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# ESPRIT

## ESPRIT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)  
(Stock Code: 00330)

### UNAUDITED FY14/15 FIRST QUARTER UPDATE FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2014

#### FIRST QUARTER UPDATE

The board of directors (the “Board”) of Esprit Holdings Limited (the “Company”) presents the unaudited FY14/15 first quarter update of the Company and its subsidiaries (the “Group”) for the three months ended 30 September 2014. 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.

#### Turnover by Product Division

Product Divisions	For the 3 months ended 30 September				Change in %	
	2014		2013		Local	
	HK\$ million	% to Group Turnover	HK\$ million	% to Group Turnover	HK\$	currency
<b>women</b>	<b>2,361</b>	<b>43.1%</b>	2,785	42.5%	-15.2%	-15.0%
women casual ^	1,576	28.8%	1,968	30.1%	-19.9%	-19.8%
women collection ^	643	11.7%	742	11.3%	-13.4%	-13.2%
trend	142	2.6%	75	1.1%	89.8%	90.2%
<b>men</b>	<b>763</b>	<b>13.9%</b>	945	14.4%	-19.3%	-19.3%
men casual ^	609	11.1%	752	11.5%	-19.0%	-19.0%
men collection ^	154	2.8%	193	2.9%	-20.5%	-20.4%
<b>others *</b>	<b>1,052</b>	<b>19.2%</b>	1,246	19.0%	-15.5%	-15.8%
<b>Esprit Total</b>	<b>4,176</b>	<b>76.2%</b>	4,976	75.9%	-16.1%	-16.0%
<b>edc</b>	<b>1,302</b>	<b>23.8%</b>	1,576	24.1%	-17.4%	-17.1%
<b>Group Total</b>	<b>5,478</b>	<b>100.0%</b>	6,552	100.0%	-16.4%	-16.3%

^ For the three months ended 30 September 2014, denim sales have been re-grouped from others to women casual and men casual. In addition, sports sales have also been re-grouped from others to women casual. Comparative figures have been restated accordingly

\* Others include shoes, accessories, bodywear, kids, licensing income and licensed products such as timewear, eyewear, jewelry, bed & bath, houseware etc.

## Turnover by Key Distribution Channel

Key Distribution Channels	For the 3 months ended 30 September					
	2014		2013		Turnover Change in %	
	HK\$ million	% to Group Turnover	HK\$ million	% to Group Turnover	HK\$	Local currency
<b>Retail #</b>	<b>3,035</b>	<b>55.4%</b>	<b>3,570</b>	<b>54.5%</b>	<b>-15.0%</b>	<b>-15.0%</b>
Germany	1,441	26.3%	1,728	26.4%	-16.6%	-16.3%
Rest of Europe	971	17.7%	1,147	17.5%	-15.3%	-15.6%
Asia Pacific	623	11.4%	695	10.6%	-10.4%	-10.5%
<b>Wholesale</b>	<b>2,403</b>	<b>43.9%</b>	<b>2,904</b>	<b>44.3%</b>	<b>-17.2%</b>	<b>-17.0%</b>
Germany	1,151	21.0%	1,287	19.6%	-10.5%	-10.2%
Rest of Europe *	1,169	21.4%	1,405	21.5%	-16.8%	-16.6%
Asia Pacific	83	1.5%	212	3.2%	-61.0%	-60.9%
<b>Licensing</b>	<b>40</b>	<b>0.7%</b>	<b>45</b>	<b>0.7%</b>	<b>-11.1%</b>	<b>-10.9%</b>
<b>Others</b>	<b>0</b>	<b>0.0%</b>	<b>33</b>	<b>0.5%</b>	<b>-99.7%</b>	<b>-99.7%</b>
<b>Total</b>	<b>5,478</b>	<b>100.0%</b>	<b>6,552</b>	<b>100.0%</b>	<b>-16.4%</b>	<b>-16.3%</b>

# Retail sales include sales from e-shops in countries where available

\* For the three months ended 30 September 2014, wholesale sales to Chile, Colombia and the Middle East have been re-grouped from Asia Pacific to Rest of Europe. Comparative figures have been restated accordingly

## Retail Distribution Channel by Region (Directly Managed Retail Stores)

Regions	As at 30 September 2014		Movement since 1 October 2013		Movement since 1 July 2014		As at 30 September 2014	
	No. of stores	Net sales area (m <sup>2</sup> )	Year-on-year net change in no. of stores	Year-on-year change in net sales area	Net change in no. of stores	Net change in net sales area	No. of comp-stores *	Comp-stores sales growth
Germany	154	123,869	(15)	-4.5%	(8)	-1.9%	118	-13.5%
Rest of Europe	185	100,964	(29)	-6.1%	(3)	-1.8%	143	-12.6%
Asia Pacific	545	99,035	(65)	-8.5%	(10)	-2.0%	326	-2.5%
<b>Total</b>	<b>884</b>	<b>323,868</b>	<b>(109)</b>	<b>-6.3%</b>	<b>(21)</b>	<b>-1.9%</b>	<b>587</b>	<b>-11.6%</b>

\* All e-shops within Europe (i.e. Germany and Rest of Europe) and the e-shop in China are shown as 1 comparable store in Germany and 1 comparable store in Asia Pacific respectively

## Wholesale Distribution Channel by Region (Controlled Space Only)

	As at 30 September 2014		Movement since 1 October 2013		Movement since 1 July 2014	
	No. of stores	Net sales area (m <sup>2</sup> )	Year-on-year net change in no. of stores	Year-on-year change in net sales area	Net change in no. of stores	Net change in net sales area
<b>Franchise stores</b>	<b>1,308</b>	<b>263,812</b>	<b>(308)</b>	<b>-18.0%</b>	<b>(79)</b>	<b>-6.3%</b>
Germany	285	73,151	6	6.3%	(6)	-0.3%
Rest of Europe *	614	137,880	(123)	-21.5%	(26)	-7.3%
Asia Pacific	409	52,781	(191)	-31.7%	(47)	-11.3%
<b>Shop-in-stores</b>	<b>4,054</b>	<b>148,549</b>	<b>(303)</b>	<b>-7.9%</b>	<b>(51)</b>	<b>-1.7%</b>
Germany	3,028	116,558	(221)	-7.8%	(42)	-1.9%
Rest of Europe *	1,026	31,991	(64)	-6.6%	(9)	-1.0%
Asia Pacific	-	-	(18)	-100.0%	-	-
<b>Identity corners</b>	<b>2,644</b>	<b>55,607</b>	<b>(400)</b>	<b>-13.9%</b>	<b>6</b>	<b>0.3%</b>
Germany	1,485	27,470	(300)	-17.5%	(11)	0.1%
Rest of Europe *	1,159	28,137	(100)	-10.1%	17	0.4%
Asia Pacific	-	-	-	-	-	-
<b>Total</b>	<b>8,006</b>	<b>467,968</b>	<b>(1,011)</b>	<b>-14.5%</b>	<b>(124)</b>	<b>-4.2%</b>
Germany	4,798	217,179	(515)	-5.0%	(59)	-1.1%
Rest of Europe *	2,799	198,008	(287)	-17.9%	(18)	-5.3%
Asia Pacific	409	52,781	(209)	-32.3%	(47)	-11.3%

\* As at 30 September 2014, controlled wholesale points-of-sale and space in Chile, Colombia and the Middle East have been re-grouped from Asia Pacific to Rest of Europe. Comparative figures have been restated accordingly

## Turnover by Geography

Regions	For the 3 months ended 30 September					
	2014		2013		Change in %	
	HK\$ million	% to Group Turnover	HK\$ million	% to Group Turnover	HK\$	Local currency
Germany	2,596	47.4%	3,018	46.0%	-14.0%	-13.7%
Rest of Europe #	2,143	39.1%	2,587	39.5%	-17.2%	-17.2%
Asia Pacific	706	12.9%	909	13.9%	-22.3%	-22.4%
North America	33	0.6%	38	0.6%	-11.4%	-11.4%
<b>Total</b>	<b>5,478</b>	<b>100.0%</b>	<b>6,552</b>	<b>100.0%</b>	<b>-16.4%</b>	<b>-16.3%</b>

# For the three months ended 30 September 2014, wholesale sales to Chile, Colombia and the Middle East have been re-grouped from Asia Pacific to Rest of Europe. Comparative figures have been restated accordingly

## Highlights for the three months ended 30 September 2014 (“1Q FY14/15”)

The Group reported a turnover decline of -16.3% in local currency during the quarter ended 30 September 2014 compared to the same period in the previous year. Sales performance in the quarter was adversely affected by the following factors:

- **Reduction in total controlled space (retail and wholesale combined)**  
As recently reported in our FY13/14 annual results, total controlled space is being reduced primarily due to our strategic decision to close unprofitable retail stores and rationalize our wholesale customer base to improve space productivity. As a result of these measures, which are necessary to re-establish a healthier platform for the channels in the future, we began the new financial year FY14/15 with a more streamlined distribution network (a -6.3% year-on-year decline in Retail net sales area and a -14.5% year-on-year decline in Wholesale controlled space in 1Q FY14/15). Rest of Europe wholesale reported a relatively higher decline in controlled franchise store space (-21.5% year-on-year) mainly due to loss of business in Russia. In Asia Pacific, the -32.3% year-on-year decline in total controlled wholesale space was mainly the result of the space reduction in FY13/14.
- **Unusually warm weather in Europe**  
The prolonged warm weather conditions in most parts of Europe have had a very significant impact in stores traffic which resulted in much lower than expected sales of our Autumn/Winter products for the quarter. This situation was more evident in Germany, our largest market, resulting in an overall year-on-year industry sales decline (as reported by Textilwirtschaft-Test Club).
- **Special return agreements in China**  
Large return agreements were necessary to resolve our long time problems with aged inventory in the country’s wholesale channel as reported in the Group’s FY13/14 annual results disclosures. In 1Q FY14/15, the corresponding returns have been the key reason behind the wholesale turnover in Asia Pacific registering a higher decline (-60.9% in local currency) than the corresponding year-on-year decline in controlled space (-32.3%). The special return agreements initiative was completed during the quarter under review and will not have any further impact on the Group’s performance in China for the rest of the financial year.
- **Less merchandise available for sales promotions**  
As a result of our successful normalization of inventory levels, there was less stock available for sales promotions this quarter as compared to the same period last year. Whilst fewer merchandise volumes for sales promotions place pressure on turnover in the short term, reducing the previous inventory levels was a must to improve our working capital and to build a healthier sales mix over time which includes a greater proportion of full price retail sales.

Notwithstanding the negative sales performance in the first quarter of FY14/15, we continue to make good progress in all aspects of the Transformation phase, and particularly in the following areas:

**Positive initial response to the new vertical business model**

The implementation of the new vertical business model, which requires us to change the way we work across the whole organization as well as with our wholesale partners, has had no visible negative impact on orders, as evident in the most recent two rounds of ordering processes completed since July 2014. More importantly, there has not been any loss of wholesale partners as a result of this change. In fact we are already receiving positive feedback and responses from our wholesale partners on the new seasonal calendar and products developed under the new business model. These are our new spring/summer collections, which will arrive at stores from around January 2015 onwards.

**Positive initial impact of our lean supply chain management**

We remain focused on enhancing our supply chain management in terms of speed and efficiency, and are beginning to see the positive impact on sourcing costs. The anticipated savings are starting to materialize and will optimize over time. As and when savings are achieved, these will be reinvested into improving product quality and pricing as well as contributing to improvements in profitability.

We remain confident that we will successfully complete this financial year the introduction of the new vertical business model that will enable the turnaround of Esprit and will establish a strong foundation for the Company's future growth.

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

Hong Kong, 30 October 2014

*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) Mr Raymond Or Ching Fai (Chairman), Mr Paul Cheng Ming Fun (Deputy Chairman), Mr Alexander Reid Hamilton, Mr Carmelo Lee Ka Sze and Mr Norbert Adolf Platt as Independent Non-executive Directors.*