019
	<b>5,155,684</b>		

### 13. Share capital (continued)

The fair value of the awarded shares was calculated based on the market price of the Company's shares at the grant date.

Details of the awarded shares movement during the period and outstanding awarded shares as at 31 December 2016 under the Share Award Scheme are as follows:

	Number of awarded shares	
	2016	2015
At 1 July	3,383,572	-
Granted during the period	5,155,684	-
<b>At 31 December</b>	<b>8,539,256</b>	-

During the six months ended 31 December 2016, the trustee purchased a total of **5,155,700** shares (2015: Nil) of the Company on The Stock Exchange of Hong Kong Limited. The total amount paid to the trustee to purchase the shares was approximately **HK\$33 million** (2015: Nil).

### 14. Operating lease commitments

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

	Unaudited	Audited
	31 December 2016	30 June 2016
	HK\$ million	HK\$ million
Land and buildings		
- within one year	1,727	1,881
- in the second to fifth year inclusive	4,017	4,567
- after the fifth year	1,127	1,441
	<b>6,871</b>	<b>7,889</b>
Other equipment		
- within one year	7	9
- in the second to fifth year inclusive	3	6
	<b>10</b>	<b>15</b>
	<b>6,881</b>	<b>7,904</b>

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

The total future minimum lease receipts under non-cancelable subleases in respect of land and buildings at 31 December 2016 are **HK\$171 million** (30 June 2016: HK\$195 million).

### 15. Capital commitments

	Unaudited	Audited
	31 December 2016	30 June 2016
	HK\$ million	HK\$ million
Property, plant and equipment		
- Contracted but not provided for	49	42

### 16. Derivative financial instruments

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

At 31 December 2016, the fair values of the forward foreign exchange contracts included in other receivables and other payables are as follows:

	Unaudited		Audited	
	31 December 2016		30 June 2016	
	Assets	Liabilities	Assets	Liabilities
	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Forward foreign exchange contracts				
- Cash flow hedges	209	-	28	66

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

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

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

16. Derivative financial instruments (continued)

Unaudited At 31 December 2016				
	Level 1 HK\$ million	Level 2 HK\$ million	Level 3 HK\$ million	Total HK\$ million
<b>Recurring fair value measurements:</b>				
<b>Assets</b>				
Derivative financial instruments:				
- Forward foreign exchange contracts	-	209	-	209
<b>Recurring fair value measurements:</b>				
<b>Liabilities</b>				
Derivative financial instruments:				
- Forward foreign exchange contracts	-	-	-	-

Audited At 30 June 2016				
	Level 1 HK\$ million	Level 2 HK\$ million	Level 3 HK\$ million	Total HK\$ million
Recurring fair value measurements:				
Assets				
Derivative financial instruments:				
- Forward foreign exchange contracts	-	28	-	28
Recurring fair value measurements:				
Liabilities				
Derivative financial instruments:				
- Forward foreign exchange contracts	-	66	-	66

During the six months ended 31 December 2016, there were no transfers between Level 1 and Level 2.

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

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

	Unaudited 31 December 2016 HK\$ million	Audited 30 June 2016 HK\$ million
Forward foreign exchange contracts	3,125	4,136





**04**  
*OTHER INFORMATION*

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ESPRIT

## 04 Other information

### Directors' profile

#### Executive Directors

Jose Manuel MARTINEZ GUTIERREZ, aged 47, has been an Executive Director of the Company and Group Chief Executive Officer since September 2012. He is responsible for the overall management and control of the business of the Group. He is a member of the Remuneration Committee and the General Committee of the Board, a director of certain subsidiaries and a trustee of a trust of the Company.

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

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

Thomas TANG Wing Yung, aged 61, has been an Executive Director of the Company and Group Chief Financial Officer since May 2012. He is a member of the Risk Management Committee and the General Committee of the Board and a director of certain subsidiaries of the Company. Mr TANG obtained a Bachelor of Science degree in Modern Mathematics from Surrey University, United Kingdom. He has been an associate member of The Institute of Chartered Accountants in England and Wales since 1981. He is also a fellow member of The Hong Kong Institute of Certified Public Accountants (Practising) and has over 35 years of experience in accounting and finance.

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

#### Non-executive Directors

Dr Raymond OR Ching Fai, aged 67, has been an Independent Non-executive Director of the Company since 1996 and became Chairman of the Board since June 2012. He is the Chairman of the Nomination Committee of the Board, a director of a subsidiary and a trustee of a trust of the Company. He was conferred an Honorary Doctor of Social Science by the City University of Hong Kong in November 2014. Dr OR is an executive director, chief executive officer and chairman of China Strategic Holdings Limited, an independent non-executive director and a vice chairman of G-Resources Group Ltd. and an independent non-executive director of Chow Tai Fook Jewellery Group Limited, Industrial and Commercial Bank of China Limited, Regina Miracle International (Holdings) Limited and Television Broadcasts Limited. All these companies are listed on the Stock Exchange. He is a non-executive director and deputy chairman of Aquis Entertainment Limited, a company listed on the Australian Securities Exchange. He was the former vice chairman and chief executive of Hang Seng Bank Limited, the former chairman of Hang Seng Life Limited and a director of The Hongkong and Shanghai Banking Corporation Limited, Cathay Pacific Airways Limited and Hutchison Whampoa Limited until his retirement in May 2009.

Paul CHENG Ming Fun, aged 80, has been an Independent Non-executive Director of the Company since November 2002 and became Deputy Chairman of the Board since July 2008. He is the Chairman of the Remuneration Committee and a member of the Nomination Committee of the Board, a director of a subsidiary and a trustee of a trust of the Company. Mr CHENG obtained his Bachelor of Arts degree from Lake Forest University (Illinois, USA) and Master of Business Administration degree from the Wharton School of the University of Pennsylvania. Mr CHENG is an independent non-executive director of Chow Tai Fook Jewellery Group Limited, a company listed on the Stock Exchange. He is an independent non-executive director of Global Logistic Properties Limited, a company listed on the Singapore Stock Exchange. He is also an independent non-executive director of Pacific Alliance China Land Ltd., a company listed on the AIM Board of the London Stock Exchange. Mr CHENG was a former member of the Hong Kong Legislative Council as well as the former chairman of Inchcape Pacific Limited, N M Rothschild & Sons (Hong Kong) Ltd., The Link Management Limited (Link Asset Management Limited) and the Hong Kong General Chamber of Commerce. He is currently an Honorary Steward of the Hong Kong Jockey Club.

## Directors' profile (continued)

### Non-executive Directors (continued)

Jürgen Alfred Rudolf FRIEDRICH, aged 78, founded Esprit's European operations in 1976 and has been a Non-executive Director of the Company since 1997. He is a member of the Remuneration Committee of the Board. Mr FRIEDRICH has over 32 years of experience in the apparel distribution and marketing business and is currently retired in Switzerland.

Dr José María CASTELLANO RIOS, aged 69, has been an Independent Non-executive Director of the Company since December 2014. He is a member of the Audit Committee and the Risk Management Committee of the Board. He was the deputy chairman, chief executive officer and director of Inditex, the Spanish listed company owner of Zara and several other fashion apparel brands, which he served from 1985 to 2005. After being in the industry of international fashion and apparel for around 30 years, Dr CASTELLANO became the president, chief executive officer and director of Grupo Corporativo ONO, S.A. and Cableuropa S.A.U. from 2006 to 2009. He was also the vice-chairman of N M Rothschild in Spain for a number of years starting from 2007. Most recently, Dr CASTELLANO was the chairman and president of Nova Caixa Bank between 2011 and 2014.

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

Alexander Reid HAMILTON, aged 75, has been an Independent Non-executive Director of the Company since August 1995. He is the Chairman of the Audit Committee and a member of the Nomination Committee of the Board. Mr HAMILTON is an independent non-executive director of COSCO SHIPPING International (Hong Kong) Co., Ltd. (formerly known as COSCO International Holdings Limited) and Shangri-La Asia Limited. Both companies are listed on the Stock Exchange. Mr HAMILTON is also a director of Octopus Cards Limited and other Hong Kong companies. He was an independent non-executive director of CITIC Limited. He was a partner of Price Waterhouse with whom he practiced for 16 years.

Carmelo LEE Ka Sze, aged 56, has been an Independent Non-executive Director of the Company since July 2013. He is the Chairman of the Risk Management Committee and a member of the Nomination Committee and the Remuneration Committee of the Board. He is a partner of Messrs. Woo Kwan Lee & Lo, Solicitors & Notaries. Mr LEE is a member of the SFC (HKEC Listing) Committee. Mr LEE was appointed as a convenor and member of the Financial Reporting Review Panel of the Financial Reporting Council of Hong Kong in July 2016. He is a member of the Campaign Committee and a Co-Chairman of the Corporate Challenge Half Marathon of The Community Chest of Hong Kong. He served as the chairman of the Listing Committee of the Stock Exchange from 2012 to 2015 after serving as deputy chairman and member of the Listing Committee of the Stock Exchange from 2009 to 2012 and from 2000 to 2003 respectively. He also served as a member of the Disciplinary Panels of the Hong Kong Institute of Certified Public Accountants from 2009 until 1 February 2017.

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

Mr LEE is a non-executive director of Hopewell Holdings Limited, CSPC Pharmaceutical Group Limited, Yugang International Limited, Safety Godown Company Limited and Termbray Industries International (Holdings) Limited and an independent non-executive director of KWG Property Holding Limited and China Pacific Insurance (Group) Co., Ltd., all these companies are listed on the Stock Exchange. He was a non-executive director of Y.T. Realty Group Limited from September 2004 to February 2016 and an independent non-executive director of Ping An Insurance (Group) Company of China, Ltd. from June 2009 to June 2015.

Norbert Adolf PLATT, aged 69, has been an Independent Non-executive Director of the Company since December 2012. He is a member of the Audit Committee and the Remuneration Committee of the Board. He has 40 years of extensive experience in the industry of luxury goods. Mr PLATT was the chief executive officer of the Richemont group from October 2004 to March 2010. The Richemont group's luxury goods interests encompass a portfolio of internationally renowned brands including Cartier, Van Cleef & Arpels, Piaget, Montblanc, Chloé and Alfred Dunhill. Under his leadership, the Richemont group recorded significant growth in turnover and profits. Mr PLATT is currently a non-executive director of Compagnie Financière Richemont SA, the holding company of the Richemont group which is listed in Switzerland.

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

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

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

As at 31 December 2016, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) ("SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules, were as follows:

Name of Directors	Capacity	Beneficial interest in shares	Beneficial interest in unlisted underlying shares (Note 6)	Total number of shares	Approximate percentage of aggregate interest to total issued share capital
Jose Manuel MARTINEZ GUTIERREZ	Beneficial owner	1,500,000	5,800,000	9,369,984	0.48%
	Beneficiary of a trust under the Share Award Scheme	2,069,984	-		
Thomas TANG Wing Yung	Beneficial owner	100,000	2,900,000	3,717,014	0.19%
	Beneficiary of a trust under the Share Award Scheme	717,014	-		
Raymond OR Ching Fai	Beneficial owner (Note 1)	3,000,000	450,000	3,450,000	0.17%
Paul CHENG Ming Fun	Beneficial owner (Note 2)	881,836	280,000	2,043,778	0.10%
	Interest of spouse (Note 3)	881,942	-		
Jürgen Alfred Rudolf FRIEDRICH	Beneficial owner (Note 4)	45,500,000	110,000	45,663,669	2.34%
	Interest of spouse (Note 5)	53,669	-		
Alexander Reid HAMILTON	Beneficial owner	-	110,000	110,000	0.00%
Carmelo LEE Ka Sze	Beneficial owner	-	100,000	100,000	0.00%
Norbert Adolf PLATT	Beneficial owner	-	110,000	110,000	0.00%

Notes:

- The interests of 200,000 shares were held jointly by Dr Raymond OR Ching Fai and his spouse, Mrs OR WONG Lai Ning.
- The shares were held jointly by Mr Paul CHENG Ming Fun and his spouse, Mrs Janet Mary CHENG.
- The shares were deemed to be held by the spouse of Mr Paul CHENG Ming Fun, Mrs Janet Mary CHENG.
- Mr Jürgen Alfred Rudolf FRIEDRICH has entered into a securities lending agreement with a third party for the interest of 10,000,000 shares beneficially owned by him.
- The shares were held by the spouse of Mr Jürgen Alfred Rudolf FRIEDRICH, Mrs Anke Beck FRIEDRICH.
- The interests of the Directors and chief executives of the Company in the underlying shares of equity derivatives in respect of share options and awarded shares of the Company are detailed in sections of "Share option schemes" and "Share award scheme" below respectively.
- All interests disclosed above represent long position in the shares and underlying shares of the Company.

Save as disclosed above, as at 31 December 2016, none of the Directors and chief executives of the Company or their respective associates had any interests or short positions, whether beneficial or non-beneficial, in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Apart from the share option schemes and share award scheme disclosed below, at no time during the period under review was the Company or its subsidiaries a party to any arrangement that enabled the Directors of the Company or any of their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## Share option schemes

### 2001 Share Option Scheme

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

	Date of grant (dd/mm/yyyy)	Exercise price (HK\$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	Number of share options				
					As at 01/07/2016	Granted	Exercised	Lapsed	As at 31/12/2016
Employees	09/12/2010	37.92	09/12/2011	09/12/2011 - 08/12/2016	60,000	-	-	60,000	-
			09/12/2012	09/12/2012 - 08/12/2016	60,000	-	-	60,000	-
			09/12/2013	09/12/2013 - 08/12/2016	60,000	-	-	60,000	-
			09/12/2014	09/12/2014 - 08/12/2016	60,000	-	-	60,000	-
			09/12/2015	09/12/2015 - 08/12/2016	60,000	-	-	60,000	-
	13/12/2010	38.10	13/12/2011	13/12/2011 - 12/12/2016	51,000	-	-	51,000	-
			13/12/2012	13/12/2012 - 12/12/2016	51,000	-	-	51,000	-
			13/12/2013	13/12/2013 - 12/12/2016	51,000	-	-	51,000	-
			13/12/2014	13/12/2014 - 12/12/2016	51,000	-	-	51,000	-
			13/12/2015	13/12/2015 - 12/12/2016	51,000	-	-	51,000	-
	11/02/2011	40.40	11/02/2012	11/02/2012 - 10/02/2017	60,000	-	-	-	60,000
			11/02/2013	11/02/2013 - 10/02/2017	60,000	-	-	-	60,000
			11/02/2014	11/02/2014 - 10/02/2017	60,000	-	-	-	60,000
			11/02/2015	11/02/2015 - 10/02/2017	60,000	-	-	-	60,000
			11/02/2016	11/02/2016 - 10/02/2017	60,000	-	-	-	60,000
	09/12/2011	11.09	09/12/2012	09/12/2012 - 08/12/2017	60,000	-	-	-	60,000
			09/12/2013	09/12/2013 - 08/12/2017	60,000	-	-	-	60,000
			09/12/2014	09/12/2014 - 08/12/2017	60,000	-	-	-	60,000
			09/12/2015	09/12/2015 - 08/12/2017	60,000	-	-	-	60,000
			09/12/2016	09/12/2016 - 08/12/2017	60,000	-	-	-	60,000
<b>Total</b>					<b>1,155,000</b>	<b>-</b>	<b>-</b>	<b>555,000</b>	<b>600,000</b>

Note:

No share options were canceled under the 2001 Share Option Scheme during the six months ended 31 December 2016.

## Share option schemes (continued)

### 2009 Share Option Scheme

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

	Date of grant (dd/mm/yyyy)	Exercise price (HK\$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	Number of share options				
					As at 01/07/2016	Granted	Exercised	Lapsed	As at 31/12/2016
Directors									
Jose Manuel MARTINEZ GUTIERREZ	11/03/2013	10.04	11/03/2016	11/03/2016 - 10/03/2023	3,000,000	-	-	-	3,000,000
			11/03/2017	11/03/2017 - 10/03/2023	1,000,000	-	-	-	1,000,000
			11/03/2018	11/03/2018 - 10/03/2023	1,000,000	-	-	-	1,000,000
	04/11/2013	14.18	04/11/2016	04/11/2016 - 03/11/2023	400,000	-	-	-	400,000
	31/10/2014	10.124	31/10/2017	31/10/2017 - 30/10/2024	400,000	-	-	-	400,000
	<b>In aggregate</b>				<b>5,800,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,800,000</b>
Thomas TANG Wing Yung	11/03/2013	10.04	11/03/2016	11/03/2016 - 10/03/2023	1,500,000	-	-	-	1,500,000
			11/03/2017	11/03/2017 - 10/03/2023	400,000	-	-	-	400,000
			11/03/2018	11/03/2018 - 10/03/2023	400,000	-	-	-	400,000
	04/11/2013	14.18	04/11/2016	04/11/2016 - 03/11/2023	300,000	-	-	-	300,000
	31/10/2014	10.124	31/10/2017	31/10/2017 - 30/10/2024	300,000	-	-	-	300,000
	<b>In aggregate</b>				<b>2,900,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,900,000</b>
Raymond OR Ching Fai	30/06/2014	11.00	30/06/2015	30/06/2015 - 29/06/2024	450,000	-	-	-	450,000
Paul CHENG Ming Fun	30/06/2014	11.00	30/06/2015	30/06/2015 - 29/06/2024	280,000	-	-	-	280,000
Jürgen Alfred Rudolf FRIEDRICH	30/06/2014	11.00	30/06/2015	30/06/2015 - 29/06/2024	110,000	-	-	-	110,000
Alexander Reid HAMILTON	30/06/2014	11.00	30/06/2015	30/06/2015 - 29/06/2024	110,000	-	-	-	110,000
Carmelo LEE Ka Sze	30/06/2014	11.00	30/06/2015	30/06/2015 - 29/06/2024	100,000	-	-	-	100,000
Norbert Adolf PLATT	30/06/2014	11.00	30/06/2015	30/06/2015 - 29/06/2024	110,000	-	-	-	110,000
Employees	27/09/2010	43.00	27/09/2013	27/09/2013 - 26/09/2020	2,080,000	-	-	180,000	1,900,000
	27/09/2011	8.76	27/09/2014 (Note 2)	27/09/2014 - 31/01/2017 (Note 2)	300,000	-	-	-	300,000
			27/09/2014	27/09/2014 - 26/09/2021	5,175,000	-	-	475,000	4,700,000
	12/12/2012	12.32	12/12/2015 (Note 3)	12/12/2015 - 31/01/2017 (Note 3)	150,000	-	-	-	150,000
			12/12/2015	12/12/2015 - 11/12/2022	3,365,000	-	-	200,000	3,165,000

## Share option schemes (continued)

### 2009 Share Option Scheme (continued)

	Date of grant (dd/mm/yyyy)	Exercise price (HK\$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	Number of share options				
					As at 01/07/2016	Granted	Exercised	Lapsed	As at 31/12/2016
Employees (continued)	11/03/2013	10.04	11/03/2016	11/03/2016 - 31/01/2017	45,000	-	-	-	45,000
			(Note 4)	(Note 4)					
			11/03/2016	11/03/2016 - 10/03/2023	4,929,000	-	-	60,000	4,869,000
			11/03/2017	11/03/2017 - 10/03/2023	1,623,000	-	-	-	1,623,000
			11/03/2018	11/03/2018 - 10/03/2023	1,623,000	-	-	-	1,623,000
	04/11/2013	14.18	04/11/2016	04/11/2016 - 31/01/2017	150,000	-	-	-	150,000
			(Note 5)	(Note 5)					
			04/11/2016	04/11/2016 - 03/11/2023	7,480,000	-	-	450,000	7,030,000
			04/11/2017	04/11/2017 - 03/11/2023	660,000	-	-	-	660,000
			04/11/2018	04/11/2018 - 03/11/2023	660,000	-	-	-	660,000
	21/03/2014	13.592	21/03/2017	21/03/2017 - 20/03/2024	300,000	-	-	-	300,000
			21/03/2018	21/03/2018 - 20/03/2024	100,000	-	-	-	100,000
			21/03/2019	21/03/2019 - 20/03/2024	100,000	-	-	-	100,000
	30/06/2014	11.00	30/06/2017	30/06/2017 - 29/06/2024	180,000	-	-	-	180,000
			30/06/2018	30/06/2018 - 29/06/2024	60,000	-	-	-	60,000
			30/06/2019	30/06/2019 - 29/06/2024	60,000	-	-	-	60,000
	31/10/2014	10.124	23/03/2015	23/03/2015 - 30/10/2024	60,000	-	-	-	60,000
			23/03/2015	23/03/2015 - 30/10/2024	20,000	-	-	-	20,000
			23/03/2015	23/03/2015 - 30/10/2024	20,000	-	-	-	20,000
			31/10/2017	31/10/2017 - 30/10/2024	8,195,000	-	-	600,000	7,595,000
			31/10/2018	31/10/2018 - 30/10/2024	40,000	-	-	-	40,000
			31/10/2019	31/10/2019 - 30/10/2024	40,000	-	-	-	40,000
	13/10/2015	6.55	13/10/2018	13/10/2018 - 12/10/2025	8,550,000	-	-	450,000	8,100,000
			13/10/2019	13/10/2019 - 12/10/2025	600,000	-	-	-	600,000
			13/10/2020	13/10/2020 - 12/10/2025	600,000	-	-	-	600,000
	23/12/2015	8.07	13/10/2018	13/10/2018 - 12/10/2025	125,000	-	-	-	125,000
	03/05/2016	6.82	03/05/2019	03/05/2019 - 02/05/2026	240,000	-	-	-	240,000
			03/05/2020	03/05/2020 - 02/05/2026	80,000	-	-	-	80,000
			03/05/2021	03/05/2021 - 02/05/2026	80,000	-	-	-	80,000
	31/10/2016	6.87	31/10/2019	31/10/2019 - 30/10/2026	-	6,350,000	-	100,000	6,250,000
<b>Total</b>					<b>57,550,000</b>	<b>6,350,000</b>	<b>-</b>	<b>2,515,000</b>	<b>61,385,000</b>

Notes:

- The closing price of the shares of the Company immediately before the share options granted on 31 October 2016 was HK\$6.91.
- With effect from 23 February 2016, the exercise period of 300,000 share options at exercise price of HK\$8.76 was changed from the period of 27 September 2014 to 26 September 2021 to the period of 27 September 2014 to 31 January 2017.
- With effect from 23 February 2016, the exercise period of 150,000 share options at exercise price of HK\$12.32 was changed from the period of 12 December 2015 to 11 December 2022 to the period of 12 December 2015 to 31 January 2017.
- With effect from 23 February 2016, the exercise period of 45,000 share options at exercise price of HK\$10.04 was changed from the period of 11 March 2016 to 10 March 2023 to the period of 11 March 2016 to 31 January 2017.
- With effect from 23 February 2016, the exercise period of 150,000 share options at exercise price of HK\$14.18 was changed from the period of 4 November 2016 to 3 November 2023 to the period of 4 November 2016 to 31 January 2017.
- No share options were canceled under the 2009 Share Option Scheme during the six months ended 31 December 2016.

## Share option schemes (continued)

### Share options expenses under 2009 Share Option Scheme

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

Date of grant	Share option value <sup>1</sup> (HK\$)	Share price at the date of grant <sup>2</sup> (HK\$)	Exercise price (HK\$)	Expected volatility <sup>3</sup>	Annual risk-free interest rate <sup>4</sup>	Life of share option <sup>5</sup>	Dividend yield <sup>6</sup>
<b>2009 Share Option Scheme</b>							
31 October 2016	1.74	6.40	6.87	37.75%	0.69%	4 years	0.28%

Notes:

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

### Share award scheme

The Board of Directors has adopted the Employees' Share Award Scheme (the "Share Award Scheme") on 17 March 2016. A summary of the movements of the outstanding awarded shares under the Share Award Scheme, including the awarded shares granted, during the period under review is as follows:

	Date of grant (dd/mm/yyyy)	Vesting date (dd/mm/yyyy)	Number of awarded shares				As at 31/12/2016
			As at 01/07/2016	Granted	Vested	Lapsed	
<b>Directors</b>							
Jose Manuel MARTINEZ GUTIERREZ	29/04/2016	13/10/2017	758,932	-	-	-	758,932
	31/10/2016	31/10/2018	-	655,526	-	-	655,526
	31/10/2016	31/10/2019	-	655,526	-	-	655,526
	<b>In aggregate</b>		<b>758,932</b>	<b>1,311,052</b>	<b>-</b>	<b>-</b>	<b>2,069,984</b>
<b>Thomas TANG Wing Yung</b>							
	29/04/2016	13/10/2017	347,844	-	-	-	347,844
	31/10/2016	31/10/2018	-	184,585	-	-	184,585
	31/10/2016	31/10/2019	-	184,585	-	-	184,585
	<b>In aggregate</b>		<b>347,844</b>	<b>369,170</b>	<b>-</b>	<b>-</b>	<b>717,014</b>
<b>Employees</b>							
	29/04/2016	13/10/2017	2,276,796	-	-	-	2,276,796
	31/10/2016	31/10/2018	-	1,737,731	-	-	1,737,731
	31/10/2016	31/10/2019	-	1,737,731	-	-	1,737,731
<b>Total</b>			<b>3,383,572</b>	<b>5,155,684</b>	<b>-</b>	<b>-</b>	<b>8,539,256</b>

### Awarded shares expenses under Share Award Scheme

During the six months ended 31 December 2016, the following awarded shares were offered to selected employees under the Share Award Scheme:

Date of grant	Number of awarded shares granted	Fair value per share (HK\$)	Vesting date
31 October 2016	2,577,842	6.40	31 October 2018
31 October 2016	2,577,842	6.40	31 October 2019

The fair value of the awarded shares was calculated based on the market price of the Company's shares at the grant date.



## Substantial shareholders' interests

As at 31 December 2016, the following shareholders (other than the Directors and chief executives of the Company whose interests or short positions in the shares and underlying shares of the Company disclosed above) had interests or short positions in the shares and underlying shares of the Company which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholders	Capacity	Number of shares (Long position)	Approximate percentage of aggregate interest to total issued share capital	Number of shares (Short position)	Approximate percentage of aggregate interest to total issued share capital
Massachusetts Financial Services Company (Note 1)	Investment manager	281,427,497	14.47%	-	-
Sun Life Financial, Inc. (Note 1)	Investment manager	281,427,497	14.47%	-	-
Lone Pine Capital LLC	Investment manager	243,468,305	12.52%	-	-
HSBC International Trustee Limited (Notes 2 and 3)	Trustee	212,336,078	10.92%	-	-
Total Market Limited (Notes 2 and 3)	Beneficial owner	211,822,656	10.89%	-	-
Spring Forest International Limited (Notes 2 and 3)	Interest in a controlled corporation	211,822,656	10.89%	-	-
YFT Group Limited (Notes 2 and 3)	Interest in a controlled corporation	211,822,656	10.89%	-	-
YFT Holdings Limited (Notes 2 and 3)	Interest in a controlled corporation	211,822,656	10.89%	-	-
Michael YING Lee Yuen (Notes 2 to 4)	Interest in a controlled corporation	211,822,656	10.89%	-	-
Marathon Asset Management LLP (Note 5)	Investment manager	159,884,915	8.22%	-	-

Notes:

1. Massachusetts Financial Services Company ("MFS") is a subsidiary of Sun Life Financial, Inc. ("SLF"). Accordingly, SLF was deemed to be interested in the shares held by MFS and its direct and indirect subsidiaries.
2. The entire issued share capital of Total Market Limited ("Total Market") is held by Spring Forest International Limited, which in turn is a wholly-owned subsidiary of YFT Group Limited ("YFT Group"). YFT Group is a wholly-owned subsidiary of YFT Holdings Limited ("YFT Holdings"). HSBC International Trustee Limited ("HITL") controls 100% of YFT Holdings.
3. HITL, in its capacity as trustee of the discretionary trust set up by Mr Michael YING Lee Yuen ("Mr YING") as settlor and other trusts, was directly interested or deemed to be interested in the shares held by Total Market and in the remaining 513,422 shares respectively pursuant to Part XV of the SFO.
4. Mr YING was deemed to be interested in the shares held by Total Market pursuant to Part XV of the SFO.
5. Marathon Asset Management LLP is 40.05%, 40.05% and 19.90% controlled by Mr William ARAH, Mr Neil OSTRER and Marathon Asset Management (Services) Ltd respectively.

Save as disclosed hereinabove and in the "Directors' interests and short positions in shares, underlying shares and debentures" section above, the Company has not been notified by any person who had interest or short position in the shares or underlying shares of the Company as at 31 December 2016 which were required to be notified to the Company pursuant to Part XV of the SFO or which are recorded in the register required to be kept by the Company under section 336 of the SFO.

## Interim dividend

The Board of Directors maintains the dividend payout ratio of 60% of basic earnings per share. In view of a small net profit recorded by the Group for the six months ended 31 December 2016, the Board of Directors has resolved not to declare an interim dividend for the six months ended 31 December 2016 (1H FY15/16: Nil).

## 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 2016 have been reviewed by the Audit Committee with the management.

## Human resources

As at 31 December 2016, the Group employed approximately 7,800 full-time equivalent staff (31 December 2015: 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, awarded shares 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

Save as disclosed in this report with regard to the purchase of existing share(s) by the trustee appointed for the administration of the Share Award Scheme, Computershare Hong Kong Trustees Limited, in accordance with such share award scheme, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's shares during the period under review.

## American Depository Receipt program

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

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

## Corporate governance

The Company has applied the principles of, and complied with the Corporate Governance Code and Corporate Governance Report (the "Code") as set out in Appendix 14 of the Listing Rules for the six months ended 31 December 2016, except that Non-executive Directors of the Company do not have specific term of appointment (code provision A.4.1 of the Code). Nevertheless, under bye-law 87 of the Company's Bye-laws, all Directors, including Non-executive Directors, of the Company are subject to retirement by rotation and re-election in the annual general meeting of the Company and each Director is effectively appointed under an average term of not more than three years.

## Model code for securities transactions by Directors

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

The Company has made specific enquiry with all Directors and all of them confirmed that they have complied with the required standard set out in the Model Code for the six months ended 31 December 2016.

On behalf of the Board  
**ESPRIT HOLDINGS LIMITED**

Dr Raymond OR Ching Fai  
*Chairman*

Hong Kong, 22 February 2017





**05**  
*GLOSSARY OF TERMS*

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## 05 Glossary of terms

### A

**ADR**  
American Depositary Receipt

### C

**Capex**  
Capital expenditure

**Comparable store (comp-store)**

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

**Comp-store sales growth**

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

**Controlled wholesale space**

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

### D

**Directly managed retail stores**

Standalone stores, concession counters mainly in department stores and off-price outlets fully managed by Esprit

### E

**Eshop**  
Online store

**EBIT/LBIT**

Earnings before interest and tax/Loss before interest and tax

**EPS**

Earnings per share

### F

**Franchise stores**

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

### I

**Identity corners**

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

**Inventory turnover days**

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

### L

**LCY**  
Local currency

### N

**NAV per share**  
Net asset value per share

### O

**Off-price outlets**

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

### P

**POS**  
Point of sales

### R

**Retail revenue**

Direct sale of merchandise to end consumers via directly managed retail stores or eshops

### S

**Shop-in-stores**

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

**Sqm**  
Square meters

### W

**Wholesale revenue**

Sales of merchandise to third party wholesale partners

### Y

**Yoy**  
Year-on-year



# ESPRIT

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

