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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 (the "Shareholders") and potential investors that, based on its preliminary review of the unaudited consolidated management accounts of the Company and its subsidiaries (the "Group") for the ten months ended 30 April 2015, the Group is expected to record a substantial loss for the full financial year ending 30 June 2015.

The anticipated loss is mainly attributable to the following non-recurring provisions and impairments resulting from management's assessment of the fair values of the assets of the Group, as well as an expected operating loss:

- 1) Due to the significant underperformance of the Group's operations in China in the past two years (turnover decline of -28.3% and -21.6% year-on-year in local currency for FY13/14 and for the first half of FY14/15 respectively), there is an impairment of the goodwill in association with the China business estimated to be in the range of HK\$2,500 million to HK\$2,700 million. This impairment is a non-cash item. A number of factors, both external and internal, have led to such weak performance in China, mainly:
 - i. The year-on-year reduction in total controlled space (-24.3% in FY13/14 and -23.1% in the first half of FY14/15) which results from our decision to close unprofitable retail stores and the large decline of controlled wholesale space;
 - ii. Inventory clearance by wholesale partners, including the special return agreements to solve our long time problems with aged inventory in the wholesale channel (completed with the last return taken place in the first quarter of FY14/15); and
 - iii. A challenging operating environment and softer domestic economic growth.

The necessary restructuring of the operations in China is completed, and we are beginning to work on growth development in the country.

- 2) Due to the weaker than expected sales performance of directly managed retail stores, there are provisions and impairments, which are non-cash items for FY14/15, resulting from:
 - i. Provisions for store closures and onerous leases, estimated to be in the range of HK\$280 million to HK\$300 million; and
 - ii. Impairment of fixed assets of directly managed retail stores, estimated to be in the range of HK\$160 million to HK\$170 million.
- 3) An expected operating loss, as a result of higher than expected decline in the Group's turnover, especially during our Autumn/Winter 2014 season, and the corresponding operating deleverage effect.

The aforementioned impairment charges and provisions are only based on an assessment by management and the Board based on information currently available to them, including the unaudited consolidated management accounts of the Group for the ten months ended 30 April 2015, which have not been confirmed or reviewed by the Company's auditors as at the date of this announcement. The final results announcement of the Company for the financial year ending 30 June 2015 is expected to be released in September 2015.

Notwithstanding the anticipated loss in the second half of the financial year ending 30 June 2015, the Group continues to focus and make good progress in various fronts of the transformation plan. We will continue to work hard to further improve product performance, which is expected to surface progressively in the subsequent financial periods, as the benefits of the new Vertical Model are optimized over time. In anticipation for continued improvement in product performance, we will be increasing our efforts in marketing as well as in implementing an ambitious omni-channel model that will enhance the customer experience across our multiple distribution channels. The Group remains confident that our current strategies will enable us to turnaround Esprit and to establish a strong foundation for future long term growth.

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, 18 May 2015

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 Camelo Lee Ka Sze and Mr Norbert Adolf Platt as Independent Non-executive Directors.