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ESPRIT

ESPRIT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

STOCK CODE: 00330

PROFIT WARNING

This announcement is made pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong).

The board of directors (the “Board”) of Esprit Holdings Limited (the “Company”) wishes to inform the shareholders of the Company and potential investors that, based on its preliminary review of the unaudited consolidated management accounts of the Company and its subsidiaries (together, the “Group”) for the six months ended 31 December 2017 (“1H FY17/18”), the Company’s management currently expects the Group to record a net loss in the range of approximately HK\$(950) million to HK\$(980) million, as compared to a net profit of HK\$61 million in the same period last year.

The anticipated net loss is attributable to the combination of three major factors:

1. Full impairment of the remaining balance of the goodwill and customer relationships in association with the China operations of the Group (the “China Impairment”), due to the significant decline of our business in the country in recent years, resulting in a negative impact of approximately HK\$795 million before taxation. This impairment is a non-cash item.
2. Larger than expected decline in the Group’s revenue in the second quarter of FY17/18. While a modest decline in revenue was anticipated due to strategic rationalization of our distribution footprint, for the second quarter of FY17/18, the decline was more than expected primarily due to sales performance of our brick and mortar retail stores. As a result, Loss Before Interest and Taxation (LBIT) and before the China Impairment for 1H FY17/18 is estimated to be in the range of approximately HK\$(150) million to HK\$(180) million for 1H FY17/18, compared to LBIT of HK\$(13) million in the same period last year. As a related note, gross profit margin had slightly increased and operating expenses had further reduced in 1H FY17/18, but such improvements were not sufficient to outweigh the negative impact of the revenue decline during the period.

3. Net taxation expense of approximately HK\$5 million in 1H FY17/18 in contrast to the net taxation credit of HK\$74 million, in the same period last year.

The Company is in the course of finalising the interim consolidated financial results for the six months ended 31 December 2017. The information contained in this announcement is only based on a preliminary assessment by the Board based on information currently available to it, including the unaudited consolidated management accounts of the Group for the six months ended 31 December 2017 which have not been confirmed, reviewed or finalised by the Audit Committee of the Board and have not been reviewed by the Company's auditors as at the date of this announcement. The interim results announcement of the Company for 1H FY17/18 is expected to be released on 28 February 2018.

The Board wishes to draw the attention of the Shareholders of the Company and potential investors to that (i) the Group is currently in the midst of fine tuning its strategic measures to establish a solid platform for long term profitable growth; (ii) the operating environment continues to be very challenging amidst rapidly changing industry dynamics; and (iii) due to the seasonality of the business, the performance in the second half of a financial year is normally not as good as the first half. Hence, the financial performance of the Group in the second half of FY17/18 remains uncertain.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company.

By Order of the Board
Florence Ng Wai Yin
Company Secretary

Hong Kong, 24 January 2018

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