ANNUAL REPORT
YEAR ENDED
30 JUNE 2010

HONG KONG STOCK CODE 00330

ESPRIT

CORPORATE PROFILE

Esprit is an international youthful lifestyle brand offering smart and affordable luxury and bringing newness and style to the life of our customers. The Group operates with 12 established product lines offering women's wear, men's wear, kid's wear, edc youth as well as shoes and accessories in over 1,100 directly managed retail stores and over 12,000 controlled-space wholesale point-of-sales internationally. Esprit licenses its trademark to third party licensees that offer non-apparel products that abide by Esprit's quality standards and brand essence.

Esprit was listed on the Hong Kong Stock Exchange in 1993 and is a constituent stock of the Hang Seng Index, MSCI Hong Kong Index, FTSE All-World Index for Hong Kong, S&P/HKEx LargeCap Index and S&P Asia 50 Index.

CORPORATE INFORMATION

Chairman
· Heinz Jürgen KROGNER-KORNALIK
Non-executive Director

Deputy Chairman
· Paul CHENG Ming Fun
Independent Non-executive Director

Executive Directors
· Ronald VAN DER VIS
Group CEO
· CHEW Fook Aun
Group CFO

Non-executive Director
· Jürgen Alfred Rudolf FRIEDRICH

Independent Non-executive Directors
· Alexander Reid HAMILTON
· Dr Hans-Joachim KÖRBER
· Raymond OR Ching Fai
· Francesco TRAPANI

Company Secretary
· Bella CHHOA Peck Lim

Principal bankers
· The Hongkong and Shanghai
Banking Corporation Limited
· Deutsche Bank AG
· Industrial & Commercial Bank of China
· China Construction Bank Corporation
· Citibank N.A.

Auditor
· PricewaterhouseCoopers
Certified Public Accountants

Principal legal advisors
· Baker & Mckenzie

Stock code
The shares of Esprit Holdings Limited are listed for trading on The Stock Exchange of Hong Kong Limited (stock code: 00330)

Principal share registrar
Butterfield Fund Services (Bermuda) Limited
11 Rosebank Centre
Bermudiana Road
Pembroke, Bermuda

Hong Kong branch share registrar
Tricor Secretaries Limited
26/F, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

Registered office
Clarendon House
Church Street
Hamilton HM 11
Bermuda

Hong Kong head office
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Global business headquarters
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CONTENT

01
INTRODUCTION

01 .1 FINANCIAL HIGHLIGHTS

- 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

		Year ended 30 June 2010		Year ended 30 June 2009
Turnover		**HK$33,734m**		HK$34,485m
Operating profit		**HK$3,786m**		HK$5,729m
Net profit		**HK$4,226m**		HK$4,745m
EPS (Basic)^^		**HK$3.35**		HK$3.72
GP margin		**54.7%**		52.1%
Operating profit margin		**11.2%**		16.6%
Net profit margin		**12.5%**		13.8%
Average size of retail POS^		**344sqm**		391sqm
Average size of wholesale POS^		**62sqm**		59sqm
	HK$	**% of EPS****	HK$	% of EPS*
Dividend per share				
– Regular interim paid	**0.74**	**31%**	0.80	21%
– Proposed regular final	**0.67**	**29%**	0.72	19%
– Total regular	**1.41**	**60%**	1.52	40%

^ Calculated by dividing Esprit net sales area by number of POS as at 30 June 2010 and 30 June 2009
^^ Earnings per share – basic for the year ended 30 June 2009 was restated to account for approximately 31 million scrip shares issued on 15 January 2010. The basic earnings per share was restated as the scrip shares are treated as if the issue had occurred as at 1 July 2008.
* Calculated by dividing dividend per share by basic EPS, which excludes the impact of approximately 31 million scrip shares issued on 15 January 2010
** Calculated by dividing dividend per share by adjusted EPS. Please refer to page 58 for details of the calculation.

TURNOVER BY PRODUCTS

HK$ million // % to Group turnover // % HK$ growth

casual

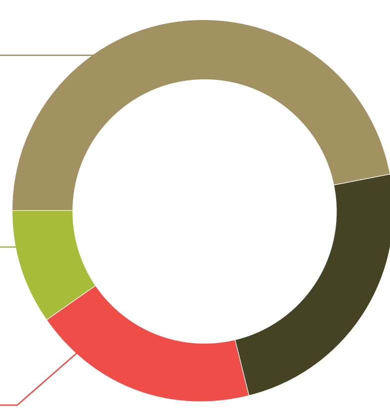
women casual	**$11,623**	34.4%	-0.2%
men casual	**$4,275**	12.7%	-0.5%

collection

women collection	**$2,398**	7.1%	5.7%
men collection	**$813**	2.4%	7.2%

edc

edc women	**$5,910**	17.5%	-2.2%
edc men	**$1,253**	3.7%	-2.9%
edc others^	**$966**	2.9%	-5.0%



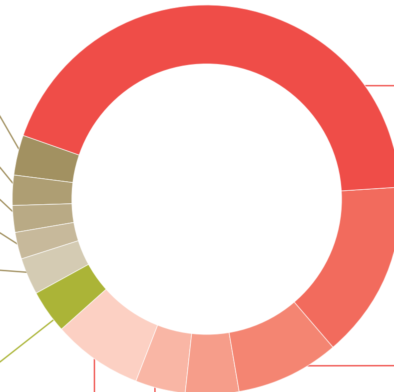
others

accessories	**$1,603**	4.8%	-4.2%
kids	**$1,035**	3.1%	-11.5%
bodywear	**$990**	2.9%	4.2%
shoes	**$962**	2.9%	-27.2%
sports	**$695**	2.1%	-16.9%
de. corp	**$345**	1.0%	10.7%
red earth	**$36**	0.1%	44.5%
others*	**$830**	2.4%	-4.8%

^ 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.

TURNOVER BY COUNTRIES#

HK$ million // % to Group turnover // % HK$ growth



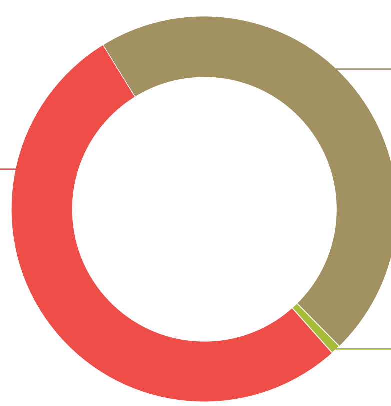
Macau###	**$1,295**	3.8%	-24.9%
Australia and New Zealand	**$976**	2.9%	19.1%
China**	**$793**	2.4%	n.a.
Hong Kong**	**$688**	2.0%	-6.7%
Rest of Asia Pacific			
Singapore	**$410**	1.2%	2.7%
Taiwan	**$261**	0.8%	-1.7%
Malaysia	**$211**	0.6%	0.2%
North America			
Canada	**$553**	1.6%	13.2%
United States*	**$526**	1.6%	9.9%

Germany*##	**$14,773**	43.8%	-4.4%
Benelux*	**$5,000**	14.8%	-5.8%
France	**$2,841**	8.4%	-9.3%
Austria	**$1,475**	4.4%	-2.0%
Scandinavia	**$1,464**	4.3%	-8.8%
Rest of Europe			
Switzerland	**$1,409**	4.2%	12.3%
U.K.	**$411**	1.2%	1.9%
Spain	**$295**	0.9%	13.1%
Italy	**$287**	0.9%	-20.5%
Ireland	**$32**	0.1%	-47.5%
Portugal	**$27**	0.1%	60.1%
Others	**$7**	0.0%	n.a.

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 DISTRIBUTION CHANNELS

HK$ million // % to Group turnover // % HK$ growth

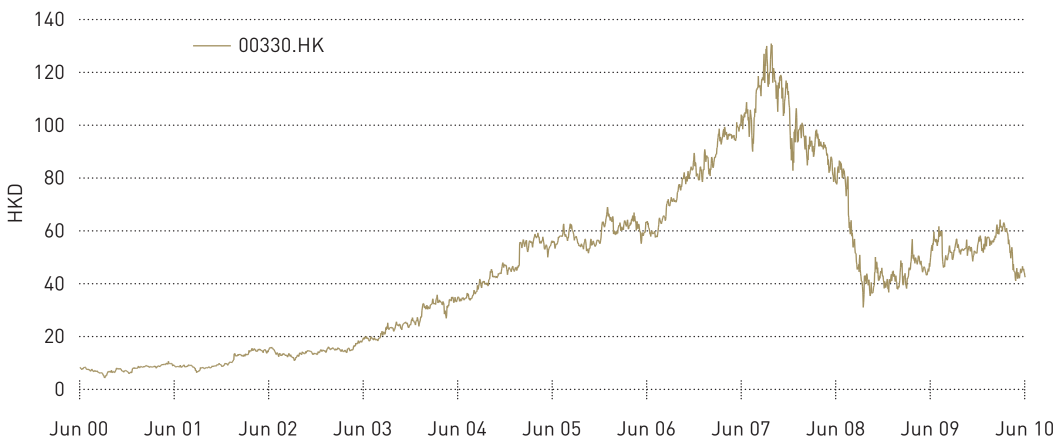


Retail#	**$17,877**	53.0%	9.3%
Wholesale	**$15,631**	46.3%	-12.7%
Licensing and others	**$226**	0.7%	-1.1%

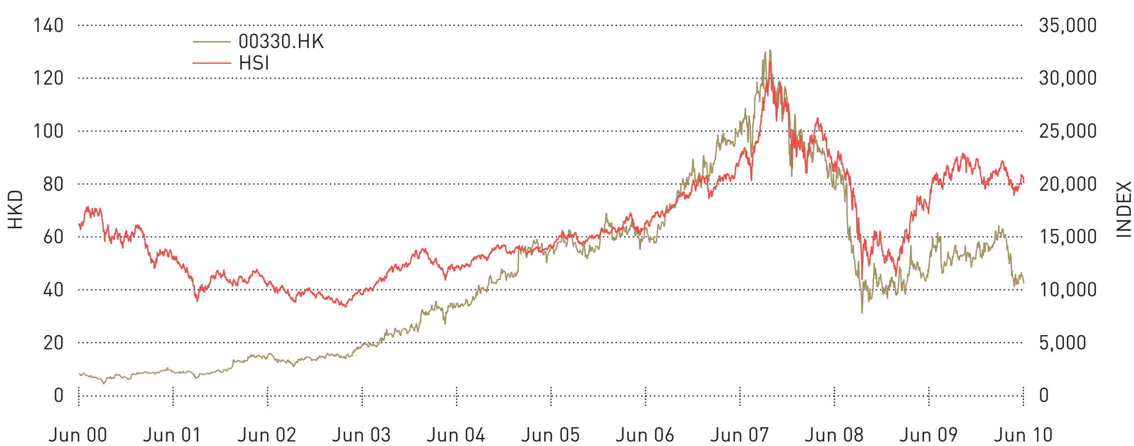
Retail sales includes sales from e-shop in countries where available

01.1 FINANCIAL HIGHLIGHTS (CONTINUED)

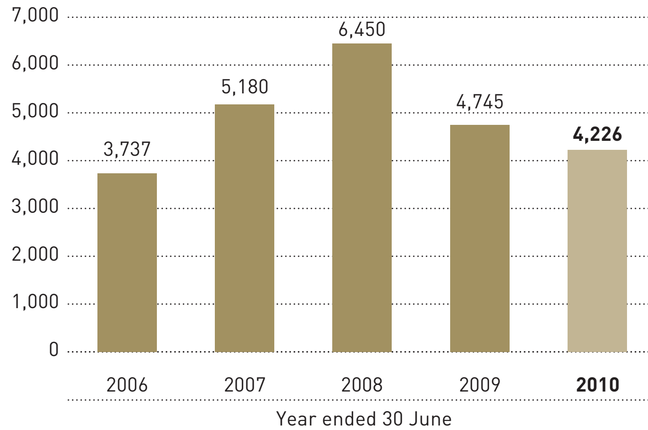
Esprit 10-Year Share Price Performance



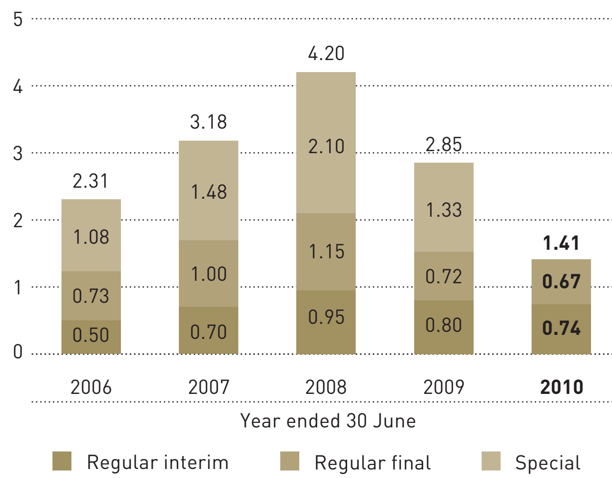
Benchmark with HSI



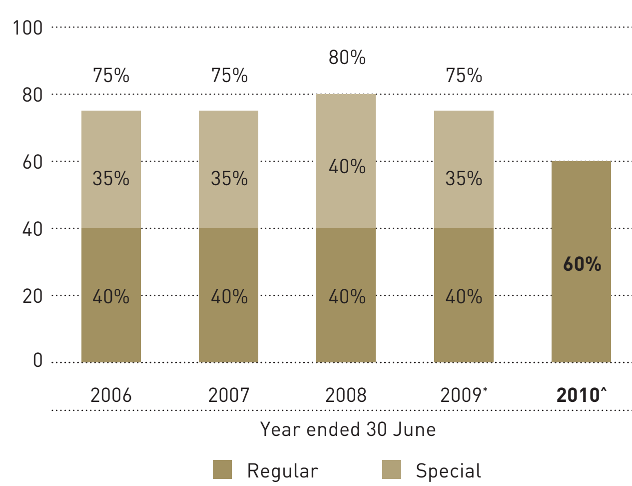
Profit Attributable to Shareholders (HK$ Million)



Dividend Payment History (HK$ Per Share)



Dividend Payout Ratio (% of Basic EPS)



* Dividend payout ratio for the year ended 30 June 2009 is calculated based on EPS which exclude the impact of approximately 31 million scrip shares issued on 15 January 2010

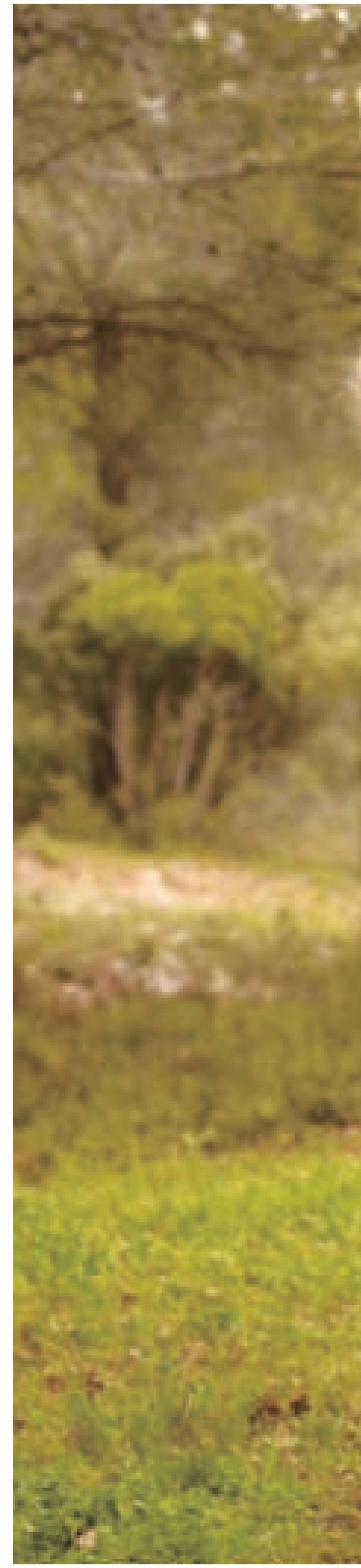
^ Dividend payout ratio for the year ended 30 June 2010 is calculated based on adjusted EPS. Please refer to page 58 for details of the calculation

01.1 FINANCIAL HIGHLIGHTS (CONTINUED)

Breakdown of group turnover

	Year ended 30 June				
	2010	2009^	2008^	2007^	2006^
Operation mix (%)					
Retail	**53**	47	43	43	41
Wholesale	**46**	52	56	56	58
Licensing and others	**1**	1	1	1	1
Geographical mix (%)					
Europe	**83**	85	87	86	85
Asia Pacific	**14**	12	11	11	12
North America and others	**3**	3	2	3	3
Product mix (%)					
women casual	**34**	34	34	36	37
men casual	**13**	12	12	11	10
edc women	**18**	17	19	18	16
edc men	**4**	4	3	2	2
women collection	**7**	7	6	6	7
men collection	**2**	2	2	2	2
accessories	**5**	6	5	5	5
kids	**5**	5	5	6	7
shoes	**3**	4	5	5	5
bodywear	**3**	3	3	3	3
sports	**2**	2	3	3	3
de. corp	**1**	1	–	–	–
red earth	**–**	–	–	1	1
others*	**3**	3	3	2	2

* Others include salon, licensing income & licensed products like timewear, eyewear, jewellery, bed & bath, houseware, etc.
^ Turnover by geographical segment for the years ended 30 June 2006 to 30 June 2009 were restated for comparison purpose as a result of the adoption of the new IFRS 8 "Operating Segments"



01.2 LETTER FROM CHAIRMAN

HEINZ KROGNER // CHAIRMAN

Dear Shareholders,

This year is my first time addressing you as your Non-Executive Chairman. I relinquished my role as an Executive Director with effect from 30 June 2010.

Group turnover and net profit were impacted by the slow consumer environment and decreased to HK$33,734 million and HK$4,226 million, respectively. Nonetheless Esprit is focused on the future and our ambitions for our Company remain high. Despite the business environment remaining challenging for the past year, we recorded satisfactory results whilst undertaking a series of Strategic Initiatives and investments aimed at strengthening the platform of the Group for another phase of significant growth. With a view to minimising inefficiency and to focusing our efforts on locations where we can improve financial performance and customers experience, we decided to close 33 loss making stores after a comprehensive review of our directly managed stores portfolio.

One key milestone of this year is the buyback of our remaining 51% equity interest in the China joint venture. China presents great strategic value to Esprit and we are proud that Esprit is now truly globalised and moving to a more evenly balanced geographic portfolio through an increasingly strong and growing presence in Asia Pacific. The growth dynamics

"Esprit is focused on the future and our ambitions for our Company remain high."

of the Group will forge ahead through a strategic expansion of China which will become Esprit's new growth engine. The deal was partly financed by a self arranged bank loan which was substantially oversubscribed by the banking community. Such overwhelming support showed the banks' belief in the Group's financial status. The loan also helped maintain our cash balance for other uses.

While progressing our strategic and operational priorities, we continued to enhance shareholder value. Our cash position remained very strong with cash and bank balances of HK$6.7 billion as at 30 June 2010. The Board of Directors has proposed to declare a final dividend of HK$0.67 per share (2009: HK$0.72), increasing the regular dividend payout ratio from last year's 40% to 60% going forward as a testament of our commitment to share our success with shareholders. With the introduction of the dividend reinvestment scheme, we allow shareholders the opportunity to increase their investment in Esprit without incurring administrative fees and would also allow us to maintain a stronger cash position for our future growth.

Bearing in mind the objective to create shareholder value, we further widen the shareholder base by capturing untapped investors with the establishment of a Level 1 sponsored American Depositary Receipt ("ADR") programme in November 2009. The amount of outstanding ADRs has jumped substantially by over 40% in June 2010 since the launch in November 2009. We are confident that our shareholder base will continue to expand internationally, benefiting from the ADR program which facilitates trading of Esprit shares in the US financial markets.

As the Chairman of the Board, I am pleased to have a very strong board. I would like to take this opportunity to congratulate Mr. Paul Cheng, our Deputy Chairman, who was awarded the "Director of the Year Award" in the Hang Seng Index Constituents – Non-Executive Director category by the Hong Kong Institute of Directors. Our teams and people around the world remain the most important ingredient of the Company's success, which is demonstrated by the numerous awards received during the year from various parties including corporate governance, annual reports and investor relations awards. In an effort to develop, maintain and incentivise our talents, a new Share Option Scheme has been established to strengthen performance orientation. We believe stronger linking of incentives to individual's performance is required to boost the entrepreneurial spirit and will translate into more target-oriented decision making in order to achieve company objectives.

Beyond commercial activities, as you can read from our corporate responsibility section, Esprit will not forget to give back to the community. I am proud to report that the Group is continuing to embed "sustainability" in the business processes and carry on its commitment through programs such as SOS Children's Villages, Community Chest and donations to the Qinghai Earthquake.

Looking forward, although the economic conditions are improving, the road to full recovery is still uncertain and there remains the risk of further volatility in the global economy. However, I believe that with our teams' passion, adaptability and drive, the prospect of Esprit is only going one way – brighter and better.

Heinz Krogner // Chairman
2 September 2010

01.3 LETTER FROM GROUP CEO

RONALD VAN DER VIS // GROUP CEO

Dear Shareholders,

In a challenging year with a difficult economic climate, it is even more important a company can demonstrate its strength and flexibility in weathering the effect of the adverse external environment. Esprit continues to prevail in many respects. During the year our retail business continued to achieve good growth whilst our cash flow position remains robust. At the same time, we recognise it is inevitable that some changes to the Group are necessary to ensure we strengthen our foundation to be able to capture the future growth potential of the brand.

During the reporting year, our retail turnover grew 9.3% to HK$17.9 billion and total selling space, wholesale and retail combined, increased 2.1% or 23,144 m^2 year-on-year despite the challenging macro-economic environment. Gross profit margin showed a significant improvement of 2.6 percentage points to 54.7%, which is attributable to the shift in channel mix and the improvement in both wholesale and retail gross profit margins. Our financial strength continued to improve with net cash inflow from operating activities growing 2.7% year-on-year to HK$5.4 billion and a strong net cash position at 30 June 2010 of HK$6.7 billion despite the HK$3.88 billion acquisition price for our China operations. Year-on-year, inventory and net trade debtors balances dropped 18.1% and 21.4% respectively, and inventory turnover days were shortened by 2 days to 63 days. Our continued strong balance sheet equips us for sustainable future growth.

Although wholesale turnover declined 12.7% to HK$15,631 million, the financial performance of the wholesale business was in line with management expectations. Customers remained cautious and conservative in placing orders. We have lost some of the customers who could not survive the turbulent financial crisis and became insolvent. In addition, we actively rationalised our wholesale customer base and grew our franchise sales area with 6.3%, excluding China. As a result and in line with our strategic direction, the quality of our wholesale channel was strengthened, which is in the long-term beneficial to the brand and our operational efficiency.

Since joining Esprit, I have reviewed different aspects of the Group's operations. Whilst I am proud and privileged to have inherited a strong company and brand, it is my belief that in order to become a truly global brand and company, we need to strengthen certain aspects of our business. As such, I have informed you about our Six Strategic Initiatives during the interim results announcement. 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.

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.

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.

"Esprit continues to prevail in many respects."

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 and to close down 33 loss-making stores worldwide with closure costs amounting to HK$793 million and HK$303 million in impairment primarily for other stores. As a result, it is inevitable that our financial results were impacted by such exceptional events. Our operating profit and operating profit margin would have been HK$4,905 million and 14.5% (reported operating profit: HK$3,786 million and reported operating profit margin: 11.2%) and our retail EBIT margin would have been approximately 10% (reported retail EBIT margin: 3.8%), if we exclude the impact from such exceptional items. Going forward, our expansion will be accelerated in a focused way, with a clear priority for China.

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.

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 has been reassigned under the CFO's area of responsibility and I am delighted to see it is progressing on schedule and already gone live in some of our European markets for the first division with promising results. 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. Last but not least, we have implemented a worldwide restructuring to ensure that the corporate structure is more streamlined, in keeping with tax regulations and to achieve better operational and effective cash management.

Finally, 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.

We need to keep our momentum in investing in our infrastructure for further potential growth. Our planned capital expenditure for the Group amounts to HK$2.19 billion for FY 2010/11, of which HK$1,144 million will be invested in new store openings as well as expansion and refurbishment of existing stores. In addition, the successful implementation of the SAP/EPS project is vital to the development of the Group. HK$514 million is budgeted to be invested in IT projects this financial year.

Nevertheless, our brand has proven to be strong and our multi-channel strategy is working well under these challenging circumstances. As part of the Six Strategic Initiatives launched, many efforts are ongoing to strengthen our foundation for growth and profitability to support our global ambitions. I am very pleased with the progress we have made during the last six months. I like to thank everybody involved in these works streams as they helped to shape the future of Esprit. More generally, I like to thank all employees of Esprit around the world for their continuous efforts and contributions to building this Company together.

I believe a successful company like Esprit must continue to enhance transparency in its reporting to its stakeholders. We have continued to keep investors appraised of our latest sales trends via our voluntary quarterly sales updates and providing a glossary of terms commonly used within Esprit to help investors and shareholders understand our business better. We will continue to maintain a pro-active investor relations program to ensure we communicate with our shareholders on a timely basis. I am confident with a committed management team and their expertise in the sector, we can build a better and bigger Esprit.

Lastly, I like to thank our Chairman and former CEO, Heinz Krogner, for the good cooperation and smooth transition leading to his succession on 1 November 2009.

Ronald Van Der Vis // Executive Director and Group CEO
2 September 2010


ESPRIT

02
KEY EVENTS

STORE OPENINGS

Macy Gray performed at the 34th Street opening.

GRAND OPENING 34TH STREET

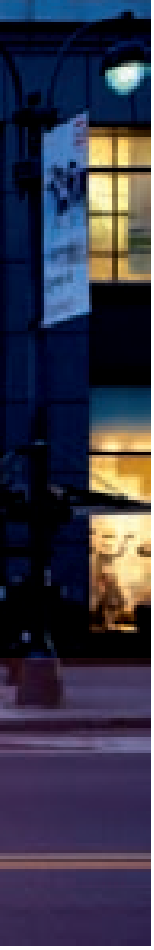
New York

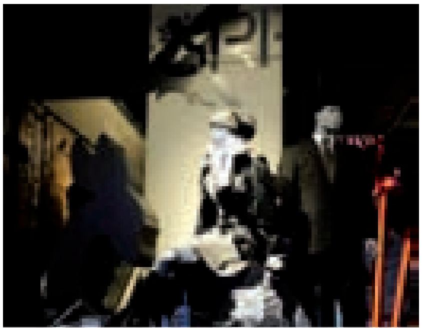
With a long line of people waiting to get in, on one of the busiest shopping avenues in the world, Esprit 34th Street celebrated its grand opening on Tuesday, 23 March 2010 with a sneak peek VIP celebration.

More than 600 celebrities, socialites and fashion elite turned up for the grand opening of the new store. In addition to checking out the updated look and feel of the new Esprit store, guests were treated to an exclusive performance by Grammy award winning artist, Macy Gray. With a new album coming out this summer, Macy treated the crowd to a performance of her not-yet-released new single "Beauty in the World."

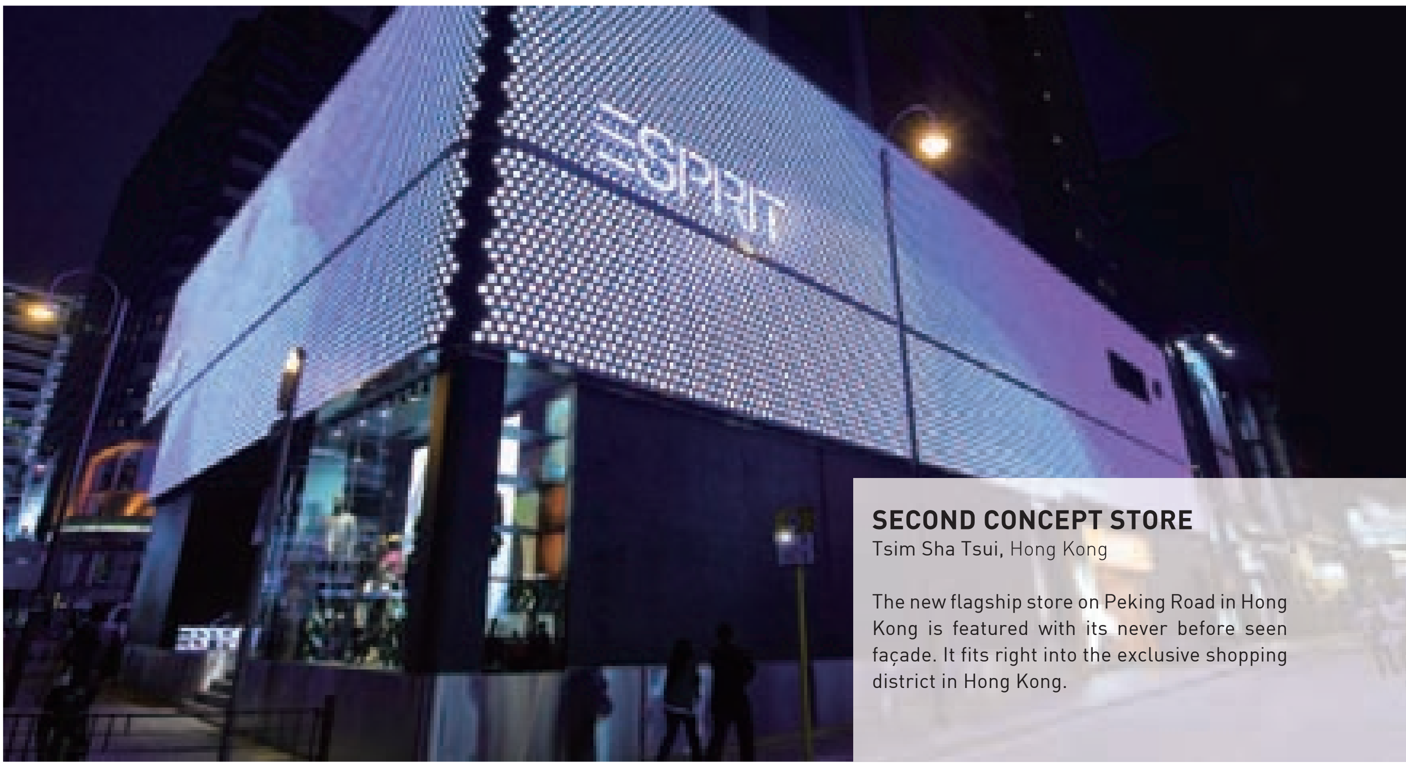
Among the celebrities that came out to check out the new store were actresses Jennifer Love Hewitt, Emmy Rossum and Alexis Bledel, stylist and TV personality Robert Verdi, stylists Amanda Ross and Erin Lucas, MTV Reality stars Paula Meronek, Kenny Santucci, Evan Starkman, Ryan Kehoe, Meredith Melling Burke, Lesley Schulhof, Elizabeth Meigher and Phoebe Gubelmann, among many others.

Jennifer Love Hewitt, Emmy Rossum and Erin Lucas attended 34th Street grand opening in New York.





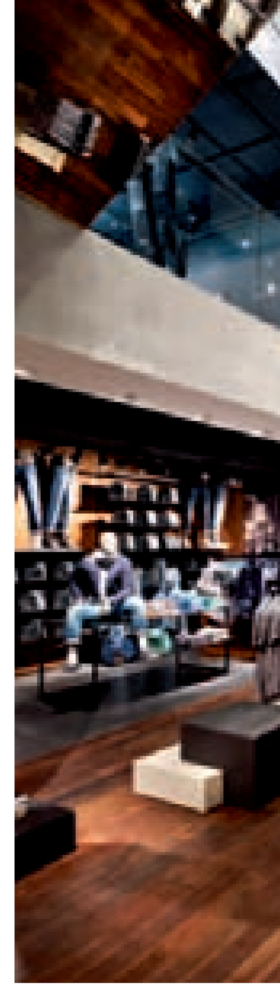
FIRST CONCEPT STORE
Oldenburg, Germany



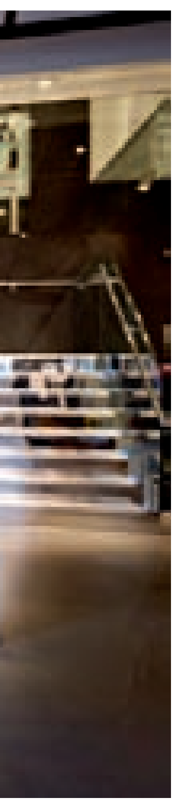
SECOND CONCEPT STORE
Tsim Sha Tsui, Hong Kong

The new flagship store on Peking Road in Hong Kong is featured with its never before seen façade. It fits right into the exclusive shopping district in Hong Kong.


edc




ESPRIT



Store openings

Australia	Sydney	Double Bay
	Melborne	Chadstone
Austria	Villach	Atrio
	Innsbruck	Kaufhaus Tyrol
Belgium	Hasselt	Grote Markt
	Kortrijk	Steenpoort
	Bruxelles	Toison d'Or
	Woluwe Saint-Pierre	Stockel Square
Canada	Alberta	Cross Iron
China	Shanghai	New World Department Store, Bailian, Golden Square
	Beijing	Cuiwei, Guotai, New World Department Store
	Guangzhou	Wanguo Plaza
	Dalian	Sunrise Shopping Centre
Denmark	Greve	Hundige Storecenter
	Kolding	Kolding Storecenter
Finland	Vantaa	Helsinki
France	Reims	Rue de Vesle
	St. Genevieve	St. Genevieve
	Bry Sur Marne	Centre commercial les Armoiries
Germany	Berlin	Karl-Marx-Strasse
	Köln	Hohe Street
	Essen	Limbecker Platz
	Münster	Stubengasse
	Offenbach	Frankfurter Street
	Würzburg	Barbarossaplatz
	Nürnberg	Karolinenstrasse
	Munich	OEZ
	Leverkusen	Friedrich-Ebert-Platz 2
	Pforzheim	Karl-Friedrich-Str.
	Hamburg	EKZ Hamburger Strasse, Bergedorf, ElbeEZ
Hong Kong	Tsim Sha Tsui	Peking Road
Ireland	Dublin	Arnotts, Dundrum Centre
Netherlands	Hilversum	Kerkstraat
	Eindhoven	WoensXL
	Rotterdam	Oude
New Zealand	Auckland	Smith & Caughey's
Singapore	Orchard Road	313 Somerset
	Changi Airport	Terminal 1
Spain	Barcelona	Porta del Angel
Sweden	Sollentuna	Sollentuna Centrum
Switzerland	Basel	Stücki
	Morbio Inferiore	Serfontana
	Sant Antonio	Centro Migros
	Uster	Gerichtsstrasse
	St Gallen	Multergasse
	Marin-Epagnier	Marin Centre
Taiwan	Tao Yuan	Mitsukoshi, Tai Mall
	Taipei	Jing Jan Shopping Mall
	Kaohsiung	Mitsukoshi, RT Mart
United Kingdom	Gloucestershire, Croydon, Huddersfield, Hull, Milton Keynes, Solihull, Shrewsbury	House of Fraser
United States	Philadelphia	Walnut Street
	New York City	34th Street
	Florida	Ellenton
	Atlantic City	Atlantic City Outlets
	Massachusetts	Wrentham Village Premium Outlets
	Oregon	Woodburn company stores

ACQUISITION OF THE REMAINING STAKE IN CHINA

Esprit announced the acquisition of the remaining interest in the China joint venture from China Resources Enterprise on 17 December 2009. The deal was closed on 12 February 2010 with payment partly financed by a loan facility well participated by banks and on very favourable terms, demonstrating our strong reputation and the confidence of the banking industry in Esprit. The integration and future business plan is currently being finalised.

This is an important development for the Group as China is one of the biggest and fastest growing apparel markets in the world. China represents a new growth engine for Esprit.

THE ASSET PLATINUM AWARD 2009

Popularly subscribed and respected by institutional investors world-wide, The Asset magazine's Excellence in Management and Corporate Governance Awards was determined on a more stringent standard than ever before this year. The Platinum Award which Esprit has been awarded is a recognition of our strong financial performance whilst operating in a responsible and transparent manner against the backdrop of a harsher economic environment.

FINANCE ASIA AWARDS 2010

Esprit has been awarded "Best Investor Relations in Hong Kong (ranked 6th)" and "Best Mid-Cap in Hong Kong (ranked 2nd)" by the Finance Asia magazine. The magazine is one of the foremost information sources for the Asian financial markets and its awards are an industry benchmark.

BCP BEST OF CORPORATE PUBLISHING AWARD 2009

Esprit was ranked in the top five in the "Specials, Corporate Book " category of the BCP Awards 2009 for the "Celebrate Together" anniversary book. We were very happy to receive the silver award.

DONATION TO THE COMMUNITY CHEST

As a socially responsible company, Esprit takes pride in its contribution to the community. The Esprit Cares Trust donated HKD1 million to The Community Chest's Corporate and Employee Contribution Programme which will benefit a wide spectrum of social services for those in need in the community.

BEST BRANDS 2010

Esprit was the only representative from the fashion industry ranked in the top ten in the "Best Product Brand" category of the Best Brands 2010 awards!

The awards were based on the results of a Germany-wide representative consumer study, compiled by market research organisation GfK. A total of 214 brands were nominated. Only successful companies with high brand awareness and significant market share, as well as a positive image and great potential for the future were included in the category "Best Product Brand". Brand success was measured in terms of customer loyalty, "share of soul", and the awareness and cross-selling potential of the brand.

We are thrilled at our successful placing in the Best Brands 2010 awards. The consumer study evidenced the confidence in the strength and long-term future potential of the Esprit brand, above and beyond financial success. Esprit is and will continue to be one of the most successful global brands.

DIRECTOR OF THE YEAR AWARDS 2009

Our Deputy Chairman, Paul Cheng, has been awarded the "Director of the Year Award" in the Hang Seng Index Constituents – Non-Executive Director category by the Hong Kong Institute of Directors.

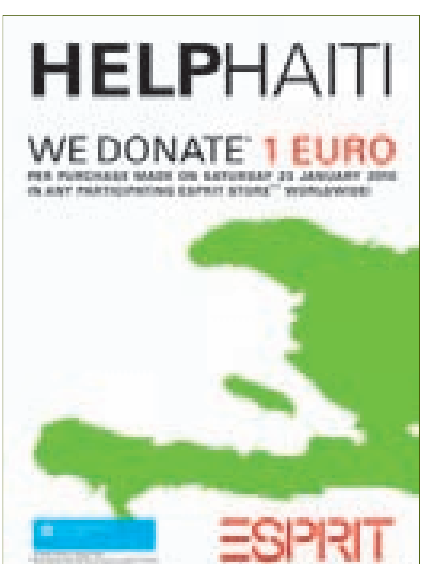
The Hong Kong Institute of Directors is Hong Kong's premier body representing professional directors working to promote good corporate governance. The Director of the Year Award recognizes outstanding directors for their practices and corporate governance.

DONATION TO QINGHAI EARTHQUAKE

On 14 April 2010, an earthquake measuring magnitude 6.9 Mw hit the Qinghai area of China, killing over 2,000 people and leaving more than 12,000 injured. The powerful tremor destroyed buildings and caused landslides, which cut off many roads. Esprit expresses its deepest sympathy to those affected by this tragic event. In our efforts to aid the affected persons in Qinghai, Esprit Cares Trust donated RMB1 million to the Qinghai earthquake through the Red Cross.

MEN'S HEALTH BEST FASHION AWARD 2009

Following on from its successes in 2006 and 2007, Esprit men casual received the "Best Fashion Award 2009" from the magazine Men's Health for the third time. 11,500 Men's Health readers and Best Fashion users voted for their favourite brands in six categories – business, designer, casual, underwear, jeans & streetwear and outdoor. Esprit men casual was voted the winner in the category "Best Casual Brand", ahead of brands like Boss and Lacoste.



HELP FOR CHILDREN IN HAITI

Esprit expresses its heartfelt sympathy to the people, families and particularly the children affected by the earthquake in Haiti.

An international fundraising campaign was hosted on 23 January 2010 in Esprit retail stores: for each purchase, Esprit donated one euro to the victims of the Haiti earthquake.

A total of EUR115,000 was raised for SOS Children's Villages Haiti. With this donation we are able to assist aid workers on the ground, as well as ensure the long-term well-being of children in Haiti. Providing psychological help to children who may have been traumatised or orphaned is of particular importance, as is providing them with safe accommodation and help searching for any remaining relatives.

MORAKOT TYPHOON RELIEF DAY CAMPAIGN

The Morakot typhoon wrought catastrophic damage in Taiwan on 8 August 2009. Esprit Taiwan launched the "Morakot Typhoon Relief Day" campaign on 16 August 2009. NT$300 was donated to the Red Cross, ROC for every item sold at the stores and counters in Taiwan and raised NT$1.3 million on that day. Esprit Group donated another NT$2 million, making a total of NT$3.3 million to help the victims in the disaster area.

THE SPIRIT OF 68 – THE ESPRIT 2010 SPRING AND SUMMER CAMPAIGN

IN SPRING 2010 ESPRIT IS LAUNCHING A GLOBAL CROSS-MEDIA CAMPAIGN IN 23 COUNTRIES:

'The Spirit of 68', which provides the inspiration for a new way of presenting the Esprit lifestyle. Selected key outfits will be modelled by the top models and It girls of the moment in an authentic and contemporary manner. In the spotlight for the spring presentation are Daisy Lowe for edc by Esprit and Julia Restoin- Roitfeld for Esprit women casual.

At the start of the campaign and during the first half of 2010, Esprit will place advertisements in international premium and high-circulation media outlets, accompanied by Out of Home media as well as direct marketing activities. Promotions linked to the campaign will be set up at the point of sale, including in-store catalogues and window displays based on the campaign.

In addition, there will also be a comprehensive range of online communication activities aimed at reaching Esprit customers and fans. Mailings will provide information on the key styles of the month and an electronic magazine will be provided on the Esprit website www.esprit.com complete with material from behind the scenes. Links to the e-shops and posts on the brand's social network profiles containing all the latest news complete the digital implementation of the campaign.

This campaign was developed by Esprit's in-house marketing department and realised in cooperation with Redwood, London.

For the spring/summer shoot, which was inspired by the Esprit campaigns of the early 1990s, Julia Restoin-Roitfeld was photographed in a group of models in the Californian desert. With her were Ragnhild Jevne, a top model from Norway, and the Brazilian model Juliana Imai. On the men's side, there were Andrew Cooper, Allen Tsai and Travone Hill.

For edc by Esprit, the English It girl and model Daisy Lowe posed in front of the camera next to male model and rock musician Will Cameron. Sam Way and Ash Stymest completed the stylish team. The group presents the attitude to life that is typical of the edc by Esprit brand, one that is characterised by youth and music culture. The Dutch model Kim Noorda, on the other hand, showcased the sophisticated and reduced style of the de.corp range. The faces of the Esprit Collection line this spring are top models Leticia Birkheuer and Jon Kortajarena, winner of the GQ award for best model of the year 2009, and actor in the Tom Ford film "A Single Man".

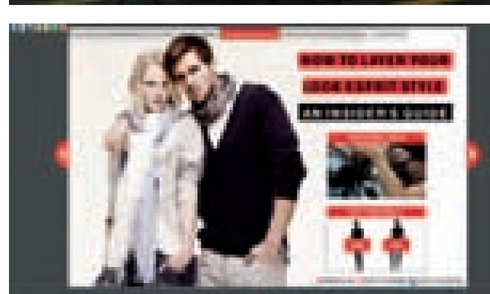
The images from the spring shoot will kick off the new season at the beginning of 2010. From June onwards, additional summer motifs for Esprit Casual, Esprit Collection and edc by Esprit will lend fresh visual impetus to the campaign.

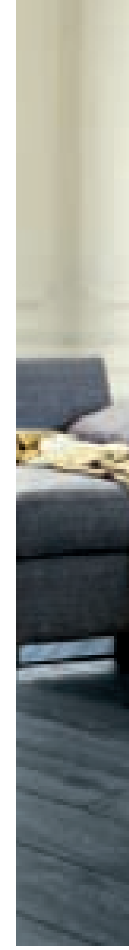
The additional shoot for high summer took Esprit to the beaches of Cape Town. Those involved included American top model Missy Rayder, Russian model Anne V, and Du Juan, currently one of the most popular faces in China. The men's side was taken care of by the Briton Andrew Cooper and US model Nate Gill. Daisy Lowe not only left her footprints in the sand for edc by Esprit, but also provided some unique motifs for the summer months. Danish model Louise P and, again, Jon Kortajarena are the Esprit Collection couple for high summer.

VOGUE & ELLE IN TAIWAN

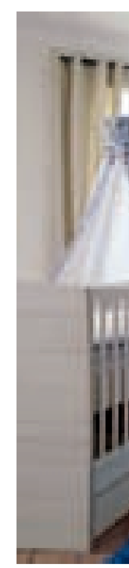
Esprit Taiwan published a series of page spread advertorials in the April edition of Vogue and the May edition of Elle to promote our new trends and arrivals to a targeted readership base.

We were also able to negotiate an extra six pages in the supplements Elle Girl, Fashion Map Magazines, Vogue Angel and Elle Chic Mommy.





ESPRIT HOME



RED DOT AWARD FOR ESPRIT HOME

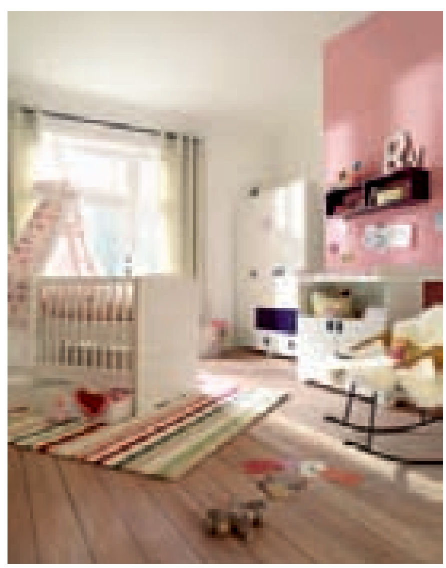
With its outstanding and innovative design, cushion covers Beat by Esprit home managed to impress the jury of one of the most prestigious international design competitions. In the "red dot award: product design 2010" the Beat cushion covers were awarded the "red dot" quality label for high design quality by the jury consisting of top-class experts.

The festive awards presentation with more than 1,000 guests took place in the Essen opera house, the Aalto-Theater, on 5 July 2010. In Essen, Germany, the 2010 European Capital of Culture, the product will then be presented in a four-week special exhibition at the red dot design museum at the Zollverein colliery.

reddot design award
winner 2010

PARADOR – WELCOME TO THE ESPRIT HOME FAMILY!

The focus of the 2010 is a new aspect of the living area. Esprit home flooring is now offering high-quality real wood parquet in different structural designs as well as laminate flooring in eye-catching colours and patterns to match the individual living motifs, always bearing the Esprit signature. Esprit home flooring's real wood parquet flooring includes modern planks that are incredibly convenient to use. Laminate planks are available in two different sizes.



ROBA – WELCOME TO THE KIDS WORLD!

Roba Baumann GmbH, specialist for furniture systems for babies and children, is the newest member of the Esprit license partner team. On the international furniture fair 2010 in Cologne, Roba presented three new room concepts for the age group 0 to 12 years.

From April 2010 onwards, young families can buy a new Esprit modular concept based on the motto "Colour Furniture" with "Natural Harmony" for harmonised, basic rooms and "White Spirit" for designer interiors. The new Esprit worlds will be available from specialised dealers and furniture dealers as well as from selected internet suppliers in Germany, Austria and Switzerland as well as in Spain, Hungary and other European countries.

ESPRIT HOME SCOOPS PRIZE

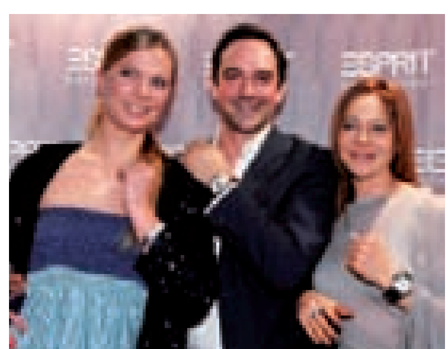
Esprit Home wallpaper – Wallpaper of the Year 2009

Rox performed at the launch.

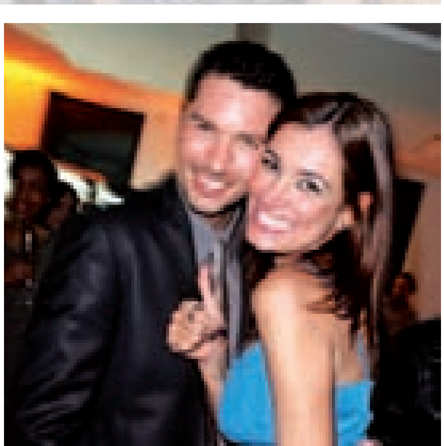
ESPRIT COLLECTION TIMEWEAR & JEWELLERY

The European launch of Esprit collection timewear and jewellery was held above the rooftops of Munich in the Sky Lounge at the Inhorgenta trade fair.

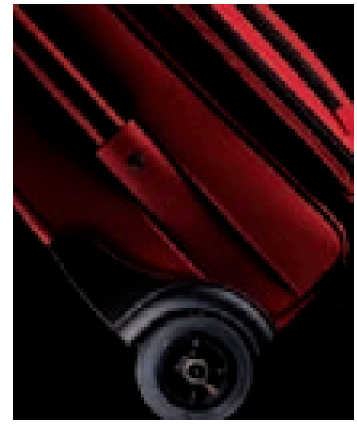
The launch was attended by around 300 guests, including over 40 journalists, four TV teams from Austria and Germany, and several VIPs. The impressive location, ambience and presentation of the timewear and jewellery line were set off by a live performance of first-class soul pop from London singer and "BBC Newcomer 2010" Rox.

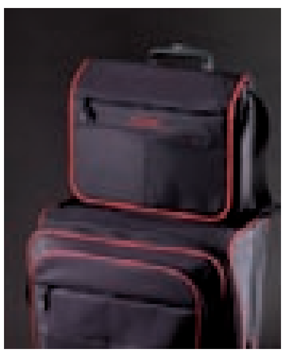


Jana Ina Zarella, Monica Ivanca, Harry Brand and wife, Doreen Dietel, Stefan Gödde and Katja Flint attended Esprit collection timewear and jewellery launch in Munich.



LICENCES





ESPRIT LUGGAGE

Esprit launched a new license product line in May. With Esprit luggage, it is now possible not only to travel in the Esprit spirit of 'the world is our culture', but also to do so with the well-established Esprit look.

Esprit granted its new license to Happy Rain Würflingsdobler GmbH, which has been a highly successful partner for Esprit umbrellas for many years and which is also a specialist in luggage.

The textile series 'SuperLight' and 'Silence' and the hard-shell line, 'Polycarbonate' combine practical elements, the highest level of quality and comfortable handling with typical cutting-edge Esprit design.

In addition to classic travel luggage, such as rolling suitcases in various sizes, rucksacks, travel bags, beauty cases and toilet bags, the line also offers business solutions including messenger bags, laptop bags and pilot cases. It also provides intelligent travel accessories, such as transparent cosmetic bags for liquids, sleep masks, travel pillows, belt and shoulder bags for valuables and luggage straps.

Classic colours in the Esprit colour code, such as violet, red, khaki, brown and black, ensure a stylish look at the airport or railway platform in any of the world's great cities.

ESPRIT IMAGINE

Imagine something different and unexpected. A fragrance that unlocks the imagination. A fragrance full of possibilities.

Coty, Esprit's license partner for fragrances for many years, launched the new duo concept in March. 'Esprit Imagine' for her and for him are fragrances that awaken the imagination and stir the senses.

The unique box and bottle design perfectly conveys the idea of imagination. At first glance, the bottle seems to be a clear square of glass. But the wave at the bottom is actually hollow, evoking the idea of fluidity. The cut-out section at the base of the bottle is linked to the glass by a line of thin metal.

The successful market launch was supported by print and TV campaigns as well as various in-store promotions in March and April.

03
WHO ARE WE

03.1 QUICK FACTS ABOUT US

Esprit is an international youthful lifestyle brand offering smart, affordable luxury and bringing newness and style to life

Listed in Hong Kong since 1993

e-shop in over 25 countries

Founded by Susie & Doug Tompkins in 1968

Over 14,100 employees

12 product divisions

12 seasons per year

Total POS 13,314 (Retail & wholesale combined) in over 20 countries

Stock code 00330

Constituent stock of Hang Seng Index, MSCI Hong Kong Index, FTSE All·World Index for Hong Kong, S&P/HKEx LargeCap Index and S&P Asia 50 Index · Turnover mix: Europe 83%, Asia Pacific 14%, North America and others 3%; Retail 53%, Wholesale 46%, Licensing and others 1% · Design building blocks: Brand book, Colourcards, Concept meetings, Prototype meetings · 1,123 directly managed stores (419 in Europe, 622 in Asia Pacific including 288 in China, 82 in North America) · 12,191 Esprit wholesale POS (11,115 in Europe, 1,076 in Asia Pacific including 643 in China)

03.2 DIVISIONS OVERVIEW

We have 12 product divisions, each with a dedicated team to cater to the respective unique customer group and create up to 12 seasons for each division so that we only deliver the most desired products. All of these are supported by a well-defined product development structure.

ESPRIT

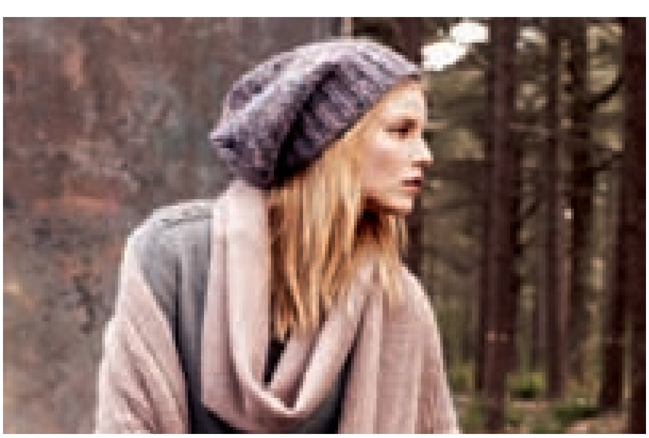
Esprit casual

Fashion Interest
Browsing
Casual & Leisure
Family & Friends
Practical & Comfort

ESPRIT
collection

Esprit collection

Dressed up
Quality & Details
Professional & Occasions
Feminine style
Sophisticated



de.corp
ESPRIT URBAN CASUAL

de.corp ESPRIT URBAN CASUAL

Modern
Stylish
Individualistic
Forward
Open to change

edc by Esprit

Latest Fashion
Shopaholic
Cool & Sexy
Involved
Young

ESP Esprit sports

Complete, functionally inspired sport-lifestyle programme divided into five theme worlds: "fitness/wellness/training", "urban adventure", "sun/fun/beach", "winter/snow/arctic" and "lifestyle/sports"

Esprit kids

The latest trends interpreted in children's fashions ranging from Newborns to Minis

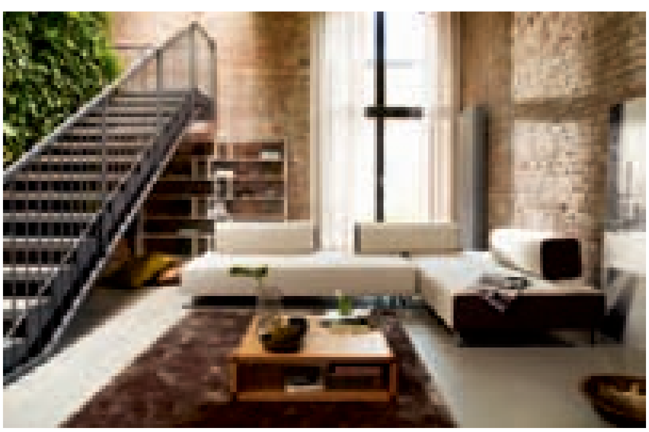
03.3 LICENSED PRODUCTS

THE LIFESTYLE ACCESSORIES WORLD

The lifestyle philosophy is key for Esprit: with an ever-growing product portfolio the typical Esprit feeling is conveyed to many different areas and meanwhile applies to much more than just clothes.

Each fashion line is completed by a large variety of matching accessories, including timewear and jewellery, eyewear, socks & tights, stationery and even umbrellas, all featuring the typical Esprit style, combining modernity, confidence and sensuality.

A fantastic selection of different fragrances and beauty and cosmetic products adds even more diversity to the Esprit lifestyle accessories world.



THE HOME WORLD

The lifestyle concept of the Esprit philosophy also encompasses an interior design programme with lifestyle products for different areas of life.

The Esprit home world offers distinct interior products that focus on contemporary design, natural materials and sophisticated details that will give any home the right atmosphere.

The range comprises furniture, bathroom furniture, wallpaper, lighting, carpets, home accessories & table-top, bed-linen, bedding and home textiles, as well as a complete Esprit home bath concept.

THE BABIES & KIDS' WORLD

Starting with a full line of contemporary maternity wear, the Esprit babies' and kids' world includes strollers, baby carriages, nursery bags, cute blankets, cushions and comforters as well as adorable stuffed animals and activity toys.

The babies' and kids' assortments also offer baby furniture, bed linen, bedding, baby sleeping bags and other baby home textiles, socks, carpets and wallpaper, kid's jewellery and watches, optical glasses and sun glasses, umbrellas and school products.

Affectionately designed with a focus on highest quality and adorable details, this range offers everything young families are looking for.

Key licensed product categories

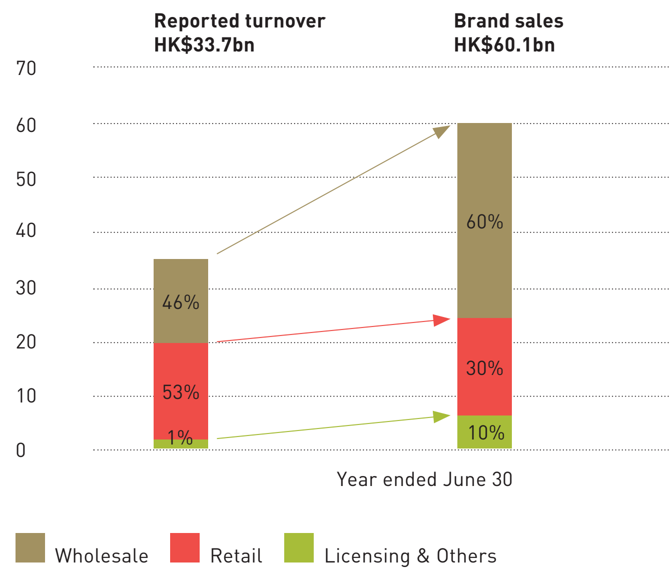
	As at 30 June 2010			
	Europe	Asia Pacific	North America	Latin America
Accessories' World				
costume jewellery	■	■		
cosmetics	■			
eyewear	■	■	■	■
fragrance	■	■		■
jewellery	■	■		■
luggage	■			
outerwear			■	■
shoes				■
sleepwear/daywear			■	
socks + tights Esprit	■	■	■	■
stationery	■	■		
timewear	■	■	■	■
umbrellas	■	■	■	■
Home World				
bathroom	■	■		
bedding	■	■	■	■
carpets	■	■		
down	■	■		
flooring	■	■		
furniture	■	■		
glassware	■			■
home accessories	■	■		■
lighting	■	■		
towels	■	■	■	■
wallpaper	■	■		
Babies' & Kids' World				
baby carriages	■	■		
baby furniture	■	■		
childrens furniture	■			
kids' bedding	■			
kids' shoes			■	
maternity	■	■		
school	■	■		
soft toys	■			

04 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) to over 1,145,000 m^2 as at 30 June 2010. 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.

04.1 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. Group turnover declined mainly due to the decrease in wholesale turnover, partially compensated by an increase in retail turnover. 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

Turnover by Countries

	Year ended 30 June 2010		Year ended 30 June 2009^		Change in %	
Countries#	**HK$ million**	**% to Group Turnover**	HK$ million	% to Group Turnover	HK$	Local currency
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%
Austria	**1,475**	**4.4%**	1,506	4.4%	-2.0%	-3.7%
Scandinavia	**1,464**	**4.3%**	1,605	4.6%	-8.8%	-10.9%
Switzerland	**1,409**	**4.2%**	1,254	3.6%	12.3%	6.6%
United Kingdom	**411**	**1.2%**	403	1.2%	1.9%	2.6%
Spain	**295**	**0.9%**	261	0.8%	13.1%	12.7%
Italy	**287**	**0.9%**	361	1.0%	-20.5%	-22.0%
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%	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 United States, 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

Product Divisions	Year ended 30 June 2010 HK$ million	Year ended 30 June 2010 % to Group Turnover	Year ended 30 June 2009 HK$ million	Year ended 30 June 2009 % to Group Turnover	Change in % HK$	Change in % 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%
bodywear	**990**	**2.9%**	950	2.8%	4.2%	3.4%
shoes	**962**	**2.9%**	1,322	3.8%	-27.2%	-28.0%
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 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	Year ended 30 June 2010 HK$ million	Year ended 30 June 2010 % to Group Turnover	Year ended 30 June 2009 HK$ million	Year ended 30 June 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
n.a. Means not applicable

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.

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.

As a result of a comprehensive review, we decided to close 33 loss-making stores worldwide with closure cost of HK$793 million and an impairment charge of HK$303 million primarily for other stores.

Retail Performance Scorecard

	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"

Directly Managed Retail Stores by Countries

As at 30 June 2010

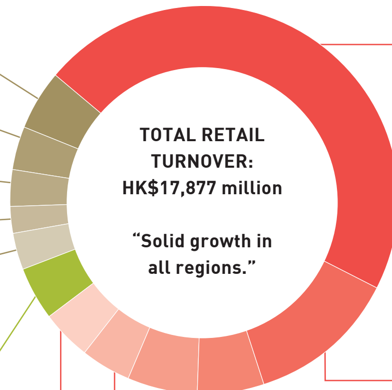
Countries	No. of store	Net opened stores*	Net sales area m²	Change in net sales area*	No. of comp-stores	Comp-store sales growth
Europe	419	34	243,417	10.0%	258	-2.2%
Germany**	173	9	123,029	7.7%	117	-1.4%
Benelux	86	8	38,131	9.9%	60	-5.0%
France	49	1	24,000	17.0%	37	-9.3%
Switzerland	39	5	17,018	20.0%	22	4.2%
U.K.	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

Country // **HK$ million** // % of retail turnover // % HK$ growth // % local currency growth



Country	HK$ million	% of retail turnover	% HK$ growth	% local currency growth
Australia and New Zealand	**$899**	5.0%	21.2%	1.6%
Hong Kong	**$647**	3.6%	-2.3%	-2.3%
China	**$499**	2.8%	n.a.	n.a.
Singapore	**$410**	2.3%	2.7%	-1.5%
Rest of Asia Pacific				
Taiwan	**$261**	1.5%	-1.7%	-3.2%
Malaysia	**$211**	1.2%	0.2%	-3.0%
Macau	**$97**	0.5%	-5.4%	-5.4%
North America				
Canada	**$407**	2.3%	11.8%	1.7%
United States	**$357**	2.0%	18.1%	18.2%

Country	HK$ million	% of retail turnover	% HK$ growth	% local currency growth
Germany	**$8,294**	46.4%	4.8%	3.0%
Benelux	**$2,221**	12.5%	0.1%	-1.3%
France	**$1,032**	5.8%	4.1%	2.1%
Switzerland	**$1,020**	5.7%	19.8%	13.9%
Austria	**$776**	4.3%	12.6%	10.5%
Rest of Europe				
U.K. & Ireland	**$356**	2.0%	3.4%	3.8%
Scandinavia	**$273**	1.5%	22.9%	19.3%
Spain	**$91**	0.5%	56.5%	52.6%
Portugal	**$19**	0.1%	31.2%	27.0%
Italy*	**$1**			
Others**	**$6**			

* 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 ordering less as a result of the tough macro environment and weak market sentiment. We also noticed a change in customer buying behaviour which led to a 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 orders have 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 the 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 with the outlook for the period expected to be a mid single digit decline.

Wholesale Performance Scorecard

	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 (m²)	**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* (m²)	**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"
\# Excluding China, Esprit controlled space area was 679,472 m^2 as at 30 June 2009

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

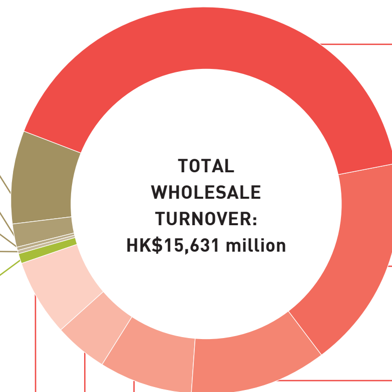
	Franchise stores**				Shop-in-stores**				Identity Corners**				Total**			
Countries	No. of stores	Sales area m²	Net opened stores/ Reclassi-fication*	Net change in net sales area*	No. of stores	Sales area m²	Net opened stores*	Net change in net sales area*	No. of stores	Sales area m²	Net opened stores*	Net change in net sales area*	No. of stores	Sales area m²	Net opened stores/ Reclassi-fication*	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%
U.K. 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 m², 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 a quality upgrade of the wholesale distribution network with a higher portion of franchise stores. Due 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

Country // **HK$ million** // % of wholesale turnover // % HK$ growth // % local currency growth



Country	HK$ million	% of wholesale turnover	% HK$ growth	% local currency growth
Germany*	**$6,461**	41.3%	-14.1%	-15.6%
Benelux	**$2,769**	17.7%	-10.0%	-11.1%
France	**$1,809**	11.6%	-15.5%	-16.4%
Scandinavia	**$1,191**	7.6%	-13.9%	-15.8%
Austria	**$699**	4.5%	-14.4%	-15.7%
Rest of Europe				
Switzerland	**$389**	2.5%	-3.4%	-8.7%
Italy	**$286**	1.8%	-20.9%	-22.4%
Spain & Portugal	**$212**	1.4%	3.3%	3.5%
U.K. & Ireland	**$87**	0.6%	-27.5%	-26.3%
Macau**	**$1,198**	7.7%	-26.1%	-28.7%
China	**$285**	1.8%	n.a.	n.a.
Australia	**$77**	0.5%	-0.2%	-15.7%
Hong Kong	**$6**	0.0%	-72.5%	-72.5%
North America				
Canada	**$146**	0.9%	17.3%	7.0%
United States	**$16**	0.1%	-49.2%	-49.3%

* 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 licensed 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 licensed 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.

04.2 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 a change in the 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 be 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 be 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 the 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 a 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 the net profit margin would be 10.9%.

04.3 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).

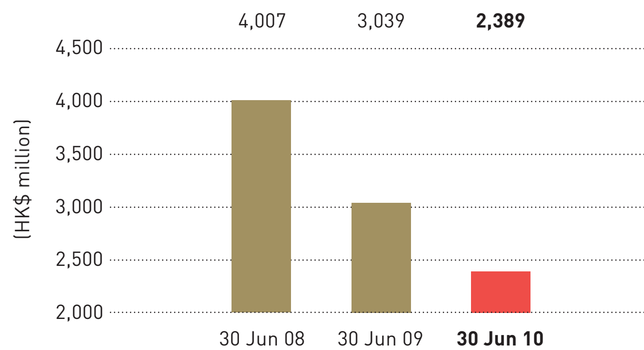
HK$ million	Year ended 30 June 2010	Year ended 30 June 2009
Cash and cash equivalents as at 1 July	**4,840**	6,521
Net cash inflow from operating activities	**5,412**	5,272
Net cash used in investing activities	**(4,429)**	(1,698)
Net cash inflow from/(used in) financing activities	**1,296**	(5,129)
Net increase/(decrease) in cash and cash equivalents	**2,279**	(1,555)
Effect of change in exchange rates	**(371)**	(126)
Cash and cash equivalents 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 amounted 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.

HK$ million	Year ended 30 June 2010	Year ended 30 June 2009
New stores and expansion	**576**	865
Refurbishing existing stores	**232**	455
IT projects	**639**	524
Office & others	**62**	167
Purchase of property, plant and equipment	**1,509**	2,011

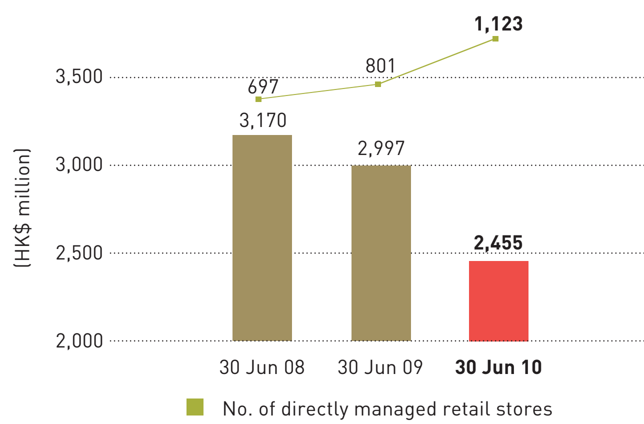
As at 30 June 2010, **net trade debtors balance** dropped to HK$2,389 million (30 June 2009: HK$3,039 million). The amount of uninsured and/or unsecured net trade debtors accounted for 68.1% of net trade debtors (30 June 2009: 54.8%). The increase in the portion of uninsured and/or unsecured net trade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

Net trade debtors balance

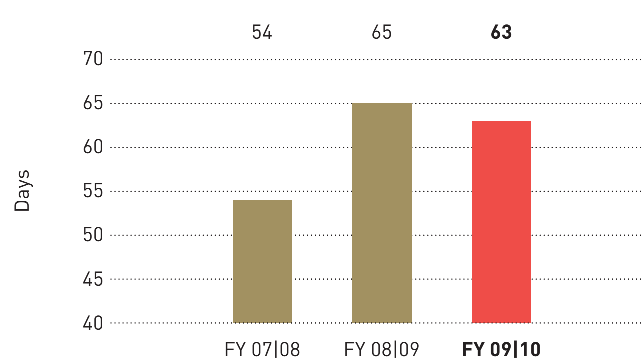


Our inventory position continued to improve. As at 30 June 2010, **inventory** declined to HK$2,455 million (30 June 2009: HK$2,997 million) despite a net addition of 34 directly managed retail stores (excluding China) and addition of HK$166 million inventory from China during the financial year. Inventory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

Inventory balance



Inventory Turnover 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 minimise 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 (FY 2008/2009: 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$ million	**Year ended 30 June 2010**
Net earnings	**4,226**
Adjusted for:	
(i) Impact from acquisition of China JV	(1,563)
(ii) Impairment of stores/assets*	303
Adjusted net earnings	**2,966**
Adjusted EPS (HK$)	**2.35**

HK$	
Adjusted EPS	2.35
Dividend payout ratio	60%
Regular DPS	1.41
Minus	
Interim DPS paid	0.74
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. The Board will be using a guideline of 60% of net earnings as a regular dividend payout ratio for the future.

04.4 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 and is particularly strong in flash and repeats orders.

With full control of the China market, we are proud that Esprit is now truly globalised 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.

			Year ended 30 June 2010 Proforma Full Year
	Retail	Wholesale	Total
Turnover (HK$m)	1,640	886	2,526
% of total	65%	35%	
Number of cities	6	163	169
Number of POS*	288^	643	931

			Year ended 30 June 2010 Actual Consolidated (Feb10 – Jun10)
	Retail	Wholesale	Total
Turnover (HK$m)	499	285	784
% of total	64%	36%	
Number of cities	6	163	169
Number of POS*	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

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.

FY 2009/2010 was a year full of challenges. These challenges give us opportunities to see our weaknesses and strengths and restructure our way of doing 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.

05

SUSTAINABILITY TO ESPRIT

Would you...

...consent to wearing any product manufactured under unfair conditions?
...like to prevent environmental damage?
...expect us to support those in need?
...like to work for a company that values its employees?

These are some of the questions we constantly ask ourselves when we make our business decisions.

We have been a responsible company for many years and we hope this section will give you an update on the work we have done in different areas during FY 09|10 and beyond. Going forward, we have two specific targets: put more emphasis on environmental considerations when we make our business decisions and conduct even more unannounced audits on our suppliers.

05.1 WOULD YOU CONSENT TO WEARING ANY PRODUCT MANUFACTURED UNDER UNFAIR CONDITIONS?

We have a set of core beliefs which ensures that those who produce Esprit products are treated fairly. Our core beliefs are:

- No child labour
- No forced labour
- Safe and healthy working conditions for workers
- Fair compensation for workers
- Voluntary overtime
- No unauthorised or disciplinary deductions from wages
- Legal and regulatory compliance practice strictly enforced
- Free of discrimination
- Minimal damage on the environment

With the above core beliefs and the goal to minimise the adverse impacts on our stakeholders in mind, we have adopted the Business Social Compliance Initiative ("BSCI") Code of Conduct, which gives details on supply chain standards that members must meet and have incorporated it into our buying agreement. The BSCI was founded by the EU Foreign Trade Association in Brussels. For details of the BSCI and its Code of Conduct, please refer to BSCI website at http://www.bsci-eu.com. We have been contributing our knowledge to other BSCI members through our representation on the BSCI Members' Board since 2004 and as Chairman of the BSCI Certification Bodies and Accreditation Committee since 2008.

WHAT IS OUR COMPREHENSIVE FRAMEWORK WHICH ENSURES THAT OUR CORE BELIEFS ARE UPHELD?

1. Supplier/Manufacturer documentation

All suppliers are contractually required to abide by our Sourcing Compliance Policy and to provide written declaration:

- not to use restricted chemicals,
- not to use child labour,
- observe the BSCI Code of Conduct, and
- provide a manufacturer profile.

2. Enforcing our standard continuously

It is our dedicated sourcing compliance team's mission to ensure that all Esprit products are produced by suppliers who meet our standard. The sourcing compliance team enforces our standards through audits, both announced and unannounced, carried throughout the year and provide detailed assessments and corrective actions to all audited suppliers.

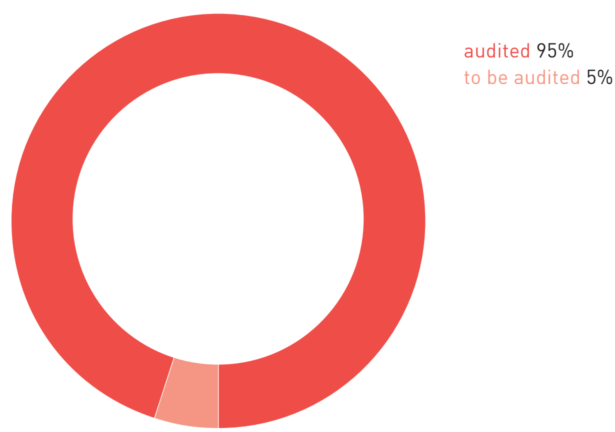
Minimum requirements for new suppliers
To qualify for an initial supply agreement, new suppliers must not have any substantial critical violations – there must be no child labour, work hours must be recorded, absence of illegal drainage of waste water and/or harmful chemicals and absence of illegal transshipment. After that, our audit process is largely two fold.

In-house audits
Our SA8000-qualified supply chain auditing team is sent to the place where the products are manufactured ("Place of fabrication"),as some suppliers may outsource to subcontractors, to conduct an audit on compliance with predetermined criteria such as working time, compensation, child labour or young employees, forced labour and occupational health and safety. For those who do not meet our standards, the compliance team will work closely with the suppliers to provide assistance and guidance in order to bring them up to the BSCI audit standard within 18 months. During the 18 months, the compliance team will conduct two additional audits to assess the progress and if the supplier continues to fail to meet the standard, it will be suspended for production of our orders. Auditors rotate between supplier audits to ensure that the auditors are independent.

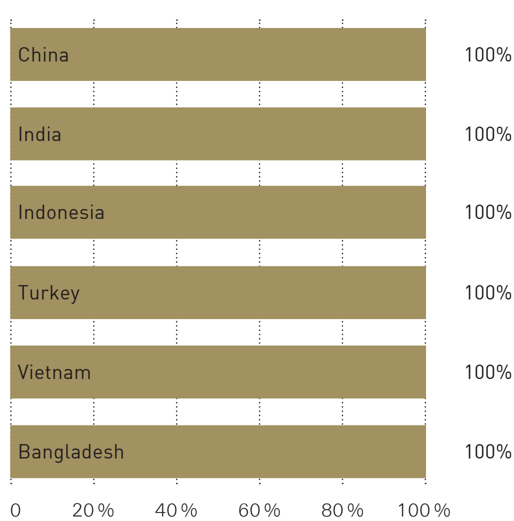
BSCI audits
Suppliers who meet our in-house standard will be subject to the BSCI audit, which holds one of the most stringent standards in the industry. The BSCI audits are conducted by BSCI accredited auditing companies. Results from the BSCI audits will be published on the BSCI website available for viewing by BSCI members.

Continuous monitoring
Suppliers are continuously monitored under our Esprit Surveillance Audit Programme in which post-BSCI audit and surveillance audit will be conducted. A supplier will be suspended for a period of 2 years if any serious violations are detected.

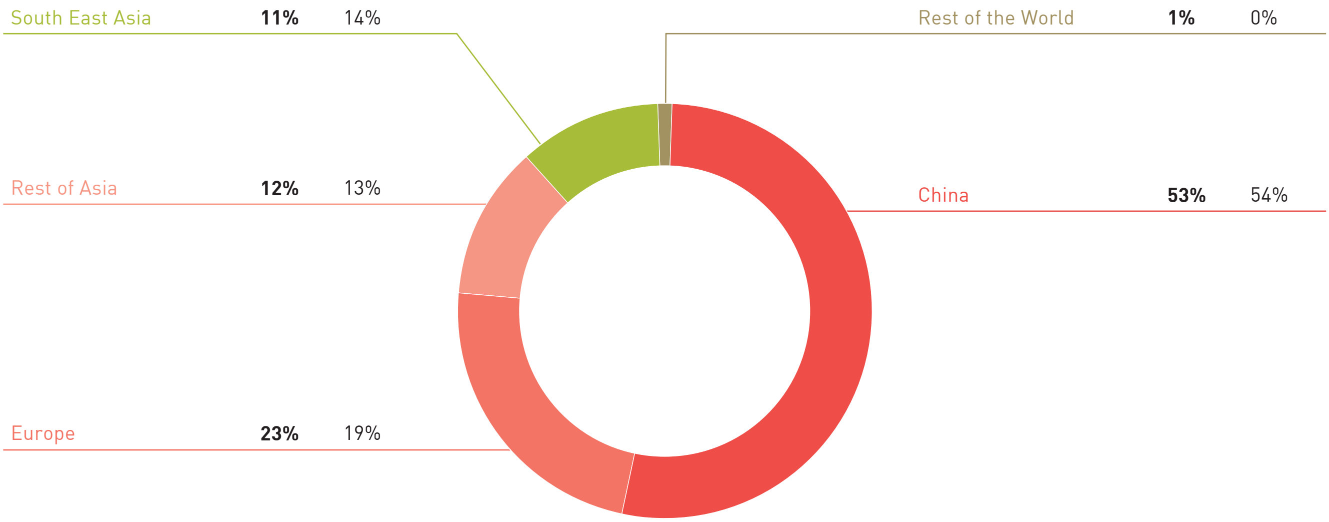
Active suppliers audited in FY 09|10



Percentage of active suppliers audited in FY 09|10



Regions where Esprit Products were made in FY 09|10
FY 09|10 // FY 08|09



3. Education

For suppliers:
Before engaging a new supplier, Esprit's Vendor Compliance Programme and BSCI materials will be sent to such suppliers to ensure they have full understanding of the scope and requirement they need to observe and comply.

Suppliers are also invited to attend Esprit Vendor Meetings to learn about Esprit's Vendor Compliance Programme and BSCI materials. In FY 09|10, Esprit Vendor Meetings were held in China, India and Bangladesh, which were well attended by our suppliers, covering more than 50% of all our suppliers worldwide.

For Esprit employees:
All sourcing staff receive compliance training covering the BSCI principles. For supply chain auditors, who must be SA8000 qualified, a detailed training curriculum is in place to develop them to become garment supply chain compliance experts within 3 years.

From the figures above, in FY 09|10 approximately 95% of our active manufacturers were audited, mostly in countries which are considered "high-risk". In addition, the majority of active manufacturers were BSCI audited in FY 09|10. Approximately 4 new manufacturers were suspended for failing to meet our minimum compliance requirements.

The most common non-compliance issues found in vendor compliance audits conducted in FY 09|10 include:

- No system to monitor over the subcontractors' compliance performance
- Inadequate social insurance coverage to all workers
- Inconsistency between payroll, attendance and production records
- Employees being paid below the legal minimum wages
- Excessive weekly working hours overtime working hours
- Insufficient first aid supplies
- Insufficient illumination for workers at work stations
- Inadequate workplace safety such as blockage of aisle or walkways.

Our compliance team will continue to follow-up with the above violations to ensure that they are resolved satisfactorily.

Child labour
We have zero tolerance towards the use of child labour - not even one child. A third party reported that child labour was used in one of our suppliers' factory in China. After further investigation, unauthorised child labour was detected and our contractual relationship with that supplier was immediately terminated.

05.2 WOULD YOU LIKE TO PREVENT ENVIRONMENTAL DAMAGE?

What we mean by "The world is our culture" is not only an expansion of our geographical footprint and the continuous growth in sales; we believe firmly that as a responsible global corporation, impact to the environment must be kept to a minimum. This means we have to limit the impact of our products and our actions in every stage. Examples include:

- Since October 2009, the body of our financial reports are now printed on papers that are certified by Forest Stewardship Council (FSC). Since beginning of 2010, our internal quarterly newsletters are also printed on FSC certified papers. By using FSC certified papers, we hope that we can contribute to provide more incentives for responsible forestry and help preserving the world's forest.

- Since early 2010 our registered shareholders can now choose to receive our corporate communication including our financial reports in English or Chinese language only or they can even choose to receive the electronic version only to help preserving our environment.

- We pay a premium price in order to ensure our carbon footprint is kept to a minimum. We use the carbon neutral transport services as part of the climate protection programme of the Deutsche Post DHL since 2009 which aims to reduce carbon footprint for every letter mailed, every container shipped and every square meter of warehouse space used, by 30 percent by the year 2020.

- We continued to provide sponsorship to the "Greenhouse" project of the Natural Heritage Foundation of Germany's Nature and Biodiversity Conservation Union (NABU) preserving an area of natural paradise and the endangered species living in it.

- Esprit Germany has started participating in the Deutsche Bahn "Umwelt-Plus" (Environment-Plus) initiative that offers the opportunity to make business travel CO_2 neutral. The kilometers we travel by German railway are powered by electricity generated by 100% renewable sources from DB Energie. This ensures that our business travel by German railway is carbon neutral at an additional cost of 1% of travel costs.

- Esprit Finland organized the Finn Church Aid's "Ekoteko" (make it ecological) campaign together with radio station NRJ. One tree was planted in developing countries for every Euro raised to help the people in these countries and the environment. EUR110 was raised amongst our colleagues for 110 trees.

- We participate in the dual system of the Duales System Deutschland GmbH which collects and recovers sales packaging. Our participation in 2009 led to savings of 1,416 tonnes CO_2-equivalent.

- We moved into the Global Business Headquarters in Autumn 2003 which was built with a ventilation system which reuses the heat from the sun to regulate the building's temperature throughout the year, contributing to cost and energy savings.

- In our offices and stores, running times of heating systems, air conditioning, etc are regularly controlled and optimised. We use energy saving light bulbs wherever possible.

- For Europe, our letterhead only has the red Esprit logo on so that it can be used for different Esprit company names and details in order to minimise the wastage of letterhead printed for companies that are rarely used.

- Paper is recycled and we actively encourage staff to be more environmentally conscious when printing documents.

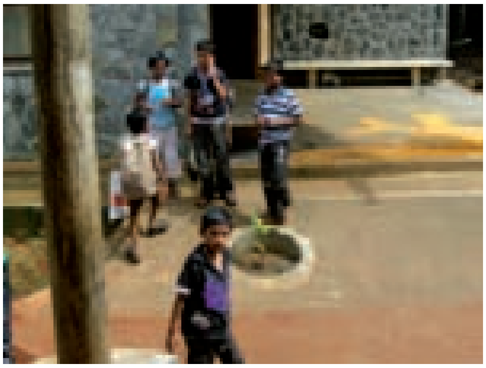
- In Europe, resources are dedicated to sort out daily rubbish. Paper and plastics will be recycled in different ways. We also collect plastic bottles and tin cans for recycling in pantries in our offices.

05.3 WOULD YOU EXPECT US TO SUPPORT THOSE IN NEED?

SOS CHILDREN'S VILLAGES

KEY DATES

May 2008:	Purchase of the land
October 2008:	Laying of the foundation stone and launch of construction after the end of the monsoon season
March 2010:	Construction of six family houses has been completed and children will move into these houses in a phased manner
April 2010:	Construction of six family houses has been completed and children have started moving into these houses in a phased manner House warming ceremony was held on 26 April 2010
June 2010:	Construction completed in most material respects
July 2010:	31 children in the age group of 3-10 years old from different places of Raigad and Mumbai have moved in
Autumn 2010:	Official opening once all the families moved in



Welfare and protection of basic rights of underprivileged children is very personal to us. Therefore, besides having no tolerance for child labour, we regard our work with SOS Children's Villages ("SOS") for the past few years as another way of addressing the issue of child poverty and exclusion. SOS Children's Villages is an international non- governmental social development organisation that has been active in the field of children's rights and committed to children's needs and concerns since 1949. At the moment, SOS runs more than 2,000 projects and programmes in 132 countries and territories.

We picked India as a country to focus our efforts because of the 400 million children in India, of whom 40% live below the poverty line (INR 800 per child per month) and SOS Children Villages India has set a goal to support 100,000 children by the year 2016. Since the first SOS Children's Village built in Greenfields near Delhi in 1964, more than 14,000 children are now under long-term care in 31 SOS Children's Villages around India. Children without parental care are provided with long term family-based childcare.

Not only will the children in this SOS Children's Village be given support, but the Alibaug community will benefit from the SOS Social Centre which will be the hub of community empowerment focusing on socially and economically vulnerable families as well as their children.

With the foundation stone laid on 4 November 2008, the Alibaug SOS Children's Village is scheduled to open this Autumn. By which time, the 14 family houses and supporting infrastructure, including a kindergarten and a social centre will be ready. The kindergarten and social centre in the Alibaug SOS Children's Village will help more than 60 children and 500 caregivers and their children with a special focus on educating women.

While our SOS Children's Village is being built in Alibaug, our colleagues have been working on raising funds for the kids and their families in India.

- 2009 charity edition of the Esprit Advent calendar featuring a fairytale unicorn design with little chocolate surprises was developed in co-operation with chocolatier Lindt & Sprüngli, Germany and was sold in our retail stores across Germany and Austria from the beginning of November 2009 and from our business headquarters in Ratingen, Germany and in the e-shop at www.esprit.de. The calendars were sold at EUR9.95 each and raised a total of EUR60,030.

- The entire profits from the sample sales held at our business headquarters in Ratingen, Germany in December 2009 raised a total of EUR41,000 for the Greenfields-Anangpur project in India.

- Esprit Scandinavia organized "run kilometers" to raise funds for our SOS Children's Village. Each participant donated DKK1 or 2 for every kilometer they run and other team members make donations to the piggybank directly, raising a total of DKK3,200.

Esprit also supports 6 projects around Delhi that aim at strengthening families of origin and improving education and medical services.

Family strengthening programme
Socially excluded and marginalised families are at the verge of collapse in India due to extreme poverty, death of husbands/wives, separation and caregivers getting affected by fatal diseases. Thus, the primary goal of these programmes is to empower caregivers most of whom are women: courses advise them on how they can take charge of their own lives again. They get to know and protect their own rights and learn how to manage resources. This programme helps almost all women caregivers find an employment opportunity with which they can earn enough money to send their children back to school, provide for basic health and minimum nutrition. Besides that, in Faridabad, Greenfields and Bawana, over 1,400 children and their families received a subsidy for school fees and food, as well as basic medical care.

THE "TRUE MIRACLE"

Shonamati (15) and her brother Charan (13) had to grow up much too early. After the death of their parents, they had to struggle through life alone. At first their grandmother took care of them but after she died, they were left with the neighbours who gave them something to eat every now and then. Shonamati and Charan had to work on fields in order to secure themselves with at least something to eat and little money. Going to school was something they could not even dream of.

Shonamati and Charan live in Pawal, a small village around 55km from Delhi. Around 65% of the population in the region lived from farming. For many families, sending their children to school was completely beyond reach as they do not have any way to pay for the books and materials and even the school fees. To help these children, SOS launched an education project to provide children with access to basic school education.

At a meeting in Pawal, an SOS employee learnt about the misfortune of Shonamati and Charan. He visited the children together with the "Sarpanch", the head of village to see what could be done to help them with their future. For Shonamati and Charan, it was clear that they wished to remain in the village where they have their parent's house and the neighbouring community.

And SOS did something for Shonamati and Charan which they described as a "True Miracle" – instead of working in the fields, both of them can now go to school. They receive books, materials, school uniforms and money for school fees from the 'SOS Family Help Programme' and they have become very keen students. SOS has further managed to secure a small monthly orphan's allowance for the children to cover their basics.

Charan wants to later complete a traineeship in organic agriculture to learn more about grain farming. Shonamati says, "I heard that miracle exists, but this one really came true for us."

THE WORLD IS OUR CULTURE – ESPRIT ALSO CARES ABOUT OTHER PARTS OF THE WORLD

Taiwan - The Morakot typhoon wrought catastrophic damage in Taiwan on 8 August 2009, hundreds of people died and hundreds of thousands were made homeless.

Esprit Taiwan launched the "Morakot Typhoon Relief Day" campaign on 16 August 2009 at all Esprit stores and counters in Taiwan. NT$300 was donated to the Red Cross, ROC for every item sold at these stores and counters and successfully raised NT$1.3 million on the day.

Esprit did not stop there. Esprit Group donated approximately another NT$2 million, making a total of NT$3.3 million to help the victims in the disaster area through the Red Cross, ROC for immediate relief and future rebuilding efforts.

Hong Kong - Esprit Cares Trust (Hong Kong) sponsored the 22nd & 23rd Cup of Kindness Charity Day organized by the Hong Kong Golf Club (HKGC) held in September 2009 and to be held in October 2010 respectively. HKGC was established in 1889. The Cup of Kindness Charity Day has been held by the club every year since 1987 raising funds for charities in Hong Kong.

Germany - Esprit supported the "Event Prominent" charity gala held in Hamburg on 1 November 2009 by taking part in the charity fashion show, where 40 celebrities took the cat walk. The proceeds of the "Event Prominent" went to the Hamburg Leuchtfeuer hospice and the children's charity Dunkelziffer.

China - Esprit Cares Trust (Hong Kong) donated HK$200,000 to the China Literacy Foundation Limited in December 2009 to help the disadvantaged children in the very poor rural regions of China.

Hong Kong - Esprit Cares Trust (Hong Kong) participated in the Corporate Contribution Programme organized by The Community Chest of Hong Kong. HK$1 million was donated to the chest in January 2010 and received a platinum award from the chest as recognition to our contribution to the community and registered charities of Hong Kong.

Haiti - The Haiti earthquake on 12 January 2010 was a catastrophic magnitude 7.0 Mw earthquake with 52 aftershocks measuring 4.5 Mw or greater within the following two weeks were recorded. Hundreds of thousands of people died and approximately a million were made homeless. SOS Children's Villages, together with other organisations, started emergency programmes for unaccompanied children to provide them with safe drinking water, food, clothes, emergency health care, sanitation and safe shelter for children.

Esprit acted immediately and organised an international fund raising campaign on 23 January 2010 raising a total of EUR115,000 which went towards SOS Children's Villages in Haiti via Esprit Cares Trust (Hong Kong) in the same month.

Hong Kong - Esprit Hong Kong has participated in the charity walkathon organized by the Hong Kong Blind Sports Association Limited (HKBSA) in April 2010. Approximately HK$5,000 was raised and donated to HKBSA who serves over 126,000 visually impaired persons and promotes equal participation and sports for all.

China - The Qinghai earthquake on 14 April 2010 was a catastrophic magnitude 6.9 Mw earthquake. It killed over 2,000 people and leaving tens of thousands people injured. Esprit Cares Trust (Hong Kong) acted immediately and donated RMB1 million to the Red Cross China for the benefit of the victims of the Qinghai earthquake in the same month.

CHANGING THE WORLD WITH ONE PICTURE

Launched on 8 September 2008 by the Kumulus e.V. organisation and in cooperation with the United Nations ("UN") Millennium Campaign, the "Chasing the Dream" photo contest was launched with the motto "Germany in the light of the eight development goals ("MDG")" which edc by Esprit once again supported in 2009. This interactive photo contest asked young individuals to stop just being observers and start showing others how they perceive the world. It is our hope that by participating in the photo contest, we could provide a platform for young individuals to express their thoughts, words and pictures, thus bringing UN development goals to a wider audience in Germany.

FOSTERING TALENT

FFC Ratingen & Esprit
Shirts, shorts and socks were developed for the players and goalkeeper of the first Ratingen Women's Football Club (FFC Ratingen) as part of a project by trainees from design, technical design, engineering and buying. The new colourful and powerful themed Esprit-sponsored home and away uniforms allow the FFC Ratingen to completely stand out from the crowds. The high quality and comfort of the uniforms also allow the FFC Ratingen to perform at their best.

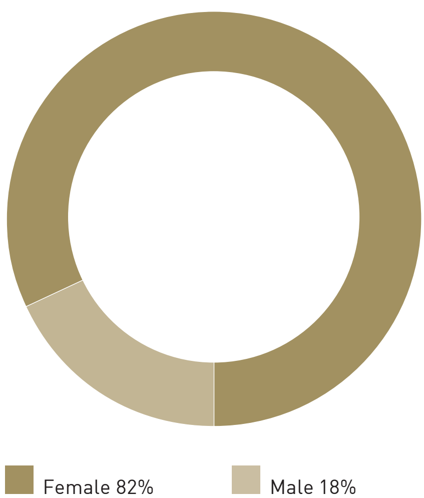
By my valentine
This special Valentine edition which includes a soft cotton panty in mauve for women and dark blue shorts for men both with hand-written poetry evolved from a trainee project. The result was so impressive that the Bodywear division decided to produce the styles for retail.

05.4 WOULD YOU LIKE TO WORK FOR A COMPANY THAT VALUES ITS EMPLOYEES?

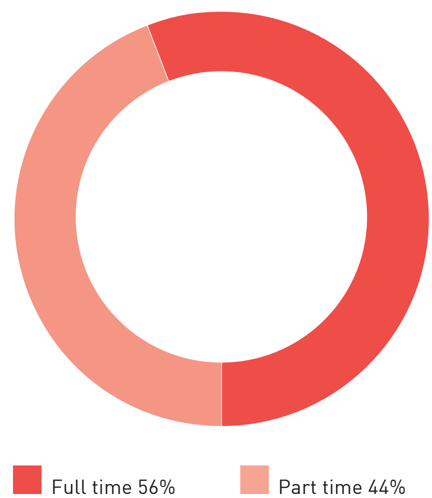
- We are committed to personal integrity and respect for each person.
- We do not tolerate discrimination of any kind whether based upon age, colour, disability, marital status, national origin, citizenship, race, religion, sex, sexual orientation, veteran status or other factors.
- We respect employees' right to collective bargaining.
- The above, as well as any possible conflicts of interest, are governed by our Code of Conduct.

KEY EMPLOYEE STATISTICS IN FY 09|10

Share of Female Employees in FY 09|10

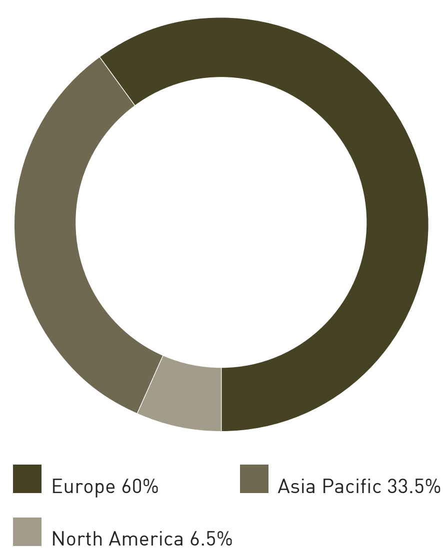


Share of Full Time vs Part Time Employees in FY 09|10



Share of Employees with Permanent Contracts in FY 09|10

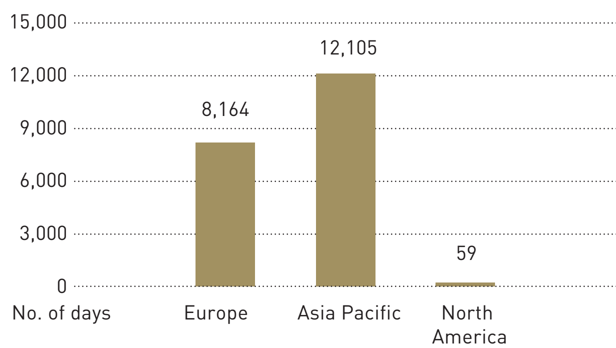
Employees by Region in FY 09|10



EMPLOYEE TRAINING AND DEVELOPMENT

We want our employees to grow within Esprit. On one hand, we have the structured management trainee programmes in our headquarters in Ratingen and Hong Kong to breed the young and talented. On the other hand, all our staff are given induction training when they join Esprit. From then onwards, they are encouraged to attend both internal and external workshops. New training programmes are rolled out every few months. The topics covered range from soft skills like how to be good supervisors to technical skills such as IT skills or languages.

Training Days by Region*



* Number of training days is calculated by the total number of one day equivalent of training attended by our employees per region.

BENEFITS

We make every effort into ensuring that employees are fairly compensated for their efforts. In most countries, our staff welfare packages are in line with market practice.

Our staff welfare is multi-facet, for example:

- In our Hong Kong office, in addition to the maternity leave given to female employees, full paid paternity leave is also available to any full time employee whose wife is expecting or has delivered a new baby.
- In our Ratingen headquarters, employees, customers and visitors get to enjoy healthy food without compromising their taste buds because bio-food is served in our e-lounge. Our bio-food has been certified by the Gesellschaft für Ressourcenschutz mbH (GfRS) (Germany) which is an organisation within the European Union that audits the integrity of products from organic agriculture.

INTERNAL PROMOTION

Besides bringing in talents from the outside to reinvigorate the Company, we firmly believe in breeding talents internally. This year, there have been more than 808 internal promotions across all countries. Amongst those, Thomas Kainz, who has been working for Esprit for 15 years was promoted to the position of Country Manager Austria during FY 09|10.

Retention of our staff is another key objective. In every Esprit News, the internal global newsletter, we celebrate those long-serving staff by listing out the number of years they have been in the Esprit family, many over 20 or even 30 years!

INCENTIVES

We want to breed a meritocratic culture as competition leads to excellence. Therefore, on top of the basic staff package, employees receive bonuses and share options subject to their performance.

At the same time, a "Bowling Night" was organized in Australia celebrating exceptional sales results achieved by the Australia stores.

WORKING CAN BE FUN

Life should not be all work. We put our efforts into making life within the Esprit family fun for our staff around the world. We hold countless recreational events every year. An example will be hosting Annual Dinners each year giving every staff an opportunity to celebrate their own achievements and showcase their talents. Individual departments normally have parties celebrating the major festive seasons. Not only that, we have also rented cinemas at times to host Esprit movie-nights. On a day-to-day basis, there are groups of Esprit staff in different parts of the world playing badminton, tennis, lawn bowls and soccer under Company sponsorship.

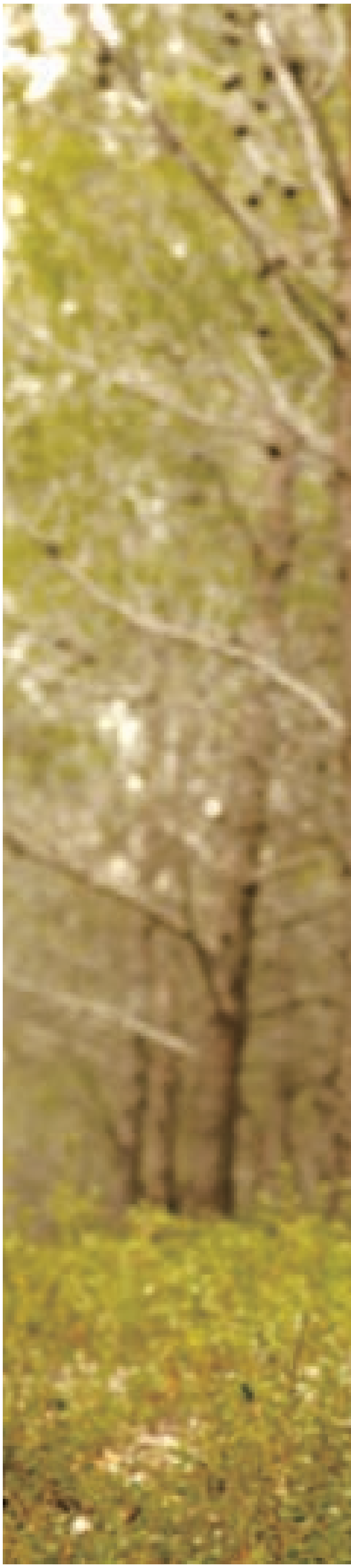
COMMUNICATION

Communication is fundamental in a global company. Our global newsletter, Esprit News, which updates employees on what is happening within Esprit around the world, is published four times a year. We also use it as a platform to educate our staff. In each newsletter we write about the facts of a country with Esprit footprint, which is almost everywhere. Limited hardcopies of Esprit News are circulated in different departments but we encourage employees to access the newsletter via the intranet.

05.5 WHO ARE WE TO JUDGE?

"Our THANKS go to ESPRIT for their long term commitment to support cause of Children in need. This support enables us to establish SOS Children's Village Alibaug – India in the year 2010. 140 odd children who have lost their families and home will find a new SOS Family and home in the Village. From the Village we will support over 600 children and their families in the neighboring community providing them essential services of Education, Health especially Nutrition and immunization and various livelihood programme. All this is possible because of a committed and responsible partner ESPRIT"

SIDDHARTHA KAUL//DEPUTY SECRETARY GENERAL – ASIA, SOS-KINDERDORF INTERNATIONAL, CONTINENTAL OFFICE FOR ASIA



06
CORPORATE GOVERNANCE

06.1 CORPORATE GOVERNANCE REPORT

Esprit is committed to achieving high standards of corporate governance. The Esprit Corporate Governance Code was adopted by the board of directors (the "Board" or the "Director(s)") of the Company aiming at providing greater transparency, quality of disclosure as well as more effective risk and internal control. The execution and enforcement of the Company's corporate governance system is monitored by the Internal Audit Department with regular assessments. We believe our commitment in high standard practices will translate into long-term value and ultimately maximising returns to shareholders. Management pledge to building long-term interests for shareholders via, for example, conducting business in a socially responsible and professional manner.

Our commitment to excel in corporate governance is manifested in four major areas, namely, through our ownership structure, ensuring board independence and effectiveness, maximum transparency and disclosure, audit, control and risk management.

OWNERSHIP STRUCTURE

The Company is publicly owned with no controlling shareholder present. This ownership structure minimises any conflicts of interest.

The majority of the Board consists of Independent Directors with less than one third being Executive Directors. In addition, all the Directors bring in a wealth of experience and no controlling shareholder is present on the Board ensuring decisions are made fairly and without conflicts of interest.

BOARD INDEPENDENCE AND EFFECTIVENESS

Protecting shareholder value

The Board's primary role is to protect and enhance long-term shareholder value. It focuses on the Group's overall strategic policy, monitors performance and provides proper supervision to ensure proper business conduct and effective management of the highest quality. The Board views that the collective and individual responsibilities of the Directors to all shareholders for the manner in which the affairs of the Company are managed, controlled and operated are important.

Clear distinction between the responsibilities of the Board and management

The Board plays a key role in structuring and monitoring the reporting systems and internal controls, while allowing management substantial autonomy to run and develop the business.

Decisions reserved for the Board are mainly related to:
- The long-term objectives and strategy of the Group;
- Monitoring the performance of management;
- Ensuring that a framework of prudent and effective internal controls is in place to enable risks to be assessed and managed;
- Monitoring the quality and timeliness of external reporting; and
- Monitoring the compliance with applicable laws and regulations, and also with corporate governance policies.

Membership

The Board comprises of nine directors. Following the re-designation of Heinz Jürgen KROGNER-KORNALIK as Non-executive Chairman on 30 June 2010, the Board now comprises of two Executive Directors with the remaining seven being Non-executive Directors, of whom five are independent. The Non-executive Directors come from diverse business and professional backgrounds, ranging from international retailers, apparel industry experts to bankers and professional accountants, bringing with them valuable expertise and experience that promote the best interests of the Group and its shareholders. Independent Non-executive Directors ensure the Board accounts for the interests of all shareholders and subject matters are considered in an objective manner. The Company has received confirmation of independence from each Independent Non-executive Director as set out in Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and continues to consider each of them to be independent.

Under the code provision A.4.1 of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules, 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 ("AGM") and each Director is effectively appointed under an average term of three years.

Under the Company's Bye-law 87, one-third of the Directors must retire, thus becoming eligible for re-election at each AGM. This year, Mr Paul CHENG Ming Fun, Mr Alexander Reid HAMILTON and Mr Raymond OR Ching Fai will retire at the forthcoming AGM and all being eligible, offer themselves for re-election. The biographical details of the retiring Directors will be set out in the circular to shareholders of the Company to assist shareholders in making an informed decision on their re-elections. None of the Directors standing for re-election at the forthcoming AGM has a service contract with any member of the Group which is not determinable by the relevant employer within one year without payment of compensation (other than statutory compensation).

Neither Mr Paul CHENG Ming Fun, Mr Alexander Reid HAMILTON nor Mr Raymond OR Ching Fai has entered into a service contract with any member of the Group. They have no fixed term of service with the Company and are subject to retirement by rotation and re-election in accordance with the Company's Bye-laws.

Board Committees

To oversee particular aspects of the Company's affairs and to assist in the execution of its responsibilities, the Board has established four Board Committees, namely the Audit Committee, the Nomination Committee, the Remuneration Committee and the General Committee. Terms of reference of the Audit Committee, the Nomination Committee and the Remuneration Committee are available on the Company's website. A summary of the membership and responsibilities of each committee is included below:

Audit Committee

Members
Alexander Reid HAMILTON (Chairman)
Paul CHENG Ming Fun
Dr Hans-Joachim KÖRBER
Raymond OR Ching Fai
Francesco TRAPANI (appointed on 1 January 2010)
Jürgen Alfred Rudolf FRIEDRICH (resigned on 1 January 2010)

Responsibilities
- Provide an independent review of the effectiveness of the financial reporting process including the adequacy of the resources, qualifications, experience of staff of the accounting and financial reporting function, and their training programmes and budget and the internal control and risk management systems;
- Review of financial information of the Company; and
- Oversee the audit process and perform other duties as assigned by the Board.

The Audit Committee is provided with sufficient resources to discharge its duties and meets regularly with management, internal auditors and external auditors and reviews their reports. During the financial year, the Audit Committee reviewed the interim results and the annual results of the Group for the year ended 30 June 2010 as well as the accounting principles and practices adopted by the Group. It also reviewed the nature, scope and findings of internal and external audits, and the Company's treasury activities, liquidity and risk management. Our finance function head, the external auditors, internal auditors and senior management attended the meetings to answer any questions raised by the Audit Committee.

Nomination Committee

Members
Paul CHENG Ming Fun (Chairman)
Heinz Jürgen KROGNER-KORNALIK
Jürgen Alfred Rudolf FRIEDRICH (appointed on 1 January 2010)
Dr Hans-Joachim KÖRBER
Francesco TRAPANI (resigned on 1 January 2010)

Responsibilities
- Review and recommend the structure, size and composition of the Board;
- Identify and recommend individuals suitably qualified to become Board member(s);
- Assess the independence of Independent Non-executive Directors;
- Recommend to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors;
- Keep under review the leadership needs of the organisation with a view to ensuring the Company to compete effectively in the market place; and
- Make recommendations concerning membership of the Audit Committee, the Remuneration Committee and the General Committee.

In evaluating whether an appointee is suitable to act as a Director, the Board will consider the skills and expertise of the appointee, as well as personal ethics, integrity and the willingness to commit time to the affairs of the Group. Where the appointee is appointed as an Independent Non-executive Director, the Nomination Committee will also consider his/her independence.

Remuneration Committee

Members
Raymond OR Ching Fai (Chairman)
Heinz Jürgen KROGNER-KORNALIK
Alexander Reid HAMILTON
Francesco TRAPANI

Responsibilities
- Recommend to the Board the Group's policy and structure for all remuneration of Directors and Senior Management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;
- Determine specific remuneration packages of all Executive Directors and Senior Management;
- Review and approve the compensation payable to Executive Directors and Senior Management in connection with any loss or termination of office or appointment; and those in connection with dismissal or removal of Directors for misconduct;
- Recommend remuneration for Non-executive Directors;
- Review and approve performance-based remuneration of Executive Directors and Senior Management;
- Review the design of share incentive schemes for approval by the Board and shareholders; and
- Ensure that no Director or any of his associates is involved in deciding his own remuneration.

With respect to future share option grants, the Remuneration Committee has adopted a performance benchmarking system based on achievement of the Group's budget which is approved by the Board for the award of share options to the management.

General Committee

Members
Ronald VAN DER VIS
CHEW Fook Aun
Heinz Jürgen KROGNER-KORNALIK (resigned on 30 June 2010)

Responsibilities
Discuss, consider and approve routine corporate administrative matters of the Company such as:

- Issue statements regarding unusual movements in price and/or trading volume of the shares of the Company;
- Respond to routine enquiries from The Stock Exchange of Hong Kong Limited relating to the continuing obligations of the Company under the Listing Rules;
- Routine acknowledgement of the notification of dealing in the Company's securities from the Chairman pursuant to Appendix 10 of the Listing Rules;
- Routine administration of (i) the 2001 Share Option Scheme and (ii) the 2009 Share Option Scheme;
- Issue of new shares upon exercise of share options granted under the share option schemes adopted by the Company;
- Implement share repurchase strategy upon approval by the Board in accordance with the delegated authority;
- Determine at the request of management any person or persons who may be regarded as "relevant employees" pursuant to the Guidelines Regarding Securities Transactions by Employees of the Company; and
- Other administrative matters.

BOARD INDEPENDENCE AND EFFECTIVENESS (continued)

Board meetings and minutes

The Board conducts at least four regular Board meetings a year and additional meetings are held as and when required to discuss significant events or important issues. Sufficient notice is given for regular Board meetings to all Directors enabling them to attend and reasonable notice will be given in case of special Board meetings. The Group ensures that appropriate and sufficient information is provided to Board members in a timely manner to keep them abreast of the Group's latest developments thereby assisting them in the discharge of their duties. Minutes of the Board, the Audit Committee, the Nomination Committee, the Remuneration Committee and the General Committee are kept by the Company Secretary, which are open for inspection following reasonable notice by any Director.

Minutes of the Board meetings and Board Committee meetings have been recorded in sufficient detail including any matters considered in the meetings, decisions reached and concerns or queries raised by the Directors or dissenting views expressed. Draft and final versions of minutes of the Board and other Board Committees are sent to all Directors or committee members for comments and records respectively within a reasonable time after the meeting.

The attendance of individual members of the Board and other Board Committees meetings during the financial year ended 30 June 2010 is set out in the table below:

Meetings attended/held

Directors	Board	Audit Committee	Nomination Committee	Remuneration Committee	General Committee
Executive Directors					
Ronald VAN DER VIS	4/4				22/22
CHEW Fook Aun	4/4				22/22
Non-executive Directors					
Heinz Jürgen KROGNER-KORNALIK (re-designated as Non-executive Director with effect from 30 June 2010)	4/4		1/1	4/4	22/22
Jürgen Alfred Rudolf FRIEDRICH	4/4	2/2*	0/0*		
Independent Non-executive Directors					
Paul CHENG Ming Fun	4/4	4/4	1/1		
Alexander Reid HAMILTON	4/4	4/4		4/4	
Dr Hans-Joachim KÖRBER	4/4	4/4	1/1		
Raymond OR Ching Fai	4/4	4/4		4/4	
Francesco TRAPANI	4/4	2/2#	0/1#	3/4	

* Mr FRIEDRICH was appointed as member of Nomination Committee and has resigned as member of Audit Committee, both with effect from 1 January 2010.
# Mr TRAPANI was appointed as member of Audit Committee and has resigned as member of Nomination Committee, both with effect from 1 January 2010.

Roles of different Directors

The role of the Board's Chairman is to provide leadership in order to enable the Board to discharge its function effectively, while the Chief Executive Officer focuses on managing and controlling the business of the Group. The roles of the Board's Chairman and the Chief Executive Officer are clearly outlined to ensure there is a key distinction between the two positions.

Non-executive Directors on the other hand play an important role in the Audit Committee, the Nomination Committee and the Remuneration Committee to ensure independent and objective views are expressed and to promote critical review and control. The three committees are all chaired by Independent Directors and its members are all Non-executive Directors with a majority being largely independent to avoid conflicts of interest for Executive Directors. The independence of the Board has risen over the years, as shown with the increased number of Independent Directors from three (total of ten Directors) in FY 05|06 to five (total of nine Directors) as it currently stands.

The Board's prime objective is to increase shareholders' value in an ethical and sustainable manner. Thus, focuses are placed on selecting the most capable executives to operate the Company. The Board aims to operate in a transparent manner in terms of succession of executive management.

The corporate governance of the Board has been further strengthened with the separation of the roles of the Chairman and the Group CEO on 1 November 2009 and the subsequent redesignation of the Executive Chairman to Non-executive with effect from 30 June 2010.

Professional advice

The Company has established a policy enabling all Directors to seek independent professional advice in appropriate circumstances, at the Company's expense. The Board provides separate independent professional advice to Directors to assist the relevant Director or Directors to discharge their duties to the Company as and when requested or necessary.

TRANSPARENCY AND DISCLOSURE

Shareholders engagement

Shareholders holding not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company can submit a signed written requisition, specifying the objectives, to the Board or the Company Secretary to require the convening of a special general meeting ("SGM") and deposit the requisition at the Company's Hong Kong head office at 43/F, Enterprise Square Three, 39 Wang Chiu Road, Kowloon Bay, Kowloon, Hong Kong.

Voting by poll

The Company's shareholders are adequately informed of their rights and the procedures to demand voting by poll in general meetings at which their approvals are sought through disclosure in the Company's circulars to shareholders.

At the 2009 AGM, the Chairman of the meeting demanded voting by poll on all resolutions put forth at the meeting. The procedures for demanding a poll by the shareholders were set out in the circular sent to the shareholders in the time stipulated and were explained to the shareholders on commencement of the 2009 AGM. Tricor Secretaries Limited, the Company's branch share registrar in Hong Kong, was appointed as the scrutineer for voting by poll at the 2009 AGM to ensure the votes were properly counted.

While it was only since 1 January 2009 that Rule 13.39(4) has become effective which sets out that any vote of shareholders at a general meeting must be taken by poll, we have been voting by poll on all resolutions since 2003.

Transparency of information

The Company recognises the importance of timely and non-selective disclosure of information. Latest information on the Company including annual and interim reports, announcements and press releases, presentations, and webcasts are updated on Esprit's Investor Relations website (www.espritholdings.com) in a timely manner.

Esprit actively distributes information on the final and interim results to shareholders through email alerts. In addition, a press conference is organised to ensure that members of the public has access to first-hand information on the results announcement. A live webcast is available along with an archive of the webcast on Esprit's Investor Relations website so that the results presentation is easily and readily accessible to individuals all over the world in English.

Esprit is committed to a timely disclosure of information. For instance, final results are announced around 2 months from year end and interim results around 1 month from period end. Aside from annual and interim reports, since 2009 Esprit has voluntarily commenced releasing quarterly sales update to further increase the transparency of the Company. Since 2004, Esprit has adopted the International Financial Reporting Standards in order for the financial results to be comprehended by international audiences in a consistent manner. Another illustration of the Company's efforts in enhancing shareholders' understanding in its operation is the inclusion of a glossary of the terms commonly used within Esprit since last year's Annual Report.

Maintaining a two-way communication with shareholders is one of the main goals of Esprit and the Company's AGM is one platform for shareholders to exchange views directly with the Board. Poll results are made publicly available on the same day of the meeting, typically in the space of a few hours, again to ensure the timely disclosure of information.

Pro-active investor relations

To ensure our investors have a better understanding of the Company, our management engages in a pro-active investor relations programme. Our Group CFO and Investor Relations Department communicate with research analysts and institutional investors in an on-going manner. In addition, our Executive Directors meet with research analysts and the press after our results announcements, attend major investors' conferences and participate in international non-deal roadshows to communicate the Company's financial performance and global business strategy.

TRANSPARENCY AND DISCLOSURE (continued)

Conferences attended in FY 09|10

Month	Event	Organiser	Location
August 2009	FY 08|09 Post Final Results Roadshow	Credit Suisse Morgan Stanley	Hong Kong
August-September 2009	UBS Best of Asia Conference 2009	UBS	New York London
September 2009	CLSA 16th Investors Forum	CLSA	Hong Kong
October 2009	Non-Deal Roadshow	Daiwa	Tokyo
November 2009	CLSA Consumer Access Day	CLSA	Hong Kong
November 2009	Morgan Stanley Asia Pacific Summit 2009	Morgan Stanley	Singapore
November 2009	Deutsche Bank Access Greater China Corporation Days	Deutsche Bank	Hong Kong
December 2009	Non-Deal Roadshow	Macquarie	Sydney Melbourne
February/March 2010	FY 09|10 Post Interim Results Roadshow	Goldman Sachs JP Morgan Deutsche Bank HSBC Mitsubishi UFJ	Hong Kong New York London Singapore Tokyo
March 2010	CSFB Asian Investment Conference 2010	CSFB	Hong Kong
April 2010	Macquarie China Conference 2010	Macquarie	Hong Kong
May 2010	Morgan Stanley Investor Summit 2010	Morgan Stanley	Hong Kong
May 2010	Bank of America Merrill Lynch Asian STARS 2010	Merrill Lynch	Singapore
June 2010	UBS Consumer Day 2010	UBS	Hong Kong

Awards in FY 09|10

Month	Recognition	Awarding party
August 2009	Top 500 Global Chinese Enterprises 2009 (Ranked 200)	World Eminence Chinese Business Association
September 2009	Silver Awards, Best Overall Annual Report (Retail Fashion Category)	International ARC Awards
November 2009	2009 HKMA Best Annual Reports Awards, "Citation for Design" sub-category	The Hong Kong Management Association
November 2009	Asia's Best Companies 2009 "Best Consumer Company in Asia" "Best Corporate Governance in Hong Kong" "Best Managed Company (ranked 3rd) in Hong Kong"	Finance Asia
December 2009	Hong Kong Corporate Governance Excellence Awards 2009, "Main Board Companies: Hang Seng Index Constituent Companies" category	The Chamber of Hong Kong Listed Companies
December 2009	Hong Kong Outstanding Enterprises of 2009	Economic Digest
December 2009	Platinum Award for All-Round Excellence in Financial Performance, Management, Corporate Governance, Social Responsibility, Environmental Responsibility and Investor Relations	The Asset
January 2010	Global Chinese Business 1000 Hong Kong Region – Top 20	YaZhou ZhouKan
May 2010	Best Mid-Cap in Hong Kong (ranked 2nd) Best Investor Relations in Hong Kong (ranked 6th)	Finance Asia
June 2010	6th Corporate Governance Asia Recognition Awards 2010 – The Best of Asia	Corporate Governance Asia

In November 2009, our Deputy Chairman, Mr Paul CHENG Ming Fun, was awarded the "Director of the Year Award" in the Hang Seng Index Constituents – Non-Executive Director category by The Hong Kong Institute of Directors.

American Depositary Receipt Programme

During the year, the Company has successfully established a Level 1 sponsored American Depositary Receipt programme with details as stated hereunder.

Symbol	ESPGY
CUSIP	29666V204
Ratio	1 ADR: 2 Ordinary shares
Country	Hong Kong
Effective Date	18 November 2009
DR ISIN	US29666V2043
Depositary	BNY Mellon

Since the establishment in November 2009, the number of outstanding ADRs has increased by over 40% as at 30 June 2010.

Compliance with the Code on Corporate Governance Practices

The Company has applied the principles and complied with the Code throughout the year ended 30 June 2010, except that: (i) Non-executive Directors of the Company do not have specific terms of appointment as detailed above (code provision A.4.1); and (ii) the roles of chairman and chief executive officer is performed by the same individual as noted below (code provision A.2.1).

The Company is now in compliance with code provision A.2.1 of the Code. With effect from 1 November 2009, Mr Ronald VAN DER VIS has been appointed as the new Group CEO, and Mr Heinz Jürgen KROGNER-KORNALIK has stepped down from his position as Group CEO and remains in his role as Executive Chairman until his re-designation as Non-executive Chairman with effect from 30 June 2010.

The Esprit Corporate Governance Code has been adopted by the Board of the Company throughout the financial year ended 30 June 2010 which ensures greater transparency and quality of disclosure as well as more effective risk control.

AUDIT, CONTROL AND RISK MANAGEMENT

A sound internal control system minimises the Group's risk exposure while facilitating the effectiveness and efficiency of its operations. The system is independently reviewed on an on-going basis so that practical and effective control systems are implemented. Such controls aim to provide reasonable assurance in protecting material assets and in identifying, monitoring and managing risks associated with its business activities. The Group has implemented practical and effective control systems including:

- A tailored organisational and governance structure with clearly defined lines of responsibility;
- Effective budgeting and forecasting systems for performance measurement and monitoring of business units;
- A quarterly review of performance by the Audit Committee and the Board;
- Global protection of the Group's intellectual property rights;
- Group wide insurance programs as a measure to minimise risks; and
- A global cash management system for the enhancement of control and yield of cash assets.

In addition, the on-going risk assessment also serves as a mechanism that enables us to maintain the strength in our internal control system.

Internal audit function

The Company's Internal Audit function ("Internal Audit") is responsible for performing regular and systematic reviews of internal control system. The reviews provide reasonable assurance that the internal control system continues to operate satisfactorily and effectively within the Group and the Company. The attainment of such objectives involves the following activities being carried out by Internal Audit:

- Reviewing and appraising the soundness, adequacy and application of accounting, financial and other controls and promoting effective control in the Group and the Company;
- Ascertaining the extent of compliance with established policies, procedures and statutory requirements;
- Ascertaining the extent to which the Group's and the Company's assets are accounted for and safeguarded from losses of all kinds;
- Appraising the reliability and usefulness of information for reporting to management;
- Recommending improvements to the existing system of internal control; and
- Carrying out investigations and special reviews requested by management and/or the Audit Committee of the Company.

As an example, a High Level Risk Analysis is conducted every three years to identify and document any risks and risk control measures. These risk control measures are tested annually by the Internal Audit team and findings are reported to the Audit Committee on an annual basis. To supplement the in-house Internal Audit, an outside professional firm is appointed to perform periodic internal audits and the reports are presented to the Audit Committee.

AUDIT, CONTROL AND RISK MANAGEMENT (continued)

Other control and management

The Company has a Code of Conduct which sets out the rules applicable in matters of professional ethics, with a view to promote responsible and ethical practice in the conduct of its business. The Code of Conduct is made available to every employee of the Company to ensure a unified and consistent practice. Furthermore, the Company has established written guidelines in respect to securities transactions by relevant employees to ensure there are no improper dealings.

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") contained in Appendix 10 of the Listing Rules.

The Company has made specific enquiry with all Directors and all of them confirmed that, for the financial year ended 30 June 2010, they have complied with the required standard set out in the Model Code.

In addition to its investors, the Company is concerned about other stakeholders and for years has factored in corporate social responsibility into every business decision. In an effort to provide more clarity on the Company's corporate social responsibility efforts, more details have been incorporated into this Annual Report within 05 Sustainability to Esprit.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for overseeing the preparation of the consolidated financial statements for the year ended 30 June 2010, to ensure that they give a true and fair view of the state of affairs of the Group and of its profit and cash flows for that financial year. In reviewing the consolidated financial statements for the year ended 30 June 2010, the Directors are satisfied that Management have selected appropriate accounting policies, applied them consistently in accordance with the International Financial Reporting Standards and made judgments and estimates that are prudent and reasonable, and have prepared the consolidated financial statements on the going concern basis.

The Directors are responsible for ensuring the maintenance of proper accounting records, safeguarding of the assets of the Company and taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS' REMUNERATION

A summary of fees for audit and non-audit services to the external auditors for the financial years ended 30 June 2010 and 30 June 2009 is as follows:

Nature of the services	**2010 HK$ million**	2009 HK$ million
Audit services	**14**	13
Other services	**8***	1#
	22	14

* Non-audit service fees incurred for the year ended 30 June 2010 were mainly for acquisition of 51% interest in the China joint venture, IT system implementation, tax compliance and related services, and advisory services in relation to employee benefits.

\# Non-audit service fees incurred for the year ended 30 June 2009 were mainly for tax compliance and related services, and advisory services in relation to employee benefits and IT system implementation.

06.2 REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their annual report and the audited consolidated financial statements for the year ended 30 June 2010.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of the principal subsidiaries are shown in note 32 to the consolidated financial statements. The Group is principally engaged in wholesale and retail distribution and licensing of quality fashion and life-style products designed under its own internationally-known Esprit brand name.

RESULTS AND APPROPRIATIONS

The results of the Group and appropriations of the Company are set out in the consolidated income statement on page 101 and in the accompanying notes to the consolidated financial statements.

The interim dividend of HK$0.74 per share, with an option to receive in form of new fully paid shares of the Company, totaling HK$946 million was paid on 12 April 2010. 5,973,081 ordinary shares were issued at a dividend reinvestment price of HK$55.97 amounting to approximately HK$334 million on 12 April 2010 pursuant to the scrip dividend reinvestment scheme for the interim dividend. Net cash of approximately HK$612 million was paid for the interim dividend on 12 April 2010.

The Directors recommend the payment of a final dividend of HK$0.67 per share with an option to receive the dividend in form of new fully paid shares of the Company. Details are set out in note 10 to the consolidated financial statements.

RESERVES

Movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 105 and in note 31 to the consolidated financial statements respectively.

SHARE CAPITAL

During the year, 4,875,000 (2009: 4,607,000) ordinary shares of HK$0.10 each were issued in relation to the share options exercised by Directors and employees under the share option scheme of the Company adopted on 26 November 2001 at exercise prices in the range of HK$14.60 to HK$47.10 each (representing a premium in the range of HK$14.50 to HK$47.00 each) and no ordinary share of HK$0.10 each was issued in relation to the share option scheme of the Company adopted on 10 December 2009. Further details of movements in share capital of the Company are set out in note 21 to the consolidated financial statements.

During the year, the Company issued 31,347,945 ordinary shares pursuant to the scrip dividend reinvestment scheme for the final dividend and the mandatory scrip dividend for the special dividend for the year ended 30 June 2009. 5,973,081 ordinary shares were issued pursuant to the scrip dividend reinvestment scheme for the interim dividend for the year ended 30 June 2010.

FINANCIAL SUMMARY

A summary of the consolidated results and the consolidated balance sheets of the Group for the last ten financial years is set out on pages 144 and 145 respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

PENSION SCHEMES

Particulars of pension schemes of the Group are set out in note 12 to the consolidated financial statements.

PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 30 June 2010 are set out in note 32 to the consolidated financial statements.

CHARITABLE DONATIONS

During the year, the Group made charitable donations totaling HK$9.5 million.

Particulars of the charitable initiatives undertaken by the Group are set out in the section headed "Sustainability to Esprit" on pages 63 to 74 to this report.

DIRECTORS

The Directors of the Company during the financial year and up to the date of this report are:

Executive Directors

Ronald VAN DER VIS (Group Chief Executive Officer)
CHEW Fook Aun (Group Chief Financial Officer)

Non-executive Directors

Heinz Jürgen KROGNER-KORNALIK (Non-executive Chairman)
Jürgen Alfred Rudolf FRIEDRICH

Independent Non-executive Directors

Paul CHENG Ming Fun (Deputy Chairman)
Alexander Reid HAMILTON
Dr Hans-Joachim KÖRBER
Raymond OR Ching Fai
Francesco TRAPANI

The Company has received written confirmation from each of the Independent Non-executive Directors confirming their independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), and considers them to be independent.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Executive Directors

Ronald VAN DER VIS, aged 42, has been appointed as Executive Director on 22 June 2009 and was appointed as Group Chief Executive Officer on 1 November 2009. He is responsible for the overall management and control of the business of the Group. He has over 10 years experience as chief executive officer in brand building and retail in an international environment. He holds a Bachelor Degree in Business Administration from Nyenrode University, Netherlands, and a Master of Business Administration Degree (with Honours) from the Manchester Business School, University of Manchester, United Kingdom. Before joining the Company, Mr VAN DER VIS had worked for over 10 years in various senior management positions in Pearle Europe B.V., a leading international optical retail group and had been serving as its chief executive officer since January 2004. Mr VAN DER VIS is an independent non-executive director of Sonova Holding AG.

CHEW Fook Aun, aged 48, has been an Executive Director and Group Chief Financial Officer since 1 February 2009. He has over 25 years of experience in accounting, auditing and finance in the United Kingdom and Hong Kong. He is a graduate of the London School of Economics and Political Science of the University of London in the United Kingdom and holds a Bachelor of Science (Economics) degree from the University of London. Mr CHEW is the Vice President and a Council member of the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Mr CHEW is also a fellow member of the HKICPA and the Institute of Chartered Accountants in England and Wales. He is a member of the advisory committee of the Securities and Futures Commission, the corruption prevention advisory committee of the Independent Commission Against Corruption, the standing committee on company law reform of the Hong Kong Companies Registry and the Financial Reporting Council of Hong Kong. Mr CHEW was an executive director and chief financial officer of The Link Management Limited, manager of The Link Real Estate Investment Trust, from 1 February 2007 to 16 January 2009. He was also the chief financial officer of Kerry Properties Limited from 1996 to 2004, a director of corporate finance for Kerry Holdings Limited from 1998 to 2004 and the executive director responsible for the property portfolio for Kyard Limited from 2004 to 2007.

Non-executive Directors

Heinz Jürgen KROGNER-KORNALIK, aged 69, is a Non-executive Director and the Chairman of the Board. He has been with the Group since January 1995. He became Chairman of the Board with effect from 5 December 2006. He was Group Chief Executive Officer from 1 November 2002 until he handed over the role and responsibilities of Group Chief Executive Officer to Mr Ronald VAN DER VIS on 1 November 2009 and remained as Executive Chairman until his re-designation as Non-executive Chairman on 30 June 2010. In his role as Non-executive Chairman, Mr KROGNER is primarily responsible for the overall corporate direction and strategy of the Group and providing leadership to the Board to discharge its functions effectively. He possesses a degree in business administration and industrial engineering. He was a consultant with Kurt Salmon Associates in a variety of areas, including production, organization, marketing, strategy and brand positioning, as well as with several textile firms, always in executive positions, before joining the Group.

Paul CHENG Ming Fun, aged 73, has been an Independent Non-executive Director of the Company since November 2002 and became Deputy Chairman of the Company effective from 20 July 2008. Mr CHENG is also an independent non-executive director of several companies which are listed on The Stock Exchange of Hong Kong Limited, and the AIM Board of the London Stock Exchange. He was a former member of the Hong Kong Legislative Council as well as Chairman of Inchcape Pacific Limited, N M Rothschild & Sons (Hong Kong) Ltd., The Link Management Limited, the Hong Kong General Chamber of Commerce, and the American Chamber of Commerce in Hong Kong. He is currently an Honorary Steward of the Hong Kong Jockey Club.

Jürgen Alfred Rudolf FRIEDRICH, aged 72, founded Esprit's European operations in 1976 and has been a Non-executive Director of the Company since 1997. He has over 32 years of experience in the apparel distribution and marketing business and is currently retired in Switzerland.

Alexander Reid HAMILTON, aged 68, has been an Independent Non-executive Director of the Company since August 1995. He is also a director of CITIC Pacific Limited, China Cosco Holdings Company Limited, Shangri-La Asia Limited, Octopus Cards Limited and a number of other Hong Kong companies. He was a partner of Price Waterhouse with whom he practiced for 16 years.

Dr Hans-Joachim KÖRBER, aged 64, has been an Independent Non-executive Director of the Company since May 2008. Dr KÖRBER has 32 years of experience in finance & accounting, controlling, logistics and IT, including 23 years of experience in retailing. He graduated as Master Brewer in brewing technology and earned a doctor degree in business management from Technical University of Berlin, Germany. Dr KÖRBER was the former Chairman and Chief Executive Officer of Metro AG, one of the world's largest retailers, until his retirement at the end of 2007. He is a director of Air Berlin PLC, Sysco Corporation and WEPA Industrieholding SE.

Raymond OR Ching Fai, aged 60, has been an Independent Non-executive Director of the Company since 1996. He is an executive director, chief executive officer and vice chairman of China Strategic Holdings Limited, an independent non-executive director and a vice chairman of G-Resources Group Ltd. and a director of 2009 East Asian Games (Hong Kong) Limited. He was the former vice chairman and chief executive of Hang Seng Bank Limited, the former chairman of Hang Seng Life Limited and a director of The Hongkong and Shanghai Banking Corporation Limited, Cathay Pacific Airways Limited and Hutchison Whampoa Limited until his retirement in May 2009.

Francesco TRAPANI, aged 53, has been appointed an Independent Non-executive Director of the Company since December 2008. Mr TRAPANI has over 22 years of experience in the luxury industry. He graduated with a degree in economics from the University of Naples and studied business administration at the New York University. Mr TRAPANI is the chief executive officer of the Bulgari Group since 1984, who has since led the Bulgari Group to become one of today's leading global players in the luxury market offering world famous fine jewellery, watches, accessories, fragrances and skincare. Bulgari SpA is listed on the Italian Stock Exchange. Mr TRAPANI is also deputy chairman of the board of directors of Altagamma, the association of Italian companies operating in the high-end of the market.

Senior Management

Bella CHHOA Peck Lim, aged 40, is Company Secretary and Senior Vice President – Group Legal and Compliance. She joined the Group in March 2006, has been overseeing the Group's legal, company secretarial and tax compliance matters. Ms CHHOA is a solicitor qualified to practice in Hong Kong. Prior to joining the Group, she had been the company secretary of another company listed on The Stock Exchange of Hong Kong Limited for a number of years. She graduated from the University of Hong Kong with a degree in law in 1993. She also has a master of business administration degree from the Chinese University of Hong Kong.

Udo GREISER, aged 53, is the Chief Product Officer edc and Head of edc. He is responsible for the planning and execution of a global product strategy for edc. Mr GREISER began his professional career in the consumer electronics sector in 1984, where he gained his expertise in the areas of sales and distribution in retail, of which his last position was Managing Director. In 1997 he joined the Group as Commercial Agent for the launch of wedc. In 2002 he was promoted to the Sales Manager Germany for wedc, appointed as Global Business Manager wedc in 2003 and was appointed as the Senior Vice President edc in 2007.

John GUNN, aged 54, is President Americas. He rejoined the Group in May 2009, and manages the overall business strategy of the North and South American region. During his 36 years of experience in the apparel industry, Mr GUNN has held various leadership positions at global companies. Prior to rejoining the Group, he was the executive vice president of Tommy Hilfiger where he worked for 9 years. Prior to this, he was general manager of InWear Canada and vice president wholesale and retail Esprit Canada. Mr GUNN was born in Aberdeen, Scotland and attended the Aberdeen Grammar School for boys and Aberdeen Technical College.

Wolfram HAIL, aged 51, is President Asia Pacific. He joined the Group in August 2007. He is in charge of the overall business strategy of Asia Pacific region of the Esprit Group. Prior to joining the Group, he had worked with various reputable global apparel companies, all in senior management roles. He has 27 years of extensive experience in the apparel industry. He holds a Master of Business Administration degree (Diplom-Kaufmann) with the University of Cologne.

Colin HENRY, aged 45, has been working as Chief Product Officer Esprit since April 2010. From 1984 to 1997 he held various senior commercial roles for Marks and Spencer followed by a position as Managing Director at Coats Viyella PLC from 1997 to 2000. From 2000 to 2003 he was Senior Vice President Brand Management for Polo Ralph Lauren Corporation (Europe). Before he joined the Group he was Senior Vice President Design and Marketing for Nike and Umbro PLC.

Tanya TODD, aged 47, is Chief Operating Officer. She is responsible for global sourcing and supply chain, research and development, quality management and sustainability. She joined the Group in the second quarter of calendar year 2010 and has 26 years of experience in fashion apparel retailing. Prior to joining the Group she was a board director for C&A in the role of chief merchandising officer, and before that she was buying director of the Mothercare. She holds a Bachelor of arts degree from Durham University and a Master of business administration in retailing and wholesaling from the University of Stirling.

Gert VAN DE WEERDHOF, aged 44, is Chief Retail Officer. He is responsible for the global retail business of the Group. Prior to joining the Group in July 2010, he was the CEO and previously Vice President of Pearle Europe B.V. where he worked for 6 years. Mr VAN DE WEERDHOF started his career in leading FMCG companies and has since gained extensive management experience in sales, marketing and general management. He holds a Bachelor degree in Economics and Business from the Vrije Universiteit in Amsterdam, Netherlands.

Ernst-Peter VOGEL, aged 45, is Deputy Chief Financial Officer of the Group. He is primarily responsible for the Group's operational finance functions including the Group's statutory and management reporting as well as the Global IT functions. He joined the Group in 2003 as Senior Vice President – Finance Europe and has been overseeing various global finance projects of the Group in the past years. He has over 10 years of extensive experience in finance and tax matters and possesses the qualification as a German CPA and tax advisor. He holds a Master of Business Administration degree (Diplom-Kaufmann) with the University of Frankfurt. Prior to joining the Group, he headed the finance team of an international lifestyle group.

DIRECTORS' EMOLUMENTS

A Remuneration Committee currently comprising of three Independent Non-executive Directors and one Non-executive Director has been established to make recommendations to the Board on the Group's policy and structure for all remuneration of Directors and senior management. The Remuneration Committee is responsible for determining the specific remuneration packages of all Executive Directors and senior management and to make recommendations of remuneration for Non-executive Directors to the Board. No individual Director or senior management would be involved in deciding his own remuneration.

The fundamental policy of the Group's remuneration and incentive scheme is to link total compensation of Executive Directors, senior management and employees with the achievement of annual and long-term corporate goals and objectives. Remuneration package is performance-based and takes into account business performance, market practice and competitive market conditions in order to attract, motivate and retain talent. The Remuneration Committee will consult with the Chairman of the Board and the Chief Executive Officer in respect of their recommendations in determining the remuneration of Executive Directors and senior management. The recommended remuneration package comprises of salaries, bonus agreements, discretionary bonuses and long-term incentive plans.

Non-executive Directors are compensated with the aim to fairly represent their efforts and time dedicated to the Board and various committee meetings. The recommended remuneration package comprises of annual directorship fee and fee for representation on Board committees.

The remuneration of all the Directors during the financial year, excluding Directors' interests in share options of the Company which are detailed in "Share Options" section below, is set out in note 13 to the consolidated financial statements.

Particulars of the Directors' and senior management's emoluments disclosed pursuant to Section 161 of the Companies Ordinance and Appendix 16 of the Listing Rules are set out in note 13 to the consolidated financial statements.

SHARE OPTIONS

2001 Share Option Scheme

The Company adopted a share option scheme on 26 November 2001 (the "2001 Share Option Scheme"). Particulars of the 2001 Share Option Scheme are set out in note 21 to the consolidated financial statements.

Details of the grant of share options and a summary of the movements of the outstanding share options during the financial year under the 2001 Share Option Scheme are as follows:

Directors

Ronald VAN DER VIS
(through Pisces Investments Limited, of which Pisces Trust controlled 100% share interest. Mr Ronald VAN DER VIS is the settlor of the trust which beneficiaries are Mr Ronald VAN DER VIS, his spouse, Eef WOLTERS e/v VAN DER VIS and his child Floris Maximilian Pieter Daniel VAN DER VIS.)

				Number of share options				
Date of grant (dd/mm/yyyy)	Exercise price (HK$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	As at 01/07/2009	Granted	Exercised	Lapsed	As at 30/06/2010
22/06/2009	46.45	22/06/2010	22/06/2010 – 21/06/2015	1,600,000	–	–	–	1,600,000
		22/06/2011	22/06/2011 – 21/06/2015	1,600,000	–	–	–	1,600,000
		22/06/2012	22/06/2012 – 21/06/2015	1,600,000	–	–	–	1,600,000
		22/06/2013	22/06/2013 – 21/06/2015	1,600,000	–	–	–	1,600,000
		22/06/2014	22/06/2014 – 21/06/2015	1,600,000	–	–	–	1,600,000
In aggregate				**8,000,000**	**–**	**–**	**–**	**8,000,000**

CHEW Fook Aun

				Number of share options				
Date of grant (dd/mm/yyyy)	Exercise price (HK$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	As at 01/07/2009	Granted	Exercised	Lapsed	As at 30/06/2010
09/02/2009	41.70	09/02/2010	09/02/2010 – 08/02/2015	240,000	–	–	–	240,000
		09/02/2011	09/02/2011 – 08/02/2015	240,000	–	–	–	240,000
		09/02/2012	09/02/2012 – 08/02/2015	240,000	–	–	–	240,000
		09/02/2013	09/02/2013 – 08/02/2015	240,000	–	–	–	240,000
		09/02/2014	09/02/2014 – 08/02/2015	240,000	–	–	–	240,000
09/02/2010	56.90	09/02/2011	09/02/2011 – 08/02/2016	–	180,000	–	–	180,000
		09/02/2012	09/02/2012 – 08/02/2016	–	180,000	–	–	180,000
		09/02/2013	09/02/2013 – 08/02/2016	–	180,000	–	–	180,000
		09/02/2014	09/02/2014 – 08/02/2016	–	180,000	–	–	180,000
		09/02/2015	09/02/2015 – 08/02/2016	–	180,000	–	–	180,000
In aggregate				**1,200,000**	**900,000**	**–**	**–**	**2,100,000**

2001 Share Option Scheme (continued)

Directors (continued)

Heinz Jürgen KROGNER–KORNALIK

Date of grant (dd/mm/yyyy)	Exercise price (HK$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	Number of share options				
				As at 01/07/2009	Granted	Exercised	Lapsed	As at 30/06/2010
26/11/2003	24.20	26/11/2008	26/11/2008 – 25/11/2011	600,000	–	600,000	–	–
27/11/2004	42.58	27/11/2008	27/11/2008 – 26/11/2010	600,000	–	–	–	600,000
		27/11/2009	27/11/2009 – 26/11/2010	600,000	–	–	–	600,000
07/02/2007	83.00	07/02/2008	07/02/2008 – 06/02/2013	160,000	–	–	–	160,000
		07/02/2009	07/02/2009 – 06/02/2013	160,000	–	–	–	160,000
		07/02/2010	07/02/2010 – 06/02/2013	160,000	–	–	–	160,000
		07/02/2011	07/02/2011 – 06/02/2013	160,000	–	–	–	160,000
		07/02/2012	07/02/2012 – 06/02/2013	160,000	–	–	–	160,000
11/02/2008	102.12	11/02/2009	11/02/2009 – 10/02/2014	120,000	–	–	–	120,000
		11/02/2010	11/02/2010 – 10/02/2014	120,000	–	–	–	120,000
		11/02/2011	11/02/2011 – 10/02/2014	120,000	–	–	–	120,000
		11/02/2012	11/02/2012 – 10/02/2014	120,000	–	–	–	120,000
		11/02/2013	11/02/2013 – 10/02/2014	120,000	–	–	–	120,000
09/02/2009	41.70	09/02/2010	09/02/2010 – 08/02/2015	120,000	–	–	–	120,000
		09/02/2011	09/02/2011 – 08/02/2015	120,000	–	–	–	120,000
		09/02/2012	09/02/2012 – 08/02/2015	120,000	–	–	–	120,000
		09/02/2013	09/02/2013 – 08/02/2015	120,000	–	–	–	120,000
		09/02/2014	09/02/2014 – 08/02/2015	120,000	–	–	–	120,000
In aggregate				**3,800,000**	**–**	**600,000**	**–**	**3,200,000**

Employees & Consultants

Date of grant (dd/mm/yyyy)	Exercise price (HK$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	Number of share options				
				As at 01/07/2009	Granted	Exercised	Lapsed	As at 30/06/2010
26/11/2002	14.60	26/11/2006	26/11/2006 – 25/11/2011	40,000	–	40,000	–	–
		26/11/2007	26/11/2007 – 25/11/2011	40,000	–	40,000	–	–
26/11/2003	24.20	26/11/2006	26/11/2006 – 25/11/2011	285,000	–	135,000	–	150,000
		26/11/2007	26/11/2007 – 25/11/2011	405,000	–	100,000	–	305,000
		26/11/2008	26/11/2008 – 25/11/2011	670,000	–	230,000	–	440,000
23/12/2003	24.45	23/12/2006	23/12/2006 – 22/12/2011	120,000	–	120,000	–	–
		23/12/2007	23/12/2007 – 22/12/2011	120,000	–	–	–	120,000
		23/12/2008	23/12/2008 – 22/12/2011	120,000	–	–	–	120,000
27/11/2004	42.58	27/11/2005	27/11/2005 – 26/11/2010	150,000	–	150,000	–	–
		27/11/2006	27/11/2006 – 26/11/2010	560,000	–	440,000	–	120,000
		27/11/2007	27/11/2007 – 26/11/2010	860,000	–	560,000	–	300,000
		27/11/2008	27/11/2008 – 26/11/2010	1,630,000	–	1,150,000	–	480,000
		27/11/2009	27/11/2009 – 26/11/2010	1,630,000	–	670,000	240,000	720,000
23/12/2004	47.10	23/12/2005	23/12/2005 – 22/12/2010	90,000	–	90,000	–	–
		23/12/2006	23/12/2006 – 22/12/2010	90,000	–	90,000	–	–
		23/12/2007	23/12/2007 – 22/12/2010	90,000	–	90,000	–	–
		23/12/2008	23/12/2008 – 22/12/2010	90,000	–	90,000	–	–
		23/12/2009	23/12/2009 – 22/12/2010	90,000	–	90,000	–	–

SHARE OPTIONS (continued)

2001 Share Option Scheme (continued)

Employees & Consultants (continued)

				Number of share options				
Date of grant (dd/mm/yyyy)	Exercise price (HK$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	As at 01/07/2009	Granted	Exercised	Lapsed	As at 30/06/2010
28/11/2005	55.11	28/11/2006	28/11/2006 – 27/11/2011	105,000	–	–	–	105,000
		28/11/2007	28/11/2007 – 27/11/2011	105,000	–	–	–	105,000
		28/11/2008	28/11/2008 – 27/11/2011	345,000	–	–	–	345,000
		28/11/2009	28/11/2009 – 27/11/2011	345,000	–	–	–	345,000
		28/11/2010	28/11/2010 – 27/11/2011	345,000	–	–	45,000	300,000
02/12/2005	56.20	02/12/2006	02/12/2006 – 01/12/2011	100,000	–	–	–	100,000
		02/12/2007	02/12/2007 – 01/12/2011	140,000	–	–	–	140,000
		02/12/2008	02/12/2008 – 01/12/2011	280,000	–	–	60,000	220,000
		02/12/2009	02/12/2009 – 01/12/2011	220,000	–	–	–	220,000
		02/12/2010	02/12/2010 – 01/12/2011	220,000	–	–	–	220,000
23/12/2005	56.50	23/12/2006	23/12/2006 – 22/12/2011	90,000	–	–	–	90,000
		23/12/2007	23/12/2007 – 22/12/2011	90,000	–	–	–	90,000
		23/12/2008	23/12/2008 – 22/12/2011	90,000	–	–	–	90,000
		23/12/2009	23/12/2009 – 22/12/2011	90,000	–	–	–	90,000
		23/12/2010	23/12/2010 – 22/12/2011	90,000	–	–	–	90,000
27/11/2006	80.60	27/11/2007	27/11/2007 – 26/11/2012	15,000	–	–	–	15,000
		27/11/2008	27/11/2008 – 26/11/2012	165,000	–	–	–	165,000
		27/11/2009	27/11/2009 – 26/11/2012	165,000	–	–	–	165,000
		27/11/2010	27/11/2010 – 26/11/2012	165,000	–	–	15,000	150,000
		27/11/2011	27/11/2011 – 26/11/2012	165,000	–	–	15,000	150,000
04/12/2006	79.49	04/12/2007	04/12/2007 – 03/12/2012	150,000	–	–	–	150,000
		04/12/2008	04/12/2008 – 03/12/2012	210,000	–	–	45,000	165,000
		04/12/2009	04/12/2009 – 03/12/2012	165,000	–	–	–	165,000
		04/12/2010	04/12/2010 – 03/12/2012	165,000	–	–	–	165,000
		04/12/2011	04/12/2011 – 03/12/2012	165,000	–	–	–	165,000
05/12/2006	80.95	05/12/2007	05/12/2007 – 04/12/2012	756,000	–	–	220,000	536,000
		05/12/2008	05/12/2008 – 04/12/2012	796,000	–	–	220,000	576,000
		05/12/2009	05/12/2009 – 04/12/2012	736,000	–	–	160,000	576,000
		05/12/2010	05/12/2010 – 04/12/2012	736,000	–	–	160,000	576,000
		05/12/2011	05/12/2011 – 04/12/2012	736,000	–	–	160,000	576,000
07/02/2007	83.00	07/02/2008	07/02/2008 – 06/02/2013	80,000	–	–	40,000	40,000
		07/02/2009	07/02/2009 – 06/02/2013	80,000	–	–	40,000	40,000
		07/02/2010	07/02/2010 – 06/02/2013	40,000	–	–	–	40,000
		07/02/2011	07/02/2011 – 06/02/2013	40,000	–	–	–	40,000
		07/02/2012	07/02/2012 – 06/02/2013	40,000	–	–	–	40,000
04/12/2007	119.00	04/12/2008	04/12/2008 – 03/12/2013	210,000	–	–	45,000	165,000
		04/12/2009	04/12/2009 – 03/12/2013	165,000	–	–	–	165,000
		04/12/2010	04/12/2010 – 03/12/2013	165,000	–	–	–	165,000
		04/12/2011	04/12/2011 – 03/12/2013	165,000	–	–	–	165,000
		04/12/2012	04/12/2012 – 03/12/2013	165,000	–	–	–	165,000

2001 Share Option Scheme (continued)

Employees & Consultants (continued)

				Number of share options				
Date of grant (dd/mm/yyyy)	Exercise price (HK$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	As at 01/07/2009	Granted	Exercised	Lapsed	As at 30/06/2010
05/12/2007	118.70	05/12/2008	05/12/2008 – 04/12/2013	597,000	–	–	165,000	432,000
		05/12/2009	05/12/2009 – 04/12/2013	552,000	–	–	120,000	432,000
		05/12/2010	05/12/2010 – 04/12/2013	552,000	–	–	120,000	432,000
		05/12/2011	05/12/2011 – 04/12/2013	552,000	–	–	120,000	432,000
		05/12/2012	05/12/2012 – 04/12/2013	552,000	–	–	120,000	432,000
31/01/2008	100.80	31/01/2009	31/01/2009 – 30/01/2014	960,000	–	–	280,000	680,000
		31/01/2010	31/01/2010 – 30/01/2014	960,000	–	–	280,000	680,000
		31/01/2011	31/01/2011 – 30/01/2014	960,000	–	–	280,000	680,000
		31/01/2012	31/01/2012 – 30/01/2014	960,000	–	–	280,000	680,000
		31/01/2013	31/01/2013 – 30/01/2014	960,000	–	–	280,000	680,000
11/02/2008	102.12	11/02/2009	11/02/2009 – 10/02/2014	60,000	–	–	30,000	30,000
		11/02/2010	11/02/2010 – 10/02/2014	30,000	–	–	–	30,000
		11/02/2011	11/02/2011 – 10/02/2014	30,000	–	–	–	30,000
		11/02/2012	11/02/2012 – 10/02/2014	30,000	–	–	–	30,000
		11/02/2013	11/02/2013 – 10/02/2014	30,000	–	–	–	30,000
09/12/2008	44.25	09/12/2009	09/12/2009 – 08/12/2014	552,000	–	–	120,000	432,000
		09/12/2010	09/12/2010 – 08/12/2014	552,000	–	–	120,000	432,000
		09/12/2011	09/12/2011 – 08/12/2014	552,000	–	–	120,000	432,000
		09/12/2012	09/12/2012 – 08/12/2014	552,000	–	–	120,000	432,000
		09/12/2013	09/12/2013 – 08/12/2014	552,000	–	–	120,000	432,000
11/12/2008	45.95	11/12/2009	11/12/2009 – 10/12/2014	756,000	–	160,000	80,000	516,000
		11/12/2010	11/12/2010 – 10/12/2014	756,000	–	–	240,000	516,000
		11/12/2011	11/12/2011 – 10/12/2014	756,000	–	–	240,000	516,000
		11/12/2012	11/12/2012 – 10/12/2014	756,000	–	–	240,000	516,000
		11/12/2013	11/12/2013 – 10/12/2014	756,000	–	–	240,000	516,000
05/02/2009	39.76	05/02/2010	05/02/2010 – 04/02/2015	932,000	–	30,000	210,000	692,000
		05/02/2011	05/02/2011 – 04/02/2015	932,000	–	–	210,000	722,000
		05/02/2012	05/02/2012 – 04/02/2015	932,000	–	–	210,000	722,000
		05/02/2013	05/02/2013 – 04/02/2015	932,000	–	–	210,000	722,000
		05/02/2014	05/02/2014 – 04/02/2015	932,000	–	–	210,000	722,000
09/02/2009	41.70	09/02/2010	09/02/2010 – 08/02/2015	30,000	–	–	–	30,000
		09/02/2011	09/02/2011 – 08/02/2015	30,000	–	–	–	30,000
		09/02/2012	09/02/2012 – 08/02/2015	30,000	–	–	–	30,000
		09/02/2013	09/02/2013 – 08/02/2015	30,000	–	–	–	30,000
		09/02/2014	09/02/2014 – 08/02/2015	30,000	–	–	–	30,000
08/05/2009	51.76	08/05/2010	08/05/2010 – 07/05/2015	160,000	–	–	–	160,000
		08/05/2011	08/05/2011 – 07/05/2015	160,000	–	–	–	160,000
		08/05/2012	08/05/2012 – 07/05/2015	160,000	–	–	–	160,000
		08/05/2013	08/05/2013 – 07/05/2015	160,000	–	–	–	160,000
		08/05/2014	08/05/2014 – 07/05/2015	160,000	–	–	–	160,000

SHARE OPTIONS (continued)

2001 Share Option Scheme (continued)

Employees & Consultants (continued)

Date of grant (dd/mm/yyyy)	Exercise price (HK$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	Number of share options As at 01/07/2009	Granted	Exercised	Lapsed	As at 30/06/2010
22/06/2009	46.45	22/06/2010	22/06/2010 – 21/06/2015	80,000	–	–	–	80,000
		22/06/2011	22/06/2011 – 21/06/2015	80,000	–	–	–	80,000
		22/06/2012	22/06/2012 – 21/06/2015	80,000	–	–	–	80,000
		22/06/2013	22/06/2013 – 21/06/2015	80,000	–	–	–	80,000
		22/06/2014	22/06/2014 – 21/06/2015	80,000	–	–	–	80,000
09/12/2009	53.74	09/12/2010	09/12/2010 – 08/12/2015	–	672,000	–	–	672,000
		09/12/2011	09/12/2011 – 08/12/2015	–	672,000	–	–	672,000
		09/12/2012	09/12/2012 – 08/12/2015	–	672,000	–	–	672,000
		09/12/2013	09/12/2013 – 08/12/2015	–	672,000	–	–	672,000
		09/12/2014	09/12/2014 – 08/12/2015	–	672,000	–	–	672,000
11/12/2009	53.90	11/12/2010	11/12/2010 – 10/12/2015	–	399,000	–	12,000	387,000
		11/12/2011	11/12/2011 – 10/12/2015	–	399,000	–	12,000	387,000
		11/12/2012	11/12/2012 – 10/12/2015	–	399,000	–	12,000	387,000
		11/12/2013	11/12/2013 – 10/12/2015	–	399,000	–	12,000	387,000
		11/12/2014	11/12/2014 – 10/12/2015	–	399,000	–	12,000	387,000
04/02/2010	57.70	04/02/2011	04/02/2011 – 03/02/2016	–	510,000	–	–	510,000
		04/02/2012	04/02/2012 – 03/02/2016	–	510,000	–	–	510,000
		04/02/2013	04/02/2013 – 03/02/2016	–	510,000	–	–	510,000
		04/02/2014	04/02/2014 – 03/02/2016	–	510,000	–	–	510,000
		04/02/2015	04/02/2015 – 03/02/2016	–	510,000	–	–	510,000
05/02/2010	55.46	05/02/2011	05/02/2011 – 04/02/2016	–	159,000	–	–	159,000
		05/02/2012	05/02/2012 – 04/02/2016	–	159,000	–	–	159,000
		05/02/2013	05/02/2013 – 04/02/2016	–	159,000	–	–	159,000
		05/02/2014	05/02/2014 – 04/02/2016	–	159,000	–	–	159,000
		05/02/2015	05/02/2015 – 04/02/2016	–	159,000	–	–	159,000
10/05/2010	52.61	10/05/2011	10/05/2011 – 09/05/2016	–	120,000	–	–	120,000
		10/05/2012	10/05/2012 – 09/05/2016	–	120,000	–	–	120,000
		10/05/2013	10/05/2013 – 09/05/2016	–	120,000	–	–	120,000
		10/05/2014	10/05/2014 – 09/05/2016	–	120,000	–	–	120,000
		10/05/2015	10/05/2015 – 09/05/2016	–	120,000	–	–	120,000
22/06/2010	45.24	22/06/2011	22/06/2011 – 21/06/2016	–	60,000	–	–	60,000
		22/06/2012	22/06/2012 – 21/06/2016	–	60,000	–	–	60,000
		22/06/2013	22/06/2013 – 21/06/2016	–	60,000	–	–	60,000
		22/06/2014	22/06/2014 – 21/06/2016	–	60,000	–	–	60,000
		22/06/2015	22/06/2015 – 21/06/2016	–	60,000	–	–	60,000
In aggregate				**36,510,000**	**9,600,000**	**4,275,000**	**6,290,000**	**35,545,000**
TOTAL				**49,510,000**	**10,500,000**	**4,875,000**	**6,290,000**	**48,845,000**

Notes:

(i) The closing prices of the shares of the Company immediately before the share options granted on 9 December 2009, 11 December 2009, 4 February 2010, 5 February 2010, 9 February 2010, 10 May 2010 and 22 June 2010 were HK$52.80, HK$52.50, HK$57.90, HK$57.70, HK$54.15, HK$49.65 and HK$46.60 respectively.

(ii) The weighted average closing price of the shares immediately before the date of exercise by Mr Heinz Jürgen KROGNER–KORNALIK was HK$58.80.

(iii) The weighted average closing price of the shares immediately before the dates of exercise by the employees and consultants was HK$56.68.

(iv) No share options were cancelled under the 2001 Share Option Scheme during the year ended 30 June 2010.

2009 Share Option Scheme

On 10 December 2009, the shareholders has approved at the 2009 Annual General Meeting of the Company a new share option scheme (the "2009 Share Option Scheme"). Details of the grant of share options and a summary of the movements of the outstanding share options during the financial year under the 2009 Share Option Scheme are as follows:

				Number of share options				
Date of grant (dd/mm/yyyy)	Exercise price (HK$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	As at 01/07/2009	Granted	Exercised	Lapsed	As at 30/06/2010
19/04/2010	62.21	19/04/2011	19/04/2011 – 18/04/2016	–	160,000	–	–	160,000
		19/04/2012	19/04/2012 – 18/04/2016	–	160,000	–	–	160,000
		19/04/2013	19/04/2013 – 18/04/2016	–	160,000	–	–	160,000
		19/04/2014	19/04/2014 – 18/04/2016	–	160,000	–	–	160,000
		19/04/2015	19/04/2015 – 18/04/2016	–	160,000	–	–	160,000
In aggregate				**–**	**800,000**	**–**	**–**	**800,000**

Notes:

(i) The closing price of the shares of the Company immediately before the share options granted on 19 April 2010 was HK$60.30.

(ii) No share options were cancelled under the 2009 Share Option Scheme during the year ended 30 June 2010.

Save as disclosed above, at no time during the year was the Company or its subsidiaries a party to any arrangement that enabled the Directors of the Company or any of their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

ACCOUNTING TREATMENT FOR SHARE OPTIONS

Details of accounting treatment for share options are set out in note 21 to the consolidated financial statements.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2010, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, were as follows:

(1) Shares of the Company

Name of directors	Capacity	Beneficial interest in shares	Beneficial interest in unlisted underlying shares (Note 4)	Total number of shares	Approximate percentage of aggregate interests to total issued share capital
Ronald VAN DER VIS	Interest of a controlled corporation (Note 1)	–	8,000,000	8,000,000	0.62%
CHEW Fook Aun	Beneficial owner	–	2,100,000	2,100,000	0.16%
Heinz Jürgen KROGNER–KORNALIK	Beneficial owner	–	3,200,000	3,200,000	0.25%
Jürgen Alfred Rudolf FRIEDRICH	Beneficial owner	56,721,076	–	66,771,977	5.18%
	Interest of spouse (Note 2)	50,901	–		
	Founder of a discretionary trust (Note 3)	10,000,000	–		

Notes:

1. The interests of the underlying shares of equity derivatives was held by Pisces Investments Limited of which Pisces Trust controlled 100% share interest. Mr Ronald VAN DER VIS is the settlor of the trust which beneficiaries are Mr Ronald VAN DER VIS, his spouse, Eef WOLTERS e/v VAN DER VIS and his child Floris Maximilian Pieter Daniel VAN DER VIS.
2. The shares were held by Mrs Anke Beck FRIEDRICH, the spouse of Mr Jürgen Alfred Rudolf FRIEDRICH.
3. The shares were held by a discretionary trust, JAF Foundation (Switzerland), of which Mr Jürgen Alfred Rudolf FRIEDRICH is the founder.
4. The interests of Directors and chief executives of the Company in the underlying shares of equity derivatives in respect of share options granted to them pursuant to the 2001 Share Option Scheme are detailed in "Share Options" section above.
5. All interests disclosed above represent long position in the shares and underlying shares of the Company.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

(2) Share Options of the Company

The interests of the Directors and chief executives of the Company in the share options of the Company are detailed in "Share Options" section above.

As at 30 June 2010, save as disclosed above, none of the Directors, chief executives of the Company or their associates had any interests or short positions, whether beneficial or non–beneficial, in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of or at any time during the year.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2010, the following shareholders (other than the Directors and chief executives of the Company whose interests or short positions in the shares and underlying shares of the Company as disclosed above) had interests or short positions in the shares and underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of shareholders	Capacity	Number of shares (Long position)	Number of shares (Short position)	Total number of shares	Approximate percentage of aggregate interests to total issued share capital
JPMorgan Chase & Co.	Interest of controlled corporations (Notes 1 to 4)	140,046,866	762,965	140,809,831	10.93%
AllianceBernstein L.P.	Investment manager	95,049,176	–	106,898,242	8.30%
	Interest of controlled corporations (Note 5)	11,849,066	–		
Capital Research and Management Company	Investment manager (Note 5)	105,231,995	–	105,231,995	8.17%
State Street Corporation	Custodian corporation/ approved lending agent (Notes 5 & 6)	82,724,772	–	82,724,772	6.42%

Notes:

1. The shares held by JPMorgan Chase & Co. were held in the following capacities:

Capacity	Number of shares (Long position)	Number of shares (Short position)
Beneficial owner	1,130,969	762,965
Investment manager	59,363,917	–
Custodian corporation/ approved lending agent	79,551,980	–

2. Details of the interest in long position of the 140,046,866 shares held by JPMorgan Chase & Co. were as follows:

Name	Direct (D)/ Indirect (I) interests in the shares	Aggregate long position in the shares	Approximate percentage of aggregate interests to total issued share capital
JPMorgan Chase Bank, N.A.	D	82,201,695	6.38%
JPMorgan Chase Bank, N.A.	I	1,130,969	0.09%
J.P. Morgan International Inc.	I	1,130,969	0.09%
Bank One International Holdings Corporation	I	1,130,969	0.09%
J.P. Morgan International Finance Limited	I	1,130,969	0.09%
J.P. Morgan Overseas Capital Corporation	I	429,804	0.03%
J.P. Morgan Whitefriars Inc.	D	429,804	0.03%
JPMorgan Asset Management Holdings Inc.	I	56,714,202	4.40%
J.P. Morgan Investment Management Inc.	D	7,998,753	0.62%
JPMorgan Asset Management (Asia) Inc.	I	11,772,802	0.91%
JPMorgan Asset Management (Taiwan) Limited	D	750,488	0.06%
JF Asset Management Limited	D	10,794,984	0.84%
JPMorgan Asset Management (Japan) Limited	D	107,808	0.01%

Name	Direct (D)/ Indirect (I) interests in the shares	Aggregate long position in the shares	Approximate percentage of aggregate interests to total issued share capital
JPMorgan Asset Management International Limited	I	36,942,647	2.87%
JPMorgan Asset Management Holdings (UK) Limited	I	36,942,647	2.87%
JPMorgan Asset Management (UK) Limited	D	36,942,647	2.87%
J.P. Morgan Capital Holdings Limited	I	701,165	0.05%
J.P. Morgan Chase (UK) Holdings Limited	I	701,165	0.05%
J.P. Morgan Chase International Holdings	I	701,165	0.05%
J.P. Morgan Securities Ltd.	D	701,165	0.05%
JF International Management Inc.	D	119,522	0.01%

Explanatory Notes:
All the following interests were deemed to be held by the relevant company under the SFO. JPMorgan Chase & Co. was deemed to be interested in an aggregate of 140,046,866 shares held or deemed to be held by: (I) JPMorgan Chase Bank, N.A. (83,332,664 shares); and (II) JPMorgan Asset Management Holdings Inc. (56,714,202 shares), all were wholly-owned subsidiaries of JPMorgan Chase & Co.

(I) JPMorgan Chase Bank, N.A. directly held 82,201,695 shares and was also deemed to be interested in an aggregate of 1,130,969 shares held by the following indirect subsidiaries held through J.P. Morgan International Finance Limited ("JPIF"):
   (a) 429,804 shares were held by J.P. Morgan Whitefriars Inc., wholly-owned by J.P. Morgan Overseas Capital Corporation, a wholly-owned subsidiary of JPIF; and
   (b) 701,165 shares were held by J.P. Morgan Securities Ltd., 98.95% subsidiary of J.P. Morgan Chase International Holdings, wholly-owned by J.P. Morgan Chase (UK) Holdings Limited, wholly-owned by J.P. Morgan Capital Holdings Limited, a wholly-owned subsidiary of JPIF.

(II) JPMorgan Asset Management Holdings Inc. ("JPAMH") was deemed to be interested in an aggregate of 56,714,202 shares held by the following subsidiaries:
   (a) 7,998,753 shares were held by J.P. Morgan Investment Management Inc., directly wholly-owned by JPAMH;
   (b) 11,772,802 shares were deemed to be held by JPMorgan Asset Management (Asia) Inc. ("JPAsia"), directly wholly-owned by JPAMH, through the following subsidiaries:
      (i) 750,488 shares were held by JPMorgan Asset Management (Taiwan) Limited, wholly-owned by JPAsia;
      (ii) 10,794,984 shares were held by JF Asset Management Limited, wholly-owned by JPAsia;
      (iii) 107,808 shares were held by JPMorgan Asset Management (Japan) Limited, wholly-owned by JPAsia; and
      (iv) 119,522 shares were held by JF International Management Inc., wholly-owned by JPAsia.
   (c) 36,942,647 shares were held by JPMorgan Asset Management (UK) Limited, wholly-owned by JPMorgan Asset Management Holdings (UK) Limited, wholly-owned by JPMorgan Asset Management International Limited, directly wholly-owned by JPAMH.

3. 79,551,980 shares of the interests disclosed in Note 2 above represent shares of the Company in the lending pool.

4. Details of the interest in short position of the 762,965 shares held by JPMorgan Chase & Co. were as follows:

Name	Direct (D)/ Indirect (I) interests in the shares	Aggregate short position in the shares	Approximate percentage of aggregate interests to total issued share capital
J.P. Morgan International Finance Limited	I	762,965	0.06%
J.P. Morgan Overseas Capital Corporation	I	61,800	0.00%
J.P. Morgan Whitefriars Inc.	D	61,800	0.00%
J.P. Morgan Capital Holdings Limited	I	701,165	0.05%
J.P. Morgan Chase (UK) Holdings Limited	I	701,165	0.05%
J.P. Morgan Chase International Holdings	I	701,165	0.05%
J.P. Morgan Securities Ltd.	D	701,165	0.05%

Explanatory Notes:
All the following interests were deemed to be held by the relevant company under the SFO. JPMorgan Chase & Co. was deemed to have a short position in an aggregate of 762,965 shares held by the following indirect subsidiaries:
(a) 61,800 shares held by J.P. Morgan Whitefriars Inc., wholly-owned by J.P. Morgan Overseas Capital Corporation, wholly-owned by of JPIF, indirect wholly-owned subsidiary of JPMorgan Chase & Co.; and
(b) 701,165 shares held by J.P. Morgan Securities Ltd., 98.95% subsidiary of J.P. Morgan Chase International Holdings, wholly-owned by J.P. Morgan Chase (UK) Holdings Limited, wholly-owned by J.P. Morgan Capital Holdings Limited, wholly-owned by JPIF, indirect wholly-owned subsidiary of JPMorgan Chase & Co.

5. All interests disclosed herein represent long positions in the shares of the Company.

6. All interests disclosed herein represent shares of the Company in the lending pool.

Save as aforesaid and as disclosed in the "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" section of this report, the Company has not been notified by any person who had interest or short position in the shares or underlying shares of the Company as at 30 June 2010 which were required to be notified to the Company pursuant to Part XV of the SFO or which are recorded in the register required to be kept by the Company under Section 336 of the SFO.

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.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, less than 10% of the Group's sales were attributable to the five largest customers and less than 20% of the Group's purchases were attributable to the five largest suppliers.

PUBLIC FLOAT

As at the date of this report and insofar as the Directors are aware, the Company maintained sufficient public float as required under the Listing Rules.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details of the significant related party transactions undertaken in the normal course of business are provided under note 30 to the consolidated financial statements. None of these related party transactions constitutes a connected transaction as defined in the Listing Rules.

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

Particulars of the Company's corporate governance practices are set out on pages 78 to 84 of this report.

AUDITORS

The consolidated financial statements have been audited by PricewaterhouseCoopers who are due to retire and, being eligible, offer themselves for re–appointment at the 2010 Annual General Meeting.

On behalf of the Board
ESPRIT HOLDINGS LIMITED

Heinz Jürgen KROGNER–KORNALIK
Non–executive Chairman

Hong Kong, 2 September 2010

07 FINANCIAL SECTION

07.1 INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ESPRIT HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Esprit Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 101 to 140, which comprise the consolidated and company balance sheets as of 30 June 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and of the Group as of 30 June 2010, and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Other matters

This report, including the opinion, has been prepared for and only for you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

PricewaterhouseCoopers

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 2 September 2010

07.2 Consolidated income statement

	Notes	2010 HK$ million	2009 HK$ million (restated)
		For the year ended 30 June	
Turnover	5	**33,734**	34,485
Cost of goods sold		**(15,298)**	(16,523)
Gross profit		**18,436**	17,962
Staff costs	12	**(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	6	**3,786**	5,729
Interest income		**33**	87
Finance costs	7	**(12)**	-
Share of results of associates		**81**	161
Gain on measuring equity interest in the associated companies held before the business combination	29	**1,586**	-
Profit before taxation		**5,474**	5,977
Taxation	8	**(1,248)**	(1,232)
Profit attributable to shareholders	9	**4,226**	4,745
Dividends	10	**1,809**	3,551
Earnings per share	11		
– Basic		**HK$3.35**	HK$3.72
– Diluted		**HK$3.34**	HK$3.71

The notes on pages 107 to 140 form an integral part of these consolidated financial statements.

07.3 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

The notes on pages 107 to 140 form an integral part of these consolidated financial statements.

07.4 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	14	**7,345**	2,061	2,121
Property, plant and equipment	15	**3,976**	4,398	3,570
Investment properties	16	**12**	–	–
Other investments		**7**	7	7
Investments in associates	17	**–**	522	583
Deposits and prepayments	19	**440**	559	569
Deferred tax assets	24	**532**	408	510
		12,312	7,955	7,360
Current assets				
Inventories	18	**2,455**	2,997	3,170
Debtors, deposits and prepayments	19	**3,043**	3,828	4,758
Amounts due from associates	17	**-**	71	83
Cash and cash equivalents	20	**6,748**	4,840	6,521
		12,246	11,736	14,532
Current liabilities				
Creditors and accrued charges	22	**4,146**	3,849	4,571
Taxation		**918**	1,142	989
Bank loans – current portion	23	**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	21	**129**	125	124
Reserves		**15,943**	14,284	15,820
Total equity		**16,072**	14,409	15,944
Non-current liabilities				
Bank loans	23	**2,080**	–	–
Deferred tax liabilities	24	**822**	291	388
		2,902	291	388
		18,974	14,700	16,332

Approved by the Board of Directors on 2 September 2010.

Ronald **VAN DER VIS**
Executive Director

CHEW FOOK AUN
Executive Director

The notes on pages 107 to 140 form an integral part of these consolidated financial statements.

07.5 Consolidated cash flow statement

	Notes	For the year ended 30 June 2010 HK$ million	2009 HK$ million (restated)
Cash flows from operating activities			
Cash generated from operations	25	**6,704**	6,458
Hong Kong profits tax paid		**(53)**	(2)
Overseas tax paid		**(1,239)**	(1,184)
Net cash inflow from operating activities		**5,412**	5,272
Cash flows from investing activities			
Net cash outflow for acquisition of remaining interest in the associated companies	29	**(3,173)**	–
Net cash outflow for acquisition of a subsidiary	29	**(41)**	–
Purchase of property, plant and equipment		**(1,509)**	(2,011)
Proceeds from disposal of property, plant and equipment	25	**16**	6
Interest received		**33**	87
Dividend received from an associate		**245**	220
Net cash used in investing activities		**(4,429)**	(1,698)
Cash flows from financing activities			
Net proceeds on issue of shares for cash		**186**	114
Repurchase of shares		**–**	(204)
Dividends paid		**(1,482)**	(5,039)
Interest paid on bank loans		**(8)**	–
Proceeds from bank loans		**2,600**	–
Net cash inflow from/(used in) financing activities		**1,296**	(5,129)
Net increase/(decrease) in cash and cash equivalents		**2,279**	(1,555)
Cash and cash equivalents at beginning of year		**4,840**	6,521
Effect of change in exchange rates		**(371)**	(126)
Cash and cash equivalents at end of year	20	**6,748**	4,840

The notes on pages 107 to 140 form an integral part of these consolidated financial statements.

07.6 Consolidated statement of changes in equity

For the year ended 30 June 2010

	Share capital	Share premium	Employee share-based payment reserve	Hedging reserve	Contributed surplus	Translation reserve	Capital reserve	Retained profits	Total
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
At 1 July 2009	125	2,841	378	(4)	7	627	1	10,434	14,409
Exchange translation	–	–	–	–	–	(1,424)	–	–	(1,424)
Fair value gain on cash flow hedge	–	–	–	4	–	–	–	–	4
Profit attributable to shareholders	–	–	–	–	–	–	–	4,226	4,226
Total comprehensive income	–	–	–	4	–	(1,424)	–	4,226	2,806
2008/09 final and special dividends paid (Note 10)	3	(3)	–	–	–	–	–	(870)	(870)
2009/10 interim dividend paid (Note 10)	1	(1)	–	–	–	–	–	(612)	(612)
Issues of shares (Note 21)	–	186	–	–	–	–	–	–	186
Employee share option benefits	–	–	153	–	–	–	–	–	153
Transfer of reserve upon exercise of share options	–	50	(50)	–	–	–	–	–	–
At 30 June 2010	129	3,073	481	–	7	(797)	1	13,178	16,072
Representing:									
Proposed final dividend									863
Balance after proposed final dividend									15,209
At 30 June 2010									16,072

The notes on pages 107 to 140 form an integral part of these consolidated financial statements.

07.6 Consolidated statement of changes in equity

For the year ended 30 June 2009

	Share capital	Share premium	Employee share-based payment reserve	Hedging reserve	Contributed surplus	Translation reserve	Capital reserve	Retained profits	Total
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
At 1 July 2008	124	2,896	322	(5)	7	1,871	1	10,728	15,944
Exchange translation	–	–	–	–	–	(1,244)	–	–	(1,244)
Fair value gain on cash flow hedge	–	–	–	1	–	–	–	–	1
Profit attributable to shareholders	–	–	–	–	–	–	–	4,745	4,745
Total comprehensive income	–	–	–	1	–	(1,244)	–	4,745	3,502
2007/08 final and special dividends paid	–	–	–	–	–	–	–	(4,042)	(4,042)
2008/09 interim dividend paid (Note 10)	–	–	–	–	–	–	–	(997)	(997)
Issues of shares (Note 21)	1	113	–	–	–	–	–	–	114
Repurchase of shares	–	(204)	–	–	–	–	–	–	(204)
Employee share option benefits	–	–	92	–	–	–	–	–	92
Transfer of reserve upon exercise of share options	–	36	(36)	–	–	–	–	–	–
At 30 June 2009	125	2,841	378	(4)	7	627	1	10,434	14,409
Representing:									
Proposed final dividend									897
Balance after proposed final dividend									13,512
At 30 June 2009									14,409

The contributed surplus of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Group reorganisation in 1993 and the nominal value of the Company's shares issued in exchange thereof.

The capital reserve of the Group represents a non-distributable reserve set aside by a subsidiary according to relevant statutory requirements.

The notes on pages 107 to 140 form an integral part of these consolidated financial statements.

07.7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2010

1 General information

Esprit Holdings Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in wholesale and retail distribution and licensing of quality fashion and lifestyle products designed under its own internationally-known Esprit brand name.

The Company is a limited liability company incorporated in Bermuda. The registered address is Clarendon House, Church Street, Hamilton HM 11, Bermuda. The Company has its primary listing on The Stock Exchange of Hong Kong Limited (code: 00330) and also has its shares traded on the International Bulletin Board of the London Stock Exchange.

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements are presented in millions of units of Hong Kong Dollars, unless otherwise stated.

These consolidated financial statements have been approved for issue by the Board of Directors on 2 September 2010.

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below.

(a) 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.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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

When preparing the consolidated financial statements, management has adopted certain accounting, valuation and consolidation methods to comply with IFRS. The preparation of these consolidated financial statements also requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement and complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4 "Critical accounting estimates and judgements".

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial instruments and investment properties to fair value. The policies set out below have been consistently applied to all the years presented.

(b) Consolidation

(i) Subsidiaries
Subsidiaries are all entities over which the Group has control. Control is the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any 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.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) Transactions with non-controlling interest
The Group treats transactions with non-controlling interest as transactions with equity holders of the Company. For purchases from minority interest, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to minority interest are also recorded in equity.

2 Summary of significant accounting policies (continued)

(b) Consolidation (continued)

(iii) Associates
Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired and contingent liabilities assumed is recorded as goodwill. Goodwill on acquisitions of associates is included in investments in associates.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interests that form part of the investor's net investment in the associates, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of executive directors that makes strategic decisions.

(d) Foreign currency translation

(i) Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in the currency of Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(iii) Group companies
The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(c) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale. When an inter-company loan balance which forms part of the net investment in a foreign entity is repaid, such exchange differences are recognised in the income statement.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Property, plant and equipment

Property, plant and equipment, other than freehold land, are stated at historical cost less accumulated depreciation and accumulated impairment losses (if any). Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Freehold land is not depreciated. Leasehold land and leasehold improvements are depreciated over the initial lease terms. Fixtures are depreciated over the shorter of five years and their estimated useful lives on a straight-line basis. Depreciation on other assets is calculated using the straight-line method to write down their cost to their residual values over their estimated useful lives. The principal annual rates are as follows:

Buildings	$3\frac{1}{3}$ - 5%
Plant and machinery	30%
Furniture and office equipment	10 - $33\frac{1}{3}$%
Motor vehicles	25 - 30%

No depreciation is provided for construction in progress until it is completed and ready for use.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2(h)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

2 Summary of significant accounting policies (continued)

(f) Investment properties

Investment properties are interests in land and buildings which are held for long term and/or for capital appreciation. Such properties are carried in the balance sheet at their fair value. Changes in fair values of investment properties are recognised directly in the income statement in the period in which they arise.

(g) Intangible assets

(i) Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates and is tested for impairment as part of the cost of investments in associates. Goodwill included in intangible assets is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) Trademarks
Trademarks are shown at historical cost. Trademarks with indefinite useful lives are carried at cost less accumulated impairment losses, if any.

Trademarks with indefinite useful lives are not amortised but are tested for impairment (Note 2(h)).

(iii) Customer relationships
Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The customer relationships have an expected life of 10 years and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the customer relationships.

(h) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss recognised in prior periods for an asset other than goodwill is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets' carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value with cost being determined on a weighted average basis. Cost comprises the direct costs of merchandise and charges that have been incurred in bringing inventories to their current location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(j) Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all the amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flow, discounted at the effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of provision is recognised in the income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to the income statement.

Receivables denominated in foreign currencies are stated at the year-end exchange rates. The resulting gains or losses are recorded in the consolidated income statement, with the exception of the gains or losses resulting from the translation of inter-company long-term loans, which are considered to form part of the net investment in the related subsidiaries because settlement is neither planned nor likely to occur in the foreseeable future. The impacts of translation of these items have been reflected in equity.

(k) Payables

Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Payables denominated in foreign currencies are stated at the year-end exchange rates. The resulting gains or losses are recorded in the consolidated income statement, with the exception of the gains or losses resulting from the translation of inter-company long-term loans. The impacts of translation of these items have been reflected in equity.

(l) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown under current liabilities on the balance sheet.

2 Summary of significant accounting policies (continued)

(m) Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(n) Employee benefits

(i) Pension obligations
The Group principally participates in defined contribution plans and pays contributions to publicly or privately administered pension plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due and if applicable, are reduced by contributions forfeited by those employees who leave the scheme or the plan prior to vesting fully in the contributions.

(ii) Share options
The Group operates an equity-settled, share-based compensation plan to grant share options to directors, employees and consultants of the Group in exchange for their services provided to the Group. The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value of the options granted is recognised as an expense over the relevant period of the service (the vesting period of the options). The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. The Group recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

When the options are exercised, the proceeds received net of any directly attributable transactions cost are credited to share capital and share premium.

(iii) Employee leave entitlements
Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

(iv) Bonus plans
The Group recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

(o) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(p) Revenue recognition

Revenue comprises the fair value for the sale of goods and services, net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

(i) Sales of goods – wholesale
Sales of goods are recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to the customer and title has been passed.

(ii) Sales of goods – retail
Sales of goods are recognised on sale of a product to the customer. Retail sales are mainly in cash or by credit card.

(iii) Licensing income
Licensing income is recognised on an accrual basis in accordance with the substance of the relevant agreements.

(iv) Interest income
Interest income is recognised on a time proportion basis using the effective interest method.

(q) Accounting for derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Changes in the fair value of derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

The method of recognising the resulting gain or loss where the derivative is designated as a hedging instrument depends on the nature of the item being hedged. The Group can designate certain derivatives as either: (i) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (ii) hedges of highly probable forecast transactions (cash flow hedges).

2 Summary of significant accounting policies (continued)

(q) Accounting for derivative financial instruments (continued)

The Group is required to document at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group is also required to document its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(i) Fair value hedge
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(ii) Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(r) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are charged to the income statement on a straight-line basis over the period of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Contingent rentals are charged to the income statement in the accounting period in which they are incurred. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

(s) Dividend distributions

Dividend distributions to the Company's shareholders are recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

3 Financial risk management

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks, mainly foreign exchange risk and credit risk. The Group's overall risk management programme focuses on minimising the potential adverse effects of these risks on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

(i) Foreign exchange risk
The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro. Foreign exchange risk primarily arises from future commercial transactions and recognised assets and liabilities.

To minimise the Group's foreign exchange exposure on costs for merchandise produced for Europe in Asia, suppliers in Asia are asked to quote and settle in Euro. In addition, to manage the foreign exchange risk arising from future commercial transactions, the Group enters into foreign currency forward contracts to reduce foreign exchange risk.

The Group's profit attributable to shareholders and shareholders' funds would decrease (2009: decrease) by approximately **HK$4 million** (2009: HK$0.2 million) in response to a 1% strengthening in Euro vs US Dollars in relation to monetary items and derivative financial instruments in existence at the balance sheet date.

(ii) Credit risk
The Group's credit risk is primarily attributable to trade and other debtors and deposits with banks.

There is no concentration of credit risk with respect to trade debtors as the Group has a large number of internationally dispersed customers. It has policies in place to ensure that wholesale sales of products are made to customers with an appropriate credit history. Sales to retail customers are made in cash, bank transfer or by credit card. The Group grants credit for a period which is usually 30 to 60 days to certain wholesale and franchise customers. The Group does not hold any collateral over the trade debtors. The Group manages the credit risk mainly by purchasing credit guarantee insurance and arranging the trade debtors to be covered by letters of credit or bank guarantees. Individual risk limits are set based on internal ratings in accordance with limits set by management. The utilisation of credit limits is regularly monitored.

During the year, the Group has enhanced the group credit control policy to promote good practice in credit control procedures across the Group and protect and limit the Group's overall exposure to credit risks. This policy provides the general principle to guide the credit management process by setting forth the general acceptable practices for limiting credit exposures and in particular, the establishment of the regional and country credit limit for control of credit.

The credit risk on deposits with banks is limited because the Group mainly places the deposits in banks with high credit rating and management does not expect any losses from non-performance by banks.

(iii) Liquidity risk
The Group manages liquidity risk by continuously monitoring forecast and actual cash flows, by keeping sufficient cash and cash equivalents and by maintaining adequate banking facilities.

3 Financial risk management (continued)

(a) Financial risk factors (continued)

(iii) Liquidity risk (continued)
The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year HK$ million	Between 1 and 2 years HK$ million	Between 2 and 5 years HK$ million	Over 5 years HK$ million
At 30 June 2010				
Creditors and accrued charges	**4,146**	**–**	**–**	**–**
Bank loans	**542**	**538**	**1,583**	**–**
	4,688	**538**	**1,583**	**–**
At 30 June 2009				
Creditors and accrued charges	3,849	–	–	–
Bank loans	–	–	–	–
	3,849	–	–	–

(iv) Interest rate risk
The Group's interest rate risk arises primarily from bank loans. Bank loans at variable rates expose the Group to cash flow interest rate risk. The Group earns interest income on cash deposits.

The Group's profit attributable to shareholders would decrease by approximately **HK$10 million** in response to a 100 basis-points increase in market interest rates from the rates applicable at 30 June 2010, with all other variables held constant.

(b) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide` returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group's capital structure is being reviewed annually to ensure these objectives are to be achieved. In order to maintain or adjust the capital structure, the Group will consider the macroeconomic conditions, prevailing interest rates and adequacy of cash flows generating from operations and may adjust the amounts of dividends paid to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital by maintaining a net cash position throughout the year.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Useful life and impairment of trademarks

(i) Indefinite useful life
The Group's acquired Esprit trademarks are classified as an indefinite-lived intangible asset in accordance with IAS 38 "Intangible Assets". This conclusion is supported by the fact that Esprit trademark legal rights are capable of being renewed indefinitely at insignificant cost and therefore are perpetual in duration, relate to a well known and long established fashion brand since 1968, and based on future financial performance of the Group, they are expected to generate positive cash flows indefinitely. This view is supported by an independent professional appraiser, who was appointed by the Group to perform an assessment of the useful life of Esprit trademarks in accordance with the requirements set out in IAS 38 as at 30 June 2004. Having considered the factors specific to the Group, the appraiser opined that Esprit trademarks should be regarded as an intangible asset with an indefinite useful life. Under IAS 38, the Group re-evaluates the useful life of Esprit trademarks each year to determine whether events and circumstances continue to support the view of indefinite useful life for this asset.

(ii) Impairment
In accordance with IAS 36 "Impairment of Assets", the Group completed its annual impairment test for Esprit trademarks by comparing their recoverable amount to their carrying amount as at 30 June 2010. The Group has conducted a valuation of the Esprit trademarks as one corporate asset based on a fair value less costs to sell calculation. The resulting value of the Esprit trademarks as at 30 June 2010 was significantly higher than their carrying amount. This valuation uses cash flow projections based on financial estimates covering a three-year period, expected royalty rates deriving from the Esprit trademarks in the range of 3% to 6% and a discount rate of 14%. The cash flows beyond the three-year period are extrapolated using a steady 3% growth rate. This growth rate does not exceed the long-term average growth rate for apparel markets in which the Group operates. Management has considered the above assumptions and valuation and has also taken into account the business expansion plan going forward, the current wholesale order books and the strategic retail expansion worldwide and believes that there is no impairment in the Esprit trademarks. Management believes that any reasonably foreseeable change in any of the above key assumptions would not cause the aggregate carrying amount of trademarks to exceed the aggregate recoverable amount.

(b) Impairment of property, plant and equipment

In accordance with IAS 36 "Impairment of Assets", the Group assesses annually whether property, plant and equipment have any indication of impairment. The Group estimates the recoverable amount of the asset if any such indication exists. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. The value in use calculation involves estimating the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and applying the appropriate discount rate to those future cash flows. The estimation of future cash flows and selection of discount rate require the use of judgements and estimates. Management believes that any reasonably foreseeable change in any of the above key elements in the value in use calculation would not result in material additional impairment charges.

4 Critical accounting estimates and judgements (continued)

(c) Net realisable value of inventories

In accordance with IAS 2 "Inventories", the Group estimates annually the net realisable value of inventories. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to changes in market conditions. Management reassesses these estimates at each balance sheet date.

(d) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises, as current liabilities, liabilities for anticipated tax audit issues based on estimates of whether additional taxes will eventually be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5 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**

5 Turnover and segment information (continued)

	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
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

The total of non-current assets other than deferred tax assets, financial instruments and intangible assets is located in the following countries:

	2010 HK$ million	2009 HK$ million
Hong Kong	**332**	355
Germany	**1,926**	1,662
Other countries	**1,730**	2,903
	3,988	4,920

During the year, the turnover from the Group's largest customer amounted to less than 10 percent of the Group's total turnover (2009: less than 10 percent).

6 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.

7 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	–

8 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 (Note 24)		
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.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the Group's subsidiaries. The weighted average applicable tax rate was **22.8%** (2009: 20.6%).

	2010 HK$ million	2009 HK$ million
Profit before taxation	**5,474**	5,977
Tax calculated at applicable tax rate	**1,146**	1,365
Expenses not deductible for tax purposes	**52**	43
Non-taxable income	**(5)**	(14)
Utilisation of carried forward tax losses	**(56)**	(36)
Tax effect of tax losses not recognised	**18**	39
Tax effect of share of results of associates	**(19)**	(32)
Overprovision for prior years	**(282)**	(31)
Tax effect on deferred tax balances due to changes in income tax rates	**22**	(102)
Deferred tax on undistributed earnings	**372**	–
Taxation	**1,248**	1,232

9 Profit attributable to shareholders

The profit attributable to shareholders of the Company is dealt with in the financial statements of the Company to the extent of **HK$2,135 million** (2009: HK$1,947 million (Note 31)).

10 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.

10 Dividends (continued)

* 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 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.

11 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 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
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.

12 Staff costs (including directors' emoluments)

	2010 HK$ million	2009 HK$ million
Salaries and wages	**3,426**	3,080
Social security costs and other staff costs	**866**	803
Pensions costs of defined contribution plans	**94**	76
Employee share option benefits	**153**	92
	4,539	4,051

Defined contribution retirement schemes

The Group principally participates in defined contribution plans. In Hong Kong, the Group participates in the Mandatory Provident Fund Scheme operated by HSBC Provident Fund Trustee (Hong Kong) Limited. Contribution at a fixed rate of 5 percent of the employee's relevant income, subject to a cap of monthly relevant income of HK$20,000 per employee, are made to the scheme and are vested immediately. The Group also operates several defined contribution retirement plans for its overseas subsidiaries and pays contributions to publicly or privately administered pension plans on a mandatory, contractual or voluntary basis. Contributions to the schemes by the Group and employees are calculated at fixed percentages of employees' basic salaries or at agreed fixed amounts.

Under the defined contribution scheme in some countries, where employees leave the scheme prior to the full vesting of the employer's contributions, the amount of forfeited contributions is used to reduce the contributions payable by the Group. During the year, the Group did not have any contributions forfeited in accordance with the schemes' rules (2009: nil) which have been applied towards the contributions payable by the Group.

13 Directors' and senior management's emoluments

(a) Directors' emoluments

Name of Director	Fees[5]	Basic salaries, allowance and benefits in kind	Bonuses	Share option benefits[6]	Provident fund contributions/ retirement benefit costs	Compensation for loss of office as a director[7]	2010 Total emoluments	2009 Total emoluments
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
HEINZ JÜRGEN **KROGNER-KORNALIK**[1]	–	18,136 (EUR1,679,572)	97,182 (EUR9,000,001)	9,239 (EUR855,579)	73 (EUR6,784)	–	124,630 (EUR11,541,936)	68,257 (EUR6,404,251)
RONALD **VAN DER VIS**	–	16,713 (EUR1,547,791)	–	46,106 (EUR4,269,881)	43 (EUR4,014)	–	62,862 (EUR5,821,686)	1,570 (EUR147,320)
CHEW FOOK AUN	–	8,043	1,250	7,578	12	–	16,883	5,669
JÜRGEN ALFRED RUDOLF **FRIEDRICH**[2,4]	573	–	–	–	–	–	573	425
PAUL **CHENG** MING FUN[3,4]	805	–	–	–	–	–	805	613
ALEXANDER REID **HAMILTON**[3,4]	735	–	–	–	–	–	735	613
DR HANS-JOACHIM **KÖRBER**[3,4]	665	–	–	–	–	–	665	538
RAYMOND **OR** CHING FAI[3,4]	730	–	–	–	–	–	730	613
FRANCESCO **TRAPANI**[3]	658	–	–	–	–	–	658	268
THOMAS JOHANNES **GROTE**	–	–	–	(17,845) (EUR1,652,590)	–	–	(17,845) (EUR1,652,590)	32,851 (EUR3,082,348)
JEROME SQUIRE **GRIFFITH**	–	–	–	–	–	–	–	4,405 (USD567,361)
JOHN **POON** CHO MING	–	–	–	–	–	–	–	21,301
Total for the year 2010	4,166	42,892	98,432	45,078	128	–	190,696	
Total for the year 2009	3,070	31,679	61,725	19,121	83	21,445		137,123

1 Mr. KROGNER-KORNALIK was re-designated as non-executive director on 30 June 2010
2 Non-executive directors
3 Independent non-executive directors
4 Members of the Audit Committee
5 The amount includes directors' fees of **HK$3.6 million** (2009: HK$2.6 million) paid to independent non-executive directors
6 The share option benefits of Mr. GROTE represent reversal of share option benefits recognised in prior years as a result of forfeiture of the unvested share options during the year
7 The amount includes payment for non-competition agreement

13 Directors' and senior management's emoluments (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included **three** (2009: three) Directors whose emoluments are reflected in the analysis presented above. The emoluments receivable by the remaining **two** (2009: two) during the year are listed below:

	2010 HK$'000	2009 HK$'000
Salaries, housing and other allowances and benefits in kind	**11,864**	10,717
Bonuses	**11,357**	7,940
Share option benefits	**15,384**	22,244
Pensions costs of defined contribution plans	**18**	10
	38,623	40,911

	Number of Individuals	
Emoluments Band	**2010**	2009
HK$17,500,001 – HK$ 18,000,000	**–**	1
HK$19,000,001 – HK$ 19,500,000	**2**	–
HK$23,000,001 – HK$ 23,500,000	**–**	1

14 Intangible assets

	Trademarks HK$ million	Goodwill HK$ million	Customer relationships HK$ million	Total HK$ million
Cost				
At 1 July 2008	2,070	51	–	2,121
Exchange translation	(56)	(4)	–	(60)
At 1 July 2009	**2,014**	**47**	**–**	**2,061**
Acquisition of remaining interest in the associated companies (Note 29)	**–**	**4,719**	**589**	**5,308**
Acquisition of a subsidiary (Note 29)	**–**	**42**	**–**	**42**
Amortisation charge	**–**	**–**	**(23)**	**(23)**
Exchange translation	**(39)**	**(4)**	**–**	**(43)**
At 30 June 2010	**1,975**	**4,804**	**566**	**7,345**

The trademarks are considered to have an indefinite useful life and were tested for impairment at 30 June 2010, as described in note 4(a).

For the goodwill arising from the acquisitions during the year, the Group has assessed there is no indication of impairment after the consideration of both external and internal sources of information. The Group will perform impairment assessment for goodwill for the newly acquired businesses annually.

15 Property, plant and equipment

	Freehold land outside Hong Kong	Leasehold land in Hong Kong	Buildings	Leasehold improvements and fixtures	Plant and machinery	Furniture and office equipment	Motor vehicles	Construction in progress	Total
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK $ million	HK$ million
Cost									
At 1 July 2009, as previously reported	23	–	220	4,877	12	2,427	63	586	8,208
Effect of adoption of IAS 17 (Amendment) (Note 2(a))	–	196	–	–	–	–	–	–	196
At 1 July 2009, as restated	23	196	220	4,877	12	2,427	63	586	8,404
Exchange translation	–	–	(4)	(428)	(1)	(237)	(8)	(146)	(824)
Additions	–	–	–	595	–	302	9	603	1,509
Transfer	–	–	–	17	–	3	–	(20)	–
Acquisition of remaining interest in the associated companies (Note 29)	–	–	–	206	–	58	1	–	265
Acquisition of a subsidiary (Note 29)	–	–	–	–	–	1	1	–	2
Disposals	–	–	–	(297)	(1)	(137)	(9)	(9)	(453)
At 30 June 2010	23	196	216	4,970	10	2,417	57	1,014	8,903
Depreciation and impairment									
At 1 July 2009, as previously reported	–	–	92	2,116	10	1,731	31	–	3,980
Effect of adoption of IAS 17 (Amendment) (Note 2(a))	–	26	–	–	–	–	–	–	26
At 1 July 2009, as restated	–	26	92	2,116	10	1,731	31	–	4,006
Exchange translation	–	–	(2)	(202)	(1)	(182)	(5)	–	(392)
Charge for the year	–	5	9	559	1	297	13	–	884
Disposals	–	–	–	(267)	(1)	(130)	(7)	–	(405)
Impairment charge	–	–	–	548	1	106	–	–	655
Acquisition of remaining interest in the associated companies (Note 29)	–	–	–	132	–	46	1	–	179
At 30 June 2010	–	31	99	2,886	10	1,868	33	–	4,927
Net book value									
At 30 June 2010	23	165	117	2,084	–	549	24	1,014	3,976

15 Property, plant and equipment (continued)

	Freehold land outside Hong Kong	Leasehold land in Hong Kong	Buildings	Leasehold improvements and fixtures	Plant and machinery	Furniture and office equipment	Motor vehicles	Construction in progress	Total
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK $ million	HK$ million
Cost									
At 1 July 2008, as previously reported	25	–	228	4,569	14	2,350	73	–	7,259
Effect of adoption of IAS 17 (Amendment) (Note 2(a))	–	196	–	–	–	–	–	–	196
At 1 July 2008, as restated	25	196	228	4,569	14	2,350	73	–	7,455
Exchange translation	(2)	–	(8)	(498)	(2)	(224)	(8)	–	(742)
Additions	–	–	–	1,029	–	385	11	586	2,011
Disposals	–	–	–	(223)	–	(84)	(13)	–	(320)
At 30 June 2009, as restated	23	196	220	4,877	12	2,427	63	586	8,404
Depreciation and impairment									
At 1 July 2008, as previously reported	–	–	88	2,046	10	1,689	31	–	3,864
Effect of adoption of IAS 17 (Amendment) (Note 2(a))	–	21	–	–	–	–	–	–	21
At 1 July 2008, as restated	–	21	88	2,046	10	1,689	31	–	3,885
Exchange translation	–	–	(5)	(233)	(1)	(168)	(4)	–	(411)
Charge for the year	–	5	9	465	1	282	14	–	776
Disposals	–	–	–	(194)	–	(78)	(10)	–	(282)
Impairment charge	–	–	–	32	–	6	–	–	38
At 30 June 2009, as restated	–	26	92	2,116	10	1,731	31	–	4,006
Net book value									
At 30 June 2009	23	170	128	2,761	2	696	32	586	4,398

The leasehold land in Hong Kong is held on medium-term (10 to 50 years) leases and is held under finance leases.

16 Investment properties

	2010 HK$ million	2009 HK$ million
Opening balance	**–**	–
Acquisition of remaining interest in the associated companies (Note 29)	**12**	–
Closing balance	**12**	–

The investment properties represent certain medium term leasehold land and buildings located in the People's Republic of China. An independent professional valuer, American Appraisal China Limited, valued the properties at 30 June 2010 on an open market value basis at **HK$12 million.**

17 Investments in associates

	2010 HK$ million	2009 HK$ million
Share of net assets	**–**	522

On 12 February 2010, the Group acquired the remaining interest of the associated companies with operations in the People's Republic of China from China Resources Enterprise, Limited (Note 29).

The following is a list of the principal associates, all of which were unlisted as at 30 June 2009:

Name of associates	Place of incorporation/ operation	Attributable equity interest to the Group	Issued and fully paid share capital/ registered capital	Principal activities
Tactical Solutions Incorporated ("TSI")	British Virgin Islands/The People's Republic of China	49%	US$100	Investment holding
CRE Esprit Inc.	The People's Republic of China	49%	RMB5,000,000	Retail and wholesale distribution of apparel, accessories and cosmetic products

Except for royalty payments by TSI which had scheduled payment due dates and bore interest at Hong Kong dollar prime rate plus 3% on overdue balances, the amounts due from associates as at 30 June 2009 were unsecured, interest free and had no fixed terms of repayment.

Summary of unaudited consolidated financial information of the associates is as follows:

	2010 HK$ million	2009 HK$ million
Assets	**n.a.**	1,363
Liabilities	**n.a.**	(298)
Net assets	**n.a.**	1,065
Revenue (Note 1)	**1,725**	2,678
Net profit (Note 2)	**166**	329

Note 1: Represents revenue for the period from 1 July 2009 to 11 February 2010

Note 2: Represents net profit for the period from 1 July 2009 to 11 February 2010

n.a. means "Not applicable"

18 Inventories

	2010 HK$ million	2009 HK$ million
Finished goods	**2,381**	2,867
Consumables	**74**	130
	2,455	2,997

19 Debtors, deposits and prepayments

	As at 30 June 2010 HK$ million	As at 30 June 2009 HK$ million (restated)	As at 31 July 2008 HK$ million (restated)
Trade debtors	**2,777**	3,290	4,161
Less: provision for impairment of trade debtors	**(388)**	(251)	(154)
	2,389	3,039	4,007
Deposits	**231**	446	230
Prepayments	**528**	630	668
Other debtors and receivables	**335**	272	422
	3,483	4,387	5,327
Non-current portion of deposits	**(160)**	(192)	(194)
Non-current portion of prepayments	**(280)**	(367)	(375)
Current portion	**3,043**	3,828	4,758
Maximum exposure to credit risk	**2,955**	3,757	4,659

19 Debtors, deposits and prepayments (continued)

The ageing analysis by due date of trade debtors net of provision for impairment is as follows:

	As at 30 June 2010 HK$ million	As at 30 June 2009 HK$ million	As at 1 July 2008 HK$ million
Current portions	**1,873**	2,410	3,268
1-30 days	**165**	246	366
31-60 days	**98**	137	151
61-90 days	**56**	76	63
Over 90 days	**197**	170	159
Amount past due but not impaired	**516**	629	739
	2,389	3,039	4,007

The carrying amount of debtors, deposits and prepayments approximates their fair value.

There is no concentration of credit risk with respect to trade debtors as the Group has a large number of internationally dispersed customers.

Concerning trade debtors that are neither impaired nor past due, there were no indications at the balance sheet date that defaults in payment obligations will occur as these relate to a number of independent customers for whom there is no recent history of default.

Movements in provision for impairment of trade debtors are as follows:

	2010 HK$ million	2009 HK$ million
At beginning of year	**251**	154
Provision for impairment of trade debtors	**293**	196
Bad debts written off	**(87)**	(69)
Unused amounts reversed	**(10)**	(15)
Exchange translation	**(59)**	(15)
At end of year	**388**	251

The individually impaired receivables mainly relate to wholesalers which have unexpected liquidity problems.

During the year, the Group renegotiated the terms of trade debtors totaling **HK$124 million** (30 June 2009: HK$164 million, 1 July 2008: HK$149 million) that would otherwise be past due at the balance sheet date.

20 Cash and cash equivalents

Cash and cash equivalents include the following for the purposes of the consolidated cash flow statement:

	2010 HK$ million	2009 HK$ million
Short-term bank deposits	**3,089**	1,507
Bank balances and cash	**3,659**	3,333
	6,748	4,840

The maximum exposure to credit risk as at 30 June 2010 is the carrying amount of bank balances and short-term bank deposits.

The effective interest rate on cash and cash equivalents for 2010 was determined to be **0.4%** (2009: 1.7 %) per annum; the short-term bank deposits generally have a maturity of less than 180 days.

21 Share capital

	2010 HK$ million	2009 HK$ million
Authorised:		
2,000,000,000 shares of HK$0.10 each	**200**	200

	Number of shares of HK$0.10 each million	Nominal value HK$ million
Issued and fully paid:		
Balance at 1 July 2009	**1,246**	**125**
Exercise of share options (Note (a))	**5**	**–**
Issue of scrip shares (Note (b))	**37**	**4**
Balance at 30 June 2010	**1,288**	**129**
Balance at 1 July 2008	1,244	124
Exercise of share options	5	1
Repurchase of shares (Note (c))	(3)	–
Balance at 30 June 2009	1,246	125

21 Share capital (continued)

(a) During the year, **4,875,000** (2009: 4,607,000) ordinary shares of HK$0.10 were issued in respect of the share options exercised by Directors and employees under the share option scheme (defined in note (d) below) at exercise prices in the range of **HK$14.60 to HK$47.10** (2009: HK$14.60 to HK$42.58) each (representing a premium in the range of **HK$14.50 to HK$47.00** (2009: HK$14.50 to HK$42.48) each).

(b) On 10 December 2009, the shareholders approved a final dividend of HK$0.72 per share and a special dividend of HK$1.33 per share for the year ended 30 June 2009. The shareholders were provided with an option to receive the final dividend in form of shares in lieu of cash while the special dividend was paid out in form of shares. On 15 January 2010, 531,079 and 30,816,866 shares were issued in respect of the final dividend and special dividend respectively.

On 3 February 2010, the Board of Directors declared an interim dividend of HK$0.74 per share for the six months ended 31 December 2009. The shareholders were provided with an option to receive the interim dividend in form of shares in lieu of cash. On 12 April 2010, 5,973,081 shares were issued in respect of the interim dividend.

(c) In the year ended 30 June 2009, the Company repurchased **2,615,500** of its own ordinary shares at a total consideration of **HK$203 million** on The Stock Exchange of Hong Kong Limited.

(d) Share options

The Company adopted a share option scheme on 26 November 2001 (the "2001 Share Option Scheme"). On 10 December 2009, the shareholders approved at the annual general meeting of the Company (the "2009 AGM") the termination of the 2001 Share Option Scheme provided that the share options which have been granted and remained outstanding and/or committed shall continue to follow the provisions of the 2001 Share Option Scheme and the Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

On 10 December 2009, the shareholders approved at the 2009 AGM a new share option scheme (the "2009 Share Option Scheme").

Information on the Schemes

The following is a summary of 2001 Share Option Scheme and 2009 Share Option Scheme (together the "Schemes") disclosed in accordance with the Listing Rules.

Purpose of the Schemes

The Schemes are share incentive schemes and are established to recognise and acknowledge the contributions that eligible persons make or may make to the Group.

The Schemes provide eligible persons with an opportunity to have a personal stake in the Company with a view to:

(i) motivating eligible persons to optimise their performance and efficiency for the benefit of the Group; and

(ii) attracting and retaining or otherwise maintaining ongoing business relationships with eligible persons whose contributions are or will be beneficial to the long term growth of the Group.

Participants of the Schemes

The board may at its discretion grant options to:

(i) any director, employee, consultant, customer, supplier, agent, partner or adviser of or contractor to the Group or a company in which the Group holds an interest or a subsidiary of such company ("Affiliate"); or

(ii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any director, employee, consultant, customer, supplier, agent, partner or adviser of or contractor to the Group or an Affiliate; or

(iii) a company beneficially owned by any director, employee, consultant, customer, supplier, agent, partner, adviser of or contractor to the Group or an Affiliate.

Total number of shares available for issue under the Schemes and percentage of issued share capital at 30 June 2010

The total number of shares available for issue upon exercise of all outstanding options already granted under the Schemes is 49,645,000 shares (2001 Share Option Scheme: 48,845,000 shares and 2009 Share Option Scheme: 800,000 shares), representing 3.85% of the issued share capital of the Company at 30 June 2010.

The maximum number of shares available for issue upon exercise of options not yet granted under the Schemes is 123,709,064 shares (2001 Share Option Scheme: 16,526,371 shares and 2009 Share Option Scheme: 107,182,693 shares), representing 9.60% of the issued share capital of the Company at 30 June 2010.

21 Share capital (continued)

Maximum entitlement of each participant under the Schemes

The maximum entitlement of each participant under the Schemes shall not exceed any limits that may be imposed under the Listing Rules from time to time as amended and in force.

In accordance with the current Listing Rules no options may be granted to any eligible persons which if exercised in full would result in the total number of shares issued and to be issued upon exercise of the share options already granted or to be granted to such eligible person under the Schemes or any other schemes of the Company (including exercised, cancelled and outstanding share options) in the 12-month period up to and including the date of such new grant exceeding 1% of the issued share capital of the Company at the date of such new grant. Any grant of further options above this limit is subject to certain requirements as stipulated in the Listing Rules.

The period within which the shares must be taken up under an option under the Schemes

An option is exercisable, subject to certain restrictions contained in the Schemes and the terms on which the option is granted at any time during the applicable option period which period may be determined by the board but which shall in no event be more than 10 years from the date of grant of the option.

The minimum period for which an option must be held before it can be exercised under the Schemes

There is no general requirement on the minimum period for which an option must be held or the performance targets which must be achieved before an option can be exercised under the Schemes. At the time of granting an option, however, the board may, on a case by case basis, make such grant subject to such conditions, restrictions or limitations in relation thereto, including the minimum period for which the option must be held and/or the performance targets to be achieved, additional to those expressly set forth in the Schemes as the board may in its absolute discretion determine.

The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid under the Schemes

There is no amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid.

The basis of determining the subscription price under the Schemes

The price per share at which a grantee may subscribe for shares upon the exercise of an option is determined by the board and shall not be less than the highest of:

(i) the closing price of the Company's shares as stated in the daily quotation sheet of The Stock Exchange of Hong Kong Limited ("the Stock Exchange") on the date of grant of the relevant option, which must be a Business Day (as defined in the Listing Rules);

(ii) an amount equivalent to the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the date of grant of the relevant option; and

(iii) the nominal value of the Company's shares.

The remaining life of the 2001 Share Option Scheme

On 10 December 2009, the shareholders approved at the 2009 AGM the termination of the 2001 Share Option Scheme and no further options may be granted to eligible person under the 2001 Share Option Scheme with effect thereof, save and except the options which have been committed prior to such date shall continue to follow the provisions of the 2001 Share Option Scheme and the Listing Rules.

Details of the share options granted during the year and outstanding share options as at 30 June 2010 under the 2001 Share Option Scheme were as follows:

	Number of share options	
	2010	2009
Opening balance	**49,510,000**	41,636,000
Granted during the year (Note (i))	**10,500,000**	23,450,000
Exercised during the year (Note (ii))	**(4,875,000)**	(4,607,000)
Lapsed during the year	**(490,000)**	(5,355,000)
Forfeited during the year	**(5,800,000)**	(5,614,000)
Closing balance (Note (iii))	**48,845,000**	49,510,000

21 Share capital (continued)

(i) Details of share options granted during the year ended 30 June 2010 were as follows:

Exercise period	Exercise price HK$	Number of options
9 December 2010 – 8 December 2015	**53.74**	**672,000**
9 December 2011 – 8 December 2015	**53.74**	**672,000**
9 December 2012 – 8 December 2015	**53.74**	**672,000**
9 December 2013 – 8 December 2015	**53.74**	**672,000**
9 December 2014 – 8 December 2015	**53.74**	**672,000**
11 December 2010 – 10 December 2015	**53.90**	**399,000**
11 December 2011 – 10 December 2015	**53.90**	**399,000**
11 December 2012 – 10 December 2015	**53.90**	**399,000**
11 December 2013 – 10 December 2015	**53.90**	**399,000**
11 December 2014 – 10 December 2015	**53.90**	**399,000**
4 February 2011 – 3 February 2016	**57.70**	**510,000**
4 February 2012 – 3 February 2016	**57.70**	**510,000**
4 February 2013 – 3 February 2016	**57.70**	**510,000**
4 February 2014 – 3 February 2016	**57.70**	**510,000**
4 February 2015 – 3 February 2016	**57.70**	**510,000**
5 February 2011 – 4 February 2016	**55.46**	**159,000**
5 February 2012 – 4 February 2016	**55.46**	**159,000**
5 February 2013 – 4 February 2016	**55.46**	**159,000**
5 February 2014 – 4 February 2016	**55.46**	**159,000**
5 February 2015 – 4 February 2016	**55.46**	**159,000**
9 February 2011 – 8 February 2016	**56.90**	**180,000**
9 February 2012 – 8 February 2016	**56.90**	**180,000**
9 February 2013 – 8 February 2016	**56.90**	**180,000**
9 February 2014 – 8 February 2016	**56.90**	**180,000**
9 February 2015 – 8 February 2016	**56.90**	**180,000**
10 May 2011 – 9 May 2016	**52.61**	**120,000**
10 May 2012 – 9 May 2016	**52.61**	**120,000**
10 May 2013 – 9 May 2016	**52.61**	**120,000**
10 May 2014 – 9 May 2016	**52.61**	**120,000**
10 May 2015 – 9 May 2016	**52.61**	**120,000**
22 June 2011 – 21 June 2016	**45.24**	**60,000**
22 June 2012 – 21 June 2016	**45.24**	**60,000**
22 June 2013 – 21 June 2016	**45.24**	**60,000**
22 June 2014 – 21 June 2016	**45.24**	**60,000**
22 June 2015 – 21 June 2016	**45.24**	**60,000**
		10,500,000

Details of share options granted during the year ended 30 June 2009 were as follows:

Exercise period	Exercise price HK$	Number of options
9 December 2009 – 8 December 2014	44.25	642,000
9 December 2010 – 8 December 2014	44.25	642,000
9 December 2011 – 8 December 2014	44.25	642,000
9 December 2012 – 8 December 2014	44.25	642,000
9 December 2013 – 8 December 2014	44.25	642,000
11 December 2009 – 10 December 2014	45.95	756,000
11 December 2010 – 10 December 2014	45.95	756,000
11 December 2011 – 10 December 2014	45.95	756,000
11 December 2012 – 10 December 2014	45.95	756,000
11 December 2013 – 10 December 2014	45.95	756,000
5 February 2010 – 4 February 2015	39.76	1,032,000
5 February 2011 – 4 February 2015	39.76	1,032,000
5 February 2012 – 4 February 2015	39.76	1,032,000
5 February 2013 – 4 February 2015	39.76	1,032,000
5 February 2014 – 4 February 2015	39.76	1,032,000
9 February 2010 – 8 February 2015	41.70	420,000
9 February 2011 – 8 February 2015	41.70	420,000
9 February 2012 – 8 February 2015	41.70	420,000
9 February 2013 – 8 February 2015	41.70	420,000
9 February 2014 – 8 February 2015	41.70	420,000
8 May 2010 – 7 May 2015	51.76	160,000
8 May 2011 – 7 May 2015	51.76	160,000
8 May 2012 – 7 May 2015	51.76	160,000
8 May 2013 – 7 May 2015	51.76	160,000
8 May 2014 – 7 May 2015	51.76	160,000
22 June 2010 – 21 June 2015	46.45	1,680,000
22 June 2011 – 21 June 2015	46.45	1,680,000
22 June 2012 – 21 June 2015	46.45	1,680,000
22 June 2013 – 21 June 2015	46.45	1,680,000
22 June 2014 – 21 June 2015	46.45	1,680,000
		23,450,000

21 Share capital (continued)

(ii) Details of share options exercised during the year ended 30 June 2010 were as follows:

Exercise date	Exercise price HK$	Number of options	Proceeds received Share capital HK$'000	Proceeds received Share premium HK$'000	Market value* per share at exercise date HK$
28 September 2009	42.58	720,000	72	30,586	51.70
5 October 2009	24.20	40,000	4	964	49.05
30 November 2009	24.20	95,000	10	2,289	52.10
30 November 2009	42.58	640,000	64	27,187	52.10
1 February 2010	42.58	60,000	6	2,549	52.95
15 March 2010	42.58	60,000	6	2,549	58.00
23 March 2010	24.20	600,000	60	14,460	60.60
31 March 2010	42.58	100,000	10	4,248	61.25
8 April 2010	39.76	30,000	3	1,190	61.65
8 April 2010	42.58	360,000	36	15,293	61.65
16 April 2010	42.58	180,000	18	7,646	60.30
21 April 2010	14.60	80,000	8	1,160	59.90
21 April 2010	24.20	210,000	21	5,061	59.90
21 April 2010	42.58	160,000	16	6,797	59.90
26 April 2010	24.20	120,000	12	2,892	59.25
26 April 2010	42.58	240,000	24	10,195	59.25
28 April 2010	24.45	120,000	12	2,922	57.70
28 April 2010	42.58	450,000	45	19,116	57.70
28 April 2010	47.10	450,000	45	21,150	57.70
29 April 2010	45.95	160,000	16	7,336	55.00
		4,875,000	488	185,590	

* "Market value" represents the closing price of the share in Hong Kong on the exercise date or on the trading day immediately before the exercise date (if it is a non-trading day).

21 Share capital (continued)

(iii) Share options outstanding at the end of the year have the following terms:

Expiry date	Exercise price	Number of share options outstanding as at 30 June	
	HK$	**2010**	2009
Directors			
27 November 2010 *	42.58	**1,200,000**	600,000
27 November 2010 **	42.58	**–**	600,000
26 November 2011 *	24.20	**–**	600,000
7 February 2013 *	83.00	**480,000**	320,000
7 February 2013 **	83.00	**320,000**	480,000
11 February 2014 *	102.12	**240,000**	120,000
11 February 2014 **	102.12	**360,000**	480,000
9 February 2015 *	41.70	**360,000**	–
9 February 2015 **	41.70	**1,440,000**	1,800,000
22 June 2015 *	46.45	**1,600,000**	–
22 June 2015 **	46.45	**6,400,000**	8,000,000
9 February 2016 **	56.90	**900,000**	–
Employees and consultants			
27 November 2010 *	42.58	**1,620,000**	3,200,000
27 November 2010 **	42.58	**–**	1,630,000
23 December 2010 *	47.10	**–**	360,000
23 December 2010 **	47.10	**–**	90,000
26 November 2011 *	14.60	**–**	80,000
26 November 2011 *	24.20	**895,000**	1,360,000
28 November 2011 *	55.11	**900,000**	555,000
28 November 2011 **	55.11	**300,000**	690,000
2 December 2011 *	56.20	**680,000**	520,000
2 December 2011 **	56.20	**220,000**	440,000
23 December 2011 *	24.45	**240,000**	360,000
23 December 2011 *	56.50	**360,000**	270,000
23 December 2011 **	56.50	**90,000**	180,000
27 November 2012 *	80.60	**345,000**	180,000
27 November 2012 **	80.60	**300,000**	495,000
4 December 2012 *	79.49	**480,000**	360,000
4 December 2012 **	79.49	**330,000**	495,000
5 December 2012 *	80.95	**1,688,000**	1,552,000
5 December 2012 **	80.95	**1,152,000**	2,208,000
7 February 2013 *	83.00	**120,000**	160,000
7 February 2013 **	83.00	**80,000**	120,000
4 December 2013 *	119.00	**330,000**	210,000
4 December 2013 **	119.00	**495,000**	660,000
5 December 2013 *	118.70	**864,000**	597,000
5 December 2013 **	118.70	**1,296,000**	2,208,000
31 January 2014 *	100.80	**1,360,000**	960,000
31 January 2014 **	100.80	**2,040,000**	3,840,000
11 February 2014 *	102.12	**60,000**	60,000
11 February 2014 **	102.12	**90,000**	120,000
9 December 2014 *	44.25	**432,000**	–
9 December 2014 **	44.25	**1,728,000**	2,760,000
11 December 2014 *	45.95	**516,000**	–
Employees and consultants (continued)			
11 December 2014 **	45.95	**2,064,000**	3,780,000
5 February 2015 *	39.76	**692,000**	–
5 February 2015 **	39.76	**2,888,000**	4,660,000
9 February 2015 *	41.70	**30,000**	–
9 February 2015 **	41.70	**120,000**	150,000
8 May 2015 *	51.76	**160,000**	–
8 May 2015 **	51.76	**640,000**	800,000
22 June 2015 *	46.45	**80,000**	–
22 June 2015 **	46.45	**320,000**	400,000
9 December 2015 **	53.74	**3,360,000**	–
11 December 2015 **	53.90	**1,935,000**	–
4 February 2016 **	57.70	**2,550,000**	–
5 February 2016 **	55.46	**795,000**	–
10 May 2016 **	52.61	**600,000**	–
22 June 2016 **	45.24	**300,000**	–
		48,845,000	49,510,000

* The share options listed above are vested as of the respective balance sheet dates.

** The share options listed above are not vested as of the respective balance sheet dates.

The remaining life of the 2009 Share Option Scheme

Options may be granted to eligible persons under the 2009 Share Option Scheme for the period until 9 December 2019.

Details of the share options granted during the year and outstanding share options as at 30 June 2010 under the 2009 Share Option Scheme were as follows:

	Number of share options	
	2010	2009
Opening balance	**–**	–
Granted during the year (Note (i))	**800,000**	–
Closing balance (Note (ii))	**800,000**	–

(i) Details of share options granted during the year ended 30 June 2010 were as follows:

Exercise period	**Exercise price HK$**	**Number of options**
19 April 2011 – 18 April 2016	**62.21**	**160,000**
19 April 2012 – 18 April 2016	**62.21**	**160,000**
19 April 2013 – 18 April 2016	**62.21**	**160,000**
19 April 2014 – 18 April 2016	**62.21**	**160,000**
19 April 2015 – 18 April 2016	**62.21**	**160,000**
		800,000

21 Share capital (continued)

(ii) Share options outstanding at the end of the year have the following terms:

Expiry date	Exercise price	Number of share options outstanding as at 30 June	
	HK$	**2010**	2009
Employees and consultants			
19 April 2016 **	62.21	**800,000**	–
		800,000	–

** The share options listed above are not vested as of the respective balance sheet dates.

Share option expenses charged to the consolidated income statement are based on valuations determined using the Binomial model. Share options granted were valued based on the following assumptions:

Date of grant	Option value[1] HK$	Share price at the date of grant[2] HK$	Exercisable price HK$	Expected volatility[3]	Annual risk-free interest rate[4]	Life of option[5]	Dividend yield[6]
26 November 2002	3.22 – 5.38	14.60	14.60	47.19%	2.14% – 3.73%	2 – 6 years	1.87%
26 November 2003	4.42 – 7.70	24.20	24.20	38.29%	1.53% – 3.54%	2 – 6 years	1.85%
23 December 2003	4.39 – 7.71	24.45	24.45	38.09%	1.18% – 3.42%	2 – 6 years	1.85%
27 November 2004	7.64 – 13.17	42.20	42.58	38.88%	1.35% – 2.90%	2 – 6 years	1.77%
23 December 2004	8.46 – 14.64	47.10	47.10	38.18%	1.00% – 2.88%	2 – 6 years	1.77%
21 January 2005	8.15 – 14.00	45.60	45.60	37.23%	1.55% – 3.03%	2 – 6 years	1.77%
28 November 2005	8.44 – 14.59	54.45	55.11	28.98%	4.10% – 4.28%	2 – 6 years	1.89%
2 December 2005	9.01 – 15.37	56.20	56.20	29.05%	4.16% – 4.37%	2 – 6 years	1.89%
23 December 2005	7.67 – 14.67	56.50	56.50	23.50% –27.50%	4.03% – 4.20%	2 – 6 years	1.89%
23 February 2006	7.67 – 16.78	58.80	64.31	31.10%	4.07% – 4.20%	2 – 6 years	1.89%
27 November 2006	12.57 – 21.01	80.00	80.60	28.64%	3.66% – 3.79%	2 – 6 years	1.84%
4 December 2006	12.16 – 20.36	78.70	79.49	28.26%	3.49% – 3.67%	2 – 6 years	1.84%
5 December 2006	12.42 – 20.81	80.95	80.95	28.38%	3.48% – 3.68%	2 – 6 years	1.84%
7 February 2007	13.42 – 22.58	83.00	83.00	29.18%	4.10% – 4.22%	2 – 6 years	1.84%
28 February 2007	13.81 – 23.23	81.40	86.85	28.85%	3.94% – 4.08%	2 – 6 years	1.84%
4 December 2007	21.66 – 35.73	119.00	119.00	37.87%	1.86% – 2.75%	2 – 6 years	1.81%
5 December 2007	21.37 – 35.46	118.70	118.70	37.74%	1.65% – 2.71%	2 – 6 years	1.81%
31 January 2008	21.36 – 34.09	100.80	100.80	45.98%	1.55% – 2.25%	2 – 6 years	1.81%
11 February 2008	21.88 – 34.78	93.50	102.12	46.74%	1.47% – 2.13%	2 – 6 years	1.81%
6 May 2008	21.04 – 33.66	94.80	94.80	48.56%	1.65% – 2.53%	2 – 6 years	1.81%
9 December 2008	8.91 – 14.14	44.25	44.25	45.21%	0.90% – 1.65%	2 – 6 years	2.52%
11 December 2008	9.35 – 14.81	45.95	45.95	45.84%	0.85% – 1.57%	2 – 6 years	2.52%
5 February 2009	7.00 – 11.77	36.70	39.76	48.98%	0.62% – 1.49%	2 – 6 years	2.52%
9 February 2009	8.98 – 14.20	41.70	41.70	49.40%	0.53% – 1.46%	2 – 6 years	2.52%
8 May 2009	11.31 – 18.16	51.20	51.76	51.81%	0.51% – 1.86%	2 – 6 years	2.52%
22 June 2009	10.56 – 17.00	46.45	46.45	52.37%	0.77% – 2.49%	2 – 6 years	2.52%
9 December 2009	11.48 – 18.34	52.25	53.74	54.26%	0.29% – 1.80%	2 – 6 years	3.06%
11 December 2009	12.28 – 19.24	53.90	53.90	54.28%	0.31% – 1.80%	2 – 6 years	3.06%
4 February 2010	13.31 – 20.94	57.70	57.70	54.82%	0.54% – 2.19%	2 – 6 years	3.06%
5 February 2010	12.61 – 19.92	55.10	55.46	54.88%	0.50% – 2.14%	2 – 6 years	3.06%
9 February 2010	13.14 – 20.65	56.90	56.90	54.94%	0.49% – 2.12%	2 – 6 years	3.06%
19 April 2010	13.09 – 21.17	59.60	62.21	54.94%	0.61% – 2.23%	2 – 6 years	3.06%
10 May 2010	11.63 – 18.51	51.50	52.61	55.11%	0.58% – 2.13%	2 – 6 years	3.06%
22 June 2010	10.62 – 16.55	45.10	45.24	56.16%	0.73% – 1.98%	2 – 6 years	3.06%

21 Share capital (continued)

1. Since the option pricing model requires input of highly subjective assumptions, fair values calculated are therefore inherently subjective and the model may not necessarily provide a reliable measure of share option expense.

2. The share price at the date of grant disclosed is the closing price of the Company's shares as stated in SEHK's daily quotations sheet on the date of grant of the relevant option; where the date of grant of the relevant option did not fall on a Business Day (as defined in the Listing Rules), the closing price of the Company's shares as stated in SEHK's daily quotations sheet immediately preceding the date of grant was disclosed.

3. As stated in IFRS 2, the issuer can use either i) implied volatilities obtained from market information; or ii) historical volatilities as expected volatility input to the Binomial option pricing model. For share options granted prior to 1 July 2008 with the exception of those share options granted on 23 December 2005 that used implied volatilities over Esprit shares of similar maturity to the employee options, Esprit has estimated volatility based on the historical stock prices over 1 year preceding the grant date, expressed as an annualised rate and based on daily price changes. For share options granted after 1 July 2008, Esprit has estimated volatility based on the historical stock prices over 3 years preceding the grant date, expressed as an annualised rate and based on daily price changes.

4. The risk-free interest rate was based on the market yield of Hong Kong Exchange Fund notes with a remaining life corresponding to the expected option life.

5. The expected option life was determined by reference to historical data of option holders' behaviour.

6. Dividend yield was based on the average dividend yield (excluding special dividend) for the three years preceding the year of grant.

22 Creditors and accrued charges

	2010 HK$ million	2009 HK$ million
Trade creditors	**992**	1,165
Accruals	**2,033**	1,726
Other creditors and payables	**1,121**	958
	4,146	3,849

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

The carrying amount of creditors and accrued charges approximates their fair value.

23 Bank loans

At 30 June 2010, the Group's bank loans were payable as follows:

	2010 HK$ million	2009 HK$ million
Within 1 year	**520**	–
Between 1 and 2 years	**520**	–
Between 2 and 5 years	**1,560**	–
Wholly repayable within 5 years	**2,600**	–
Over 5 years	**–**	–
	2,600	–

The carrying amount of bank loans approximates their fair value.

The bank loans are unsecured. The effective interest rate on bank loans for 2010 was determined to be 0.8% per annum (2009: nil).

24 Deferred taxation

The following are the deferred tax assets/(liabilities) recognised and movements thereon during the current year:

The Group:

	Accelerated accounting depreciation	Elimination of unrealised profits	Intangible assets	Tax losses	Withholding tax on undistributed earnings	Other deferred tax assets	Other deferred tax liabilities	Total
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
At 1 July 2008	14	370	(358)	64	–	62	(30)	122
(Charged)/credited to income statement	16	(55)	3	(6)	–	3	21	(18)
Changes in tax rates	–	–	102	–	–	–	–	102
Exchange difference recognised in equity	(2)	(55)	15	(3)	–	(6)	(38)	(89)
At 30 June 2009	**28**	**260**	**(238)**	**55**	**–**	**59**	**(47)**	**117**
(Charged)/credited to income statement	**36**	**2**	**7**	**(13)**	**(372)**	**91**	**12**	**(237)**
Acquisition of remaining interest in the associated companies (Note 29)	**–**	**–**	**(147)**	**2**	**(24)**	**53**	**(1)**	**(117)**
Changes in tax rates	**(1)**	**–**	**(21)**	**–**	**–**	**–**	**–**	**(22)**
Exchange difference recognised in equity	**(4)**	**(34)**	**13**	**(2)**	**–**	**(8)**	**4**	**(31)**
At 30 June 2010	**59**	**228**	**(386)**	**42**	**(396)**	**195**	**(32)**	**(290)**

24 Deferred taxation (continued)

For the purpose of balance sheet presentation, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2010 HK$ million	2009 HK$ million
Deferred tax assets	**532**	408
Deferred tax liabilities	**822**	291

At 30 June 2010, the Group had unused tax losses of approximately **HK$1,129 million** (2009: HK$1,061 million) available for offset against future taxable profits. A deferred tax asset has been recognised in respect of approximately **HK$218 million** (2009: HK$294 million) of such losses. No deferred tax asset has been recognised in respect of the remaining losses of approximately **HK$911 million** (2009: HK$767 million). Included in unrecognised tax losses are losses of approximately **HK$368 million** (2009: HK$432 million) that will expire in the next one to twenty years. Other losses may be carried forward indefinitely.

Deferred income tax liabilities of **HK$8 million** (2009: HK$420 million) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Such amounts are permanently reinvested.

25 Notes to consolidated cash flow statement

Reconciliation of profit before taxation to cash generated from operations:

	2010 HK$ million	2009 HK$ million
Profit before taxation	**5,474**	5,977
Adjustments for:		
Interest income	**(33)**	(87)
Finance costs	**12**	–
Depreciation	**884**	776
Impairment of property, plant and equipment	**655**	38
Loss on disposal of property, plant and equipment	**32**	32
Share of results of associates	**(81)**	(161)
Employee share option expense	**153**	92
Gain on measuring equity interest in associated companies held before the business combination	**(1,586)**	–
Amortisation of customer relationships	**23**	–
Operating profit before changes in working capital	**5,533**	6,667
Changes in working capital (excluding the effects of business combinations):		
Decrease in inventories	**707**	173
Decrease in debtors, deposits and prepayments	**1,199**	953
Decrease in amounts due from associates	**71**	12
Decrease in creditors and accrued charges	**(293)**	(716)
Effect of foreign exchange rate changes	**(513)**	(631)
Cash generated from operations	**6,704**	6,458

25 Notes to consolidated cash flow statement (continued)

In the consolidated cash flow statement, proceeds from disposal of property, plant and equipment comprised:

	2010 HK$ million	2009 HK$ million
Net book amount	**48**	38
Loss on disposal of property, plant and equipment	**(32)**	(32)
Proceeds from disposal of property, plant and equipment	**16**	6

26 Operating lease commitments

The total future minimum lease payments under non-cancelable operating leases are as follows:

	2010 HK$ million	2009 HK$ million
Land and buildings		
– within one year	**2,767**	2,696
– in the second to fifth year inclusive	**9,156**	9,305
– after the fifth year	**7,491**	8,256
	19,414	20,257
Other equipment		
– within one year	**25**	25
– in the second to fifth year inclusive	**42**	16
	67	41
	19,481	20,298

The operating lease rentals of certain retail outlets are based on the higher of a minimum guaranteed rental or a sales level based rental. The minimum guaranteed rental has been used to arrive at the above commitments.

The total future minimum lease receipts under non-cancelable subleases in respect of land and buildings at 30 June 2010 are **HK$55 million** (2009: HK$81 million).

27 Capital commitments

	2010 HK$ million	2009 HK$ million
Property, plant and equipment		
– Contracted but not provided for	**216**	130
– Authorised but not contracted for	**1,026**	812
	1,242	942

28 Derivative financial instruments

The Group enters into foreign currency forward contracts in the management of its exchange rate exposures. The instruments purchased are primarily denominated in the currencies of the Group's principal markets.

At 30 June 2010, the fair values of the foreign currency forward contracts included in other receivables and other payables are as below:

	2010		2009	
	Assets HK$ million	**Liabilities HK$ million**	Assets HK$ million	Liabilities HK$ million
Foreign currency forward contracts				
Cash flow hedges	**–**	**–**	–	3
Fair value hedges	**7**	**–**	7	27
	7	**–**	7	30

These amounts are based on market values of equivalent instruments at the balance sheet date.

At the balance sheet date, the total notional amount of outstanding foreign currency forward contracts to which the Group has committed is as below:

	2010 HK$ million	2009 HK$ million
Foreign currency forward contracts	**162**	1,483

Gains and losses in equity on foreign currency forward contracts as of 30 June 2010 will be released to the consolidated income statement at various dates between one month to one year from the balance sheet date, to match the recognition of the hedged items in the consolidated income statement.

The Group did not have any ineffective portion of changes in fair value of foreign currency forward contracts for the year ended 30 June 2010 (2009: nil).

29 Business combinations

On 12 February 2010, the Group acquired the remaining 51% equity interest of the associated companies with operations in the People's Republic of China ("China Group") from China Resources Enterprise, Limited ("CRE"). The associated companies are engaged in the business of establishing and maintaining distribution, promotion and retail activities of products bearing the "Esprit" and "Red Earth" trademarks in the PRC on an exclusive basis.

On 1 March 2010, the Group acquired from a third party 100% of the share capital of ESP Clothing Finland OY ("ESP Clothing"), which is based in Finland engaging in trading and investing activities.

The acquired businesses contributed turnover of **HK$793 million** and profit attributable to shareholders of **HK$37 million** to the Group for the period from their respective dates of acquisition to 30 June 2010. If these transactions had occurred on 1 July 2009, Group turnover would have been **HK$34,706 million**, and profit attributable to shareholders would have been **HK$4,291 million**. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the relevant subsidiaries to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 July 2009, together with the consequential tax effects.

Details of net assets acquired and goodwill are as follows:

	China Group HK$ million	ESP Clothing HK$ million	Total HK$ million
Cash consideration	3,880	42	3,922
Fair value of equity interest in the associated companies held before the business combination	1,945	–	1,945
	5,825	42	5,867
Less: Fair value of total identifiable net assets acquired	(1,106)	–	(1,106)
Goodwill	4,719	42	4,761

The goodwill is attributable to the economies of scale expected from combining the operations of the Group and the acquired businesses. The Group is in the process of making an allocation of the goodwill arising from the acquisition of remaining interest in the associated companies and the acquisition of a subsidiary in the current year to the cash-generating units of the Group.

	China Group HK$ million	ESP Clothing HK$ million	Total HK$ million
Intangible assets arising from business combinations			
– Customer relationships (Note 14)	589	–	589
Property, plant and equipment (Note 15)	86	2	88
Investment properties (Note 16)	12	–	12
Deferred tax assets (Note 24)	55	–	55
Inventories	165	–	165
Debtors, deposits and prepayments	288	4	292
Cash and cash equivalents	457	1	458
Creditors and accrued charges	(326)	(7)	(333)
Taxation	(48)	–	(48)
Deferred tax liabilities (Note 24)	(172)	–	(172)
Total identifiable net assets	1,106	–	1,106

The Group recognised a gain of **HK$1,586 million** as a result of measuring at fair value its 49% equity interest in the associated companies held before the business combination. The gain is reported as gain on measuring equity interest in the associated companies held before the business combination in the consolidated income statement for the year ended 30 June 2010.

29 Business combinations (continued)

The analysis of the net outflow of cash and cash equivalents in respect of the business combinations is as follows:

	China Group HK$ million	ESP Clothing HK$ million	Total HK$ million
Purchase consideration	3,880	42	3,922
Purchase consideration payable	(250)	–	(250)
Cash and cash equivalents acquired	(457)	(1)	(458)
Net outflow of cash and cash equivalents in respect of the business combinations	3,173	41	3,214

The amount of acquisition-related costs included in other operating costs in the consolidated income statement for the year ended 30 June 2010 is **HK$30 million**.

30 Related party transactions

The Group entered into transactions with related companies in the ordinary course of business and on similar terms made available to those unrelated third parties during the year. Details relating to these related party transactions are as follows:

	2010 HK$ million	2009 HK$ million
Transactions with associates		
Sales of finished goods	**785**	1,210
Royalty and accrued interest receivable/received	**22**	37
Commission received	**1**	7

Other than the above and the key management compensation as set out in note 13, the Group had no material related party transactions during the year.

31 Summarised balance sheet of the company

Included below is summarised balance sheet information of the Company as at 30 June disclosed in accordance with Bermuda Law:

	Notes	2010 HK$ million	2009 HK$ million
Non-current assets			
Investments in subsidiaries, at cost		**949**	851
Current assets			
Loans to subsidiaries	(i)	**1,631**	1,625
Amounts due from subsidiaries	(i)	**7,206**	4,663
Cash and cash equivalents		**1**	1
		8,838	6,289
Current liabilities			
Amounts due to subsidiaries	(i)	**3,951**	2,303
Accrued charges		**14**	7
		3,965	2,310
Net current assets		**4,873**	3,979
Net assets		**5,822**	4,830
Equity			
Share capital	21	**129**	125
Share premium	(ii)	**3,073**	2,841
Contributed surplus	(ii)	**474**	474
Employee share-based payment reserve	(ii)	**481**	378
Retained profits	(ii)	**1,665**	1,012
Total equity		**5,822**	4,830

i. The loans to subsidiaries and the amounts due from/to subsidiaries are unsecured, interest free and have no fixed terms of repayment. The credit quality of the loans to subsidiaries and amounts due from subsidiaries can be assessed by reference to historical information about counterparties default rates. None of them have defaults or been renegotiated in the past.

31 Summarised balance sheet of the company (continued)

ii. Movements of reserves are as follows:

	Share premium HK$ million	Contributed surplus HK$ million	Employee share-based payment reserve HK$ million	Retained profits HK$ million	Total HK$ million
At 1 July 2008	2,896	474	322	4,104	7,796
Profit attributable to shareholders	–	–	–	1,947	1,947
2007/08 final and special dividends paid	–	–	–	(4,042)	(4,042)
2008/09 interim dividend paid (Note 10)	–	–	–	(997)	(997)
Issues of shares	113	–	–	–	113
Repurchase of shares	(204)	–	–	–	(204)
Employee share option benefits	–	–	92	–	92
Transfer of reserve	36	–	(36)	–	–
Balance at 30 June 2009	2,841	474	378	1,012	4,705
Representing:					
Proposed final dividend					897
Balance after proposed final dividend					3,808
Balance at 30 June 2009					4,705
At 1 July 2009	**2,841**	**474**	**378**	**1,012**	**4,705**
Profit attributable to shareholders	**–**	**–**	**–**	**2,135**	**2,135**
2008/09 final and special dividends paid (Note 10)	**(3)**	**–**	**–**	**(870)**	**(873)**
2009/10 interim dividend paid (Note 10)	**(1)**	**–**	**–**	**(612)**	**(613)**
Issues of shares (Note 21)	**186**	**–**	**–**	**–**	**186**
Employee share option benefits	**–**	**–**	**153**	**–**	**153**
Transfer of reserve	**50**	**–**	**(50)**	**–**	**–**
Balance at 30 June 2010	**3,073**	**474**	**481**	**1,665**	**5,693**
Representing:					
Proposed final dividend					**863**
Balance after proposed final dividend					**4,830**
Balance at 30 June 2010					**5,693**

The contributed surplus of the Company represents the difference between the underlying net tangible assets of the subsidiaries acquired by the Company and the nominal amount of the share capital issued by the Company arising from the Group reorganisation which became effective on 17 November 1993 and the excess of the value of the shares acquired over the nominal value of the shares issued for the acquisition of Esprit Far East Limited and its subsidiaries on 10 January 1997.

Contributed surplus is available for distribution to shareholders under the laws of Bermuda. Distributable reserves of the Company at 30 June 2010 amounted to **HK$2,620 million** (2009: HK$1,864 million).

iii. The Company did not have any operating lease commitment at 30 June 2010 (2009: nil).

iv. The Company did not have any significant capital commitment at 30 June 2010 (2009: nil).

v. The Company provided a guarantee of **HK$2,600 million** (2009: nil) in respect of bank loans to a subsidiary at 30 June 2010. The guarantee is callable upon the subsidiary's defaults in repayment of the bank loans.

vi. The loans to subsidiaries and amounts due from subsidiaries together with the guarantee provided to a subsidiary in respect of bank loans represented the amount of maximum exposure to credit risk of the Company.

32 Principal subsidiaries

The following are the principal subsidiaries as at 30 June 2010 which, in the opinion of the Directors, principally affect the results and net operating assets of the Group. To give details of other subsidiaries would in the opinion of the Directors result in particulars of excessive length. None of the subsidiaries had issued any debt securities at the end of the year.

Name of subsidiary	Place of incorporation/ operation	Attributable equity interest to the Group (Note a)	Issued and fully paid share capital/ registered capital (Note b)	Principal activities
Esprit Belgie Retail N.V.	Belgium	100%	EUR1,200,000	Retail distribution of apparel and accessories
Esprit Belgie Wholesale N.V.	Belgium	100%	EUR100,000	Wholesale distribution of apparel and accessories
Esprit Canada Distribution Limited (formerly known as Esprit Canada Wholesale Limited)	Canada	100%	CAD 1	Wholesale distribution of apparel and accessories
Esprit Canada Retail Limited	Canada	100%	CAD12	Retail distribution of apparel and accessories
Esprit Canada Wholesale Inc.	Canada	100%	CAD1	Wholesale distribution of apparel and accessories
Esprit Capital Limited	British Virgin Islands/ Hong Kong	100%	USD1	Investment
Esprit Card Services GmbH	Germany	100%	EUR25,000	Issuance, accounting of and service in connection with GiftCard, as provided for Esprit group and distribution partners in Europe
Esprit China Distribution Limited	British Virgin Islands/ Hong Kong	100%	USD100	Investment holding
Esprit Corporate Services Limited	British Virgin Islands/ Hong Kong	100%	USD100	Financial services
Esprit de Corp Danmark A/S	Denmark	100%	DKK12,000,000	Wholesale and retail distribution of apparel and accessories
Esprit de Corp (Far East) Limited	Hong Kong	100%	HKD1,200,000	Sourcing of apparel and accessories
Esprit de Corp. France SAS (formerly known as Esprit de Corp. France S.A.)	France	100%	EUR63,373,350	Wholesale and retail distribution of apparel and accessories
Esprit De Corp (Malaysia) Sdn, Bhd.	Malaysia	100%	MYR2,000,000	Retail distribution of apparel and accessories
Esprit de Corp. (Spain) S.L.	Spain	100%	EUR10,000	Wholesale and retail distribution of apparel and accessories
Esprit de Corp. (1980) Ltd	Canada	100%	CAD1,000,001	Retail distribution of apparel and accessories

32 Principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operation	Attributable equity interest to the Group (Note a)	Issued and fully paid share capital/ registered capital (Note b)	Principal activities
Esprit Design & Product Development GmbH	Germany	100%	EUR100,000	Providing of services to the worldwide Esprit group in relation to the development of designs, styles and prototypes for the sales line of Esprit products
Esprit Europe B.V.	The Netherlands	100%	EUR1,500,000	Investment holding and wholesale and retail distribution of apparel and accessories, licensing of trademarks
Esprit Europe GmbH	Germany	100%	EUR5,112,919	Management and control function; render of services to the Esprit group
Esprit Europe Services GmbH	Germany	100%	EUR2,700,000	Sourcing, purchase and sale of merchandise, distribution of merchandise and other logistic functions, including customs dealing and quality control
Esprit GB Limited	United Kingdom	100%	GBP150,001	Wholesale and retail distribution of apparel and accessories
Esprit Global Limited (formerly known as ESP Group Limited)	British Virgin Islands/ Hong Kong	100%	USD500	Investment holding
Esprit Global Image GmbH	Germany	100%	EUR25,000	Design and image directions; conceptualisation and development of global uniform image; development and conceptualisation of global image direction within product development
Esprit Handelsgesellschaft mbH	Austria	100%	EUR100,000	Wholesale and retail distribution of apparel and accessories
Esprit (Hong Kong) Limited	Hong Kong	100%	HKD1	Management and control function; render of services to the Esprit group
Esprit International (limited partnership)	United States	100%	N/A	Holding and licensing of trademarks
Esprit International (GP) Inc.	United States	100%	USD1,000	General partner of Esprit International (limited partnership)
Esprit IP Limited	British Virgin Islands/ Hong Kong	100%	USD1	Holding and licensing of trademarks
Esprit Ireland Distribution Ltd.	Republic of Ireland	100%	EUR1	Wholesale and retail distribution of apparel and accessories
Esprit Italy Distribution S.R.L.	Italy	100%	EUR12,750	Wholesale distribution of apparel and accessories
Esprit Italy Retail S.R.L.	Italy	100%	EUR10,000	Retail distribution of apparel and accessories

32 Principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operation	Attributable equity interest to the Group (Note a)	Issued and fully paid share capital/ registered capital (Note b)	Principal activities
Esprit Luxembourg S.á.r.L.	Luxembourg	100%	EUR250,000	Retail distribution of apparel and accessories
Esprit Macao Commercial Offshore Limited	Macau	100%	MOP3,000,000	Wholesale distribution of apparel and accessories
Esprit (Norway) A/S	Norway	100%	NOK16,000,000	Wholesale and retail distribution of apparel and accessories
Esprit Property Limited	Hong Kong	100%	HKD2	Investment holding
Esprit Regional Services Limited	British Virgin Islands/ Hong Kong	100%	USD1	Provision of services
Esprit Retail B.V. & Co. KG (limited partnership)	Germany	100%	EUR5,000,000	Retail distribution of apparel and accessories, operation of Esprit Café
Esprit Retail (Hong Kong) Limited	Hong Kong	100%	HKD10,000	Retail distribution of apparel and accessories and operation of Salon Esprit
Esprit (Retail) Proprietary Limited	Australia	100%	AUD200,000	Wholesale and retail distribution of apparel and accessories
Esprit Retail Pte Ltd	Singapore	100%	SGD3,000,000	Retail distribution of apparel and accessories
Esprit Retail (Taiwan) Limited	Hong Kong/Taiwan	100%	HKD9,000	Retail distribution of apparel and accessories
Esprit Sweden AB	Sweden	100%	SEK500,000	Wholesale and retail distribution of apparel and accessories
Esprit Swiss Treasury Limited	British Virgin Islands/ Hong Kong	100%	USD1	Financial services
Esprit Switzerland Distribution AG	Switzerland	100%	CHF100,000	Wholesale distribution of apparel and accessories
Esprit Switzerland Retail AG	Switzerland	100%	CHF500,000	Retail distribution of apparel and accessories
Esprit US Distribution Limited	United States	100%	USD1,000	Wholesale distribution of apparel and accessories
Esprit US Online Shop Limited	United States	100%	USD1,000	Online retail distribution of apparel and accessories
Esprit US Retail Limited	United States	100%	USD0.001	Retail distribution of apparel and accessories

32 Principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operation	Attributable equity interest to the Group (Note a)	Issued and fully paid share capital/ registered capital (Note b)	Principal activities
Esprit US Wholesale Limited	United States	100%	USD1,000	Wholesale distribution of apparel and accessories
Esprit Wholesale GmbH	Germany	100%	EUR5,000,000	Wholesale distribution of apparel and accessories
EFE (Investments-II) S.á.r.L. (formerly known as EFE (Investments-II) Limited)	Netherlands Antilles/ Luxembourg (Note c)	100%	EUR16,101	Management of European group subsidiaries and investment holding
ESP Clothing Finland OY	Finland	100%	EUR2,500	Agency services
Garment, Acessories and Cosmetics Esprit Retail (Macau) Limited	Macau	100%	MOP100,000	Retail distribution of apparel and accessories
Sijun Fashion (Shenzhen) Co., Ltd.	The People's Republic of China (Note d)	100%	USD1,600,000	Sample development

Notes:

(a) All subsidiaries were held indirectly by the Company, except Esprit Global Limited (formerly known as ESP Group Limited).

(b) All are ordinary share capital unless otherwise stated.

(c) EFE (Investments-II) S.á.r.L. was redomiciled from Netherlands Antilles to Luxembourg with effect from 14 May 2010.

(d) Wholly owned foreign enterprise.

33 Comparative figures

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

08
TEN-YEAR SUMMARY

CONSOLIDATED BALANCE SHEET ITEMS

	As at 30 June			
	2010 HK$ million	2009 HK$ million (restated)	2008 HK$ million (restated)	2007 HK$ million (restated)
Intangible assets	**7,345**	2,061	2,121	2,057
Property, plant and equipment	**3,976**	4,398	3,570	2,705
Investment properties	**12**	–	–	–
Other investments	**7**	7	7	7
Investments in associates	**–**	522	583	406
Deposits and prepayments	**440**	559	569	–
Deferred tax assets	**532**	408	510	396
Net current assets	**6,662**	6,745	8,972	6,888
	18,974	14,700	16,332	12,459
Equity				
Share capital	**129**	125	124	123
Reserves	**15,943**	14,284	15,820	11,958
Total equity	**16,072**	14,409	15,944	12,081
Minority interests	**–**	–	–	–
	16,072	14,409	15,944	12,081
Obligation under finance leases	**–**	–	–	–
Bank loans	**2,080**	–	–	–
Deferred tax liabilities	**822**	291	388	378
	2,902	291	388	378
	18,974	14,700	16,332	12,459

CONSOLIDATED INCOME STATEMENT ITEMS

	Year ended 30 June			
	2010 HK$ million	2009 HK$ million	2008 HK$ million	2007 HK$ million
Turnover	**33,734**	34,485	37,227	29,640
Operating profit	**3,786**	5,729	7,721	6,259
Interest income	**33**	87	190	149
Finance costs	**(12)**	–	–	–
Share of results of associates	**81**	161	145	130
Gain on measuring equity interest in the associated companies held before the business combination	**1,586**	–	–	–
Profit before taxation	**5,474**	5,977	8,056	6,538
Taxation	**(1,248)**	(1,232)	(1,606)	(1,358)
Profit after taxation	**4,226**	4,745	6,450	5,180
Profit attributable to shareholders	**4,226**	4,745	6,450	5,180
Profit attributable to minority interests	**–**	–	–	–
	4,226	4,745	6,450	5,180

Note 1: The Group has adopted IFRS retrospectively with effect from 1 July 2002. The financial information in respect of FY 02|03 to FY 09|10 is prepared in accordance with IFRS. For the purpose of presenting the financial information in respect of FY 00|01 and FY 01|02, certain estimates have been made to adjust the financial information to IFRS, mainly representing the reversal of amortisation of trademarks.

Note 2: Comparative figures relating to property, plant and equipment and net current assets disclosed in the financial summary for prior years have been restated to reflect the adoption of IAS 17 (Amendment) in the current year as described in Note 2(a) to the consolidated financial statement.

As at 30 June						
	2006 HK$ million (restated)	2005 HK$ million (restated)	2004 HK$ million (restated)	2003 HK$ million (restated)	2002 HK$ million (restated)	2001 HK$ million (restated)
	2,027	2,009	2,021	1,960	1,922	716
	2,614	2,242	1,495	1,077	988	779
	–	–	–	–	–	–
	8	8	8	8	8	7
	269	182	155	122	101	92
	–	–	–	–	–	–
	315	205	104	93	35	6
	4,232	2,723	1,964	2,027	1,060	616
	9,465	7,369	5,747	5,287	4,114	2,216
	122	120	119	119	117	114
	8,985	6,919	5,296	4,073	2,915	1,885
	9,107	7,039	5,415	4,192	3,032	1,999
	–	–	–	–	–	18
	9,107	7,039	5,415	4,192	3,032	2,017
	–	–	–	1	1	1
	–	–	–	776	780	–
	358	330	332	318	301	198
	358	330	332	1,095	1,082	199
	9,465	7,369	5,747	5,287	4,114	2,216

Year ended 30 June						
	2006 HK$ million	2005 HK$ million	2004 HK$ million	2003 HK$ million	2002 HK$ million	2001 HK$ million
	23,349	20,632	16,357	12,381	9,219	8,109
	4,765	4,075	2,837	1,811	1,373	1,152
	37	22	40	42	23	46
	(1)	(2)	(22)	(32)	(14)	(38)
	84	73	63	45	33	24
	–	–	–	–	–	–
	4,885	4,168	2,918	1,866	1,415	1,184
	(1,148)	(957)	(949)	(590)	(364)	(512)
	3,737	3,211	1,969	1,276	1,051	672
	3,737	3,211	1,969	1,276	993	600
	–	–	–	–	58	72
	3,737	3,211	1,969	1,276	1,051	672

Note 3: Comparative figures relating to deposits and prepayments and net current assets disclosed in the financial summary in respect of FY 07|08 and FY 08|09 have been restated. Comparative figures for earlier financial years have not been restated as it is not practical and cost-efficient to do so.

FINANCIAL SUMMARY

Year ended 30 June	**2010**	2009	2008	2007
Per share data (HK$)				
Earnings per share – basic^^	**3.35**	3.72	5.21	4.22
Dividend per share				
– Regular dividend	**1.41**	1.52	2.10	1.70
– Special dividend	**–**	1.33	2.10	1.48
Total	**1.41**	2.85	4.20	3.18
Key statistics (HK$ million)				
Total equity	**16,072**	14,409	15,944	12,081
Net current assets^	**6,662**	6,745	8,972	6,888
Cash position (net of overdraft)	**6,748**	4,840	6,521	5,232
Net cash inflow from operating activities	**5,412**	5,272	5,970	5,881
Term loans	**2,600**	–	–	–
Retail data				
Number of directly managed stores#	**1,128**	804	700	607
Directly managed selling space# (sq.m.)	**388,291**	314,966	273,801	239,400
Comparable store sales growth	**-2.4%**	3.5%	6.9%	19.8%
Wholesale data				
Number of controlled-space POS#	**12,194**	14,067	14,590	13,369
Controlled-space sales area# (sq.m.)	**759,466**	808,605	746,655	629,967
Other data				
Capital expenditure (HK$ million)	**1,509**	2,011	1,352	615
Number of employees##	**14,172**	10,766	10,541	9,617
Key ratios				
Return on shareholders' equity (ROE)###	**27.7%**	31.3%	46.0%	48.9%
Return on total assets (ROA)*	**19.1%**	22.8%	33.1%	34.7%
Net debt to equity**	**net cash**	net cash	net cash	net cash
Current ratio^ (times)	**2.2**	2.4	2.6	2.5
Inventory turnover***(days)	**63**	65	54	55
Operating profit before depreciation and amortization margin	**14.0%**	18.9%	22.8%	23.1%
Operating profit margin	**11.2%**	16.6%	20.7%	21.1%
Earnings before taxation margin	**16.2%**	17.3%	21.6%	22.1%
Net profit margin	**12.5%**	13.8%	17.3%	17.5%

\# Include Esprit, Red Earth stores and salon
\## After converting the part-time positions into full-time positions based on working hours
\### Calculated based on net earnings as a percentage of average shareholders' equity
* Calculated based on net earnings as a percentage of average total assets
** Net debt refers to all interest bearing borrowings less cash and cash equivalents
*** Calculated as average inventory (excluding consumables) over cost of goods sold for the year

2006	2005	2004	2003	2002	2001
3.09	2.68	1.65	1.07	0.86	0.53
1.23	1.11	0.67	0.40	0.23	0.17
1.08	0.84	0.50	0.30	0.05	–
2.31	1.95	1.17	0.70	0.28	0.17
9,107	7,039	5,415	4,192	3,032	2,017
4,232	2,723	1,964	2,027	1,060	616
2,469	1,729	1,758	2,097	934	388
3,428	2,718	1,983	1,575	1,331	672
250	–	–	776	780	–
671	634	562	569	495	485
225,693	195,042	172,343	152,108	141,059	126,796
9.0%	8.5%	5.3%	6.9%	-0.1%	-5.7%
11,459	9,751	7,970	6,459	2,232	1,828
525,090	443,321	337,230	264,838	153,649	112,621
838	1,236	662	333	344	512
8,400	7,720	6,796	5,751	5,936	5,954
46.3%	51.6%	41.0%	35.3%	39.3%	32.5%
32.7%	34.8%	24.7%	19.1%	14.9%	16.8%
net cash	net cash	net cash	net cash	net cash	net cash
2.2	2.0	1.7	1.9	1.6	1.5
54	47	45	51	64	64
22.7%	21.9%	19.4%	16.8%	17.3%	16.5%
20.4%	19.8%	17.3%	14.6%	14.9%	14.2%
20.9%	20.2%	17.8%	15.1%	15.3%	14.6%
16.0%	15.6%	12.0%	10.3%	10.8%	7.4%

^ Comparative figures relating to net current assets disclosed in the financial summary for prior years have been restated to reflect the adoption of IAS 17 (Amendment) in the current year as described in Note 2(a) to the consolidated financial statement.

^^ Earnings per share – basic for the year ended 30 June 2009 was restated to account for approximately 31 million scrip shares issued on 15 January 2010. The basic earnings per share was restated as the scrip shares were treated as if the issue had occurred as at 1 July 2008.

09
GLOSSARY OF TERMS

Retail	
Term	Definition
Retail sales	Direct sale of merchandise to end consumers via directly managed retail stores or e-shop
Directly managed retail stores	Stores, concessions and outlets fully managed by Esprit. All stores are leased
New store opening	Newly opened store locations and includes expanded and relocated stores
Closed store	Closed store locations and includes shrunken and relocated stores
e-shop	On-line store
Comparable Stores (comp-store)	A directly managed retail store in existence on 1 July of the previous financial year and is still in operation at the reporting period end date and a. its net sales area has been changed by 10% or less within that period; or b. its cumulative renovated area within the same fiscal year is 20% or less (regardless of any net sales area change)
Comp-store sales growth	Local currency year-on-year change in sales generated by comparable stores
Mega flagship stores (mega stores)	Large type stores situated in prominent shopping areas. Offer the most complete collection of Esprit products from all divisions including most licensed products
Flagship stores	Large type stores, smaller than mega stores, situated in prominent shopping areas. Offer range of products from most divisions and some licensed products
Concession stores	Retail stores situated in big department stores. Offer selective range of product divisions
Outlet stores	Situated in the vicinity of major markets. Offer product collection exclusively made for outlets and prior season products at a more competitive price

Wholesale	
Term	Definition
Wholesale sales	Sale of merchandise to third party wholesale customers
Controlled wholesale space	POS which Esprit wholesale management team has control over the look and feel such as Esprit brand name logo, merchandising display, etc. Includes partnership stores, shop-in-stores and identity corners with wholesale customers
Wholesale order book	The value of wholesale orders received for future delivery
Yoy increase in wholesale order book	Year to date growth of order value recorded in wholesale order book, compared to same period last year
Franchise stores	Stand-alone stores closely resemble our own directly managed retail stores and concession stores located in department stores which local retail partners pay for investment. Esprit provides initial setup support and a wide range of on-going support services to ensure consistency with directly managed retail stores
Partnership stores (PSS)	Same as Franchise stores
Shop-in-stores (SIS)	Controlled wholesale space found in department stores where investments are funded by the department stores. Esprit provides initial setup support and a wide range of on-going support services to ensure consistency with directly managed retail stores
Identity corners (IC)	Mainly multi-label retailers offering a limited range of Esprit products. Esprit has less involvement in store appearance
Multi-label retailers	Retail shops which carry multiple brand labels, where the labels are typically differentiated by using brand specific fixtures and signage
Country distributors	Exclusive distributors for Esprit products in certain countries, such as China and India

Others	
Term	Definition
Conversion rate	Measures the portion of Traffic which is translated into actual purchases
Esprit Club (e-club)	Esprit customer loyalty programme where members can enjoy benefits such as collect points or apply discounts, receive updates on latest news about Esprit, enjoy exclusive offers and more. Benefits vary across different regions
Electronic Data Interchange (EDI)	The structured transmission of data between organisations by electronic means. Information such as inventory data are transferred from controlled-space POS computer systems to Esprit's merchandise planning
Inventory turnover days	Calculated by dividing average inventory excluding consumables by average daily cost of goods sold for the reporting period
Licensing	For certain product categories, independent third parties are authorised to use the name of Esprit to manufacture and distribute products. Esprit works with over 30 licensees and offers over 30 categories of licensed products
NOOS	Never-out-of-stock styles
POS	Point-of-sales
Product divisions	There are 12 divisions including Women casual, Women collection, edc Women, sports, Men casual, Men collection, edc Men, Kids, Shoes, Accessories, bodywear, de. corp
Season	Collections of each product division with consistent theme/design. We design and produce up to 12 seasons per annum for our product divisions
Segment EBIT margin	Segment earnings before interest and taxation, finance costs and share of results of associates divided by the segment turnover
Sell through	An indicator of how fast a particular product is being sold to a consumer at retail level
Traffic	Footfall recorded in a store during a period of time

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