

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

ESPRIT

ESPRIT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

STOCK CODE: 00330

UNAUDITED FY18/19 FIRST QUARTER UPDATE FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2018

FIRST QUARTER UPDATE

The board of directors (the “Board”) of Esprit Holdings Limited (the “Company”) presents the unaudited FY18/19 first quarter update of the Company and its subsidiaries (the “Group”) for the three months ended 30 September 2018. This announcement is made pursuant to Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Revenue by product

Product division	For the 3 months ended 30 September					
	2018		2017		Change in %	
	HK\$ million	% to Group Revenue	HK\$ million	% to Group Revenue	Local HK\$ currency	
Women (Esprit & edc)	2,254	67.6%	2,700	67.4%	-16.5%	-15.9%
women casual #	1,175	35.3%	1,424	35.6%	-17.5%	-16.8%
women edc	622	18.6%	765	19.1%	-18.7%	-18.3%
women collection	457	13.7%	511	12.7%	-10.6%	-9.6%
Men (Esprit & edc)	549	16.5%	614	15.4%	-10.7%	-10.1%
men casual	326	9.8%	352	8.8%	-7.5%	-6.8%
men edc	169	5.1%	186	4.7%	-9.1%	-8.6%
men collection	54	1.6%	76	1.9%	-29.3%	-28.8%
Lifestyle and others *	531	15.9%	694	17.2%	-23.3%	-22.8%
Total	3,334	100.0%	4,008	100.0%	-16.8%	-16.2%

Women casual is grouped together with Trend in 1Q FY18/19 figures, while they were disclosed separately for the same period last year. Comparative figures of women casual are restated accordingly. 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

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

Revenue by region and by distribution channel

For the 3 months ended 30 September							
	2018		2017		Revenue Change in %		Net change in net sales area [^]
	HK\$ million	% to Group Revenue	HK\$ million	% to Group Revenue	HK\$	Local currency	
Germany	1,688	50.6%	2,039	50.9%	-17.2%	-16.8%	-8.8%
Retail (excl. eshop)	543	16.3%	679	16.9%	-19.9%	-19.6%	-7.3%
Wholesale (excl. eshop)	626	18.8%	752	18.8%	-16.7%	-16.1%	-9.9%
eshop	512	15.3%	601	15.0%	-15.0%	-14.7%	n.a.
Licensing	7	0.2%	7	0.2%	-1.3%	-0.8%	n.a.
Rest of Europe	1,332	40.0%	1,573	39.2%	-15.3%	-14.5%	-6.2%
Retail (excl. eshop)	427	12.8%	505	12.6%	-15.4%	-14.5%	-3.8%
Wholesale (excl. eshop)	587	17.6%	700	17.4%	-16.2%	-15.1%	-7.7%
eshop	298	9.0%	345	8.6%	-13.5%	-13.1%	n.a.
Licensing and others	20	0.6%	23	0.6%	-14.0%	-14.3%	n.a.
Asia Pacific	314	9.4%	396	9.9%	-20.8%	-20.0%	-26.8%
Retail (excl. eshop)	261	7.9%	326	8.1%	-20.0%	-19.2%	-26.8%
Wholesale (excl. eshop)	32	0.9%	36	0.9%	-11.4%	-11.0%	-27.0%
eshop	21	0.6%	34	0.9%	-37.6%	-36.7%	n.a.
Total	3,334	100.0%	4,008	100.0%	-16.8%	-16.2%	-10.6%
Retail (excl. eshop)	1,231	37.0%	1,510	37.6%	-18.4%	-17.8%	-11.5%
Wholesale (excl. eshop)	1,245	37.3%	1,488	37.1%	-16.3%	-15.5%	-9.8%
eshop	831	24.9%	980	24.5%	-15.2%	-14.9%	n.a.
Licensing and others	27	0.8%	30	0.8%	-11.1%	-11.2%	n.a.

[^] Net change since 1 October 2017

n.a. Not applicable

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

As at 30 September 2018							
	No. of stores	Net change in no. of stores [^]	Net sales area (m ²)	Net change in net sales area since 1 October 2017		No. of comp-stores	Comp-store sales growth
				(m ²)	(%)		
Germany	137	(8)	107,890	(8,522)	-7.3%	125	-16.3%
Rest of Europe	134	2	76,311	(3,003)	-3.8%	111	-15.0%
Asia Pacific	239	(126)	52,236	(19,127)	-26.8%	132	0.3%
Total	510	(132)	236,437	(30,652)	-11.5%	368	-14.1%

[^] Net change since 1 October 2017

Wholesale distribution channel by region (controlled space only)

As at 30 September 2018

	No. of stores	Net change in no. of stores ^	Net sales area (m ²)	Net change in net sales area since 1 October 2017 (m ²)	(%)
Germany	3,331	(306)	149,478	(16,421)	-9.9%
Franchise stores	220	(21)	49,078	(5,645)	-10.3%
Shop-in-stores	2,032	(236)	78,607	(10,646)	-11.9%
Identity corners	1,079	(49)	21,793	(130)	-0.6%
Rest of Europe	1,922	(208)	119,653	(9,975)	-7.7%
Franchise stores	423	(17)	78,857	(4,514)	-5.4%
Shop-in-stores	765	(65)	23,789	(1,903)	-7.4%
Identity corners	734	(126)	17,007	(3,558)	-17.3%
Asia Pacific	106	(27)	10,821	(4,005)	-27.0%
Franchise stores	106	(27)	10,821	(4,005)	-27.0%
Total	5,359	(541)	279,952	(30,401)	-9.8%
Franchise stores	749	(65)	138,756	(14,164)	-9.3%
Shop-in-stores	2,797	(301)	102,396	(12,549)	-10.9%
Identity corners	1,813	(175)	38,800	(3,688)	-8.7%

^ Net change since 1 October 2017

Highlights for the three months ended 30 September 2018

For the quarter ended 30 September 2018 (“1Q FY18/19”), we see continued weakness in revenue as a result of a combination of the impact from (i) continued trend of declining customers’ traffic, and (ii) extended warm summer temperature in Europe which impacted sales of our autumn merchandise.

Revenue Analysis

For the 1Q FY18/19, **Group revenue** amounted to HK\$3,334 million, representing a decline of -16.2% year-on-year (“yoy”) in local currency term (“LCY”), as compared to the corresponding reduction in total controlled space of -10.6% yoy.

Retail (excl. eshop), representing 37.0% of Group revenue, experienced a revenue decline of -17.8% yoy in LCY. The decline was due to (i) reduction in net sales area of -11.5% yoy as a result of continued rationalization of our distribution footprint, including the closure of the Australia and New Zealand markets (“ANZ”) in Asia Pacific (“APAC”), and (ii) decline in comparable retail store sales (excl. eshop) of -14.1% yoy in LCY, mainly due to declining customers’ traffic to our stores and extended warm summer temperature in Europe which impacted sales of our autumn merchandise. Notwithstanding the negative development of our retail (excl. eshop) business in Europe, the comparable retail store sales in APAC (excl. eshop) recorded a growth of +0.3% yoy in LCY mainly attributable to successful promotional activities.

Eshop, representing 24.9% of Group revenue, recorded a revenue decrease of -14.9% yoy in LCY. **Eshop Europe** (including Germany) accounted for 97.4% of total Eshop revenue and reported revenue decline of -14.1% yoy in LCY. Similar to brick and mortar retail, the negative development was mainly due to lower consumers' traffic. As for **Eshop APAC**, it accounted for 2.6% of total Eshop revenue, reported a decline of -36.7% yoy in LCY. Such decline was mainly due to (i) the closure of ANZ Eshop in July 2018; and (ii) the decline in consumers' traffic to our Eshop on Tmall.

As for **Wholesale (excl. eshop)**, revenue from this channel represents 37.3% of Group revenue and reported a decline of -15.5% yoy in LCY, as compared to the corresponding reduction in controlled space of -9.8% yoy. Mixed performance was observed between Europe and APAC. **German and Rest of Europe Wholesale (excl. eshop)**, accounted for 97.5% of Wholesale (excl. eshop) revenue, experienced lower order intake from wholesale partners and recorded higher decline in revenue (-16.1% and -15.1% yoy in LCY, respectively) than the corresponding reduction in controlled space (-9.9% and -7.7% yoy, respectively). Whereas for **APAC Wholesale (excl. eshop)**, while it only represented 2.5% of Wholesale (excl. eshop) revenue and recorded a revenue decline of -11.0% yoy in LCY, such development compares favorably against the corresponding reduction in controlled space of -27.0% yoy, primarily driven by growth of sales to the India market.

As detailed in the FY17/18 annual report, corrective measures are in place to reignite sales momentum. Full details of the strategy plan (the "Plan") will be presented to the market at the upcoming Investor Relations Day on Monday, 26 November 2018. The main initiatives of the Plan include: 1) sharpen our brand identity and put the customer at the center of everything we do; 2) improve product offering and how it relates to our consumer and brand positioning; 3) reduce complexity and improve accountability in the organization; 4) become a leaner organization; and 5) eliminate loss-making parts of the business to build a stronger foundation for the future.

By Order of the Board
Florence Ng Wai Yin
Company Secretary

Hong Kong, 26 October 2018

As at the date of this announcement, the Board comprises (i) Dr Raymond Or Ching Fai (Executive Chairman), Mr Anders Christian Kristiansen (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) 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.