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# ESPRIT

## ESPRIT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 00330

### UNAUDITED FY16/17 FIRST QUARTER UPDATE FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2016

#### FIRST QUARTER UPDATE

The board of directors (the “Board”) of Esprit Holdings Limited (the “Company”) presents the unaudited FY16/17 first quarter update of the Company and its subsidiaries (the “Group”) for the three months ended 30 September 2016. 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.

#### Revenue by product division

Product division	For the 3 months ended 30 September				Change in % Local HK\$ currency	
	2016		2015			
	HK\$ million	% to Group Revenue	HK\$ million	% to Group Revenue		
<b>Esprit Women</b>	<b>1,961</b>	<b>47.7%</b>	2,118	45.4%	-7.4%	-7.4%
women casual	1,369	33.3%	1,441	30.9%	-4.9%	-5.0%
women collection	507	12.3%	569	12.2%	-10.9%	-10.9%
trend #	85	2.1%	108	2.3%	-21.6%	-21.9%
<b>Esprit Men</b>	<b>493</b>	<b>12.0%</b>	618	13.3%	-20.4%	-20.1%
men casual	399	9.7%	507	10.9%	-21.4%	-21.1%
men collection	94	2.3%	111	2.4%	-15.9%	-15.5%
<b>Lifestyle and others *</b>	<b>703</b>	<b>17.1%</b>	878	18.8%	-19.9%	-20.1%
<b>edc ^</b>	<b>955</b>	<b>23.2%</b>	1,050	22.5%	-9.0%	-9.0%
<b>Group Total</b>	<b>4,112</b>	<b>100.0%</b>	4,664	100.0%	-11.8%	-11.8%

# 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 bodywear, accessories, shoes, kids, licensing income & licensed products such as timewear, eyewear, jewelry, bed & bath, houseware, etc.

^ Bodywear, accessories and shoes under edc brand are grouped together with those under Esprit brand in Lifestyle and others for the three months ended 30 September 2016 while they were grouped under edc for the three months ended 30 September 2015. Comparative figure of edc has been restated accordingly

## Revenue by region and by distribution channel

	For the 3 months ended 30 September						
	2016		2015		Revenue Change in %		Net change in net sales area <sup>^</sup>
	HK\$ million	% to Group Revenue	HK\$ million	% to Group Revenue	HK\$	Local currency	
<b>Germany</b>	<b>2,050</b>	<b>49.9%</b>	2,229	47.8%	-8.1%	-8.4%	
Retail (excl. e-shop)	675	16.4%	737	15.8%	-8.5%	-8.8%	-2.2%
e-shop	547	13.3%	605	12.9%	-9.6%	-9.9%	n.a.
Wholesale	821	20.0%	884	19.0%	-7.1%	-7.4%	-14.4%
Licensing	7	0.2%	3	0.1%	122.0%	121.3%	n.a.
<b>Rest of Europe</b>	<b>1,589</b>	<b>38.6%</b>	1,806	38.7%	-12.0%	-11.9%	-15.6%
Retail (excl. e-shop)	506	12.3%	591	12.6%	-14.3%	-14.1%	-17.1%
e-shop	332	8.1%	351	7.6%	-5.3%	-5.6%	n.a.
Wholesale	720	17.5%	832	17.8%	-13.5%	-13.4%	-14.7%
Licensing and others *	31	0.7%	32	0.7%	-3.6%	-3.6%	n.a.
<b>Asia Pacific</b>	<b>473</b>	<b>11.5%</b>	629	13.5%	-24.8%	-23.9%	-24.0%
Retail (excl. e-shop)	404	9.8%	543	11.7%	-25.6%	-25.0%	-18.0%
e-shop	33	0.8%	24	0.5%	40.7%	45.6%	n.a.
Wholesale	36	0.9%	62	1.3%	-42.5%	-41.0%	-41.5%
<b>Total</b>	<b>4,112</b>	<b>100.0%</b>	4,664	100.0%	-11.8%	-11.8%	-14.5%
Retail (excl. e-shop)	1,585	38.5%	1,871	40.1%	-15.3%	-15.2%	-11.7%
e-shop	912	22.2%	980	21.0%	-6.9%	-7.0%	n.a.
Wholesale	1,577	38.4%	1,778	38.1%	-11.3%	-11.4%	-16.7%
Licensing and others	38	0.9%	35	0.8%	7.5%	7.4%	n.a.

<sup>^</sup> Net change since 1 October 2015

\* For the three months ended 30 September 2016, revenue from North America was re-grouped under Rest of Europe while it was disclosed separately for the three months ended 30 September 2015. Comparative figures have been restated accordingly

n.a. Not applicable

## Retail (excl. e-shop) distribution channel by region (directly managed retail stores)

	As at 30 September 2016					
	No. of stores	Net opened stores <sup>^</sup>	Net sales area (m <sup>2</sup> )	Net change in net sales area <sup>^</sup>	No. of comp-store	Comp-store sales growth
<b>Germany</b>	<b>147</b>	(1)	<b>118,778</b>	-2.2%	<b>128</b>	<b>-8.6%</b>
<b>Rest of Europe</b>	<b>139</b>	(54)	<b>84,467</b>	-17.1%	<b>121</b>	<b>-1.9%</b>
<b>Asia Pacific</b>	<b>419</b>	(108)	<b>79,087</b>	-18.0%	<b>253</b>	<b>-10.1%</b>
<b>Total</b>	<b>705</b>	(163)	<b>282,332</b>	-11.7%	<b>502</b>	<b>-6.6%</b>

<sup>^</sup> Net change since 1 October 2015

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

	As at 30 September 2016			
	No. of stores	Net change in no. of stores <sup>^</sup>	Net sales area (m <sup>2</sup> )	Net change in net sales area <sup>^</sup>
<b>Germany</b>	<b>3,766</b>	<b>(892)</b>	<b>177,135</b>	<b>-14.4%</b>
Franchise stores	256	(15)	60,434	-12.5%
Shop-in-stores	2,367	(589)	94,243	-14.9%
Identity corners	1,143	(288)	22,458	-17.1%
<b>Rest of Europe</b>	<b>2,298</b>	<b>(438)</b>	<b>146,791</b>	<b>-14.7%</b>
Franchise stores	472	(66)	96,216	-14.1%
Shop-in-stores	871	(162)	27,308	-15.3%
Identity corners	955	(210)	23,267	-16.2%
<b>Asia Pacific</b>	<b>172</b>	<b>(109)</b>	<b>19,522</b>	<b>-41.5%</b>
Franchise stores	172	(109)	19,522	-41.5%
<b>Total</b>	<b>6,236</b>	<b>(1,439)</b>	<b>343,448</b>	<b>-16.7%</b>
Franchise stores	900	(190)	176,172	-17.8%
Shop-in-stores	3,238	(751)	121,551	-15.0%
Identity corners	2,098	(498)	45,725	-16.6%

<sup>^</sup> Net change since 1 October 2015

## Highlights for the three months ended 30 September 2016

For the first quarter ended 30 September 2016 (“1Q FY16/17” or “First Quarter”), **Group revenue** recorded a decline of -11.8% in local currency (“LCY”) as compared to the same period last year (“yoy”), less than the corresponding reduction in total controlled space of -14.5% yoy. Nonetheless, the results of the Group in the First Quarter remained in line with our expectations due to the successful reduction of operating costs.

The development of Group sales in 1Q FY16/17 was mainly impacted by the following factors:

### i) Reduction in controlled space

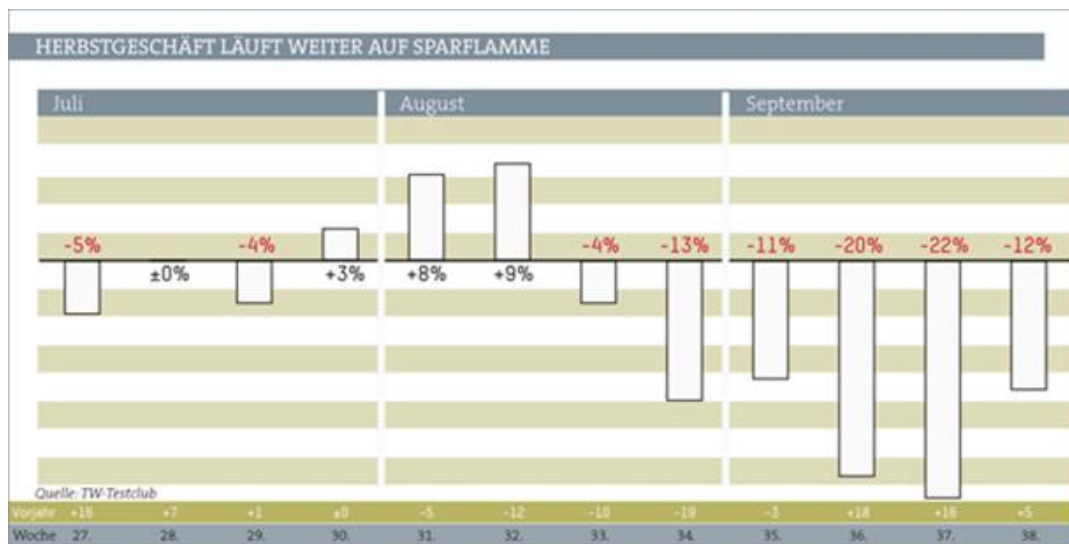
Total controlled space (retail and wholesale combined) declined by -14.5% yoy. The Group is actively reducing its **retail** space and the decision to accelerate the closure of loss making stores, as part of our strategic measures, is proving fundamental to improve the results of the Group. In this respect, during the First Quarter, 9,240 sqm of retail net sales area were closed (mainly concession counters in China), further reducing the Group’s retail net sales area to 282,332 sqm as at 30 September 2016, representing a yoy reduction of -11.7%.

As for **wholesale**, due to structural pressure in the channel, wholesale controlled space was further reduced by 13,304 sqm in the First Quarter to 343,448 sqm as at 30 September 2016, representing a yoy reduction of -16.7%. Notwithstanding this space reduction, the decline in wholesale revenue was -11.4% yoy in LCY, reflecting an improvement in space sales productivity.

**ii) Unseasonably warm weather in Europe**

In 1Q FY16/17, the Group had a positive start as sales productivity continued to improve for the month of July and the beginning of August; however, this turned negative in the second half of the First Quarter, in line with general market development. Since mid-August 2016, temperatures in Europe were much above levels for the same period of the previous year and this unseasonably warm weather significantly impacted store traffic and initial sales of the autumn collections in our retail business, both offline and online.

The adverse impact was especially profound in Germany, our largest market, as reflected by the negative weekly sales performance of the German apparel market published by TextilWirtschaft through the diagram below.



Source: TextilWirtschaft, TW-TESTCLUB (26 September 2016 by Matthias Erlinger)

For the Rest of Europe, the unusually high temperatures also had a negative impact on retail performance in the region, fortunately to a lesser extent.

**iii) Asia Pacific**

Sales decline was driven by lower consumer traffic in the region as well as by our strategic decision to restructure our retail footprint and reduce promotional activity in Asia Pacific. As expected, these measures put short term pressure on revenue, but they are crucial for Esprit to regain profitability in the mid-term.

As mentioned, despite the weak sales development in the First Quarter, the Group's results remain on track and management stays focused on the execution of our Strategic Plan: developing the Vertical and Omnichannel models; tackling the challenges in the wholesale channel and in Asia Pacific; and pushing the reduction of structural costs further in order to continue the recovery of the Group's overall profitability.

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

Hong Kong, 28 October 2016

*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.*