ESPRIT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 00330

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2016

ANNUAL RESULTS

The board of directors (the "Board") of Esprit Holdings Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group" or "Esprit") for the year ended 30 June 2016 together with comparative figures for the year ended 30 June 2015. The following financial information, including the comparative figures, has been prepared in accordance with International Financial Reporting Standards ("IFRS").

Consolidated income statement

	Notes	For the year ended 30 June 2016 HK$ million	2015 HK$ million
Revenue	2	**17,788**	19,421
Cost of goods sold		**(8,859)**	(9,726)
Gross profit		**8,929**	9,695
Staff costs		**(3,480)**	(3,562)
Occupancy costs		**(2,793)**	(3,160)
Logistics expenses		**(1,022)**	(1,048)
Marketing and advertising expenses		**(1,015)**	(820)
Depreciation		**(591)**	(713)
Impairment of property, plant and equipment		**(107)**	(171)
Impairment of goodwill	2	**-**	(2,512)
Additional provision for store closures and leases, net	10	**(186)**	(282)
Gain on disposal of subsidiaries	11	**731**	-
Other operating costs		**(1,062)**	(1,110)
Operating loss (LBIT)	3	**(596)**	(3,683)
Interest income		**40**	45
Finance costs	4	**(29)**	(29)
Loss before taxation		**(585)**	(3,667)
Taxation (credit/(charge))	5	**606**	(29)
Profit/(loss) attributable to shareholders of the Company		**21**	(3,696)
Earnings/(loss) per share			
- Basic and diluted	7	**HK$0.01**	HK$(1.90)

Consolidated statement of comprehensive income

	For the year ended 30 June	
	2016	2015
	HK$ million	HK$ million
Profit/(loss) attributable to shareholders of the Company	**21**	(3,696)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Fair value (loss)/gain on cash flow hedge, net of tax	**(152)**	164
Exchange translation	**(373)**	(1,452)
	(525)	(1,288)
Total comprehensive income for the year attributable to shareholders of the Company, net of tax	**(504)**	(4,984)

Consolidated statement of financial position

	Notes	As at 30 June **2016** **HK$ million**	2015 HK$ million
Non-current assets			
Intangible assets		**2,902**	3,031
Property, plant and equipment		**2,159**	2,835
Investment properties		**19**	17
Other investments		**7**	7
Debtors, deposits and prepayments		**220**	240
Deferred tax assets		**745**	649
		6,052	6,779
Current assets			
Inventories		**2,745**	2,969
Debtors, deposits and prepayments	8	**1,571**	2,008
Tax receivable		**331**	640
Cash, bank balances and deposits		**5,341**	5,017
		9,988	10,634
Current liabilities			
Creditors and accrued charges	9	**3,495**	3,672
Provision for store closures and leases	10	**604**	557
Tax payable		**60**	687
		4,159	4,916
Net current assets		**5,829**	5,718
Total assets less current liabilities		**11,881**	12,497
Equity			
Share capital		**194**	194
Reserves		**11,203**	11,704
Total equity		**11,397**	11,898
Non-current liabilities			
Deferred tax liabilities		**484**	599
		11,881	12,497

Notes to the consolidated financial statements

1. Basis of preparation

These consolidated financial statements of the Group have been prepared in accordance with IFRS.

As the Company is listed in Hong Kong, it is required to prepare consolidated financial statement and to comply with the disclosure requirements of the Hong Kong Companies Ordinance. The requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

There were no adoption of new standards, amendments to standards and interpretation that would have any significant impact on the Group's consolidated financial statements for the financial year ended 30 June 2016.

The Group has not early adopted the following IAS and IFRS that have been issued but are not yet effective.

		Effective for accounting periods beginning on or after
IAS 1 (Amendments)	Disclosure Initiative	1 January 2016
IAS 7 (Amendments)	Disclosure Initiative	1 January 2017
IAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
IAS 16 and 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortization	1 January 2016
IAS 16 and 41 (Amendments)	Agriculture: Bearer Plants	1 January 2016
IAS 27 (Amendments)	Equity Method in Separate Financial Statements	1 January 2016
IFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions	1 January 2018
IFRS 9	Financial Instruments	1 January 2018
IFRS 10, 12 and IAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception	1 January 2016
IFRS 10 and IAS 28 (Amendments)	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
IFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
IFRS 14	Regulatory Deferral Accounts	1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019
IFRSs (Amendments)	Annual Improvements to IFRSs 2012-2014 Cycle	1 January 2016

1. Basis of preparation (continued)

The Group will apply these new and revised standards and amendments in the period of initial application. The Group is currently assessing the impact of the adoption of the above new and revised standards and amendments and is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

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.

	2016 **HK$ million**	2015 HK$ million Restated
Revenue from external customers		
Germany	**6,057**	6,683
Rest of Europe	**4,939**	5,586
Asia Pacific	**2,487**	3,117
e-shop	**4,153**	3,884
Licensing and others	**152**	151
	17,788	19,421

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 year'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)

	For the year ended 30 June 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	3,079	2,440	2,306	4,153	-	11,978
Wholesale	2,978	2,499	181	-	-	5,658
Licensing and others	-	-	-	-	15,072	15,072
Total	6,057	4,939	2,487	4,153	15,072	32,708
Inter-segment revenue	-	-	-	-	(14,920)	(14,920)
Revenue from external customers						
Retail	3,079	2,440	2,306	4,153	-	11,978
Wholesale	2,978	2,499	181	-	-	5,658
Licensing and others	-	-	-	-	152	152
Total	6,057	4,939	2,487	4,153	152	17,788
Segment results						
Retail	(366)	(150)	(667)	1,058	11	(114)
Wholesale	608	67	(13)	-	29	691
Licensing and others	-	-	-	-	(1,173)	(1,173)
EBIT/(LBIT)	242	(83)	(680)	1,058	(1,133)	(596)
Interest income						40
Finance costs						(29)
Loss before taxation						(585)

2. Revenue and segment information (continued)

	For the year ended 30 June 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
Capital expenditure						
Retail	46	29	75	3	4	157
Wholesale	9	8	4	-	4	25
Licensing and others	1	1	3	13	62	80
Total	56	38	82	16	70	262
Depreciation						
Retail	93	81	73	1	13	261
Wholesale	13	16	7	-	3	39
Licensing and others	-	-	-	-	291	291
Total	106	97	80	1	307	591
Impairment of property, plant and equipment						
Retail	6	22	31	-	-	59
Licensing and others	-	-	-	-	48	48
Total	6	22	31	-	48	107
Additional provision for store closures and leases, net						
Retail	(52)	(102)	200	-	-	46
Wholesale	-	(16)	-	-	-	(16)
Licensing and others	-	(6)	-	-	162	156
Total	(52)	(124)	200	-	162	186
Gain on disposal of subsidiaries						
Others	-	-	-	-	(731)	(731)
Total	-	-	-	-	(731)	(731)

2. Revenue and segment information (continued)

	For the year ended 30 June 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	3,186	2,551	2,804	3,884	-	12,425
Wholesale	3,497	3,035	313	-	-	6,845
Licensing and others	-	-	-	-	17,653	17,653
Total	6,683	5,586	3,117	3,884	17,653	36,923
Inter-segment revenue	-	-	-	-	(17,502)	(17,502)
Revenue from external customers						
Retail	3,186	2,551	2,804	3,884	-	12,425
Wholesale	3,497	3,035	313	-	-	6,845
Licensing and others	-	-	-	-	151	151
Total	6,683	5,586	3,117	3,884	151	19,421
Segment results						
Retail	(635)	(570)	(315)	946	(1)	(575)
Wholesale	611	(75)	42	-	30	608
Licensing and others	-	-	-	-	(1,204)	(1,204)
Total	(24)	(645)	(273)	946	(1,175)	(1,171)
Impairment of goodwill (Note)						
Retail	-	-	(1,324)	-	-	(1,324)
Wholesale	-	-	(1,188)	-	-	(1,188)
Total	-	-	(2,512)	-	-	(2,512)
EBIT/(LBIT)	(24)	(645)	(2,785)	946	(1,175)	(3,683)
Interest income						45
Finance costs						(29)
Loss before taxation						(3,667)

Note: An impairment charge of HK$2,512 million for the China goodwill was recognized for the year ended 30 June 2015.

2. Revenue and segment information (continued)

	For the year ended 30 June 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
Capital expenditure						
Retail	47	43	96	2	1	189
Wholesale	14	19	12	-	-	45
Licensing and others	3	11	8	1	92	115
Total	64	73	116	3	93	349
Depreciation						
Retail	122	110	100	1	9	342
Wholesale	17	24	12	-	-	53
Licensing and others	-	-	-	-	318	318
Total	139	134	112	1	327	713
Impairment of property, plant and equipment						
Retail	54	107	8	-	-	169
Wholesale	-	2	-	-	-	2
Total	54	109	8	-	-	171
Additional provision for store closures and leases, net						
Retail	81	179	-	-	-	260
Wholesale	-	16	-	-	-	16
Licensing and others	-	6	-	-	-	6
Total	81	201	-	-	-	282

2. Revenue and segment information (continued)

Revenue from external customers is attributed to the following countries based on the location in which the sales originated:

	2016 HK$ million	2015 HK$ million Restated
Germany (Note 1)	**6,057**	6,683
Rest of Europe		
Benelux	**1,542**	1,862
France	**866**	979
Switzerland	**734**	771
Austria	**629**	680
Sweden	**233**	252
Spain	**202**	213
Finland	**201**	255
Italy	**123**	131
United Kingdom	**96**	153
Denmark	**68**	84
Poland	**65**	11
Others (Notes 1, 2)	**180**	195
	4,939	5,586
Asia Pacific		
China	**1,048**	1,419
Hong Kong	**331**	386
Australia and New Zealand	**304**	358
Singapore	**253**	300
Malaysia	**191**	239
Taiwan	**186**	200
Macau	**102**	132
Others (Note 3)	**72**	83
	2,487	3,117
e-shop		
Germany	**2,480**	2,400
Benelux	**568**	537
France	**262**	242
Switzerland	**250**	239
Austria	**203**	184
China	**134**	81
United Kingdom	**55**	50
Denmark	**43**	39
Finland	**32**	29
Sweden	**29**	17
Australia and New Zealand	**20**	17
Spain	**14**	10
Others	**63**	39
	4,153	3,884

2. Revenue and segment information (continued)

	2016 HK$ million	2015 HK$ million Restated
Licensing and others		
Rest of Europe (Note 4)	**130**	137
Germany	**22**	14
	152	151
	17,788	19,421

Note 1: For the year ended 30 June 2016, Germany wholesale revenue from other European countries mainly Slovenia, Bosnia-Herzegovina and Romania, has been re-grouped from others under Rest of Europe to Germany. Comparative figures have been restated accordingly.

Note 2: Others under Rest of Europe include revenue from other countries mainly Chile, Colombia and the Middle East.

Note 3: Others under Asia Pacific include wholesale revenue from other countries mainly Thailand and the Philippines.

Note 4: Revenue from Rest of Europe represents licensing income that comes from Asia Pacific, Europe other than Germany, America and the Middle East.

3. Operating loss (LBIT)

	2016 **HK$ million**	2015 HK$ million
LBIT is arrived at after charging and (crediting) the following:		
Staff costs (Note a)	**3,480**	3,562
Auditor's remuneration	**15**	14
Depreciation	**591**	713
Amortization of customer relationships	**62**	65
Impairment of goodwill	**-**	2,512
Impairment of property, plant and equipment (Note b)	**107**	171
Gain on disposal of subsidiaries (Note 11)	**(731)**	-
Additional provision for store closures and leases, net (Note c)	**186**	282
Loss/(gain) on disposal of property, plant and equipment	**16**	(15)
Occupancy costs		
- operating lease charge (including variable rental of **HK$264 million** (2015: HK$340 million))	**2,199**	2,516
- other occupancy costs	**594**	644
Cash flow hedges:		
- ineffective portion transferred from equity to exchange gains on forward foreign exchange contracts	**(22)**	(19)
- ineffective portion recognized in exchange gains on forward foreign exchange contracts not qualifying for hedge accounting	**(3)**	(5)
Fair value hedges:		
- exchange loss on hedged items	**6**	1
Other net exchange (gains)/losses	**(131)**	49
Additional/(write-back of) provision for obsolete inventories, net	**45**	(266)
Provision for impairment of trade debtors, net	**98**	134

Note a: During the year, the Group executed staff reduction plans to reduce overhead costs. This triggered one-off related costs totaling **HK$462 million** which was recognized under staff costs for the current financial year.

Note b: During the year, an impairment of **HK$48 million** in relation to the IT applications of Esprit Kids division was recognized because of the license agreement with Groupe Zannier to effectively develop the Esprit Kids business.

Note c: During the year, the Group recognized a net additional provision of **HK$186 million**, including a provision of **HK$198 million** for store closures and onerous leases in relation to loss-making stores in Asia Pacific, an additional provision of **HK$162 million** in connection with an agreement to sublet store space on 34th Street, New York, and partially offset by a net write-back of provision of **HK$174 million** for store closures and onerous leases made in prior years primarily due to improvement in retail performance in Europe.

4. Finance costs

	2016 **HK$ million**	2015 HK$ million
Interest on bank loan	**-**	1
Imputed interest on financial assets and financial liabilities	**29**	28
	29	29

5. Taxation

	2016 **HK$ million**	2015 HK$ million
Current tax		
Hong Kong profits tax		
Provision for current year	**2**	2
Over-provision for prior years	**(404)**	-
Overseas taxation		
Provision for current year	**53**	127
(Over)/under-provision for prior years	**(52)**	49
	(401)	178
Deferred tax		
Current year net credit	**(204)**	(150)
Effect of changes in tax rates	**(1)**	1
Taxation ((credit)/charge)	**(606)**	29

5. Taxation (continued)

Hong Kong profits tax is calculated at **16.5%** (2015: 16.5%) on the estimated assessable profit for the year, net of tax losses carried forward, if applicable.

Overseas (outside of Hong Kong) taxation has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group companies operate, net of tax losses carried forward, if applicable.

The Inland Revenue Department of Hong Kong ("IRD") initiated tax inquiries for the years of assessment 2006/2007 to 2008/2009 concerning taxability of income generated by subsidiaries engaged in the distribution operation of the Group. Notices of assessment for additional tax in an aggregate sum of approximately HK$1,664 million were issued to the Group for the years under review and objections were properly lodged with the IRD by the Group. The IRD agreed to hold over the tax claim subject to the purchase of tax reserve certificates (the "TRCs") of approximately HK$319 million for those years of assessments. These TRCs were purchased by the Group in prior years. During the current year, the Group concluded the tax inquiries with the IRD. The Group received favorable revised notices of tax assessment and a corresponding cash refund in the aggregate amount of approximately HK$134 million. Based on the conclusion of the tax inquiries, a write-back of unutilized tax provision of approximately HK$409 million was recognized in the income statement.

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 considers that the payment of interests is unlikely, and therefore no additional provision has been made.

6. Dividends

	2016 **HK$ million**	2015 HK$ million
No interim dividend (2015: HK$0.015 per share)	**-**	29
No proposed final dividend (2015: Nil)	**-**	-
	-	29

The Board does not recommend the distribution of a final dividend for the year ended 30 June 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 year less shares held for Share Award Scheme.

	2016	2015
Profit/(loss) attributable to shareholders of the Company (HK$ million)	**21**	(3,696)
Weighted average number of ordinary shares in issue less shares held for Share Award Scheme (million)	**1,944**	1,943
Basic earnings/(loss) per share (HK$ per share)	**0.01**	(1.90)

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 year 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 annual market share price of the Company's shares for the year) based on the monetary value of the subscription rights attached to the 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.

	2016	2015
Profit/(loss) attributable to shareholders of the Company (HK$ million)	**21**	(3,696)
Weighted average number of ordinary shares in issue less shares held for Share Award Scheme (million)	**1,944**	1,943
Adjustments for share options and awarded shares (million)	**-**	1
Weighted average number of ordinary shares for diluted earnings per share (million)	**1,944**	1,944
Diluted earnings/(loss) per share (HK$ per share)	**0.01**	(1.90)

Diluted loss per share for the year ended 30 June 2015 was the same as the basic loss per share since the share options had anti-dilutive effect.

8. Debtors, deposits and prepayments

	2016 **HK$ million**	2015 HK$ million
Trade debtors	**1,487**	1,741
Less: provision for impairment of trade debtors	**(229)**	(298)
	1,258	1,443
Deposits	**166**	188
Prepayments	**188**	221
Other debtors and receivables	**179**	396
	1,791	2,248
Non-current portion of deposits	**(125)**	(150)
Non-current portion of prepayments	**(67)**	(74)
Non-current portion of other debtors and receivables	**(28)**	(16)
Current portion	**1,571**	2,008

The aging analysis by invoice date* of trade debtors net of provision for impairment is as follows:

	2016 **HK$ million**	2015 HK$ million
0-30 days	**839**	916
31-60 days	**157**	171
61-90 days	**80**	117
Over 90 days	**182**	239
	1,258	1,443

* The amendment to paragraph 4(2) in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") specifies that the aging analysis should normally be presented on the basis of the invoice date. The Group presented the aging analysis by due date in prior financial years. The Group has changed to present the aging analysis by invoice date. Comparative figures were presented accordingly.

8. Debtors, deposits and prepayments (continued)

As of 30 June 2016, trade debtors net of provision for impairment of **HK$317 million** (30 June 2015: HK$326 million) were past due but not impaired. The aging analysis of these trade debtors is as follows:

	2016 HK$ million	2015 HK$ million
1-30 days	**148**	93
31-60 days	**31**	46
61-90 days	**15**	25
Over 90 days	**123**	162
Amount past due but not impaired	**317**	326

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.

9. Creditors and accrued charges

	2016 HK$ million	2015 HK$ million
Trade creditors	**1,021**	1,501
Accruals	**1,827**	1,496
Other creditors and payables	**647**	675
	3,495	3,672

The aging analysis by invoice date* of trade creditors is as follows:

	2016 HK$ million	2015 HK$ million
0-30 days	**681**	1,032
31-60 days	**203**	302
61-90 days	**80**	107
Over 90 days	**57**	60
	1,021	1,501

* The amendment to paragraph 4(2) in Appendix 16 of the Listing Rules specifies that the aging analysis should normally be presented on the basis of the invoice date. The Group presented the aging analysis by due date in prior financial years. The Group has changed to present the aging analysis by invoice date. Comparative figures were presented accordingly.

10. Provision for store closures and leases

Movements in provision for store closures and leases are as follows:

	2016 **HK$ million**	2015 HK$ million
At 1 July	**557**	508
Additional provision for store closures and leases, net	**186**	282
Amounts used during the year	**(130)**	(169)
Exchange translation	**(9)**	(64)
At 30 June	**604**	557

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

During the year, the Group recognized a net additional provision of **HK$186 million**, including a provision of **HK$198 million** for store closures and onerous leases in relation to loss-making stores in Asia Pacific, an additional provision of **HK$162 million** in connection with an agreement to sublet store space on 34th Street, New York, and partially offset by a net write-back of provision of **HK$174 million** for store closures and onerous leases made in prior years primarily due to improvement in retail performance in Europe.

As at 30 June 2016, the provision expected to be settled within twelve months after the date of the statement of financial position is **HK$145 million** (2015: HK$98 million) and the provision expected to be settled more than twelve months after the date of the statement of financial position is **HK$459 million** (2015: HK$459 million).

11. Disposal of subsidiaries

On 21 March 2016, the Group completed the disposal of six of its wholly-owned subsidiaries, which owned the Hong Kong office properties of the Group to independent third parties. On completion of the disposal, the Group is leasing back majority of the properties with an aggregate rent of approximately HK$2.4 million per month for the first three years and an aggregate rent of approximately HK$2.9 million per month for the next three years. The Company agreed to guarantee certain obligations under the sales and purchase agreement and the leases.

	2016 **HK$ million**
The net assets as at the date of disposal were as follows:	
Property, plant and equipment	**181**
Debtors, deposits and prepayment	**1**
Net assets disposed of	**182**
Cash consideration received	**919**
Net assets disposed of	**(182)**
Expenses incurred for disposal	**(6)**
Gain on disposal of subsidiaries	**731**
Analysis of net cash inflow arising on disposal:	
Cash consideration received	**919**
Expenses incurred for disposal	**(6)**
	913

LETTER FROM CHAIRMAN

Dear Shareholders,

Esprit has achieved good progress both strategically and financially over the past financial year. The advances made reflect the benefits of our strategic plan, which is proving effective to enhance the competitiveness of our products and channels. We are gratified to see that these operational improvements are also contributing to improvements in financial metrics. This reaffirms the potential of Esprit and lays the foundation for our road to recovery.

REVIEW OF FY15/16

Results

Overall market conditions have remained challenging. On the one hand, our industry is going through significant changes fueled by the development of the online channels and increasingly aggressive price competition. On the other hand, the macroeconomic picture was uncertain in Europe and turned especially weak in our Asian markets, with the economic slowdown in China and the devaluation of Renminbi combining to significantly dampen consumer sentiment. The weakness of the Euro currency against our reporting currency, the Hong Kong dollar, also placed considerable pressure on the Group's financial results.

Nonetheless, I am pleased to report that the Group recorded a net profit of +HK$21 million for FY15/16, driven by strong performance of our retail channels (offline and online), reduced cost of the operations and a favorable net tax balance. The Group also obtained a material exceptional gain from the sale of office space in Hong Kong but this was offset by exceptional expenses resulting from the acceleration of cost restructuring measures (e.g. social plans in Europe).

Regarding the positive development of the retail channels, we see how the Vertical Omnichannel Model implemented in FY14/15 is improving the attractiveness of our products and the sales effectiveness of our retail stores and e-shop. As a result, we have achieved a gain in retail space productivity for the first time in nine years, and this trend has been consistent throughout the year. This growth was the result of a highly positive development in Europe, while the eroded consumer confidence in Asia took a toll on our sales performance in the region. Unfortunately, revenue of the Group's wholesale channel declined due to the reduction of controlled space. Overall, the Group's revenue was HK$17,788 million, virtually unchanged year-on-year with a slight decline of -1.1% in local currency.

Regarding profitability, our gross profit margin slightly improved and the operating expenses (OPEX), excluding exceptional non-recurring items, were reduced by -1.9% year-on-year in local currency terms, despite our decision to significantly increase marketing and advertising expenses. As a result, the loss from underlying operations, excluding exceptional items, was reduced to a LBIT of -HK$572 million. As mentioned, a positive net tax balance complemented our bottom line to reach a positive net profit of HK$21 million in the financial year under review.

Financial Position

Preserving a strong financial position through prudent cash management continued to be a top priority during the year. As a consequence, the Group maintained a healthy net cash position of HK$5,341 million as at 30 June 2016. As explained in my previous letter to you, the Board has decided to deploy some of our cash reserve into business initiatives (e.g. marketing efforts and Omnichannel initiatives) that can support the improvement of product performance. In view of the positive development in the financial year under review, we will continue with the same approach next year.

As the net profit for the financial year was very small, the Board does not recommend the payment of a dividend at this time.

KEY DECISIONS BY THE BOARD DURING THE YEAR

Business

During the year, the Board has been actively monitoring the progress of the Strategic Plan. In view of the encouraging trend of sales performance, the Board is encouraging measures to facilitate faster recovery of the Group's overall profitability: achieving excellence in the execution of the new Vertical Omnichannel Model, tackling the challenges in the wholesale channel and the Asia Pacific region, and continuing the reduction of structural costs by closing unprofitable stores and streamlining every operating expense down to a minimum level. These combined measures will bring improvement of the Group's results in the coming years and, once the company stabilizes its profitability, we shall shift gears to accelerate growth.

Management

We recognize that a successful turnaround of the business is closely tied to the commitment and efforts of our management team. Correspondingly, the Board has always embraced a pay-for-performance approach in the organization, using a combination of short and long-term incentives linked to key performance metrics. This year, the Board has approved the adoption of the Employees' Share Award Scheme to provide additional flexibility to incentivize and retain selected senior managers. The Board strongly believes that this scheme helps ensure a better alignment of executive compensation with shareholders' interests.

Sustainability

Operating our business responsibly for all stakeholders has always been an integral part of the Esprit culture. This year, we have continued our focus on social and environmental sustainability, adopting more proactive measures to use sustainable materials and minimize water pollution across our whole supply chain. Amongst other initiatives, we have established a program, which ensures that the wood used to make our viscose fabric does not come from ancient or endangered forests. We have also joined the Better Cotton Initiative, to help reduce our environmental impact in respect to cotton usage. Behaving sustainably is a core belief of Esprit and a fundamental element for our long-term success.

Shareholders

As part of our ongoing Investor Relations efforts, we maintain regular and ongoing conversations with our shareholders to keep closely apprised of their expectations, and to ensure that we exercise judgment in the best interest of the company as well as that of our stakeholders. This year, in response to feedback from our shareholders and investors, the Company has significantly enhanced the quality of financial disclosure by revamping the segmental reporting method of this annual report. Given the increasing importance of e-commerce, its performance is now reported separately as a standalone operating segment. We believe this will enable investors to better understand and assess the financial performance of the Group.

CLOSING

Looking ahead to FY16/17, we anticipate the shifting market dynamics as described at the beginning of this letter will continue to exert pressure on every player in the industry. The Board is of the view that companies best poised to navigate these challenges are those with the agility to quickly react to product trends, and the ability to serve consumers seamlessly across different channels. To this end, the Board remains confident that the Strategic Plan stands us in good stead, and we remain fully committed to adhering to it as the best way forward to deliver long-term value to our shareholders.

Last but not least, on behalf of the Board, I would like to thank our shareholders for their continued confidence; our consumers for their loyalty; and our over 8,300 employees worldwide, whose passion and commitment have enabled us to achieve the positive developments of the financial year under review. While the road to recovery is still full of challenges, the progress we have made gives us much confidence that we are on the right path towards restoring the long-term competitiveness of the Group.

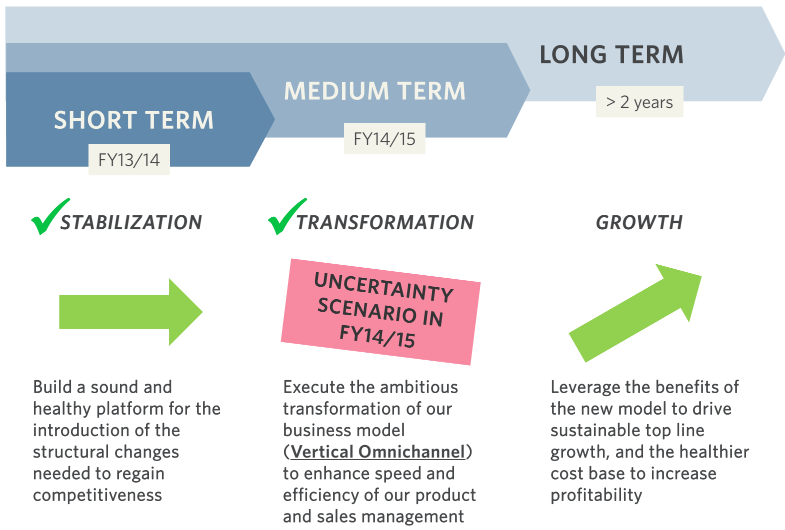
Dr Raymond OR Ching Fai // Independent Non-executive Chairman
20 September 2016

LETTER FROM GROUP CEO

Dear Shareholders,

As presented to you in previous years, the strategic plan ("Strategic Plan") for the turnaround of Esprit has been proceeding along three distinct phases: Stabilization, Transformation and Growth, as articulated in the diagram below.

Overview of Strategic Plan



The **Stabilization** phase in the financial year ended 30 June 2014 effectively stopped the continued decline of the Group's results since 2007. It was also an instrumental period of time to prepare the Company for the deep changes to come in the following year.

The **Transformation** phase in the financial year ended 30 June 2015 ("FY14/15") was the most demanding and riskiest phase of our Strategic Plan as we introduced a whole new way of working for the entire organization and for our business partners, including suppliers and wholesale partners. More specifically, the Group implemented in FY14/15 faster and more cost-efficient product development and supply chain processes (the "Vertical Model"), in order to significantly enhance the design and value-for-money of our products. In parallel, we also started to develop an ambitious project to maximize the joint performance of all our sales channels, i.e. retail and wholesale, offline and online (the "Omnichannel Model").

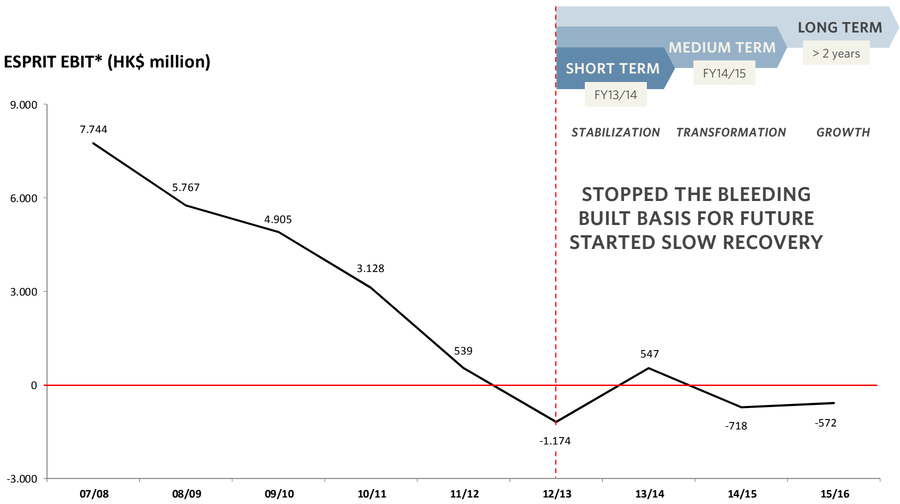
The **Growth** phase initiated in the financial year ended 30 June 2016 ("FY15/16") is then the time when we expected to observe an improved performance of the first collections developed under the Vertical Model ("Vertical Products") and the first results from our initial Omnichannel initiatives. Therefore, we are especially encouraged by the noticeable improvement of the sales performance of our retail stores and our e-shops in FY15/16. This progress has led to a positive development of our general financial performance, while it also reinforces the confidence that our strategic initiatives are bringing Esprit on the right track.

In summary, in the last three years, the execution of our Strategic Plan has served three major purposes:

- Interrupt the negative trend of the Group's bottom line ("stop the bleeding")
- Implement a new way of working as the basis to build our success in the future
- Start the path to progressively recover the profitability of Esprit

All three reflect on the recent development of the Group's EBIT from underlying operations (i.e. the EBIT excluding all exceptional items, such as the termination of the North American operations, the impairments of China's goodwill, the one-off costs of the main social plans or the different provisions and impairments related to the closure of heavy loss-making stores), as presented in the following chart:

Recent Development of EBIT from Underlying Operations



*EBIT from underlying operations, i.e. excluding exceptional items (e.g. closure of N.A. operations, impairment of China goodwill, sales of HK office space or provisions and impairments for store closures)

Notwithstanding this positive progress, the Group still faces important challenges in the near term. On the one hand, we must still fully develop and consolidate the core elements of our Strategic Plan (mainly the Vertical and the Omnichannel models) in order to sustain sales productivity increases in the coming years. On the other hand, we must find specific solutions for two major business areas, where performance is still declining, i.e. the Wholesale channel and the Asia Pacific region. These are areas that pose significant pressure on our top and bottom lines. Finally, we must continue enhancing profitability of the business via cost reduction. If all these factors continue to improve as they have done in FY15/16, we shall focus on the main opportunities to reignite expansion in our markets and into new countries. Seizing this opportunity presents enormous potential for our growth in the medium term.

After three years fully devoted to implement the new way of working in Esprit, we feel that the major goals have been accomplished and that we have a clear understanding of our key challenges ahead, as well as of the critical actions to address them. The rest of this letter provides further details on the main aspects of our performance, our strategy and our most immediate future.

Improved Financial Performance in FY15/16

The Group achieved a net profit of +HK$21 million for FY15/16, after a net loss of HK$3,696 million last year. This was the result of a combination of three major factors:

i) Better than expected results from the underlying operations (excluding exceptional items) of -HK$572 million – LBIT of the underlying operations was visibly improved over last year. The key driver of such improvement was the productivity gains in our retail operations, including e-shops, which had a very positive impact across different financial metrics:

Revenue of the Group was almost flat year-on-year, with a slight decline of -1.1% in local currency. This is a highly favorable development against the reduction in total controlled space of -13.1% reflecting a significant productivity gain (increased sales per sqm) of the retail operations for the first time in nine years.

Gross profit margin was 50.2%, an increase of 0.3 percentage points compared with last year. The Group benefited from a higher proportion of retail revenue reaching 67.3% of the Group (2015: 64.0%), which was partially offset by slightly increased markdowns and the negative impact of the weakness of the Euro.

Operating Expenses ("OPEX") of the underlying operations (excluding exceptional items) amounted to HK$9,501 million, representing a year-on-year reduction of -1.9% in local currency. This figure results from two different effects: effective reduction of most of our cost lines, especially the most relevant ones (i.e. Staff -9.8% and Occupancy -5.4% year-on-year in local currency), partly offset by the increase in marketing and advertising expenses (+33.6% in local currency) due to the new brand campaigns, in logistics (+5.5% in local currency) due to the strong growth of e-commerce, and in other operating costs (+5.9% in local currency) due to an unusual provision write back last year. The development of our regular OPEX was positive and structural cost-saving measures were implemented throughout the year to bring them further down to a healthier level in coming years. These restructuring measures have triggered provisions and impairment charges in the second half of the financial year, which are further explained under the "Exceptional non-recurring expenses" section right below.

ii) Exceptional non-recurring expenses of HK$755 million – These expenses are mostly one-off provisions and impairments related to the acceleration of cost restructuring measures. While these expenses adversely impacted our financial performance in FY15/16, they are derived from the following actions that shall contribute positively to our cost base from the next financial year onwards:

a. Staff reduction plans to reduce overhead costs, triggering one-off costs of HK$462 million;

b. License of the Esprit Kids business to Groupe Zannier, triggering the impairment of the IT applications associated with the Esprit Kids division, in the amount of HK$48 million;

c. Net provision for store closure and onerous leases of HK$186 million, thereof:

  i. Agreement to sublet empty store space on 34th Street, New York, requiring a provision of HK$162 million;

  ii. Closure of certain loss-making stores in Asia Pacific as a result of the local economic slowdown, requiring provisions of HK$198 million; and

  iii. Net write-back of provision of HK$174 million primarily due to improvement in retail performance in Europe.

d. Impairment of fixed assets on loss-making stores of HK$59 million.

iii) Exceptional net gains of HK$1,337 million – These are one-off net gains arising from non-operational activities, comprising:

a. A net gain of HK$731 million from the sale of our Hong Kong office premises;

b. A write-back of tax provisions of HK$409 million as a result of favorable assessment by the Inland Revenue Department of Hong Kong concerning the taxability of income generated by several subsidiaries of the Group; and

c. A net taxation credit of HK$197 million mainly due to the tax deductibility of the exceptional non-recurring expenses mentioned above and the release of tax provision from previous years.

As for the balance sheet, the Group maintained a sound financial position that enables the finalization of our Strategic Plan and the implementation of growth initiatives in the future. Our net cash was kept at HK$5.3 billion as at 30 June 2016 (30 June 2015: HK$5.0 billion).

Positive Results of the Strategic Plan

As discussed above, the core of our Strategic Plan is the implementation of a Vertical Model to produce a sustained flow of competitive products, together with the optimization of our sales channels performance through the Omnichannel Model. These two pillars are complemented by renewed Brand campaigns and strengthened management and teams. The developments this year showed that these four elements have begun to bear fruit.

i) Improved products through our new Vertical Model – Over the past two years, management have devoted most of their time and efforts to design and implement a new way of working across all product-related areas because we were and still are certain that product improvement is the key to make Esprit successful again. The diagram below outlines the main components of our Vertical Model.

Overview of Vertical Model

VERTICAL

1. **Lean Supply Chain Management –** Fast and efficient product development by integrating the supply chain and introducing best practices
2. **Category Management Teams –** End to end product management by integrating all functions in teams specialized on each product category
3. **New Merchandising Model –** Fast and direct collaboration between Product and Markets by centralizing merchandise management decisions
4. **Seasonal Calendar –** Flexible flow of products by structuring the collections along 4 seasons (vs. 12 monthly capsules)
5. **Product Range Reduction –** Minimum size of the product range by maximizing synergies across channels
6. **Fast to Market –** Fast and flexible reaction to demand by establishing short lead time product development and supply chain processes
7. **Stock Management Optimization** – Optimal deployment of inventories by running last-minute allocation and sales replenishment models

NOTE: Initiative 8. "Vertical Wholesale Model" treated as an independent project in the future

Overall, most of the elements of the Vertical Model are already in place and fully functioning in the organization, however, the final one is still important work in progress. "Stock Management Optimization" refers to the ability to decide the best possible allocation of inventories, mostly through tools that allow for immediate reaction to sales (e.g. last-minute allocation and replenishment systems). Those tools depend on flexible logistics behind them, which Esprit will count on after the extension of our distribution center in Mönchengladbach, Germany. Construction work has already commenced and should be completed by mid-2017.

Nevertheless, after completion of most of the other changes and since the introduction of the first Vertical Products in Spring/Summer 2015, we are observing a positive trend in our retail sales confirmed by the performance in FY15/16:

- Retail revenue, including e-shop (67.3% of the Group's revenue), grew by +3.8% year-on-year in local currency, despite a year-on-year reduction in retail net sales area of -10.9%, fueled by sales growth in comparable stores of +8.1% in local currency
- From a product perspective, growth was driven by the divisions where the Vertical Model was first implemented, i.e. Esprit Women and edc, which reported growth in comparable retail stores, including e-shop, of +10.3% and +11.2% in local currency, respectively
- From a geographical perspective, retail revenue, including e-shop, grew stronger in European countries, +8.0% year-on-year in local currency, with comparable stores sales growth of +9.2% in local currency
- In Germany, our largest market, our comparable stores* outperformed the market throughout the year, except for one month, by an average of +9.5 percentage points (based on the comparable market data published by TextilWirtschaft)

* *Only full price brick and mortar stores because this is the type of stores used by TextilWirtschaft to present the German retail market performance.*

ii) Improved Channels Management through the Omnichannel Model – We are well aware that the production of stronger collections will not suffice in a market characterized by a massive offering of competitive products. We believe that successfully managing the relationship with individual consumers will prove vital and this is why we are developing our Omnichannel Model on three major principles: (1) Direct to Consumer, with the goal to expand our loyal customers base "Esprit Friends" and create the best possible program for them; (2) Cross-Channel Operations, in order to provide flexible customer interactions in any channel that they choose: retail or wholesale, offline or online; and (3) Integrated Commercial Activity of these channels to secure the best customer experience in a perfectly consistent manner. This approach leverages key competitive advantages of Esprit (e.g., a broad base of loyal consumers, strong CRM capabilities, best-in-class e-commerce operations, etc.) and we expect it to be instrumental in facilitating growth in the short and medium term. The diagram below highlights the three major elements of our Omnichannel Model.

Overview of Omnichannel Model

1. **Direct to Consumer –** Consumer-centric model for all channels by developing the best possible loyalty program "Esprit Friends" and making it the basis for all sales operations

2. **Cross-Channel Operations –** Best in class integration of retail and wholesale, offline and online operations by developing state of the art digital capabilities

3. **Integrated Commercial Activity –** Seamless consumer experience by coordinating all the marketing initiatives and management: Product-Price-Promotion-Place-People

While we feel that the Omnichannel Model is still at an early stage of implementation, we are encouraged by the following developments in FY15/16:

- 27% year-on-year growth of active Esprit Friends (i.e. members of the program who have purchased in the last 12 months)

- Share of Esprit Friends of the Group's retail net sales increased to 70% (FY14/15: 63%)

- Number of cross-channel Esprit Friends (i.e. members buying both offline and online) increased by 12% year-on-year

- 95% of invited wholesale partners, offered an opportunity to join our Omnichannel Model, signed up for a scheme that will fully integrate them into the "Esprit Friends" program, Esprit's Commercial Plan and the business of our e-shop "esprit.com"

- Sales from smartphones increased by 84% year-on-year

iii) Ambitious Brand Marketing campaigns (#ImPerfect) – In FY15/16 we decided to escalate our brand marketing spend and to boost the "boldness" of our campaigns. Triggered by the positive performance of the Vertical Products, since September 2015, we have embarked on the "#ImPerfect" campaign to strengthen and rejuvenate our brand image. The campaign is designed to present the all-time values of Esprit to a new generation of consumers with a more colorful, expressive and youthful concept and a stronger focus on digital media. The campaign launch positively impacted the market, especially in terms of engaging new consumers through our social media.

iv) Strengthened management and professional teams – All of the aforementioned progress has only been possible with the commitment and passion of our global team. Our executive management team members are highly familiar with both the principles and daily operation of a Vertical Model, with a proven track record to drive business performance. We also count on highly experienced and successful management to build up our Omnichannel Model. In the markets, this year we welcomed two very strong executives as General Managers for the Rest of Europe and the Asia Pacific regions. And, in general, I have the privilege to see daily that we count on outstanding professional teams that are proving the key asset to bring Esprit back to profitability and growth.

Key Challenges Ahead

Still the most important factor for the success of Esprit is to continue improving our sales performance by completing all developments along the four elements of the Strategic Plan: Brand, Vertical Model, Omnichannel Model and People.

In addition, as mentioned in the first part of this letter, the Group faces headwinds in two important business areas: the Wholesale channel and the Asia Pacific region.

We are encountering two-pronged difficulties in the **Wholesale channel**. Externally, the channel is under increasing pressure from low price vertical retailers, continued sales shift towards online, declining consumers' traffic, etc., that create business and financial difficulties for many players. This exerts considerable pressure on our wholesale footprint and results in a progressive reduction of controlled space as well as wholesale revenue. Internally, we must still develop good performing solutions to fully extend the benefits of the Vertical and Omnichannel models to our wholesale partners, so that we can achieve similar improvement as seen in our retail. These solutions are not obvious because the principles of a Vertical operation are often conflicting with the operation of our partners (e.g. fully centralized merchandising decisions). We have tested different approaches during the past two years with mixed results, which makes our progress slower than desired. To this end, a dedicated project team in Esprit is working to define our new wholesale model based on specialized solutions for each type of partner. We are currently in the phase of testing the most promising models with selected partners.

As for **Asia Pacific ("APAC")**, the difficulties in the region are also attributable to both external and internal issues. From a macroeconomic perspective, the combination of volatility in the financial markets and the economic slowdown in China has dampened consumer sentiment and reduced the flow of consumers' traffic into the malls in the region. This has provoked a highly promotional-driven market with negative impact on sales and margins. From an internal perspective, there are brand-specific weaknesses related to our distribution network in APAC, different than those of the main international brands in Asia (i.e. Esprit's retail space concentration in department stores and discount outlets). While the strategy and action plan is clear for Esprit to correct this situation, it is taking time to implement all the necessary measures. Nonetheless, we already see progress in terms of rapid e-commerce sales growth, improved operational excellence across retail functions, gross profit margin normalization, downsizing of local structures, etc., that make us confident about the revival of our long-term potential in the region.

Outlook

To summarize, FY15/16 has been a positive year with improved financial performance and successful development of the most critical elements of our Strategic Plan. Moving forward, we must keep the focus on improving our bottom line and step up the efforts to accelerate the positive trends of last year, while tackling pending matters and the aforementioned issues, so that all areas of the business can contribute positively to the turnaround of Esprit.

As explained in my letter to shareholders last year, growth will only come progressively as the Group still faces a decline of its wholesale space and retail space (as loss-making retail stores still need to be closed). We must continue to counter this space reduction with better sales productivity and profitability measures. Our short-term outlook for FY16/17 is based on the immediate priorities presented in this letter.

Controlled space in retail is expected to decline by high-single-digit percentage due to our decision to speed up the closure of loss-making retail space. Our wholesale controlled space is also likely to decline at a rate similar to those in previous years.

Space productivity (sales per square meter) remains our main focus as we systematically enhance the execution of our Vertical and Omnichannel Models. Improvement in FY16/17 will likely be more moderate than in FY15/16 because we are comparing against higher sales per sqm levels in most of the stores. Still we anticipate sustained productivity increases that must drive bottom line improvement throughout the year.

Thanks to the Omnichannel initiatives, the strong growth momentum of **e-shop** is expected to continue. Growth of e-shop revenue for Europe in FY16/17 will likely be in single-digit, as we compare against a very large base, while the growth in Asia Pacific is expected to remain in high-double digit.

Gross profit margin should remain stable level or achieve a modest increase.

OPEX will be visibly reduced by the accelerated closure of loss making stores and the impact of the cost restructuring measures already implemented as part of our goal to reduce HK$1 billion OPEX over the next two years (communicated in the last IR Day). Also, following the strong push in brand marketing in FY15/16, we plan to bring our expenditure in marketing and advertising to a lower level in FY16/17.

CAPEX is expected at a level similar to that in FY15/16. We will continue to moderately invest in retail stores refurbishment, Omnichannel initiatives, and the extension and upgrade of our distribution center in Europe.

Closing

Esprit is operating in an industry that is undergoing thorough fundamental changes, the shift in consumer preferences, the increasing relevance of e-commerce and the intense price competition are placing considerable pressure on most players in the industry.

I believe that the Vertical and Omnichannel models offer us the best way to confront these challenges. Although the transformation may seem to take longer than initially expected by investors, employees and other stakeholders, it is enhancing Esprit's ability to compete in the longer term. In view of the progress made in the past three years, we are confident that Strategic Plan is proving effective.

In closing, I would like to thank the Board, the management team and all of Esprit's employees for their trust, dedication and commitment during this vital phase for Esprit. I am also very grateful for the continued support and patience of our shareholders during the course of this turnaround journey. We are now a step closer and in a stronger position to restore Esprit back to its full potential.

Jose Manuel MARTINEZ GUTIERREZ // Executive Director and Group CEO
20 September 2016

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE ANALYSIS

For the financial year ended 30 June 2016 ("FY15/16" or "Financial Year Under Review"), Group revenue amounted to HK$17,788 million (2015: HK$19,421 million), almost flat year-on-year ("yoy") in local currency ("LCY") with a slight decline of -1.1%. This is a favorable development against the reduction in total controlled space of -13.1% that reflects a significant productivity gain (increase of sales per square meter) of the retail operations for the first time in nine years. This top line performance also represents a substantial improvement after the previous four consecutive years of yoy revenue declines in local currency (-11.5%, -9.9%, -11.5% and -10.5% in FY14/15, FY13/14, FY12/13 and FY11/12 respectively). Due to unfavorable currency impact resulting from the yoy depreciation of the EUR/HKD average exchange rate of -7.6%, the yoy decline in Group revenue was -8.4% in Hong Kong Dollar terms.

Overall dynamic behind the topline development in the second half of FY15/16 ("2HFY15/16") was very similar to what we saw in the first half of FY15/16 ("1HFY15/16"). More specifically, we continued to see consistent positive growth in retail sales and comparable retail store sales, driven by our core market, Europe, and core product groups, Women divisions and edc division. Nonetheless, weaknesses in the wholesale channel and the Asia Pacific region continued, and they remain the two most challenging areas of our business.

REVENUE BY PRODUCT

The Group markets its products under two brands, namely the Esprit brand and edc brand, which offer apparel and lifestyle products for women, men as well as kids. For the purpose of this management discussion and analysis, products are categorized into four major groups: Esprit Women, Esprit Men, Lifestyle, and edc.

Revenue by product

	For the year ended 30 June					
	2016		2015		Change in %	
Product division	**HK$ million**	**% to Group Revenue**	HK$ million	% to Group Revenue	HK$	Local currency
Esprit Women	**8,083**	**45.4%**	8,584	44.2%	-5.8%	1.7%
women casual	**5,462**	**30.7%**	5,754	29.6%	-5.1%	2.6%
women collection	**2,184**	**12.3%**	2,323	12.0%	-6.0%	-1.5%
trend #	**437**	**2.4%**	507	2.6%	-13.9%	-6.9%
Esprit Men	**2,374**	**13.4%**	2,773	14.3%	-14.4%	-7.6%
men casual	**1,932**	**10.9%**	2,235	11.5%	-13.6%	-6.7%
men collection	**442**	**2.5%**	538	2.8%	-17.8%	-11.3%
Lifestyle and others	**3,457**	**19.4%**	3,827	19.7%	-9.7%	-2.4%
bodywear ^	**921**	**5.2%**	919	4.8%	0.2%	8.0%
accessories ^	**888**	**5.0%**	1,014	5.2%	-12.4%	-4.7%
shoes ^	**704**	**3.9%**	746	3.8%	-5.7%	1.8%
kids	**465**	**2.6%**	622	3.2%	-25.2%	-18.0%
others *	**479**	**2.7%**	526	2.7%	-8.9%	-3.8%
edc	**3,874**	**21.8%**	4,237	21.8%	-8.6%	-1.2%
edc women	**3,059**	**17.2%**	3,359	17.3%	-8.9%	-1.5%
edc men	**815**	**4.6%**	878	4.5%	-7.3%	0.1%
Group Total	**17,788**	**100.0%**	19,421	100.0%	-8.4%	-1.1%

\# 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

^ Bodywear, accessories and shoes under edc brand are grouped together with those under Esprit brand in FY15/16 while they were grouped under edc others in FY14/15. Comparative figures of bodywear, accessories and shoes are restated accordingly

* Others include mainly licensing income & licensed products like timewear, eyewear, jewelry, bed & bath, houseware, etc.

In the previous financial year, the Group devoted most of its efforts to the implementation of the Vertical Model in order to develop improved products in terms of design, quality and value-for-money ("Vertical Products") because management considered products to be the most critical element to a successful turnaround for the Group. Esprit Women and edc, the two largest product groups representing 67.2% (2015: 66.0%) of Group revenue, were the first divisions to implement the Vertical Model and are the ones showing better performance in FY15/16.

Esprit Women

- Represented 45.4% of Group revenue (2015: 44.2%)
- The largest product group comprising primarily women casual (fresh and natural style for relaxed everyday look), and women collection (daily business or special occasion dress up look)
- Revenue grew by +1.7% yoy in LCY

Due to its size and strategic importance, Esprit Women was the first product group to adopt the Vertical Model. This is the first full year of operation of the Vertical Model and its positive impact has led to improved sales performance of the product group. Revenue grew by +1.7% yoy in LCY. In terms of product lines under the product group, Women Casual and Women Collection recorded sales performance of +2.6% yoy in LCY and -1.5% yoy in LCY respectively. Both divisions showed improvement in the retail channel (including e-shop) where revenue of Esprit Women grew by +6.7% yoy in LCY (Women Casual: +7.7%, and Women Collection: +8.8%).

Esprit Men

- Represented 13.4% of Group revenue (2015: 14.3%)
- Comprising men casual and men collection
- Revenue declined by -7.6% yoy in LCY

The Vertical Model was rolled out to this product group at a later stage and the product team has been restructured and strengthened in the Financial Year Under Review. As a consequence, positive impacts from these changes surfaced later during the year, and helped narrow the rate of decline to -6.6% in 2HFY15/16 yoy in LCY as compared to -8.4% yoy in 1HFY15/16 for a total of -7.6% yoy in LCY for the year. In terms of product lines, both men casual and men collection experienced similar development, with their rates of revenue decline narrowed to -6.7% and -11.3% yoy in LCY respectively.

Lifestyle and others

- Represented 19.4% of Group revenue (2015: 19.7%)
- Comprising mainly bodywear, accessories, shoes, kids, licensed products such as timewear, eyewear, jewelry, bed & bath, houseware, as well as licensing income from the licensing business
- Revenue declined by -2.4% yoy in LCY

Bodywear, Accessories, Shoes and Kids are the largest divisions under Lifestyle and others, together accounting for 86.1% of the revenue of this product group. In FY15/16, Bodywear and Shoes outperformed other divisions and achieved revenue growth of +8.0% and +1.8% yoy in LCY, respectively. This positive performance was offset by i) revenue decline of -4.7% yoy in LCY for Accessories, and ii) the larger revenue drop of -18.0% yoy in LCY of the Kids division which was being wound down in preparation for our licensing partnership with Groupe Zannier. This partnership is designed to re-build a relevant scale of Kids division mostly in the European markets and its full implementation has begun in January 2016, with Autumn/Winter 2016 being its first collection.

edc

- Represented 21.8% of Group revenue (2015: 21.8%)
- The second largest product group comprising edc women and edc men, offering progressive, edgy, urban and youthful style
- Revenue declined by -1.2% yoy in LCY

The Vertical Model was rolled out to edc product group right after Esprit Women, and the benefit is gradually being reflected in its sales performance. While its revenue still recorded a slight decline, the rate of decline has narrowed to -1.2% yoy in LCY. In terms of product lines under the product group, edc women and edc men recorded sales performance of -1.5% yoy in LCY and +0.1% yoy in LCY, respectively. Similar to Esprit Women, the improvement was more visible in the retail channel (including e-shop) where revenue of edc grew by +6.5% yoy in LCY (edc women: +6.7% and edc men: +5.8%).

REVENUE BY REGION

The majority of the Group's business is located in Europe and Asia Pacific. Countries in which we operate are grouped along three major regions: "Germany", "Rest of Europe" and "Asia Pacific". The Rest of Europe region includes our business in America and the Middle East.

Revenue by country

	For the year ended 30 June						
	2016		2015		Revenue change in %		Net change in net sales area^
Country ^^	HK$ million	% to Group Revenue	HK$ million	% to Group Revenue	HK$	Local currency	
Germany *#	**8,559**	**48.1%**	9,097	46.9%	-5.9%	2.1%	-10.1%
Rest of Europe	**6,581**	**37.0%**	7,108	36.6%	-7.4%	0.1%	-13.7%
Benelux #	2,121	11.9%	2,410	12.4%	-12.0%	-4.1%	-21.8%
France	1,128	6.4%	1,221	6.3%	-7.7%	0.9%	-7.2%
Switzerland	984	5.5%	1,010	5.2%	-2.5%	2.1%	-6.9%
Austria	832	4.7%	864	4.5%	-3.8%	4.5%	-6.8%
Sweden	262	1.5%	269	1.4%	-2.5%	6.7%	-25.8%
Finland	233	1.3%	284	1.5%	-17.9%	-10.4%	-17.6%
Spain	216	1.2%	223	1.1%	-3.0%	5.4%	-4.6%
United Kingdom	151	0.8%	203	1.0%	-25.5%	-20.2%	-14.2%
Italy	131	0.7%	137	0.7%	-4.5%	4.7%	-2.8%
Denmark	111	0.7%	123	0.6%	-9.5%	-1.7%	-31.5%
Poland	73	0.4%	14	0.1%	404.9%	456.7%	0.2%
Ireland	7	0.0%	6	0.0%	13.6%	24.1%	-4.3%
Norway	4	0.0%	16	0.1%	-76.7%	-72.7%	-
Portugal	1	0.0%	5	0.0%	-79.9%	-78.4%	-
Others ##	327	1.9%	323	1.7%	1.1%	6.5%	-2.9%
Asia Pacific	**2,648**	**14.9%**	3,216	16.5%	-17.6%	-12.5%	-19.4%
China	1,182	6.6%	1,500	7.7%	-21.2%	-18.0%	-24.7%
Hong Kong	332	1.9%	386	2.0%	-14.1%	-14.1%	-9.9%
Australia and New Zealand	324	1.8%	375	1.9%	-13.7%	-1.2%	-13.0%
Singapore	256	1.4%	301	1.6%	-14.7%	-9.6%	-16.4%
Malaysia	192	1.1%	239	1.2%	-19.4%	-3.3%	-4.8%
Taiwan	188	1.1%	200	1.0%	-6.1%	-0.9%	-13.2%
Macau	102	0.6%	132	0.7%	-23.0%	-23.0%	-20.3%
Others @	72	0.4%	83	0.4%	-12.9%	-4.0%	-21.0%
Total	**17,788**	**100.0%**	19,421	100.0%	-8.4%	-1.1%	-13.1%

^ Net change since 1 July 2015
^^ Country as a whole includes retail, wholesale and licensing operations
* Since FY15/16, our German wholesale operation team has taken over the management of the wholesale business in other European countries, mainly Slovenia, Bosnia-Herzegovina and Romania. As a consequence, for the year ended 30 June 2016, wholesale revenue from these European countries has been re-grouped from Rest of Europe to Germany. Comparative figures have been restated accordingly
# Include licensing
Others under Rest of Europe include i) retail revenue from Czech Republic, Hungary, Slovakia, Latvia, Malta, Slovenia, Estonia and Greece; ii) wholesale revenue from other countries mainly Chile, Colombia 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
@ Others under Asia Pacific include wholesale revenue from other countries mainly Thailand and the Philippines

Germany

- Represented 48.1% of Group revenue (2015: 46.9%)
- Revenue grew by +2.1% yoy in LCY compared to -10.1% yoy reduction in total controlled space
- **Retail** revenue (excl. e-shop), represented 36.0% of Germany, grew by +5.0% yoy in LCY
- **e-shop** revenue, represented 28.9% of Germany, grew by +11.5% yoy in LCY
- **Wholesale** revenue, represented 34.8% of Germany, declined by -7.4% yoy in LCY

	For the year ended 30 June						
	2016		2015		Revenue change in %		Net change in net sales area^
Distribution channel	**HK$ million**	**% to Total Revenue**	HK$ million	% to Total Revenue	HK$	Local currency	
Retail (excl. e-shop)	**3,079**	**36.0%**	3,186	35.0%	-3.3%	5.0%	-3.4%
e-shop	**2,480**	**28.9%**	2,400	26.4%	3.3%	11.5%	n.a.
Wholesale #	**2,978**	**34.8%**	3,497	38.4%	-14.9%	-7.4%	-14.0%
Licensing	**22**	**0.3%**	14	0.2%	62.9%	70.8%	n.a.
Total	**8,559**	**100.0%**	9,097	100.0%	-5.9%	2.1%	-10.1%

^ Net change since 1 July 2015

\# Since FY15/16, our German wholesale operation team has taken over the management of the wholesale business in other European countries, mainly Slovenia, Bosnia-Herzegovina and Romania. As a consequence, for the year ended 30 June 2016, wholesale revenue from these European countries has been re-grouped from Rest of Europe to Germany. Comparative figures have been restated accordingly

n.a. Not applicable

Due to its significant size, strategic importance, and also the latest management reporting structure of the Group, e-shop is now considered a key operating segment by management, and it is therefore carved out from the retail channel and reported separately. The e-shops in Germany, Rest of Europe and Asia Pacific are aggregated into one reporting segment under global e-shop. Details of global e-shop performance are discussed separately in the next section headed "Revenue by Distribution Channel".

The improved performance of **Germany retail (excl. e-shop)** reflected improvements in our product offering, channel management and marketing operations. These improvements drove productivity gain of our retail space in Germany and led to yoy growth in comparable store sales of +5.8%. Comparable full price brick and mortar stores[1] in the country outperformed the market virtually every month throughout the year, by an average of +9.5% points (based on the comparable market data published by TextilWirtschaft). This positive development was partly offset by a -3.4% yoy reduction in retail net sales area in the country, attributable to our strategic decision to accelerate closure of certain unprofitable retail stores. Retail (excl. e-shop) revenue thus grew by +5.0% in LCY.

Germany Wholesale remained to be challenging. The difficulties that we are experiencing in the wholesale channel are two folds. On the one hand, the channel is under increasing pressure from low price vertical retailers, continued sales shift towards online, declining consumers' traffic, etc., that create business and financial difficulties for many players. This exerts considerable pressure on our wholesale footprint in Germany and results in yoy reduction in controlled wholesale space of -14.0% and decline in wholesale revenue of -7.4% in LCY during the year. That being said, it is worth noting that part of the decline in controlled wholesale space was attributable to the transfer of 713 points of sales ("POS") under the Kids division, in preparation for our licensing partnership with Groupe Zannier. Excluding these Kids POS, the reduction in controlled wholesale space would have been -8.5% yoy. On the other hand, we have yet to finalize practical solutions for our different types of partners to bring the best of the Vertical Model of Esprit to our wholesale partners.

[1] Only full price brick and mortar stores because this is the type of stores used by TextilWirtschaft to present the German retail market development.

Rest of Europe

- Represented 37.0% of Group revenue (2015: 36.6%); comprising countries in Europe except Germany, as well as countries in America and the Middle East
- Revenue grew by +0.1% yoy in LCY, compared to -13.7% yoy reduction in total controlled space
- **Retail** revenue (excl. e-shop), represented 37.1% of the region, grew by +3.0% yoy in LCY
- **e-shop** revenue, represented 22.9% of the region, grew by +17.7% yoy in LCY
- **Wholesale** revenue, represented 38.0% of the region, declined by -10.1% yoy in LCY

	For the year ended 30 June						
	2016		2015		Revenue change in %		Net change in net sales area^
Distribution channel	**HK$ million**	**% to Total Revenue**	HK$ million	% to Total Revenue	HK$	Local currency	
Retail (excl. e-shop)	**2,440**	**37.1%**	2,551	35.9%	-4.4%	3.0%	-16.8%
e-shop	**1,512**	**22.9%**	1,385	19.5%	9.1%	17.7%	n.a.
Wholesale	**2,499**	**38.0%**	3,035	42.7%	-17.6%	-10.1%	-11.8%
Licensing and others	**130**	**2.0%**	137	1.9%	-5.4%	-4.8%	n.a.
Total	**6,581**	**100.0%**	7,108	100.0%	-7.4%	0.1%	-13.7%

^ Net change since 1 July 2015
n.a. Not applicable

Due to its significant size, strategic importance, and also the latest management reporting structure of the Group, e-shop is now considered a key operating segment by management, and it is therefore carved out from the retail channel and reported separately. The e-shops in Germany, Rest of Europe and Asia Pacific are aggregated into one reporting segment under global e-shop. Details of global e-shop performance are discussed separately in the next section headed "Revenue by Distribution Channel".

Similar to Germany, improvements in product offering, channel management and marketing operations drove productivity gain of our **retail** space in Rest of Europe, as reflected by its yoy retail comparable store sales growth of +6.9% in LCY. The productivity gain on retail space was partly offset by a -16.8% yoy reduction in retail net sales area in the region, mainly due to i) closure of 31 concession counters in the Netherlands as a result of the bankruptcy of a local department store, and ii) closure of 12 unprofitable stores under store closures and onerous leases. Overall, retail (excl. e-shop) revenue grew by +3.0% yoy in LCY.

Wholesale performance in the region continued to be challenging for the same reasons as discussed under Germany. This has resulted in wholesale revenue decline of -10.1% yoy in LCY for the region, which is broadly in line with the corresponding -11.8% reduction in controlled wholesale space during the year. Also similar to Germany, part of the decline in controlled wholesale space was attributable to the transfer of 150 wholesale POS under the Kids division, in preparation for our licensing partnership with Groupe Zannier. Excluding these Kids POS, the reduction in controlled wholesale space would have been -9.9% yoy.

Asia Pacific

- Represented 14.9% of Group revenue (2015: 16.5%); comprising mainly China, Hong Kong, Australia and New Zealand, Singapore, Malaysia, Taiwan and Macau
- Revenue declined by -12.5% yoy in LCY, compared to -19.4% yoy reduction in total controlled space
- **Retail** revenue (excl. e-shop), represented 87.1% of the region, declined by -12.6% yoy in LCY
- **e-shop** revenue, represented 6.1% of the region, grew by +72.2% yoy in LCY
- **Wholesale** revenue, represented 6.8% of the region, declined by -38.4% yoy in LCY

	For the year ended 30 June						
	2016		2015		Revenue change in %		Net change in net sales area^
Distribution channel	**HK$ million**	**% to Total Revenue**	HK$ million	% to Total Revenue	HK$	Local currency	
Retail (excl. e-shop)	**2,306**	**87.1%**	2,804	87.2%	-17.8%	-12.6%	-14.1%
e-shop	**161**	**6.1%**	99	3.1%	63.5%	72.2%	n.a.
Wholesale	**181**	**6.8%**	313	9.7%	-42.1%	-38.4%	-34.6%
Total	**2,648**	**100.0%**	3,216	100.0%	-17.6%	-12.5%	-19.4%

^ Net change since 1 July 2015
n.a. Not applicable

Due to its significant size, strategic importance, and also the latest management reporting structure of the Group, e-shop is now considered a key operating segment by management, and it is therefore carved out from the retail channel and reported separately. The e-shops in Germany, Rest of Europe and Asia Pacific are aggregated into one reporting segment under global e-shop. Details of global e-shop performance are discussed separately in the next section headed "Revenue by Distribution Channel".

The underperformance in Asia Pacific is attributable to a combination of external and internal factors. Externally, unfavorable macro factors, including volatility in the financial markets and the economic slowdown in China, have dampened consumer sentiment and reduced the flow of consumers' traffic into the shopping malls in the region. This has provoked a highly promotional-driven market with negative impact on sales and margins. Internally, there are brand-specific weaknesses related to our distribution network (e.g. retail space concentration in department stores and discount outlets). While the strategy and action plan to correct this situation are being executed, it will take some time to implement all the necessary measures. Nonetheless, we already see progress in terms of rapid e-commerce sales growth, improved operations across retail functions, gross profit margin normalization, downsizing of local structures, etc., that make us confident about the revival of our long-term potential in the region.

Our business in Asia Pacific is predominately **retail (excl. e-shop)**, which accounted for 87.1% of the total revenue in the region. Management has started to correct the weaknesses in our distribution network by closing specific POS, which explains the -14.1% yoy reduction in retail net sales area and the corresponding -12.6% LCY decline in Retail (excl. e-shop) revenue during the year. This pressure was partly compensated by successful expansion of **e-shop** in the region which reported revenue growth of +72.2% yoy in LCY.

Wholesale revenue, only represented 6.8% of the region, and declined -38.4% yoy in LCY. The decline is broadly in line with the corresponding -34.6% yoy reduction in controlled wholesale space primarily due to business termination by wholesale customers in China. Given that Asia Pacific wholesale only represents 1.0% of the Group's revenue, its real impact on the Group's overall top line performance has been limited.

REVENUE BY DISTRIBUTION CHANNEL

The Group distributes its products directly to end-consumers through directly-managed retail stores ("Retail (excl. e-shop)") and online ("e-shop"), and also distributes through third parties, both offline and online ("Wholesale").

Revenue by distribution channel

Distribution channel	For the year ended 30 June 2016 HK$ million	2016 % to Group Revenue	2015 HK$ million	2015 % to Group Revenue	Revenue change in % HK$	Revenue change in % Local currency	Net change in net sales area^
Retail (excl. e-shop)	**7,825**	**44.0%**	8,541	44.0%	-8.4%	-1.3%	-10.9%
e-shop	**4,153**	**23.3%**	3,884	20.0%	6.9%	15.3%	n.a.
Wholesale	**5,658**	**31.8%**	6,845	35.2%	-17.3%	-10.0%	-14.9%
Licensing and others	**152**	**0.9%**	151	0.8%	0.9%	2.1%	n.a.
Total	**17,788**	**100.0%**	19,421	100.0%	-8.4%	-1.1%	-13.1%

^ Net change since 1 July 2015
n.a. Not applicable

Retail (excl. e-shop)

- Represented 44.0% of Group revenue (2015: 44.0%)
- Distribution network comprises 761 directly managed retail stores (2015: 890 POS), including 384 standalone stores, 288 concession counters mainly in department stores and 89 off-price outlets
- Revenue declined by -1.3% yoy in LCY, compared to -10.9% reduction in net sales area
- Comparable store sales grew yoy by +4.3%

Retail (excl. e-shop) revenue by country

Country	For the year ended 30 June 2016 HK$ million	2016 % to Total Revenue	2015 HK$ million	2015 % to Total Revenue	Revenue change in % HK$	Revenue change in % Local currency	Net change in net sales area^
Germany	**3,079**	**39.4%**	3,186	37.3%	-3.3%	5.0%	-3.4%
Rest of Europe	**2,440**	**31.2%**	2,551	29.9%	-4.4%	3.0%	-16.8%
Benelux	891	11.4%	953	11.2%	-6.5%	2.1%	-21.1%
Switzerland	602	7.7%	604	7.1%	-0.2%	3.5%	-5.3%
Austria	402	5.1%	411	4.8%	-2.2%	6.3%	-8.7%
France	321	4.1%	383	4.5%	-16.2%	-8.9%	-15.5%
Sweden	85	1.1%	53	0.6%	62.4%	77.6%	-40.6%
Poland	65	0.8%	11	0.1%	463.8%	526.6%	0.2%
Finland	54	0.7%	67	0.8%	-19.3%	-11.9%	-42.2%
Denmark	15	0.2%	14	0.2%	1.7%	9.9%	-
United Kingdom	5	0.1%	45	0.5%	-88.9%	-88.3%	-100.0%
Norway	-	-	10	0.1%	-100.0%	-100.0%	-
Asia Pacific	**2,306**	**29.4%**	2,804	32.8%	-17.8%	-12.6%	-14.1%
China	939	12.0%	1,189	13.9%	-21.0%	-17.9%	-16.8%
Hong Kong	331	4.2%	386	4.5%	-14.2%	-14.2%	-9.9%
Australia and New Zealand	304	3.9%	358	4.2%	-15.3%	-2.9%	-13.0%
Singapore	253	3.2%	300	3.5%	-15.4%	-10.3%	-16.4%
Malaysia	191	2.4%	239	2.8%	-20.0%	-3.9%	-4.8%
Taiwan	186	2.4%	200	2.3%	-7.1%	-1.9%	-13.2%
Macau	102	1.3%	132	1.6%	-23.0%	-23.0%	-20.3%
Total	**7,825**	**100.0%**	8,541	100.0%	-8.4%	-1.3%	-10.9%

^ Net change since 1 July 2015

FY15/16 has been a year of positive progress for our retail business. Most importantly, productivity (sales per square meter) of retail net sales area resumed to positive growth, reversing the downward trend since FY07/08. The improvement was driven by Germany as well as Rest of Europe, where retail (excl. e-shop) sales increased yoy by +5.0% and +3.0% in LCY respectively, a favorable development considering -3.4% and -16.8% yoy reduction in retail net sales area respectively. As discussed earlier, these encouraging retail sales performances in Europe reflect our well received product offerings, together with the success of our Omnichannel initiatives and the efforts on our brand marketing campaigns. Unfortunately, such positive development in Europe was offset by -12.6% yoy LCY decline in retail (excl. e-shop) sales in Asia Pacific.

Directly managed retail stores by country – movement since 1 July 2015

	As at 30 June 2016					
Country	**No. of stores**	**Net opened stores***	**Net sales area (m^2)**	**Net change in net sales area***	**No. of comp stores (ex e-shop)**	**Comp-store sales growth (ex e-shop)**
Germany	**147**	**(3)**	**118,599**	**-3.4%**	**125**	**5.8%**
Rest of Europe	**143**	**(54)**	**86,490**	**-16.8%**	**112**	**6.9%**
Switzerland	37	(2)	17,123	-5.3%	34	6.0%
Belgium	22	(4)	16,190	-11.3%	22	5.8%
France	21	(5)	12,138	-15.5%	19	3.3%
Netherlands	20	(35)	14,492	-31.4%	17	8.4%
Austria	19	(1)	15,299	-8.7%	14	10.8%
Poland	11	-	3,273	0.2%	-	n.a.
Sweden	7	(3)	3,736	-40.6%	-	n.a.
Luxembourg	3	-	1,869	-	3	8.6%
Finland	2	(3)	1,745	-42.2%	2	17.5%
Denmark	1	-	625	-	1	9.7%
United Kingdom	-	(1)	-	-100.0%	-	n.a.
Asia Pacific	**471**	**(72)**	**86,483**	**-14.1%**	**222**	**-4.1%**
China	250	(58)	41,821	-16.8%	115	-11.1%
Taiwan	73	(1)	6,617	-13.2%	25	-6.6%
Australia	66	(4)	8,080	-11.4%	42	7.3%
Malaysia	35	(4)	12,909	-4.8%	20	-3.0%
Singapore	21	(2)	6,630	-16.4%	11	4.7%
Hong Kong	14	(1)	6,473	-9.9%	2	4.2%
New Zealand	8	(1)	1,571	-20.5%	3	9.9%
Macau	4	(1)	2,382	-20.3%	4	-1.8%
Total	**761**	**(129)**	**291,572**	**-10.9%**	**459**	**4.3%**

* Net change since 1 July 2015
n.a. Not applicable

Directly managed retail stores by store type – movement since 1 July 2015

	No. of POS					Net sales area (m^2)				
	As at	vs 1 July 2015		As at	Net	As at	vs 1 July 2015		As at	Net
Store type	**30 June 2016**	**Opened**	**Closed**	**1 July 2015**	**change**	**30 June 2016**	**Opened**	**Closed**	**1 July 2015**	**change**
Stores	**384**	**22**	**(66)**	**428**	**(44)**	**222,983**	**6,293**	**(32,818)**	**249,508**	**-10.6%**
- Germany	134	4	(10)	140	(6)	105,159	1,176	(6,517)	110,500	-4.8%
- Rest of Europe	132	2	(25)	155	(23)	78,181	728	(14,673)	92,126	-15.1%
- Asia Pacific	118	16	(31)	133	(15)	39,643	4,389	(11,628)	46,882	-15.4%
Concession counters	**288**	**19**	**(107)**	**376**	**(88)**	**27,633**	**2,664**	**(12,159)**	**37,128**	**-25.6%**
- Germany	2	2	-	-	2	794	794	-	-	n.a.
- Rest of Europe	-	-	(31)	31	(31)	-	1	(3,439)	3,438	-100.0%
- Asia Pacific	286	17	(76)	345	(59)	26,839	1,869	(8,720)	33,690	-20.3%
Outlets	**89**	**15**	**(12)**	**86**	**3**	**40,956**	**3,893**	**(3,646)**	**40,709**	**0.6%**
- Germany	11	1	-	10	1	12,646	405	(3)	12,244	3.3%
- Rest of Europe	11	1	(1)	11	-	8,309	181	(281)	8,409	-1.2%
- Asia Pacific	67	13	(11)	65	2	20,001	3,307	(3,362)	20,056	-0.3%
Total	**761**	**56**	**(185)**	**890**	**(129)**	**291,572**	**12,850**	**(48,623)**	**327,345**	**-10.9%**

n.a. Not applicable

In terms of retail space development, the yoy space reduction of -10.9% is in line with our strategic direction to rationalize the store network in order to maximize space productivity of this channel. The decline was largely attributable to -10.6% yoy space reduction of standalone stores and -25.6% yoy space reduction of concession counters, while the space for off-price outlets remained stable with +0.6% growth. Among the 185 closures over the past twelve months, 15 were stores under store closure and onerous leases announced previously, 31 were concession counters in the Netherlands due to the bankruptcy of a local department store, and 68 were non-performing concession counters in department stores in China, which have been closed upon lease expiry.

e-shop

- Represented 23.3% of Group revenue (2015: 20.0%)
- Revenue grew by +15.3% yoy in LCY
- **Germany**, represented 59.7% of e-shop revenue, grew by +11.5% yoy in LCY
- **Rest of Europe**, represented 36.4% of e-shop revenue, grew by +17.7% yoy in LCY
- **Asia Pacific**, represented 3.9% of e-shop revenue, grew by +72.2% yoy in LCY

Started in Germany in 1999, our global e-shop now operates in over 20 countries, including: Germany, Belgium, Netherlands, Luxemburg, France, Switzerland, Austria, United Kingdom, Denmark, Finland, Sweden, Czech Republic, China, Hong Kong, Taiwan, Singapore and Malaysia. The channel has grown to HK$4,153 million in sales in FY15/16, representing 23.3% of Group revenue. Despite its size, e-shop has continued to grow at a double-digit rate, with its revenue increased +15.3% yoy in LCY during the year under review. The strong growth of our e-shop contributed very positively to this year's results. We believe that our e-shop has the following competitive strengths that have driven our success to date and will continue to distinguish us from competition.

- Broad base of loyal customers under the "Esprit Friends" loyalty program
- Simple and convenient shopping experience based on strong internal knowhow
- Robust CRM system enabling us to drive demand through personalized communication
- Country-specific online destinations and mobile apps addressing the distinct needs and preferences of our customer in each market
- State-of-the-art fulfillment center located in Europe

Germany and **Rest of Europe** contributed 59.7% and 36.4% of global e-shop revenue in FY15/16 and continued their growth momentum with +11.5% and +17.7% revenue growth yoy in LCY, respectively. We believe that this growth was particularly fueled by the implementation of Omnichannel initiatives, which leverage the key competitive advantages of Esprit. In this respect, we are encouraged by the following developments during the year: i) 90% of e-shop sales were made to Esprit Friends members and the number of active Esprit Friends members[2] increased by 27% yoy; ii) cross-channel Esprit Friends members, buying both offline and online, increased by +12% yoy; iii) European websites attracted more than 193 million visit per year, up by +5% yoy; and iv) sales initiated from smartphones increased by +84% yoy. Development of Omnichannel initiatives will continue to be instrumental in facilitating growth of our e-shop (as well as offline sales) in the short and medium term.

[2] Customers who placed at least one order in the last twelve month period

As for **Asia Pacific**, we are at early stage of developing our e-shop presence in the region. It was initially rolled out to China and Australia in 2012/2013, and we only accelerated the expansion into the rest of Asia Pacific recently, including Hong Kong, Taiwan, Malaysia and Singapore. After only a few years of operations, e-shop revenue from the region has grown to HK$161 million, representing 3.9% of the global e-shop revenue. With the introduction of our Omnichannel initiatives this year, the e-shops in Asia Pacific have enjoyed strong revenue growth of +72.2% yoy in LCY. We see large potential for growth of the e-shop in the region and have already stepped up resources in our regional e-shop team to seize this opportunity.

Wholesale

- Represented 31.8% of Group revenue (2015: 35.2%)
- Distribution network comprises 6,332 POS, including 945 franchise stores (“PSS”), 3,298 shop-in stores in department stores and 2,089 identity corners in multi-label stores
- Revenue declined by -10.0% yoy in LCY, compared to -14.9% yoy reduction in controlled space

Wholesale revenue by country

	For the year ended 30 June						
	2016		2015		Revenue change in %		Net change
Country	HK$ million	% to Total Revenue	HK$ million	% to Total Revenue	HK$	Local currency	in net sales area^
Germany *	**2,978**	**52.6%**	3,497	51.1%	-14.9%	-7.4%	-14.0%
Rest of Europe	**2,499**	**44.2%**	3,035	44.3%	-17.6%	-10.1%	-11.8%
Benelux	651	11.5%	909	13.3%	-28.4%	-21.7%	-22.3%
France	545	9.7%	596	8.7%	-8.5%	0.7%	-3.9%
Austria	227	4.0%	269	3.9%	-15.7%	-7.8%	-4.7%
Spain	202	3.6%	213	3.1%	-5.1%	3.2%	-4.6%
Sweden	148	2.6%	199	2.9%	-25.7%	-18.2%	-16.7%
Finland	147	2.6%	188	2.7%	-21.4%	-13.8%	-11.9%
Switzerland	132	2.3%	167	2.4%	-20.8%	-17.6%	-10.8%
Italy	123	2.2%	131	1.9%	-6.6%	2.6%	-2.8%
United Kingdom	91	1.6%	108	1.6%	-15.6%	-10.4%	-1.7%
Denmark	53	0.9%	70	1.0%	-24.3%	-17.0%	-36.3%
Ireland	5	0.1%	4	0.1%	12.4%	23.8%	-4.3%
Norway	4	0.1%	6	0.1%	-41.1%	-31.0%	-
Portugal	-	0.0%	4	0.1%	-100.0%	-100.0%	-
Others #	171	3.0%	171	2.5%	0.7%	9.5%	-2.9%
Asia Pacific	**181**	**3.2%**	313	4.6%	-42.1%	-38.4%	-34.6%
China	109	1.9%	230	3.4%	-52.6%	-50.8%	-41.7%
Others @	72	1.3%	83	1.2%	-12.9%	-4.0%	-21.0%
Total	**5,658**	**100.0%**	6,845	100.0%	-17.3%	-10.0%	-14.9%

^ Net change since 1 July 2015

* Since FY15/16, our German wholesale operation team has taken over the management of the wholesale business in other European countries, mainly Slovenia, Bosnia-Herzegovina and Romania. As a consequence, for the year ended 30 June 2016, wholesale revenue from these European countries has been re-grouped from Rest of Europe to Germany. Comparative figures have been restated accordingly

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

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

As described in previous pages, we are experiencing difficulties in the wholesale channel. Firstly, there exists structural pressure on the channel: aggressive competition from low price vertical retailers, continued sales shift towards online, declining consumers' traffic, etc., that create business and financial difficulties for many players. Secondly, Esprit has not yet fully developed practical solutions to bring the best of the Vertical Model to our wholesale partners. We have made progress regarding a new vertical model for some PSS partners and we have successfully rolled out an incentive scheme that can fully integrate our PSS partners into the "Esprit Friends" program, Esprit's Commercial Plan and the business of our e-shop "esprit.com". But there is still work to be done to complete a comprehensive solution for all types of wholesale partners.

As a result, during FY15/16, there was a net reduction of 1,347 controlled wholesale POS, majority of which were related to the transfer of 863 shop-in-stores and identity corners of Kids division in Europe, in relation to licensing of the Kids division to Groupe Zannier, as discussed in the previous section. In Asia Pacific, there was a net closure of 95 franchise stores, mostly due to business termination by wholesale partners in China.

Wholesale distribution channel by country (controlled space only) – movement since 1 July 2015

As at 30 June 2016

Country	Franchise stores** No. of stores	Franchise stores** Net sales area (m^2)	Franchise stores** Net opened stores*	Franchise stores** Net change in net sales area*	Shop-in-stores** No. of stores	Shop-in-stores** Net sales area (m^2)	Shop-in-stores** Net opened stores*	Shop-in-stores** Net change in net sales area*	Identity corners** No. of stores	Identity corners** Net sales area (m^2)	Identity corners** Net opened stores*	Identity corners** Net change in net sales area*	Total** No. of stores	Total** Net sales area (m^2)	Total** Net opened stores*	Total** Net change in net sales area*
Germany #	**258**	**63,215**	**(17)**	**-9.4%**	**2,370**	**94,762**	**(581)**	**-15.2%**	**1,068**	**21,775**	**(380)**	**-20.7%**	**3,696**	**179,752**	**(978)**	**-14.0%**
Rest of Europe	**485**	**100,326**	**(60)**	**-12.9%**	**928**	**29,417**	**(88)**	**-6.9%**	**1,021**	**23,991**	**(126)**	**-12.9%**	**2,434**	**153,734**	**(274)**	**-11.8%**
Benelux	99	30,180	(33)	-22.9%	130	5,364	(20)	-12.8%	260	5,650	(67)	-26.9%	489	41,194	(120)	-22.3%
France	129	23,795	-	-2.1%	261	5,875	(55)	-17.1%	167	4,611	23	7.7%	557	34,281	(32)	-3.9%
Austria	58	9,800	(5)	-6.9%	93	3,275	10	14.1%	39	926	(12)	-28.7%	190	14,001	(7)	-4.7%
Sweden	26	7,419	(5)	-17.6%	-	-	-	-	44	1,103	(7)	-10.1%	70	8,522	(12)	-16.7%
Finland	19	4,842	(2)	-4.7%	78	3,513	(9)	-8.6%	100	3,157	(54)	-23.9%	197	11,512	(65)	-11.9%
Switzerland	23	3,657	(3)	-14.9%	48	2,443	(8)	-3.9%	20	421	(4)	-10.8%	91	6,521	(15)	-10.8%
Italy	15	3,160	(4)	-13.1%	35	1,046	(3)	-14.0%	214	3,643	22	13.0%	264	7,849	15	-2.8%
Spain	19	2,866	-	-1.4%	177	5,276	3	4.7%	70	2,085	(31)	-24.7%	266	10,227	(28)	-4.6%
Denmark	7	1,687	(5)	-47.4%	2	28	2	100.0%	36	855	3	3.3%	45	2,570	-	-36.3%
Norway	1	242	-	-	-	-	-	-	-	-	-	-	1	242	-	-
United Kingdom	2	143	-	-	14	579	-	-4.6%	63	1,410	2	-0.6%	79	2,132	2	-1.7%
Portugal	-	-	-	-	-	-	-	-	2	35	-	-	2	35	-	-
Ireland	-	-	-	-	3	152	-	-	6	95	(1)	-10.4%	9	247	(1)	-4.3%
Others ^	87	12,535	(3)	-1.5%	87	1,866	(8)	-11.3%	-	-	-	-	174	14,401	(11)	-2.9%
Asia Pacific	**202**	**23,266**	**(95)**	**-34.6%**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**202**	**23,266**	**(95)**	**-34.6%**
China	93	13,622	(72)	-41.7%	-	-	-	-	-	-	-	-	93	13,622	(72)	-41.7%
Thailand	85	6,151	(7)	-1.3%	-	-	-	-	-	-	-	-	85	6,151	(7)	-1.3%
Philippines	21	2,867	-	-	-	-	-	-	-	-	-	-	21	2,867	-	-
Others	3	626	(16)	-79.9%	-	-	-	-	-	-	-	-	3	626	(16)	-79.9%
Total	**945**	**186,807**	**(172)**	**-15.3%**	**3,298**	**124,179**	**(669)**	**-13.4%**	**2,089**	**45,766**	**(506)**	**-16.8%**	**6,332**	**356,752**	**(1,347)**	**-14.9%**

* Net change since 1 July 2015

** Excludes salon

\# For the year ended 30 June 2016, controlled wholesale POS and space in other European countries mainly Slovenia, Bulgaria and Bosnia-Herzegovina have been re-grouped from Others under Rest of Europe to Germany. Comparative figures have been restated accordingly

^ Controlled wholesale POS and space in Rest of Europe include controlled wholesale POS and space in countries outside Europe, mainly Colombia, Chile and the Middle East

PROFITABILITY ANALYSIS

As the Group is undergoing transformation, there are exceptional gains and expenses arising from non-operational activities of the Group ("Exceptional Items"). Management is of the view that it is more meaningful to carve out these Exceptional Items for better assessment of the performance of the underlying operations ("Underlying Operations"). As such, for the purpose of this Profitability Analysis section, we have categorized expenses into two categories: "Regular OPEX" and "Exceptional Items" comprising those relating to the net provisions for store closures and onerous leases, impairment of fixed assets on loss-making stores, as well as relevant expenses/gains that are expected to be non-recurring.

On this basis, the following items are classified as Exceptional Items in FY15/16:

1. Exceptional non-recurring expenses of HK$755 million, in relation to our recent acceleration of cost restructuring measures, as follows:

   a. HK$462 million one-off costs in relation to staff reduction plans ("Staff Reduction Plans"), primarily at the headquarters and affiliates in Europe, to reduce overhead costs;

   b. HK$186 million net provision for store closures and onerous leases, thereof:

      i. HK$162 million provision in relation to the store lease of 34th Street, New York, representing the shortfall against the liabilities under lease as a result of sub-letting the vacant store space;

      ii. HK$198 million provision for closure of certain loss-making stores in Asia Pacific as a result of negative business development;

      iii. HK$174 million net write-back of provision primarily due to improvement in retail performance in Europe;

   c. HK$59 million impairment of fixed assets on loss-making stores;

   d. HK$48 million impairment of the IT applications for Kids division as they are no longer in use due to licensing of kids business to Groupe Zannier.

2. Exceptional net gains of HK$1,337 million comprising the following:

   a. HK$731 million net gain from the sale of the Hong Kong office;

   b. HK$409 million write-back of tax provisions as a result of favorable assessment by the Inland Revenue Department of Hong Kong concerning the taxability of the income generated by subsidiaries engaged in the distribution operation of the Group;

   c. HK$197 million net taxation credit mainly due to tax deductibility of the aforementioned exceptional non-recurring expenses and the release of tax provision from previous years.

The combination of the result from Underlying Operations and all the Exceptional Items above has produced a Net Profit of HK$21 million for the Group.

The table below presents the results of the Group for FY15/16 and FY14/15, with a differentiation of Regular OPEX and Exceptional Items as discussed above.

	For the year ended 30 June			
	2016	2015	Change in %	
	HK$ million	HK$ million	HK$	Local currency
Revenue	**17,788**	19,421	-8.4%	-1.1%
Cost of goods sold	**(8,859)**	(9,726)	-8.9%	-1.6%
Gross profit	**8,929**	9,695	-7.9%	-0.5%
Gross profit margin	***50.2%***	*49.9%*	*0.3% pt*	*0.3% pt*
Regular OPEX				
Staff costs	**(3,018)**	(3,562)	-15.3%	-9.8%
Occupancy costs	**(2,793)**	(3,160)	-11.6%	-5.4%
Logistics expenses	**(1,022)**	(1,048)	-2.5%	5.5%
Marketing and advertising expenses	**(1,015)**	(820)	23.7%	33.6%
Depreciation	**(591)**	(713)	-17.0%	-10.6%
Other operating costs	**(1,062)**	(1,110)	-4.1%	5.9%
Subtotal	**(9,501)**	(10,413)	-8.7%	-1.9%
LBIT of Underlying Operations	**(572)**	(718)	-20.3%	-20.7%
Exceptional Items				
One-off costs in relation to staff reduction plans	**(462)**	-		
Net provision for store closures and onerous leases	**(186)**	(282)		
Impairment of fixed assets	**(59)**	(171)		
Impairment of IT applications of Esprit Kids Division	**(48)**	-		
Impairment of China goodwill	**-**	(2,512)		
Net gain on disposal of Hong Kong office premises	**731**	-		
Subtotal	**(24)**	(2,965)		
LBIT of the Group	**(596)**	(3,683)	-83.8%	-83.2%
Net interest income	**11**	16		
Loss before taxation	**(585)**	(3,667)		
Taxation (credit/(charge)) *	**606**	(29)		
Net profit / (loss)	**21**	(3,696)		

* Mainly comprises the exceptional net gain of HK$409 million and HK$197 million, arising mainly from write-back of tax provision and tax deductibility of the Exceptional Items and the release of tax provision from previous years, respectively, as detailed at the beginning of this Profitability Analysis section

Gross profit was HK$8,929 million (2015: HK$9,695 million). Gross profit margin remained stable at 50.2% with a slight increase of +0.3 percentage point over last year (2015: 49.9%). The pressure from weakness of the Euro and slightly increased markdowns, was offset by benefit from a higher proportion of retail (including e-shop) revenue (67.3% of Group revenue this year as opposed to 64.0% of Group revenue last year).

Regular OPEX (excluding Exceptional Items) was reduced to HK$9,501 million (2015: HK$10,413 million), representing a yoy decline of -8.7% in Hong Kong Dollar terms or -1.9% in LCY, despite our decision to increase marketing and advertising expenses by 33.6% in LCY. Excluding marketing and advertising expenses, the Regular OPEX was reduced by -4.9% in LCY terms as we remain vigilant in controlling costs with savings achieved in most of the recurring cost lines. The increase in logistics expenses (+5.5% yoy in LCY) is directly correlated to the positive growth of our e-shop business (+15.3% yoy in LCY). As for the increase in marketing and advertising expenses (+33.6% yoy in LCY), this is in association with our strategic decision to increase spending in brand campaigns and Omnichannel initiatives to fuel future growth.

The Group has implemented cost-saving measures throughout the year changing structural aspects (e.g. legal entities, IT systems, business models, core operational processes, etc.) in order to bring OPEX down to a healthier level in the coming years. These changes triggered some of the provisions and impairment charges classified as Exceptional Items this year. The corresponding savings are expected to take full effect during the next two years, although some have already started to happen in the 2HFY15/16, enabling us to reduce Regular OPEX in the 2HFY15/16 by -10.4% yoy in LCY, as compared to an increase of +6.1% in the 1HFY15/16. The table below sets forth the development of our Regular OPEX for 1HFY15/16 versus 2HFY15/16.

			Year-on-year Change	
	1HFY15/16	**2HFY15/16**	**1HFY15/16**	**2HFY15/16**
	HK$ million	**HK$ million**	**in LCY**	**in LCY**
Staff costs	1,616	1,402	-3.4%	-17.1%
Occupancy costs	1,428	1,365	-4.9%	-6.0%
Marketing and advertising expenses	535	480	46.8%	19.7%
Logistics expenses	516	506	5.4%	5.6%
Depreciation	302	289	-7.0%	-14.6%
Other operating costs	597	465	63.9%	-30.2%
Regular OPEX	**4,994**	**4,507**	**6.1%**	**-10.4%**

Comparing the sequential development from 1HFY15/16 to 2HFY15/16, there are noticeable savings achieved in the two largest cost line items, i.e. staff costs and occupancy costs, which recorded yoy reduction of -17.1% and -6.0% in LCY respectively in 2HFY15/16, larger than the -3.4% and -4.9% in LCY recorded in 1HFY15/16 respectively. These additional savings reflected our efforts in accelerating closure of certain unprofitable distribution and reducing all overhead costs in the affiliates and central headquarters by streamlining our organizational structure. As for marketing and advertising expenses, following the strong push of the branding campaign in the 1HFY15/16, our strategic spending on brand marketing continued in 2HFY15/16 with a reduced intensity. As a consequence, marketing and advertising expenses was reduced to HK$480 million in 2HFY15/16 as compared to HK$535 million in 1HFY15/16.

Other operating costs principally include IT expenses, sample costs, legal and professional fees, exchange gain or loss, and provisions and impairments (with respect to inventory and trade debtors). The significant yoy reduction in other operating costs in 2HFY15/16 (-30.2% in LCY) was attributable to savings achieved across most cost lines thanks to implementation of the cost-saving measures.

Exceptional Items refers to exceptional gains and expenses arising from non-operational activities of the Group. As detailed in the beginning of this section, there were a net exceptional non-recurring expense of HK$755 million in relation to our recent acceleration of cost restructuring measures, and a net exceptional gain of HK$731 million on disposal of the Hong Kong office premises.

Taking these into consideration, **EBIT** of the Group was a loss of HK$596 million (2015: loss of HK$3,683 million). Excluding the Exceptional Items, the EBIT of the Underlying Operations was a loss of -HK572 million (2015: loss of -HK$718 million).

Net Interest income was HK$11 million (2015: HK$16 million), including interest earned on cash, bank balances and deposits, representing an effective interest rate of 0.8% per annum (2015: 0.6%). As a consequence, **Loss before taxation** was HK$585 million (2015: Loss before taxation of HK$3,667 million).

Taxation was a net tax credit of HK$606 million (2015: net tax charge of HK$29 million), as a result of the write-back of tax provision (HK$409 million), as well as tax deductibility of the Exceptional Items and the release of tax provision from previous years (HK$197 million), as detailed at the beginning of this Profitability Analysis section.

Net profit was HK$21 million as compared to a net loss of HK$3,696 million last year. This was the result of a combination of positive retail sales performance, operational cost reduction, and net gains from exceptional items.

LIQUIDITY AND FINANCIAL RESOURCES ANALYSIS

The Group remained prudent to maintain a sound financial position that enables the execution of our Strategic Plan and growth efforts over the coming years.

Cash: As at 30 June 2016, **cash, bank balances and deposits** reached HK$5,341 million (30 June 2015: HK$5,017 million), representing a yoy increase of HK$324 million. The increase in net cash was the results of a combination of the followings:

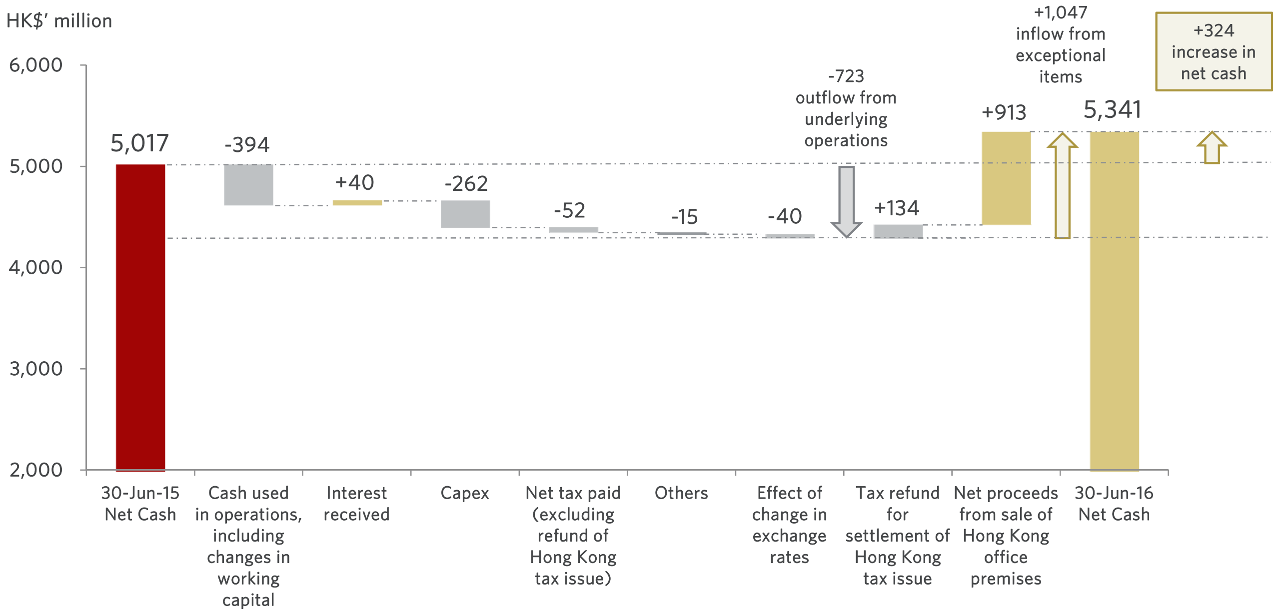
i) HK$913 million net proceeds from the disposal of Hong Kong office premises;

ii) HK$82 million net tax refund associated with i) the favorable assessment by the Inland Revenue Department of Hong Kong (HK$134 million); and ii) net tax payment (HK$52 million);

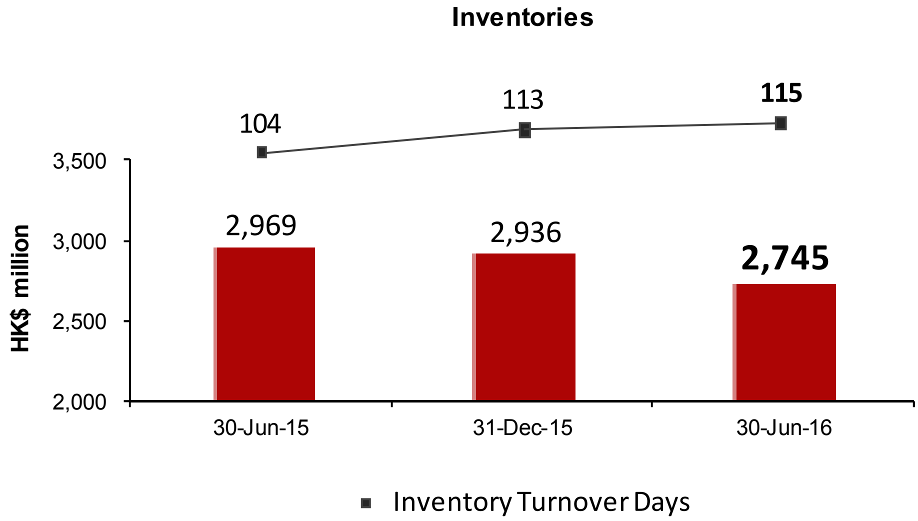
partially offset by,

iii) HK$262 million invested in capital expenditure; and

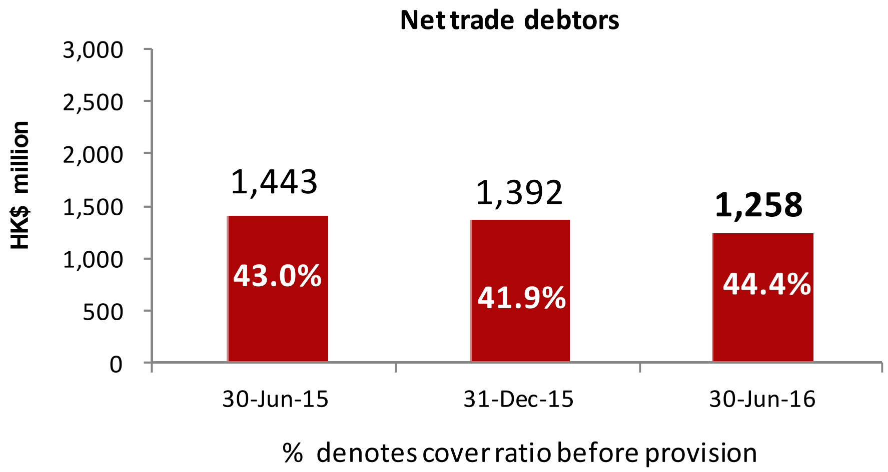
iv) HK$394 million cash used in operations including payments in association with the staff reduction plans.



Inventories: Our inventory balance amounted to HK$2,745 million (30 June 2015: HK$2,969 million), representing a yoy reduction of -7.5%. The main driver behind the improvement was the positive sales development of retail operations, although the depreciation of the EUR/HKD closing rate of -0.9% yoy also contributed slightly to the reduction. Inventory turnover days was 115 days, an increase of 11 days as compared to a year ago (30 June 2015: 104 days), primarily attributable to our strategic decision to increase purchase of inventory to push retail sales growth during the year under review. In terms of ageing profile, inventory (in terms of units) aged over six months increased to 20.6% (30 June 2015: 18.3%), mainly due to weak retail sales performance in Asia Pacific while the inventory ageing profile of Europe remained relatively stable.



Net trade debtors was HK$1,258 million (30 June 2015: HK$1,443 million), representing a yoy decrease of -12.8%, which is broadly in line with the development of wholesale revenue and the slight depreciation of the EUR/HKD closing rate of -0.9%. As a result of our efforts in tightening credit control, the amount of net trade debtors overdue over 90 days was reduced by -24.1% yoy to HK$123 million (30 June 2015: HK$162 million). The cover ratio before provision (the amount of insured and secured gross trade debtors including VAT over total gross trade debtors including VAT) increased to 44.4% (30 June 2015: 43.0%).



Capital expenditure (CAPEX): We remain cautious in CAPEX investments as we stay vigilant in cash flow management and cost control. The Group invested HK$262 million (2015: HK$349 million) in CAPEX in FY15/16, representing a reduction of 24.9% yoy. We invested HK$71 million in new store opening, HK$75 million in store refurbishment, HK$44 million in IT projects, and HK$72 million in Office and others including approximately HK$8.6 million in the project on extension of our distribution center in Mönchengladbach to enable stock replenishment capability.

	For the year ended 30 June	
HK$ million	**2016**	2015
New stores	**71**	96
Refurbishment	**75**	92
IT projects	**44**	77
Office & others	**72**	84
Purchase of property, plant and equipment	**262**	349

Total interest bearing external borrowings: As at 30 June 2016, the Group had no interest bearing external borrowings (30 June 2015: nil).

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 being 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 next 12 months. 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.

OUTLOOK FOR FY16/17

All in all, FY15/16 has been a positive year for the Group with improved financial performance and successful development of the most critical elements of our Strategic Plan. Moving forward, we must keep the focus on improving our bottom line and step up the efforts to accelerate the positive trends of last year, while tackling the pending matters and issues in the wholesale channel and in the Asia Pacific region, so that all areas of our business contribute positively to the turnaround of Esprit.

As mentioned in last year's "Letter from Group CEO", growth will only come progressively as the Group still faces a decline of its wholesale space and retail space (as loss-making retail stores still need to be closed). We must continue to counter this with better sales productivity and profitability measures. The outlook of the Group for FY16/17 is based on the immediate priorities presented in the "Letter from Group CEO" of this results announcement.

With respect to **controlled space** development, retail selling space is expected to decline by high-single-digit due to our decision to accelerate the closure of loss-making retail space. In wholesale, controlled space is likely to decline at a rate similar to the one in the previous years.

Space productivity (sales per square meter) remains our main focus by systematically enhancing the execution of our Vertical and Omnichannel models. Improvement in FY16/17 will likely be more moderate than in FY15/16 as we compare against higher sales per square meter levels in most of the stores. Still we anticipate sustained productivity increases that must drive bottom line improvement throughout the year.

Thanks to the Omnichannel initiatives, the strong growth momentum of **e-shop** is expected to continue. Growth of e-shop revenue for Europe in FY16/17 will likely be in single-digit, as we compare against a very large base, while the growth in Asia Pacific is expected to remain in high-double digit.

Regarding **gross profit margin**, it may be affected by the weakness of the Euro but we aim to maintain a stable level or a modest increase.

As for **OPEX**, we anticipate it to be visibly reduced by the accelerated closure of loss-making stores and the impact of the cost restructuring measures already implemented as part of our goal to reduce HK$1 billion OPEX (excluding exchange rate impact) over the next two years (communicated in the last Investor Relations Day). Also, following the strong push in Brand marketing in FY15/16, we plan to bring our expenditure in marketing and advertising at a lower level in FY16/17.

CAPEX is expected to be similar to that of FY15/16. We will continue to moderately invest in retail store refurbishment, Omnichannel initiatives, and the extension and upgrade of our distribution center in Europe.

HUMAN RESOURCES

As at 30 June 2016, the Group employed over 8,300 full-time equivalent staff (30 June 2015: over 9,100) 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.

DIVIDEND

In view of a small net profit for the year ended 30 June 2016, the Board has not recommended the distribution of a final dividend (FY14/15: nil).

CLOSURE OF REGISTERS OF MEMBERS

The registers of members of the Company will be closed from Friday, 2 December 2016 to Tuesday, 6 December 2016 (both dates inclusive) for the purpose of determining the eligibility of shareholders attend and vote at the forthcoming annual general meeting of the Company. During such period, no transfer of shares of the Company will be effected. In order to be entitled to attend and vote at the forthcoming annual general meeting, all transfer forms, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 pm on Thursday, 1 December 2016.

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 consolidated results of the Group for the year ended 30 June 2016 have been reviewed by the Audit Committee and audited by the independent auditor of the Company, PricewaterhouseCoopers.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's shares during the year save as announced with regard to the purchase of existing share(s) by the trustee appointed for the administration of the Employees' Share Award Scheme of the Company, Computershare Hong Kong Trustees Limited, in accordance with such share award scheme.

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 year ended 30 June 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in Appendix 10 to the Listing Rules.

The Company has made specific enquiry with all Directors and all of them confirmed that they have complied with the required standard set out in the Model Code for the year ended 30 June 2016.

BOARD OF DIRECTORS

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

Executive Directors:	Mr Jose Manuel MARTINEZ GUTIERREZ *(Group Chief Executive Officer)* Mr Thomas TANG Wing Yung *(Group Chief Financial Officer)*
Non-executive Director:	Mr Jürgen Alfred Rudolf FRIEDRICH
Independent Non-executive Directors:	Dr Raymond OR Ching Fai *(Chairman)* Mr Paul CHENG Ming Fun *(Deputy Chairman)* Dr José María CASTELLANO RIOS Mr Alexander Reid HAMILTON Mr Carmelo LEE Ka Sze Mr Norbert Adolf PLATT

By Order of the Board
Florence NG Wai Yin
Company Secretary

Hong Kong, 20 September 2016

Forward-Looking Statements

This announcement contains certain forward-looking statements. Such forward-looking statements are subject to various risks and uncertainties, including without limitation, statements relating to our plans to transform the Company's business, make significant investment in our businesses and achieve sustainable profitability in the future, and other risks and factors identified by us from time to time. Although the Group believes that the anticipations, beliefs, estimates, expectations and/or plan stated in this announcement are, to the best of its knowledge, true, actual events and/or results could differ materially. The Group cannot assure you that those current anticipations, beliefs, estimates, expectations and/or plan will prove to be correct and you are cautioned not to place undue reliance on such statements. The Group undertakes no obligation to publicly update or revise any forward-looking statements contained in this announcement, whether as a result of new information, future events or otherwise, except as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited or any other applicable laws and regulations. All forward-looking statements contained in this announcement are expressly qualified by these cautionary statements.