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# ESPRIT

**ESPRIT HOLDINGS LIMITED**  
*(Incorporated in Bermuda with limited liability)*  
**(Stock Code: 00330)**

## UNAUDITED FY15/16 FIRST QUARTER UPDATE FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2015

### FIRST QUARTER UPDATE

The board of directors (the “Board”) of Esprit Holdings Limited (the “Company”) presents the unaudited FY15/16 first quarter update of the Company and its subsidiaries (the “Group”) for the three months ended 30 September 2015 (“1Q FY15/16”). This announcement is made pursuant to Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

### Turnover by product division

Product divisions	For the 3 months ended 30 September					
	2015		2014		Change in %	
	HK\$ million	% to Group Turnover	HK\$ million	% to Group Turnover	HK\$	Local currency
<b>women</b>	<b>2,118</b>	<b>45.4%</b>	2,361	43.1%	-10.3%	5.0%
women casual	1,441	30.9%	1,576	28.8%	-8.6%	6.9%
women collection	569	12.2%	643	11.7%	-11.5%	3.7%
trend #	108	2.3%	142	2.6%	-23.9%	-10.3%
<b>men</b>	<b>618</b>	<b>13.3%</b>	763	13.9%	-19.0%	-6.1%
men casual	507	10.9%	609	11.1%	-16.8%	-3.8%
men collection	111	2.4%	154	2.8%	-27.4%	-15.4%
<b>others *</b>	<b>829</b>	<b>17.7%</b>	1,052	19.2%	-21.2%	-7.6%
<b>Esprit Total</b>	<b>3,565</b>	<b>76.4%</b>	4,176	76.2%	-14.6%	-0.2%
<b>edc</b>	<b>1,099</b>	<b>23.6%</b>	1,302	23.8%	-15.6%	-1.3%
<b>Group Total</b>	<b>4,664</b>	<b>100.0%</b>	5,478	100.0%	-14.9%	-0.4%

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

\* Others mainly include shoes, accessories, bodywear, kids, licensing income and licensed products such as timewear, eyewear, jewelry, bed & bath, houseware, etc.

## Turnover by region and by distribution channel

	For the 3 months ended 30 September						
	2015		2014		Turnover Change in %		Net change in net sales area ^
	HK\$ million	% to Group Turnover	HK\$ million	% to Group Turnover	HK\$	Local currency	
<b>Germany *</b>	<b>2,229</b>	<b>47.8%</b>	2,639	48.2%	-15.5%	0.5%	
Retail #	1,342	28.7%	1,441	26.3%	-6.9%	10.7%	-2.0%
Wholesale *	884	19.0%	1,194	21.8%	-26.0%	-11.8%	-8.1%
Licensing and others	3	0.1%	4	0.1%	-24.2%	-9.6%	n.a.
<b>Rest of Europe *</b>	<b>1,776</b>	<b>38.1%</b>	2,100	38.3%	-15.4%	-0.4%	-5.9%
Retail #	942	20.2%	971	17.7%	-3.0%	13.6%	0.9%
Wholesale *	832	17.8%	1,126	20.6%	-26.1%	-12.4%	-9.5%
Licensing and others	2	0.1%	3	0.0%	-16.1%	-0.2%	n.a.
<b>Asia Pacific</b>	<b>629</b>	<b>13.5%</b>	706	12.9%	-10.8%	-3.6%	-14.5%
Retail #	567	12.2%	623	11.4%	-9.0%	-1.7%	-2.7%
Wholesale	62	1.3%	83	1.5%	-24.8%	-18.1%	-36.8%
<b>North America **</b>	<b>30</b>	<b>0.6%</b>	33	0.6%	-11.5%	-11.5%	n.a.
<b>Total</b>	<b>4,664</b>	<b>100.0%</b>	5,478	100.0%	-14.9%	-0.4%	-7.6%
Retail #	2,851	61.1%	3,035	55.4%	-6.1%	9.1%	-1.3%
Wholesale	1,778	38.1%	2,403	43.9%	-26.0%	-12.3%	-11.9%
Licensing and others	35	0.8%	40	0.7%	-13.1%	-10.6%	n.a.

^ Net change since 1 October 2014

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

\* Wholesale sales from other European countries mainly Romania, Bosnia-Herzegovina and Bulgaria have been re-grouped from Rest of Europe to Germany. Comparative figures have been restated accordingly

\*\* Turnover from North America represents third party licensing income that mainly comes from Asia Pacific and Rest of Europe

n.a. Not applicable

## Retail distribution channel by region (directly managed retail stores)

	As at 30 September 2015					
	No. of stores	Net opened stores ^	Net sales area (m <sup>2</sup> )	Net change in net sales area ^	No. of comp- stores	Comp-store sales growth
<b>Germany *</b>	<b>148</b>	(6)	<b>121,441</b>	-2.0%	<b>105</b>	<b>11.3%</b>
<b>Rest of Europe</b>	<b>193</b>	8	<b>101,874</b>	0.9%	<b>116</b>	<b>13.3%</b>
<b>Asia Pacific *</b>	<b>527</b>	(18)	<b>96,400</b>	-2.7%	<b>275</b>	<b>2.4%</b>
<b>Total</b>	<b>868</b>	(16)	<b>319,715</b>	-1.3%	<b>496</b>	<b>10.8%</b>

^ Net change since 1 October 2014

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

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

As at 30 September 2015				
	No. of stores	Net change in no. of stores ^	Net sales area (m <sup>2</sup> )	Net change in net sales area ^
<b>Germany *</b>	<b>4,658</b>	<b>(171)</b>	<b>206,945</b>	<b>-8.1%</b>
Franchise stores *	271	(42)	69,083	-14.7%
Shop-in-stores *	2,956	(74)	110,782	-5.0%
Identity corners *	1,431	(55)	27,080	-1.5%
<b>Rest of Europe *</b>	<b>2,736</b>	<b>(32)</b>	<b>172,045</b>	<b>-9.5%</b>
Franchise stores *	538	(48)	112,019	-13.8%
Shop-in-stores *	1,033	9	32,251	0.9%
Identity corners *	1,165	7	27,775	-1.3%
<b>Asia Pacific</b>	<b>281</b>	<b>(128)</b>	<b>33,346</b>	<b>-36.8%</b>
Franchise stores	281	(128)	33,346	-36.8%
<b>Total</b>	<b>7,675</b>	<b>(331)</b>	<b>412,336</b>	<b>-11.9%</b>
Franchise stores	1,090	(218)	214,448	-18.7%
Shop-in-stores	3,989	(65)	143,033	-3.7%
Identity corners	2,596	(48)	54,855	-1.4%

^ Net change since 1 October 2014

\* Controlled wholesale point-of-sales and space in other European countries, mainly Bosnia-Herzegovina and Bulgaria have been re-grouped from Rest of Europe to Germany. Comparative figures have been restated accordingly

## Highlights for 1Q FY15/16

During 1Q FY15/16, **Group turnover** was almost flat year-on-year with a marginal decline of -0.4% in local currency, which compares favorably against the corresponding reduction in total controlled space of -7.6%. We are especially encouraged by the noticeable gain in sales per square meter performance of our retail space, which reflects significantly improved product performance, as well as improved marketing and channel operations.

Our **retail** operations are off to a good start as the positive momentum of top line improvement observed in the latter part of the last financial year has continued into 1Q FY15/16. Our well received Autumn/Winter collections, together with our #ImPerfect brand marketing campaign and Omnichannel initiatives, are the key drivers behind the increase in retail sales, both online and offline, for 1Q FY15/16. More specifically, we are seeing the following positive developments:

- Retail turnover grew year-on-year by +9.1% in local currency in 1Q FY15/16, notwithstanding a reduction in retail net sales area of -1.3%, reversing the turnover decline of -10.1% in local currency of FY14/15.
- Achieved a double-digit gain in productivity (sales per square meter) as evidenced by the year-on-year increase in retail comparable store sales of +10.8% in local currency.

- The positive retail sales development in 1Q FY15/16 was mostly driven by the performance of Europe, particularly the Women divisions.
  - i. Retail sales in Germany and Rest of Europe, both reported double-digit growth in turnover in 1Q FY15/16 of +10.7% and +13.6% in local currency respectively.
  - ii. In Germany (the Group's largest market, accounting for 47.8% of Group turnover), our comparable full price brick and mortar stores\* outperformed the market by +10.1% pts, +12.7% pts and +11.9% pts in July, August and September 2015 respectively, based on the comparable market data published by TextilWirtschaft.
 

*\*This group of stores is selected because it is the type of stores used by TextilWirtschaft to show the German retail market development.*
  - iii. Retail turnover of Esprit Women divisions (our core business), continued to see positive year-on-year performance and recorded a growth of +14.1% in local currency in 1Q FY15/16.

Overall, we are pleased with this strong retail sales development as retail stores are the best indication of product performance with respect to end consumers.

As for our **wholesale** operations, turnover declined year-on-year by -12.3% in local currency, which was in line with the corresponding decline in controlled wholesale space of -11.9%. It is worth noting that this reduction in controlled wholesale space was largely a carried forward effect from the last financial year where our controlled wholesale space declined by -14.2%. While we continue to experience a reduction in controlled wholesale space in 1Q FY15/16 due to ongoing market pressure on the channel, the rate of the decline has slowed down to a smaller degree of -1.6% for the three months of 1Q FY15/16.

While the decline in wholesale turnover unfortunately offsets the growth of our retail, it is important to clarify that it is the result of wholesale orders placed some 6 months ago and it does not reflect the actual sales to end consumers through this channel.

From a regional perspective, the overall sales performance in **Europe** (85.9% of the Group turnover) recovered to a slight increase of +0.1% in local currency in 1Q FY15/16 (Germany: +0.5%; Rest of Europe: -0.4%). This compares favorably against the corresponding -5.9% reduction in total controlled space (Germany: -5.9%; Rest of Europe: -5.9%). In both markets, we see the combination of very positive retail turnover growth but negative wholesale turnover development. **Asia Pacific** reported a -3.6% year-on-year decline in turnover in local currency, this

decline also compares favorably against the corresponding -14.5% reduction in total controlled space. The relatively weaker performance in Asia Pacific was mainly due to China, where we observe dampened consumer sentiment affecting our sales performance.

Overall, the continuation of the positive trend in our retail sales performance since the introduction of the Vertical Products in February 2015 keeps reinforcing our confidence that we are on the right track to restoring the attractiveness of our products and the upside potential of the Esprit brand. In line with our strategic plan, we are increasing Brand Marketing and Omnichannel related expenses, to support future growth initiatives with key focus on improving space productivity in the short term.

By Order of the Board  
**Florence Ng Wai Yin**  
Company Secretary

Hong Kong, 26 October 2015

*As at the date of this announcement, the Board comprises (i) Mr Jose Manuel Martínez Gutiérrez (Group Chief Executive Officer) and Mr Thomas Tang Wing Yung (Group Chief Financial Officer) as Executive Directors; (ii) Mr Jürgen Alfred Rudolf Friedrich as Non-executive Director; and (iii) Dr Raymond Or Ching Fai (Chairman), Mr Paul Cheng Ming Fun (Deputy Chairman), Dr José María Castellano Ríos, Mr Alexander Reid Hamilton, Mr Carmelo Lee Ka Sze and Mr Norbert Adolf Platt as Independent Non-executive Directors.*