ESPRIT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 00330)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2015

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 2015 together with comparative figures for the year ended 30 June 2014. 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 **2015** **HK$ million**	2014 HK$ million
Turnover	2	**19,421**	24,227
Cost of goods sold		**(9,726)**	(12,071)
Gross profit		**9,695**	12,156
Staff costs		**(3,562)**	(3,851)
Occupancy costs		**(3,160)**	(3,585)
Logistics expenses		**(1,048)**	(1,317)
Marketing and advertising expenses		**(820)**	(792)
Depreciation		**(713)**	(833)
Impairment of property, plant and equipment		**(171)**	(80)
Impairment of goodwill	2	**(2,512)**	-
Additional provision for store closures and leases, net	10	**(282)**	(106)
Other operating costs		**(1,110)**	(1,231)
Operating (loss)/profit ((LBIT)/EBIT)	3	**(3,683)**	361
Interest income		**45**	55
Finance costs	4	**(29)**	(37)
(Loss)/profit before taxation		**(3,667)**	379
Taxation	5	**(29)**	(169)
(Loss)/profit attributable to shareholders of the Company		**(3,696)**	210
(Loss)/earnings per share			
- Basic and diluted	7	**HK$(1.90)**	HK$0.11

Consolidated statement of comprehensive income

	For the year ended 30 June 2015 HK$ million	2014 HK$ million
(Loss)/profit attributable to shareholders of the Company	**(3,696)**	210
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Fair value gain/(loss) on cash flow hedge	**164**	(123)
Exchange translation	**(1,452)**	207
	(1,288)	84
Total comprehensive income for the year attributable to shareholders of the Company	**(4,984)**	294

Consolidated statement of financial position

	Notes	As at 30 June **2015** **HK$ million**	 2014 HK$ million
Non-current assets			
Intangible assets		**3,031**	5,670
Property, plant and equipment		**2,835**	3,972
Investment properties		**17**	16
Other investments		**7**	7
Debtors, deposits and prepayments		**240**	312
Deferred tax assets		**649**	615
		6,779	10,592
Current assets			
Inventories		**2,969**	3,254
Debtors, deposits and prepayments	8	**2,008**	2,723
Tax receivable		**640**	559
Cash, bank balances and deposits		**5,017**	6,031
		10,634	12,567
Current liabilities			
Creditors and accrued charges	9	**3,672**	4,120
Provision for store closures and leases	10	**557**	508
Tax payable		**687**	700
Bank loan	11	**-**	260
		4,916	5,588
Net current assets		**5,718**	6,979
Total assets less current liabilities		**12,497**	17,571
Equity			
Share capital		**194**	194
Reserves		**11,704**	16,717
Total equity		**11,898**	16,911
Non-current liabilities			
Deferred tax liabilities		**599**	660
		12,497	17,571

Notes to the consolidated financial statements

1. Basis of preparation

These consolidated financial statements of the Group have been prepared in accordance with IFRS.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

In the current year, the Group has adopted the following International Accounting Standards ("IAS"), IFRS and International Financial Reporting Interpretations Committee ("IFRIC") interpretation effective for the Group's financial year beginning 1 July 2014:

IAS 19 (Amendments)	Defined Benefit Plans – Employee Contributions
IAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities
IAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets
IAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting
IFRS 10, 12 and IAS 27 (Amendments)	Investment Entities
IFRIC 21	Levies
IFRSs (Amendments)	Annual Improvements to IFRSs 2010-2012 Cycle
IFRSs (Amendments)	Annual Improvements to IFRSs 2011-2013 Cycle

The adoption of these new standards, amendments to standards and interpretation 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 and IFRS that have been issued but are not yet effective.

		Effective for accounting periods beginning on or after
IAS 1 (Amendments)	Disclosure Initiative	1 January 2016
IAS 16 and 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortization	1 January 2016
IAS 16 and 41 (Amendments)	Agriculture: Bearer Plants	1 January 2016
IAS 27 (Amendments)	Equity Method in Separate Financial Statements	1 January 2016
IFRS 9	Financial Instruments	1 January 2018
IFRS 10, 12 and IAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception	1 January 2016
IFRS 10 and IAS 28 (Amendments)	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
IFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
IFRS 14	Regulatory Deferral Accounts	1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2017
IFRSs (Amendments)	Annual Improvements to IFRSs 2012-2014 Cycle	1 January 2016

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.

2. Turnover 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.

	2015	2014
	HK$ million	HK$ million
Revenue from external customers		
Retail	**12,425**	15,220
Wholesale	**6,845**	8,835
Licensing and other income	**151**	172
	19,421	24,227

The chief operating decision maker has been identified as the executive directors ("Executive Directors") of the Group.

Management has determined the operating segments based on the reports reviewed by the Executive Directors that are used to assess performance and allocate resources.

The Executive Directors consider the business from an operations nature perspective, including retail and wholesale distribution and licensing of quality fashion and non-apparel products designed under its own internationally-known Esprit brand name.

Inter-segment transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties.

2. Turnover and segment information (continued)

	For the year ended 30 June 2015				
	Retail HK$ million	Wholesale HK$ million	Licensing HK$ million	Corporate services, sourcing and others HK$ million	Group HK$ million
Total revenue	**12,425**	**6,845**	**151**	**17,502**	**36,923**
Inter-segment revenue	**-**	**-**	**-**	**(17,502)**	**(17,502)**
Revenue from external customers	**12,425**	**6,845**	**151**	**-**	**19,421**
Segment results	**(575)**	**608**	**120**	**(1,324)**	**(1,171)**
Impairment of goodwill (Note)	**(1,324)**	**(1,188)**	**-**	**-**	**(2,512)**
LBIT					**(3,683)**
Interest income					**45**
Finance costs					**(29)**
Loss before taxation					**(3,667)**
Capital expenditure	**189**	**45**	**-**	**115**	**349**
Depreciation	**342**	**53**	**-**	**318**	**713**
Impairment of property, plant and equipment	**169**	**2**	**-**	**-**	**171**
Additional provision for store closures and leases, net	**282**	**-**	**-**	**-**	**282**

Note: An impairment charge of **HK$2,512 million** for the China goodwill was recognized in the current financial year.

2. Turnover and segment information (continued)

	For the year ended 30 June 2014				
	Retail HK$ million	Wholesale HK$ million	Licensing HK$ million	Corporate services, sourcing and others HK$ million	Group HK$ million
Total revenue	15,220	8,835	170	20,736	44,961
Inter-segment revenue	-	-	-	(20,734)	(20,734)
Revenue from external customers	15,220	8,835	170	2	24,227
Segment results	610	968	137	(1,354)	361
Impairment of goodwill	-	-	-	-	-
EBIT					361
Interest income					55
Finance costs					(37)
Profit before taxation					379
Capital expenditure	199	57	-	119	375
Depreciation	418	57	-	358	833
Impairment of property, plant and equipment	79	1	-	-	80
Additional provision for store closures and leases, net	106	-	-	-	106

2. Turnover and segment information (continued)

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

	2015 **HK$ million**	2014 HK$ million
Europe		
Germany	**8,961**	11,342
Rest of Europe		
Benelux	**2,410**	3,084
France	**1,221**	1,583
Switzerland	**1,010**	1,158
Austria	**864**	1,127
Scandinavia	**692**	910
Spain	**223**	229
United Kingdom	**203**	287
Italy	**137**	149
Ireland	**6**	9
Portugal	**5**	10
Others (Note 1)	**347**	505
	7,118	9,051
	16,079	20,393
Asia Pacific		
China	**1,500**	1,764
Hong Kong	**386**	401
Australia and New Zealand	**375**	466
Singapore	**301**	348
Malaysia	**239**	251
Taiwan	**200**	201
Macau	**132**	123
Others (Note 2)	**83**	140
	3,216	3,694
North America		
United States	**126**	140
	126	140
	19,421	24,227

Note 1: Others under Rest of Europe include wholesale sales to other countries mainly Chile, Colombia, Bosnia-Herzegovina, the Middle East, Russia and Romania.

Note 2: Others under Asia Pacific include wholesale sales to other countries mainly Thailand, the Philippines and Indonesia.

3. Operating (loss)/profit ((LBIT)/EBIT)

	2015 **HK$ million**	2014 HK$ million
(LBIT)/EBIT is arrived at after charging and (crediting) the following:		
Auditor's remuneration	**14**	14
Depreciation	**713**	833
Amortization of customer relationships	**65**	66
Impairment of goodwill	**2,512**	-
Impairment of property, plant and equipment	**171**	80
Additional provision for store closures and leases, net	**282**	106
(Gain)/loss on disposal of property, plant and equipment	**(15)**	5
Occupancy costs		
- operating lease charge (including variable rental of **HK$340 million** (2014: HK$395 million))	**2,516**	2,841
- other occupancy costs	**644**	744
Cash flow hedges:		
- ineffective portion transferred from equity to exchange (gains)/losses on forward foreign exchange contracts	**(19)**	4
- ineffective portion recognized in exchange gains on forward foreign exchange contracts not qualifying for hedge accounting	**(5)**	(46)
Fair value hedges:		
- exchange loss on forward foreign exchange contracts	**-**	1
- exchange loss on hedged items	**1**	-
Other net exchange losses/(gains)	**49**	(107)
Write-back of provision for obsolete inventories, net	**(266)**	(67)
Provision for impairment of trade debtors, net	**134**	176

4. Finance costs

	2015 **HK$ million**	2014 HK$ million
Interest on bank loan wholly repayable within five years	**1**	4
Imputed interest on financial assets and financial liabilities	**28**	33
	29	37

5. Taxation

	2015 **HK$ million**	2014 HK$ million
Current tax		
Hong Kong profits tax		
Provision for current year	**2**	4
Overseas taxation		
Provision for current year	**127**	160
Under-provision for prior years	**49**	34
	178	198
Deferred tax		
Current year net credit	**(150)**	(33)
Effect of changes in tax rates	**1**	4
Taxation	**29**	169

5. Taxation (continued)

Hong Kong profits tax is calculated at **16.5%** (2014: 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.

The Inland Revenue Department of Hong Kong ("IRD") had initiated tax inquiries concerning taxability of income generated by a subsidiary engaged in the distribution operation of the Group. During the financial years 2012/2013, 2013/2014 and 2014/2015, the IRD issued notices of tax assessment for additional tax in aggregate sums of approximately HK$449 million, HK$550 million and HK$665 million for the years of assessment 2006/2007, 2007/2008 and 2008/2009 respectively. Objections and holdover applications against the additional tax assessments had been lodged. The IRD agreed to hold over the additional tax subject to the purchase of tax reserve certificates ("TRC") of HK$99 million, HK$118 million and HK$102 million for the years of assessment 2006/2007, 2007/2008 and 2008/2009 respectively. The Group purchased these TRC. While the ultimate outcome of these tax inquiries cannot presently be determined, after considering the advice from the Group's tax advisor and based on the current facts and circumstances, the Directors of the Company are of the opinion that adequate provision has been made in the Group's consolidated financial statements.

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 company had lodged objection. Based on the advice from the Group's tax advisor, the Board of Directors considers that the payment of interests is unlikely, and therefore no additional provision has been made.

6. Dividends

	2015	2014
	HK$ million	HK$ million
Paid interim dividend of **HK$0.015** (2014: HK$0.03) per share	**29***	58
No proposed final dividend (2014: HK$0.04 per share)	**-**	78**
	29	136

* The actual interim dividend paid in cash for the year ended 30 June 2015 was HK$23 million. Part of the interim dividend for the year ended 30 June 2015 amounting to HK$6 million was paid in form of new fully paid shares out of the retained profits during the year. For the purpose of calculating the number of scrip shares allotted in respect of the interim dividend, the market value of the scrip shares is HK$7.922, which is the average closing price of the Company's shares as quoted on The Stock Exchange of Hong Kong Limited for the five consecutive trading days immediately preceding 6 March 2015.

** The actual final dividend paid in cash for the year ended 30 June 2014 was HK$72 million. The amount of the actual final dividend paid for the year ended 30 June 2014 had taken into account the additional shares issued during the period from 24 September 2014 to 11 December 2014, the date of closure of the register of members, and part of the final dividend amounting to HK$6 million was paid in form of new fully paid shares out of the retained profits during the year. For the purpose of calculating the number of scrip shares allotted in respect of the final dividend, the market value of the scrip shares is HK$9.582, which is the average closing price of the Company's shares as quoted on The Stock Exchange of Hong Kong Limited for the five consecutive trading days immediately preceding 9 December 2014.

7. (Loss)/earnings per share

Basic

Basic loss or earnings per share is calculated by dividing the loss or profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	2015	2014
(Loss)/profit attributable to shareholders of the Company (HK$ million)	**(3,696)**	210
Weighted average number of ordinary shares in issue (million)	**1,943**	1,940
Basic (loss)/earnings per share (HK$ per share)	**(1.90)**	0.11

7. (Loss)/earnings per share (continued)

Diluted

Diluted loss or earnings per share is calculated based on the loss or profit attributable to shareholders of the Company, and the weighted average number of shares in issue during the year 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 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.

	2015	2014
(Loss)/profit attributable to shareholders of the Company (HK$ million)	**(3,696)**	210
Weighted average number of ordinary shares in issue (million)	**1,943**	1,940
Adjustments for share options (million)	**1**	5
Weighted average number of ordinary shares for diluted earnings per share (million)	**1,944**	1,945
Diluted (loss)/earnings per share (HK$ per share)	**(1.90)**	0.11

Diluted loss per share for the year ended 30 June 2015 was the same as the basic loss per share since the share options had anti-dilutive effect.

8. Debtors, deposits and prepayments

Debtors, deposits and prepayments include trade debtors. The aging analysis by due date of trade debtors net of provision for impairment is as follows:

	2015	2014
	HK$ million	HK$ million
Current portion	**1,117**	1,488
1-30 days	**93**	139
31-60 days	**46**	78
61-90 days	**25**	58
Over 90 days	**162**	291
Amount past due but not impaired	**326**	566
	1,443	2,054

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

Creditors and accrued charges include trade creditors. The aging analysis by due date of trade creditors is as follows:

	2015	2014
	HK$ million	HK$ million
0-30 days	**1,461**	1,424
31-60 days	**14**	31
61-90 days	**6**	7
Over 90 days	**20**	18
	1,501	1,480

10. Provision for store closures and leases

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

	2015 **HK$ million**	2014 HK$ million
At 1 July	**508**	591
Additional provision for store closures and leases, net	**282**	106
Amounts used during the year	**(169)**	(215)
Exchange translation	**(64)**	26
At 30 June	**557**	508

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

As at 30 June 2015, the provision expected to be settled within twelve months after the date of the statement of financial position is **HK$98 million** (2014: HK$203 million) and the provision expected to be settled more than twelve months after the date of the statement of financial position is **HK$459 million** (2014: HK$305 million).

11. Bank loan

At 30 June 2015, the Group's bank loan was payable as follows:

	2015 **HK$ million**	2014 HK$ million
Unsecured bank loan repayable within one year	**-**	260

The bank loan was fully repaid in February 2015.

LETTER FROM CHAIRMAN

Dear Shareholders,

Over the past twelve months, the Group maintained its clear focus to execute the most complex and critical phase of our strategic plan to restore the long term competitiveness of Esprit. We implemented a Vertical Model to reduce product development lead-time and simplify our supply chain so that it is leaner and more cost effective. The ultimate goal of all of the initiatives behind our Vertical Model is to enable the Group to consistently deliver outstanding value for money products to our customers. Additionally, we started to introduce the necessary changes to develop an ambitious Omnichannel Model for our distribution, which aims to maximize sales performance across all our channels (offline and online).

While more work is still needed in both the Vertical and Omnichannel areas, the intense efforts of the past year have laid the foundation of our future business model and have resulted in positive progress, giving us confidence that we are on the right track to building a sound platform for growth. Our commitment to move forward with our strategic plan remains intact as we firmly believe that this plan is vital to creating long term shareholder value.

During the financial year (FY14/15), the overall challenging market conditions adversely affected the Group's performance. In Europe, our largest region, the unusually warm winter put pressure on the sales of our Autumn/Winter collections and resulted in a highly promotional and discount driven market environment during the entire season. In Asia Pacific, deceleration of growth in China's economy broadly impacted consumer spending in the region. The significant depreciation of the Euro against our reporting currency, the Hong Kong dollar, also placed considerable pressure on the Group's financial results.

Against the backdrop of this difficult operating environment, the Group's turnover decreased to HK$19,421 million, representing a year-on-year decline of -11.5% in local currency (-19.8% in Hong Kong dollar terms) and resulting in an operating loss of HK$3,683 million. This included non-recurring provisions and impairments, majority of which are non-cash, totaling HK$2,965 million (comprised of an impairment of China goodwill of HK$2,512 million and a provision and impairment for underperforming stores of HK$453 million as highlighted in the profit warning announcement in May 2015). As the Group recorded a loss for the full financial year, the Board has not recommended the payment of a final dividend.

In parallel to the challenging business performance, the Board has been closely monitoring the implementation of the strategic plan and we have seen first-hand good progress achieved in such a huge undertaking. While the results of FY14/15 were certainly not what we all hoped for, we are encouraged by the improved trend of sales performance since the arrival of the new Spring/Summer 2015 collections, the first ones produced under the Vertical Model. As these new collections only arrived in our stores towards the later part of the financial year, the Group's FY14/15 results do not reflect as much positive impact from the collections as we expect to see in the coming financial year and beyond.

Meanwhile, the Group's balance sheet remains healthy with a net cash position of HK$5,017 million and zero debt. Now that Esprit is on a firmer footing, and in anticipation of improving product performance, we are ready to deploy some of this cash reserve to fund the final phase of our turnaround strategy, which will focus on driving sustainable top line growth. In gearing up for this new phase, the Board has approved a plan that is expected to complement our improved products by accelerating our marketing efforts and aggressively pushing forward our omnichannel strategy. We are confident that our continued focus and determined execution of the strategic priorities will gradually be reflected in the Group's financial results.

On a different note, this year, we were fortunate to be able to expand the Board's membership to bring further skill, insight and value to Esprit. I am delighted to inform you that the Board appointed Dr José María Castellano Ríos as an Independent Non-executive Director in December 2014. Dr Castellano is a veteran of the international fashion and apparel industry, with over 30 years' experience. The Board believes that his wealth of industry knowledge and expertise will bring invaluable insight to the Group. Furthermore, the Board has taken a step forward by establishing a Risk Management Committee, effective on 1 July 2015. While the full Board retains overall responsibility for risk oversight, it is hoped that the formation of this committee will enhance the Group's effectiveness and efficiency in identifying and managing potential critical risks, thereby mitigating our overall risk exposure. I am also pleased to report that this year we expanded our reporting on corporate social responsibility by publishing our first ever Sustainability Report. As a responsible corporate citizen, Esprit has always been focused on social, environmental and ethical matters as a core part of our DNA. We believe that this approach will greatly contribute to the long-term success of our business.

In closing, on behalf of the Board, I would like to thank our shareholders for their continued support and patience as we progress through our turnaround journey. Special thanks go also to all of our employees for their hard work and commitment during this difficult time of significant change for Esprit. The Growth phase that we are now embarking upon is not without challenge, but there is much hope and excitement across all levels of our organization as we leverage the strong foundation that we have laid over the last two years. Every successful journey takes time, and we believe that we are nearing our final destination – which is to restore the long term competitiveness of our Group.

Dr Raymond OR Ching Fai //Independent Non-executive Chairman
23 September 2015

LETTER FROM GROUP CEO

Dear Shareholders,

In my first letter to you, dated 10th September 2013, I presented the strategic plan for the turnaround of Esprit as a project articulated along three distinct phases: Stabilization, Transformation and Growth. Following the completion of the "Stabilization" phase in June 2014, we have devoted the past financial year to the most challenging part of our strategic plan: the "Transformation" phase.

During these months of internal changes within Esprit, we have seen two parallel but contrasting developments: negative financial performance for the period under review, yet positive progress made in relation to our strategic plan.

On the one hand, **financial performance has proven extremely challenging**. The financial year ended 30 June 2015 ("FY14/15") was impacted by a decline in turnover of -11.5% in local currency, driven by a combination of both internal and external factors. Gross profit margin and recurring operating expenses ("Operational OPEX") remained in line with previous year figures but the lower top line led to an operational loss, which was further aggravated by relevant non-recurring impairments and provisions.

We thus recorded a negative result below our expectations. Having said that, I would highlight that our cautious cash management over the last two years, including special efforts to reduce Operational OPEX and working capital in FY13/14, has helped Esprit to better overcome the difficulties of FY14/15, which we had anticipated due to the complexity and operational risk of our Transformation phase. As a result, the Group remains debt free with a net cash position of HK$5.0 billion as at 30 June 2015.

On the other hand, from a strategic perspective, FY14/15 has been a year of **decisive progress in the implementation of the fundamentals that are crucial for the immediate future of Esprit**:

- **Product enhancement by introducing our new "Vertical Model":** In July 2014, we activated a more vertically integrated model within Esprit. This means that we started to implement faster and more cost efficient product development and supply chain processes, in order to significantly enhance the design and value for money of our products. We are certain that such product improvement is imperative in order to make Esprit successful again.

  Introducing a whole new way of working for the entire organization and for our business partners (e.g. suppliers and wholesale partners) was the biggest and riskiest step in our turnaround plan. In this respect, I am truly grateful and impressed by the great teamwork that has permitted us to successfully roll out the new model with minimal disruptions to our operations.

  We are also very encouraged by the initial sales performance of the first products developed under the Vertical Model ("Vertical Products").

- **Improvement of Sales Channels effectiveness by developing our "Omnichannel Model":** We are complementing the improvement of our products with an ambitious approach to sales that aims to optimize the performance of all our channels: offline and online, retail and wholesale. This approach is based on two major principles: focusing on our most loyal customers ("Esprit Friends") and fully aligning and integrating the commercial activity of all channels in order to maximize sales potential and synergies in every market.

  This Omnichannel Model leverages key competitive advantages of Esprit (i.e. loyal customers, CRM, e-commerce and multi-channel operations) and we are also starting to see positive results from this front.

All in all, we have gone through the most demanding phase of our strategic plan. The Transformation is certainly not completed, as there are still pending aspects and room for improvement in many areas of the operation. However, the foundations of our Vertical and Omnichannel Models are engrained in the organization and this leads us to much confidence in our product and sales capabilities. With this confidence, we enter the "Growth" phase of our plan.

Growth will happen progressively but we are already triggering the most important initiatives that shall drive top line growth in the coming years. Sales growth will mostly depend on our ability to excel in product and channels performance; therefore, the main focus still remains on finalizing the Vertical and Omnichannel projects. Additionally, we will push with two main initiatives: the deployment of broader Brand Marketing campaigns and the implementation of an Expansion plan to orderly grow our presence in current and new strategic markets. We know that the impact of marketing campaigns and new openings is never immediate, but they are key to extending our growth potential over the coming years.

Consequently, we expect in the short term (12-18 months) a phase of sales productivity gains accompanied by increased "investments" (OPEX and CAPEX) in our strategic initiatives, mostly related to Omnichannel and Brand Marketing. Such "investments" may put pressure on our short term profitability. This will be followed by a second phase of more rapid growth, fueled by the combination of continued productivity gains and expansion of controlled space, together with continuous profitability improvements driven by an aggressive leverage of our cost base. Our outlook in the medium term is therefore to have Esprit running on winning product and sales models (Vertical & Omnichannel), and on a path of fast growth of both its top and bottom lines.

After the Stabilization and Transformation phases of the last two years, everyone in Esprit is looking forward to embarking on this phase of our turnaround plan.

* * * * * * * * *

The main aspects highlighted above (i.e. Financial Performance, Vertical Model, Omnichannel Model and Growth Phase) are the key elements of our recent past and future plans, and deserve a more detailed explanation.

Financial Performance in FY14/15

FY14/15 was a year of challenges. As mentioned, the Group's turnover recorded a year-on-year decline of -11.5% in local currency. Due to the significant depreciation of the Euro against our reporting currency, our turnover reached HK$19,421 million, a -19.8% decline in Hong Kong dollar terms.

I do regret that the results have missed the mark. We observed the following internal and external factors that adversely affected turnover: (i) the reduction in total controlled space of -8.8% year-on-year; (ii) the exceptionally warm winter in Europe, which placed pressure on sales and prices during the entire Autumn/Winter 2014 season; (iii) the continuation of negative market development during the second half (e.g. Germany's apparel market recorded negative growth in 9 out of the 12 months of the financial year under review – as published by TextilWirtschaft); and (iv) our weak collections performance until the introduction of the Vertical Products.

Gross profit margin faced pressure from the promotions and markdowns that were necessary to respond to the discount-driven marketplace during the financial year. We were able to offset much of that pressure by continuing the measures to make our supply chain leaner, enabling us to maintain a relatively stable gross profit margin as compared to last year (2015: 49.9%; 2014: 50.2%). Gross profit margin in FY14/15 was not visibly impacted by the sharp decline of the Euro/US Dollar exchange rate because of our anticipated currency hedging at more favorable rates.

Esprit's management team continued to look for further cost cutting measures in FY14/15, although the savings potential was more limited after the Operational OPEX was reduced in the previous financial year by -21.4% on a like for like basis and in light of the complex transition of our internal operations this year. Savings were achieved in most cost lines of our regular operations, reaching a reduction of -1.2% in local currency terms, which represents a -10.3% reduction in Hong Kong dollar terms.

However, we had a large impact on our expenses coming from non-recurring impairments and provisions associated with the contraction of our businesses in the past years ("Exceptional Expenses"). These totaled HK$2,965 million, the majority of which are non-cash, and included HK$2,512 million for the impairment of goodwill related to the China business. This most significant drag to our results was the consequence of the closure of retail and wholesale spaces in China over the last two years. While business in China remains challenging, we consider that the majority of the restructuring is already completed.

The Exceptional Expenses are primarily accounting adjustments with no material impact on the Group's cash flow and operations but they have severely impacted our year-end figures. At Group level, Esprit recorded an EBIT loss of HK$3,683 million in FY14/15 (FY13/14: positive EBIT of HK$361 million).

Product enhancement by introducing our new "Vertical Model"

Much has been presented about the key components of our new Vertical Model. I would hence refer to my last year's letter to shareholders, dated 23rd September 2014, simply to indicate that most of the projects listed at that time have already been finalized or are well on track. More specifically, the following:

- Lean supply chain management (from over 350 to below 230 suppliers)
- Category management teams (all Product Divisions transformed)
- New merchandising model (Buying and Merchandising fully centralized)
- Reduction in product range (30% to 40% reduction of options)
- Seasonal product calendar (from 12 monthly collections to 4 seasons)
- Fast-to-market product development (2-3 months lead time in the Trend Division and the fast-reaction capsules in all other Divisions)
- Stock management optimization (pending additional stock replenishment capacity and capabilities in our central Distribution Center)

While we continue to work on improving our solutions in all the above areas, one "vertical" initiative is still in its development phase, namely the implementation of a Vertical Wholesale Model that enables Esprit to undertake full responsibility of merchandise and stock management on behalf of our wholesale partners, when they so prefer. This is an important step towards a fully vertical model for both retail and wholesale, which still requires internal solutions (e.g. adaptation of Esprit IT systems) and external acceptance by our partners.

The implementation of our Vertical Model is well on schedule. More importantly, we begin to see positive trends in the performance of the Vertical Products. We make such an assessment in terms of retail sales because retail stores are the best indication of product performance with respect to end consumers. In this sense, since the introduction in February 2015 of the Spring/Summer 2015 collections, the first ones developed under the Vertical Model, we are observing progressively positive developments:

- **Retail turnover decline narrowed consistently** – The year-on-year retail turnover decline of the Group in local currency smoothed down over the four quarters (Q1=-15.0%; Q2=-10.3%; Q3=-8.3%; Q4=-6.8%), especially in terms of comparable stores performance (Q1=-11.6%; Q2=-5.9%; Q3=-7.7%; Q4=-3.3%). The impact of the Spring/Summer 2015 collections is more visible in the period since they reached the stores (February to June 2015), where we recorded a turnover decline in comparable stores of -2.4% compared to -10.0% in the previous seven months (July 2014 to January 2015).

- **Sales of comparable retail stores recorded positive year-on-year growth in the last three months** – retail comparable store sales for the three months of June, July and August 2015[1] have increased by +4.1%.

- **Sales performance of our stores in Germany (our largest country) outperformed the market in each of the last three months** – sales of our brick and mortar full price retail stores in Germany have consistently outperformed the comparable market data according to TextilWirtschaft by +6.3% pts, +10.1% pts and +12.7% pts in June, July and August 2015 respectively.

- **Retail sales of Esprit Women divisions are consolidating stable positive year-on-year growth since February 2015** – the general positive development of retail sales in recent months has been mostly driven by the performance of the Women divisions (our core business), which have accumulated positive growth since February 2015 and have recorded +5.3% year-on-year growth for the period of June, July and August 2015. We expect the rest of the Group's divisions to also contribute positively in the near term.

- **Turnover of fast reaction products introduced under the Vertical Model continued to grow and outperform that of the long lead-time products.** The Trend Division, established to develop fast reaction products in Esprit, reported turnover growth of +29.7% in local currency in FY14/15. Other fast reaction capsules are also growing in sales volume and systematically achieving better sell-through ratios than our regular mainline products.

These initial results, achieved during the early stages of the new Vertical Model, give us confidence that we are on the right track to restoring the attractiveness of our products. They also reinforce our confidence about the upside potential of the Esprit brand. As the benefits of the new model are consolidated and optimized over time, we expect to see more visible top line improvement.

Improvement of Sales Channels effectiveness by developing our "Omnichannel Model"

The ultimate goal of our Vertical Model is to secure a continuous flow of competitive products. This must be complemented by an aggressive strategy to optimize the selling of those products. Management at Esprit began to work almost two years ago on such a plan, which soon resulted in the design of our Omnichannel Model, in other words, in a strategy to maximize the joint performance of all our sales channels.

1 July and August 2015 figures are based on latest unaudited management information

We know that "Omnichannel" is a buzzword in our industry, referring to a vast myriad of things, but during FY14/15 we have been introducing solutions in Esprit (e.g. organization, processes, technology, infrastructures, incentives, etc.) to enable the execution of very specific initiatives to improve our sales. These initiatives are structured along two major goals:

- **Growing and optimizing management of our loyal customer base "Esprit Friends"** – Esprit's business is largely driven by our loyal customers in the "Esprit Friends" program, which is the center of a successful direct to consumer approach (DTC). We have 5 million Esprit Friends who purchased Esprit products over the last 12 months, representing more than 60% of our retail sales. It is therefore vital for us to actively grow our loyal customer base and to perfectly serve these customers. In this respect, the following is a sample of progress made in FY14/15:
  - Strengthening of recruitment, retention and reactivation programs led to +13% growth of active "Esprit Friends" members, effectively turning around the decline in previous years
  - Improvement in both the program, by adding new features and benefits, and our internal capabilities, by investing in the CRM and Big Data platform
  - Accessibility of "Esprit Friends" from mobile devices, with the inclusion into the Esprit App and the WeChat account in China
  - Introduction of personalized features across all touch points (e.g. eshop, website, mobile, social media, newsletters, digital marketing, etc.)

- **Fully integrating the commercial activity of all sales channels (online and offline, retail and wholesale) for maximized impact** – Esprit's business is markedly multichannel, with relevant presence in all possible combinations between retail and wholesale, offline and online. We have sound evidence that, both from a brand and a sales perspective, we get the best results when our customers purchase across these different channels. Therefore, we are working to facilitate this by better coordinating the sales activities and sales operations of our retail stores, our e-commerce and also our wholesale partners. A sample of progress made in FY14/15 is:
  - Creation of dedicated teams to develop the integration of the channels' activities both in Europe and Asia
  - Alignment of one single Commercial Plan (e.g. communication, promotions, product initiatives, etc.) for all the channels
  - Introduction of unique incentive systems to fully integrate our wholesale franchise partners into the "Esprit Friends" program, our Commercial Plan and the business of our eshop *esprit.com* (more than 70% of all potential partners already signed up)
  - Installation of a system architecture that enables Omnichannel operations (e.g. real time inventory, POS system linked to CRM, connection of offline and online system frontends, etc.)
  - Development of solutions to drive online sales from the stores, e.g. *In-store Communication, In-store Wi-Fi, Scan & Shop*
  - Development of solutions to drive offline traffic and sales from the e-shop, e.g. *Click & Collect, Click & Reserve, Return-At-Store, online store information, online store stock availability check*

- Development of a mobile first strategy (e.g. new mobile e-shops in 11 European countries and in China, launch of merged Brand+Friends+e-commerce app, adaptation of digital content to mobile, etc.) driving +63% growth in smartphone sales and pushing the share of mobile traffic to 47% of total eshops' traffic by the end of FY14/15

Most of these are not new things in the market but they are valuable for Esprit to build a customer-centric Omnichannel Model that effectively leverages some of our major competitive advantages, namely our large loyal customer base, our best-in-class CRM solution ("Esprit Friends" program ranked top three best loyalty program for consumer satisfaction across all industries in Germany by Deutsches Institut für Services - Qualität in November 2014), our very well established e-commerce platform (recognized as the "Best Fashion Online Shop 2015" in Germany by ServiceValue in May 2015) and our ability to operate multiple channels to optimize reach, distribution and service in every market. Logically, these Omnichannel initiatives are key for our growth plans in coming years.

Growth Phase – Brand Building and Expansion

Growth will obviously depend on our success in the above described product and sales channels models but, as mentioned, we plan to support performance with more intensive Brand Marketing and Expansion efforts. We thus foresee a growth pattern resulting from three parallel dynamics with different timing:

- **Productivity gains in our controlled spaces (sales per square meter)** – As we consolidate the benefits of our Vertical and Omnichannel models, productivity becomes our top priority in the near term. This is key to offset the impact of the ongoing reduction of unprofitable spaces and to quickly recover positive results from our regular operations.

- **New Brand Marketing campaigns to regain relevance** – Now that we are confident of our products, we will raise the ambition of our campaigns. From a direction point of view, we will build on our brand heritage and continue to communicate the values that make Esprit distinctive (e.g. fun and relaxed brand, real people, social values, etc.) but taking a louder and younger approach in order to attract new customers to the brand. The first step is our Autumn/Winter 2015 campaign "#ImPerfect" (read as either "Imperfect" or "I am perfect"). From an intensity point of view, we will now increase marketing spend in our core markets, with other regions to follow, and will reduce expenditure after the initial push.

- **Increasingly pursue opportunities for Expansion** – In the medium term, we will selectively expand our distribution footprint. We see growth potential in European countries, where our brand awareness is high but our penetration is limited, so the teams in each market have developed detailed opening plans for both our retail and wholesale networks. In Asia Pacific, our emphasis is on China as the key market for growth. Despite the current economic and competitive challenges in China, we are putting a plan in place to further develop our business in the country. Finally, even if it is still not an imminent move, we will keep our eyes on some of the most attractive apparel markets in the world, where we feel that our brand and our products have a realistic opportunity to succeed, i.e. North America, Eastern Europe and some of the largest Asian countries.

The combination of these three dynamics pictures a short-term scenario of productivity improvement, accompanied by larger spending in our Omnichannel and Brand Marketing, which as mentioned before may impact short term bottom line; and a medium-term scenario of faster sales growth, accelerated by expansion, with progressively improved profitability, as we can start leveraging our cost and invested capital.

Outlook for FY15/16

As we look ahead into FY15/16, retail selling space (retail net sales area) may decline slightly due to announced closures or downsizing of unprofitable stores. More likely, controlled space in wholesale will decline due to the continuous market pressure on this channel but we expect this to happen to a smaller degree than in the last financial year.

Differently, as explained before, we expect improved sales per square meter, both in retail and wholesale, arising from enhanced products, channel operations and marketing. The momentum of top line improvement driven by our products has continued into July and August of 2015. Such productivity gains should help to largely offset or even to overcome the reduction of selling space compared to FY14/15.

We anticipate a stable or slight increase in gross profit margin in FY15/16. We will be impacted by the continued weakness of the Euro, in spite of our early currency hedging for purchases of finished goods, but we have taken preventive measures and would be able to compensate the negative currency impact with reduced levels of markdowns if improved product performance persists throughout the year.

In terms of OPEX, two notable trends must be explained separately. Most recurring cost lines will continue to be adjusted downwards in line with the declines in our directly managed retail space and wholesale business volumes. However, the potential savings in all areas will be more than offset by the increase in Omnichannel-related and Brand Marketing expenses. We consider these expenses to be necessary “investments” to support future growth.

Similarly, we anticipate an increase in CAPEX in the coming financial year due to the Omnichannel initiatives, the acceleration of retail store refurbishments and the upgrading of our warehouses to improve replenishment capabilities.

This development of increased OPEX and CAPEX is exactly as planned in our strategic plan. After we made cash preservation a priority during the first two years, this is the time to put the proceeds of our rights issues (November 2012) to work, because entering the Growth phase of our turnaround plan implies using our funds to decisively execute the strategies to drive top line growth.

As described in the opening of this letter, if successful in our strategy and execution, Esprit will be soon operating what we consider the winning product and channels models in our industry -Vertical and Omnichannel- allowing us to be competitive over the long term.

In closing, I would like to thank the Board of Directors, the management team and all of Esprit's employees around the world for the great commitment, endurance and energy that you have contributed to make this ambitious plan happen. I must also take this opportunity to express my sincere gratitude to our shareholders for your patience and continued support during a very challenging journey. The operating environment may remain uncertain, yet, for me, one thing is most definite: we are heading in the right direction, with the appropriate strategies, to establish a strong foundation for Esprit's long term growth and profitability.

Jose Manuel MARTINEZ GUTIERREZ //Executive Director and Group CEO
23 September 2015

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE ANALYSIS

The financial year ended 30 June 2015 ("FY14/15") has proven to be very challenging. Turnover of the Group amounted to HK$19,421 million, representing a year-on-year decline of -11.5% in local currency. Due to the unfavorable currency impact resulting from the year-on-year depreciation of the EUR/HKD average rate of -11.4%, the turnover decline was -19.8% year-on-year in Hong Kong Dollar terms.

This performance was disappointing and below our expectation. As disclosed in the Profit Warning issued in May 2015 and the FY14/15 Third Quarter Update, the financial year was adversely impacted by a combination of both internal and external factors:

- **Reduction in total controlled space (retail and wholesale combined).** The reduction in total controlled space of -8.8% year-on-year was a result of (i) the closure of non-performing locations by wholesale partners; and (ii) our strategic decision to close unprofitable retail stores to improve space profitability and to re-establish a healthier platform for our distribution in the future.

- **Unusually warm weather in Europe ("Unfavorable Weather Conditions in Europe").** The prolonged unusually warm weather conditions in most parts of Europe had a very significant impact on the sales of Autumn/Winter 2014 products. This situation also triggered a highly promotional and discount driven market environment that further impacted prices and sales, which in turn led to a very weak performance for the end of season sale during the month of January 2015.

- **The continuation of negative market development during the second half.** (e.g. Germany's apparel market recorded negative growth in 9 out of the 12 months of the financial year under review – as published by TextilWirtschaft.)

- **Our weak collections performance** until the introduction of the first collections developed under our Vertical Model ("Vertical Products").

- **Significant unfavorable exchange rate movements.** Currency headwinds in the form of the depreciating Euro (-11.4% against the Hong Kong Dollar in FY14/15) had a significant impact on the Group's financial performance during FY14/15, given that this currency represents close to 80% of our total revenue.

On a positive note, we consider that the Vertical Products have improved considerably in terms of design, quality and value-for-money, and we see positive signs of sales development since the introduction of these products. While more fine-tuning is still needed to optimize the considerable potential of the Vertical Model, Esprit is now in a better position to bring stronger collections to our stores and to our wholesale partners. This is the crucial basis for a successful turnaround of our business. As the Vertical Products developed entirely under the Vertical Model only arrived in stores in the latter part of the financial year FY14/15, their contribution to our performance in FY14/15 was limited.

TURNOVER BY PRODUCT DIVISION

The Group markets its products under two brands, namely the Esprit brand and the edc brand. In FY14/15, turnover of Esprit and edc branded products accounted for 77.0% (2014: 76.8%) and 23.0% (2014: 23.2%) of Group turnover respectively. The sales performance of both brands was affected by the reduction in controlled space.

Turnover by product division

	For the year ended 30 June				Change in %	
	2015		2014			
Product Divisions	**HK$ million**	**% to Group Turnover**	HK$ million	% to Group Turnover	HK$	Local currency
women	**8,584**	**44.2%**	10,439	43.0%	-17.8%	-8.9%
women casual #	**5,754**	**29.6%**	7,205	29.7%	-20.1%	-11.6%
women collection	**2,323**	**12.0%**	2,799	11.5%	-17.0%	-7.8%
trend	**507**	**2.6%**	435	1.8%	16.5%	29.7%
men	**2,773**	**14.3%**	3,601	14.9%	-23.0%	-16.2%
men casual	**2,235**	**11.5%**	2,852	11.8%	-21.6%	-14.8%
men collection	**538**	**2.8%**	749	3.1%	-28.1%	-21.6%
others	**3,596**	**18.5%**	4,562	18.9%	-21.2%	-12.6%
accessories	**870**	**4.5%**	1,060	4.4%	-17.8%	-9.7%
bodywear	**832**	**4.3%**	1,078	4.5%	-22.8%	-13.0%
shoes	**746**	**3.8%**	1,005	4.1%	-25.8%	-16.8%
kids	**622**	**3.2%**	801	3.3%	-22.3%	-14.2%
others *	**526**	**2.7%**	618	2.6%	-14.9%	-8.2%
Esprit total	**14,953**	**77.0%**	18,602	76.8%	-19.6%	-11.2%
edc women	**3,359**	**17.3%**	4,337	17.9%	-22.6%	-14.2%
edc men	**878**	**4.5%**	1,022	4.2%	-14.1%	-5.8%
edc others ^	**231**	**1.2%**	266	1.1%	-13.3%	-3.9%
edc total	**4,468**	**23.0%**	5,625	23.2%	-20.6%	-12.2%
Group Total	**19,421**	**100.0%**	24,227	100.0%	-19.8%	-11.5%

Turnover of sports has been re-grouped into women casual since FY14/15. Comparative figures have been restated accordingly

* Turnover of de. corp has been re-grouped into others under Esprit brand. Comparative figures have been restated accordingly. Others include mainly licensing income & licensed products like timewear, eyewear, jewelery, bed & bath, houseware, etc.

^ edc others include edc shoes, edc accessories and edc bodywear

Since the introduction of our first Vertical Products in February 2015, we have observed more positive sales developments, which have been mostly driven by the improvement of women divisions under the Esprit brand (“**Women Divisions**”). This is the largest product division of the Group and, due to its size and strategic importance, it has been our initial focus since the beginning of the transformation and activation of the Vertical Model. The year-on-year decline in turnover of the Women Divisions has tapered down over the four quarters (Q1 : -15.0%; Q2 : -6.4%; Q3 : -11.8%; Q4 : -1.2%), as compared to -8.9% for the full financial year in local currency.

Also worth mentioning is that the fast reaction products developed by the Trend Division have contributed positively (+29.7%) to our Women Divisions.

The Men divisions under the Esprit brand (“**Men Divisions**”) and edc branded products (“**edc**”) have yet to benefit from the Vertical Model, and saw a year-on-year turnover change of -16.2% and -12.2% in local currency respectively. We have rolled out the Vertical Model to these product divisions at a later stage and we anticipate that their sales performance will improve in subsequent financial periods.

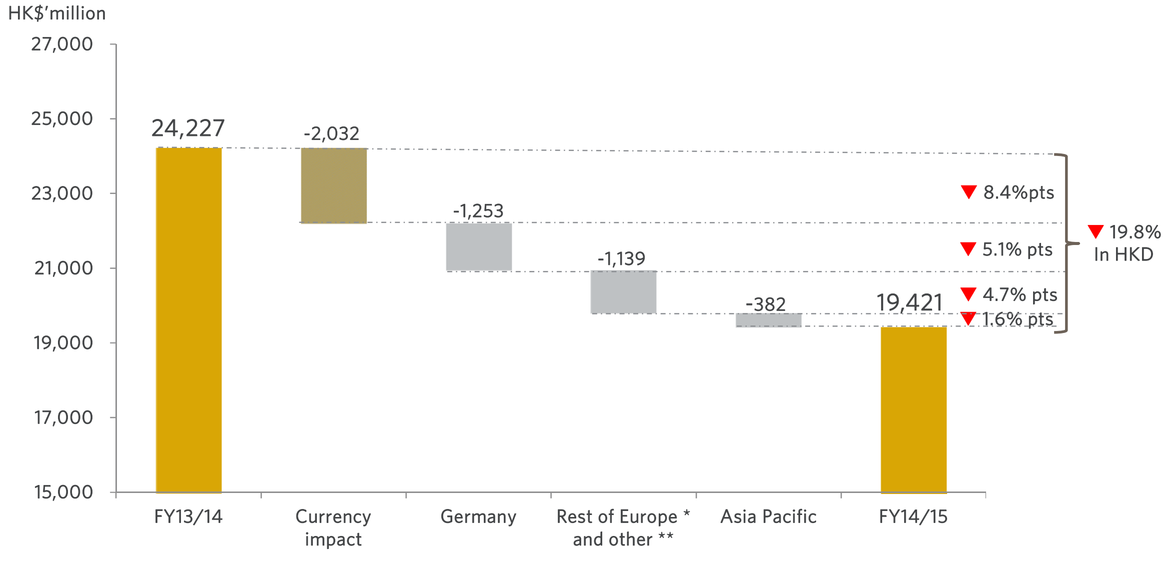
Others product groups under the Esprit brand mainly include accessories, bodywear, shoes and kids, which collectively accounted for 18.5% of the Group turnover and reported a turnover decline of -12.6% in local currency for FY14/15. Due to the different nature of the business of these product groups, the Vertical Model has not been implemented in these divisions. With respect to Kids, the recently announced partnership with Groupe Zannier, under a license agreement, is designed to re-build a relevant scale of this product group in the European and the Middle East markets. This alliance of two strong international players provides Esprit Kids with the opportunity to effectively expand its quality distribution network, drive top line growth and capture cost efficiencies. In addition, Esprit customers will also benefit from improved products leveraging on Groupe Zannier's strong product, supply and distribution capabilities. The full implementation of Esprit Kids by Groupe Zannier is expected to begin in January 2016. The first collection developed under this partnership will be for Autumn/Winter 2016.

While we acknowledge that the above performance is below our expectations for all divisions, we also consider that the changes introduced in our product organization and way of working during FY14/15 (Vertical Model) will positively contribute to our product performance in the immediate future.

TURNOVER BY REGION

The majority of the Group's businesses are located in Europe and Asia Pacific. Countries in which we operate are grouped along three major regions: "Germany", "Rest of Europe" and "Asia Pacific". In FY14/15, turnover from Germany, Rest of Europe and Asia Pacific represented 46.2% (2014: 46.8%), 36.6% (2014: 37.4%) and 16.5% (2014: 15.2%) of the Group's turnover respectively. The remaining 0.7% (2014: 0.6%) of Group turnover represents primarily third party licensing income, the majority of which comes from Asia Pacific and Rest of Europe.

The diagram below sets forth the development of Group turnover in FY14/15.



* Rest of Europe includes (i) all European countries except Germany; (ii) Latin America; and (iii) the Middle East

** Other represents North America

▲/▼ year-on-year change

Turnover by country

Countries#	2015 HK$ million	2015 % to Group Turnover	2014 HK$ million	2014 % to Group Turnover	Turnover change in % HK$	Turnover change in % Local currency	Net change in net sales area^
Germany *	**8,961**	**46.2%**	11,342	46.8%	-21.0%	-11.1%	-5.0%
Rest of Europe	**7,118**	**36.6%**	9,051	37.4%	-21.4%	-12.4%	-9.8%
Benelux *	2,410	12.4%	3,084	12.7%	-21.9%	-12.4%	-5.8%
France	1,221	6.3%	1,583	6.5%	-22.9%	-13.7%	-8.2%
Switzerland	1,010	5.2%	1,158	4.8%	-12.8%	-6.9%	-0.8%
Austria	864	4.5%	1,127	4.7%	-23.3%	-13.8%	-5.3%
Scandinavia	692	3.6%	910	3.8%	-24.0%	-13.2%	-14.1%
Spain	223	1.1%	229	1.0%	-2.9%	10.0%	9.1%
United Kingdom	203	1.0%	287	1.2%	-29.4%	-26.2%	-52.4%
Italy	137	0.7%	149	0.6%	-8.0%	2.4%	7.3%
Ireland	6	0.0%	9	0.0%	-28.3%	-20.0%	-28.3%
Portugal	5	0.0%	10	0.0%	-51.4%	-47.7%	-94.7%
Others ##	347	1.8%	505	2.1%	-31.3%	-22.7%	-32.1%
Asia Pacific	**3,216**	**16.5%**	3,694	15.2%	-13.0%	-10.3%	-15.2%
China @	1,500	7.7%	1,764	7.3%	-15.0%	-14.2%	-22.5%
Hong Kong	386	2.0%	401	1.7%	-3.7%	-3.7%	1.4%
Australia and New Zealand	375	1.9%	466	1.9%	-19.5%	-11.5%	-13.1%
Singapore	301	1.6%	348	1.4%	-13.6%	-9.8%	-6.5%
Malaysia	239	1.2%	251	1.0%	-4.8%	1.5%	9.1%
Taiwan	200	1.0%	201	0.8%	-0.2%	2.9%	5.4%
Macau	132	0.7%	123	0.5%	7.3%	7.3%	-
Others @@	83	0.4%	140	0.6%	-40.9%	-33.6%	-16.7%
North America	**126**	**0.7%**	140	0.6%	-9.4%	-9.4%	n.a.
United States **	126	0.7%	140	0.6%	-9.4%	-9.4%	n.a.
Total	**19,421**	**100.0%**	24,227	100.0%	-19.8%	-11.5%	-8.8%

For the year ended 30 June

^ Net change since 1 July 2014
# Country as a whole includes retail, wholesale and licensing operations
Others under Rest of Europe include wholesale sales to other countries mainly Chile, Colombia, Bosnia-Herzegovina, the Middle East, Russia and Romania
@ Includes salon
@@ Others under Asia Pacific include wholesale sales to other countries mainly Thailand, the Philippines and Indonesia
* Includes licensing
** Turnover from the United States represents third party licensing income mainly comes from Asia Pacific and the Rest of Europe
n.a. Not applicable

GERMANY

As the largest market of the Group, Germany recorded turnover of HK$8,961 million (2014: HK$11,342 million), representing a year-on-year turnover decline of -11.1% in local currency. In terms of distribution channels, retail, wholesale and licensing businesses contributed 62.3%, 37.5% and 0.2% of Germany’s turnover respectively.

The table below sets forth the breakdown of turnover from Germany by distribution channels.

Distribution Channels	For the year ended 30 June 2015 HK$ million	2015 % to Total Turnover	2014 HK$ million	2014 % to Total Turnover	Turnover change in % HK$	Turnover change in % Local currency	Net change in net sales area^
Retail #	**5,586**	**62.3%**	7,152	63.0%	-21.9%	-11.8%	-2.8%
Wholesale	**3,361**	**37.5%**	4,170	36.8%	-19.4%	-9.7%	-6.3%
Licensing and others	**14**	**0.2%**	20	0.2%	-29.6%	-20.4%	n.a.
Total	**8,961**	**100.0%**	11,342	100.0%	-21.0%	-11.1%	-5.0%

^ Net change since 1 July 2014
# Retail sales include sales from e-shop
n.a. Not applicable

Germany Retail recorded year-on-year turnover decline of -11.8% in local currency, as compared to a corresponding -2.8% year-on-year reduction in net sales area. The decline in retail net sales area was mainly due to the closure of seven stores under store closure and stores with onerous leases announced in previous financial years. The larger decline in turnover versus the drop in retail net sales area was largely a result of the Unfavorable Weather Conditions in Europe and the continued negative market development, as described in the previous section. **Germany Wholesale** recorded year-on-year turnover decline of -9.7% in local currency, with a corresponding -6.3% reduction in controlled space. The higher decline in turnover versus the decline in controlled space was in line with the development in Retail and also partly attributable to one-off special discounts and returns granted to wholesale partners. This is a support measure implemented in view of the weak sales performance in the first half of the financial year.

Since the arrival of the Vertical Products in the Third Quarter, both the Germany Retail and Germany Wholesale operations showed noticeable reduction in the rate of turnover decline. In terms of Germany Retail, the year-on-year decline in comparable store sales narrowed to -3.2% in the Fourth Quarter, in line with the -2.8% reduction in net sales area. In terms of Germany Wholesale, the turnover decline in local currency narrowed to -5.6% in the Fourth Quarter, which compares favorably against the corresponding -6.3% year-on-year reduction in controlled wholesale space.

REST OF EUROPE

The Rest of Europe includes (i) all European countries except Germany; (ii) Latin America; and (iii) the Middle East. The region recorded turnover of HK$7,118 million (2014: HK$9,051 million), representing a -12.4% year-on-year decline in local currency terms. In terms of distribution channels, retail, wholesale and licensing businesses contributed 55.3%, 44.5% and 0.2% of the region's turnover respectively.

The table below sets forth the breakdown of turnover from Rest of Europe by distribution channels and by countries.

	For the year ended 30 June						
	2015		2014		Turnover change in %		Net change in net sales area^
Distribution Channels	**HK$ million**	**% to Total Turnover**	HK$ million	% to Total Turnover	HK$	Local currency	
Retail #	**3,936**	**55.3%**	4,900	54.1%	-19.7%	-10.4%	1.1%
Benelux	**1,490**	**21.0%**	1,869	20.7%	-20.3%	-10.2%	-1.4%
Switzerland	**843**	**11.9%**	969	10.7%	-13.0%	-6.7%	-0.7%
France	**625**	**8.8%**	828	9.1%	-24.5%	-14.9%	-16.4%
Austria	**595**	**8.3%**	779	8.6%	-23.6%	-13.8%	-6.6%
Finland	**96**	**1.4%**	133	1.4%	-27.7%	-18.7%	-
United Kingdom	**95**	**1.3%**	180	2.0%	-47.5%	-43.5%	-89.2%
Sweden	**70**	**1.0%**	16	0.2%	357.5%	457.1%	n.a.
Denmark	**53**	**0.7%**	66	0.7%	-20.6%	-10.1%	-
Norway	**10**	**0.1%**	17	0.2%	-40.7%	-33.7%	-100.0%
Spain	**10**	**0.1%**	7	0.1%	31.1%	49.9%	n.a.
Italy	**6**	**0.1%**	5	0.1%	18.6%	35.0%	n.a.
Ireland	**2**	**0.0%**	4	0.0%	-40.1%	-32.3%	n.a.
Portugal	**1**	**0.0%**	1	0.0%	-11.3%	-0.3%	n.a.
Others *	**40**	**0.6%**	26	0.3%	55.0%	79.6%	n.a.
Wholesale	**3,171**	**44.5%**	4,141	45.8%	-23.4%	-15.0%	-15.1%
Benelux	**909**	**12.7%**	1,205	13.3%	-24.6%	-16.1%	-8.9%
France	**596**	**8.4%**	755	8.4%	-21.1%	-12.3%	-4.4%
Scandinavia	**463**	**6.5%**	678	7.5%	-31.7%	-22.5%	-29.1%
Austria	**269**	**3.8%**	348	3.8%	-22.8%	-13.7%	-3.7%
Spain	**213**	**3.0%**	222	2.4%	-4.0%	8.7%	9.1%
Switzerland	**167**	**2.3%**	189	2.1%	-11.7%	-8.5%	-1.0%
Italy	**131**	**1.8%**	144	1.6%	-9.0%	1.3%	7.3%
United Kingdom	**108**	**1.5%**	107	1.2%	1.2%	3.1%	-5.0%
Portugal	**4**	**0.1%**	9	0.1%	-54.9%	-51.8%	-94.7%
Ireland	**4**	**0.1%**	5	0.1%	-19.7%	-11.1%	-28.3%
Others **	**307**	**4.3%**	479	5.3%	-36.0%	-28.4%	-42.5%
Licensing and others * **	**11**	**0.2%**	10	0.1%	0.9%	15.6%	n.a.
Total	**7,118**	**100.0%**	9,051	100.0%	-21.4%	-12.4%	-9.8%

^ Net change since 1 July 2014

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

* Others' retail turnover includes retail turnover from Poland, Czech Republic, Hungary, Slovakia, Latvia, Malta, Slovenia, Greece and Estonia

** Others' wholesale turnover represents wholesale sales to other countries mainly Chile, Colombia, Bosnia-Herzegovina, the Middle East, Russia and Romania

*** Majority represents third party licensing income that comes from the United States

n.a. Not applicable

Rest of Europe Retail operation recorded a year-on-year turnover decline of -10.4% in local currency, as compared to a +1.1% year-on-year increase in retail net sales area. Similar to Germany, the space productivity of retail net sales area was adversely impacted by the Unfavorable Weather Conditions in Europe. As a consequence, retail comparable store sales of the region recorded a year-on-year decline of -8.1%, adding pressure to the region's retail performance. The exceptional turnover growth in Sweden (+457.1% in local currency) and Poland (included in "Others") were attributable to the conversion of wholesale franchise stores into retail format. During the Financial Year Under Review, 10 and 11 wholesale franchise stores, in Sweden and Poland respectively, were converted into retail format, involving a total controlled space of 9,551 m^2. Excluding these 21 stores, the retail net sales area of the region would have seen a decline of -8.2%, attributable to the closure of 8 stores under store closure and stores with onerous leases announced in prior financial years. This explains the large decline of retail turnover in the United Kingdom (-43.5% in local currency) due to the closure of our store in London.

In terms of **Rest of Europe Wholesale,** the operation recorded a year-on-year turnover decline of -15.0% in local currency. This is in line with the -15.1% year-on-year decline in wholesale controlled space, despite the special discounts and returns granted to our wholesale partners as a support measure in view of weak sales performance in the first half of the financial year. The reduction in wholesale controlled space in the region was mainly attributable to the Store Conversion in Sweden and Poland; the exit of our wholesale partner in Russia; as well as the closure of non-performing locations by our wholesale partners, primarily in Benelux and the Middle East. Excluding the impact of the Store Conversion in Sweden and Poland, the region's wholesale controlled space would have recorded a year-on-year decline of -10.5%.

Also in the Rest of Europe, since the arrival of the Vertical Products, we have observed marked improvement in sales performance, particularly in the Fourth Quarter. In terms of retail, the year-on-year decline in comparable store sales narrowed in the Fourth Quarter to -4.2% in local currency. In terms of wholesale, the turnover decline in local currency narrowed substantially in the Fourth Quarter to -6.1%, which compares favorably against the corresponding -15.1% year-on-year reduction in wholesale controlled space.

ASIA PACIFIC

Asia Pacific recorded turnover of HK$3,216 million (2014: HK$3,694 million), representing a -10.3% year-on-year decline in local currency terms. In terms of distribution channels, the retail and wholesale businesses contributed 90.3% and 9.7% of the region's turnover respectively.

The table below sets forth the breakdown of turnover from Asia Pacific by distribution channels and by countries.

	For the year ended 30 June						
	2015		2014		Turnover change in %		Net change
Distribution Channels	**HK$ million**	**% to Total Turnover**	HK$ million	% to Total Turnover	HK$	Local currency	in net sales area^
Retail #	**2,903**	**90.3%**	3,168	85.8%	-8.4%	-5.7%	-0.4%
China	**1,270**	**39.5%**	1,383	37.5%	-8.2%	-7.3%	0.4%
Hong Kong	**386**	**12.0%**	401	10.9%	-3.7%	-3.7%	1.4%
Australia and New Zealand	**375**	**11.7%**	461	12.5%	-18.6%	-10.5%	-13.1%
Singapore	**301**	**9.4%**	348	9.4%	-13.6%	-9.8%	-6.5%
Malaysia	**239**	**7.4%**	251	6.8%	-4.8%	1.5%	9.1%
Taiwan	**200**	**6.2%**	201	5.4%	-0.2%	2.9%	5.4%
Macau	**132**	**4.1%**	123	3.3%	7.3%	7.3%	-
Wholesale	**313**	**9.7%**	524	14.2%	-40.4%	-38.1%	-40.2%
China	**230**	**7.1%**	379	10.3%	-39.4%	-39.0%	-47.9%
Australia	**-**	**-**	5	0.1%	-100.0%	-100.0%	-
Others *	**83**	**2.6%**	140	3.8%	-40.9%	-33.6%	-16.7%
Others	**-**	**-**	2	0.0%	-100.0%	-100.0%	n.a.
Total	**3,216**	**100.0%**	3,694	100.0%	-13.0%	-10.3%	-15.2%

^ Net change since 1 July 2014
\# Retail sales include sales from e-shops in countries where available
* Others represent wholesale sales to other countries mainly Thailand, the Philippines and Indonesia
n.a. Not applicable

Asia Pacific Retail and **Wholesale** operations recorded year-on-year turnover decline of -5.7% and -38.1% in local currency, as compared to the corresponding -0.4% and -40.2% year-on-year reduction in controlled space respectively.

China is the largest country in the Asia Pacific region, accounting for 46.6% of the region's turnover in FY14/15. The Group recorded a year-on-year turnover decline of -14.2% in local currency in China as compared to a -22.5% reduction in controlled space. **China Retail** recorded a year-on-year turnover decline of -7.3% in local currency (versus a +0.4% year-on-year increase in retail net sales area). We were able to stabilize the retail net sales area in the country by adding new space to compensate for the closure of unprofitable retail stores. Nevertheless, this new space was progressively added over the financial year, hence the retail net sales area reduction was still a drag on turnover development for the full financial year. Comparable retail stores in China recorded positive sales growth of +1.8% (2014: -3.4%), mainly driven by the improved sales performance of stand-alone stores and outlets. However, the comparable stores only represent 50.4% of total retail net sales area in the country. The remaining retail net sales area is mainly comprised of concession counters in department stores that are subject to frequent relocation. In FY14/15, these non-comparable stores recorded a turnover decline of -16.1% in local currency primarily due to reduced customer traffic and weak performance of department stores in the country in general.

China Wholesale recorded a year-on-year decline of -39.0% in local currency attributable to a -47.9% year-on-year reduction in wholesale controlled space resulting from (i) closures of non-performing stores by our wholesale partners earlier in the financial year and (ii) the special return agreements to address the aged inventory problem in the channel which were finalized in the First Quarter. It is encouraging that our wholesale partners have started to re-stock Esprit products subsequent to the aforementioned finalization of the special return agreements. This has translated into an improved order intake level and better top line performance in the second half of the financial year, where the year-on-year decline in wholesale turnover narrowed considerably to -8.1% in local currency, a significant improvement from -51.5% in the first half.

In **Asia Pacific excluding China** ("Rest of APAC"), **retail** turnover recorded a year-on-year decline of -4.4% in local currency (versus a -1.2% year-on-year reduction in retail net sales area) because, similar to China, most of the new store openings took place progressively over the financial year. The slight decline in comparable store sales of -0.8% was mainly due to (i) the Occupy Central Movement in Hong Kong; and (ii) the introduction of a new consumption tax in Malaysia in April 2015, which dampened consumer spending and hit store traffic. **Wholesale** turnover in Rest of APAC recorded a year-on-year decline of -35.9% in local currency (versus a -16.7% year-on-year reduction in controlled wholesale space). Given that this represented 2.6% of the region's turnover, its real impact was limited.

TURNOVER BY DISTRIBUTION CHANNEL

Turnover by distribution channel

	For the year ended 30 June						
	2015		2014		Turnover change in %		Net change in net sales area^
Key Distribution Channels	**HK$ million**	**% to Group Turnover**	HK$ million	% to Group Turnover	HK$	Local currency	
Retail #	**12,425**	**64.0%**	15,220	62.8%	-18.4%	-10.1%	-0.9%
Wholesale	**6,845**	**35.2%**	8,835	36.5%	-22.5%	-13.9%	-14.2%
Licensing and others	**151**	**0.8%**	172	0.7%	-12.0%	-10.0%	n.a.
Total	**19,421**	**100.0%**	24,227	100.0%	-19.8%	-11.5%	-8.8%

^ Net change since 1 July 2014
\# Retail sales include sales from e-shops in countries where available
n.a. Not applicable

The Group distributes its products primarily through directly managed retail stores, as well as points of sales managed by third parties. Directly managed retail stores include standalone stores, concession counters in department stores, the online shop ("e-shop") and outlets, which together are reported under the retail channel. Points of sales managed by third parties include franchise stores, shop-in-stores and identity corners in multi-labels, which together are reported under the wholesale channel. In FY14/15, turnover from the retail and wholesale channels represented 64.0% (2014: 62.8%) and 35.2% (2014: 36.5%) of Group turnover respectively.

The Group's **retail turnover** amounted to HK$12,425 million (2014: HK$15,220 million), representing a year-on-year decline of -10.1% in local currency.

As at 30 June 2015, total retail net sales area of the Group amounted to 327,345 m^2 and represents a slight reduction of -0.9% year-on-year. The space loss due to store closures (including closures of 15 stores under store closures and stores with onerous leases) was offset by new store openings and the Store Conversion in Sweden and Poland. Unfortunately, the combination of factors described in the earlier "Revenue Analysis" section adversely impacted the productivity of our retail net sales area, as reflected by the year-on-year decline in retail comparable store sales of -7.0% in local currency.

On the positive side, retail comparable store sales have shown a positive development for the recent months since the arrival of the Vertical Products. The aggregate retail comparable store sales for the three months of June 2015, July 2015 and August 2015 increased by +4.1%. This positive development was more prominent in our largest regional market, Europe, and particularly in Germany, where sales of brick and mortar full price retail stores have consistently outperformed the comparable market data according to TextilWirtschaft by +6.3% pts, +10.1% pts and +12.7% pts for each of the three months of June, July and August 2015 respectively.

Retail turnover by region

Region #	For the year ended 30 June 2015 HK$ million	2015 % of Retail Turnover	2014 HK$ million	2014 % of Retail Turnover	Turnover change in % HK$	Turnover change in % Local currency	Net change in net sales area ^	Comp-store sales growth
Germany	**5,586**	**44.9%**	7,152	47.0%	-21.9%	-11.8%	-2.8%	-8.4%
Rest of Europe	**3,936**	**31.7%**	4,900	32.2%	-19.7%	-10.4%	1.1%	-8.1%
Asia Pacific	**2,903**	**23.4%**	3,168	20.8%	-8.4%	-5.7%	-0.4%	0.4%
Total	**12,425**	**100.0%**	15,220	100.0%	-18.4%	-10.1%	-0.9%	-7.0%

^ Net change since 1 July 2014
# Retail sales include sales from e-shops in countries where available

Directly managed retail stores by country – movement since 1 July 2014

Countries	As at 30 June 2015 No. of stores	Net opened stores*	Net sales area (m^2)	Net change in net sales area*	No. of comp stores	Comp-store sales growth
Germany **	**150**	**(12)**	**122,744**	**-2.8%**	**121**	**-8.4%**
Rest of Europe	**197**	**9**	**103,973**	**1.1%**	**121**	**-8.1%**
Netherlands	55	1	21,129	-1.3%	33	-9.5%
Switzerland	39	(1)	18,081	-0.7%	32	-6.4%
Belgium	26	(2)	18,259	-1.7%	25	-10.7%
France	26	(7)	14,370	-16.4%	16	-6.6%
Austria	20	-	16,752	-6.6%	10	-11.7%
Poland	11	11	3,265	n.a.	-	-16.3%
Sweden	10	10	6,286	n.a.	-	29.2%
Finland	5	-	3,020	-	2	-11.1%
Luxembourg	3	-	1,869	0.2%	3	-6.7%
United Kingdom	1	(2)	317	-89.2%	-	1.8%
Denmark	1	-	625	-	-	-13.0%
Norway	-	(1)	-	-100.0%	-	n.a.
Asia Pacific	**543**	**(12)**	**100,628**	**-0.4%**	**281**	**0.4%**
China **	308	(11)	50,245	0.4%	138	1.8%
Taiwan	74	2	7,623	5.4%	34	1.4%
Australia	70	(9)	9,121	-15.3%	58	5.5%
Malaysia	39	4	13,555	9.1%	21	-2.5%
Singapore	23	1	7,932	-6.5%	15	-6.8%
Hong Kong	15	1	7,186	1.4%	6	-2.8%
New Zealand	9	-	1,977	-1.3%	6	6.3%
Macau	5	-	2,989	-	3	0.4%
Total	**890**	**(15)**	**327,345**	**-0.9%**	**523**	**-7.0%**

* Net change since 1 July 2014
** All e-shops within Europe and the e-shop in China are shown as one comparable store in Germany and one comparable store in China respectively
n.a. Not applicable

Directly managed retail stores by store type – movement since 1 July 2014

Store types	No. of POS As at 30 June 2015	vs 1 July 2014 Opened	vs 1 July 2014 Closed	As at 1 July 2014	Net change	Net sales area (m^2) As at 30 June 2015	vs 1 July 2014 Opened	vs 1 July 2014 Closed	As at 1 July 2014	Net change
Stores/Concession counters	**804**	**84**	**(103)**	**823**	**(19)**	**286,636**	**22,284**	**(26,493)**	**290,845**	**-1.4%**
- Germany	140	2	(15)	153	(13)	110,500	1,279	(5,614)	114,835	-3.8%
- Rest of Europe	186	25	(17)	178	8	95,564	11,127	(10,433)	94,870	0.7%
- Asia Pacific	478	57	(71)	492	(14)	80,572	9,878	(10,446)	81,140	-0.7%
Outlets	**86**	**9**	**(5)**	**82**	**4**	**40,709**	**2,890**	**(1,569)**	**39,388**	**3.4%**
- Germany	10	1	-	9	1	12,244	791	(38)	11,491	6.6%
- Rest of Europe	11	1	-	10	1	8,409	615	(197)	7,991	5.2%
- Asia Pacific	65	7	(5)	63	2	20,056	1,484	(1,334)	19,906	0.8%
Total	**890**	**93**	**(108)**	**905**	**(15)**	**327,345**	**25,174**	**(28,062)**	**330,233**	**-0.9%**

Retail performance scorecard

	For the year ended 30 June	
	2015	2014
No. of POS	**890**	905
Net sales area (m^2)	**327,345**	330,233
Year-on-year change in net sales area	**-0.9%**	-5.7%
Year-on-year local currency turnover growth	**-10.1%**	-6.0%
Comparable store sales growth	**-7.0%**	-4.1%

The Group's **wholesale turnover** was HK$6,845 million (2014: HK$8,835 million), representing a year-on-year decrease of -13.9% in local currency (-22.5% in Hong Kong dollar terms). This decline is broadly in line with the corresponding -14.2% year-on-year reduction in wholesale controlled space, which is the main factor affecting our wholesale business. The reduction in wholesale controlled space was the result of a combination of factors including: (i) the closure of non-performing locations by our wholesale partners due to the general market pressure on the wholesale channel; (ii) the conversion of 21 franchise stores (10 in Sweden and 11 in Poland) to retail format; and (iii) the exit of our wholesale partner in Russia.

Wholesale turnover by region

	For the year ended 30 June						
	2015		2014		Turnover change in %		Net change in net sales area^
Region	**HK$ million**	**% of Wholesale Turnover**	HK$ million	% of Wholesale Turnover	HK$	Local currency	
Germany	**3,361**	**49.1%**	4,170	47.2%	-19.4%	-9.7%	-6.3%
Rest of Europe	**3,171**	**46.3%**	4,141	46.9%	-23.4%	-15.0%	-15.1%
Asia Pacific	**313**	**4.6%**	524	5.9%	-40.4%	-38.1%	-40.2%
Total	**6,845**	**100.0%**	8,835	100.0%	-22.5%	-13.9%	-14.2%

^ Net change since 1 July 2014

Wholesale distribution channel by country (controlled space only) – movement since 1 July 2014

As at 30 June 2015

Countries	Franchise stores**				Shop-in-stores**				Identity corners**				Total**			
	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	**264**	**66,958**	**(27)**	**-8.7%**	**2,949**	**111,747**	**(121)**	**-6.0%**	**1,432**	**27,155**	**(64)**	**-1.0%**	**4,645**	**205,860**	**(212)**	**-6.3%**
Rest of Europe	**556**	**118,084**	**(84)**	**-20.6%**	**1,018**	**31,647**	**(17)**	**-2.1%**	**1,163**	**27,858**	**21**	**-0.6%**	**2,737**	**177,589**	**(80)**	**-15.1%**
Benelux	132	39,157	(7)	-11.6%	150	6,150	2	0.9%	327	7,734	-	-1.3%	609	53,041	(5)	-8.9%
France	129	24,307	(5)	-2.8%	316	7,086	(4)	-2.8%	144	4,281	(20)	-14.8%	589	35,674	(29)	-4.4%
Austria	63	10,523	(2)	-2.6%	83	2,871	(7)	-8.9%	51	1,298	1	0.1%	197	14,692	(8)	-3.7%
Sweden	31	9,007	(20)	-49.1%	-	-	-	-	51	1,227	5	-3.0%	82	10,234	(15)	-46.1%
Finland	21	5,081	(2)	-17.2%	87	3,845	(2)	-1.1%	154	4,146	(27)	-12.2%	262	13,072	(31)	-11.3%
Switzerland	26	4,299	(1)	-4.4%	56	2,543	1	4.7%	24	472	(1)	2.8%	106	7,314	(1)	-1.0%
Italy	19	3,635	(3)	-7.1%	38	1,216	6	6.5%	192	3,223	42	30.4%	249	8,074	45	7.3%
Denmark	12	3,208	(3)	-22.7%	-	-	-	-	33	828	1	1.3%	45	4,036	(2)	-18.7%
Spain	19	2,908	4	43.0%	174	5,039	(11)	-7.1%	101	2,769	16	17.1%	294	10,716	9	9.1%
Norway	1	242	-	-	-	-	-	-	-	-	-	-	1	242	-	-
United Kingdom	2	143	(1)	-33.2%	14	607	-	15.8%	61	1,419	(7)	-8.1%	77	2,169	(8)	-5.0%
Portugal	-	-	(2)	-100.0%	-	-	-	-	2	35	(3)	-58.8%	2	35	(5)	-94.7%
Ireland	-	-	-	-	3	152	(2)	-35.0%	7	106	(1)	-15.9%	10	258	(3)	-28.3%
Others ^	101	15,574	(42)	-46.7%	97	2,138	-	0.0%	16	320	15	3100.0%	214	18,032	(27)	-42.5%
Asia Pacific	**297**	**35,576**	**(159)**	**-40.2%**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**297**	**35,576**	**(159)**	**-40.2%**
China	165	23,364	(140)	-47.9%	-	-	-	-	-	-	-	-	165	23,364	(140)	-47.9%
Thailand	92	6,234	(7)	-3.2%	-	-	-	-	-	-	-	-	92	6,234	(7)	-3.2%
Philippines	21	2,867	(6)	-21.5%	-	-	-	-	-	-	-	-	21	2,867	(6)	-21.5%
Others	19	3,111	(6)	-31.8%	-	-	-	-	-	-	-	-	19	3,111	(6)	-31.8%
Total	**1,117**	**220,618**	**(270)**	**-21.7%**	**3,967**	**143,394**	**(138)**	**-5.1%**	**2,595**	**55,013**	**(43)**	**-0.8%**	**7,679**	**419,025**	**(451)**	**-14.2%**

* Net change since 1 July 2014

** Excludes salon

^ Controlled wholesale POS and space in Others under Rest of Europe included controlled wholesale POS and space in countries, mainly Colombia, Chile, the Middle East and Bulgaria

Wholesale performance scorecard

	For the year ended 30 June	
	2015	2014
No. of Esprit controlled space POS	**7,679**	8,130
Esprit controlled space area (m^2)	**419,025**	488,270
Year-on-year change in Esprit controlled space area	**-14.2%**	-13.8%
Year-on-year local currency turnover growth	**-13.9%**	-16.1%

PROFITABILITY ANALYSIS

Gross profit was HK$9,695 million (2014: HK$12,156 million) with a corresponding gross profit margin of 49.9% (2014: 50.2%). During the financial year, the discount-driven marketplace necessitated more promotions and markdowns, and this placed considerable pressure on our gross profit margin. Fortunately, the continued savings we achieved from our leaner supply chain allowed us to offset much of this pressure. As a result, we were able to maintain a relatively stable gross profit margin. We also had to contend with the significant depreciation of the Euro currency against the US Dollar in FY14/15. This, however, had no visible impact on our gross profit margin because our purchase of finished goods for the calendar year 2015 was hedged earlier in the year and at rates that were better than the prevailing market rate.

Operating expenses ("OPEX") continued to be tightly managed during the financial year. The management team continued to look for further cost cutting measures in the financial year. This exercise was particularly challenging though, given that Operational OPEX had already been significantly reduced in the previous financial year (-21.4% in local currency on a comparable basis) and in light of this year's complex transition of our internal operations. The table below sets forth the breakdown of operating expenses by key cost lines.

	For the year ended 30 June			
	2015	2014	Change in %	
	HK$ million	HK$ million	HK$	Local currency
Operational OPEX	**10,413**	**11,609**	**-10.3%**	**-1.2%**
Staff costs	3,562	3,851	-7.5%	1.3%
Occupancy costs	3,160	3,585	-11.9%	-4.0%
Logistics expenses	1,048	1,317	-20.5%	-10.4%
Marketing and advertising expenses	820	792	3.6%	17.3%
Depreciation	713	833	-14.5%	-5.2%
Other operating costs	1,110	1,231	-9.9%	-0.4%
Exceptional Expenses	**2,965**	**186**		
Impairment of China goodwill	2,512	-		
Provision for store closures and onerous leases	282	106		
Impairment of fixed assets	171	80		
Total OPEX	**13,378**	**11,795**	**13.4%**	**23.1%**

While we were able to achieve savings in most cost lines of our underlying operations (i.e. total operating expenses excluding impairments and provisions as highlighted in the Profit Warning in May 2015 or "Operational OPEX"), the Operational OPEX was only reduced by -1.2% in local currency (or -10.3% in Hong Kong Dollar terms) to HK$10,413 million (2014: HK$11,609 million) mainly due to the increase in certain expenses as listed below:

(i) Staff costs increased year-on-year by +1.3% in local currency mainly due to the mandatory wage increases in different retail markets;

(ii) Marketing and advertising expenses grew by +17.3% in local currency as we increased our marketing efforts to drive sales and traffic in response to the challenging market scenario;

(iii) Net currency exchange loss of HK$26 million in FY14/15 as compared to a net exchange gain of HK$148 million in FY13/14 due to the revaluation of intercompany loans. Excluding these net exchange gain or loss, "Other operating costs" recorded a decline of -13.3% in local currency.

As disclosed in the Profit Warning issued in May 2015, there were non-recurring impairments and provisions associated with the contraction of our businesses in the past years. These expenses totaled HK$2,965 million, the majority of which were non-cash, and were comprised of:

- HK$171 million in impairment of fixed assets, the majority of which was in relation to directly managed retail stores;

- HK$282 million in provision for store closures and onerous leases; and

- HK$2,512 million in non-cash impairment of goodwill arising from the acquisition of the remaining interests of associated companies in China, the most significant drag to the Group's FY14/15 financial results.

  This impairment was a reflection of what had happened in the past two years in China, where we lost part of our wholesale customer base, closed non-profitable locations with little chance of a turnaround, and cleaned up aged inventories in the country's wholesale channel through special return agreements. We consider the restructuring in China to be mostly completed and the management team there is working on growth development in the country.

Although the aforementioned provisions and impairments are substantial, they are primarily accounting adjustments and the majority are non-cash. As such, they will not have a material impact on our cash flow or operations.

EBIT was a loss of HK$3,683 million (2014: positive EBIT of HK$361 million). Excluding the Exceptional Expenses, the EBIT loss of our underlying operation would be HK$718 million. **Loss before taxation** was HK$3,667 million (2014: Profit before taxation of HK$379 million).

Taxation amounted to HK$29 million (2014: HK$169 million), which included a non-recurring tax credit of approximately HK$155 million as a result of a successful claim on the deductibility of certain expense items in the United States of America.

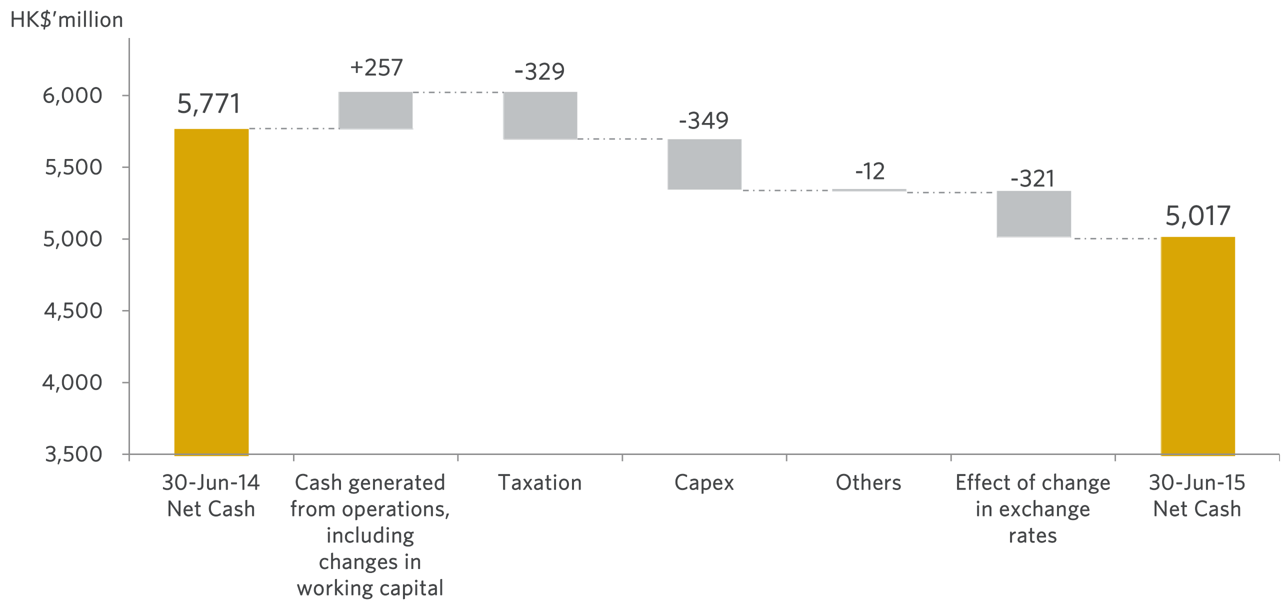
Net loss was HK$3,696 million, as compared to a net profit of HK$210 million last year.

LIQUIDITY AND FINANCIAL RESOURCES ANALYSIS

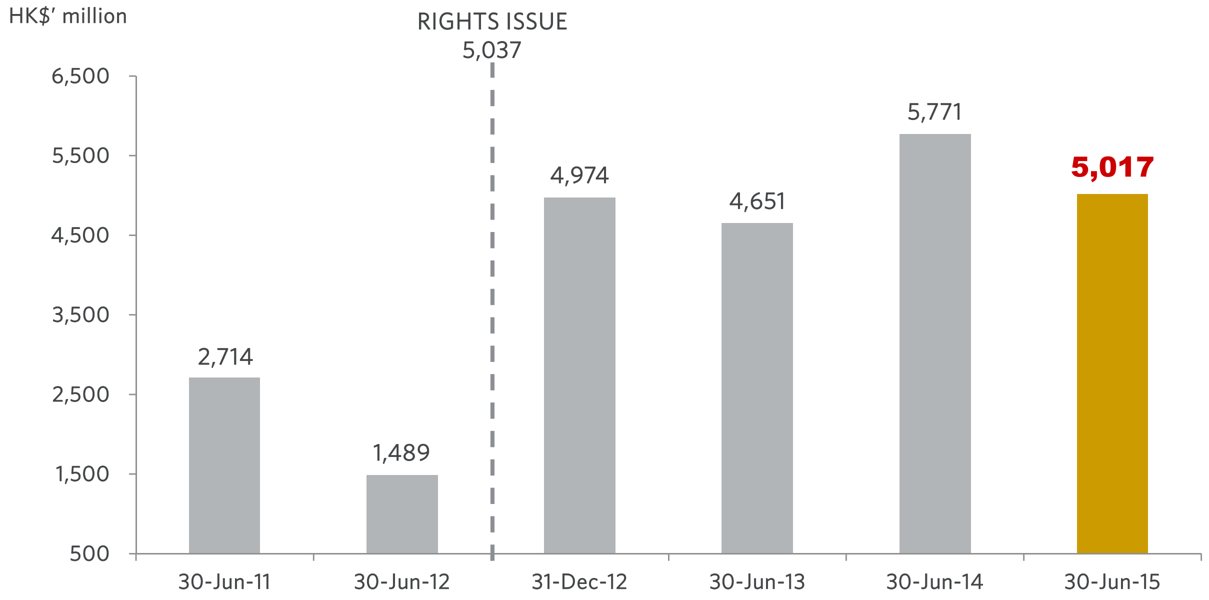
Notwithstanding the negative results, the financial position of the Group remains healthy. Our efforts to reduce OPEX and working capital, and our careful cash management over the past years have helped us cope with the anticipated challenges in connection with the complexity and operational risk of our Transformation phase during the financial year.

The Group's **cash, bank balances and deposits** as at 30 June 2015 amounted to HK$5,017 million (30 June 2014: HK$6,031 million) with zero debt. **Net cash** amounted to HK$5,017 million (30 June 2014: HK$5,771 million), similar to the level following our rights issue in November 2012 (31 December 2012: HK$4,974 million). The unfavorable movement of the Euro currency exchange rate (-17.7% year-on-year depreciation of the Euro closing rate against the HK Dollar, our reporting currency) largely accounted for -HK$321 million, or almost half of the -HK$754 million, decline in net cash during the financial year.

Fund flow and net cash position

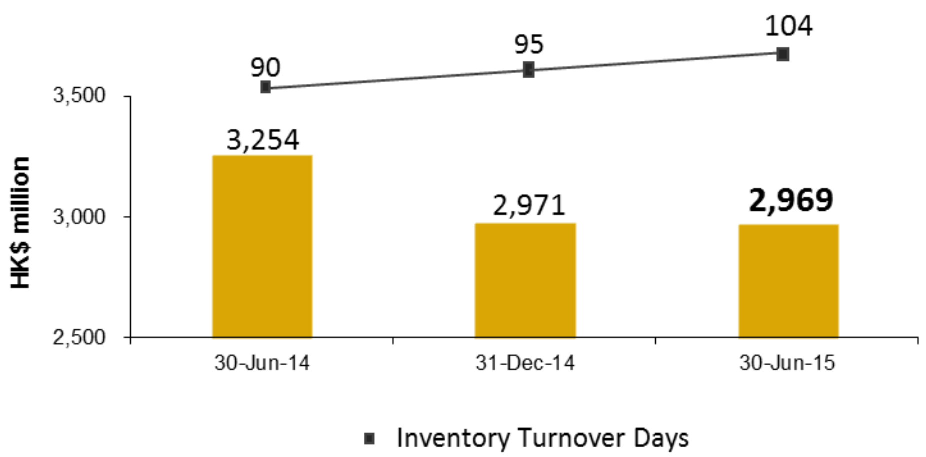


Recent development of net cash position

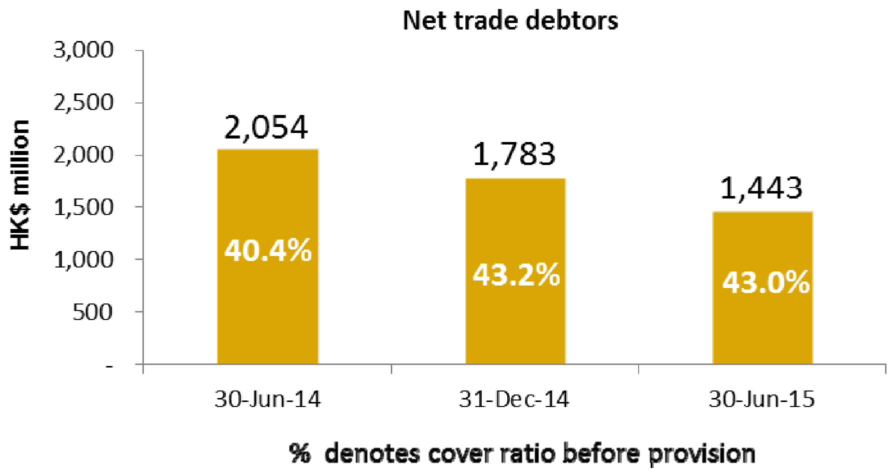


Inventories as at 30 June 2015 amounted to HK$2,969 million (30 June 2014: HK$3,254 million), representing a year-on-year decline of -8.8%. The drop was mainly attributable to the combined effect of (i) a slight year-on-year decline in finished goods units of -0.2%; (ii) the -17.7% year-on-year depreciation of the EUR/HKD closing rate; partially offset by (iii) a decrease in inventory provision, resulting largely from an improved inventory aging profile as we cleared away old stock. The proportion of finished goods inventory (in terms of units) aged over six months decreased to 18.3% as at end of June 2015 (30 June 2014: 22.6%). Inventory turnover days for FY14/15 were 104 days (FY13/14: 90 days), and the increase in number of inventory turnover days is mostly due to the decline in turnover.

Inventories



Net trade debtors was HK$1,443 million (30 June 2014: HK$2,054 million), representing a decrease of -29.8% year-on-year mainly due to the lower wholesale sales level and the year-on-year depreciation of the EUR/HKD closing rate as mentioned above. The amount of net trade debtors aged over 90 days fell to HK$162 million (30 June 2014: HK$291 million). The cover ratio before provision (the amount of insured and secured gross trade debtors including VAT over total gross trade debtors including VAT) increased to 43.0% (30 June 2014: 40.4%).



Capital expenditure (CAPEX): The Group continued to remain selective with its expansion and moderately deployed CAPEX to align with business development. CAPEX for FY14/15 amounted to HK$349 million (2014: HK$375 million), representing a year-on-year decrease of -7.0%. The increase in the CAPEX of new stores was mainly due to the opening of our flagship stores in Hong Kong.

	For the year ended 30 June	
HK$ million	**2015**	2014
New stores	**96**	92
Refurbishment	**92**	102
IT projects	**77**	78
Office & others	**84**	103
Purchase of property, plant and equipment	**349**	375

Total interest bearing external borrowings: As at 30 June 2015, the Group had no interest bearing external borrowings (30 June 2014: HK$260 million) as the Group repaid the last instalment of the bank loan used to finance the acquisition of the remaining interest in the China Joint Venture in February 2015.

FOREIGN EXCHANGE RISK MANAGEMENT

The Group faces foreign exchange risk arising from various currency exposures, 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 adversely affect our turnover which is reported in Hong Kong dollar. In addition, the purchases of finished goods in Euro only accounts for a small portion of our total purchases of finished goods while our net sales which are generated primarily in Euro may pose severe pressure on our gross 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.

The Euro currency weakened further against the US Dollar in the second half of FY14/15 (the average EUR/HKD rate depreciated by -18.5% year-on-year). In response to this downward trend in the Euro, the Group has taken measures to proactively manage its Euro exposure by (i) fully hedging all purchases of finished goods for FY15/16 at rates slightly better than the prevailing market rate; and (ii) converting surplus Euro cash into US Dollars to reduce our risk from Euro cash holdings. Although purchases of finished goods for FY15/16 are fully hedged at rates better than the prevailing market rate, the contracted rates are worse than last year's rates and will put pressure on our FY15/16 gross profit margin. The Group is under continuous review for purchases of finished goods as well as potential price adjustment, depending on the movements in relevant exchange rates.

FOCUS AND PRIORITIES IN FY15/16

The past financial year FY14/15 has been a year of achievement as the Group successfully installed the foundation (Vertical and Omnichannel Models) to allow us to significantly improve our products and optimize sales performance across all channels (online, offline, retail and wholesale), which is vital for our turnaround plan. What is more encouraging is that we are seeing signs of a positive sales trend for our new Vertical Products which gives us confidence that we are on the right track to restoring the competitiveness of Esprit. With this confidence, in the new financial year, we enter the "Growth" phase of our plan.

Looking ahead to FY15/16, the year is off to a good start as the momentum of top line improvement driven by our Vertical Products has continued into July and August 2015. We expect gains in our sales per square meter performance, both in retail and wholesale, on the basis of better product performance, improved channel operations and intensified marketing efforts. Such gains should help offset the impact of the reduction in selling space i) on the retail channel, due to announced closures or downsizing of unprofitable stores and ii) on the wholesale channel, due to the continuous pressure on this channel.

It is anticipated that gross margin will remain stable or slightly increase in FY15/16. Notwithstanding our early currency hedging for purchases of finished goods, the continued weakness of the Euro will put pressure on gross profit margin as compared to last year. However, this impact is expected to be compensated with reduced levels of markdowns if improved product performance persists throughout the year.

In anticipation of improving product performance and, given our net cash position, the Group is ready to deploy some of its cash reserves to fund the Growth phase of our turnaround strategy. In terms of OPEX, most recurring cost lines will continue to decrease in line with the reduction in retail net sales area and wholesale business volumes. However, the potential savings will be more than offset by the expected increase in Brand Marketing and Omnichannel-related expenses, which the Group believes are necessary to support key future growth initiatives. Similarly, CAPEX is expected to increase in the new financial year. As we step up investments in the Omnichannel initiatives, the acceleration of retail store refurbishments and the upgrading of warehouses to improve replenishment capabilities, CAPEX is expected to increase to around HK$500 million in the coming financial year.

The Growth phase that we are now embarking upon is not without its challenges, but there is much hope and excitement across all levels of our organization as we leverage the strong foundation that we have laid over the last two years. Every successful journey takes time, and we believe that we are nearing our final destination – which is to restore the long term competitiveness of the Group.

HUMAN RESOURCES

As at 30 June 2015, the Group employed over 9,100 full-time equivalent staff (30 June 2014: over 9,600) 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 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. As the Group recorded a loss for the year ended 30 June 2015, the Board does not recommend the distribution of a final dividend for the year ended 30 June 2015 (FY13/14: HK$0.04 per share).

CLOSURE OF REGISTERS OF MEMBERS

The registers of members of the Company will be closed from Monday, 30 November 2015 to Wednesday, 2 December 2015 (both dates inclusive) for the purpose of determining the eligibility of shareholders attend and vote at the forthcoming annual general meeting of the Company. During such period, no transfer of shares of the Company will be effected. In order to be entitled 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 not later than 4:00 pm on Friday, 27 November 2015.

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 2015 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.

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 2015, 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 to 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 2015.

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, 23 September 2015

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.