ESPRIT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

STOCK CODE: 00330

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2017

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 2017 together with comparative figures for the year ended 30 June 2016. 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 **2017** **HK$ million**	2016 HK$ million
Revenue	2	**15,942**	17,788
Cost of goods sold		**(7,712)**	(8,859)
Gross profit		**8,230**	8,929
Staff costs		**(2,896)**	(3,480)
Occupancy costs		**(2,496)**	(2,793)
Logistics expenses		**(957)**	(1,022)
Marketing and advertising expenses		**(814)**	(1,015)
Depreciation		**(518)**	(591)
Reversal of impairment of/(impairment of) property, plant and equipment		**8**	(107)
Additional provision for store closures and leases, net	10	**(12)**	(186)
Gain on disposal of a subsidiary/subsidiaries	11	**33**	731
Gain on disposal of a property	12	**100**	-
Other operating costs		**(780)**	(1,062)
Operating loss (LBIT)	3	**(102)**	(596)
Interest income		**44**	40
Finance costs	4	**(48)**	(29)
Loss before taxation		**(106)**	(585)
Taxation credit	5	**173**	606
Profit attributable to shareholders of the Company		**67**	21
Earnings per share			
- Basic and diluted	7	**HK$0.03**	HK$0.01

Consolidated statement of comprehensive income

	For the year ended 30 June	
	2017	2016
	HK$ million	HK$ million
Profit attributable to shareholders of the Company	**67**	21
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Fair value loss on cash flow hedge, net of tax	**(77)**	(152)
Exchange translation	**138**	(373)
	61	(525)
Total comprehensive income for the year attributable to shareholders of the Company, net of tax	**128**	(504)

Consolidated statement of financial position

	Notes	As at 30 June 2017 HK$ million	2016 HK$ million
Non-current assets			
Intangible assets		**2,851**	2,902
Property, plant and equipment		**1,900**	2,159
Investment properties		**23**	19
Other investments		**7**	7
Debtors, deposits and prepayments		**174**	220
Deferred tax assets		**822**	745
		5,777	6,052
Current assets			
Inventories		**2,540**	2,745
Debtors, deposits and prepayments	8	**1,438**	1,571
Tax receivable		**359**	331
Cash, bank balances and deposits		**5,221**	5,341
		9,558	9,988
Current liabilities			
Creditors and accrued charges	9	**3,046**	3,495
Provision for store closures and leases	10	**393**	604
Tax payable		**28**	60
		3,467	4,159
Net current assets		**6,091**	5,829
Total assets less current liabilities		**11,868**	11,881
Equity			
Share capital		**194**	194
Reserves		**11,349**	11,203
Total equity		**11,543**	11,397
Non-current liabilities			
Deferred tax liabilities		**325**	484
		11,868	11,881

Notes to the consolidated financial statements

1. Basis of preparation

These consolidated financial statements of the Group have been prepared in accordance with IFRS and the disclosure requirements of the Hong Kong Companies Ordinance.

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

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

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

1. Basis of preparation (continued)

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

		Effective for accounting periods beginning on or after
IAS 7 (Amendments)	Disclosure Initiative	1 January 2017
IAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
IAS 40 (Amendments)	Transfers of Investment Property	1 January 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019
IFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions	1 January 2018
IFRS 4 (Amendments)	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018
IFRS 9	Financial Instruments	1 January 2018
IFRS 10 and IAS 28 (Amendments)	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019
IFRS 17	Insurance Contracts	1 January 2021
IFRSs (Amendments)	Annual Improvements to IFRSs 2014-2016 Cycle	1 January 2018

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. Amongst these new and revised standards and amendments, IFRS 9, IFRS 15 and IFRS 16 are of higher relevancy to the Group's operations. The following describes the key changes that may impact the consolidated financial statements of the Group.

IFRS 9 "Financial Instruments"

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

1. Basis of preparation (continued)

IFRS 9 "Financial Instruments" (continued)

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's established risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, given the standard introduces a more principle-based approach.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortized cost, debt instruments measured at fair value through other comprehensive income, contract assets under IFRS 15 "Revenue from Contracts with Customers", lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, management expects it might result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of adoption of the new standard.

The Group is currently assessing the impact of the adoption of this new standard and does not intend to adopt the standard before its effective date.

IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 will replace IAS 18 "Revenue" and IAS 11 "Construction contracts" and related interpretations. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer. The new standard permits either a full retrospective or a modified retrospective approach for the adoption.

The Group is currently assessing the impact of the adoption of this new standard and does not intend to adopt the standard before its effective date.

IFRS 16 "Leases"

IFRS 16 requires almost all leases of lessees to be recognized on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of **HK$7,205 million**. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

The Group is currently assessing the impact of the adoption of this new standard and does not intend to adopt the standard before its effective date.

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 eshop platforms.

	2017	2016
	HK$ million	HK$ million
Revenue from external customers		
Germany	**5,522**	6,057
Rest of Europe	**4,337**	4,939
Asia Pacific	**1,923**	2,487
eshop	**4,032**	4,153
Licensing and others	**128**	152
	15,942	17,788

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 eshop 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 eshops in Germany, Rest of Europe and Asia Pacific are aggregated into one reporting segment under global eshop.

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 2017					
	Germany HK$ million	Rest of Europe HK$ million	Asia Pacific HK$ million	eshop HK$ million	Corporate services, sourcing, licensing and others HK$ million	Group HK$ million
Total revenue						
Retail	2,781	2,133	1,804	4,025	-	10,743
Wholesale	2,741	2,204	119	7	-	5,071
Licensing and others	-	-	-	-	8,801	8,801
Total	5,522	4,337	1,923	4,032	8,801	24,615
Inter-segment revenue	-	-	-	-	(8,673)	(8,673)
Revenue from external customers						
Retail	2,781	2,133	1,804	4,025	-	10,743
Wholesale	2,741	2,204	119	7	-	5,071
Licensing and others	-	-	-	-	128	128
Total	5,522	4,337	1,923	4,032	128	15,942
Segment results						
Retail	(438)	(31)	(77)	913	1	368
Wholesale	646	202	(5)	2	4	849
Licensing and others	-	-	-	-	(1,319)	(1,319)
EBIT/(LBIT)	208	171	(82)	915	(1,314)	(102)
Interest income						44
Finance costs						(48)
Loss before taxation						(106)

2. Revenue and segment information (continued)

	For the year ended 30 June 2017					
	Germany HK$ million	Rest of Europe HK$ million	Asia Pacific HK$ million	eshop HK$ million	Corporate services, sourcing, licensing and others HK$ million	Group HK$ million
Capital expenditure						
Retail	**20**	**31**	**51**	**1**	**5**	**108**
Wholesale	**2**	**8**	**1**	**-**	**1**	**12**
Licensing and others	**-**	**-**	**5**	**10**	**122**	**137**
Total	**22**	**39**	**57**	**11**	**128**	**257**
Depreciation						
Retail	**81**	**66**	**50**	**2**	**15**	**214**
Wholesale	**12**	**13**	**4**	**-**	**3**	**32**
Licensing and others	**-**	**-**	**-**	**-**	**272**	**272**
Total	**93**	**79**	**54**	**2**	**290**	**518**
(Reversal of impairment of)/ impairment of property, plant and equipment						
Retail	**(2)**	**(7)**	**1**	**-**	**-**	**(8)**
Total	**(2)**	**(7)**	**1**	**-**	**-**	**(8)**
Additional/ (write-back of) provision for store closures and leases, net						
Retail	**13**	**7**	**(8)**	**-**	**-**	**12**
Total	**13**	**7**	**(8)**	**-**	**-**	**12**
Gain on disposal of a subsidiary						
Others	**-**	**-**	**-**	**-**	**(33)**	**(33)**
Total	**-**	**-**	**-**	**-**	**(33)**	**(33)**
Gain on disposal of a property						
Retail	**-**	**-**	**(100)**	**-**	**-**	**(100)**
Total	**-**	**-**	**(100)**	**-**	**-**	**(100)**

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	eshop 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	eshop 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)

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

	2017 **HK$ million**	2016 HK$ million
Germany (Note 1)	**5,522**	6,057
Rest of Europe		
Benelux	**1,335**	1,542
France	**753**	866
Switzerland	**699**	734
Austria	**536**	629
Spain	**201**	202
Sweden	**193**	233
Finland	**182**	201
Italy	**108**	123
Poland	**58**	65
Denmark	**53**	68
United Kingdom	**48**	96
Others (Note 2)	**171**	180
	4,337	4,939
Asia Pacific		
China	**691**	1,048
Australia and New Zealand	**272**	304
Hong Kong	**264**	331
Singapore	**216**	253
Malaysia	**167**	191
Taiwan	**163**	186
Macau	**86**	102
Others (Note 3)	**64**	72
	1,923	2,487
eshop		
Germany	**2,385**	2,480
Benelux	**550**	568
Switzerland	**227**	250
France	**224**	262
Austria	**199**	203
China	**180**	134
United Kingdom	**46**	55
Denmark	**36**	43
Sweden	**32**	29
Finland	**27**	32
Australia and New Zealand	**25**	20
Spain	**15**	14
Others	**86**	63
	4,032	4,153

2. Revenue and segment information (continued)

	2017	2016
	HK$ million	HK$ million
Licensing and others		
Rest of Europe (Note 4)	**103**	130
Germany	**25**	22
	128	152
	15,942	17,788

Note 1: Germany revenue includes wholesale revenue from other European countries mainly from Bosnia-Herzegovina, Slovenia and Romania.

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

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)

	2017 HK$ million	2016 HK$ million
LBIT is arrived at after charging and (crediting) the following:		
Staff costs	**2,896**	3,480
Auditor's remuneration	**15**	15
Depreciation	**518**	591
Amortization of customer relationships	**59**	62
(Reversal of impairment of)/impairment of property, plant and equipment	**(8)**	107
Additional provision for store closures and leases, net	**12**	186
Gain on disposal of a subsidiary/subsidiaries (Note 11)	**(33)**	(731)
Loss on disposal of plant and equipment	**12**	16
Gain on disposal of a property (Note 12)	**(100)**	-
Occupancy costs		
- operating lease charge (including variable rental of **HK$184 million** (2016: HK$264 million))	**1,968**	2,199
- other occupancy costs	**528**	594
Cash flow hedges:		
- ineffective portion transferred from equity to exchange gains on forward foreign exchange contracts	**-**	(22)
- ineffective portion recognized in exchange gains on forward foreign exchange contracts not qualifying for hedge accounting	**-**	(3)
Fair value hedges:		
- exchange loss on hedged items	**1**	6
Other net exchange gains	**(37)**	(131)
(Write-back of)/additional provision for obsolete inventories, net	**(49)**	45
Provision for impairment of trade debtors, net	**73**	98

4. Finance costs

	2017 HK$ million	2016 HK$ million
Imputed interest on financial assets and financial liabilities	**48**	29

5. Taxation

	2017 HK$ million	2016 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	**24**	53
Over-provision for prior years	**(10)**	(52)
	16	(401)
Deferred tax		
Current year net credit	**(198)**	(204)
Effect of changes in tax rates	**9**	(1)
Taxation credit	**(173)**	(606)

Hong Kong profits tax is calculated at **16.5%** (2016: 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.

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

The Board did not declare and recommend the distribution of any dividend for the year ended 30 June 2017 (2016: nil).

7. Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit 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.

	2017	2016
Profit attributable to shareholders of the Company (HK$ million)	**67**	21
Number of ordinary shares in issue at 1 July (million)	**1,944**	1,944
Adjustment of shares held for Share Award Scheme (million)	**(6)**	-
Weighted average number of ordinary shares in issue less shares held for Share Award Scheme (million)	**1,938**	1,944
Basic earnings per share (HK$ per share)	**0.03**	0.01

Diluted

Diluted earnings per share is calculated based on the profit 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.

	2017	2016
Profit attributable to shareholders of the Company (HK$ million)	**67**	21
Weighted average number of ordinary shares in issue less shares held for Share Award Scheme (million)	**1,938**	1,944
Adjustments for share options and awarded shares (million)	**3**	-
Weighted average number of ordinary shares for diluted earnings per share (million)	**1,941**	1,944
Diluted earnings per share (HK$ per share)	**0.03**	0.01

8. Debtors, deposits and prepayments

	2017	2016
	HK$ million	HK$ million
Trade debtors	**1,426**	1,487
Less: provision for impairment of trade debtors	**(239)**	(229)
	1,187	1,258
Deposits	**144**	166
Prepayments	**159**	188
Other debtors and receivables	**122**	179
	1,612	1,791
Non-current portion of deposits	**(100)**	(125)
Non-current portion of prepayments	**(48)**	(67)
Non-current portion of other debtors and receivables	**(26)**	(28)
Current portion	**1,438**	1,571

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

	2017	2016
	HK$ million	HK$ million
0-30 days	**790**	839
31-60 days	**196**	157
61-90 days	**54**	80
Over 90 days	**147**	182
	1,187	1,258

8. Debtors, deposits and prepayments (continued)

As of 30 June 2017, trade debtors net of provision for impairment of **HK$268 million** (30 June 2016: HK$317 million) were past due but not impaired. The aging analysis of these trade debtors is as follows:

	2017 HK$ million	2016 HK$ million
1-30 days	**173**	148
31-60 days	**6**	31
61-90 days	**14**	15
Over 90 days	**75**	123
Amount past due but not impaired	**268**	317

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

	2017 HK$ million	2016 HK$ million
Trade creditors	**735**	1,021
Accruals	**1,547**	1,827
Other creditors and payables	**764**	647
	3,046	3,495

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

	2017 HK$ million	2016 HK$ million
0-30 days	**583**	681
31-60 days	**100**	203
61-90 days	**39**	80
Over 90 days	**13**	57
	735	1,021

10. Provision for store closures and leases

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

	2017 **HK$ million**	2016 HK$ million
At 1 July	**604**	557
Additional provision for store closures and leases, net	**12**	186
Amounts used during the year	**(227)**	(130)
Exchange translation	**4**	(9)
At 30 June	**393**	604

During the year, the Group recognized unwinding of discount totaling **HK$43 million** (2016: HK$25 million) which was recognized under amounts used during the year.

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

As at 30 June 2017, the provision expected to be settled within twelve months after the date of the statement of financial position is **HK$95 million** (2016: HK$145 million) and the provision expected to be settled more than twelve months after the date of the statement of financial position is **HK$298 million** (2016: HK$459 million).

11. Disposal of a subsidiary/subsidiaries

On 24 May 2017, the Group completed the disposal of a wholly-owned subsidiary, which owned the Shenzhen property of the Group to an independent third party.

	2017 **HK$ million**
The net assets as at the date of disposal were as follows:	
Property, plant and equipment	**2**
Net assets disposed of	**2**
Cash consideration received	**39**
Net assets disposed of	**(2)**
Expenses incurred for disposal	**(4)**
Gain on disposal of a subsidiary	**33**
Analysis of net cash inflow arising on disposal:	
Cash consideration received	**39**
Expenses incurred for disposal	**(4)**
	35

11. Disposal of a subsidiary/subsidiaries (continued)

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

12. Disposal of a property

On 28 June 2017, the Group sold a property in Hong Kong to an independent third party at a consideration of **HK$123 million**. The gain on disposal of the property, after deducting related expenses incurred for disposal, amounted to **HK$100 million** and was recognized in the consolidated income statement. Total consideration amount of **HK$122 million** were received in cash during the year.

LETTER FROM CHAIRMAN

Dear Shareholders,

It is my pleasure to present to you the Esprit Group's annual results for the financial year ended 30 June 2017 ("FY16/17"). FY16/17 has been a year of good progress and marks the completion of the Strategic Plan that was announced in 2013. Looking back, the changes introduced during these years have empowered the Group with the ability to produce better products and to operate our channels more effectively. Ultimately, these improvements have proven instrumental to driving a steady recovery of the Group's profitability. More importantly, they have created a more solid platform for Esprit's future.

From the beginning, we knew that turning around our business would not be easy, but we were convinced that transforming our Group was the right way to regain competitiveness in a market that is also being deeply transformed. While we are still working towards this goal, we are now healthier and better-poised to seize growth opportunities.

Review of FY16/17

Our industry is undergoing very significant changes fueled by the proliferation of ecommerce and the intensification of price competition driven by both pure digital players and fully vertical retailers. In a moment when apparel consumption is lackluster in most markets around the world, the rapid growth of digital and vertical retailers implies a relevant loss of market share for other channels and for many other companies.

As a result, operating conditions remain difficult in the industry, especially for brick & mortar stores. Esprit is no exception to this dynamic and has continued to reduce its total controlled space (-8.5% year-on-year ("yoy")) and, correspondingly, its topline (-8.7% yoy in local currency). But, beyond the necessary rationalization of our store network, we have taken successful measures to achieve a financial result better than last year's. These measures focused on profitability and included decisive action to improve gross profit margins as well as strict discipline to decrease our costs. Together, they resulted in a net profit of the Group to HK$67 million. Considering the relatively small net profit for the financial year, the Board does not recommend the payment of a final dividend at this time.

Although this net profit amount is modest in absolute terms, it is important to highlight that the main factor contributing to the better results this year was the significant improvement in the performance of the Group's underlying operations, i.e. +HK$386 million EBIT excluding all exceptional items.

Finally, thanks to prudent cash management, our cash development has remained stable in FY16/17. The Group ended the year with a net cash balance of HK$5.2 billion, with zero debt. We are proud to see that the Strategic Plan has been completed without significant consumption of cash these years, leaving us with adequate funds to invest in sales growth and further cost restructuring initiatives.

Moving forward

The Board of Esprit systematically reviews the best options to utilize our cash reserves to create long-term value for our shareholders. For the last few years, cash reserves have been preserved to guarantee the successful execution of our Strategic Plan. Moving forward, it is still our top priority to secure that the Group will have the necessary funds to finalize its turnaround process. Esprit must still reach a state of sustained growth and attractive operating margins before we can consider that the Group is fully on track again.

In this sense, we remain fully focused on rejuvenating our brand, elevating our products and improving our distribution network, while, at the same time, pushing more ambitious initiatives to build a leaner organization.

Nevertheless, with improved bottom line and cash flow development from operations, the Board found it appropriate to return some of the Group's cash reserves back to shareholders. As such, the Company commenced a share repurchase exercise on 9 August 2017, and may continue to do so from time to time, based on prevailing market conditions and other relevant considerations. The share repurchase exercise reflects the Group's confidence in its long-term business prospects, which ultimately benefit and create value for shareholders.

Sustainability

For us, sustainability is primarily about doing what is right for the people and right for the planet; but not just that. It is also about the future of our industry and our business. We view sustainable products and sustainable operations as a true must and, eventually, as a key competitive advantage in the mid-term and long-term because only those companies that can operate in a way that preserves the environment will be viable in the near future. In this respect, it is our goal to be a leading brand in the different areas of sustainability and we work hard to reduce our carbon footprint, increase our energy efficiency, reduce our water consumption, and reuse and recycle our materials.

In FY16/17, we decided to incorporate the United Nations Sustainable Development Goals ("SDGs") into our sustainability strategy. The SDGs are an internationally recognized framework that aims to address the three elements of economic growth, social inclusion and environmental protection as part of a broader endeavor to eradicate poverty and advance peace and freedom. Businesses, alongside governments, are encouraged to implement actions in support of these goals in order to achieve the framework's ambitious goals by 2030. We at Esprit have decided to take on this challenge. We have translated these principles into concrete sustainability commitments that are integrated into our daily practices. To learn more about our initiatives, we encourage you to read our updated Sustainability Report.

Closing

The strength of the Group is built on the hard work and dedication of our over 7,300 employees, whose passion and commitment have also been the driving force behind its transformation during the past years. I would like to sincerely thank them all for their contributions. As we move forward, I remain confident in our future, just as I am grateful to you, our shareholders, for your unwavering confidence; and to our customers and consumers worldwide for their unfaltering support.

Although trading conditions in the year ahead will continue to be challenging, I trust that by focusing on our core priorities and our core strengths, we will see Esprit emerge stronger than before.

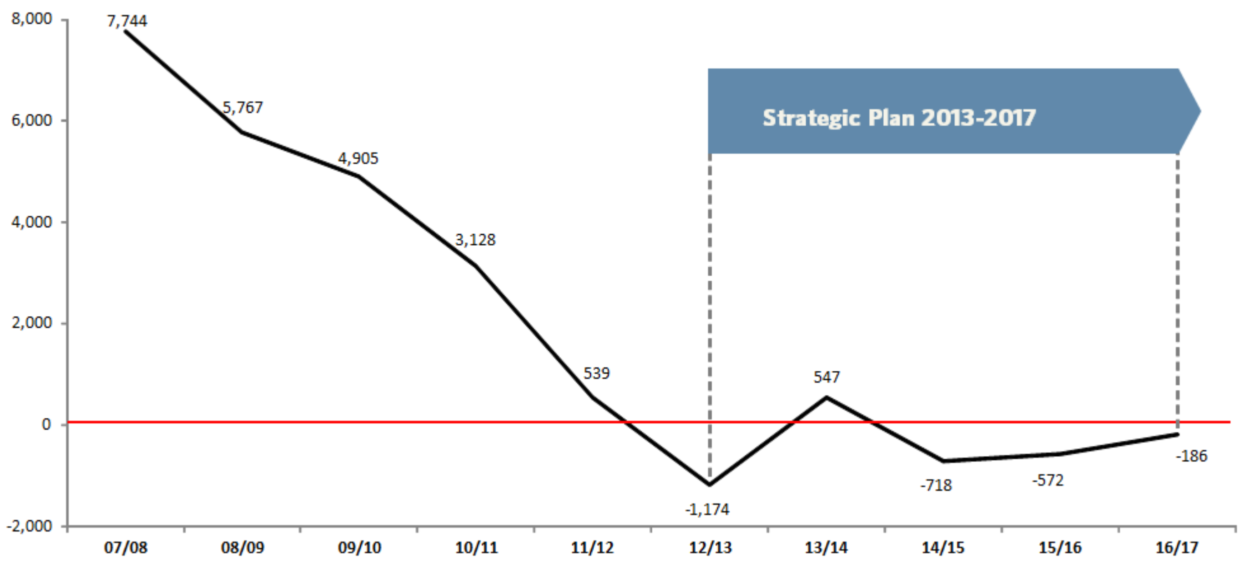
LETTER FROM GROUP CEO

Dear Shareholders,

The financial year ended 30 June 2017 ("FY16/17") has completed the timeline of the Strategic Plan that was presented and launched in 2013. We have come a long way since and there is no doubt that the last four years have been transformational for Esprit. Therefore, it is a good moment to recap what has been achieved and what are our main challenges and opportunities ahead.

Indeed, the most important achievement is to have reversed the rapid decline in the Group's results. The negative trend of the five years before the Strategic Plan ceased due to improvements made in our underlying operations. This is reflected in the development of the Group's EBIT excluding all exceptional items, as presented in the following chart:

ESPRIT EBIT/(LBIT) (excl. exceptional items*) - HK$ million



* Values excluding exceptional items such as impairment of China goodwill, provision for store closures & onerous leases, impairment of fixed assets, one-off costs in relation to staff reduction plan, and net gain on disposal of Hong Kong office and other non-core premises

As explained in our different reports between 2013 and 2016, there are multiple structural changes that have contributed to the improvement of our operational performance. Firstly, the introduction of a new product organization, product development processes and supply chain management, under our "Vertical Model". Secondly, the integration of the commercial activity and operation of all distribution channels (retail and wholesale, online and offline) through our "Omnichannel Model". Thirdly, the first steps towards our "Brand Rejuvenation", with the aim of bringing Esprit to a whole new generation of consumers. And finally, the relevant reduction of our operating expenses ("OPEX") in order to have lean structures across the Group.

Also important is that our four-year plan has been completed with no significant cash consumption. Our cash level remained very sound at HK$5.22 billion, as at the end of June 2017, with zero debt, as compared with a net cash position of HK$4.97 billion on 31 December 2012. All in all, Esprit is today stronger both in financial and operational terms, thus, better poised to capitalize on opportunities.

Moving forward, our primary focus is on two major goals, which we must pursue in parallel:

- Create a stronger foundation to reignite sustained growth, and
- Further restructure the cost base of our operations

But, before talking about plans for the future, I take the chance to briefly comment on the Group's financial performance in FY16/17.

Continued Improvement of Financial Performance in FY16/17

The Group reported a **Net Profit** of HK$67 million for FY16/17, representing an increase over last year (2016: HK$21 million). This was primarily the result of a combination of two factors:

i) **Improvement in profits from our underlying operations (i.e. excluding exceptional items)**: The results of the underlying operations have been significantly better in FY16/17, driven by three major developments this year:

a. Faster pace for the elimination of unprofitable spaces, i.e. closure of loss-making retail stores and low-performing wholesale locations

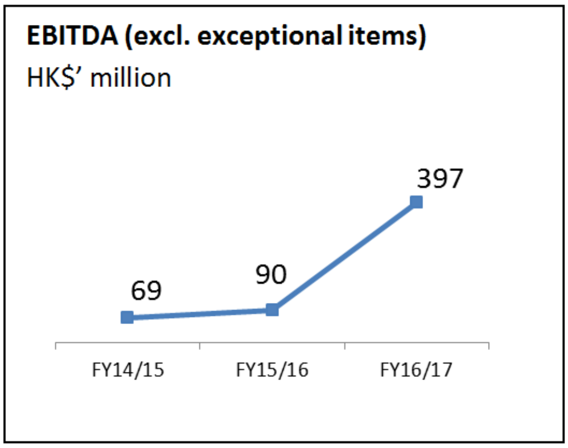
b. Commercial actions to protect our gross profit margin, including a reduction in the level of promotional activities, price markdowns and discounts granted to wholesale partners

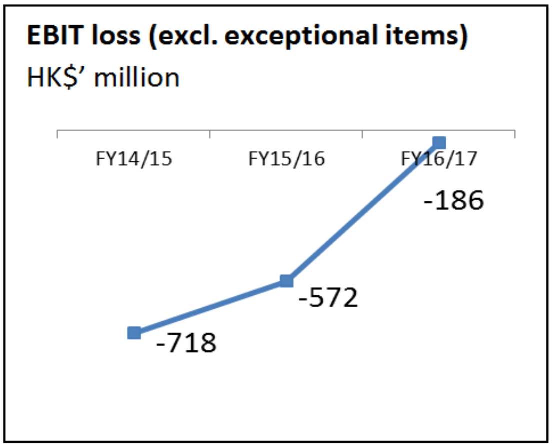
c. Decisive reduction of overhead costs that, together with the faster closure of loss making stores, has allowed us to achieve our cost savings target of HK$1 billion one year ahead of schedule

These measures placed obvious pressure on our topline. As a result, the Group's **revenue** amounted to HK$15,942 million in FY16/17, representing a -8.7% year-on-year ("yoy") decrease in local currency terms ("LCY"), in line with the corresponding -8.5% yoy reduction in total controlled space.

The Group's **gross profit margin** increased to 51.6% (+1.4 percentage points compared to last year), despite the weakness of the Euro for most part of the financial year. And the Group's **regular OPEX** (excluding exceptional items) improved to HK$8,416 million, representing a reduction of -9.9% yoy in LCY achieved through savings in all key cost lines.

The aggregated impact of our measures in FY16/17 produced the intended improvement in profitability and accelerated the recovery of **EBITDA** (+HK$307 million yoy) and **EBIT** (+HK$386 million yoy) from underlying operations, as presented in the following charts:





ii) **Positive impact from items not directly related to underlying operations.** Two relevant items deserve a mention, as follows:

a. Exceptional net gains of HK$84 million, mainly derived from the sale of non-core properties (+HK$133 million), partly offset by one-off costs related to staff reduction plans (-HK$45 million)

b. Net taxation credit of HK$173 million, mainly attributable to (i) the release of deferred tax liability no longer required based on communication received from the relevant tax authority; and (ii) the credit from deferred taxation arising from tax losses to offset future potential profits

Overall, the financial performance in FY16/17 is a continuation of the recovery of the Group's results.

Top priorities moving forward

Although we are encouraged by the aforementioned improvements in our operational and financial performance, Esprit is still far from our target profit level. In this respect, as mentioned above, our primary focus in the immediate future is on creating a stronger foundation for sustained growth and on further restructuring our cost base.

In order to achieve these goals, the Group will devote more resources to key areas of the business that are fundamental to successfully drive growth and profitability. More specifically, we structure our future plans along five key initiatives:

1. Brand Rejuvenation
2. Product Elevation
3. Channels Next Generation
4. Markets Rightsizing and Expansion
5. Cost Reduction

Content for each of these areas is broad and impossible to be fully covered in this letter; therefore, just the main ideas and initiatives are introduced in this chapter.

1. Brand Rejuvenation

The Esprit brand is one of our most valuable assets. We own a unique name and heritage that are loved by our core consumers and have extraordinary potential to attract new ones.

This is exactly the main challenge and the largest opportunity for our brand today: to become a reference brand for a whole new generation of consumers. Over the last years, the customers' base of Esprit has remained highly concentrated on a group of very loyal consumers, which are the center of everything that we do. Our main goal in the near term is to grow this group with new people who come to love our brand as well. And we know that this requires a visible rejuvenation of our image across all the key elements of the business: product, stores, digital, marketing and communications, etc.

Over the course of the last two years, we have started to take steps in this direction, e.g. the collaboration with the young fashion house Opening Ceremony, the introduction of product capsules updating some of the most successful original designs of Esprit, the innovative #ImPerfect campaigns presenting the old time values of Esprit in a modern way, etc. In the years to come, we intend to step up these efforts with more creative actions coordinated throughout the Group.

2. Product Elevation

Since 2015, our products and collections have started to benefit from the advantages the Vertical Model in our product development and supply chain management work. In the last two financial years, this has contributed to achieve higher sales and gross profit productivity in our full-price stores and Eshop, i.e. in the channels where we sell directly to end consumers.

Nonetheless, we see this performance as just a first step towards the level of excellence that we aspire to achieve. Consequently, we plan to increase the investment in our products, especially with three main objectives: (i) to strengthen our design identity, (ii) to elevate the intrinsic quality of the products, and (iii) to increase the share of sustainable products.

In addition to these ideas, we see room for continued improvements in a number of other fronts and this is why we have recently reorganized our product teams in order to better address those opportunities. More specifically, we have introduced two relevant changes:

a. Merging the management of the Esprit and edc product lines under one single team, in order to better coordinate our full offering in terms of prices, themes, design, etc., and to improve the overall efficiency of our internal resources.

b. Establishing a new standalone team responsible for our entire Fast to Market products. This will allow us to better leverage the advantages of a faster supply chain in different ways: (i) having a larger share of our assortment dedicated to on-season reaction to sales, (ii) incorporating latest market trends earlier, (iii) addressing specific needs of our APAC markets, and (iv) building a new "product engine" for the rapid demands of our online channel, which we consider a key project for the future of Esprit.

3. Channels Next Generation

As presented in multiple occasions before, our most important project to maximize the joint performance of all our distribution channels is our Omnichannel Model. I will not repeat again its major components, but rather highlight that we continue to see positive progress in the key performance indicators associated to the central initiatives of the model, as follows:

- +36% increase in active Esprit Friends (i.e. members of the loyalty program who have made purchases in the last 12 months) since June 2015
- 74% share of Esprit Friends in the Group's retail revenue (+12% vs FY14/15)
- 14% cross-channel Esprit Friends (i.e. members already buying both offline and online)
- +164% increase in sales from smartphones since FY14/15

In addition to the developments under the Omnichannel Model, each of our distribution channels is undergoing a progressive modernization of their existing operations. This process is closely connected to our Brand Rejuvenation plan and it aims to build the Next Generation concepts for our Eshop, our Retail Stores and our Wholesale model.

Our Eshop contributed approximately 25% of our total revenue and generates a double-digit operating margin. Given its strategic importance, we are increasing the resources dedicated to our Eshop in order to keep our online concept development up with the fast innovation pace in the ecommerce arena. We cannot compete directly with giant pure players in this field but we aim to keep adopting the most relevant practices from the market as speedily as possible. Under this philosophy, we know that the Next Generation of our Eshop will be primarily designed for mobile devices.

Our Retail Stores keep being renovated with the introduction of new valuable elements (e.g. digital screens, Omnichannel services). Nonetheless, we consider that our current concept, developed in 2011, needs to be replaced by a new one that goes more in line with the new brand image and, more importantly, that integrates modern elements to actively drive traffic in the stores and in our Eshop. With this in mind, we are convinced that our Next Generation of stores will be about more eventful spaces for our customers and visitors.

Finally, we keep on introducing novelties to our Wholesale model in a process that is proving more of an evolution than a revolution. Following the integration of our franchise partners into the Omnichannel Model, we have continued to test different solutions for productivity growth. We recognize the structural challenges of this channel in the majority of our core markets but we are also totally convinced that it is and will be a critical pillar of our business. Therefore, we will keep testing and adopting the necessary improvements to better support our partners, while maintaining the channel's positive contribution.

4. **Markets Rightsizing and Expansion**

Our distribution network is still undergoing a downsizing process in our core markets, especially in terms of Retail space. In Europe, and particularly in Germany, we are actively working on renegotiating lease terms or accelerating closures of heavily loss-making stores. These are often stores in excellent locations but of excessive size and with expensive rents.

In APAC, we face a different challenge. Compared to the main international brands in Asia, Esprit's retail space is excessively concentrated in department stores and discount outlets. To correct this, we are selectively abandoning low performance locations, upgrading the look & feel of the most valuable ones, and progressively reducing the weight of our discount outlets over the total revenue in the region. In terms of profitability, store operating losses are fortunately attributable to very few flagship stores, most of which will be closed when their leases expire in the next 2 to 3 years.

Under this scenario, visible expansion is challenging because our openings will likely be offset by the necessary closures, which may represent up to 15% of our existing retail space. Nonetheless, we see room for retail or wholesale openings in countries where we have existing operations but are far from saturation, such as Southern Europe, Eastern Europe or India. Altogether, expansion will only come gradually in the nearest term.

5. **Cost Reduction**

A restless reduction of OPEX has been instrumental to bringing Esprit back to profitability and to building a more sustainable operation. As mentioned earlier, we have achieved our target to reduce OPEX by HK$1 billion from the FY15/16 level one year ahead of schedule.

Looking forward, we expect the obvious savings from store closures but also opportunities to further optimize overhead costs. Even if details for these future savings are not yet available, we keep this vital workstream as an integral part of our strategy.

The aforementioned five initiatives together form the basis for our most immediate efforts. We have every confidence that they will result in an enhanced mix of our brand, product and channels for Esprit to win a new generation of consumers, as well as in a leaner organization for the Group to maximize its future financial performance.

Outlook on FY17/18 and closing remarks

All in all, FY16/17 has been a year of good progress. At this stage, with improved bottom line and cash flow developments from our operations, we are assessing the best possible use of our cash in order to fuel growth, increase profitability and create long-term value for our shareholders.

In the short-term, we will continue with our downsizing efforts, as closures of the most unprofitable stores have yet to be completed and low performing wholesale spaces will continue to wind down. Nonetheless, the corresponding pressure on topline is expected to be partly alleviated by selective expansion and space productivity improvements (sales and gross profit per square meter). Overall, the Group's revenue is expected to see a modest decline in FY17/18.

In parallel, we maintain our focus on improving profitability levers. We aim to achieve a slightly higher gross profit margin and to further reduce operating expenses. We expect this improvement in gross profit margin and operating expenses to outweigh the negative impact of revenue decline, to produce a similar improvement in EBIT (excluding exceptional items) as experienced in FY16/17.

In closing, I would like to wholeheartedly thank our shareholders, our business partners and our staff for sharing the Group's beliefs and giving their continuous support in a challenging environment. Esprit has reached an exciting juncture and I feel positive about the prospects ahead if we prove ambitious and fast enough to leverage the enormous potential of the brand in the market. I look forward to sharing with all of you our progress on this journey.

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE ANALYSIS

For the financial year ended 30 June 2017 ("FY16/17" or "Financial Year Under Review"), Group revenue amounted to HK$15,942 million (2016: HK$17,788 million), a decline of -8.7% year-on-year ("yoy") in local currency ("LCY"), in line with the corresponding reduction in total controlled space of -8.5% yoy. Three major factors have affected the revenue development during this financial year.

(i) Reduction in controlled space

As the Group continues to rationalize its distribution footprint, the Group reduced total controlled space (retail and wholesale combined) by 55,392 sqm in FY16/17, representing a yoy reduction of -8.5%.

From the perspective of **Retail (excl. eshop)**, the closure of unprofitable stores is fundamental to improving the results of the Group and to creating a healthier platform for future growth in this channel. As such, the Group executed a net closure of 19,076 sqm of retail sales area during the financial year, representing a yoy reduction of -6.5%. As at 30 June 2017, approximately 15% of our total retail sales area remained to be closed, and we expect to close about half of this space within the next two financial years.

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

	As at 30 June 2017				
				Net change in net sales area since 1 July 2016	
	No. of stores	Net change in no. of stores ^	Net sales area (m^2)	(m^2)	(%)
Germany	**146**	**(1)**	**116,305**	**(2,294)**	**-1.9%**
Rest of Europe	**136**	**(7)**	**82,157**	**(4,333)**	**-5.0%**
Asia Pacific	**384**	**(87)**	**74,034**	**(12,449)**	**-14.4%**
Total	**666**	**(95)**	**272,496**	**(19,076)**	**-6.5%**

^ Net change since 1 July 2016

With respect to **Wholesale (excl. eshop)**, the channel continues to face persistent pressure and we continue to see elimination of non-performing locations by our partners. As a result, wholesale controlled space was reduced by a total of 36,316 sqm in FY16/17, representing a yoy reduction of -10.2%. Nevertheless, the corresponding revenue declined by a lesser extent (-8.8% yoy in LCY), reflecting underlying gain in productivity driven by improved order intakes from both offline and online partners. While commercial measures could be taken to slow down the decline of controlled space in this channel (e.g. increasing financial support to partners or increasing the inventory risk for Esprit), the Group is opting for a more focused approach, where we concentrate our efforts on improving the performance of the viable locations and remain strict about investments, costs and financial risk on those points of sale ("POS") with highly uncertain potential.

Wholesale (excl. eshop) distribution channel by region (controlled space only)

	As at 30 June 2017				
	No. of stores	Net change in no. of stores ^	Net sales area (m^2)	Net change in net sales area since 1 July 2016 (m^2)	Net change in net sales area since 1 July 2016 (%)
Germany	**3,743**	**47**	**171,224**	**(8,528)**	**-4.7%**
Franchise stores	247	(11)	56,792	(6,423)	-10.2%
Shop-in-stores	2,314	(56)	91,330	(3,432)	-3.6%
Identity corners	1,182	114	23,102	1,327	6.1%
Rest of Europe	**2,155**	**(279)**	**133,764**	**(19,970)**	**-13.0%**
Franchise stores	451	(34)	87,308	(13,018)	-13.0%
Shop-in-stores	830	(98)	25,526	(3,891)	-13.2%
Identity corners	874	(147)	20,930	(3,061)	-12.8%
Asia Pacific	**139**	**(63)**	**15,448**	**(7,818)**	**-33.6%**
Franchise stores	139	(63)	15,448	(7,818)	-33.6%
Total	**6,037**	**(295)**	**320,436**	**(36,316)**	**-10.2%**
Franchise stores	837	(108)	159,548	(27,259)	-14.6%
Shop-in-stores	3,144	(154)	116,856	(7,323)	-5.9%
Identity corners	2,056	(33)	44,032	(1,734)	-3.8%

^ Net change since 1 July 2016

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

During the last financial year, management took decisive actions to increase the gross profit margin across all channels and regions, as part of the measures to restoring our brand equity and to growing the profitability of the Group. Those actions have been instrumental to bringing an overall improvement to our bottom line in FY16/17, despite their negative impact on our topline development.

For **Retail (excl. eshop)**, the intensity of promotional activities was reduced in many ways, e.g. by shortening the duration of the Mid-Season Sale period, delaying the start of the End-of-Season Sale, eliminating discount promotions in certain countries and specific product categories, and applying a smoother approach to certain promotional events such as Black Friday. In addition to this, regular price markdowns in our full-price stores were also reduced and the prices in our off-price outlets were increased. All this had an evident impact on sales and we saw a yoy decline in comparable stores sales.

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

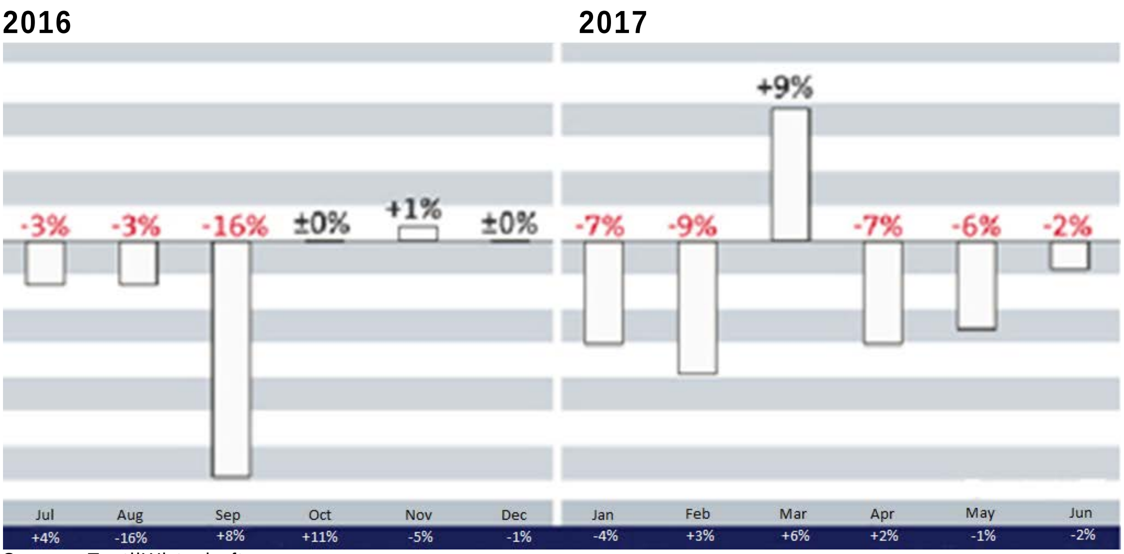
	1H FY16/17		2H FY16/17		FY16/17	
	No. of comp-store	Comp-store sales growth	No. of comp-store	Comp-store sales growth	No. of comp-store	Comp-store sales growth
Germany	**126**	**-6.8%**	**118**	**-7.8%**	**118**	**-7.1%**
Rest of Europe	**117**	**0.1%**	**114**	**-1.7%**	**114**	**-0.6%**
Asia Pacific	**233**	**-9.2%**	**209**	**-9.6%**	**209**	**-9.3%**
Total	**476**	**-4.9%**	**441**	**-6.0%**	**441**	**-5.2%**

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

Overall, the above approach in our different channels contrasted with the increasingly aggressive promotions and markdowns offered by competitors, but we consider that the benefits of our measures have clearly outweighed their negative aspects.

(iii) Weak general conditions in our largest market

During the last financial year, sales performance of the German apparel market was well below last year's level. Virtually every month (based on the market data published by TextilWirtschaft) developed negatively or flat compared to the same period of the previous year, except for the month of March 2017 due to the shift effect of Easter.



Source: TextilWirtschaft

Although we do not have the same reference indicator for the market's performance in every country, we have observed a very similar development of customers' traffic and sales in most of our European core countries.

Revenue by product

The Group markets its products under two brands, namely the "Esprit" brand and "edc" brand, both offering 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 (47.2% of Group revenue), Esprit Men (12.1% of Group revenue), Lifestyle and others (17.7% of Group revenue), and edc (23.0% of Group revenue).

Revenue by product

	For the year ended 30 June					
	2017		2016		Change in %	
Product division	**HK$ million**	**% to Group Revenue**	HK$ million	% to Group Revenue	HK$	Local currency
Esprit Women	**7,528**	**47.2%**	8,083	45.4%	-6.9%	-5.2%
women casual	**5,141**	**32.2%**	5,462	30.7%	-5.9%	-4.2%
women collection	**2,072**	**13.0%**	2,184	12.3%	-5.1%	-3.3%
trend #	**315**	**2.0%**	437	2.4%	-27.8%	-26.6%
Esprit Men	**1,930**	**12.1%**	2,374	13.4%	-18.7%	-17.0%
men casual	**1,582**	**9.9%**	1,932	10.9%	-18.1%	-16.5%
men collection	**348**	**2.2%**	442	2.5%	-21.2%	-19.4%
Lifestyle and others *	**2,822**	**17.7%**	3,457	19.4%	-18.4%	-17.0%
edc	**3,662**	**23.0%**	3,874	21.8%	-5.5%	-3.7%
Total	**15,942**	**100.0%**	17,788	100.0%	-10.4%	-8.7%

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

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

Esprit Women and edc

Esprit Women and edc, together representing 70.2% of the Group's revenue, recorded yoy decline in revenue of -5.2% and -3.7% in LCY respectively. Comparable retail sales (including eshop) declined -3.1% yoy in LCY for Esprit Women, while they increased by +1.6% yoy in LCY for edc. It is worth mentioning that we continued to see our women apparel divisions developing positively (visibly better than our total space development) despite all the factors described in the beginning of this "Revenue Analysis" section.

With the goal to further improve their performance, we have recently introduced two relevant changes to our product organization. Firstly, we have merged the Esprit and edc women apparel lines under one single head and team. Secondly, we have established a strong new team to maximize the potential of our fast-to-market product development and supply chain.

Esprit Men

Esprit Men, representing 12.1% of the Group's revenue, recorded yoy decline in revenue of -17.0% in LCY. Unfortunately, we are not seeing in our men apparel divisions the benefits of our vertical model, as we see them in the women's. Due to their weak performance, the space allocated to men's products in our retail stores was reduced by -4.1% yoy in FY16/17. From an organizational point of view, we have also merged the Esprit and edc men apparel lines under one single head and team.

Lifestyle and others

Lifestyle and others, representing 17.7% of the Group's revenue, recorded -17.0% yoy decline in LCY. This product group comprises mainly bodywear, accessories, shoes, and the sales and royalty income from licensed products such as kidswear, timewear, eyewear, jewelry, bed & bath, and houseware. The largest decline in revenue in this product group came from the Kids division (-68.9% yoy in LCY) due to the licensing of this business to Groupe Zannier since January 2016. This change largely reduces our topline because the majority of the revenue are now booked by our license partner, while Esprit's income is derived mostly from the corresponding royalties. Nonetheless, the licensing of this business clearly benefits the bottom-line performance of Esprit Kids. Excluding the Kids division, the Lifestyle and others' revenue decline was -8.9% yoy in LCY.

Revenue by region and distribution channel

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

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

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

Retail (excl. eshop) experienced revenue decline of -12.7% yoy in LCY in FY16/17, which is the consequence of the three major factors described in the beginning of the "Revenue Analysis" section. It is worth noting that, despite the reduction of promotional activities and price markdowns, the level of sales per square meter productivity of our full price retail stores only lowered by -1.3% yoy in LCY, and most of the decline of sales productivity in FY16/17 was caused by the off-price outlets (-10.6% yoy in LCY). Moreover, the negative impact of lower sales per square meter was outweighed by the increase of gross profit margin, which resulted in higher gross profit value generated by each full-price retail square meter by +5.4% yoy in LCY. In other words, the profitability of our full-price retail space kept on growing in FY16/17.

Regarding our off-price outlets, their significant revenue decline is caused by deep changes in our approach to this channel. More specifically we are raising prices of the off-season merchandise and reducing the share of merchandise developed for the outlets.

As for **Wholesale (excl. eshop),** the channel's profitability also improved in FY16/17. The closure of non-performing locations is increasing the average sales productivity of the remaining controlled space. For this reason, the revenue decline of -8.8% yoy in LCY is smaller than the corresponding yoy reduction in wholesale controlled space of -10.2%. Gross profit margin of the wholesale (excl. eshop) channel also improved during the financial year.

These dynamics in Retail (excl. eshop) and Wholesale (excl. eshop) were common to all our markets in FY16/17; therefore we will not repeat the same explanations when describing the development of each channel in each region during the rest of this section.

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

Revenue by region and by distribution channel

	For the year ended 30 June						
	2017		2016		Revenue Change in %		Net change in net sales area ^
	HK$ million	**% to Group Revenue**	HK$ million	% to Group Revenue	HK$	Local currency	
Germany	**7,932**	**49.8%**	8,559	48.1%	-7.3%	-5.6%	-3.6%
Retail (excl. eshop)	**2,781**	**17.4%**	3,079	17.3%	-9.7%	-8.1%	-1.9%
Wholesale (excl. eshop)	**2,741**	**17.2%**	2,978	16.8%	-8.0%	-6.3%	-4.7%
eshop	**2,385**	**15.0%**	2,480	13.9%	-3.8%	-2.0%	n.a.
Licensing	**25**	**0.2%**	22	0.1%	9.6%	11.4%	n.a.
Rest of Europe	**5,866**	**36.8%**	6,581	37.0%	-10.9%	-9.2%	-10.1%
Retail (excl. eshop)	**2,133**	**13.4%**	2,440	13.7%	-12.6%	-11.1%	-5.0%
Wholesale (excl. eshop)	**2,204**	**13.9%**	2,499	14.0%	-11.8%	-10.0%	-13.0%
eshop	**1,426**	**8.9%**	1,512	8.5%	-5.7%	-4.0%	n.a.
Licensing and others	**103**	**0.6%**	130	0.8%	-20.4%	-20.3%	n.a.
Asia Pacific	**2,144**	**13.4%**	2,648	14.9%	-19.0%	-17.5%	-18.5%
Retail (excl. eshop)	**1,804**	**11.3%**	2,306	13.0%	-21.8%	-20.6%	-14.4%
Wholesale (excl. eshop)	**119**	**0.7%**	181	1.0%	-34.2%	-32.4%	-33.6%
eshop	**221**	**1.4%**	161	0.9%	36.9%	43.1%	n.a.
Total	**15,942**	**100.0%**	17,788	100.0%	-10.4%	-8.7%	-8.5%
Retail (excl. eshop)	**6,718**	**42.1%**	7,825	44.0%	-14.1%	-12.7%	-6.5%
Wholesale (excl. eshop)	**5,064**	**31.8%**	5,658	31.8%	-10.5%	-8.8%	-10.2%
eshop	**4,032**	**25.3%**	4,153	23.3%	-2.9%	-1.0%	n.a.
Licensing and others	**128**	**0.8%**	152	0.9%	-16.0%	-15.6%	n.a.

^ Net change since 1 July 2016
n.a. Not applicable

Germany

As the largest market of the Group (representing 49.8% of total Group revenue), Germany recorded HK$7,932 million revenue in FY16/17, representing a -5.6% yoy decline in LCY (-6.3% in First Half and -5.0% in Second Half). In terms of distribution channels, Retail (excl. eshop), Wholesale (excl. eshop), Eshop and Licensing business contributed to 35.1%, 34.5%, 30.1% and 0.3% of its revenue, respectively.

Germany Retail (excl. eshop) recorded revenue of HK$2,781 million, representing a yoy decline of -8.1% in LCY against a sales area reduction of -1.9% yoy, which is below our expectation due to the longer lease terms in Germany compared to those in other markets, which make the leases more difficult to terminate.

Germany Wholesale (excl. eshop) recorded revenue of HK$2,741 million, representing a yoy decline of -6.3% in LCY. The rate of decline in controlled space has narrowed to -4.7% yoy as compared to -8.5% yoy last year (excluding the transfer of 713 POS under the kids division to our new licensing partner). While traditional wholesale partners continue to suffer from structural pressure in the channel, we observe significant growth in order intake from online wholesale partners.

Rest of Europe

Rest of Europe comprises countries in Europe (except Germany), in America and in the Middle East (representing 36.8% of total Group revenue). The region recorded revenue of HK$5,866 million in FY16/17, representing a yoy decline of -9.2% in LCY (-10.8% in First Half and -7.5% in Second Half). In terms of distribution channels, Retail (excl. eshop), Wholesale (excl. eshop), Eshop and Licensing businesses contributed to 36.3%, 37.6%, 24.3% and 1.8% of the region's revenue, respectively.

Rest of Europe Retail (excl. eshop) recorded revenue of HK$2,133 million, representing a yoy decline of -11.1% in LCY. As for our sales area under Rest of Europe Retail (excl. eshop), there was a reduction of -5.0% yoy mainly attributable to the successful closure of unprofitable stores in France.

Rest of Europe Wholesale (excl. eshop) recorded -10.0% yoy in LCY revenue decline, which compares favorably against space reduction of -13.0% yoy. The improvement in sales productivity reflects better order intakes from online and offline partners in the region.

Asia Pacific

Asia Pacific ("APAC") comprises mainly China, Australia and New Zealand, Hong Kong, Singapore, Malaysia, Taiwan and Macau (representing 13.4% of total Group revenue). The region recorded revenue decline of -17.5% yoy in LCY in FY16/17 (-18.8% in the First Half and -16.0% in the Second Half).

As discussed in our previous annual report, Esprit faces in APAC certain difficulties that are different from our challenges in Europe. Firstly, in China, our largest market, retail space is concentrated both in POS in department stores that suffer from declining traffic, and in off-price outlets that are usually brand dilutive. To this end, we are implementing an aggressive restructuring of our network in the country and have made good progress, closing -29.7% yoy of total controlled space (retail and wholesale combined) during FY16/17. Moreover, a new concept has been developed to adapt to the small spaces in these POS. Secondly, APAC faces specific product requirements compared to Europe, which we address by complementing our Global collections with a dedicated product line for APAC.

Asia Pacific Retail (excl. eshop), representing 11.3% of total Group revenue, declined by -20.6% yoy in LCY against sales area reduction of -14.4% yoy. The sales area decline is in line with our plan to accelerate the restructuring of the store network. Fortunately, lease terms in APAC are generally short, and the leases of the majority of the heavy loss-making stores will be expiring in the next two financial years. It is also relevant to highlight the fact that we had the most drastic reduction of the promotional activity in APAC, which explains the -9.3% yoy in LCY revenue decline in comparable retail stores. Despite this significant revenue drop, we had a positive development of the channel's bottom line, as we benefited from the gross profit margin recovery and OPEX reduction.

Asia Pacific Wholesale (excl. eshop), representing 0.7% of total Group revenue, declined by -32.4% yoy in LCY due to the controlled space reduction of -33.6% yoy. The majority of the space loss took place in China, while we see opportunities to expand the wholesale business in new countries within the region. Importantly, Esprit has re-entered the India market in FY16/17 through the partnership with a leading online retailer of fashion and lifestyle products in the country. The Group has also entered into new markets during the year, including Nepal (November 2016) and Myanmar (March 2017). These new businesses have contributed to smooth our wholesale sales performance in the region in the second half (First Half: -42.6% yoy in LCY; Second Half: -13.7% yoy in LCY).

Eshop

Eshop comprises our directly managed ecommerce business in European and APAC countries, and the sales to third-party online platforms in APAC. In FY16/17, the channel generated HK$4,032 million in revenue and kept growing its already large share of revenue (25.3% of total Group revenue). Revenue of the channel was virtually flat (-1.0% yoy in LCY) comparing against a very successful development last year (+15.3% yoy in LCY).

Eshop Germany and Rest of Europe, contributing 94.5% of the Group's total Eshop revenue in FY16/17, had a yoy decline of -2.8% yoy in LCY. This drop in revenue was driven by a very weak First Half (First Half: -4.8% yoy in LCY vs Second Half: -0.7% yoy in LCY). Nonetheless, the channel remains highly productive and profitable, and we continued to develop our Omnichannel solutions with positive results during the financial year:

- Increased number of active Esprit Friends (i.e. members of the program who have purchased in the last 12 months) by +7.0% vs last year
- Rapid growth of sales initiated from smartphones, up by 43% vs last year
- Shorter delivery times for our customers after completing the ramp up phase of our new automated distribution center
- A higher level of personalization of the consumer experience
- Improved service to our customers after the roll-out of our integrated online/offline features, including click & collect of orders from our stores and the capability to reserve store products online and return Eshop products in the stores

Eshop APAC reached HK$221 million revenue in FY16/17, representing an increase of +43.1% yoy in LCY notwithstanding a high base last year of +72.2% yoy in LCY. China represented over 80% of the Eshop revenue in the region and recorded revenue growth of +42.1% yoy in LCY, fueled by actions such as the integration of Esprit Friends loyalty program into our Eshop, the strengthening of our operations with Tmall, the expansion of our online presence in China through local platforms such as Weibo or Wechat, and the collaboration with celebrities and key opinion leaders through our social media.

PROFITABILITY ANALYSIS

The table below presents the results of the Group for FY16/17 and FY15/16, with a differentiation of “Regular OPEX” and “Exceptional Items”. Regular OPEX comprises recurring expenses of the underlying operation (“Underlying Operation”). Exceptional Items are exceptional gains and expenses arising from non-regular operational activities of the Group, 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 (e.g. one-off costs in relation to staff reduction plans).

	For the year ended 30 June			
	2017	2016	Change in %	
	HK$ million	HK$ million	HK$	Local currency
Revenue	**15,942**	17,788	-10.4%	-8.7%
Cost of goods sold	**(7,712)**	(8,859)	-12.9%	-11.3%
Gross profit	**8,230**	8,929	-7.8%	-6.2%
Gross profit margin	***51.6%***	*50.2%*	*1.4% pts*	*1.4% pts*
Regular OPEX				
Staff costs	**(2,851)**	(3,018)	-5.5%	-4.1%
Occupancy costs	**(2,496)**	(2,793)	-10.6%	-9.2%
Logistics expenses	**(957)**	(1,022)	-6.4%	-4.6%
Marketing and advertising expenses	**(814)**	(1,015)	-19.7%	-18.1%
Depreciation	**(518)**	(591)	-12.5%	-10.9%
Other operating costs	**(780)**	(1,062)	-26.5%	-25.2%
Subtotal	**(8,416)**	(9,501)	-11.4%	-9.9%
(LBIT) of Underlying Operations	**(186)**	(572)		
Exceptional items				
i) One-off costs in relation to staff reduction plans	**(45)**	(462)		
ii) Net provision for store closures and leases	**(12)**	(186)		
iii) Write back of / (impairment of) fixed assets	**8**	(59)		
iv) Impairment of IT applications of Esprit Kids Division	**-**	(48)		
v) Net gain on disposal of Hong Kong office premises	**-**	731		
vi) Net gain on disposal of properties in Shenzhen and Hong Kong	**133**	-		
Subtotal	**84**	(24)		
(LBIT) of the Group	**(102)**	(596)	**82.9%**	**83.4%**
Net interest (expense) / income	**(4)**	11		
(Loss) before taxation	**(106)**	(585)		
Net taxation credit	**173**	606		
Net profit	**67**	21		

For FY16/17, the Group recorded a **Gross Profit margin** of 51.6%, representing a yoy increase of +1.4% points and resulting in Gross Profit value of HK$8,230 million (2016: HK8,929 million). The improvement in gross profit margin was observed across all channels, regions and key product divisions, and was mainly the result of management’s actions to reduce the level of promotional activities, price markdowns and wholesale discounts (as described in the beginning of the “Revenue Analysis” section). The benefits of these actions were partly offset by the pressure from weakness of the Euro for most part of the financial year.

Regular OPEX (excluding Exceptional Items) was reduced to HK$8,416 million (2016: HK$9,501 million), representing a yoy reduction of -9.9% in LCY. The Group has achieved its target to reduce operating expenses ("OPEX") by HK$1 billion (excluding exchange rate impact) one year ahead of schedule. Savings were achieved across all key cost lines mainly through the accelerated closure of loss-making stores, the implementation of overhead cost restructuring measures and the normalized marketing and advertising expenditure after the strong push last year.

Exceptional Items refers to exceptional gains and expenses arising from non-regular operational activities of the Group. As detailed in the table at the beginning of this section, there was a net exceptional gain of HK$84 million in the financial year primarily related to the sale of non-core properties (+HK$133 million) partly offset by one-off costs for staff reduction (-HK$45 million) to reduce overhead costs.

EBIT of Underlying Operations (i.e. excluding Exceptional Items) was a loss of -HK$186 million, an improvement from the EBIT loss of -HK$572 million last year. After including the Exceptional Items, EBIT was a loss of -HK$102 million in FY/16/17, also an improvement from the EBIT loss of -HK$596 million in the same period last year.

Interest was a net expense of HK$4 million (2016: Net Interest income of HK$11 million), the results of a combination of i) interest earned on cash, bank balances and deposits of HK$44 million, representing an effective interest rate of 0.8% per annum (2016: 0.8%), offset by ii) non-cash interest expenses primarily related to time value of provision for onerous contracts and store closure. As a consequence, **Loss before taxation** was HK$106 million (2016: Loss before taxation of HK$585 million).

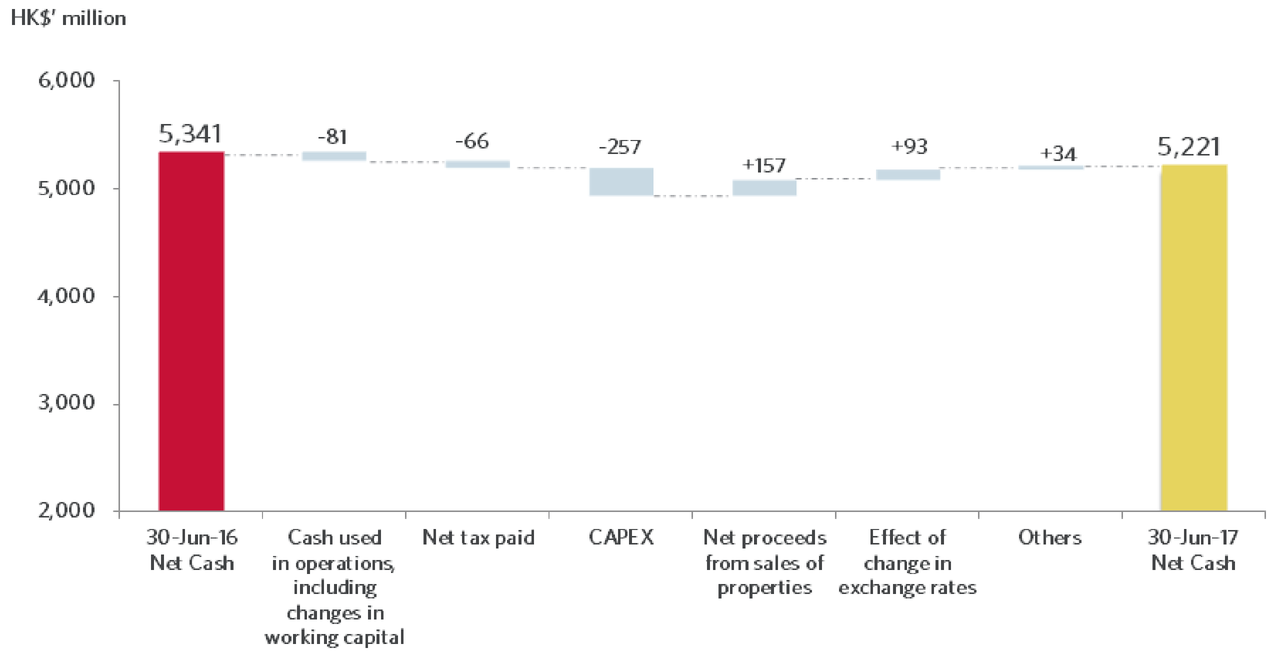
Taxation was a net tax credit of HK$173 million, a significant reduction from HK$606 million of last year. The tax credit is mainly attributable to i) the release of deferred tax liability no longer required based on communication received from the relevant tax authority; and ii) the credit from deferred taxation arising from tax losses to offset future potential profits.

Net profit was HK$67 million, an improvement from HK$21 million last year, resulting from the improvement of the financial performance of the Group's underlying operations, partly offset by less favorable taxation credit as compared to last year.

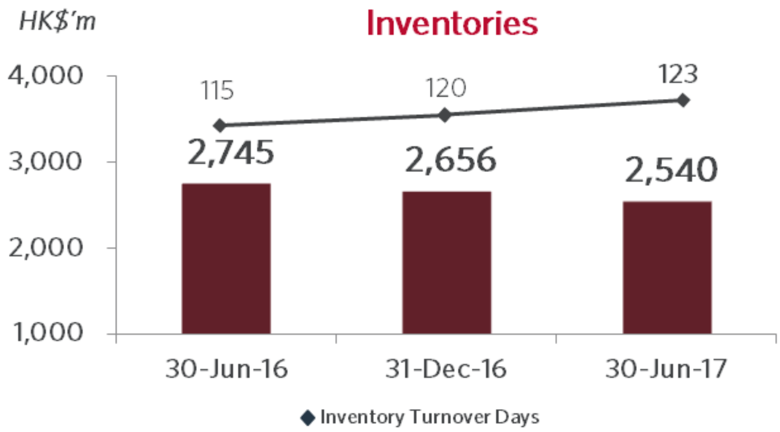
LIQUIDITY AND FINANCIAL RESOURCES ANALYSIS

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

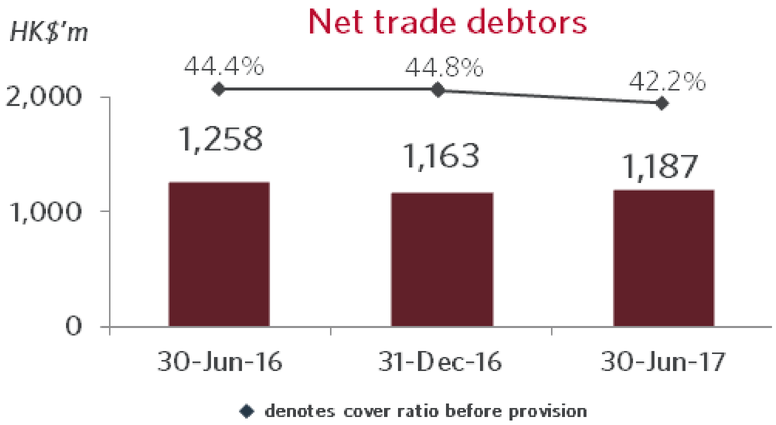
Cash: As at 30 June 2017, the Group remained debt free with **cash, bank balances and deposits** totaling HK$5,221 million, almost flat as compared to the HK$5,341 million at the beginning of the financial year. Operating cash flow before change in working capital was an inflow of HK$405 million. The decrease in net cash was primarily due to increase in working capital as results of i) decrease in creditors and accrued charges mainly related to utilization of provision for staff reduction plan and ii) decrease in provision for store closure and onerous leases as the provision was utilized to fulfill relevant lease obligation.



Inventories: Our inventory balance amounted to HK$2,540 million (30 June 2016: HK$2,745 million), representing a yoy reduction of -7.4%, despite the +3.4% yoy appreciation in EUR/HKD closing rate. Inventory turnover days was 123 days, an increase of 8 days as compared to a year ago (30 June 2016: 115 days) mainly due to the higher share of our Retail channels (Retail stores and Eshop) and the lower revenue of the Group this year. Management is mindful of this increase and has taken measures to quickly align inventory level with sales. In terms of aging profile, inventory (in terms of units) aged over six months increased slightly to 22.9% (30 June 2016: 20.6%).



Net trade debtors was HK$1,187 million (30 June 2016: HK$1,258 million), representing a yoy decrease of -5.6% despite the appreciation in EUR/HKD closing rate of +3.4% yoy. The cover ratio before provision (the amount of insured and secured gross trade debtors including VAT over total gross trade debtors including VAT) decreased to 42.2% (30 June 2016: 44.4%).



Capital expenditure (CAPEX): We remain cautious in CAPEX investments as we stay vigilant in cash flow management and cost control. The Group invested HK$257 million (2016: HK$262 million) in CAPEX in FY16/17, approximately the same as last year. We invested HK$50 million in new store opening, HK$48 million in store refurbishment, HK$48 million in IT projects, and HK$111 million in Office and others. These CAPEX included approximately EUR9.1 million for the extension of our distribution center in Mönchengladbach ("DC Extension") to enable stock replenishment capability. The DC extension was completed in May 2017. It is currently in testing phase and will be fully operational by Fall/Winter 2017.

	For the year ended 30 June	
HK$ million	**2017**	2016
New stores	**50**	71
Refurbishment	**48**	75
IT projects	**48**	44
Office & others	**111**	72
Purchase of property, plant and equipment	**257**	262

Total interest bearing external borrowings: As at 30 June 2017, the Group had no interest bearing external borrowings (30 June 2016: 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 affect our revenue, which is reported in Hong Kong Dollar. In addition, while our revenue are generated primarily in Euro, the finished goods purchases in Euro only account for a small portion of our total purchases, therefore fluctuations in the value of the Euro against the Hong Kong Dollar could also affect our gross profit 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.

OUTLOOK FOR FY17/18

FY16/17 has been a year of good bottom line improvement. At this stage, with improved bottom line and cash flow developments from operations, we are reassessing the best possible use of our cash in order to create long term value for our shareholders through sales growth and further reduction of structural costs.

As previously guided, growth will only come progressively as the Group still faces a downsizing process in its wholesale and retail space (as loss-making retail stores still need to be closed). We expect to partly counter this with growth in our online channels, with better sales and/or gross profit productivity improvements in our existing stores, with selective retail store openings and with new wholesale partnerships.

All in all, we expect a single-digit decline of **controlled space** and a modest decline of **total revenue**.

Regarding **gross profit margin**, we aim to achieve a modest increase as we continue our decisive measures to reduce markdowns and promotions.

As for **OPEX**, we believe that there is opportunity to further reduce costs, although not as fast as in FY16/17. As such, we expect a single-digit decrease in operating expenses.

Overall, the improvement in gross profit margin and operating expenses is expected to outweigh the negative impact of revenue decline to produce similar improvement in EBIT (excluding exceptional items) as experienced in FY16/17.

APPENDIX

Revenue by Country

Country [^^]	For the year ended 30 June 2017 HK$ million	2017 % to Group Revenue	2016 HK$ million	2016 % to Group Revenue	Revenue change in % HK$	Revenue change in % Local currency	Net change in net sales area [^]
Germany [#]	**7,932**	**49.8%**	8,559	48.1%	-7.3%	-5.6%	-3.6%
Rest of Europe	**5,866**	**36.8%**	6,581	37.0%	-10.9%	-9.2%	-10.1%
Benelux [#]	1,895	11.9%	2,121	11.9%	-10.6%	-9.0%	-10.2%
France	977	6.1%	1,128	6.4%	-13.4%	-11.9%	-11.2%
Switzerland	926	5.8%	984	5.5%	-5.9%	-4.6%	-3.0%
Austria	735	4.6%	832	4.7%	-11.6%	-10.0%	-4.4%
Sweden	225	1.4%	262	1.5%	-14.3%	-10.9%	-28.7%
Spain	216	1.4%	216	1.2%	-0.2%	1.7%	-6.6%
Finland	209	1.3%	233	1.3%	-10.0%	-8.5%	-12.6%
Italy	116	0.7%	131	0.7%	-11.8%	-10.4%	-10.1%
United Kingdom	94	0.6%	151	0.8%	-37.8%	-31.7%	-19.8%
Denmark	89	0.6%	111	0.7%	-20.0%	-18.7%	-15.2%
Poland	75	0.5%	73	0.4%	2.6%	4.8%	-0.9%
Ireland	7	0.0%	7	0.0%	-13.2%	-11.8%	-46.6%
Norway	3	0.0%	4	0.0%	-24.4%	-24.4%	-
Portugal	1	0.0%	1	0.0%	-9.2%	-7.5%	-
Others [##]	298	1.9%	327	1.9%	-8.5%	-8.2%	-12.8%
Asia Pacific	**2,144**	**13.4%**	2,648	14.9%	-19.0%	-17.5%	-18.5%
China	871	5.4%	1,182	6.6%	-26.3%	-22.0%	-29.7%
Australia and New Zealand	297	1.9%	324	1.8%	-8.2%	-11.6%	-8.1%
Hong Kong	265	1.7%	332	1.9%	-20.3%	-20.3%	-16.7%
Singapore	227	1.4%	256	1.4%	-11.4%	-11.1%	-0.1%
Malaysia	169	1.1%	192	1.1%	-12.3%	-9.1%	-3.0%
Taiwan	165	1.0%	188	1.1%	-12.0%	-15.5%	-0.4%
Macau	86	0.5%	102	0.6%	-15.5%	-15.5%	-14.5%
Others [@]	64	0.4%	72	0.4%	-11.1%	-11.1%	-12.0%
Total	**15,942**	**100.0%**	17,788	100.0%	-10.4%	-8.7%	-8.5%

^ Net change since 1 July 2016

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

Includes licensing

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

@ Others under Asia Pacific include wholesale (excl. eshop) revenue from other countries mainly Thailand and the Philippines

Retail (excl. eshop) revenue by country

	For the year ended 30 June						
	2017		2016		Revenue change in %		Net change in net sales area^
Country	**HK$ million**	**% to Total Revenue**	HK$ million	% to Total Revenue	HK$	Local currency	
Germany	**2,781**	**41.4%**	3,079	39.4%	-9.7%	-8.1%	-1.9%
Rest of Europe	**2,133**	**31.7%**	2,440	31.2%	-12.6%	-11.1%	-5.0%
Benelux	769	11.4%	891	11.4%	-13.6%	-12.1%	-0.9%
Switzerland	579	8.6%	602	7.7%	-3.9%	-2.7%	0.4%
Austria	351	5.2%	402	5.1%	-12.7%	-11.2%	-3.0%
France	260	3.9%	321	4.1%	-18.9%	-17.4%	-20.0%
Poland	58	0.9%	65	0.8%	-10.3%	-8.2%	-0.9%
Sweden	54	0.8%	85	1.1%	-37.1%	-34.2%	-32.0%
Finland	47	0.7%	54	0.7%	-12.4%	-10.9%	-
Denmark	15	0.2%	15	0.2%	-1.0%	0.5%	-
United Kingdom	-	-	5	0.1%	-100.0%	-100.0%	-
Asia Pacific	**1,804**	**26.9%**	2,306	29.4%	-21.8%	-20.6%	-14.4%
China	636	9.6%	939	12.0%	-32.3%	-28.3%	-23.5%
Australia and New Zealand	272	4.0%	304	3.9%	-10.4%	-13.7%	-8.1%
Hong Kong	264	3.9%	331	4.2%	-20.4%	-20.4%	-16.7%
Singapore	216	3.2%	253	3.2%	-14.6%	-14.2%	-0.1%
Malaysia	167	2.5%	191	2.4%	-12.7%	-9.5%	-3.0%
Taiwan	163	2.4%	186	2.4%	-12.3%	-15.9%	-0.4%
Macau	86	1.3%	102	1.3%	-15.5%	-15.5%	-14.5%
Total	**6,718**	**100.0%**	7,825	100.0%	-14.1%	-12.7%	-6.5%

^ Net change since 1 July 2016

Directly managed retail stores by country – movement since 1 July 2016

	As at 30 June 2017					
Country	**No. of stores**	**Net opened stores^**	**Net sales area (m^2)**	**Net change in net sales area^**	**No. of comp stores (excl. eshop)**	**Comp-store sales growth (excl. eshop)**
Germany	**146**	**(1)**	**116,305**	**-1.9%**	**118**	**-7.1%**
Rest of Europe	**136**	**(7)**	**82,157**	**-5.0%**	**114**	**-0.6%**
Switzerland	38	1	17,186	0.4%	34	-2.9%
Belgium	22	-	16,190	-	21	4.2%
Netherlands	20	-	14,202	-2.0%	18	0.4%
Austria	19	-	14,841	-3.0%	16	-2.6%
France	16	(5)	9,712	-20.0%	15	-6.2%
Poland	11	-	3,245	-0.9%	-	n.a.
Sweden	4	(3)	2,542	-32.0%	4	19.8%
Luxembourg	3	-	1,869	-	3	-2.5%
Finland	2	-	1,745	-	2	3.3%
Denmark	1	-	625	-	1	0.5%
Asia Pacific	**384**	**(87)**	**74,034**	**-14.4%**	**209**	**-9.3%**
China	178	(72)	31,999	-23.5%	92	-7.9%
Taiwan	68	(5)	6,593	-0.4%	40	-16.5%
Australia	63	(3)	7,306	-9.6%	37	-10.8%
Malaysia	32	(3)	12,523	-3.0%	19	-5.5%
Singapore	21	-	6,622	-0.1%	10	-9.7%
Hong Kong	10	(4)	5,391	-16.7%	3	-10.6%
New Zealand	8	-	1,564	-0.4%	6	-9.1%
Macau	4	-	2,036	-14.5%	2	-4.1%
Total	**666**	**(95)**	**272,496**	**-6.5%**	**441**	**-5.2%**

^ Net change since 1 July 2016
n.a. Not applicable

Directly managed retail stores by store type – movement since 1 July 2016

	No. of stores					Net sales area (m^2)				
	As at	vs 1 July 2016		As at	Net	As at	vs 1 July 2016		As at	Net
Store type	**30 June 2017**	**Opened**	**Closed**	**1 July 2016**	**change**	**30 June 2017**	**Opened**	**Closed**	**1 July 2016**	**change**
Stores	**370**	**27**	**(41)**	**384**	**(14)**	**212,326**	**7,378**	**(18,035)**	**222,983**	**-4.8%**
- Germany	130	2	(6)	134	(4)	101,878	1,361	(4,642)	105,159	-3.1%
- Rest of Europe	125	3	(10)	132	(7)	73,848	975	(5,308)	78,181	-5.5%
- Asia Pacific	115	22	(25)	118	(3)	36,600	5,042	(8,085)	39,643	-7.7%
Concession counters	**216**	**9**	**(81)**	**288**	**(72)**	**21,491**	**2,010**	**(8,152)**	**27,633**	**-22.2%**
- Germany	5	3	-	2	3	1,781	987	-	794	124.3%
- Asia Pacific	211	6	(81)	286	(75)	19,710	1,023	(8,152)	26,839	-26.6%
Outlets	**80**	**3**	**(12)**	**89**	**(9)**	**38,679**	**1,138**	**(3,415)**	**40,956**	**-5.6%**
- Germany	11	-	-	11	-	12,646	-	-	12,646	-
- Rest of Europe	11	-	-	11	-	8,309	-	-	8,309	-
- Asia Pacific	58	3	(12)	67	(9)	17,724	1,138	(3,415)	20,001	-11.4%
Total	**666**	**39**	**(134)**	**761**	**(95)**	**272,496**	**10,526**	**(29,602)**	**291,572**	**-6.5%**

Wholesale (excl. eshop) revenue by country

	For the year ended 30 June						
		2017		2016	Revenue change in %		Net change
	HK$	**% to Total**	HK$	% to Total		Local	in net sales
Country	**million**	**Revenue**	million	Revenue	HK$	currency	area^
Germany	**2,741**	**54.1%**	2,978	52.6%	-8.0%	-6.3%	-4.7%
Rest of Europe	**2,204**	**43.5%**	2,499	44.2%	-11.8%	-10.0%	-13.0%
Benelux	566	11.2%	651	11.5%	-13.0%	-11.4%	-17.6%
France	493	9.7%	545	9.7%	-9.6%	-8.1%	-8.1%
Spain	201	4.0%	202	3.6%	-0.4%	1.5%	-6.6%
Austria	185	3.6%	227	4.0%	-18.5%	-17.0%	-6.0%
Sweden	139	2.7%	148	2.6%	-5.8%	-1.9%	-27.3%
Finland	135	2.7%	147	2.6%	-8.7%	-7.2%	-14.5%
Switzerland	120	2.4%	132	2.3%	-8.8%	-7.7%	-11.8%
Italy	108	2.1%	123	2.2%	-12.2%	-10.8%	-10.1%
United Kingdom	48	1.0%	91	1.6%	-47.1%	-37.9%	-19.8%
Denmark	38	0.7%	53	0.9%	-28.0%	-26.9%	-18.9%
Ireland	4	0.1%	5	0.1%	-24.7%	-23.7%	-46.6%
Norway	3	0.1%	4	0.1%	-24.5%	-24.5%	-
Others #	164	3.2%	171	3.0%	-4.2%	-4.0%	-12.8%
Asia Pacific	**119**	**2.4%**	181	3.2%	-34.2%	-32.4%	-33.6%
China	55	1.1%	109	1.9%	-49.4%	-46.5%	-48.9%
Others @	64	1.3%	72	1.3%	-11.1%	-11.1%	-12.0%
Total	**5,064**	**100.0%**	5,658	100.0%	-10.5%	-8.8%	-10.2%

^ Net change since 1 July 2016

\# Others under Rest of Europe include wholesale (excl. eshop) revenue from other countries mainly Chile, Colombia, Canada, and the Middle East

@ Others under Asia Pacific include wholesale (excl. eshop) revenue from other countries mainly Thailand and the Philippines

Wholesale distribution channel by country (controlled space only) – movement since 1 July 2016

As at 30 June 2017

	Franchise stores				Shop-in-stores				Identity corners				Total			
Country	No. of stores	Net sales area (m^2)	Net opened stores^	Net change in net sales area^	No. of stores	Net sales area (m^2)	Net opened stores^	Net change in net sales area^	No. of stores	Net sales area (m^2)	Net opened stores^	Net change in net sales area^	No. of stores	Net sales area (m^2)	Net opened stores^	Net change in net sales area^
Germany	**247**	**56,792**	**(11)**	**-10.2%**	**2,314**	**91,330**	**(56)**	**-3.6%**	**1,182**	**23,102**	**114**	**6.1%**	**3,743**	**171,224**	**47**	**-4.7%**
Rest of Europe	**451**	**87,308**	**(34)**	**-13.0%**	**830**	**25,526**	**(98)**	**-13.2%**	**874**	**20,930**	**(147)**	**-12.8%**	**2,155**	**133,764**	**(279)**	**-13.0%**
Benelux	90	26,178	(9)	-13.3%	69	3,136	(61)	-41.5%	173	4,650	(87)	-17.7%	332	33,964	(157)	-17.6%
France	126	21,411	(3)	-10.0%	259	5,816	(2)	-1.0%	156	4,262	(11)	-7.6%	541	31,489	(16)	-8.1%
Austria	55	8,900	(3)	-9.2%	95	3,363	2	2.7%	38	896	(1)	-3.2%	188	13,159	(2)	-6.0%
Sweden	19	5,471	(7)	-26.3%	-	-	-	-	27	723	(17)	-34.5%	46	6,194	(24)	-27.3%
Finland	20	4,790	1	-1.1%	56	2,331	(22)	-33.6%	94	2,721	(6)	-13.8%	170	9,842	(27)	-14.5%
Switzerland	20	3,207	(3)	-12.3%	45	2,148	(3)	-12.1%	18	395	(2)	-6.2%	83	5,750	(8)	-11.8%
Italy	12	2,313	(3)	-26.8%	35	1,046	-	-	229	3,697	15	1.5%	276	7,056	12	-10.1%
Spain	21	2,419	2	-15.6%	172	5,361	(5)	1.6%	61	1,769	(9)	-15.2%	254	9,549	(12)	-6.6%
Denmark	6	1,532	(1)	-9.2%	2	28	-	-	19	524	(17)	-38.7%	27	2,084	(18)	-18.9%
Norway	1	242	-	-	-	-	-	-	-	-	-	-	1	242	-	-
United Kingdom	2	152	-	6.3%	9	349	(5)	-39.7%	52	1,208	(11)	-14.3%	63	1,709	(16)	-19.8%
Portugal	-	-	-	-	-	-	-	-	2	35	-	-	2	35	-	-
Ireland	-	-	-	-	1	82	(2)	-46.1%	5	50	(1)	-47.4%	6	132	(3)	-46.6%
Others *	79	10,693	(8)	-14.7%	87	1,866	-	-	-	-	-	-	166	12,559	(8)	-12.8%
Asia Pacific	**139**	**15,448**	**(63)**	**-33.6%**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**139**	**15,448**	**(63)**	**-33.6%**
China	52	6,963	(41)	-48.9%	-	-	-	-	-	-	-	-	52	6,963	(41)	-48.9%
Thailand	65	5,219	(20)	-15.2%	-	-	-	-	-	-	-	-	65	5,219	(20)	-15.2%
Philippines	16	2,150	(5)	-25.0%	-	-	-	-	-	-	-	-	16	2,150	(5)	-25.0%
Others	6	1,116	3	78.3%	-	-	-	-	-	-	-	-	6	1,116	3	78.3%
Total	**837**	**159,548**	**(108)**	**-14.6%**	**3,144**	**116,856**	**(154)**	**-5.9%**	**2,056**	**44,032**	**(33)**	**-3.8%**	**6,037**	**320,436**	**(295)**	**-10.2%**

^ Net change since 1 July 2016

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

HUMAN RESOURCES

As at 30 June 2017, the Group employed over 7,300 full-time equivalent staff (30 June 2016: over 8,300) 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

The Board maintains the dividend payout ratio of 60% of basic earnings per share. In view of a small net profit recorded by the Group for the year ended 30 June 2017, the Board has not recommended the distribution of a final dividend for the year ended 30 June 2017 (FY15/16: nil).

CLOSURE OF REGISTERS OF MEMBERS

For determining the eligibility of shareholders to attend and vote at the forthcoming annual general meeting

Latest time to lodge transfer documents for registration	At 4:30 pm on Friday, 17 November 2017
Closure of Registers of Members	Monday, 20 November 2017 to Thursday, 23 November 2017 (both dates inclusive)
Record date	Thursday, 23 November 2017

During the above closure period, no transfer of shares of the Company will be effected. To be eligible 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 no later than the aforementioned latest time.

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 2017 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 under review 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.

Subsequent to the financial year end, from 9 August 2017 to 18 August 2017, the Company repurchased a total of 13,351,400 ordinary shares of the Company on The Stock Exchange of Hong Kong Limited at an aggregate consideration of approximately HK$57 million.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the year ended 30 June 2017, 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 of 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 2017.

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 2017

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.