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- Group turnover of HK$33.7 billion and net profit of HK$4,226 million
- Retail turnover grew 9.3% year-on-year and total retail space increased 23.1% year-on-year
- Continued strengthening of wholesale channel mix with franchise space increasing 6.3% year-on-year, excluding China
- Gross profit margin increased 2.6 percentage points to 54.7%
- Cash and bank balances increased to HK$6.7 billion
- Detailed and actionable plan of the Six Strategic Initiatives ready for implementation
- Regular dividend payout ratio increased to 60% going forward
- Targeting to at least double China turnover in five years time

ESPRIT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 00330)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2010

FINAL RESULTS

The board of directors (the "Board") of Esprit Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group" or "Esprit") for the year ended 30 June 2010 together with comparative figures for the year ended 30 June 2009. 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 2010 HK$ million	2009 HK$ million (restated)
Turnover	2	**33,734**	34,485
Cost of goods sold		**(15,298)**	(16,523)
Gross profit		**18,436**	17,962
Staff costs		**(4,539)**	(4,051)
Occupancy costs		**(3,936)**	(3,310)
Logistics expenses		**(1,315)**	(1,246)
Advertising expenses		**(720)**	(643)
Depreciation		**(884)**	(776)
Other operating costs		**(3,256)**	(2,207)
Operating profit	3	**3,786**	5,729
Interest income		**33**	87
Finance costs	4	**(12)**	-
Share of results of associates		**81**	161
Gain on measuring equity interest in the associated companies held before the business combination		**1,586**	-
Profit before taxation		**5,474**	5,977
Taxation	5	**(1,248)**	(1,232)
Profit attributable to shareholders		**4,226**	4,745
Dividends	6	**1,809**	3,551
Earnings per share	7		
- Basic		**HK$3.35**	HK$3.72
- Diluted		**HK$3.34**	HK$3.71

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 30 June	
	2010	2009
	HK$ million	HK$ million
Profit attributable to shareholders	**4,226**	4,745
Other comprehensive income		
Fair value gain on cash flow hedge	**4**	1
Exchange translation	**(1,424)**	(1,244)
Total comprehensive income for the year attributable to shareholders	**2,806**	3,502

CONSOLIDATED BALANCE SHEET

	Notes	**As at 30 June 2010 HK$ million**	As at 30 June 2009 HK$ million (restated)	As at 1 July 2008 HK$ million (restated)
Non-current assets				
Intangible assets		**7,345**	2,061	2,121
Property, plant and equipment		**3,976**	4,398	3,570
Investment properties		**12**	-	-
Other investments		**7**	7	7
Investments in associates		**-**	522	583
Deposits and prepayments		**440**	559	569
Deferred tax assets		**532**	408	510
		12,312	7,955	7,360
Current assets				
Inventories		**2,455**	2,997	3,170
Debtors, deposits and prepayments	8	**3,043**	3,828	4,758
Amounts due from associates		**-**	71	83
Cash and cash equivalents		**6,748**	4,840	6,521
		12,246	11,736	14,532
Current liabilities				
Creditors and accrued charges	9	**4,146**	3,849	4,571
Taxation		**918**	1,142	989
Bank loans – current portion		**520**	-	-
		5,584	4,991	5,560
Net current assets		**6,662**	6,745	8,972
Total assets less current liabilities		**18,974**	14,700	16,332
Equity				
Share capital		**129**	125	124
Reserves		**15,943**	14,284	15,820
Total equity		**16,072**	14,409	15,944
Non-current liabilities				
Bank loans		**2,080**	-	-
Deferred tax liabilities		**822**	291	388
		2,902	291	388
		18,974	14,700	16,332

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

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

In the current year, the Group has adopted the IFRS 3 (Revised) "Business Combinations", IFRS 8 "Operating Segments", International Accounting Standard ("IAS") 1 (Revised) "Presentation of Financial Statements" and IAS 27 (Revised) "Consolidated and Separate Financial Statements".

IFRS 3 (Revised), "Business Combinations". The revised standard continues to apply the acquisition method to business combinations, with some significant changes. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group has applied IFRS 3 (Revised) prospectively to all business combinations from 1 July 2009. The revised standard was applied to the acquisition of the controlling interest in subsidiaries. This acquisition has occurred in stages. The determination of goodwill includes the previously held equity interest to be adjusted to fair value with any gain or loss recorded in the income statement.

IFRS 8, "Operating Segments", replaces IAS 14, "Segment Reporting", and aligns segment reporting with the requirements of the US standard SFAS 131, "Disclosures about Segments of an Enterprise and Related Information". The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker. Comparatives for 2009 have been restated.

IAS 1 (Revised), "Presentation of Financial Statements". The revised standard prohibits the presentation of items of income and expenses (that is "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity. All "non-owner changes in equity" are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the consolidated income statement and statement of comprehensive income). The Group has elected to present two statements: a consolidated income statement and a consolidated statement of comprehensive income. The consolidated financial statements of the Group have been prepared under the revised disclosure requirements.

IAS 27 (Revised), "Consolidated and Separate Financial Statements". The revised standard requires the effects of all transactions with minority interest to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the equity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group has applied IAS 27 (Revised) prospectively to transactions with minority interest from 1 July 2009.

The other standards, amendments and interpretations effective for the Group's accounting periods beginning on or after 1 July 2009 do not have any significant impact on the Group's consolidated financial statements.

In the current year, the Group has early adopted IFRS 8 (Amendment) "Operating Segments" and IAS 17 (Amendment) "Operating Leases".

IFRS 8 (Amendment) "Operating Segments". The amendment to the standard clarifies that an entity is required to disclose a measure of segment assets only if that measure is regularly reported to the chief operating decision-maker. Accordingly, segment assets have not been disclosed in the consolidated financial statements as it is not reported to the chief operating decision-maker.

IAS 17 (Amendment) "Operating Leases". The amendment to the standard has resulted in a change in accounting policy for the classification of leasehold land of the Group. Previously, leasehold land was classified as an operating lease and stated at cost less accumulated amortisation. In accordance with the amendment, leasehold land is classified as a finance lease and stated at cost less accumulated depreciation if substantially all risks and rewards of the leasehold land have been transferred to the Group. As the present value of the minimum lease payments (that is the transaction price) of the land held by the Group amounted to substantially all of the fair value of the land as if it were freehold, the leasehold land of the Group has been classified as a finance lease. The amendment has been applied retrospectively to unexpired leases at the date of adoption of the amendment on the basis of information existing at the inception of the leases.

The effect of the adoption of IAS 17 (Amendment) "Operating Leases" on the consolidated balance sheet is as follows:

	As at 30 June 2010 HK$ million	As at 30 June 2009 HK$ million	As at 1 July 2008 HK$ million
Increase / (Decrease) in assets			
Property, plant and equipment	**165**	170	175
Prepaid lease payments	**(160)**	(165)	(170)
Debtors, deposits and prepayments	**(5)**	(5)	(5)
	-	-	-

The depreciation of leasehold land in Hong Kong was classified as amortisation of prepaid lease payments and included in other operating costs in prior year and has been reclassified to depreciation for comparison purposes.

The Group did not early adopt the following IAS, IFRS and International Financial Reporting Interpretations Committee ("IFRIC") interpretations that have been issued up to the date of approval of these consolidated financial statements.

		Effective for accounting periods beginning on or after
IAS 24 (Amendment)	Related Party Disclosures	1 January 2011
IAS 32 (Amendment)	Financial Instruments – Classification of Rights Issues	1 February 2010
IFRS 1 (Amendment)	First-time Adoption of IFRS – Oil and Gas Assets and Determining Whether an Arrangement Contains a Lease	1 January 2010
IFRS 1 (Amendment)	Limited Exemption from Comparative IFRS 7 Disclosure	1 July 2010
IFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions	1 January 2010
IFRS 9	Financial Instruments	1 January 2013
IFRIC 14 (Amendment)	Prepayment of a Minimum Funding	1 January 2011
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010
Various IASs and IFRSs	Improvements to IFRS 5 and IFRSs 2009	1 January 2010
	Improvements to IFRSs 2010	1 January 2011

2. Turnover and segment information

The Group is principally engaged in wholesale and retail distribution and licensing of quality fashion and lifestyle products designed under its own internationally-known Esprit brand name.

	2010 HK$ million	2009 HK$ million
Turnover		
Sales of goods	**33,508**	34,257
Licensing and other income	**226**	228
	33,734	34,485

The chief operating decision-makers have 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 wholesale and retail distribution and licensing of quality fashion and life-style 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.

	For the year ended 30 June 2010				
	Wholesale HK$ million	**Retail HK$ million**	**Licensing HK$ million**	**Corporate services, sourcing and others HK$ million**	**Group HK$ million**
Total revenue	**15,631**	**17,910**	**181**	**25,174**	**58,896**
Inter-segment revenue	**-**	**(33)**	**-**	**(25,129)**	**(25,162)**
Revenue from external customers	**15,631**	**17,877**	**181**	**45**	**33,734**
Segment results	**3,967**	**681**	**159**	**(1,021)**	**3,786**
Interest income					**33**
Finance costs					**(12)**
Share of results of associates					**81**
Gain on measuring equity interest in the associated companies held before the business combination					**1,586**
Profit before taxation					**5,474**
Capital expenditure	**43**	**797**	**3**	**666**	**1,509**
Depreciation	**69**	**719**	**4**	**92**	**884**
Impairment of property, plant and equipment	**1**	**654**	**-**	**-**	**655**
Provision for store closure	**-**	**441**	**-**	**-**	**441**

	For the year ended 30 June 2009 (restated)				
	Wholesale HK$ million	**Retail HK$ million**	**Licensing HK$ million**	**Corporate services, sourcing and others HK$ million**	**Group HK$ million**
Total revenue	17,906	16,376	175	27,823	62,280
Inter-segment revenue	-	(25)	-	(27,770)	(27,795)
Revenue from external customers	17,906	16,351	175	53	34,485
Segment results	4,887	1,789	126	(1,073)	5,729
Interest income					87
Share of results of associates					161
Profit before taxation					5,977
Capital expenditure	64	1,298	1	648	2,011
Depreciation	65	616	4	91	776
Impairment of property, plant and equipment	-	38	-	-	38

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

	2010 **HK$ million**	2009 HK$ million
Europe		
Germany (Note 1)	**14,773**	15,454
Benelux	**5,000**	5,308
France	**2,841**	3,133
Austria	**1,475**	1,506
Scandinavia	**1,464**	1,605
Switzerland	**1,409**	1,254
The United Kingdom	**411**	403
Ireland	**32**	61
Italy	**287**	361
Spain	**295**	261
Portugal	**27**	17
Others	**7**	-
	28,021	29,363
Asia Pacific		
Hong Kong	**688**	738
Macau (Note 2)	**1,295**	1,724
Taiwan	**261**	265
Singapore	**410**	399
Malaysia	**211**	210
China	**793**	-
Australia and New Zealand	**976**	819
	4,634	4,155
North America		
Canada	**553**	489
United States	**526**	478
	1,079	967
	33,734	34,485

Note 1: Germany sales includes wholesale sales to other European countries mainly Russia, Poland, Greece, Czech Republic and Croatia

Note 2: Macau sales includes wholesale sales to other countries mainly China, Middle East, Chile, Thailand and India

3. Operating profit

	2010 HK$ million	2009 HK$ million (restated)
Operating profit is arrived at after charging and (crediting) the following:		
Auditors' remuneration	**14**	13
Depreciation	**884**	776
Impairment of property, plant and equipment (Note)	**655**	38
Provision for store closure (Note)	**441**	-
Loss on disposal of property, plant and equipment	**32**	32
Occupancy costs		
Operating lease charge (including variable rental of **HK$283 million** (2009: HK$162 million))	**3,018**	2,497
Other occupancy costs	**918**	813
Net exchange losses on foreign currency forward contracts	**34**	40
Other net exchange gains	**(148)**	(38)
Net charge for provision for obsolete inventories	**18**	30
Provision for impairment of trade debtors	**283**	181

Note: During the year, the management has decided to close a number of stores in various countries. Impairment of property, plant and equipment of **HK$352 million** (2009: nil) and provision for costs in connection with the store closure of **HK$441 million** (2009: nil) have been recognised.

4. Finance costs

	2010 HK$ million	2009 HK$ million
Interest on bank loans wholly repayable within five years	**8**	-
Imputed interest on financial assets and financial liabilities	**4**	-
	12	-

5. Taxation

	2010 **HK$ million**	2009 HK$ million
Current tax		
Hong Kong profits tax		
Provision for current year	**1**	1
Underprovision for prior years	**54**	-
Overseas taxation		
Provision for current year	**1,270**	1,346
Overprovision for prior years	**(336)**	(31)
	989	1,316
Deferred tax		
Current year net charge	**237**	18
Effect of changes in tax rates	**22**	(102)
Taxation	**1,248**	1,232

Hong Kong profits tax is calculated at **16.5%** (2009: 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.

6. Dividends

	2010 **HK$ million**	2009 HK$ million
Paid interim dividend of **HK$0.74** (2009: HK$0.80) per share	**946***	997
Proposed - final dividend of **HK$0.67** (2009: HK$0.72) per share	**863**	897 **
- special dividend**: nil** (2009:HK$1.33 per share)	**-**	1,657 **
	1,809	3,551

The amount of the 2010 proposed final dividend is based on **1,288,227,960 shares** (2009: 1,246,031,934 shares as at 26 August 2009) in issue as at **2 September 2010**. The proposed final dividend for 2010 will not be reflected as dividend payable in the balance sheet until it is approved at the forthcoming annual general meeting by the shareholders of the Company. The Board of Directors has recommended to provide the shareholders with an option to receive the final dividend in form of new fully paid shares in lieu of cash.

* The actual interim dividend paid in cash for the year ended 30 June 2010 was HK$612 million. Part of the interim dividend for the year ended 30 June 2010 was paid in form of new fully paid shares and was paid out of the share premium 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$55.97, which is the average closing price of the Company's share as quoted on The Stock Exchange of Hong Kong Limited for the five consecutive trading days immediately preceding 8 March 2010.

** The actual final dividend paid in cash for the year ended 30 June 2009 was HK$870 million. The amount of the actual final dividend paid for the year ended 30 June 2009 had taken into account the additional shares issued during the period from 27 August 2009 to 10 December 2009, the date of closure of the register of members, and part of the final dividend was paid in form of new fully paid shares out of the share premium during the year. The special dividend for the year ended 30 June 2009 was paid in form of new fully paid shares out of the share premium during the year. For the purpose of calculating the number of scrip shares allotted in respect of the final dividend and special dividend, the market value of the scrip shares is HK$53.84, which is the average closing price of the Company's share as quoted on The Stock Exchange of Hong Kong Limited for the five consecutive trading days immediately preceding 30 November 2009.

7. Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year after adjusting the outstanding number of ordinary shares deemed to be issued as at the beginning of the year as a result of the scrip dividend (note).

	2010 **HK$ million**	2009 HK$ million (restated)
Profit attributable to shareholders	**4,226**	4,745
Weighted average number of ordinary shares in issue (million)	**1,263**	1,244
Adjustments for scrip shares (million) (note)	**-**	31
	1,263	1,275
Basic earnings per share (HK dollars per share)	**3.35**	3.72

Diluted

Diluted earnings per share is calculated based on the profit attributable to shareholders, and the weighted average number of shares in issue during the year and the number of ordinary shares deemed to be issued as at the beginning of the year as a result of the scrip dividend (note) after adjusting for the number of dilutive potential ordinary shares granted under the Company's share option scheme.

	2010	2009
	HK$ million	HK$ million (restated)
Profit attributable to shareholders	**4,226**	4,745
Weighted average number of ordinary shares in issue (million)	**1,263**	1,244
Adjustments for scrip shares (million) (note)	**-**	31
Adjustments for share options (million)	**2**	2
Weighted average number of ordinary shares for diluted earnings per share (million)	**1,265**	1,277
Diluted earnings per share (HK dollars per share)	**3.34**	3.71

Note: On 10 December 2009, the shareholders approved a special dividend of HK$1.33 per share for the year ended 30 June 2009 by way of new fully paid shares ("scrip shares"). Approximately 31 million scrip shares were issued on 15 January 2010. The basic and diluted earnings per share for the year ended 30 June 2009 have been restated as the scrip shares are treated as if the issue had occurred as at 1 July 2008.

8. Debtors, deposits and prepayments

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

	2010	2009
	HK$ million	HK$ million
Current portions	**1,873**	2,410
1-30 days	**165**	246
31-60 days	**98**	137
61-90 days	**56**	76
Over 90 days	**197**	170
Amount past due but not impaired	**516**	629
	2,389	3,039

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 ageing analysis of trade creditors is as follows:

	2010 **HK$ million**	2009 HK$ million
0-30 days	**934**	1,065
31-60 days	**35**	59
61-90 days	**6**	17
Over 90 days	**17**	24
	992	1,165

10. Comparative figures

Certain comparative figures relating to deposits and prepayments and segment information have been reclassified to conform with the current year's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

Despite the tough macro environment, the Group continued to achieve good results in delivering 9.3% retail turnover growth, improvement in gross profit margin and expanding total selling space by 2.1% or 23,144 m^2 year-on-year (wholesale and retail channels combined). The cash position remained very strong with cashflow from operating activities growing by 2.7% year-on-year. The Board of Directors has proposed a final dividend of HK$0.67 per share (2009: HK$0.72 per share) and increasing the regular dividend payout ratio from 40% to 60% going forward, as a testament of our commitment to share our success with shareholders.

Six strategic initiatives were launched during the year to strengthen our platform for growth and profitability. Over the past six months, dedicated work teams have been set up for each initiative and we have started our first phase "Building a strong platform for profitable growth" of our long-term plan focusing on creating a truly global brand and company. Whilst Esprit is well-established internationally, there is still tremendous potential to grow our business globally in the coming years. The acquisition of the remaining shares in our joint venture in China has helped and will help us further in growing globally. China represents the biggest growth opportunity for Esprit and we are determined to expand our leading position in the Chinese market.

(1) Global brand:
Strengthening brand equity and improving shopping experience

Our brand, Esprit, is our most valuable asset and enhancing our brand equity is definitely one of our priorities. We will sharpen the positioning and profile of the brand based on the great and unique heritage of Esprit. This will have a visible impact on all "touch points of the brand", from our products, to our stores and our communication with our customers. As part of this process to create a more inspirational shopping environment, we will upgrade our visual merchandising by changing the mannequins in our stores and shop windows and changing our instore visuals more frequently. We will continue investing in brand building flagship stores around the world. During this fiscal year, new flagship concepts were opened in Hong Kong and New York. Our biggest store in the world will soon be opened in Frankfurt.

(2) Products:
Improving product differentiation and newness

Quality comes first in our products and this is part of the Company's DNA. With the implementation of brand books, a cross-divisional alignment and the global retail line concept, we will be able to streamline our collection building process towards the needs of our various target customer groups and to better ensure product differentiation and newness. An additional Chief Product Officer for the Esprit divisions was hired to co-lead this process. As part of this initiative, we have identified opportunities to grow in underpenetrated product segments like denim. We will also extend our shoes and accessories offering in our retail stores.

(3) Channel and country:
Ensuring better execution of the multi-channel strategy

As part of our third initiative, focusing on improving our channel and country profitability, we have redefined our store selection and approval policy and added skills and capabilities to the expansion team. This will lead to a better and faster expansion of our store network. After a comprehensive review of our existing store portfolio, we have decided to exit Norway and Portugal markets and to close down 33 loss-making stores worldwide. Going forward, our expansion will be accelerated in a focused way, with a clear priority for China.

	FINANCIAL YEAR ENDED 30 JUNE 2010 Proforma Full Year			FINANCIAL YEAR ENDED 30 JUNE 2010 Actual Consolidated (Feb10 - Jun10)		
	Retail	Wholesale	Total	Retail	Wholesale	Total
Turnover (HK$m)	1,640	886	2,526	499	285	784
% of total	65%	35%		64%	36%	
Number of cities	6	163	169	6	163	169
Number of POS*	288^	643	931	288	643	931

* Exclude Red Earth and Esprit salons as at 30 June 2010
^ 288 Retail point-of-sales ("POS") includes 115 in Shanghai, 98 in Beijing, 25 in Guangzhou, 21 in Chengdu, 19 in Dalian, 10 in Chongqing as at 30 June 2010

With full control of the China market, we are proud that Esprit is now truly globalized and moving to a more evenly balanced geographic portfolio through a stronger and growing presence in Asia Pacific. The proforma full year turnover of Asia Pacific represented 16% of the total Group turnover. In 5 years time, we are targeting to at least double the China turnover, expanding from an existing base of 169 to over 400 cities, increasing number of POS from 931 to over 1,700 and increasing selling space by at least over 70% in China. We will also further penetrate into existing retail and franchise cities and expand our footprint to non-represented regions through retail and franchise. EBIT margins are expected to improve from the low-teens to high-teens. Moreover, as pricing in the Chinese e-commerce world is lower than in the offline business, we are exploring the potential for introducing a lower priced line to penetrate further into unrepresented tier 3-5 cities for further upside and market share growth. In addition to launching our own branded e-shop similar to the European and North American business models, we will further expand our retail business into at least 4 other major cities thereby increasing the number of POS and selling space by at least over 70% in the next 5 years. For wholesale, we will expand from 163 to over 400 cities focusing mainly on tier 3-5 cities with the existing franchise model and we expect number of POS and selling space will increase by at least over 65% in the next 5 years.

(4) Improved cost of goods sold:
Achieving significant savings in sourcing

In order to continue building our brand and strengthening our product offering, it is important to continuously add value to our products for our customers. Reducing our cost of goods sold is important to enable us to keep injecting value into our products. In the past we did not always use the full leverage of our Company when executing our sourcing and supply chain activities due to our divisional set-up. As part of this initiative, we successfully carried out a pilot to consolidate sourcing for T-shirts from over 120 suppliers to less than 20 suppliers to test the potential cost savings. The pilot was successful and is in the process of being rolled-out to other product categories. In addition to this portfolio consolidation process, we have developed a new medium-term sourcing strategy which also aims at optimising our sourcing footprint globally.

(5) Best-in-class support:
Establishing industry leadership in Finance, HR and IT

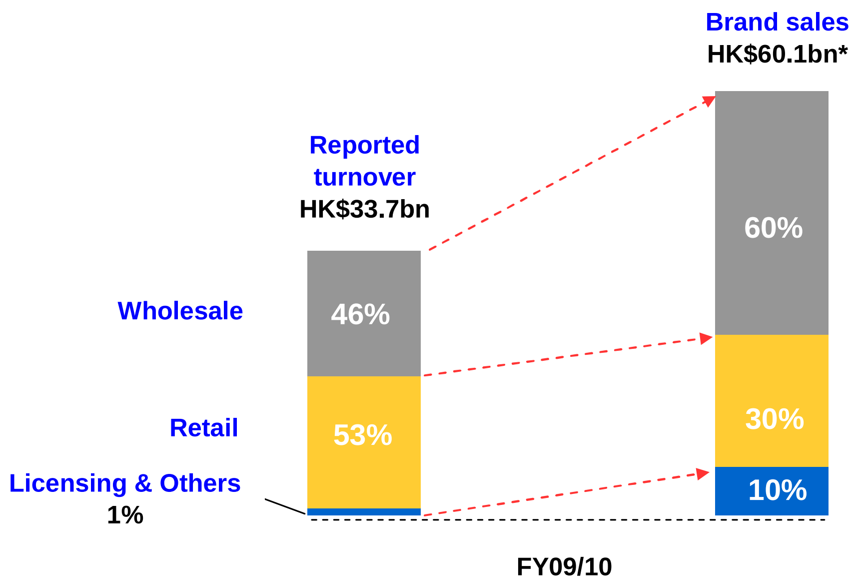
Our “Best-in-class Support” initiative ensures our support functions are strong and equipped to accommodate the growth scenario envisioned and we continue pursuing our goal to be recognised for operational excellence. To improve quality of management decision-making, we introduced a set of new global management reporting. The SAP/EPS project implementation is on track and already gone live in some of our European markets for the first division with promising results. Finally, to ensure we will have the right management skills and resources in our organisation to achieve our growth ambitions, a new, comprehensive HR strategy and Talent Management program has been developed.

(6) Organisation and structure:
Ensuring better alignment and global execution

Our last initiative was launched with the objective to optimise our organisational structure with clear roles and responsibilities. In light of our vision to become a truly global Company and brand, we will transform our sales organisation from a regional, geographical set-up to a global, channel-based one. This will strengthen the brand and ensure consistent execution of our proven multi-channel concept globally. The global retail organisation was strengthened with a new Chief Retail Officer, Retail COO and Global Expansion Manager with the clear target to increase our retail profitability and accelerate our retail expansion.

REVENUE ANALYSIS

For the year ended 30 June 2010, the Group generated turnover of HK$33.7 billion (2009: HK$34.5 billion), representing 2.2% year-on-year decline in HKD or 4.4% year-on-year decline in local currency. Total estimated brand sales value of Esprit products worldwide for the year ended 30 June 2010 is estimated to be HK$60.1 billion*.



% to Group turnover / **/ turnover in HK$**

* Management estimate - converting wholesale and licensing revenue to retail sales value

Group turnover declined mainly due to the decrease in wholesale turnover, partially compensated by increase in retail turnover. As at 30 June 2010, total controlled space (wholesale and retail distribution channels combined) grew 2.1% or 23,144 m^2 year-on-year to over 1,145,000 m^2.

Turnover by Countries

COUNTRIES[#]	2010 HK$ million	2010 % to Group Turnover	2009^ HK$ million	2009^ % to Group Turnover	Change in % HK$	Change in % Local currency
	For the year ended 30 June					
EUROPE	**28,021**	**83.1%**	29,363	85.1%	-4.6%	-6.2%
Germany* [##]	**14,773**	**43.8%**	15,454	44.8%	-4.4%	-6.0%
Benelux*	**5,000**	**14.8%**	5,308	15.4%	-5.8%	-7.1%
France	**2,841**	**8.4%**	3,133	9.1%	-9.3%	-10.5%
Scandinavia	**1,464**	**4.3%**	1,605	4.6%	-8.8%	-10.9%
Austria	**1,475**	**4.4%**	1,506	4.4%	-2.0%	-3.7%
Switzerland	**1,409**	**4.2%**	1,254	3.6%	12.3%	6.6%
The United Kingdom	**411**	**1.2%**	403	1.2%	1.9%	2.6%
Italy	**287**	**0.9%**	361	1.0%	-20.5%	-22.0%
Spain	**295**	**0.9%**	261	0.8%	13.1%	12.7%
Ireland	**32**	**0.1%**	61	0.2%	-47.5%	-47.6%
Portugal	**27**	**0.1%**	17	0.0%	60.1%	54.3%
Others	**7**	**0.0%**	0	0.0%	n.a.	n.a.
ASIA PACIFIC	**4,634**	**13.7%**	4,155	12.1%	11.5%	5.9%
Macau[###]	**1,295**	**3.8%**	1,724	5.0%	-24.9%	-27.3%
Australia and New Zealand	**976**	**2.9%**	819	2.3%	19.1%	-0.1%
China**	**793**	**2.4%**	-	-	n.a.	n.a.
Hong Kong**	**688**	**2.0%**	738	2.2%	-6.7%	-6.7%
Singapore	**410**	**1.2%**	399	1.2%	2.7%	-1.5%
Taiwan	**261**	**0.8%**	265	0.8%	-1.7%	-3.2%
Malaysia	**211**	**0.6%**	210	0.6%	0.2%	-3.0%
NORTH AMERICA AND OTHERS	**1,079**	**3.2%**	967	2.8%	11.6%	6.5%
Canada	**553**	**1.6%**	489	1.4%	13.2%	3.1%
United States*	**526**	**1.6%**	478	1.4%	9.9%	10.0%
TOTAL	**33,734**	**100.0%**	34,485	100.0%	-2.2%	-4.4%

[#] Country as a whole includes retail stores, outlet stores, edc standalone stores and e-shop
[##] Germany sales includes wholesale sales to other European countries mainly Russia, Poland, Greece, Czech Republic and Croatia
[###] Macau sales includes wholesale sales to other countries mainly China, Middle East, Chile, Thailand, and India
* Includes licensing
** Includes salon
n.a. Means not applicable
^ Turnover by countries for the year ended 30 June 2009 were restated for comparison purpose as a result of the adoption of the new IFRS 8 "Operating Segments"

Regionally, Europe continued to account for majority of Group turnover but its turnover proportion to Group turnover declined to about 83%. Europe turnover also recorded year-on-year decrease of 6.2% in local currency mainly due to continued weakness in wholesale sales.

As a result of the acquisition of the remaining interest of the China Joint Venture ("the China acquisition"), the contribution of Asia Pacific to Group turnover increased to approximately 14%. Asia Pacific also saw 5.9% local currency turnover growth.

Benefiting from retail space expansion in the U.S., North America delivered the highest local currency turnover growth amongst the three regions of 6.5% and saw a small increase in its contribution to Group turnover.

Turnover by Products

	For the year ended 30 June					
	2010		2009		Change in %	
PRODUCT DIVISIONS	**HK$ million**	**% to Group Turnover**	HK$ million	% to Group Turnover	HK$	Local currency
casual	**15,898**	**47.1%**	15,948	46.2%	-0.3%	-1.7%
women casual	**11,623**	**34.4%**	11,651	33.8%	-0.2%	-1.6%
men casual	**4,275**	**12.7%**	4,297	12.4%	-0.5%	-1.9%
edc	**8,129**	**24.1%**	8,352	24.2%	-2.7%	-3.9%
edc women	**5,910**	**17.5%**	6,046	17.5%	-2.2%	-3.4%
edc men	**1,253**	**3.7%**	1,290	3.7%	-2.9%	-4.2%
edc others^	**966**	**2.9%**	1,016	3.0%	-5.0%	-6.4%
collection	**3,211**	**9.5%**	3,027	8.8%	6.1%	4.7%
women collection	**2,398**	**7.1%**	2,268	6.6%	5.7%	4.4%
men collection	**813**	**2.4%**	759	2.2%	7.2%	5.7%
others	**6,496**	**19.3%**	7,158	20.8%	-9.3%	-10.4%
accessories	**1,603**	**4.8%**	1,673	4.9%	-4.2%	-5.8%
kids	**1,035**	**3.1%**	1,169	3.4%	-11.5%	-13.1%
shoes	**962**	**2.9%**	1,322	3.8%	-27.2%	-28.0%
bodywear	**990**	**2.9%**	950	2.8%	4.2%	3.4%
sports	**695**	**2.1%**	836	2.4%	-16.9%	-17.8%
de. corp	**345**	**1.0%**	311	0.9%	10.7%	9.1%
red earth	**36**	**0.1%**	25	0.1%	44.5%	43.7%
others*	**830**	**2.4%**	872	2.5%	-4.8%	-5.4%
TOTAL	**33,734**	**100.0%**	34,485	100.0%	-2.2%	-4.4%

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

* Others include salon, licensing income & licensed products like timewear, eyewear, jewellery, bed & bath, houseware, etc.

Performance of the collection division was the best amongst the major product divisions with a 4.7% year-on-year growth in local currency and its contribution to Group turnover amounting to nearly 10% of Group turnover. In addition, the sales performances of bodywear and de. corp outperformed the other product divisions and recorded 3.4% and 9.1% year-on-year growth in local currency, respectively.

Turnover by Distribution Channels

KEY DISTRIBUTION CHANNELS	For the year ended 30 June 2010 HK$ million	2010 % to Group Turnover	2009 HK$ million	2009 % to Group Turnover	Change in % HK$	Change in % Local currency
RETAIL#	**17,877**	**53.0%**	16,351	47.4%	9.3%	6.4%
Europe	**14,090**	**41.8%**	13,304	38.6%	5.9%	3.9%
Asia Pacific	**3,023**	**9.0%**	2,381	6.9%	27.0%	19.6%
North America	**764**	**2.2%**	666	1.9%	14.7%	9.2%
WHOLESALE	**15,631**	**46.3%**	17,906	51.9%	-12.7%	-14.3%
Europe	**13,903**	**41.2%**	16,030	46.5%	-13.3%	-14.7%
Asia Pacific	**1,566**	**4.6%**	1,721	5.0%	-9.0%	-12.2%
North America and others	**162**	**0.5%**	155	0.4%	4.2%	-4.1%
LICENSING AND OTHERS	**226**	**0.7%**	228	0.7%	-1.1%	-2.5%
Licensing	**181**	**0.6%**	175	0.5%	3.4%	3.0%
Salon	**44**	**0.1%**	53	0.2%	-18.3%	-18.4%
Others	**1**	**0.0%**	0	0.0%	n.a.	n.a.
TOTAL	**33,734**	**100.0%**	34,485	100.0%	-2.2%	-4.4%

Retail sales includes sales from e-shop in countries where available

Retail

Retail turnover grew 9.3% to HK$17.9 billion (2009: HK$16.4 billion) representing 53.0% of Group turnover (2009: 47.4%). In local currency, retail turnover grew 6.4% mainly due to retail selling space expansion and the China acquisition, partially offset by 2.4% comparable store sales decline.

Comparable store sales decline was mainly due to higher base from last year with comparable store sales growth of 3.5%, decrease in footfall at comparable stores in many of our core retail markets and a slight decline in average price per transaction as the economic climate in Europe continues to impact consumer confidence. Comparable store sales in the third quarter was impacted by cold weather conditions in Europe. However, thanks to better products and retail operations, we noticed a significant increase in conversion rate. As compared to 30 June 2009, the number of comparable stores increased by 280 to 698 mainly contributed by 159 comparable stores in China resulting from the China acquisition and an increase of 63, 44 and 14 comparable stores in Asia Pacific (excluding China), Europe and North America, respectively.

Retail Performance Scorecard

	For the year ended 30 June		
	2010		2009
	Total	**Excl. China**	
Year-on-year local currency turnover growth	**6.4%**	**3.4%**	10.0%
Segment EBIT margin^	**3.8%**	**3.9%**	10.9%
No. of Esprit POS	**1,123**	**835**	801
Esprit net sales area (m^2)	**385,817**	**337,424**	313,534
Year-on-year change in Esprit sales area	**23.1%**	**7.6%**	15.4%
Esprit average sales area per store* (m^2)	**344**	**404**	391
Comparable store sales growth	**-2.4%**	**-2.2%**	3.5%

* Calculated by dividing Esprit net sales area by number of POS as at 30 June 2010 and 30 June 2009

^ Segment EBIT margin for the year ended 30 June 2009 was restated as the basis of EBIT and EBIT margin have been changed as a result of the adoption of the new IFRS 8 "Operating Segments"

In such a challenging market environment, we were selective in expanding our retail distribution network and focused on opening stores that could improve productivity of retail selling space, such as opening more larger-format retail stores. As at 30 June 2010, the number of directly managed retail stores increased to 1,123 (30 June 2009: 801) including 34 net additions and 288 directly managed retail stores in China reclassified from wholesale to retail as a result of the China acquisition. Amongst the new openings, 9 new directly managed retail stores have net sales area of over 1,000 m^2 each. Excluding China, retail sales area grew 7.6% year-on-year to 337,424 m^2, in line with the Group target.

Directly managed retail stores by countries

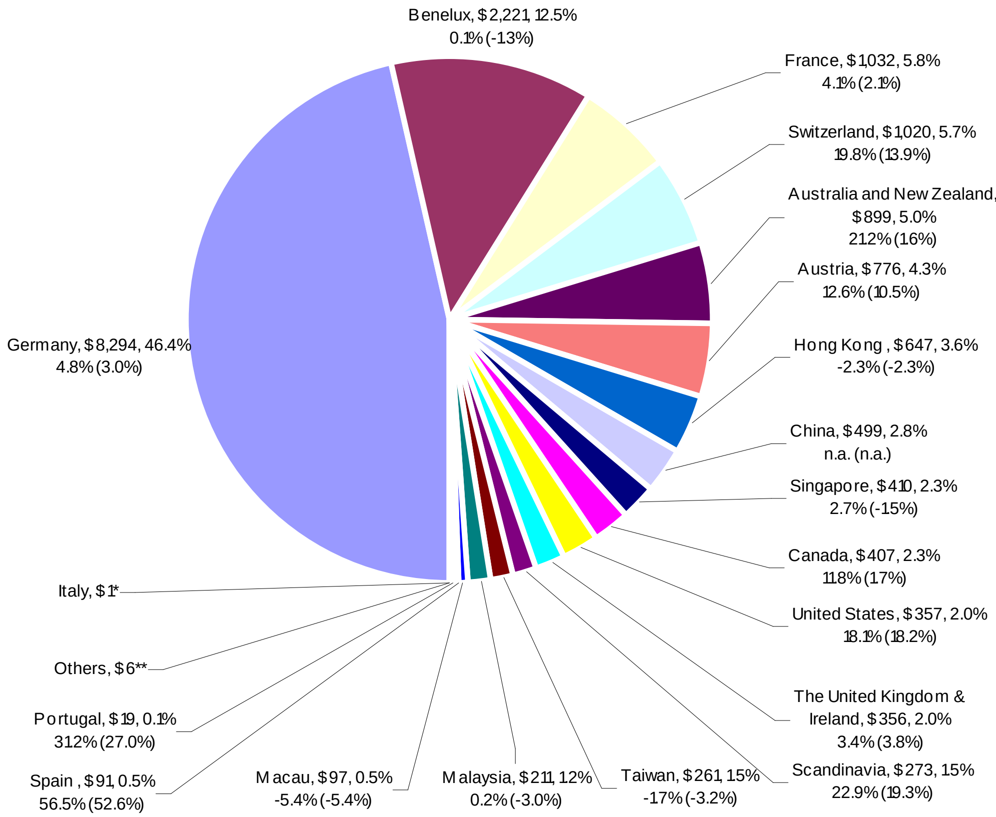
COUNTRIES	No. of store	Net opened stores*	Net sales area m²	Change in net sales area*	No. of comp stores	Comp-store sales growth
	As at 30 June 2010					
EUROPE	419	34	243,417	10.0%	258	-2.2%
Germany**	173	9	123,029	7.7%	117	-1.4%
Benelux	86	8	38,131	9.9%	60	-5.0%
France	49	1	24,000	17.0%	37	-9.3%
Switzerland	39	5	17,018	20.0%	22	4.2%
The United Kingdom	34	5	10,402	-4.1%	9	-4.3%
Austria	14	2	14,683	13.0%	7	-3.6%
Scandinavia	13	3	8,946	22.2%	3	7.6%
Spain	7	(1)	4,979	2.8%	3	5.1%
Portugal	2	-	1,667	0.0%	-	n.a.
Ireland	2	2	562	n.a.	-	n.a.
ASIA PACIFIC (EXCL. CHINA)	334	(4)	63,471	-0.9%	220	-3.2%
Australia	157	1	22,843	5.6%	97	-5.9%
Taiwan	90	1	8,360	4.6%	57	-4.0%
Malaysia	29	(1)	8,471	-0.9%	26	-0.6%
Hong Kong	20	(5)	10,094	-20.0%	15	1.4%
Singapore	22	(1)	8,996	4.7%	16	-7.8%
New Zealand	13	2	3,005	6.7%	6	3.3%
Macau	3	(1)	1,702	-8.7%	3	3.7%
NORTH AMERICA	82	4	30,536	8.3%	61	0.7%
Canada	48	(1)	16,392	-2.6%	39	1.4%
United States**	34	5	14,144	24.3%	22	0.0%
SUB-TOTAL	835	34	337,424	7.6%	539	-2.2%
CHINA^	288	-	48,393	n.a.	159	-6.0%
TOTAL	1,123	34	385,817	23.1%	698	-2.4%

n.a. Means not applicable
* Net change from 30 June 2009
** All e-shops within Europe are shown as 1 comparable store in Germany and the e-shop in U.S. is shown as 1 comparable store in U.S.
^ 288 Esprit franchise stores were reclassified as Esprit directly managed retail stores as a result of the acquisition of remaining interest in China operation

In addition to physical store expansion, the Group also extended its e-shop platform to cover Czech Republic, Poland, Slovakia, Hungary, Italy, Ireland and Greece in the financial year. As at 30 June 2010, our e-shop platform covered over 25 countries worldwide.

Retail turnover by countries

Total retail turnover: HK$17,877 million
"Solid growth in all regions."



Country, HK$ million, % of retail turnover
% HK$ growth (% local currency growth)

* Italy's retail turnover represented retail turnover from its e-shop which was first launched in the reporting year

** Others' retail turnover represented retail turnover from e-shop in Czech Republic, Poland, Slovakia, Hungary and Greece which were first launched in the reporting year

Wholesale

Wholesale turnover amounted to HK$15.6 billion representing 46.3% of the Group turnover (2009: 51.9%). In local currency, wholesale turnover fell 14.3% year-on-year and the decline in the second half of the financial year had slowed down slightly from that of the first half of the financial year which was in line with expectations. Wholesale turnover decline was mainly due to existing customers ordered less as a result of tough macro environment and weak market sentiment. We also noticed a change in customer buying behaviour which led to shift in order mix from pre-order to short lead time orders. As a result, the weighting of pre-orders as a percentage of total order intake has decreased while that of short-lead time order has increased. Comparing with 30 June 2009, controlled wholesale space, excluding China, was largely flat year-on-year.

Our decision to rationalize the wholesale customer base to improve operational efficiency has led to loss of some small multi-label retailers. We believe the unfavourable impact that this exercise has brought to the Group is temporary and in the long term, this exercise will improve our operational efficiency.

Despite recording year-on-year decline in wholesale turnover during the year, we noticed some positive development in the Order Intake trend. The year-on-year decline in Order Intake has been improving month by month from July to November 2010.

Wholesale Performance Scorecard

	For the year ended 30 June		
	2010		2009
	Total	Excl. China	
Year-on-year local currency turnover growth	**-14.3%**	**-15.9%**	-8.0%
Segment EBIT margin^	**25.4%**	**25.2%**	27.3%
No. of Esprit controlled space POS	**12,191**	**11,548**	13,586
Esprit controlled space area (m^2)	**758,141**	**677,363**	800,113
Year-on-year change in Esprit controlled space area	**-5.2%**	**-0.3%**	8.4%
Esprit average sales area per controlled space POS* (m^2)	**62**	**59**	59

* Calculated by dividing Esprit controlled space area by the number of Esprit controlled space POS as at 30 June 2010 and 30 June 2009

^ Segment EBIT margin for the year ended 30 June 2009 was restated as the basis of EBIT and EBIT margin have been changed as a result of the adoption of the new IFRS 8 “Operating Segments”

As at 30 June 2010, the Group had 12,191 controlled space wholesale point-of-sales of the Esprit brand (30 June 2009: 13,586). The change in the number of total controlled space wholesale point-of-sales mainly included 1,301 openings, 2,556 closures and 288 franchise stores in China reclassified as directly managed retail stores as a result of the China acquisition.

Wholesale Distribution Channel by Countries (controlled space only)

As at 30 June 2010

COUNTRIES	Franchise stores**				Shop-in-stores**				Identity Corners**				Total**			
	No. of stores	Sales area m²	Net opened stores/ Reclassification*	Net change in net sales area*	No. of stores	Sales area m²	Net opened stores*	Net change in net sales area*	No. of stores	Sales area m²	Net opened stores*	Net change in net sales area*	No. of stores	Sales area m²	Net opened stores/ Reclassification*	Net change in net sales area*
ESPRIT EUROPE	**1,148**	**315,445**	**(83)**	**8.0%**	**4,955**	**204,083**	**(217)**	**-2.6%**	**5,012**	**113,298**	**(854)**	**-12.9%**	**11,115**	**632,826**	**(1,154)**	**0.2%**
Germany***	416	134,532	2	16.5%	3,825	164,653	(229)	-3.2%	2,771	55,563	(407)	-15.1%	7,012	354,748	(634)	1.1%
Benelux	175	58,357	(1)	15.4%	181	7,712	(14)	-4.7%	737	18,483	(109)	-5.3%	1,093	84,552	(124)	8.2%
France	226	40,728	(48)	-5.3%	364	10,416	(5)	-0.5%	401	10,445	(87)	-17.4%	991	61,589	(140)	-6.8%
Scandinavia	124	37,675	2	5.1%	83	3,952	(24)	-16.3%	554	14,058	(199)	-20.4%	761	55,685	(221)	-4.4%
Austria	89	19,238	(20)	-7.5%	141	5,106	13	4.9%	206	4,852	(17)	-13.2%	436	29,196	(24)	-6.6%
Italy	49	9,962	(12)	-3.6%	31	1,531	6	16.2%	128	3,236	(35)	-21.4%	208	14,729	(41)	-6.6%
Switzerland	48	9,836	1	6.8%	48	2,900	(5)	-8.3%	94	2,104	(12)	-19.4%	190	14,840	(16)	-0.9%
Spain	12	3,527	(3)	-12.6%	232	5,933	34	18.7%	11	225	3	55.2%	255	9,685	34	5.5%
The United Kingdom and Ireland	9	1,590	(4)	-43.7%	50	1,880	7	2.4%	110	4,332	9	86.9%	169	7,802	12	11.8%
ESPRIT ASIA PACIFIC (EXCL. CHINA)	**179**	**34,712**	**(6)**	**-6.3%**	**251**	**9,765**	**27**	**-5.8%**	**3**	**60**	**3**	**n.a.**	**433**	**44,537**	**24**	**-6.0%**
The Middle East	47	12,227	(9)	-12.9%	4	863	1	48.5%	-	-	-	-	51	13,090	(8)	-10.5%
India	20	5,315	(1)	-19.3%	27	1,473	3	-8.3%	-	-	-	-	47	6,788	2	-17.1%
Thailand	23	2,942	(1)	-25.4%	71	2,781	(8)	-11.2%	-	-	-	-	94	5,723	(9)	-19.2%
Philippines	16	2,376	-	3.8%	-	-	-	-	-	-	-	-	16	2,376	-	3.8%
Australia	-	-	-	-	58	2,029	3	3.8%	-	-	-	-	58	2,029	3	3.8%
Others	73	11,852	5	16.6%	91	2,619	28	-15.2%	3	60	3	n.a.	167	14,531	36	9.6%
ESPRIT NORTH AMERICA AND OTHERS	**-**	**-**	**(2)**	**-100.0%**	**-**	**-**	**(6)**	**-100.0%**	**-**	**-**	**-**	**-**	**-**	**-**	**(8)**	**-100.0%**
Mexico	-	-	(2)	-100.0%	-	-	(6)	-100.0%	-	-	-	-	-	-	(8)	-100.0%
SUB-TOTAL	**1,327**	**350,157**	**(91)**	**6.3%**	**5,206**	**213,848**	**(196)**	**-2.8%**	**5,015**	**113,358**	**(851)**	**-12.9%**	**11,548**	**677,363**	**(1,138)**	**-0.3%**
ESPRIT CHINA^#	**643**	**80,778**	**(257)**	**-33.0%**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**643**	**80,778**	**(257)**	**-33.0%**
TOTAL	**1,970**	**430,935**	**(348)**	**-4.2%**	**5,206**	**213,848**	**(196)**	**-2.8%**	**5,015**	**113,358**	**(851)**	**-12.9%**	**12,191**	**758,141**	**(1,395)**	**-5.2%**

* Net change from 30 June 2009

** Excludes Red Earth and salon

*** Germany controlled space wholesale POS include controlled space wholesale POS in countries outside Germany, mainly Russia, Poland, Greece, Czech Republic and Croatia

^ 288 Esprit franchise stores were reclassified as Esprit directly managed retail stores as a result of the acquisition of remaining interest in China operation

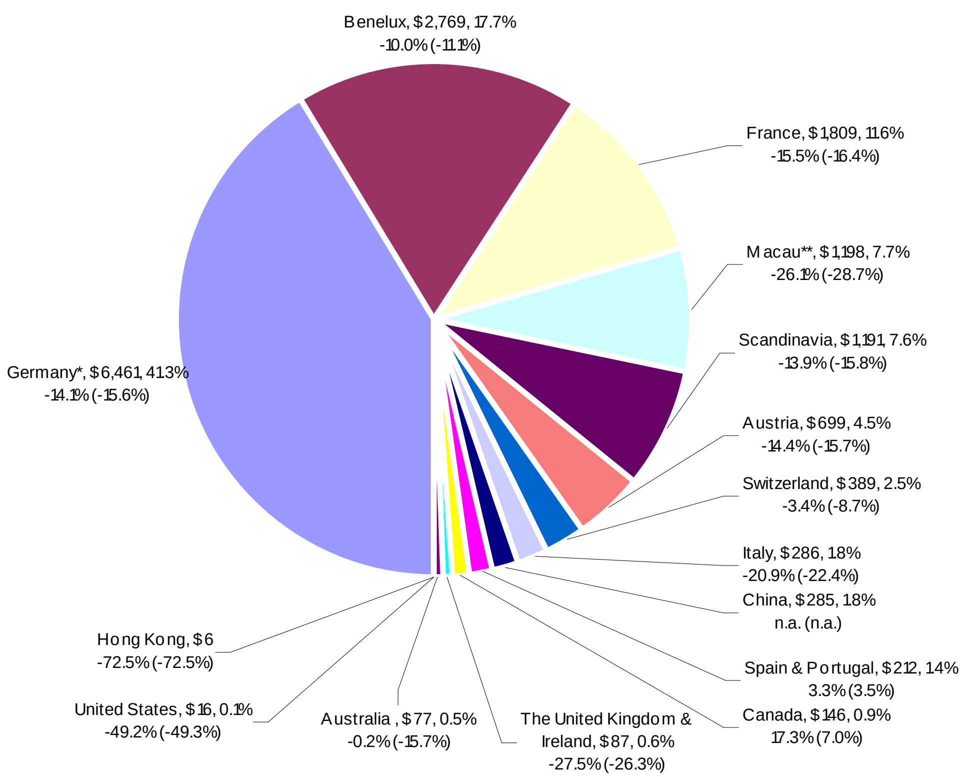
\# The opening balances of franchise store number in China and their corresponding net sales area were restated to 900 and 120,641 m^2, respectively, as a result of reclassifying 796 identity corners to franchise stores during the year

n.a. Means not applicable

Despite the decline in wholesale turnover, we managed to keep our wholesale distribution network capacity stable with total controlled wholesale space (excluding China) staying largely flat as compared to 30 June 2009. In addition, there was also quality upgrade of the wholesale distribution network with a higher portion of franchise stores. Thanks to our continued focus on franchise business development, the controlled wholesale space of franchise stores (excluding China) actually grew 6.3% year-on-year compensating for the decline in controlled space of shop-in-stores and identity corners (excluding China). As at 30 June 2010, the proportion of controlled wholesale space of Esprit franchise stores increased to approximately 57% (30 June 2009: 56%) of total controlled wholesale space.

Wholesale turnover by countries

Total wholesale turnover: HK$15,631 million



Country, HK$ million, % of wholesale turnover
% HK$ growth (% local currency growth)

* Germany wholesale sales includes sales to other European countries mainly Russia, Poland, Greece, Czech Republic and Croatia

** Macau wholesale sales includes sales to other countries mainly China, Middle East, Chile, Thailand and India

n.a. Means not applicable

Licensing

Turnover from licensing (primarily license royalties) was HK$181 million (2009: HK$175 million) representing 3.0% year-on-year growth in local currency. While turnover from licensing (primarily license royalties) accounted for only 0.6% of the Group turnover, its brand value was estimated to be approximately US$800 million retail sales values of licensed products. During the year, a total of 7 licensees were signed up to strengthen our licensed product range in areas like travel luggage, flooring, kids furniture, bedding and umbrellas. As at 30 June 2010, we had over 35 license partners. With the cooperation of our competent license partners, our licensed products currently are covered under three licensed product worlds, Accessories' World, Home World and Babies' & Kids' World.

During the financial year, several new license products were launched. Our Home World, which offers furniture, bathroom furniture, wallpaper, lighting, carpets, home textiles and accessories, bed linen and bedding as well as a complete bath concept, is expanding and improving into high-quality solid wood parquet and laminate flooring in its Esprit home flooring line with Parador as license partner. The high quality of these products stands out, and the unique designs are tailored to each living style in the current Esprit home collection.

In Accessories' World, we introduced a new fragrance and a new product line, Esprit Luggage during the financial year. In March 2010, Esprit Imagine, a new fragrance that unlocks the imagination was launched. With the cooperation of Coty, Esprit's license partner for fragrances for many years, we launched the new duo concept, Esprit Imagine for her and Esprit Imagine for him. In May 2010, we added a new license product line, Esprit Luggage, with the collaboration of Happy Rain, our successful partner for Esprit umbrellas for many years and also a luggage specialist. There are currently three series under Esprit Luggage, "SuperLight", "Silence" and the hard-shell line "Polycarbonate" which combine practical elements, the highest level of quality and comfortable handling with typical cutting-edge Esprit design. In addition to classic travel luggage, the product line also offers business solutions including messenger bags, laptop bags and pilot cases as well as intelligent travel accessories to cater for the specific needs of different target user groups.

With the collaboration of 12 license partners, Babies' and Kids' World covers a wide variety of products, such as Esprit toys, prams, nursery equipment, carpets and wallpaper. In the International Furniture Fair 2010, which took place in Cologne, Roba Baumann GmbH, a specialist for furniture systems for babies and children and is our licensee partner presented two new room concepts for the age group of 0 to 12 years old. The new modular concept based on the motto "Colour your furniture!", comprising a well-balanced basic design room as well as a fancy designer room was showcased.

We were also excited about Esprit Home receiving two awards, award for the best wallpaper 2009 and the reddot design award for the cushion cover Beat, during the financial year. In January 2010, our wallpaper was awarded by the editorial department of Eurodecor, a very famous magazine for Home, the best product in the category "selling" and our licensee AS Creation the award for best delivery service. Cushion covers Beat by Esprit Home also won the "red dot award: product design" in one of the largest and major international design competitions. With its outstanding and innovative design, cushion covers Beat by Esprit Home impressed the jury of one of the most prestigious international design competitions.

PROFITABILITY ANALYSIS

The Group's **gross profit** was HK$18,436 million (2009: HK$17,962 million) while the Group's **gross profit margin** was 54.7% (2009: 52.1%). The increase in the Group's gross profit margin was mainly due to change in channel mix and improvement in both wholesale and retail gross profit margins.

Operating profit of the Group was HK$3,786 million (2009: HK$5,729 million) while the Group's **operating profit margin** was 11.2% (2009: 16.6%). The decrease of the Group's operating profit was mainly because of the 19.8% increase in operating expenses partially compensated by a slight increase in gross profit. Operating expenses grew mainly due to higher occupancy costs, staff costs and depreciation resulting from the retail expansion as well as higher impairment of stores / assets and expense incurred in relation to the closure of 33 loss-making retail stores. Excluding the impact from the China acquisition, store closure costs and impairment of stores / assets, the operating profit of the Group would be HK$4,905 million and the Group's operating profit margin would have been 14.5%.

Retail EBIT margin was 3.8% (2009: 10.9%). The year-on-year decline in retail EBIT margin was mainly due to a provision of approximately HK$793 million in closure costs of 33 loss-making retail stores and about HK$303 million impairment of stores / assets. Excluding the store closure impact and the impairment of stores / assets, the retail EBIT margin would have been 9.9%, slightly lower than that of the last financial year mainly due to decline in productivity caused by lower traffic, negative comp-store sales growth and longer ramp-up period of new stores.

Wholesale EBIT margin was 25.4% (2009: 27.3%). Amid a challenging wholesale market environment, wholesale EBIT margin was under pressure as a result of turnover decline and the corresponding leveraging effect. Total wholesale operating expenses stayed largely similar to that of the last financial year because of tight cost control but offset by higher impairment of trade debtors. Excluding the impairment of trade debtors, wholesale operating expenses stayed largely flat year-on-year.

Following the China acquisition, since 12 February 2010, the Chinese associated companies have become our subsidiaries and their results were consolidated with Group results. As a result, the HK$81 million (2009: HK$161 million) **profit contribution from our China associated companies** for the year ended 30 June 2010 represented the profit contribution from our China associated companies up to 11 February 2010.

Profit before taxation was HK$5,474 million (2009: HK$5,977 million). Excluding the impact from the China acquisition, store closure cost and impairment of stores / assets, profit before taxation would be HK$5,007 million (2009: HK$6,015 million).

The Group's **effective tax rate** increased to 22.8% (2009: 20.6%) partly due to HK$54 million underprovision of Hong Kong profits tax for prior years. **Net profit** of the Group was HK$4,226 million (2009: HK$4,745 million) and **net profit margin** of the Group was 12.5% (2009: 13.8%). Excluding the impact from the China acquisition, store closure cost, impairment of stores / assets and underprovision of Hong Kong profits tax for prior years, net profit would be HK$3,691 million and net profit margin would be 10.9%.

BALANCE SHEET REVIEW

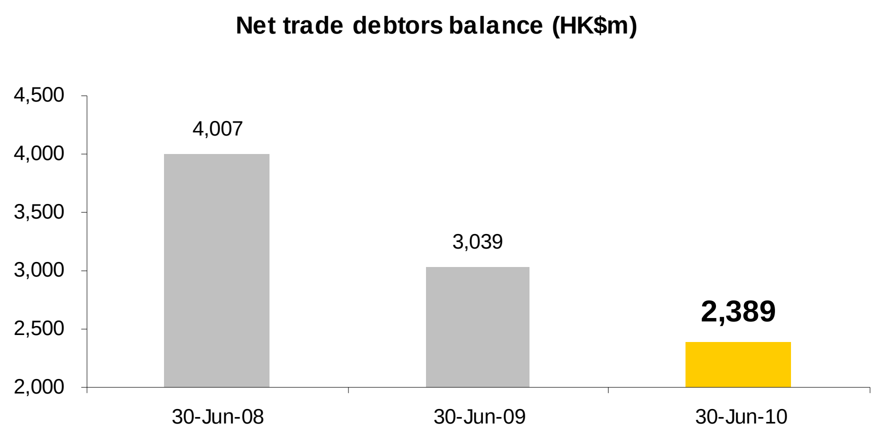
As at 30 June 2010, the Group's total **cash and bank balances** increased to HK$6,748 million (30 June 2009: HK$4,840 million) despite a 13.1% year-on-year depreciation of the EUR/HKD closing rate. Net cash inflow from operating activities grew 2.7% to HK$5,412 million (2009: HK$5,272 million) despite a decline in net profit. Net cash balance was HK$4,148 million (30 June 2009: HK$4,840 million).

	For the year ended 30 June	
	2010	**2009**
	HK$ million	**HK$ million**
Beginning balance as at 1 July	4,840	6,521
Net cash inflow from operating activities	5,412	5,272
Of which: Decrease/ (Increase) in working capital	1,171	(209)
Net cash used in investing activities	(4,429)	(1,698)
Net cash outflow from acquisition of remaining interest in the associated companies	(3,173)	-
Net cash outflow from acquisition of a subsidiary	(41)	-
Purchase of property, plant and equipment	(1,509)	(2,011)
Proceeds from disposal of property, plant and equipment	16	6
Interest received	33	87
Dividend received from an associate	245	220
Net cash inflow from/ (used in) financing activities	1,296	(5,129)
Repurchase of shares	-	(204)
Net proceeds on issues of shares for cash	186	114
Proceeds from bank loans	2,600	-
Interest paid on bank loans	(8)	-
Dividends paid	(1,482)	(5,039)
Net increase / (decrease) in cash and cash equivalents	**2,279**	**(1,555)**
Effect of change in exchange rates	**(371)**	**(126)**
Ending balance as at 30 June	**6,748**	**4,840**
Less:		
Bank loans	(2,600)	-
Net cash balance	**4,148**	**4,840**

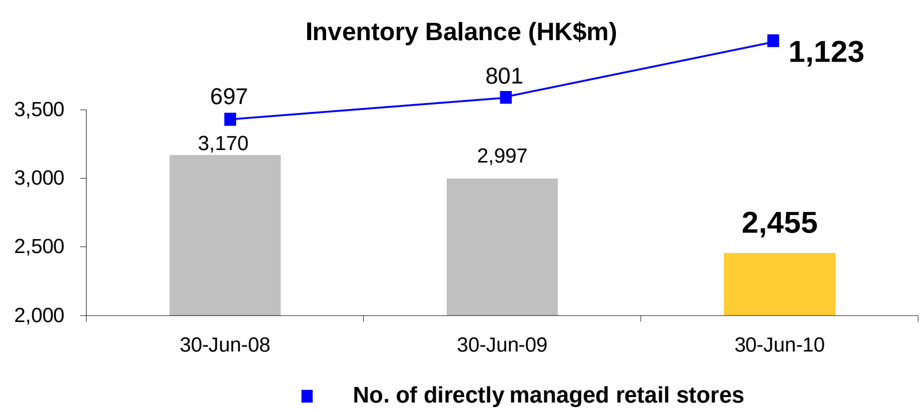
Capital expenditure of the Group for the financial year amounted to HK$1,509 million (2009: HK$2,011 million). Investment in opening new stores and expanding existing stores totalled to HK$576 million while HK$232 million was invested in refurbishing existing stores. IT investment was HK$639 million mainly attributable to the SAP/EPS project.

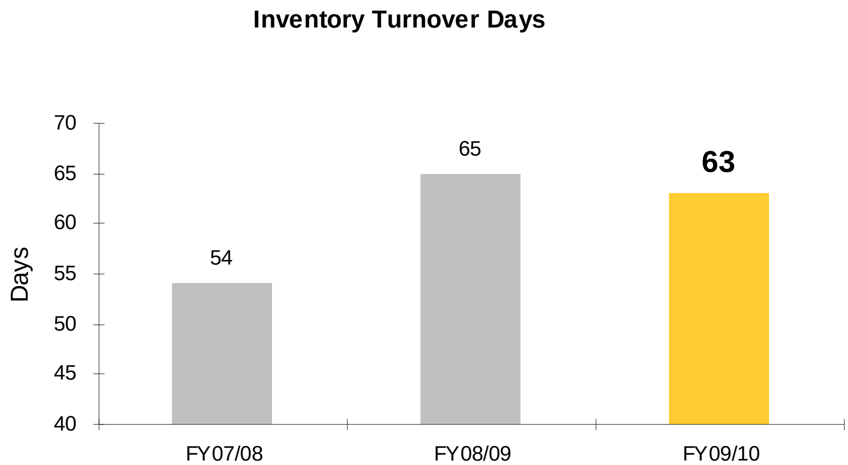
	For the year ended 30 June	
	2010	2009
	HK$ million	HK$ million
Purchase of property, plant and equipment	**(1,509)**	(2,011)
- New stores and expansion	**(576)**	(865)
- Existing stores	**(232)**	(455)
- IT projects	**(639)**	(524)
- Office & others	**(62)**	(167)

As at 30 June 2010, **net trade debtors balance** dropped to HK$2,389 million (30 June 2009: HK$3,039 million). The amount of uninsured and/ or unsecured net trade debtors accounted for 68.1% of net trade debtors (30 June 2009: 54.8%). The increase in the portion of uninsured and/ or unsecured net trade debtors was mainly due to the increase of minimum individual trade debtors balance that is eligible for insurance coverage.



Our inventory position continued to improve. As at 30 June 2010, **inventory** declined to HK$2,455 million (30 June 2009: HK$2,997 million) despite a net addition of 34 directly managed retail stores (excluding China) and addition of HK$166 million inventory from China during the financial year. Inventory turnover was shortened to 63 days (2009: 65 days).





As at 30 June 2010, the Group had total interest bearing external borrowings of HK$2.6 billion (30 June 2009: nil) which was used to finance the acquisition of the remaining interest of the China Joint Venture. None of the Group's assets were pledged as security for overdraft or any short-term revolving facility.

HUMAN RESOURCES

After converting to full-time position terms, the Group employed over 14,100 staff worldwide (30 June 2009: over 10,700) as at 30 June 2010, including 3,100 additional employees due to the acquisition of the China joint venture. Remuneration packages that take into account business performance, market practices and competitive market conditions are offered to employees in compensation for their contributions. In addition, share options and discretionary bonuses are also granted based on the Group's and individual's performances. Employees are connected through the Group's quarterly newsletters and global intranet.

FOREIGN EXCHANGE RISK MANAGEMENT

To minimize our foreign exchange exposure on sourcing costs for merchandise produced for Europe in Asia, most of the suppliers in Asia were asked to quote and settle in Euros. In addition, the Group entered into foreign exchange forward contracts with reputable financial institutions to hedge foreign exchange risk.

DIVIDEND

The Board is pleased to recommend the distribution of a final dividend of HK$0.67 per share (FY2008/2009: final dividend of HK$0.72 and special dividend of HK$1.33) for the year ended 30 June 2010.

In order to maintain a strong balance sheet for future growth, the Board has recommended to provide the shareholders with an option to receive the final dividend in form of new fully paid shares in lieu of cash.

Subject to the approval of shareholders of the Company at the forthcoming annual general meeting, the final dividend will be payable to the shareholders whose names appear on the Registers of Members of the Company at close of business on Wednesday, 24 November 2010. Dividend warrants and share certificates for new shares to be issued under the scrip dividend reinvestment scheme will be despatched by ordinary mail on or around Wednesday, 29 December 2010.

The dividend reinvestment price shall be determined by the average closing price of the shares of the Company for the five trading days preceding Thursday, 18 November 2010. The election form will be despatched on or around Tuesday, 30 November 2010 and the election period for scrip dividend will commence from on or around Tuesday, 30 November 2010 to Wednesday, 15 December 2010, both days inclusive.

The scrip dividend reinvestment scheme is conditional upon the passing of the relevant resolution at the annual general meeting and the Listing Committee of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) granting the listing of and permission to deal in the new shares to be issued under the scrip dividend reinvestment scheme.

Further details of the scrip dividend reinvestment scheme will be set out in a circular to the shareholders to be despatched before the annual general meeting.

The total dividend, including the interim dividend paid and the proposed final dividends, represents a total full year regular dividend payout ratio of approximately 60% (2009: 40%) of the adjusted earnings per share of the Group for the year ended 30 June 2010.

	HK$m		HK$
Net earnings	**4,226**	**Adjusted EPS**	2.35
		Dividend payout ratio	60%
Adjusted for: (i) Impact from acquisition of China JV	(1,563)	**Regular DPS**	1.41
(ii) Impairment of stores / assets*	303	**Minus**	
Adjusted net earnings	**2,966**	Interim DPS paid	0.74
Adjusted EPS (HK$)	**2.35**	Final DPS proposed	**0.67**

* Represents impairment of stores/assets for stores other than the 33 loss-making retail stores under the store closure program

The Board will continue to review the Group’s financial position and capital needs every year in deciding its dividend recommendation going forward.

PROSPECTS

Going into the new financial year, total planned capital expenditure amounts to HK$2.2 billion, of which HK$738 million will be invested in the opening of approximately 100 new stores and store expansion as well as HK$406 million for the refurbishment of existing stores. We plan to grow our retail selling space by 5% to 10% year-on-year. In relation to the 33 loss-making stores, the timing of the stores closure depends on final negotiation with landlords.

We expect the wholesale market environment in the first half of the new financial year to remain challenging. At present, the wholesale order book between July 2010 and November 2010 shows mid-single digit year-on-year decline in local currency and it is improving month by month to November 2010, particularly strong in flash and repeats orders.

FY2009/2010 was a year full of challenges. These challenges give us opportunities to see our weaknesses and strengths and restructure our way of doing the business. The Group is confident that the hard work and effort we have put in during the financial year just ended will build momentum in our businesses and further strengthen our platform for long-term profitable growth.

CLOSURE OF REGISTERS OF MEMBERS

The Registers of Members of the Company will be closed from Thursday, 18 November 2010 to Wednesday, 24 November 2010, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final dividend mentioned above, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 pm on Wednesday, 17 November 2010.

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.

AUDIT COMMITTEE

As required under the Listing Rules, the Company has an Audit Committee comprising of five 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 consolidated results of the Group for the year ended 30 June 2010.

CORPORATE GOVERNANCE

The Company has complied with the code provisions of Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) throughout the year ended 30 June 2010, with the deviations as stated below:

Under the code provision A.2.1 of the Code, the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. The Company is now in compliance with such code provision since 1 November 2009 when Mr Ronald VAN DER VIS was appointed as the new Group CEO and Mr Heinz Jürgen KROGNER-KORNALIK stepped down from his position as Group CEO and remains as Non-executive Chairman.

Under the code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term, subject to re-election. Non-executive Directors of the Company have not been appointed for a specific term. However, 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 three years.

The Company has strong commitment to act responsibly and therefore places a great deal of emphasis on ethical sourcing practices and enforces this belief with our suppliers and business partners. Social compliance audits are also performed regularly.

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 ("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 2010.

GENERAL INFORMATION

The consolidated financial statements of the Group for the year ended 30 June 2010 have been reviewed by the Audit Committee of the Company.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

The final results announcement is published on the websites of the Stock Exchange (http://www.hkex.com.hk) and the Company (http://www.espritholdings.com). The annual report will be despatched to the shareholders and will be available on the websites of the Stock Exchange (http://www.hkex.com.hk) and the Company (http://www.espritholdings.com) in due course.

BOARD OF DIRECTORS

As at the date of this announcement, the Directors of the Company are:

Executive Directors:	Mr Ronald VAN DER VIS *(Group CEO)* Mr CHEW Fook Aun *(Group CFO)*
Non-executive Directors:	Mr Heinz Jürgen KROGNER-KORNALIK *(Non-executive Chairman)* Mr Jürgen Alfred Rudolf FRIEDRICH
Independent Non-executive Directors:	Mr Paul CHENG Ming Fun *(Deputy Chairman)* Mr Alexander Reid HAMILTON Mr Raymond OR Ching Fai Dr Hans-Joachim KÖRBER Mr Francesco TRAPANI

By Order of the Board
Bella CHHOA Peck Lim
Company Secretary

Hong Kong, 2 September 2010