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# ESPRIT

## ESPRIT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 00330

### UNAUDITED FY17/18 FIRST QUARTER UPDATE FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2017

#### FIRST QUARTER UPDATE

The board of directors (the “Board”) of Esprit Holdings Limited (the “Company”) presents the unaudited FY17/18 first quarter update of the Company and its subsidiaries (the “Group”) for the three months ended 30 September 2017. 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					
	2017		2016		Change in %	
	HK\$ million	% to Group Revenue	HK\$ million	% to Group Revenue	HK\$	Local currency
<b>Esprit Women</b>	<b>1,935</b>	<b>48.3%</b>	1,961	47.7%	-1.3%	-6.3%
women casual	1,354	33.8%	1,369	33.3%	-1.1%	-6.2%
women collection	511	12.7%	507	12.3%	0.8%	-4.3%
trend <sup>#</sup>	70	1.8%	85	2.1%	-17.1%	-21.8%
<b>Esprit Men</b>	<b>428</b>	<b>10.7%</b>	493	12.0%	-13.0%	-17.1%
men casual	352	8.8%	399	9.7%	-11.6%	-15.7%
men collection	76	1.9%	94	2.3%	-19.3%	-23.3%
<b>Lifestyle and others<sup>*</sup></b>	<b>694</b>	<b>17.2%</b>	703	17.1%	-1.4%	-6.4%
<b>edc</b>	<b>951</b>	<b>23.8%</b>	955	23.2%	-0.4%	-5.5%
<b>Total</b>	<b>4,008</b>	<b>100.0%</b>	4,112	100.0%	-2.5%	-7.4%

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

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

## Revenue by region and by distribution channel

	For the 3 months ended 30 September						
	2017		2016		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>2,039</b>	<b>50.9%</b>	<b>2,050</b>	<b>49.9%</b>	<b>-0.5%</b>	<b>-6.3%</b>	<b>-4.6%</b>
Retail (excl. eshop)	679	16.9%	675	16.4%	0.7%	-5.0%	-2.0%
eshop	601	15.0%	547	13.3%	9.9%	3.5%	n.a.
Wholesale	752	18.8%	821	20.0%	-8.5%	-13.7%	-6.3%
Licensing	7	0.2%	7	0.2%	0.6%	-5.1%	n.a.
<b>Rest of Europe</b>	<b>1,573</b>	<b>39.2%</b>	<b>1,589</b>	<b>38.6%</b>	<b>-1.0%</b>	<b>-6.1%</b>	<b>-9.6%</b>
Retail (excl. eshop)	505	12.6%	506	12.3%	-0.3%	-5.1%	-6.1%
eshop	345	8.6%	332	8.1%	3.7%	-2.3%	n.a.
Wholesale	700	17.4%	720	17.5%	-2.8%	-7.8%	-11.7%
Licensing and others	23	0.6%	31	0.7%	-22.9%	-24.3%	n.a.
<b>Asia Pacific</b>	<b>396</b>	<b>9.9%</b>	<b>473</b>	<b>11.5%</b>	<b>-16.3%</b>	<b>-17.1%</b>	<b>-12.6%</b>
Retail (excl. eshop)	326	8.1%	404	9.8%	-19.4%	-20.3%	-9.8%
eshop*	34	0.9%	34	0.8%	0.4%	-1.0%	n.a.
Wholesale (excl. eshop)*	36	0.9%	35	0.9%	3.8%	3.4%	-24.1%
<b>Total</b>	<b>4,008</b>	<b>100.0%</b>	<b>4,112</b>	<b>100.0%</b>	<b>-2.5%</b>	<b>-7.4%</b>	<b>-7.7%</b>
Retail (excl. eshop)	1,510	37.6%	1,585	38.5%	-4.8%	-8.9%	-5.4%
eshop	980	24.5%	913	22.2%	7.3%	1.2%	n.a.
Wholesale (excl. eshop)	1,488	37.1%	1,576	38.4%	-5.6%	-10.6%	-9.6%
Licensing and others	30	0.8%	38	0.9%	-18.6%	-20.8%	n.a.

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

\* The comparative figures for the 3 months ended 30 September 2016 have been restated to regroup wholesale eshop to eshop

n.a. Not applicable

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

	As at 30 September 2017						
	No. of stores	Net change in no. of stores <sup>^</sup>	Net sales area (m <sup>2</sup> )	Net change in net sales area since 1 October 2016		No. of comp-store	Comp-store sales growth
				(m <sup>2</sup> )	(%)		
<b>Germany</b>	<b>145</b>	<b>(2)</b>	<b>116,412</b>	<b>(2,366)</b>	<b>-2.0%</b>	<b>134</b>	<b>-1.8%</b>
<b>Rest of Europe</b>	<b>132</b>	<b>(7)</b>	<b>79,314</b>	<b>(5,153)</b>	<b>-6.1%</b>	<b>112</b>	<b>-1.6%</b>
<b>Asia Pacific</b>	<b>365</b>	<b>(54)</b>	<b>71,363</b>	<b>(7,724)</b>	<b>-9.8%</b>	<b>191</b>	<b>-12.9%</b>
<b>Total</b>	<b>642</b>	<b>(63)</b>	<b>267,089</b>	<b>(15,243)</b>	<b>-5.4%</b>	<b>437</b>	<b>-3.3%</b>

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

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

As at 30 September 2017

	No. of stores	Net change in no. of stores ^	Net sales area (m <sup>2</sup> )	Net change in net sales area since 1 October 2016 (m <sup>2</sup> )	Net change in net sales area since 1 October 2016 (%)
<b>Germany</b>	<b>3,637</b>	<b>(129)</b>	<b>165,899</b>	<b>(11,236)</b>	<b>-6.3%</b>
Franchise stores	241	(15)	54,723	(5,711)	-9.4%
Shop-in-stores	2,268	(99)	89,253	(4,990)	-5.3%
Identity corners	1,128	(15)	21,923	(535)	-2.4%
<b>Rest of Europe</b>	<b>2,130</b>	<b>(168)</b>	<b>129,628</b>	<b>(17,163)</b>	<b>-11.7%</b>
Franchise stores	440	(32)	83,371	(12,845)	-13.4%
Shop-in-stores	830	(41)	25,692	(1,616)	-5.9%
Identity corners	860	(95)	20,565	(2,702)	-11.6%
<b>Asia Pacific</b>	<b>133</b>	<b>(39)</b>	<b>14,826</b>	<b>(4,696)</b>	<b>-24.1%</b>
Franchise stores	133	(39)	14,826	(4,696)	-24.1%
<b>Total</b>	<b>5,900</b>	<b>(336)</b>	<b>310,353</b>	<b>(33,095)</b>	<b>-9.6%</b>
Franchise stores	814	(86)	152,920	(23,252)	-13.2%
Shop-in-stores	3,098	(140)	114,945	(6,606)	-5.4%
Identity corners	1,988	(110)	42,488	(3,237)	-7.1%

^ Net change since 1 October 2016

### Highlights for the three months ended 30 September 2017

Progress made so far in the first quarter ended 30 September 2017 (“1Q FY17/18” or “First Quarter”) is overall a continuation of last year’s development. On the one hand, we see revenue decline due to the rationalization of our distribution footprint and the reduction of our promotional activity and price markdowns. On the other hand, these actions allow us to slightly increase gross profit margin and further reduce operating expense (“OPEX”) to continue improving our underlying operating results.

### Revenue Analysis

For the First Quarter, **Group revenue** amounted to HK\$4,008 million, representing a decline of -7.4% year-on-year (“yoy”) in local currency (“LCY”) term, in line with the corresponding reduction in total controlled space of -7.7% yoy.

**Retail (excl. eshop)**, representing 37.6% of Group revenue, experienced a revenue decline of -8.9% yoy in LCY. This is the consequence of (i) the reduction in retail sales area of -5.4% yoy as part of our downsizing effort to close down unprofitable stores, (ii) the deep changes in our approach to the discount outlets business, where revenue declined by -14.5% yoy in LCY, and (iii) the weak performance of Asia Pacific (“APAC”) which reported a comparable retail stores sales (“Comp-store-sales”) decline of -12.9% yoy in LCY. Such decline in Comp-store-sales in APAC is mainly attributable to the shift effect of mid-autumn festival holiday landing in October this year versus September last year, as well as the very weak performance of the concession counters in China (Comp-store-sales decline of -18.9% yoy in LCY), where we observe a severe decline of consumers traffic in the department stores. Comp-store-sales of Europe Retail (excl. eshop) recorded a slight decline (Germany: -1.8% yoy in LCY; Rest of Europe: -1.6% yoy in LCY).

**Eshop**, representing 24.5% of Group revenue, recorded a revenue increase of +1.2% yoy in LCY. **Eshop Europe** continues to be highly productive and profitable, and reported revenue growth of +1.3% yoy in LCY. As for **Eshop APAC**, this channel was characterized by higher growth but lower profitability compared to its European counterpart in the past few years, as it was going through its early phase of development. Now that the business has reached a higher scale (revenue growth of +43.1% and +72.2% yoy in LCY, in FY16/17 and FY15/16, respectively), we are shifting the focus from growth to higher profitability by reducing its high level of discounts and, as a result, Eshop APAC reported a revenue development of -1.0% yoy in LCY.

As for **Wholesale (excl. eshop)**, revenue from this channel represents 37.1% of Group revenue and reported a decline of -10.6% yoy in LCY, slightly above the controlled space reduction of -9.6% yoy. More specifically, **Germany Wholesale** declined by -13.7% yoy in LCY, higher than the corresponding controlled space reduction of -6.3% yoy mainly due to the shift in timing of deliveries around end of September 2017 to beginning of October 2017. **Rest of Europe Wholesale** recorded a decline in revenue of -7.8% yoy in LCY, lower than the corresponding controlled space reduction of -11.7% yoy, thanks to improved order intakes. Lastly, **APAC Wholesale (excl. eshop)** revenue grew +3.4% yoy in LCY, which compares favorably against the corresponding controlled space reduction of -24.1% yoy, mainly due to improved orders from our new wholesale partners in India, Nepal and Myanmar.

In the rest of the financial year FY17/18, we will continue our downsizing effort with the view to accelerate closure of loss making retail stores, while maintaining our focus on improving profitability levers. As previously guided, for the full financial year FY17/18, we expect improvement in gross profit margin and operating expenses to outweigh the negative impact of revenue decline to produce an improvement in EBIT (excluding exceptional items) as experienced in FY16/17.

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

Hong Kong, 6 November 2017

*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.*