ANNUAL REPORT

Year ended 30 June 2012
Hong Kong Stock Code 00330

ESPRIT

ANNUAL REPORT FY11/12
ESPRIT HOLDINGS LIMITED

I'm a woman not a girl.
I'm *CONFIDENT* in who I am and don't need
(nor mind) to show it.
I care about my family, I care about the world
and I care about my looks.
I'm passionate when in *LOVE.*
I'm lazy on Sundays.
I'm *TRUE* to my friends.
I enjoy shopping.
My taste is simple- the best is enough.
I love bags, but not more than *NATURE.*
I'm *HAPPY* in a dress.
I'm sexy in my jeans.
To me aging is a gift not a threat.
I love the sun and I'm happy in the rain.
Life is too important to not have *FUN*.
I believe every woman is *BEAUTIFUL* through
the eyes of her best friend.
I love to help bring that out,
I love to be that friend.
In a true, natural and *RELAXED* way,
I am *ESPRIT*

CORPORATE INFORMATION

Chairman
Raymond OR Ching Fai
Independent Non-executive Director
(appointed as Chairman with effect from 13 June 2012)

Deputy Chairman
Paul CHENG Ming Fun
Independent Non-executive Director

Executive Directors
Jose Manuel MARTÍNEZ GUTIÉRREZ
Group CEO
(appointed with effect from 26 September 2012)
Ronald VAN Der VIS
Group CEO
(resigned with effect from 26 September 2012)
Thomas TANG Wing Yung
Group CFO
(appointed with effect from 2 May 2012)

Non-executive Director
Jürgen Alfred Rudolf FRIEDRICH

Independent Non-executive Directors
Alexander Reid HAMILTON

Company Secretary
Florence NG Wai Yin

Principal bankers
The Hongkong and Shanghai Banking Corporation Limited
Deutsche Bank AG
China Merchants Bank
ANZ Bank
Commerzbank
Citibank N.A.
Mizuho Corporate Bank, Ltd

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
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

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

Registered office
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2 Church Street
Hamilton HM 11
Bermuda

Hong Kong head office
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CORPORATE PROFILE

Esprit is a global fashion brand offering style and quality made to last. The brand creates women's, men's and kids' collections for all occasions and distributes in over 1,000 directly managed retail stores and over 10,000 controlled-space wholesale point-of-sales. 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 Stock Exchange of Hong Kong Limited in 1993 and is a constituent stock of the Hang Seng Index, MSCI Hong Kong Small Cap Index and FTSE All-World Index for Hong Kong.

01 *TO OUR SHAREHOLDERS*

"I have FULL CONFIDENCE that we,
TOGETHER AS A TEAM, *will take the Esprit brand and business to even GREATER HEIGHTS."*

01 *TO OUR SHAREHOLDERS*

01.1 LETTER FROM CHAIRMAN

Dear Shareholders,

It is my pleasure to present to you the Esprit Group's annual results for the financial year ended 30 June 2012.

For the financial year FY11/12, our operating environment remained challenging amid the Eurozone debt crisis and the slowing economies in our core markets globally which weighed on consumer sentiment and spending. Despite the difficult environment, the Group made good progress on a number of fronts. While turnover declined 10.5% year-on-year in local currency to HK$30,165 million, net profit increased to HK$873 million (2011: HK$79 million) and the Group's net profit margin was 2.9% (2011: 0.2%). Our financial position remained healthy with a net cash position of HK$1,489 million after making investments of over HK$1.4 billion in capital expenditure and incurred expenses of around HK$1.3 billion primarily in relation to brand marketing and wholesale support measures under the Transformation Plan initiatives. Investment in these initiatives is an important foundation for future growth. In line with our commitment to delivering consistent returns to our shareholders, the Board has recommended a final dividend payment of HK$0.15 per share. Aggregating the interim dividend of HK$0.26 per share paid, the total dividend per share for the year is HK$0.41, representing 60% of basic earnings per share.

FY11/12 was exceptional in many ways. For the Group, it marked the beginning of a four-year transformation journey to revitalise the Esprit brand and establish the Group as a leading player in the global retail industry. Under our strong and experienced management team, the Transformation Plan has maintained its course and we are beginning to see some good progress in some areas, such as a new brand direction, more inspiring stores, fresh, stylish and feminine collections and the elimination of unprofitable distribution channels. We are generally on track today, and the results are showing that we are laying the foundations for growth to continue in future years. These positive results have not been achieved single-handedly. This momentum has been driven by the collective efforts and strong commitment of a highly experienced management team and our employees worldwide. Despite the recent resignations of some members of our senior management team, the Board has confidence in the strength and leadership of the management team and will continue to provide its full support to ensuring that the transformation will be executed successfully to improve the Group's profitability. Some fine-tuning may be required to adapt to changes in the market environment.

The Board very much regretted that our Group Chief Executive Officer, Mr van der Vis, resigned for personal and family reasons in June 2012. However, we respected his decision, and I would like to take this opportunity to thank him for his valuable contribution and dedication during his tenure as CEO of the Group. To ensure a smooth transition, Mr van der Vis has also agreed to make himself available and provide assistance to the Company until the end of December this year; his kind gesture is much appreciated by the Board.

I am delighted to report to you that one of my first important tasks as Chairman was successfully accomplished in August 2012 when we announced the appointment of Jose Manuel Martínez Gutiérrez as our new Group Chief Executive Officer and Executive Director. Mr Martínez, a member of Esprit's Board as of the date of this letter, is a veteran in the apparel industry who has built up over many years a deep understanding of the sector and the markets in which we operate. I believe that with his rich professional experience, his outstanding track record of leadership and his international perspective, he will bring enormous value to Esprit as we continue on our journey to drive growth over the coming years.

We are also happy to see a wealth of new talent join the Esprit family during the year. I would like to welcome Melody Harris-Jensbach, Chief Product and Design Officer; Holly Li, China CEO; Armin Broger, Brand President edc; and Thomas Tang, Group Chief Financial Officer and Executive Director who joined us during the year. They all possess talent and expertise in their own respective fields and I look forward to their respective contributions in moving the company forward.

Having served on the Board of Esprit for more than 15 years, I have a deep understanding of the Group's business and its development over the past years. It has indeed been my privilege to chair a Board of such diverse, capable and highly experienced professionals, and to help steer the Group through the challenges of a dynamic industry and an uncertain economic environment. In accordance with corporate governance best practice, the Board endeavours to support the expansion of our Board membership by identifying appropriate candidates who will bring further skills, insights and value to the business so that we have a well-balanced composition of executive and non-executive directors.

Looking ahead, the operating environment is likely to remain challenging in the new financial year with the unresolved European debt crisis and the slowdown in China's economic growth. Vigorous efforts will continue to ensure that the new initiatives produce results at a faster pace, with measures initiated to sharpen the brand image, create an inspiring shopping experience for our customers, and launch stylish and feminine collections to improve sales per square metre productivity.

Finally, on behalf of the Board, I would like to express my gratitude and appreciation to Dr. Körber who resigned in June 2012. I would also like to thank the Board of Directors for their valuable contribution and wise counsel. As Chairman of the Group, I will be making every effort to ensure that our employees are encouraged to share the same vision for Esprit and work closely as a team to deliver the successes and returns that will come from implementation of the Transformation Plan. With the right strategy and the collective energy, passion, integrity and innovation of our employees worldwide, I have full confidence that we, together as a team, will take the Esprit brand and business to even greater heights. Finally, I like to thank all of our stakeholders for their continued support.

Raymond OR Ching Fai // Independent Non-executive Chairman
26 September 2012

“**A STRONG BRAND** *that will be further revitalised by the* TRANSFORMATION PLAN”

01.2 LETTER FROM GROUP CEO

Dear Shareholders,

The 2011/2012 financial year ("FY11/12") was a year of fundamental change for Esprit. In September 2011, we launched our four-year Transformation Plan, to re-establish Esprit as a leading, international fashion brand and to restore long-term, sustainable profitability.

Based on a newly defined Esprit brand direction, the Group has committed itself to invest around HK$18.5 billion over the course of the Transformation Plan to sharpen Esprit's brand profile, to upgrade the shopping experience for our customers and to design more fashionable and valuable collections. We will focus our efforts on our core markets in Europe and China.

In the first year of the launch, the Board and the management team of Esprit have maintained a strong commitment to executing the plan despite the prevailing challenging market conditions. I am very pleased to report that good progress has been made and the Transformation Plan is overall heading in the right direction in driving the growth and profitability of our business.

Esprit's business in FY11/12 was impacted by the overall negative market sentiment, especially in Europe where the Group does the majority of its business. It was also impacted by investments made as part of the first year of the Transformation Plan. Also, our turnover was affected by bold decisions to close down unprofitable stores, exit the North American market and the on-going rationalisation of our wholesale accounts.

Consequently, Group turnover decreased by 10.5% in local currency to HK$30,165 million. However, notwithstanding global economic conditions, the Group was able to achieve an operating profit ("EBIT") of HK$1,171 million, an increase of 69.2% compared to the same period last year. Our EBIT margin also improved to 3.9% from 2.0%.

After having made good progress during the first year, the executive management team continues to be very focused on the execution of the Transformation Plan. It is encouraging to see how the transformation is being realised and how the brand's core competencies and potential have already begun to unfold.

A Strong Brand that will be Further Revitalised by the Transformation Plan

According to a survey conducted by Brandmeyer Markenberatung GmbH in March 2012, Esprit was ranked the third favourite brand of all industries in Germany. Our modern, stylish and feminine advertising campaigns featuring supermodel Gisele Bündchen continue to be positively received by our consumers. More importantly it is lifting our brand consideration levels significantly in those markets. This was one of the most important targets for the first year of our Transformation Plan. An increased level of consideration is the first step towards more visitors to our stores, increasing our conversion rates and driving long-term customer loyalty. We also received Germany's prestigious Out of Home PlakaDiva award for Excellence in Advertising in 2012. We are also stepping up the digital brand experience for our customers. We are in the process of creating an integrated digital destination by combining inspiring brand content, a high-performance online shop, and an appealing customer club under one portal.

Enhanced Store Experiences

As part of transforming and revitalising the Esprit brand, we are placing particular emphasis on our consumers' in-store shopping experience. This includes refurbishing our stores worldwide with improved layouts, and new visual concepts, particularly in regards to windows and entrance areas.

It is our daily mission to inspire our customers, and as such we are creating a new and exciting shopping experience through the implementation of multiple store formats. We launched 3 unique Lighthouse store concepts in FY11/12, in Cologne, Antwerp and Düsseldorf, which reflect the modern spirit of Esprit based on our Californian heritage. We have received very positive feedback and high levels of satisfaction from our consumers following the opening of the new stores.

Through the success of the Lighthouse stores, we have been able to transfer elements to the development of our icon, standard and retreat stores. Icon stores are individually designed and are reserved for our best locations in large, high-profile cities, while standard stores have been renovated according to our latest refurbishment concept, and aim to provide a cosy and inspiring atmosphere. Retreat stores are stores that will not be refurbished in the immediate future but are made more appealing to customers by upgrading visual merchandising and the overall shopping experience.

In line with the Transformation Plan, 12 premium icon stores were created and an additional 34 stores were fully refurbished. Feedback on these new stores has been very positive – our customers have praised the way the stores have revitalised the overall image of the Esprit brand.

Creating fashionable collections with a distinctive and consistent Esprit-handwriting

Under the direction of Melody Harris-Jensbach, Esprit's new Chief Product and Design Officer, our product offering has embodied a more aligned creative direction and we have a pipeline of new, fashionable designs that are ready to go to market.

As part of the Transformation Plan to increase both the fashion level and speed to market, the newly established Trend Division developed its first collection within 12 weeks, from sketch to stores. In July 2012, the first collections from our new Trend Division were delivered to selected retail stores in Europe while our first "China for China" range was launched throughout our stores in Asia. Market response to these new feminine and fashionable collections has thus far been excellent.

Our newly established Denim Division will now encompass our cross divisional denim expertise, and introduced its first collections in August 2012. The initial sell-in results reflect a very positive trend.

Our sourcing and supply chain strategy continues to strive for good results. After the opening of new sourcing offices in Bangladesh and Northern China, an additional office was opened in Indonesia in May 2012. In order to drive sourcing synergies across our product divisions, all sourcing functions were grouped into one central buying organisation starting in April 2012.

Stronger Relationships with selected Wholesale Partners

We continue to offer strategic growth and refurbishment support to our wholesale partners and have achieved a promising initial set of results. We have reached agreements with over 400 of our targeted "Ambassador" accounts in Europe and have refurbished 43,000 m^2 of controlled wholesale space in FY11/12. Also, in order to better present the new Esprit to our wholesale partners, selected showrooms will be refurbished to be in line with the new Esprit concept.

Our selected partners have recently improved their order intake and we have received very supportive feedback from them. We also regularly update our wholesale partners about key developments and the progress of the Transformation Plan.

Bold Decisions Taken to Eliminate Unprofitable Businesses and Operations

As part of the Transformation Plan, we decided to divest our loss-making North American operations. All directly managed Esprit retail stores in North America were successfully closed in April 2012. The closing-down was achieved well within the set time frame and provisions, resulting in a positive effect, net of operational losses, of HK$468 million. We also made good progress with the store closure program. 80% of stores under the 80-store closure program have been closed or are in the process of closing.

Next to the store closures, the on-going rationalisation of unprofitable wholesale accounts had a negative effect on our turnover development. However, this process is necessary and will improve efficiencies and brand equity.

On the other hand, we continue expanding our retail foot print. During FY11/12 our pro-forma retail space expansion, excluding closures under the store closure programs and the divestment of North America, was a healthy 6.5%, which was in line with our target and guidance.

Building a Strong and Experienced Executive Management Team

For the successful implementation of our Transformation Plan, it is crucial to have an international and experienced executive management team. I have spent a lot of time during the last two years in building a strong senior management team.

Two new senior managers joined our executive management board this fiscal year. In January, Melody Harris-Jensbach joined Esprit as Chief Product & Design Officer, responsible for all product development and license activities of the Group. In March Armin Broger joined the executive management team as Brand President edc.

In addition, our Group Chief Financial Officer and Executive Director, Thomas Tang, came on board Esprit in May 2012. I am very pleased with the impact he has made on many areas of the business. Within a short period of time, Thomas has been able to grasp the key fundamentals for our business at Esprit. With his strength in financial management and his passion to make the Transformation Plan a success, I can see that Thomas will make a big contribution to the Group.

With these new hires, the strengthening of the executive management team has been successfully completed.

Handing over the Helm

The FY11/12 was not only for Esprit, but also for me personally a year of change. After careful consideration, I informed the Board in June 2012 of my difficult decision to resign, due to family reasons, from the Board and from my position as Group Chief Executive Officer, which I held for three years.

The fact that the Transformation Plan is in place, that good progress has been made in the first year of the launch despite a challenging macro-environment, and that an experienced and committed executive management team is in place, made it somewhat easier to hand over the helm.

I am delighted that I am able to pass the role to Jose Manuel Martínez Gutiérrez, who brings with him a wealth of experience in the retailing industry. Mr Martínez agrees with the fundamentals of the Plan and the Board, together with Mr Martínez, are committed to delivering on the strategic objectives as laid out in the Transformation Plan.

Whilst I regret that I will not be able to see the Transformation Plan through to its completion, I have built up a truly international, capable and talented team that will continue the transformation journey. I am confident that this team, under the leadership of Mr Martínez, will successfully execute the Transformation Plan to bring Esprit back to its full potential and to create value for all its stakeholders. I extend a warm welcome to Mr Martínez as he joins Esprit and wish him and the Group great success.

The Journey of the Transformation Plan continues

Overall, the Transformation Plan is on track and we will continue this journey of innovation and inspiration. Our goal for FY12/13 is to continue our transformation journey, implementing the plan consistently but rapidly, continually fine tuning it if and when needed. The plan is ambitious and times are challenging, but with a lot of hard work and passion from all our employees, as well as with the continued support from the Board, I have full confidence that Esprit will succeed.

Lastly, I would like to sincerely thank the Board of Directors, my colleagues in the executive management team and our employees around the world for their support, dedication and contribution to the Group throughout the year.

Ronald VAN DER VIS // Executive Director and Group CEO
26 September 2012

ESPRIT

01.3 FINANCIAL HIGHLIGHTS

- Transformation Plan overall on track and making good progress, such as an elevated brand image, more inspiring stores, faster, stylish and feminine collections and the elimination of unprofitable distribution channels
- Decrease in turnover due to divestment of North American operations, store closure program, rationalisation of wholesale channel and challenging operating environment
- EBIT margin improved to 3.9% (2011: 2.0%)
- Net profit increased to HK$873 million (2011: HK$79 million)
- HK$1.5 billion net cash
- Maintained dividend payout ratio at 60%
- Smooth CEO transition to ensure continuity

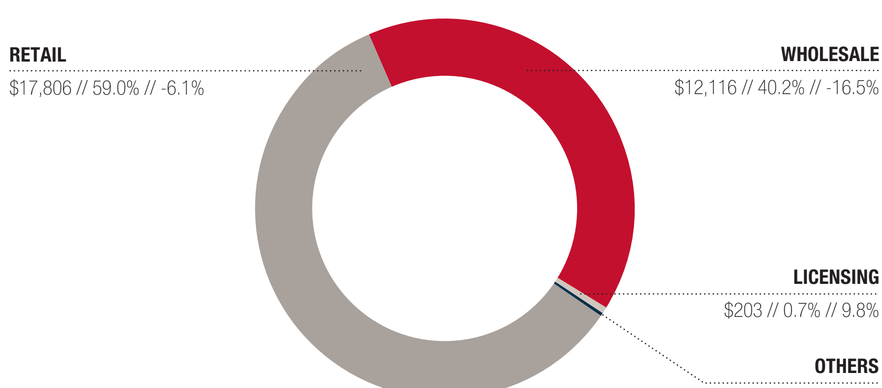
	For the year ended 30 June 2012		For the year ended 30 June 2011	
Turnover		**HK$30,165m**		HK$33,767m
Operating profit		**HK$1,171m**		HK$692m
Net profit		**HK$873m**		HK$79m
EPS (Basic)		**HK$0.68**		HK$0.06
GP margin		**50.4%**		53.9%
Operating profit margin		**3.9%**		2.0%
Net profit margin		**2.9%**		0.2%
	HK$	**% of EPS****	HK$	% of EPS*
Dividend per share				
– Regular interim paid	**0.26**	**38%**	1.00	182%
– Proposed regular final	**0.15**	**22%**	–	–
– Total regular	**0.41**	**60%**	1.00	182%

* Calculated by dividing dividend per share by adjusted EPS; Adjusted EPS was calculated by dividing adjusted net earnings by the weighted average number of ordinary shares in issue. Adjusted net earnings was calculated by excluding the after tax impact of the impairment of stores/assets as a result of the store closure program and the divestment of operations in North America

** Calculated by dividing dividend per share by basic EPS

TURNOVER BY DISTRIBUTION CHANNELS

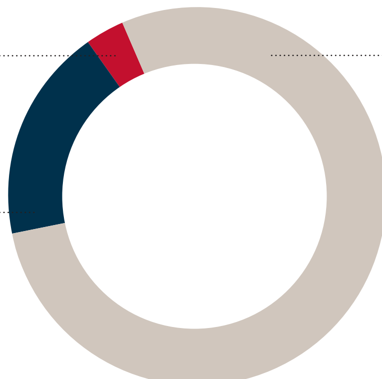
HK$ million // % to Group turnover // % local currency growth



01.3 FINANCIAL HIGHLIGHTS (CONTINUED)

TURNOVER BY COUNTRIES#

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



NORTH AMERICA

United States*
$537 // 1.8% // -17.1%
Canada
$391 // 1.3% // -33.3%

ASIA PACIFIC

China**
$2,587 // 8.6% // -7.4%
Australia and New Zealand
$827 // 2.7% // -20.5%
Macau###
$583 // 1.9% // 5.9%
Hong Kong**
$548 // 1.8% // -6.6%
Singapore
$441 // 1.5% // -3.2%
Taiwan
$279 // 0.9% // -6.6%
Malaysia
$267 // 0.9% // 8.8%

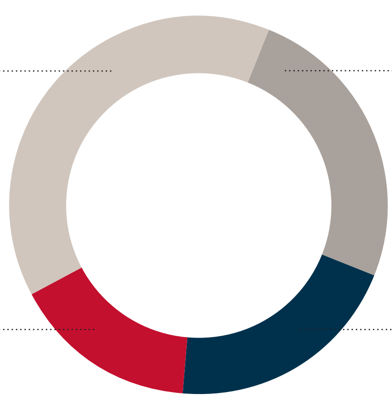
EUROPE

Germany*##
$12,998 // 43.1% // -7.5%
Benelux*
$3,867 // 12.8% // -15.4%
France
$1,942 // 6.5% // -21.8%
Scandinavia
$1,389 // 4.6% // -9.3%
Switzerland
$1,333 // 4.4% // -13.5%
Austria
$1,260 // 4.2% // -8.4%
United Kingdom
$346 // 1.1% // -2.4%
Spain
$307 // 1.0% // 3.2%
Italy
$201 // 0.7% // -5.4%
Ireland
$29 // 0.1% // -5.4%
Portugal
$12 // 0.0% // -3.0%
Others
$21 // 0.1% // 44.4%

Country as a whole includes retail stores, outlet stores, edc standalone stores and e-shop
Germany sales include wholesale sales to other European countries mainly Russia, Poland, Czech Republic, Slovenia and Greece
Macau sales include wholesale sales to other countries mainly Columbia, Chile and Thailand
* Includes licensing
** Includes salon

TURNOVER BY PRODUCTS

HK$ million // % to Group turnover // % of local currency growth



WOMEN

women casual
$8,861 // 29.4% // -20.0%
women collection
$2,862 // 9.5% // 5.1%

MEN

men casual
$3,827 // 12.7% // -11.0%
men collection
$989 // 3.3% // 1.3%

EDC

edc women
$5,512 // 18.3% // -10.7%
edc men
$1,271 // 4.2% // -0.1%
edc others^
$721 // 2.4% // -22.4%

OTHERS

accessories
$1,355 // 4.5% // -14.9%
shoes
$1,190 // 3.9% // 13.6%
bodywear
$1,116 // 3.7% // 3.6%
kids
$785 // 2.6% // -15.3%
de. corp
$541 // 1.8% // 42.5%
sports
$401 // 1.3% // -29.2%
others*
$734 // 2.4% // 7.1%

* Others include mainly red earth, salon, licensing income and licensed products like timewear, eyewear, jewellery, bed & bath, houseware etc
^ edc others include edc kids, edc shoes, edc accessories and edc bodywear

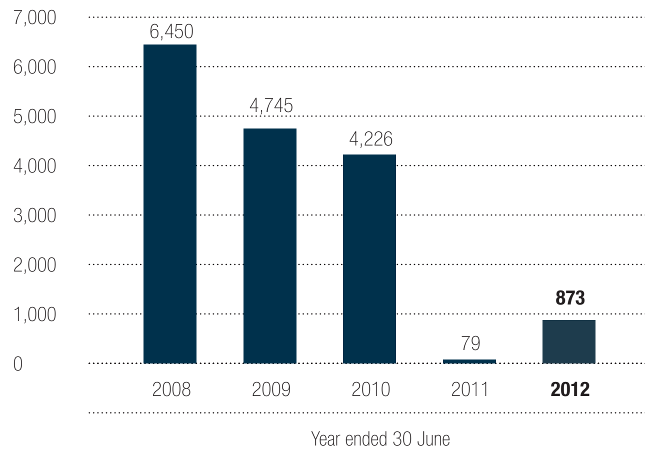
01.3 FINANCIAL HIGHLIGHTS (CONTINUED)

Esprit 10-Year Share Price Performance

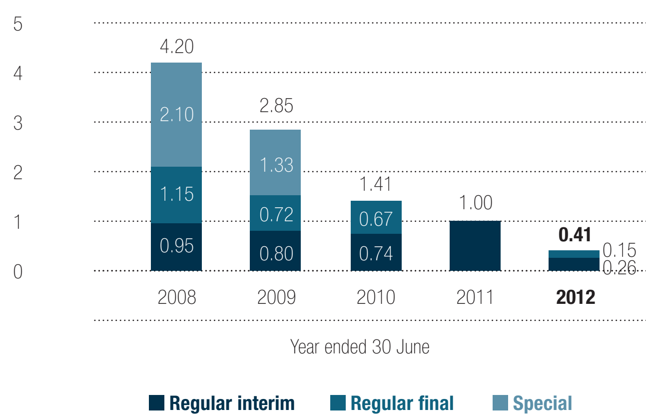
Benchmark with HSI

01.3 FINANCIAL HIGHLIGHTS (CONTINUED)

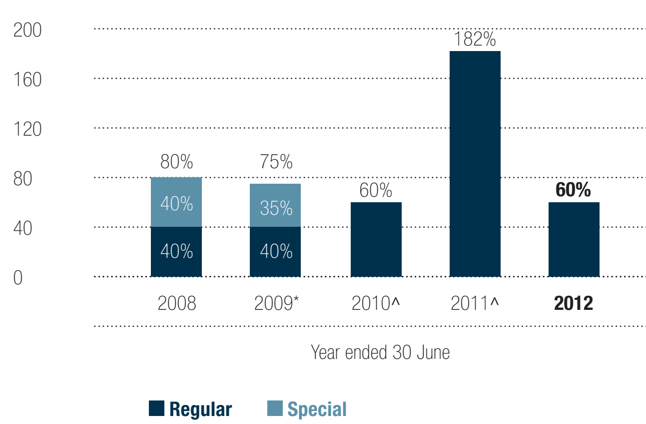
Profit Attributable to Shareholders (HK$ million)



Dividend Payment History (HK$ Per Share)



Dividend Payout Ratio (% of Basic EPS)



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

^ Dividend payout ratios for the year ended 30 June 2011 and 30 June 2010 were calculated based on adjusted EPS

01.3 FINANCIAL HIGHLIGHTS (CONTINUED)

Breakdown of group turnover

	Year ended 30 June				
	2012	2011	2010	2009^	2008^
Operation mix (%)					
Retail	**59**	56	53	47	43
Wholesale	**40**	43	46	52	56
Licensing and others	**1**	1	1	1	1
Geographical mix (%)					
Europe	**79**	79	83	85	87
Asia Pacific	**18**	17	14	12	11
North America and others	**3**	4	3	3	2
Product mix (%)					
women casual	**29**	33	34	34	34
men casual	**13**	12	13	12	12
edc women	**18**	18	18	17	19
edc men	**4**	4	4	4	3
women collection	**10**	8	7	7	6
men collection	**3**	3	2	2	2
accessories#	**5**	5	5	6	5
kids#	**4**	4	5	5	5
shoes#	**4**	4	3	4	5
bodywear#	**4**	4	3	3	3
sports	**1**	2	2	2	3
de. corp	**2**	1	1	1	–
others*#	**3**	2	3	3	3

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

^ Turnover by geographical segment for the years ended 30 June 2008 to 30 June 2009 were restated for comparison purpose as a result of the adoption of the new IFRS 8 "Operating Segments"

\# Include sales from edc product category

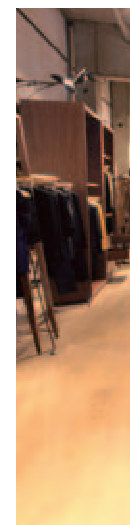
02 *ESPRIT FY11/12 IN BRIEF*

02 *ESPRIT FY11/12 IN BRIEF*

STORE OPENINGS

Country	City	Location	No. of POS
Australia	Adelaide	David Jones	1
	Brisbane	David Jones	1
	Sydney	David Jones	4
	Melbourne	David Jones	2
	New Castle	David Jones	1
	MacKay	Myer	1
	Perth	David Jones	1
	Gold Coast	David Jones	1
Austria	Wien	Kartnerstrasse	1
	Parndorf	Parndorf Outlet	1
Belgium	Bruxelles	Nieuwstraat	1
	Knokke	Lippenslaan	1
	Nivelles	Nivelles Shopping Centre	2
	Roeselare	Ooststraat	1
	Wijnegem	Wijnegem Shopping Centre	1
China	Beijing	Cuiwei Dacheng Department Store	2
		Cuiwei Longde Department Store	1
		Beijing Hualian	1
		Tianyuantong Hualian	1
		Shangdi Hualian	1
		Hui Long Guan	1
		Jingbei Big World	1
		Liangxiang Huaguan Shopping Mall	1
		New World Department Store	3
		North Star Shopping Centre	1
		Qianjin Road Wuqing District Tianjin	1
		Shimao Gongsan Plaza	3
		Surprise Outlet	1
		Xidan Department Store	1
		Vans Department Store	2
		Fulicheng	1
		Ito Yokdado	1
		Xinhua Department Store	1
		Faya Outlet	1
	Chengdu	New World Department Store	2
		Wangfujing Department Store	1
		Maoye Department Store	2
	Chongqing	Maoye Department Store	1
		Jiangbei Maoye Department Store	2
		Jiamao Shopping Centre	1
		HK New Word	1
		Fuan Department Store	1
	Dalian	Peace Plaza	1
		Sunrise Shopping Centre	1
		Dashang Group	2
	Guangzhou	Jusco	1
		Grand Buy Department Store	1
		Mopark	1
		Vans Department Store	1

Country	City	Location	No. of POS
	Shanghai	Fashion Centre Outlet	1
		JiaDing Mall	2
		Orient Shopping Centre Hongkou	1
		Orient Shopping Centre Jiading	1
		Parkside Plaza	1
		Parkson Department Store	3
		Pingao Department Store	1
		Vans Department Store	2
		Ru Bin Sen Plaza	2
		Sundays City	1
	Wuhan	Grand Ocean Department Store	2
		Hanshang Department Store	1
		Sogo Plaza	1
		Shimao Plaza	2
		Zhongshang Plaza	1
		Wuhan Shopping Mall	2
		Xudong Xinshijie	1
		Vans Department Store	1
Finland	Lahti	Karisma	1
France	Aulnay	O'Parinor	1
	Paris	Gare St. Lazare	1
	Toulouse	Alsace Lorraine	1
Germany	Berlin	Boulevard Steglitz	1
		Spandau Arkaden	1
	Bocholt	Neutor Centre	1
	Dortmund	Thier-Areal	2
	Hamburg	Spitalerstrasse	1
	Hannover	Bahnhofstrasse	1
	Kaiserslautern	Fackelstrasse	1
	Mönchengladbach	Hindenburgstrasse	1
	Mülheim	RRZ	1
	Sulzbach	Main-Taunus-Zentrum	1
	Wolfsburg	City-Galerie	1
Hong Kong	Hong Kong	Choi Yuen Plaza	1
Malaysia	Ipoh	Station 18 Jusco	1
	Johor	Johor Premium Outlet	1
	Kuala Lumpur	Mid Valley Mega Mall	1
	Penang	1st Avenue	1
	Selangor	Parkson 1 Utama	1
		1 Utama	1
		Setia City Mall	1
Netherlands	Haarlem	Grote Houtstraat	1
Singapore	Suburban-East	Changi City Point	1
Taiwan	New Taipei City	Far Eastern Department Store	2
	Taichung	Far Eastern Department Store	3
	Taoyuan	Metro Walk Shopping Centre	1
		Mitsukoshi Department Store	1
	Hsin Chu City	Sogo Department Stores	1
	Kaohsiung	Far Eastern Department Store	1
United Kingdom	London	Stratford City	1
United States	Freehold	Freehold Raceway Mall	1
	New York	Smith Haven Mall	1
	Orange	The Outlets at Orange	1
	San Leandro	Marina Square	1



ANTWERP

HOME IS WHERE THE HEART IS
The new Esprit Concept Stores

California's sunny attitude to life and Esprit's relaxed lifestyle blossom from the roots of our brand – home with a soul and innovative store architecture. Esprit loves fashion and it loves nature. Esprit loves styling and personality. Esprit loves the beauty of what is genuine. Our new store concept gives our styles a matching home. Here, as well, calmness, passion and a love of details are the key to a special atmosphere. Come home. Seek relaxation. Come back. Find inspiration.

Drop in to see the new Esprit Concept Stores or find out more at:
www.esprit.com/storeopenings

AMSTERDAM

PARIS

COLOGNE

LONDON

MAKE YOUR WISH
Christmas Campaign 2011

For our 2011 Christmas campaign, we have drawn inspiration from our highly acclaimed "real people" campaigns from the 1990's.
We have chosen to photograph 30 people, picked from an initial street casting of over 300.
They were from all nationalities, all ages from kids to youth to adults, as well as various backgrounds.
But most importantly they were connected by one thing: they all had "Esprit de Corps"!
We asked each of them to make a wish for Christmas. They inspired us with some great wishes, ranging from saving the planet and happiness for loved ones to winning the lottery.
Each person was photographed individually with their wish as a fashion portrait, all wearing Esprit.
Once again we teamed up with stylist Camille to select the outfits and the campaign was shot by one of the top fashion photographers. The images were featured in advertising (billboard, citylights and magazines), windows as well as in-store.

OUTDOOR ADVERTISING

MAGAZINE ADVERTISING

TV ADVERTISING

WINDOWS

ONLINE & SOCIAL MEDIA

COLOUR, STYLE AND DETAIL
March Campaign 2012

Together the perfect combination, but each plays its part…

Colour – changes your mood and those around you – pure white, happy orange, calm blue, passionate red and powerful black
Style – either something you have and were born with or you have a good friend like Esprit to advise you what to wear, when and how to wear it
Detail – it's all in the detail, the stitching, the buttons used and the fabric chosen

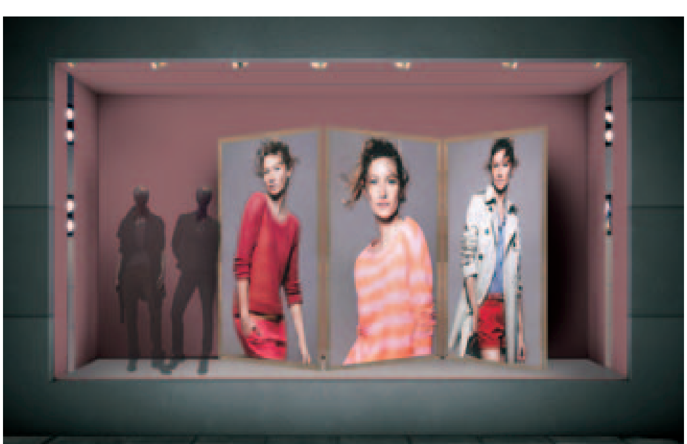
To have an eye for detail is to love what you do and at Esprit we love what we do!

OUTDOOR ADVERTISING

MAGAZINE ADVERTISING

TV ADVERTISING

ONLINE & SOCIAL MEDIA



WINDOWS

PERFECT TEN
March Capsule 2012

PERFECT TEN[10] IS A NEW LINE OF WARDROBE REQUISITES FOR THE MODERN WOMAN. REFLECTING THE EFFORTLESS, UNDERSTATED ELEGANCE THAT ESPRIT HAS BECOME KNOWN FOR SINCE 1968, EACH PERFECT TEN[10] ITEM IS AN EXPRESSION OF CLASSIC DESIGN AND OUTSTANDING CRAFTSMANSHIP. CREATED TO FIT EVERY OCCASION, THESE ARE STATEMENT PIECES MADE TO LAST.

IN-STORE DISPLAY

ONLINE MEDIA

LOOK BOOK

HANG TAG & BOOKLET

SPRING WITH A LOVE TO DETAIL
April Campaign 2012

Inspiring with feel-good looks and an infectious energy, expressing a sense of style and quality...
Normal – something that unites us all. Special details or individual characteristics
help to create a unique combination – in other words, normal but special
Less is more – without large, playful extras, a style is reduced to its essentials –
making it become something very special
Spring – inspires liveliness and embodies the feeling of wanting to try something new –
a new style, a new love. Just be open and embrace life!

At Esprit it's all about simple elegance and highlighting the unique aspects of everyday life.

OUTDOOR ADVERTISING

MAGAZINE ADVERTISING

TV ADVERTISING

WINDOWS

ONLINE & SOCIAL MEDIA

MY PERFECT SUMMER
May Campaign

... icecream · swim · friends · laughing · sunhat · beach · swim · popsicle · diving · watermelon · shorts · music · easy · sandcastles · flowers · play · bikinis · undress · frisbee · trunks · surf · grassberries · sunscreen · hot · fruit · warm · ocean · fun · sexy · picnic · relax · dancing · roadtrip · sandals · sun · sea & sand

OUTDOOR ADVERTISING

MAGAZINE ADVERTISING

TV ADVERTISING

WINDOWS

ONLINE & SOCIAL MEDIA

AWARDS

INTERNATIONAL ARC AWARDS 2011

Esprit has been selected as "Gold Awards winner for Photography" in the category of "Fashion" by the International ARC Awards 2011.

The Awards are globally recognised, providing a platform for the highest standards in the annual report industry.

HKMA BEST ANNUAL REPORTS AWARDS 2011

Esprit has been awarded the "2011 HKMA Best Annual Reports Awards" by the Hong Kong Management Association.

The award recognises outstanding efforts made by companies in their attempt to communicate their corporate objectives. This is the fifth time Esprit has had the honour to receive such a recognition from the organisation.

8TH CORPORATE GOVERNANCE ASIA RECOGNITION AWARDS 2012

Esprit was awarded "The Best of Asia Award" in the "8th Corporate Governance Asia Recognition Awards 2012" organised by the Corporate Governance Asia.

The Corporate Governance Asia Recognition Awards are presented to companies with a publicly-acclaimed track record for corporate governance.

PLAKADIVA AWARDS 2012

Esprit was awarded the "Prize for Outdoor Advertising" by the Fachverband für Aussenwerbung e.V. (Association for Outdoor Advertising) in 2012.

The PlakaDiva 2012 event marked the 19th time in which the best out-of-home campaigns of the year have been awarded. Esprit was honoured for its intensive commitment to out-of-home medium and the great importance it places on them.


ESPRIT

03 *MANAGEMENT DISCUSSION & ANALYSIS*

03 *MANAGEMENT DISCUSSION & ANALYSIS*

03.1 REVENUE ANALYSIS

For the year ended 30 June 2012, **Group turnover** was HK$30,165 million (2011: HK$33,767 million), representing 10.5% decline in local currency. This overall sales performance was attributable to decline in retail and wholesale turnover amid challenging operating environment. Nevertheless, licensing business continued to achieve healthy growth.

Europe remained to be the biggest region in terms of turnover and accounted for 78.6% of Group turnover (2011: 79.1%). Impacted by difficult operating environment, turnover in Europe fell 10.5% in local currency. Germany was the biggest country within both the region and the Group in terms of turnover, accounted for 43.1% of Group turnover (2011: 42.3%), thanks to our strong brand equity in Germany, as confirmed by a recent survey by Brandmeyer Markenberatung GmbH in March 2012 which ranked Esprit as the third favourite brand of all industries. According to TextilWirtschaft panel data, Esprit's retail sales in Germany outperformed the German market eight out of twelve months in the reporting year.

Asia Pacific region performed relatively better than Europe and reported 7.2% year-on-year turnover decline in local currency to HK$5,532 million (2011: HK$5,808 million). As a result, its turnover weighting to Group turnover grew to 18.3% (2011: 17.2%). China remained our biggest market in the region and the second largest country for the Group as a whole. In terms of turnover, the China share increased to 8.6% (2011: 7.9%). Under the new management team in China, much effort has been put into improving store productivity, building key organisational capabilities and devising short-term and long-term initiatives to support the transformation.

As a result of closure of North American retail operation in April 2012, turnover in North America declined 25.2% in local currency to HK$928 million (2011: HK$1,234 million). Its turnover weighting also fell to 3.1% (2011: 3.7%).

Turnover by Countries

	For the year ended 30 June 2012		For the year ended 30 June 2011		Change in %	
Countries#	**HK$ million**	**% to Group Turnover**	HK$ million	% to Group Turnover	HK$	Local currency
Europe	**23,705**	**78.6%**	26,725	79.1%	-11.3%	-10.5%
Germany* ##	**12,998**	**43.1%**	14,280	42.3%	-9.0%	-7.5%
Benelux*	**3,867**	**12.8%**	4,613	13.7%	-16.2%	-15.4%
France	**1,942**	**6.5%**	2,503	7.4%	-22.4%	-21.8%
Scandinavia	**1,389**	**4.6%**	1,530	4.5%	-9.2%	-9.3%
Switzerland	**1,333**	**4.4%**	1,478	4.4%	-9.8%	-13.5%
Austria	**1,260**	**4.2%**	1,394	4.1%	-9.6%	-8.4%
United Kingdom	**346**	**1.1%**	357	1.1%	-3.1%	-2.4%
Spain	**307**	**1.0%**	301	0.9%	2.0%	3.2%
Italy	**201**	**0.7%**	211	0.6%	-4.6%	-5.4%
Ireland	**29**	**0.1%**	30	0.1%	-6.2%	-5.4%
Portugal	**12**	**0.0%**	13	0.0%	-3.7%	-3.0%
Others	**21**	**0.1%**	15	0.0%	40.1%	44.4%
Asia Pacific	**5,532**	**18.3%**	5,808	17.2%	-4.7%	-7.2%
China**	**2,587**	**8.6%**	2,675	7.9%	-3.3%	-7.4%
Australia and New Zealand	**827**	**2.7%**	997	3.0%	-17.0%	-20.5%
Macau###	**583**	**1.9%**	562	1.7%	3.7%	5.9%
Hong Kong**	**548**	**1.8%**	586	1.7%	-6.6%	-6.6%
Singapore	**441**	**1.5%**	446	1.3%	-1.0%	-3.2%
Taiwan	**279**	**0.9%**	296	0.9%	-5.6%	-6.6%
Malaysia	**267**	**0.9%**	246	0.7%	8.6%	8.8%
North America	**928**	**3.1%**	1,234	3.7%	-24.8%	-25.2%
United States*	**537**	**1.8%**	647	1.9%	-17.1%	-17.1%
Canada	**391**	**1.3%**	587	1.8%	-33.3%	-33.3%
Total	**30,165**	**100.0%**	33,767	100.0%	-10.7%	-10.5%

#	Country as a whole includes retail stores, outlet stores, edc standalone stores and e-shop
##	Germany sales include wholesale sales to other European countries mainly Russia, Poland, Czech Republic, Slovenia and Greece
###	Macau sales include wholesale sales to other countries mainly Columbia, Chile and Thailand
*	Includes licensing
**	Includes salon

Turnover by Products

	For the year ended 30 June 2012		For the year ended 30 June 2011		Change in %	
Esprit	**HK$ million**	**% to Group Turnover**	HK$ million	% to Group Turnover	HK$	Local currency
women	**11,723**	**38.9%**	13,754	40.7%	-14.8%	-15.0%
women casual	**8,861**	**29.4%**	11,018	32.6%	-19.6%	-20.0%
women collection	**2,862**	**9.5%**	2,736	8.1%	4.6%	5.1%
men	**4,816**	**16.0%**	5,263	15.6%	-8.5%	-8.7%
men casual	**3,827**	**12.7%**	4,290	12.7%	-10.8%	-11.0%
men collection	**989**	**3.3%**	973	2.9%	1.7%	1.3%
others	**6,122**	**20.2%**	6,314	18.7%	-3.0%	-2.3%
accessories	**1,355**	**4.5%**	1,591	4.7%	-14.9%	-14.9%
shoes	**1,190**	**3.9%**	1,060	3.2%	12.2%	13.6%
bodywear	**1,116**	**3.7%**	1,100	3.3%	1.4%	3.6%
kids	**785**	**2.6%**	918	2.7%	-14.4%	-15.3%
de. corp	**541**	**1.8%**	385	1.1%	40.4%	42.5%
sports	**401**	**1.3%**	570	1.7%	-29.5%	-29.2%
others*	**734**	**2.4%**	690	2.0%	6.4%	7.1%
Total	**22,661**	**75.1%**	25,331	75.0%	-10.5%	-10.5%

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

	For the year ended 30 June 2012		For the year ended 30 June 2011		Change in %	
edc	**HK$ million**	**% to Group Turnover**	HK$ million	% to Group Turnover	HK$	Local currency
edc women	**5,512**	**18.3%**	6,213	18.4%	-11.3%	-10.7%
edc men	**1,271**	**4.2%**	1,283	3.8%	-0.9%	-0.1%
edc others^	**721**	**2.4%**	940	2.8%	-23.4%	-22.4%
Total	**7,504**	**24.9%**	8,436	25.0%	-11.1%	-10.4%

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

Amid a challenging macro environment, several product divisions were able to achieve positive turnover growth, in particular the product divisions with stronger emphasis on feminine and fashionable styles, such as collection and de. corp. Being our third largest product group, collection's turnover grew by 4.1% in local currency and turnover of de. corp grew even stronger by 42.5% in local currency. Turnover of shoes and bodywear also reported healthy turnover growth of 13.6% and 3.6% respectively in local currency.

Turnover by Distribution Channels

	For the year ended 30 June 2012		For the year ended 30 June 2011		Change in %	
Key Distribution Channels	**HK$ million**	**% to Group Turnover**	HK$ million	% to Group Turnover	HK$	Local currency
Retail#	**17,806**	**59.0%**	19,059	56.4%	-6.6%	-6.1%
Wholesale	**12,116**	**40.2%**	14,475	42.9%	-16.3%	-16.5%
Licensing	**203**	**0.7%**	185	0.6%	9.6%	9.8%
Others	**40**	**0.1%**	48	0.1%	-17.5%	-19.5%
Total	**30,165**	**100.0%**	33,767	100.0%	-10.7%	-10.5%

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

RETAIL

Retail turnover was HK$17,806 million (2011: HK$19,059 million) representing 6.1% year-on-year decline in local currency. The decline was mainly driven by -4.1% comparable store sales growth and 8.8% year-on-year decrease in retail selling space due to store closure programs and the closure of North American retail operation. Excluding aforementioned closures, retail selling space increased 6.5% year-on-year and retail turnover decline narrowed to 3.5% in local currency.

Lower traffic has led to the overall decline of comparable store sales while we were able to achieve year-on-year improvement in conversion rate. We were encouraged by the improvement in comparable store sales growth during the second half of the financial year, in which comparable sales growth improved from -4.6% in the first half of the financial year to -3.6% in the second half of the financial year, thanks to the favourable impact of branding campaigns and appropriate promotional activities launched during the period.

Retail Performance Scorecard

	For the year ended 30 June		
	2012		2011
	Total excluding North America and store closure programs	**Total**	Total
Year-on-year local currency turnover growth	**-3.5%**	**-6.1%**	6.2%
Segment EBIT margin	**2.9%**	**6.5%**	-5.4%
No. of Esprit POS	**1,026**	**1,066**	1,141
Esprit net sales area (m^2)	**338,185**	**361,309**	396,355
Year-on-year change in Esprit net sales area	**6.5%**	**-8.8%**	2.7%
Comparable store sales growth	**-4.1%**	**-4.1%**	-1.1%

Retail Turnover by Countries

	For the year ended 30 June 2012		For the year ended 30 June 2011		Change in %	
Countries	**HK$ million**	**% of Retail Turnover**	HK$ million	% of Retail Turnover	HK$	Local currency
Europe	**13,212**	**74.2%**	13,905	73.0%	-5.0%	-3.5%
Germany	**7,768**	**43.6%**	8,155	42.8%	-4.8%	-2.8%
Benelux	**1,967**	**11.0%**	2,114	11.1%	-6.9%	-5.4%
Switzerland	**1,046**	**5.9%**	1,078	5.7%	-3.0%	-6.0%
France	**939**	**5.3%**	1,030	5.4%	-8.9%	-7.0%
Austria	**774**	**4.3%**	784	4.1%	-1.3%	0.9%
United Kingdom	**280**	**1.6%**	300	1.6%	-6.7%	-6.1%
Finland	**161**	**0.9%**	132	0.7%	22.5%	25.6%
Denmark	**119**	**0.7%**	136	0.7%	-12.4%	-10.6%
Spain	**86**	**0.5%**	101	0.5%	-15.0%	-14.2%
Norway	**21**	**0.1%**	22	0.1%	-5.2%	-6.2%
Ireland	**18**	**0.1%**	15	0.1%	12.5%	14.2%
Sweden	**9**	**0.1%**	19	0.1%	-51.4%	-52.4%
Italy	**4**	**0.0%**	3	0.0%	25.7%	30.2%
Portugal	**0**	**0.0%**	2	0.0%	-67.3%	-68.2%
Others*	**20**	**0.1%**	14	0.1%	43.5%	47.8%
Asia Pacific	**3,972**	**22.3%**	4,257	22.3%	-6.7%	-9.3%
China	**1,557**	**8.7%**	1,673	8.8%	-7.0%	-10.9%
Australia and New Zealand	**790**	**4.4%**	936	4.9%	-15.6%	-19.0%
Hong Kong	**532**	**3.0%**	564	3.0%	-5.7%	-5.7%
Singapore	**441**	**2.5%**	446	2.3%	-1.0%	-3.2%
Taiwan	**279**	**1.6%**	295	1.5%	-5.6%	-6.6%
Malaysia	**267**	**1.5%**	246	1.3%	8.6%	8.8%
Macau	**106**	**0.6%**	97	0.5%	9.2%	9.2%
North America	**622**	**3.5%**	897	4.7%	-30.5%	-30.9%
United States	**360**	**2.0%**	481	2.5%	-25.0%	-25.1%
Canada	**262**	**1.5%**	416	2.2%	-36.9%	-36.9%
Total	**17,806**	**100.0%**	19,059	100.0%	-6.6%	-6.1%

* Others' retail turnover represents retail turnover from e-shop in Czech Republic, Poland, Slovakia, Hungary, Slovenia, Latvia, Greece. Malta and Estonia

Directly Managed Retail Stores by Countries

						As at 30 June 2012
Countries	**No. of stores**	**Net opened stores***	**Net sales area m²**	**Net change in net sales area***	**No. of comp stores**	**Comp-store sales growth**
Europe	**358**	**15**	**221,920**	**6.3%**	**258**	**-3.6%**
Germany**	159	5	122,199	4.9%	118	-4.0%
Netherlands	49	(1)	19,813	4.8%	32	-9.1%
Switzerland	38	(1)	17,103	-1.1%	29	-2.3%
France	34	3	17,332	9.7%	28	2.3%
Belgium	29	6	18,253	11.5%	19	-2.3%
United Kingdom	23	1	4,572	23.9%	13	16.7%
Austria	16	1	16,560	15.4%	12	-6.6%
Finland	6	1	4,456	9.4%	3	-4.0%
Luxembourg	2	–	1,149	–	2	-4.2%
Ireland	2	–	483	-8.0%	2	3.6%
Asia Pacific	**668**	**53**	**116,265**	**6.9%**	**256**	**-7.5%**
China	344	44	57,312	13.6%	75	-1.3%
Australia	156	8	17,862	-6.8%	89	-14.3%
Taiwan	85	(1)	8,642	4.1%	49	-8.9%
Malaysia	32	3	11,536	28.7%	14	-0.4%
Singapore	22	1	8,707	3.5%	15	-12.7%
Hong Kong	15	(1)	7,718	-14.4%	6	0.1%
New Zealand	11	(1)	2,787	-1.4%	7	-8.1%
Macau	3	–	1,701	1.6%	1	0.9%
Subtotal	**1,026**	**68**	**338,185**	**6.5%**	**514**	**-4.1%**
Canada@	–	(46)	–	-100.0%	n.a.	n.a.
United States@	–	(43)	–	-100.0%	n.a.	n.a.
Store closure program FY09/10^	4	(10)	2,086	-73.5%	n.a.	n.a.
Store closure program FY10/11#	36	(44)	21,038	-47.2%	n.a.	n.a.
Total	**1,066**	**(75)**	**361,309**	**-8.8%**	**514**	**-4.1%**

* Net change from 30 June 2011
** All e-shops within Europe are shown as 1 comparable store in Germany
^ 10 out of the 33 stores included under the store closure program FY09/10 were closed for the year ended 30 June 2012
# 44 out of the 80 stores included under the store closure program FY10/11 were closed for the year ended 30 June 2012
@ All directly managed stores in Canada and the United States and the e-shop in the United States are considered non-comparable stores as a result of management decision to divest the operations in North America
n.a. Not applicable

WHOLESALE

Wholesale market conditions remained difficult. **Wholesale turnover** was HK$12,116 million (2011: HK$14,475 million) representing 16.5% year-on-year decline in local currency. This sales development was primarily due to weak order intake amid a tough operating environment, the rationalisation of our controlled wholesale space, and higher discount and return as part of the measures to strengthen wholesale platform in the long term under the Transformation Plan.

The adverse macro environment has led to decline in wholesale turnover across all customer categories. Furthermore, our continued effort in rationalising our wholesale customer base has led to further decline in business of both non-controlled wholesale space as well as controlled wholesale space. These negative market dynamics resulted in an overall decline of 7.0% in controlled wholesale space and a net reduction of 878 in the number of controlled wholesale POS, primarily led by the POS decline in identity corners and shop-in-stores.

Wholesale Performance Scorecard

	For the year ended 30 June	
	2012	2011
Year-on-year local currency turnover growth	**-16.5%**	-6.0%
Segment EBIT margin	**17.7%**	22.9%
No. of Esprit controlled space POS	**10,826**	11,704
Esprit controlled space area (m^2)	**653,493**	702,803
Year-on-year change in Esprit controlled space area	**-7.0%**	-2.6%

Wholesale Turnover by Countries

	For the year ended 30 June 2012		For the year ended 30 June 2011		Change in %	
Countries	**HK$ million**	**% of Wholesale Turnover**	HK$ million	% of Wholesale Turnover	HK$	Local currency
Europe	**10,464**	**86.4%**	12,791	88.4%	-18.2%	-18.1%
Germany*	**5,214**	**43.0%**	6,107	42.2%	-14.6%	-13.8%
Benelux	**1,888**	**15.6%**	2,488	17.2%	-24.1%	-23.9%
Scandinavia	**1,079**	**8.9%**	1,221	8.4%	-11.7%	-12.2%
France	**1,003**	**8.3%**	1,473	10.2%	-31.9%	-32.1%
Austria	**486**	**4.0%**	610	4.2%	-20.4%	-20.2%
Switzerland	**287**	**2.4%**	401	2.8%	-28.2%	-33.7%
Spain	**221**	**1.8%**	200	1.4%	10.6%	12.0%
Italy	**197**	**1.6%**	208	1.4%	-5.0%	-6.0%
United Kingdom	**66**	**0.6%**	57	0.4%	16.3%	16.5%
Portugal	**12**	**0.1%**	11	0.1%	5.5%	7.0%
Ireland	**11**	**0.1%**	15	0.1%	-26.1%	-26.1%
Asia Pacific	**1,521**	**12.5%**	1,503	10.3%	1.2%	-1.1%
China	**1,007**	**8.3%**	977	6.7%	3.1%	-1.4%
Macau**	**477**	**3.9%**	465	3.2%	2.6%	4.4%
Australia	**37**	**0.3%**	61	0.4%	-39.8%	-43.1%
North America	**131**	**1.1%**	181	1.3%	-27.8%	-28.3%
Canada	**129**	**1.1%**	171	1.2%	-24.7%	-24.7%
United States	**2**	**0.0%**	10	0.1%	-79.1%	-79.1%
Total	**12,116**	**100.0%**	14,475	100.0%	-16.3%	-16.5%

* Germany wholesale sales include sales to other European countries mainly Russia, Poland, Czech Republic, Slovenia and Greece
** Macau wholesale sales include sales to other countries mainly Columbia, Chile and Thailand

Wholesale Distribution Channel by Countries (controlled space only)

As at 30 June 2012

	Franchise stores**				Shop-in-stores**				Identity corners**				Total**			
Countries	No. of stores	Net sales area m²	Net opened stores*	Net change in net sales area*	No. of stores	Net sales area m²	Net opened stores*	Net change in net sales area*	No. of stores	Net sales area m²	Net opened stores*	Net change in net sales area*	No. of stores	Net sales area m²	Net opened stores*	Net change in net sales area*
Esprit Europe	**1,033**	**260,743**	**(75)**	**-6.4%**	**4,633**	**176,785**	**(207)**	**-7.0%**	**4,067**	**88,290**	**(550)**	**-14.2%**	**9,733**	**525,818**	**(832)**	**-8.0%**
Germany***	399	109,017	(22)	-7.7%	3,574	142,153	(145)	-7.0%	2,249	42,535	(354)	-16.4%	6,222	293,705	(521)	-8.7%
Benelux	160	51,660	(8)	-1.2%	172	7,214	9	4.9%	516	13,683	(142)	-19.3%	848	72,557	(141)	-4.7%
France	171	31,191	(33)	-12.5%	369	8,419	(31)	-19.0%	303	8,261	(57)	-19.7%	843	47,871	(121)	-15.1%
Sweden	75	23,153	(5)	-5.9%	1	40	–	–	98	2,062	(5)	-2.3%	174	25,255	(10)	-5.6%
Austria	80	14,541	(1)	-1.7%	105	3,618	(6)	-3.8%	92	2,363	(25)	-22.8%	277	20,522	(32)	-5.0%
Italy	51	9,465	5	2.4%	36	1,421	(1)	-13.5%	229	4,819	98	42.8%	316	15,705	102	10.1%
Finland	27	7,516	5	17.8%	93	4,455	–	-2.3%	284	7,580	(68)	-20.7%	404	19,551	(63)	-4.6%
Switzerland	34	6,170	(11)	-25.1%	52	2,718	1	-2.5%	55	1,073	(12)	-19.2%	141	9,961	(22)	-19.4%
Denmark	18	4,541	1	8.8%	3	86	(4)	-58.9%	110	2,606	(11)	-7.9%	131	7,233	(14)	0.3%
Spain^	9	1,716	(3)	-35.1%	203	5,756	(16)	3.0%	42	1,307	24	187.9%	254	8,779	5	1.1%
United Kingdom	4	589	(1)	-21.0%	11	422	(11)	-49.9%	73	1,683	(2)	-3.2%	88	2,694	(14)	-19.0%
Portugal^	2	569	–	-14.2%	–	–	–	–	5	85	2	70.0%	7	654	2	-8.3%
Ireland	2	375	(1)	-32.9%	14	483	(3)	-21.7%	9	183	2	12.3%	25	1,041	(2)	-22.3%
Norway	1	240	(1)	-46.1%	–	–	–	–	2	50	–	–	3	290	(1)	-41.4%
Esprit Asia Pacific	**982**	**124,821**	**(22)**	**-2.3%**	**111**	**2,854**	**(24)**	**-20.5%**	**–**	**–**	**–**	**–**	**1,093**	**127,675**	**(46)**	**-2.8%**
China	669	83,652	(43)	-4.7%	–	–	–	–	–	–	–	–	669	83,652	(43)	-4.7%
The Middle East	43	11,609	(3)	-5.4%	–	–	–	–	–	–	–	–	43	11,609	(3)	-5.4%
India	63	6,929	7	-12.4%	–	–	–	–	–	–	–	–	63	6,929	7	-12.4%
Thailand	90	6,802	4	19.0%	–	–	–	–	–	–	–	–	90	6,802	4	19.0%
Philippines	21	2,835	3	7.8%	–	–	–	–	–	–	–	–	21	2,835	3	7.8%
Australia	–	–	–	–	30	1,092	(25)	-43.7%	–	–	–	–	30	1,092	(25)	-43.7%
Others	96	12,994	10	14.1%	81	1,762	1	6.5%	–	–	–	–	177	14,756	11	13.2%
Total	**2,015**	**385,564**	**(97)**	**-5.1%**	**4,744**	**179,639**	**(231)**	**-7.3%**	**4,067**	**88,290**	**(550)**	**-14.2%**	**10,826**	**653,493**	**(878)**	**-7.0%**

* Net change from 30 June 2011
** 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, Hungary and Cyprus
^ Portugal, which was previously grouped under Spain, was separately disclosed from July 2011 onwards. The number of controlled space wholesale POS in Spain as at 30 June 2011 was 254 which included 249 controlled wholesale POS in Spain and 5 controlled wholesale POS in Portugal. The 249 controlled wholesale POS in Spain comprised 12 franchise stores, 219 shop-in-stores and 18 identity corners with controlled space of 2,645 m², 5,586 m² and 454 m² respectively. The 5 controlled wholesale POS in Portugal comprised 2 franchise stores and 3 identity corners with controlled wholesale space of 663 m² and 50 m² respectively.

LICENSING

The global **licensing turnover** (primarily license royalties) increased to HK$203 million (2011: HK$185 million), representing a 9.8% year-on-year growth in local currency.

During the second half of the financial year, we successfully launched the "Marin 68" family, a high quality watch in various colour options, which perfectly met the current consumer trend in the timewear segment. A major driver for the success was the consistent global execution in all channels (POS, Marketing and PR) with one key image "Time for color" featuring the same talent as the Esprit Fashion communication.

Highlight of the next fiscal year will be the upcoming fragrance launch "Simply You" in the Fall of 2012. For the first time, fragrance and fashion will be leveraging the same world famous testimonial in the marketing communication and media campaigns. One coherent brand message to the Esprit end consumer across diverse touchpoints will further strengthen the brand within the marketplace.

As at 30 June 2012	Europe	Asia Pacific	North America	Latin America
Accessories' World				
costume jewellery	■	■		
eyewear	■	■	■	■
fragrance	■	■		■
jewellery	■	■	■	■
luggage	■			
outerwear			■	■
shoes			■	■
sleepwear/daywear			■	
socks + tights	■	■	■	■
stationery	■			
timewear	■	■	■	■
umbrellas	■	■	■	■
Home World				
bathroom	■	■		
bedding	■	■	■	■
carpets	■	■		
down	■	■	■	■
flooring	■	■		
furniture	■	■		
home accessories	■	■		■
kitchen	■			
lighting	■	■		
towels	■	■	■	■
wallpaper	■	■		
Babies' & kids' World				
baby carriages	■	■		
baby/childrens furniture	■			
kids' shoes			■	
maternity	■			
school	■			
soft toys	■			

03.2 PROFITABILITY ANALYSIS

Gross profit was HK$15,206 million (2011: HK$18,198 million) reflecting a gross profit margin of 50.4% (2011: 53.9%). The combination of higher input cost, increase in discount and higher return in association with the wholesale support initiatives resulted in a reduction in the gross profit margin. The Group deliberately decided to maintain its price points in order to preserve its price-value perception. Nevertheless, the year-on-year decline of gross profit margin was significantly narrowed to 2.1% points in the second half of the financial year.

Operating expenses decreased by 19.8% to HK$14,035 million (2011: HK$17,506 million) mainly due to HK$696 million net write-back of provision for store closure as compared to a total of HK$2,429 million provision and impairment of property, plant and equipment made for store closure program and divestment of North American operations in FY10/11. Excluding the aforementioned write-back, provision and impairment of property, plant and equipment, operating expenses amounted to HK$14,731 million (2011: HK$15,077 million) representing 2.3% year-on-year decline as a result of our tightened cost control which led to significant savings in major cost items. Staff costs, occupancy costs and logistic expenses recorded year-on-year decline of 2.5%, 13.6% and 0.8% respectively. Nonetheless, the aforementioned decrease was partially offset by the considerable increase in marketing and advertising expenses for brand building in relation to the Transformation Plan.

As a result of lower operating expenses, which were more than sufficient to compensate for the decrease in gross profit, **operating profit** increased to HK$1,171 million (2011: HK$692 million). **Operating profit margin** also improved to 3.9% (2011: 2.0%).

Retail EBIT margin improved to 6.5% (2011: -5.4%) benefiting from the decrease in occupancy cost and the write-back of provision for store closure arising from the successful divestment of North American operations.

Wholesale EBIT margin fell to 17.7% (2011: 22.9%) mainly due to decrease in gross profit margin, incremental spending for our wholesale partners and deleveraging arising from wholesale turnover decline. During the financial year, total expenses in association with wholesale support amounted to approximately HK$340 million.

Together with 54.2% decrease in taxation to HK$289 million (2011: HK$631 million) and decrease in effective tax rate to 24.9% (2011: 88.9%), **net profit** increased to HK$873 million (2011: HK$79 million) and **net profit margin** improved to 2.9% (2011: 0.2%).

03.3 LIQUIDITY AND FINANCIAL RESOURCES

We continued to maintain a net cash position. As at 30 June 2012, **cash and bank balances** amounted to HK$3,171 million (30 June 2011: HK$4,794 million). The year-on-year decline in cash and bank balances was due to 14.1% depreciation of EUR/HKD closing rate to 9.6551 (30 June 2011: 11.235), transformation plan investment, repayment of bank loans and lower turnover. **Net cash balance** amounted to HK$1,489 million (30 June 2011: HK$2,714 million).

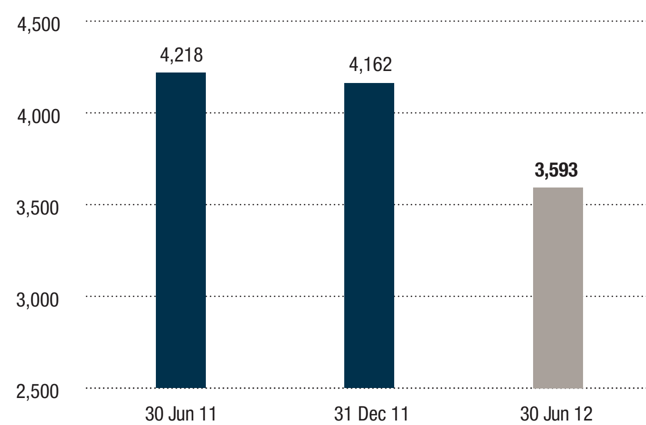
	For the year ended 30 June	
HK$ million	**2012**	2011
Cash and cash equivalents as at 1 July	**4,794**	6,748
Net cash generated from operating activities	**730**	1,835
Net cash used in investing activities	**(1,402)**	(1,634)
Net cash used in financing activities	**(748)**	(2,612)
Net decrease in cash and cash equivalents	**(1,420)**	(2,411)
Effect of change in exchange rates	**(203)**	457
Cash and cash equivalents as at 30 June	**3,171**	4,794
Less:		
Bank loans	**1,682**	2,080
Net cash balance	**1,489**	2,714

Capital expenditure amounted to HK$1,420 million (2011: HK$1,436 million), in which HK$454 million and HK$380 million was invested in opening new stores and refurbishing existing stores respectively. As a result of our continued effort in cost control, actual capital expenditure per square metre was 20% below plan and hence resulting in a lower than anticipated capital expenditure for refurbishing existing stores versus plan.

	For the year ended 30 June	
HK$ million	**2012**	2011
Retail stores	**834**	583
IT projects	**269**	484
Office & others	**317**	369
Purchase of property, plant and equipment	**1,420**	1,436

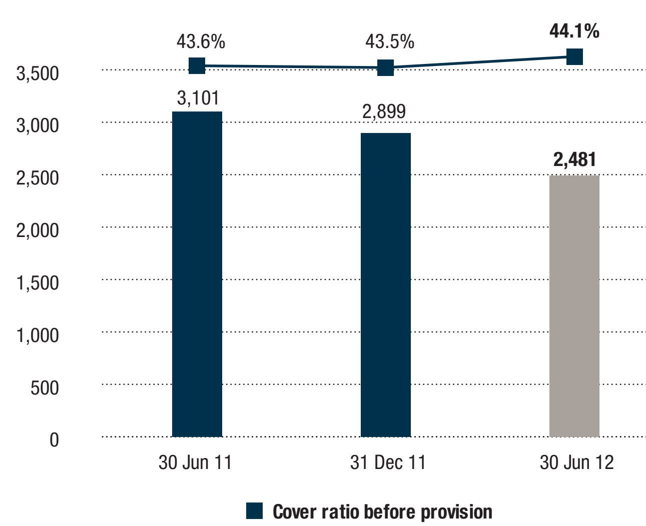
Inventories decreased further to HK$3,593 million as at 30 June 2012 (30 June 2011: HK$4,218 million). The decline was a result of higher discounts and more outlet stores to help clear inventory as well as favourable currency. Inventory units were down 3.3% year-on-year or down 3.8% from 31 December 2011. The EUR/HKD closing rate depreciated 14.1% year-on-year or 4.2% from 31 December 2011.

Inventory balance (HK$ million)



Net trade debtor balance also declined further to HK$2,481 million as at 30 June 2012 (30 June 2011: HK$3,101 million). The decline was mainly due to lower wholesale turnover in the fourth quarter of FY11/12 and favourable currency impact. The cover ratio before provision (the amount of insured and secured gross trade debtors including VAT over total gross trade debtors including VAT) advanced to 44.1% as at 30 June 2012 (30 June 2011: 43.6%).

Net trade debtors balance (HK$ million)



Total interest bearing external borrowings decreased to HK$1,682 million (30 June 2011: HK$2,080 million) as at 30 June 2012 mainly due to scheduled bank loan repayment. None of the Group's assets were pledged as security for overdraft or any short-term revolving facility.

FOREIGN EXCHANGE RISK MANAGEMENT

The Group uses foreign currency contracts for foreign currency risk management purposes only, to hedge transactions and to manage the Group's asset and liabilities.

The Group is exposed to foreign exchange exposure arising from various currency exposures, primarily with respect to Euro. To better manage the sourcing costs for merchandise produced for Europe in Asia, suppliers in Asia were asked to quote and settle in US dollar. The Group enters into foreign currency forward contracts with reputable financial institutions to hedge such foreign exchange risks.

HUMAN RESOURCES

As at 30 June 2012, the Group employed over 12,400 full-time equivalent staff (30 June 2011: over 14,100) around the globe. Competitive remuneration packages that take into account business performance, market practices and competitive market conditions are offered to employees in compensation for their contribution. In addition, share options and discretionary bonuses are also granted based on the Group's and individual's performances. All employees around the world are connected through the Group's quarterly newsletters and global intranet.

DIVIDEND

The Board is pleased to recommend the distribution of a final dividend of HK$0.15 per share (FY10/11: nil) for the year ended 30 June 2012.

In order to maintain a strong balance sheet for future growth, the Board has recommended to provide the shareholders of the Company (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 the Shareholders at the forthcoming annual general meeting of the Company (the "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 Friday, 14 December 2012. Dividend warrants and share certificates for new shares to be issued under the scrip dividend reinvestment scheme will be despatched to the Shareholders by ordinary mail at their risk on or around Tuesday, 22 January 2013.

The dividend reinvestment price shall be determined by the average closing price of the shares of the Company as quoted on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the five consecutive trading days immediately preceding Wednesday, 12 December 2012. The election form will be despatched on or around Thursday, 20 December 2012 and the election period for scrip dividend will commence on or around Thursday, 20 December 2012 to Wednesday, 9 January 2013 (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 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.

03.4 FOCUS AND PRIORITIES IN FY12/13

Looking ahead, the macro environment in FY12/13 continues to present challenges and uncertainties, such as slowing economic growth in China and the unresolved European debt crisis. Now that our Transformation Plan is well underway, we will stay on course to revitalise the Esprit brand and create innovative and inspiring product designs and shopping experience for the Esprit Woman.

In FY12/13, our goal is to continue our transformation journey, implementing it rapidly and consistently. Our first and foremost priority is to leverage the strengths of the talented team on core processes to realise cross-functional transformation. Furthermore, we will drive store productivity through focusing our market efforts on traffic generation and conversion, having an on-time and continuous inflow of fashionable and feminine products in store as well as inspiring and enriching customer shopping experience by the roll-out of new store formats. On the wholesale front, we will continue to rejuvenate the business by enhancing the team and business model as well as strengthening partnership with key wholesale customers. Last but not least, we will continue to ensure sourcing initiatives are on track and drive sourcing synergies across our product divisions. Regarding China, stepping up our efforts to accelerate growth will be our top priority in the country.

Drive Store Traffic and Productivity

With the success and high visibility of the Gisele-focused campaigns, Esprit's brand consideration in our core markets continued to improve. In Germany, our brand consideration level improved from 50% prior to the campaigns to 58%. In China, our brand consideration level advanced substantially from 30% prior to the campaigns to 59%. While we have succeeded in improving brand consideration, this positive outcome has not yet been translated into an increase in overall traffic in our retail stores due to the poor macroeconomic environment which has weighed on consumer sentiment and spending. In this environment, there has been both a reallocation of consumer spending away from apparel as well as trading down in the apparel sector towards value players. As a response to these market dynamics, we plan to drive store traffic through further enhancement of the in-store shopping experience together with well-targeted media campaigns.

Our media strategy for the new financial year will continue to focus on sustaining high brand consideration levels as well as on improving store traffic. Our media campaigns will be more POS-focused to include elements such as store opening events and visual merchandising. We will deploy a media strategy which will be in line with the timing of our new product introduction.

Building on the success of the Lighthouse store projects, we will ramp up the roll-out of new store formats to offer our customers a more inspiring shopping experience. This involves refurbishing a total of more than 990 POS or approximately 153,000 m^2, comprising over 90 existing retail stores (or approximately 65,000 m^2) and over 900 controlled wholesale POS (or approximately 88,000 m^2) in the new financial year.

Fill the Perfect Wardrobe with More Modern and Fashionable Products

Since the launch of the first products of Trend Division and China Design Hub, their product performances have been encouraging. Sell-through of Trend Division's products was more than double that of other women's collections. The next collections will also be rolled-out across Europe and Asia. There is also increasing momentum in the sell-through of China Design Hub's products. For the month of August 2012, their sell-through was similar to other products of the women's divisions. In view of the encouraging performance of the new Trend Division and the "China for China" products, we will continue to focus on boosting the performances of these new lines. Trend's Fall/Winter 2012 collections will be infused with more stylish designs and special colour themes for each season, such as "Inflamed" in August 2012, "Military Luxe" in September 2012, "Wonderlands Neutral" in October 2012 and "Midnight" in November 2012. The Trend Division is also building a team to develop product lines for men. In future, Trend Division targets to represent 5% – 10% of total offerings while "China for China" products target to represent 15% – 20% of total styles offering in Asia.

The Denim Division is on track to introduce its first products to stores in December 2012. A new women's denim fit portfolio called "Love your fit" has been developed and it comprises a portfolio of nine individual iconic fits for all wearing occasions. Based on the first bookings received for December 2012 and January 2013, the initial response appears to be positive.

In November 2012, we will introduce the new Wellness capsule launched as part of a global campaign featuring Christy Turlington, a super model and international icon of beauty and a healthy lifestyle. Wellness is an essential part of life and is strongly linked to Esprit's brand and its Californian heritage. The Wellness collection is a soft and relaxed collection that combines elements from sportswear, in terms of fabrics, detail and cut, and fashion.

Strengthen the Wholesale Platform

In a difficult operating environment, our priorities for the wholesale business will include initiatives to enable us to overcome market challenges in order to drive growth and improve productivity. These initiatives include regaining space by strengthening our strategic partnerships with major wholesale customers as well as strengthening our platform and focusing on franchise business. The Group is encouraged by the fact that wholesale support measures are bearing fruit. The improving trend in order intake for wholesale accounts is encouraging.

Accelerating Growth in China

Under the leadership of, Holly Li, Esprit's new China CEO, much effort has been put in improving store productivity, building key organisational capabilities and devising short-term and long-term initiatives to support the transformation. We have established the China Design Hub to inject local designs and styles to our collections even better to the requirements of Chinese consumers and are focused on strengthening core competencies in areas such as product development, store experience and marketing, which are vital in enabling us to successfully navigate the challenges of an increasingly competitive and complex market environment.

Large scale store renovation has been planned in China for FY12/13 to rejuvenate the shopping experience and create a more exciting and beautiful environment for our customers by optimising visual merchandise as well as rolling icon and retreat store formats. The retail store improvement plan for FY12/13 includes 1 icon store, 25 retreat stores and 15 normal rebuilding stores. Approximately 40 wholesale controlled POS will be renovated into retreat stores and another 40 normal rebuilding stores are planned for FY12/13. The Solana store in Beijing was the first icon store in China and has been re-opened since September 2012.

In the mid-to-long term, particular emphasis will be on accelerating network expansion, establishing a new wholesale business model and continuing to build the required key capabilities to drive growth initiatives and support the transformation. Our plan to increase our city coverage from the existing 1,013 POS in 191 cities to approximately 1,900 POS in about 400 cities by FY14/15 remains intact. The new position Head of Expansion for China was created since June 2012 to execute POS expansion. In FY12/13, we plan to have 75 new retail store openings. In addition, a new wholesale business model will be implemented to allow for stronger strategic support for our wholesale partners in aspects such as store renovation and new store openings in order to ensure a better and more consistent Esprit retail experience.

Ensure Sourcing Initiatives are On Track

The Esprit's new and modern distribution centre in Mönchengladbach Germany began operations in July 2012. It has an effective warehouse area of 46,000 m^2 (equivalent to more than six football fields) and is highly automated with a throughput of 150 million pieces. The facility has the potential to grow to 200 million pieces. The distribution centre systems provide reliable and current stock inventory information which facilitates a highly transparent and better managed operations and production. This in turn significantly improves service quality to our customers and lowers operating costs. For example, the handling cost per piece is expected to be reduced by approximately 25%. We expect approximately €10 million in annual savings when the distribution centre is fully operational by end of FY12/13 as well as a completely balanced goods flow to ensure the right merchandise is on our retail shop floors around the world at the right time.

We are on track to expand our sourcing country footprint. In addition to our new sourcing office in Bangladesh and the quality assurance office in Indonesia, our new sourcing office in India is on schedule to be operational in October 2012.

While it appears likely that the global economy will continue to be weak in the new financial year, any further deterioration of the economic climate will present additional challenges to the implementation of our Transformation Plan and ultimately to our financial performance. Total capital expenditure in FY12/13 is expected to reach approximately HK$1.5 billion, of which HK$0.4 billion will be invested in new store opening including opening over 40 new full-price stores and over 20 new outlets, HK$0.7 billion in the refurbishment of existing stores and HK$0.2 billion will be invested in IT projects.

Backed by the strong commitment of the Group's experienced management team and that of all of our employees worldwide, we are confident that the transformation process will be completed successfully revealing the full potential of the Esprit brand and achieving the level of profitability that it deserves.

04 *CORPORATE SOCIAL RESPONSIBILITY REPORT*

ESPRIT

04 *CORPORATE SOCIAL RESPONSIBILITY REPORT*

WHAT DOES IT MEAN FOR ESPRIT?

WOULD YOU CONSENT TO WEAR ANY PRODUCT MANUFACTURED UNDER UNFAIR CONDITIONS?

Esprit believes strongly that the people who make our products must be treated fairly. Our core beliefs are:

· No child labour
· No forced labour
· Safe and healthy working conditions
· Fair and legal compensation
· No involuntary overtime
· No illegal or disciplinary deductions from wages
· Strict adherence to local law and regulation
· No workplace discrimination
· Minimised damage to the environment

With the above core beliefs and the goal of minimising adverse impacts on our stakeholders in mind, Esprit joined the Business Social Compliance Initiative ("BSCI") in 2005 and adopted the BSCI Code of Conduct, which establishes supply chain standards that members must meet. The BSCI standards have been incorporated into Esprit's vendor contracts, and all suppliers are required to sign the BSCI Declaration whereby they agree to uphold the terms of the Code of Conduct. The BSCI was founded by the EU Foreign Trade Association in Brussels. Details of the BSCI and its Code of Conduct are available on the BSCI website at http://www.bsci-eu.com/.

Esprit has also contributed our knowledge to other BSCI members through our representation on the BSCI Members' Board from 2006 to 2011, and as Chairman of the BSCI Certification Bodies and Accreditation Committee for the period from 2008 to 2009. Esprit currently serves on the BSCI Capacity Building Committee, and participates in the BSCI Hong Kong Member Group.

What framework ensures that our core beliefs are upheld?

1. Supplier 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,
· to observe and conform to the BSCI Code of Conduct, and
· to provide a complete and up-to-date manufacturer profile.

2. Enforcing our standards
Our 11-member sourcing compliance team monitors standards in factories manufacturing our products. The sourcing compliance team enforces our standards through audits, both announced and unannounced, conducted throughout the year, and provides detailed assessments and required 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 discharge of waste water and/or harmful chemicals and absence of illegal transhipment.

After that, our audit process is largely two-fold.

BSCI audits
In general, suppliers are expected to have a BSCI audit with a "good" or "needs improvement" rating before they may begin production for Esprit. The BSCI accredits companies to conduct these audits. BSCI audits generate reports that are published on the BSCI website, and are available to other BSCI members.

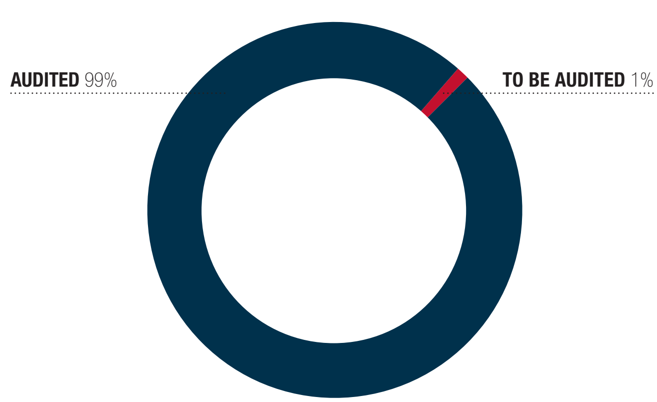
In-house audits
Esprit auditors visit production facilities to conduct audits on compliance with BSCI standards, including working time, compensation, child labour or young employees, forced labour and occupational health and safety. The compliance team also works closely with the suppliers to provide assistance and guidance in order to bring them up to the BSCI standards where needed. Esprit will cease doing business with suppliers who fail to meet or show progress toward meeting BSCI standards.

In 2012, in order to save money and avoid duplication of work among the various customers of our suppliers, Esprit has begun accepting audit reports and corrective action plans from selected other programs in place of BSCI audits. Acceptable alternative include work from the Fair Labour Association and Better Work (a program of the International Labour Organisation ("ILO"), among others.

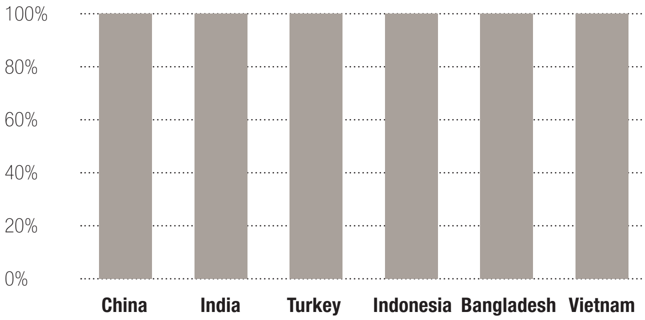
Continuous monitoring
Suppliers are continuously monitored under Esprit's post-BSCI audit program to encourage and ensure continued progress over time. Monitoring includes requiring suppliers to develop a Corrective Action Plan ("CAP") based on audit results. The CAP includes actions that factory management will take in response to findings, and dates when the findings will be resolved. Esprit evaluates factory CAPs, proposes changes when needed, and sets the date for follow-up audits based on progress made. While expecting factories to have no problems is unrealistic, factories that fail to show continuous improvement may be eliminated as Esprit suppliers.

In order to help suppliers to improve compliance, in 2011-2012 Esprit provided a range of assistance, including one-on-one meetings with factory managers, and enrolling suppliers in a variety of trainings offered by the BSCI. In one case, Esprit worked with Verité, an international labour rights NGO, to provide a specialised training program over the course of nine months. In 2012-2013, Esprit will continue with all of the above measures and add a series of vendor summits in various countries to train factory managers on overall compliance standards and problems specific to those countries.

Active suppliers audited in FY11/12



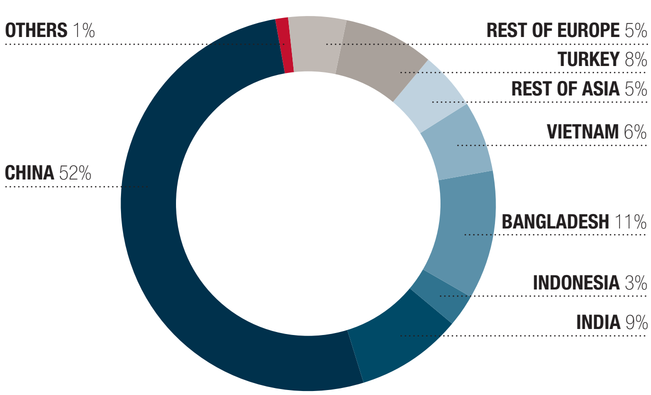
Percentage of active suppliers audited in FY11/12



From the figures above, in FY11/12, 99% of our active manufacturers were audited. The most common non-compliance issues found in vendor compliance audits conducted in FY11/12 include:

- Inconsistency between payroll, attendance and production records
- Inconsistency between compensation policy and salary calculation
- Inconsistency between factory policy and information provided by workers during interview
- Work hours in excess of the ILO standard of 60 hours per week, including regular hours and overtime
- Incomplete training records
- Insufficient illumination of work places
- Insufficient first aid supplies
- Salary release later than 20 days after month-end cut off
- Failure to provide one day off per week as per ILO and BSCI standards
- No policy on discrimination, maternity leave, or dormitory rules included in the factory policy or employment contracts.

Countries where Esprit Products were made in FY11/12*
* Based on ordered quantities



SUSTAINABLE APPAREL COALITION ("SAC") – SETTING STANDARDS FOR THE INDUSTRY

The SAC, of which Esprit is a Founding Circle member, represents more than one-third of the global apparel and footwear industries and was formed by sustainability leaders and leading environmental and social organisations to address current social and environmental challenges.

In July 2012 it released the Higg Index, which is a comprehensive tool to measure sustainability across the industry value chain. Recognising that improved supply chain practices are both a business imperative and an opportunity, SAC seeks to lead a shared vision of industry supply chain sustainability through the implementation of the Higg Index. In measuring and evaluating apparel and footwear product sustainability performance, SAC aims to spotlight priorities for action and opportunities for technological innovation.

The Higg Index was developed by the SAC's membership and is based on established evaluation tools to better measure the environmental and social impacts of apparel and footwear products. The transparent and open source tool focuses on measuring: water use and quality; energy and green house gases as well as waste: chemicals and toxicity. A future iteration of the Index, slated for release in 2013, will also incorporate key social and labour metrics.

Through use of the Higg Index, Esprit can identify opportunities to reduce impacts, improve long-term sustainability and drive improvement throughout their supply chain. Given that the Higg Index is still in the piloting phases, Esprit has yet to determine exactly how it will apply within our current systems. In terms of labour compliance, the Higg Index and BSCI standards both share the Core Conventions of the ILO as their base, and therefore are overwhelmingly mutually reinforcing. In terms of sustainability, the companies working to develop the Higg Index all operate within the same international legal frameworks, which assures that the Higg Index starts with current requirements and expands upon them to allow production to become more sustainable over time. We expect that the Higg Index will allow us to set reasonable goals and determine the best way to move forward on various aspects of corporate social responsibility and sustainability, while continuing to work within current legal frameworks and standards of corporate social responsibility.

WOULD YOU EXPECT US TO SUPPORT SUSTAINABLE INITIATIVES?

RECYCLED COLLECTION LAUNCH – RECYCLING OUR OWN CUTTING TABLE WASTE

The highly anticipated first "Recycled collection" was launched in Hong Kong at the Peking Road flagship store on 24 May 2012. Winner of the Ecochic Design Competition and designer of the collection Janko Lam was on hand to see her designs being shown in store and modeled for the media. Local model and film personality Lynn Xiong demonstrated how the fabrics were made and helped to promote the stylish collection of T shirts and denim pieces.

An informative video created to highlight the methods used to manufacture the collection was incorporated into the in-store display, along with a postcards printed with QR codes allowing consumers to scan and trace the origins of the garments. The collection was "Global Recycle Standard" certified by Control Union and fulfilled all the required criteria with the full support of the designated vendors.

Reset Carbon was commissioned to carry out a "cradle to factory gate" carbon foot printing assessment, the results of which were incorporated into the communication material. The savings in water use, electricity and green house gases emission were impressive and have spurred further research and innovation into recycled fabrics for use in future collections with a view to conserving more in every way possible.

With the new winners coming on board in August and December 2012 to design the next recycled collection for Summer 2013 in Hong Kong and China, we have much to look forward to in sustainable designs and their diminishing environmental impact.

In the early 90's Esprit were sustainable visionaries with the launch of the Eco-llection. Embracing this past and recapturing the passion, Esprit will celebrate it's 20th anniversary by directing the future of sustainable fashion.

I:CO – I COLLECT – A WAY FORWARD FOR USED GARMENTS

Esprit has partnered with the recycling company I:CO to encourage consumers to return their old Esprit clothes. In exchange they receive a discount coupon that can be used with any new purchase. This initiative ensures that old clothes do not end up in landfills and instead, are either upcycled or repurposed and used as insulation, textile fibre or carpeting. I:CO boxes have been placed in Esprit stores in Austria and selected stores in Germany.

I:CO collection boxes have also been installed at the global Esprit headquarters in Ratingen, Germany. Employees can use the boxes to return their own garments for recycling. Old, damaged and otherwise un-sellable samples can be handed in as well. With each drop, employees contribute to a cleaner environment.

Collection boxes in stores around the world are being planned and will be implemented as soon as local partners have been selected and screened.

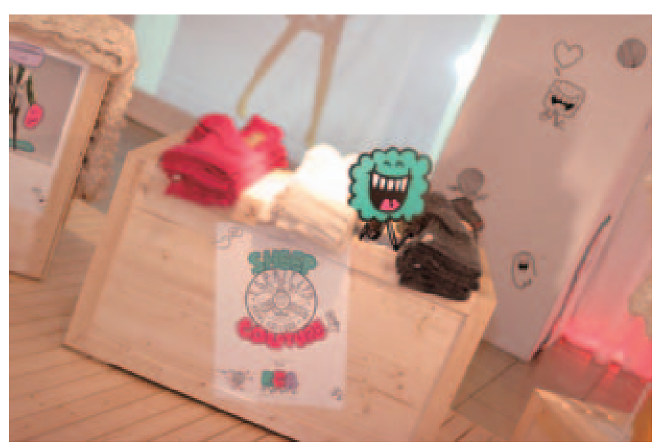
SUSTAINABILITY WORKING GROUP ("SWG")

The SWG was established in the Company in October 2011 as a platform to exchange ideas and initiate sustainable programs within the business and across all products. The group currently consists of 22 employees representing a cross section of all the divisions at global headquarters, sub-divided into smaller work units, each with its own focus on a sustainable strategy.

Current projects include improved waste management in the supply chain and internally, creation of a sustainable manufacturing base, eco product offers, energy saving schemes, group transportation services, the reduction of office supply use and the establishment of a carbon footprint of the entire headquarters.

WOULD YOU EXPECT US TO FOSTER NEW DESIGN TALENT?

ROYAL COLLEGE OF ART LONDON – GIVING EMERGING DESIGNERS A PLATFORM



In an ongoing collaboration with the Royal College of Art in London, Esprit was there to support and encourage talented young designers again in 2012. Each year, students are tasked with developing an original and exciting collection with a fresh, unique approach which also reflects the zeitgeist of the students generation. Their designs strive to include a "must have" desirability as well as a commercial edge. Before commencing the project, students are asked to research the brand and obtain current market information to help them to identify their target customer, with a view to creating key pieces that could become Esprit's "New Classics".

The best designs are selected by a panel comprised of Esprit designers and product managers and this year, 3 outstanding students saw their designs realised in Esprit stores and featured at the London Fashion Week in September 2012. Esprit is proud to be a part of the development of future designers and to pursue a continued affiliation with the Royal College of Art.

ECOCHIC DESIGN AWARD 2012 – MERGING SUSTAINABILITY AND DESIGN IN ASIA

With sustainability high on the agenda again for 2012, it was with renewed energy that Esprit supported their ongoing partnership with "Redress", the non-profit organisation behind the second Ecochic Design Competition, with the official press launch of the event taking place on 6 February 2012.

Celebrity singer Sandy Lam, was there to support the contest and help raise awareness about sustainable solutions in the fashion industry. The competition saw a wealth of young hopefuls coming forward once again to vie for the opportunity to design a collection using "Reconstruction", "Upcycling" and "Zero Waste" techniques. 6 Finalists were chosen to present their collections at Hong Kong Fashion Week for the Grand Final Event which took place on 5 July 2012. Wister Tsang was awarded the first prize for his innovative denim and jersey collection and clear understanding of sustainable design techniques.

He will be given the opportunity to showcase his talent by designing a line using fabrics developed especially for the program and centered around Esprit's own cutting table waste, which is collected from factory floors, recycled and woven into new fabrics – a ground breaking way to treat scraps that are usually discarded.

In addition to the Hong Kong competition, 2012 also saw the expansion of the Ecochic Design Competition to the Mainland, this event, which was launched in Shanghai on 11 April 2012 followed by Beijing a day later, encourages mainland designers to incorporate the same sustainable solutions as their counterparts in order to reduce their ecological impact. Chinese actress Zhu Zhu participated in the launch event and helped to promote the message of sustainability in fashion.

With sustainability and recycling as key points in the Chinese Central Governments 12th 5-year plan, the press event attracted much interest and was covered by business and fashion journalists alike. The final of the competition in China will be held at Shanghai Fashion Week on 22 October 2012 and the winner of the China competition will design a collection for Esprit using the same recycled fabrics as their Hong Kong counterpart for distribution in mainland stores.

ESMOD BERLIN – TAKING A HOLISTIC APPROACH TO DESIGN

In July 2011 ESMOD Berlin, a leading International University of Art for Fashion, launched an International Masters Program – Sustainability in Fashion.

With Esprit as its sole sponsor, the innovative program takes a holistic and interdisciplinary approach to design, positioning itself as ecologically, ethically, socially and economically sustainable. The course symbiotically unifies research, education, practice and business to inspire students to explore new solutions with critical rigour.

Located in one of the world's most historically rich, artistically experimental and vibrant cities, the course attracts students from all over the world, creating a truly intercultural study environment. Due to its practical and international orientation, the course, which is taught in English, is unique worldwide. ESMOD has a long history of producing highly talented creative professionals, and participating in a course at ESMOD ensures that each graduate will be excellently poised to pursue a career in the international fashion industry and is fully equipped to contribute sustainable design solutions to their future employers.

WOULD YOU WANT US TO SUPPORT CHARITIES AROUND THE WORLD?

Through grants, donations and volunteering activities, Esprit takes pride in giving back to the community. Esprit makes substantial charitable donations each year and our employees are involved in a number of initiatives organised by charitable organisations.

BENEFITTING LOCAL COMMUNITIES

In September 2011, Esprit Cares Trust donated HK$1,000,000 to the Community Chest Hong Kong's Corporate and Employee Contribution Program and received a Platinum Award in recognition in May 2012. The Community Chest is a non-profit organisation which is neither funded nor operated by the government and where 100% of donations are allocated to social welfare services without any deductions for administrative expenses. Every year over 2.1 million needy benefit from their generosity.

In October 2011, Esprit sponsored the Hong Kong Golf Clubs "Cup of Kindness Charity day" lending invaluable support to an event which has taken place every year since 1987 and supports a variety of community outreach programs. The event raised over HK$2.2 million with the main beneficiary being The Home of Loving Faithfulness, an organisation that houses and supports severely mentally and physically handicapped young people.

MAKE YOUR WISH FOR OTHERS AND SEE IT COME TRUE

In November and December 2011, Esprit captured the Christmas spirit with a unique "Make Your Wish" campaign. Building on the successful "Real People" campaign from the 1990s, this campaign showcased charismatic people and their personal wishes for themselves, their families, their loved ones, and the world. Applicants were asked to submit their personal wishes online at www.esprit.com. During the six-week campaign, more than 4,000 global wishes were handed in and published on the company's website. Out of this eclectic pool, Esprit chose five unique and different wishes with feasible social, charitable and environmental goals, to fulfill. The realization of these wishes was a matter of the heart and lives up to an integral part of the brand's identity.

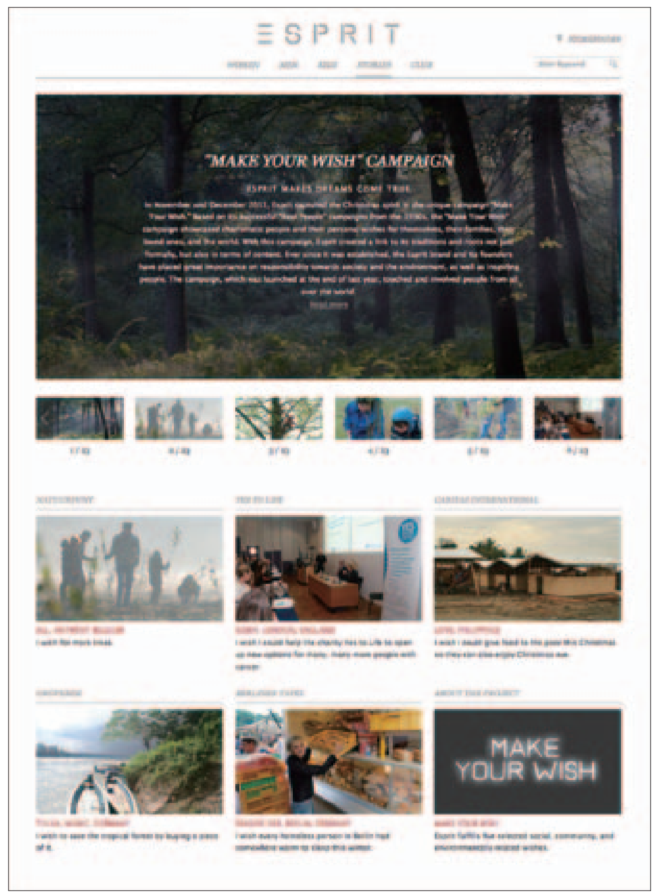
"I wish for more trees" (Belgium)
Together with Natuurpunt, Belgium's most prominent environmental protection organisation, Esprit will support the expansion of communal woodland in Sint-Katelijne-Waver in Flanders from November 2012 on, and create environmentally-conscious added value for the urban landscapes of tomorrow. By financing the purchase of the trees to populate approximately 4,000 sqm of land, a new green corridor linking the adjoining woodland will be created.

"I wish I could help the charity Yes to Life to open up new options for many, many more people with cancer" (UK)
This year, Esprit will support the British cancer initiative Yes to Life by offering affected individuals new potential through the gift of knowledge, and providing them with a renewed sense of courage and self-determination. With the funding provided by Esprit, the foundation was able to provide seminars and workshops to help several hundred cancer patients learn about the most up to date cancer care and treatments.

"I wish I could give food to the poor this Christmas so they can also enjoy Christmas Eve" (Philippines)
In the wake of the devastating tropical storm "Washi" in late 2011, many inhabitants of the island nation lost their home – a place that represents safety, security, and family celebrations like Christmas. To make the wish of a carefree Christmas come true, Esprit partnered with Caritas Germany to sponsor the construction of 30 emergency shelters in the significantly affected region around Iligan City providing shelter and a home for affected residents.

"I wish to save the tropical forest by buying a piece of it" (Germany)
Together with the Tropical Forest Foundation OroVerde, which translates to "green gold", Esprit sponsored the "Naranjitos – Rainforest purchase and protection" project in Guatemala with funding for 300,000 sqm of rainforest which will be managed by the foundation and ensures the protection of indigenous plant species and wild life.

"I wish every homeless person in Berlin had somewhere warm to sleep this winter" (Germany)
For many people in need, a place to sleep is just as valuable as receiving food. Esprit will support the Berliner Tafel's non-profit work for a month, by covering their outgoing expenses, which range from renting warehouse space, to leasing vehicles and buying fuel. The Berliner Tafel is Germany's oldest food distribution network reaching over 125,000 individuals in need through deliveries to around 325 facilities and 45 distribution centers.



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

OUR SOUL VALUES

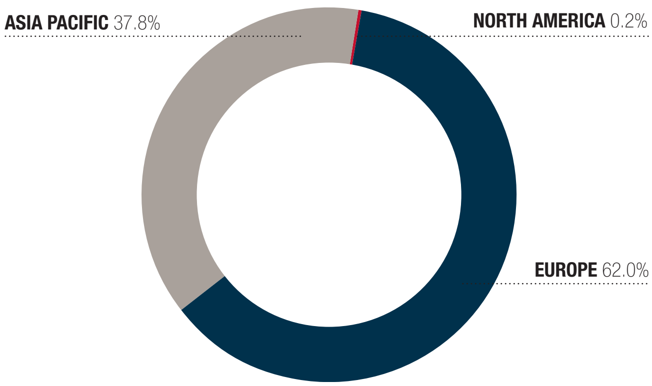
Honesty, Passion & Togetherness
We believe that honesty is the core of our behaviour. Being straight forward, open minded and always talking directly to the one it concerns is fundamental to us.

We believe that passion is the heart of a joyful and energetic relation. We believe that passion is the fuel of creativity. Therefore we believe our passion makes the difference.

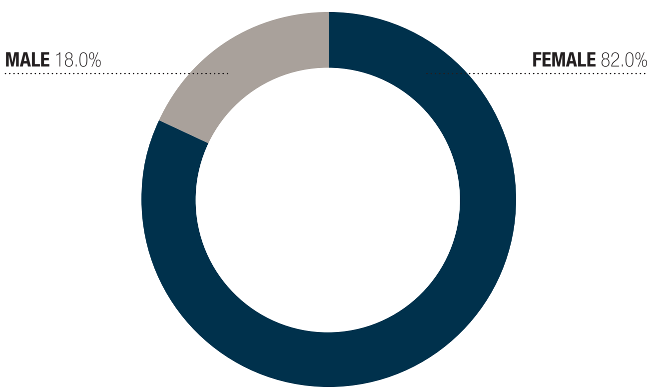
We believe that together, with one goal and as one team, we will inspire and help each other to be our best as individuals and the sum of our efforts to a higher level.

EMPLOYEES

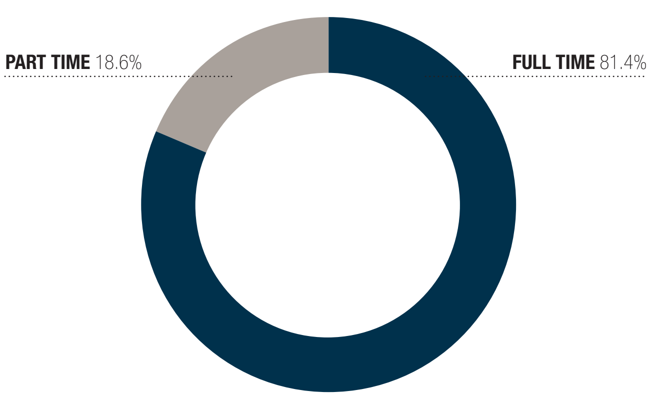
Employees by Region in FY11/12



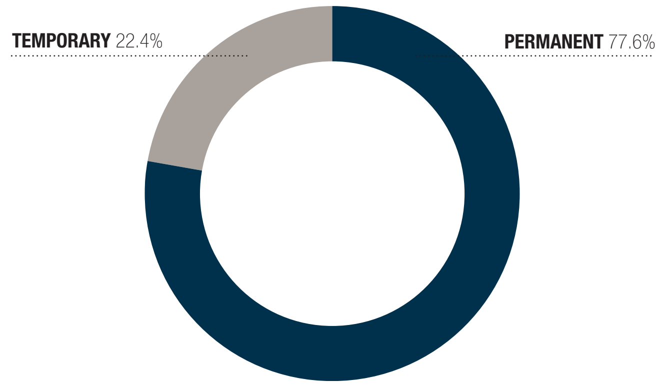
Share of Female Employees in FY11/12



Share of Full Time vs Part Time Employees in FY11/12



Share of Employees with Permanent Contracts in FY11/12



In the fiscal year 2011/12 we promoted 1,173 employees and managers internally. 14,300 training days were invested in Europe, 13,300 in the APAC region.

TALENT MANAGEMENT

Sustainable people development is key. The exciting and inspiring learning journey starts from the employee's joining day. Our retail training series provide our team with fresh and inspiring training sessions aimed at enhancing service provided to our customer as a whole. Furthermore our leadership programs facilitate the career development of our management talents and prepare them to be the future leaders in Esprit. In order to broaden the horizon and enhance the competitive edge of our future top management, we introduced Esprit's Global Talent Program in 2011. Managers from all over the world are selected to join this holistic and stretching 18-month program, which comprises executive business training lectures as well as short term international assignments.

INCENTIVES

The workforce is the most important asset of the company and excellence and hard work deserve to be rewarded. We know that the best way to encourage employees to deliver results is with clear agreement of targets, honest feedback and through positive reinforcement and recognition. Across the globe different business units reward and celebrate colleagues' accomplishments in a variety of ways.

COMMUNICATIONS

Communication is fundamental in a global company, and at Esprit we try to keep our employees informed and up-to-date on all major and minor events in and around our corporation. The ESPRIT Magazine brings the global company and brand spirit to life by featuring individual employees and sharing their inspiration and passion. Employees are encouraged to log in on our global intranet service which is used as a one stop internal communications tool to see what is happening on a daily basis across all sectors. Reports on topics ranging from design and retail, to marketing and sourcing as well as management updates are regularly featured and progress on various internal projects and initiatives as well as press announcements and clippings are also included to ensure everyone is kept abreast of developments within the company.

An internal communications work force was set up to streamline and boost internal content by identifying relevant material globally and sharing the information on this common platform. To encourage cross functional communication and team building, we organise a variety of staff events, from management conferences, to annual dinners, movie nights and various interest classes.

ESPRIT

05 *CORPORATE GOVERNANCE*

ESPRIT

05 *CORPORATE GOVERNANCE*

05.1 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 Board 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 Non-executive Directors with not more than one-third being Executive Directors. In addition, all the Directors bring 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 shareholders' value

The Board's primary role is to protect and enhance long-term shareholders' 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 oversees the overall management of the Group, including oversight of the Group's operations, whilst 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.

During the financial year, the Board reviewed and updated the Esprit Corporate Governance Code and reviewed the Company's compliance with the Code on Corporate Governance Practices (the "Former Code") which was amended as Corporate Governance Code and Corporate Governance Report effective on 1 April 2012 (the "New Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as well as the disclosure in the Company's Corporate Governance Report.

Membership

The Board comprises of six directors, including two Executive Directors with the remaining four being Non-executive Directors, of whom three are independent. Mr Jose Manuel MARTÍNEZ GUTIÉRREZ has succeeded Mr Ronald VAN DER VIS and Mr Thomas TANG Wing Yung has succeeded Mr CHEW Fook Aun, who were appointed as Directors on 26 September 2012 and 2 May 2012 respectively. The Non-executive Directors come from diverse business and professional backgrounds, ranging from apparel industry expert to banker and professional accountant, bringing with them valuable expertise and experience that promote the best interests of the Group and its shareholders. The Board endeavours to support the expansion of our Board membership by identifying appropriate candidates who will bring further skills, insights and value to the business so that we have a well balanced composition of Executive Directors and Non-executive Directors. Independent Non-executive Directors ensure the Board accounts for the interests of all shareholders and subject matters are considered in an objective manner. Please refer to the Reports of the Directors set out on pages 86 to 98 for the list of the Directors during the financial year and up to the date of this report and their profile.

The Company has received confirmation of independence from each Independent Non-executive Director as set out in Rule 3.13 of the Listing Rules and continues to consider each of them to be independent. In assessing the independence of the Independent Non-executive Directors, the Nomination Committee and the Board would consider the character and the judgement demonstrated by the Director's contribution to the Board, the relationship with the Group other than being a Director, the past and present directorships and important appointments of the Director outside the Group.

Membership (continued)

Under the code provision A.4.1 of the Former Code and the New Code, non-executive directors should be appointed for a specific term, subject to re-election. Non-executive Directors of the Company have not been appointed for a specific term. However, under Bye-law 87 of the Company's Bye-laws, all Directors, including Non-executive Directors, of the Company are subject to retirement by rotation and re-election in the annual general meeting of the Company ("AGM") and each Director is effectively appointed under an average term of less than 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 Jürgen Alfred Rudolf FRIEDRICH will retire at the forthcoming AGM and being eligible, offer himself for re-election. Furthermore, under the Company's Bye-law 86(2), any Director appointed during the year to fill a casual vacancy should retire at the first general meeting after his appointment. Mr Jose Manuel MARTÍNEZ GUTIÉRREZ and Mr Thomas TANG Wing Yung shall also retire at the forthcoming AGM and both 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). 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 and Hong Kong Exchanges and Clearing Limited's HKExnews website. The terms of reference are updated from time to time with reference to best corporate governance practices in the market and the Listing Rules. A summary of the membership and responsibilities of each committee is included below:

Audit Committee

Members
Alexander Reid HAMILTON (Chairman)
Raymond OR Ching Fai
Paul CHENG Ming Fun
Francesco TRAPANI (resigned with effect from 23 February 2012)

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 auditor and reviews their reports. During the financial year, the Audit Committee reviewed the quarterly trading updates, the interim results and the annual results of the Group for the year ended 30 June 2012 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, and the revised terms of reference of the Audit Committee. Our Group Chief Financial Officer, external auditor, internal auditors and senior management are invited to attend the meetings to answer any questions raised by the Audit Committee.

Nomination Committee

Members
Paul CHENG Ming Fun (Chairman)
Jürgen Alfred Rudolf FRIEDRICH
Raymond OR Ching Fai (appointed with effect from 1 July 2012)
Dr Hans-Joachim KÖRBER (resigned with effect from 13 June 2012)
Ronald VAN DER VIS (resigned with effect from 26 September 2012)

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 can 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. During the financial year, the Nomination Committee has identified and recommended Mr Thomas TANG Wing Yung to the Board for the appointment as Executive Director of the Company and Group Chief Financial Officer. During the financial year, a search committee comprising Mr Paul CHENG Ming Fun, Mr Jürgen Alfred Rudolf FRIEDRICH and Mr Raymond OR Ching Fai was formed to identify a new Group Chief Executive Officer. Mr Jose Manuel MARTÍNEZ GUTIÉRREZ was identified and the Nomination Committee after careful consideration recommended Mr MARTÍNEZ for the appointment as Executive Director of the Company and Group Chief Executive Officer to the Board. During the financial year, the Nomination Committee also reviewed the structure, size and composition of the Board and recommended to the Board the candidates for directorship and senior management and assessed the independence of the Independent Non-executive Directors. It also reviewed the revised terms of reference of the Nomination Committee.

Remuneration Committee

Members
Raymond OR Ching Fai (Chairman)
Alexander Reid HAMILTON
Ronald VAN DER VIS (resigned with effect from 26 September 2012)
Francesco TRAPANI (resigned with effect from 23 February 2012)

Responsibilities
- Recommend to the Board on the Group's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- Determine specific remuneration packages of all individual Executive Directors and senior management;
- Review and approve the compensation payable to Executive Directors and senior management for any loss or termination of office or appointment; and those for dismissal or removal of Directors for misconduct;
- Recommend to the Board on the remuneration for Non-executive Directors;
- Review and approve management's remuneration proposals with reference to the Board's corporate goals and objectives;
- 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 repect 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. During the financial year, the Remuneration Committee reviewed and determined the remuneration packages of the Executive Directors and senior management, also, reviewed the revised terms of reference of the Remuneration Committee. The remuneration of Mr Ronald VAN DER VIS has been reviewed, his annual base salary shall be increased from EUR1,500,000 to EUR1,522,500 with effect from 1 July 2012.

As Mr. Raymond OR Ching Fai is appointed as Chairman and as a member of the Nomination Committee with effect from 13 June 2012 and 1 July 2012 respectively, he is further entitled to a chairman fee of HK$1,520,000 per annum and an additional HK$85,000 for the Nomination Committee seat per annum.

General Committee

Members
Jose Manuel MARTÍNEZ GUTIÉRREZ (appointed with effect from 26 September 2012)
Thomas TANG Wing Yung (appointed with effect from 2 May 2012)
Ronald VAN DER VIS (resigned with effect from 26 September 2012)
CHEW Fook Aun (resigned with effect from 1 May 2012)

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 administration of the 2001 Share Option Scheme and 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 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 Committees 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.

Board meetings and minutes (continued)

The attendance of individual members of the Board, other Board Committees and general meetings during the financial year ended 30 June 2012 is set out in the table below:

Meetings attended/held

Directors	Board*	Audit Committee	Nomination Committee	Remuneration Committee	General Committee	AGM
Executive Directors						
Ronald VAN DER VIS (resigned with effect from 26 September 2012)	6/6		4/4	3/3	8/8	1/1
Thomas TANG Wing Yung (appointed with effect from 2 May 2012)	1/1				1/1	
CHEW Fook Aun (resigned with effect from 1 May 2012)	5/5				7/7	1/1
Non-executive Director						
Jürgen Alfred Rudolf FRIEDRICH	7/8		4/4			1/1
Independent Non-executive Directors						
Raymond OR Ching Fai	8/8	4/4		3/3		1/1
Paul CHENG Ming Fun	8/8	4/4	4/4			1/1
Alexander Reid HAMILTON	8/8	4/4		3/3		0/1
Dr Hans-Joachim KÖRBER (resigned with effect from 13 June 2012)	7/8		3/4			1/1
Francesco TRAPANI (resigned with effect from 23 February 2012)	2/5	0/3		0/3		0/1

* Two were Non-executive Directors meetings without the presence of Executive Directors

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 Group Chief Executive Officer focuses on managing and controlling the business of the Group. The roles of the Board's Chairman and the Group 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 chaired by Independent Non-executive Directors and the presence of the Independent Non-executive Directors on the three committees plays an important role in avoiding conflicts of interest. The independence of the Board has risen over the years, as shown with the increased representation of Independent Directors on the Board from 3:10 in FY05/06 to 3:6 as it currently stands. The Chairman has held two meetings with the Non-executive Directors (including Independent Non-executive Directors) without the Executive Directors present during the financial year.

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.

Continuous professional development

Each newly appointed Director has received comprehensive, formal and tailored induction programme to ensure that he has an overview of the business and operations of the Group and a proper understanding of the Esprit Corporate Governance Code, his responsibilities and obligations under the Listing Rules and applicable laws and regulatory requirements.

The Company provides regular updates to the Directors relating to the Group's business and the business and regulatory environments in which the Group operates.

During the financial year, the Company arranged and funded a seminar on 13 June 2012 on compliance with legal and regulatory requirements to the Directors. The seminar covered a broad range of topics including directors' duties, continuing obligations including disclosure of interests, scope of disclosure, dealing in securities by directors, disclosure of price-sensitive information and the latest development of the Securities and Futures Ordinance, and new corporate governance rules and code. All Directors have attended the seminar, except Dr Hans-Joachim KÖRBER who has resigned with effect from 13 June 2012 and Mr Jose Manuel MARTÍNEZ GUTIÉRREZ who has been appointed with effect from 26 September 2012.

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

Transparency of information

The Company recognises the importance of timely and quarterly trading updates, interim and non-selective disclosure of information. Latest information of the Company including annual reports, interim reports, announcements and press releases, constitutional documents, 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, and the first and third quarter sales updates 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. 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 Annual Report FY08/09.

Transparency of information (continued)

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.

Shareholders engagement

Shareholders Communication Policy

During FY11/12, the Company has adopted a shareholders communication policy to ensure that shareholders, and in appropriate circumstances, the investment community at large, are provided with ready, equal and timely access to balanced and understandable information about the Company (including its financial performance, strategic goals and plans, material developments, governance and risk profile), in order to enable shareholders to exercise their rights in an informed manner, and to allow shareholders and the investment community to engage actively with the Company.

Enquiries of shareholders

Enquiries of shareholders can be sent to the Company either by email at esprit-ir@esprit.com or by post to the Company's Hong Kong head office at 43/F, Enterprise Square Three, 39 Wang Chiu Road, Kowloon Bay, Kowloon, Hong Kong. Shareholders can also make enquiries with the Board directly at the general meetings.

How shareholders can convene a special general meeting

Shareholders holding at the date of the deposit of the requisition 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 at all times submit a signed written requisition, specifying the purpose, 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; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene the SGM, the requisitionist(s), or any of them representing more than one half of the total voting rights of all of them, themselves may convene a SGM, but any SGM so convened shall not be held after the expiration of three months from twenty-one days of the deposit.

Procedures for putting forward proposals at general meeting

Shareholders representing not less than one-twentieth of the total voting rights of all shareholders having at the date of the requisition a right to vote at the AGM or who are no less than 100 shareholders can submit a written requisition to the Board or the Company Secretary to propose a resolution at an AGM. The written requisition must state the resolution, accompanied by a statement of not more than one thousand words with respect to the matter referred to in the proposed resolution or the business to be dealt with at the AGM and contain the signatures of all the requisitionist(s) (which may be contained in one document or in several documents in like form). Such requisition must be deposited at the Company's Hong Kong head office at 43/F, Enterprise Square Three, 39 Wang Chiu Road, Kowloon Bay, Kowloon, Hong Kong not less than six weeks before the AGM in the case of a requisition requiring notice of a resolution and not less than one week before the AGM in the case of any other requisition and be accompanied by a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement given by the requisitionists to all shareholders in accordance with the requirements under the applicable laws and rules. Provided that if, after a copy of the requisition requiring notice of a resolution has been deposited at the Company's Hong Kong head office, an AGM is called for a date six weeks or less after the copy has been deposited, the copy though not deposited within the time required shall be deemed to have been properly deposited for the purposes thereof.

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 2011 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 explained to the shareholders on commencement of the 2011 AGM. Tricor Secretaries Limited, the Company's branch share registrar in Hong Kong, was appointed as the scrutineer for voting by poll at the 2011 AGM to ensure the votes were properly counted.

While it was only since 1 January 2009 that Rule 13.39(4) of the Listing Rules 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 put forth to the shareholders since 2003.

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 Chief Financial Officer 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.

Conferences attended in FY11/12

Time	Event	Organiser	Location
September 2011	FY10/11 Post Final Results Roadshow	Deutsche Bank Societe Generale Goldman Sachs	Hong Kong London, Edinburgh New York
November 2011	Non-deal Roadshow	HSBC	Sydney
November 2011	10th Annual Asia Pacific Summit	Morgan Stanley	Singapore
February 2012	FY11/12 Post Interim Results Roadshow	Macquarie Bank Deutsche Bank Morgan Stanley	Hong Kong London Boston, New York
March 2012	Asian Investment Conference 2012	Credit Suisse	Hong Kong
March 2012	Non-deal Roadshow	BOC International Holdings	Tokyo
March 2012	Non-deal Roadshow	Standard Chartered Bank	Singapore
March 2012	Non-deal Roadshow	Merrill Lynch	Australia
May 2012	3rd Annual Hong Kong Investor Summit	Morgan Stanley	Hong Kong
June 2012	UBS Consumer Day 2012	UBS	Hong Kong

Awards in FY11/12

Time	Recognition	Awarding Party
August 2011	Gold Awards, Photography Category: Fashion	International ARC Awards
November 2011	2011 HKMA Best Annual Reports Awards Category: Citation for Design	Hong Kong Management Association
June 2012	8th Corporate Governance Asia Recognition Awards 2012 - The Best of Asia	Corporate Governance Asia

American Depositary Receipt Programme

The Company has established a Level 1 sponsored American Depositary Receipt programme with details as stated hereunder.

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

Compliance with the Code on Corporate Governance Practices and the Corporate Governance Code and Corporate Governance Report

The Company has applied the principles and complied with (i) the Former Code for the period from 1 July 2011 to 31 March 2012 and (ii) the New Code for the period from 1 April 2012 to 30 June 2012, except that Non-executive Directors of the Company do not have specific term of appointment as detailed above (code provision A.4.1 of the Former Code and the New Code) and the majority of the Nomination Committee was not Independent Non-executive Directors for the period from 13 June 2012 to 30 June 2012 (code provision A.5.1 of the New Code). Mr Raymond OR Ching Fai has been appointed as a member of the Nomination Committee on 1 July 2012 to fill the vacancy created by the resignation of Dr Hans-Joachim KÖRBER. Effective from 1 July 2012, the Nomination Committee comprises of two Independent Non-executive Directors, one Non-executive Director and one Executive Director and the Chairman of the Committee who is an Independent Non-executive Director has a casting vote in case of an equality of votes.

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.

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 2012, 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 Corporate Social Responsibility Report.

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 2012, 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 2012, the Directors are satisfied that management have selected appropriate accounting policies, applied them consistently in accordance with the International Financial Reporting Standards and made judgements 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.

AUDITOR'S REMUNERATION

A summary of fees for audit and non-audit services to the external auditor for the financial years ended 30 June 2012 and 30 June 2011 is as follows:

	2012 HK$ million	2011 HK$ million
Nature of the services		
Audit services	**16**	16
Other services	**4**	5
	20	21

ESPRIT

05.2 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 2012.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of the principal subsidiaries are shown in note 31 to the consolidated financial statements. 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.

RESULTS AND APPROPRIATIONS

The results of the Group and appropriations of the Company are set out in the consolidated income statement on page 103 and in the accompanying notes to the consolidated financial statements.

The interim dividend of HK$0.26 per share, with an option to receive in form of new fully paid shares of the Company, totalling HK$336 million was paid on 18 April 2012. 538,431 ordinary shares were issued at a dividend reinvestment price of HK$18.22 amounting to approximately HK$10 million on 18 April 2012 pursuant to the scrip dividend reinvestment scheme for the interim dividend. Net cash of approximately HK$326 million was paid for the interim dividend on 18 April 2012.

The Directors recommend the payment of a final dividend of HK$0.15 per share (2011: nil) 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 108 and in note 30 to the consolidated financial statements respectively.

SHARE CAPITAL

During the year, no ordinary share (2011: 345,000 shares) of HK$0.10 each was issued in relation to the share option scheme of the Company adopted on 26 November 2001 or 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 20 to the consolidated financial statements.

During the year, the Company issued 538,431 ordinary shares at a dividend reinvestment price of HK$18.22 amounting to approximately HK$10 million pursuant to the scrip dividend reinvestment scheme for the interim dividend for the six months ended 31 December 2011.

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 140 and 141 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 2012 are set out in note 31 to the consolidated financial statements.

CHARITABLE DONATIONS

During the year, the Group made charitable donations totalling HK$2.8 million.

Particulars of the charitable initiatives undertaken by the Group are set out in the "Corporate Social Responsibility Report" on pages 64 to 69 of this report.

DIRECTORS

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

Executive Directors

Jose Manuel MARTÍNEZ GUTIÉRREZ (Group Chief Executive Officer) (appointed with effect from 26 September 2012)
Thomas TANG Wing Yung (Group Chief Financial Officer) (appointed with effect from 2 May 2012)
Ronald VAN DER VIS (Group Chief Executive Officer) (resigned with effect from 26 September 2012)
CHEW Fook Aun (Group Chief Financial Officer) (resigned with effect from 1 May 2012)

Non-executive Director

Jürgen Alfred Rudolf FRIEDRICH

Independent Non-executive Directors

Raymond OR Ching Fai (appointed as Chairman with effect from 13 June 2012)
Paul CHENG Ming Fun (Deputy Chairman)
Alexander Reid HAMILTON
Dr Hans-Joachim KÖRBER (Chairman) (resigned with effect from 13 June 2012)
Francesco TRAPANI (resigned with effect from 23 February 2012)

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Executive Directors

Jose Manuel MARTÍNEZ GUTIÉRREZ, aged 43, has been appointed as an Executive Director of the Company and Group Chief Executive Officer on 26 September 2012. He holds a Bachelor's Degree in Business Administration from Universidad Autónoma de Madrid, and a Master in Business Administration Degree (Honours with Distinction) from J.L. Kellogg Business School, Northwestern University.

Mr MARTÍNEZ's professional career spans investment banking, strategy consulting and senior management positions in the global retail and consumer goods industries. Most recently, he was the group director of distribution and operations for Industria De Diseño Textil, S.A. ("Inditex"), based in Spain. Operating in more than 80 countries across 5 continents, Inditex is one of the world's largest fashion retailers and owner of brands including Zara and Massimo Dutti. In this role, Mr MARTÍNEZ managed the group's distribution to its extensive global retail network. Over the last seven years, Mr MARTÍNEZ has led cross-functional transformation projects encompassing multiple business areas to overhaul and improve Inditex's supply chain management, which has been a key factor in delivering successful and consistent sales growth and overall performance for the group. Prior to this role, Mr MARTÍNEZ held the position of country manager for the Zara brand across Scandinavia, where he had top and bottom line accountability.

Before joining Inditex, Mr MARTÍNEZ spent eight years at McKinsey & Company leading the firm's retail and consumer goods practice in Spain and advising clients in Europe and South America on strategy, sales and marketing and store operations.

Ronald VAN DER VIS, aged 45, was appointed as an Executive Director on 22 June 2009 and as Group Chief Executive Officer on 1 November 2009. He has stepped down from the position of Executive Director and Group Chief Executive Officer with effect from 26 September 2012. 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.

Thomas TANG Wing Yung, aged 57, was appointed as an Executive Director and Group Chief Financial Officer on 2 May 2012. Mr TANG obtained his Bachelor of Science degree in Modern Mathematics from Surrey University, United Kingdom. He has been an associate member of The Institute of Chartered Accountants in England and Wales since 1981. He is also a fellow member of The Hong Kong Institute of Certified Public Accountants (Practising) and has over 30 years of experience in accounting and finance.

Prior to joining the Company, Mr TANG was executive director and chief financial officer of Sino Land Company Limited and Sino Hotels (Holdings) Limited and chief financial officer of Tsim Sha Tsui Properties Limited until his resignation in March 2012. He first joined these three companies as chief financial officer in November 2003. All of them are listed on the main board of The Stock Exchange of Hong Kong Limited. Prior to joining the Sino group, he was a managing director of an investment and financial advisory services firm that is a member of an international group, overseeing operations in the Asia-Pacific region. Mr TANG started his career as an accountant working for Peat Marwick (KPMG) in London and Hong Kong.

Non-executive Directors

Raymond OR Ching Fai, aged 62, has been an Independent Non-executive Director of the Company since 1996 and became Chairman of the Board effective from 13 June 2012. He is an executive director, chief executive officer and chairman of China Strategic Holdings Limited, an independent non-executive director and a vice chairman of G-Resources Group Ltd and an independent non-executive director of Chow Tai Fook Jewellery Group Limited and Industrial and Commercial Bank of China 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.

Non-executive Directors (continued)

Paul CHENG Ming Fun, aged 75, has been an Independent Non-executive Director of the Company since November 2002 and became Deputy Chairman of the Board effective from 20 July 2008. Mr CHENG is an independent non-executive director of Chow Tai Fook Jewellery Group Limited, a company listed on The Stock Exchange of Hong Kong Limited. He is an independent non-executive director of Global Logistic Properties Limited, a company listed on the Singapore Stock Exchange. He is also an independent non-executive chairman of Vietnam Infrastructure Ltd. and an independent non-executive director of Pacific Alliance China Land Ltd., both companies are listed on the AIM Board of the London Stock Exchange. He is the chairman of China High Growth Group. 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, an independent non-executive director of Pacific Can China Holdings Limited, and the chairman of Hong Kong General Chamber of Commerce. He is currently an Honorary Steward of the Hong Kong Jockey Club.

Jürgen Alfred Rudolf FRIEDRICH, aged 74, 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 70, has been an Independent Non-executive Director of the Company since August 1995. He is also a director of CITIC Pacific Limited, COSCO International Holdings Limited, Shangri-La Asia Limited, Octopus Cards Limited and a number of other Hong Kong companies. He was a director of China COSCO Holdings Company Limited. He was a partner of Price Waterhouse with whom he practiced for 16 years.

Senior Management

Jörgen ANDERSSON, aged 47, is Senior Vice President – Director Brand and New Business. He is responsible for organising and leading the implementation of the brand direction in all touch points. Prior to joining the Group in October 2010, he held the same position at Hennes & Mauritz ("H&M") for the past 10 years. Mr ANDERSSON have spent 25 years in various positions within the H&M group and worked as controller, chief buyer, country manager and marketing director. He also acted as chairman of the board in the H&M controlled companies Cheap Monday, Monki and Weekday. He holds a Bachelor degree in economics from the Stockholm University.

Christophe Jean BEZU, aged 55, is the Chief Wholesale Officer. He is responsible for the global wholesale business of the Group. Prior to join the Group in May 2011, he had 23 years of experience in the sports apparel industry, with 20 in Asia as the marketing director and then president of Adidas Japan, before becoming the chief executive officer, senior vice president and managing director of Adidas group Asia Pacific till 2009. His last position was chief e-commerce officer for the Adidas group and the president of Adidas group Greater China. He has an extensive experience in Asia, specializing in sales, product marketing and general management. He holds a Master degree from ESCP Europe in Paris.

Armin BROGER, aged 51, is President of the edc Brand. He is responsible for setting up and leading edc as a separate brand across all areas. In the 21 years before joining the Group in March 2012, he developed an extensive experience in building and transforming leading global brands including Levi Strauss & Co, where he was president of Europe, Middle East and Africa ("EMEA"), 7 for all mankind as chief executive officer of Europe, Tommy Hilfiger as chief operating officer of EMEA, and Diesel as general manager worldwide. Before joining the fashion retailing industry, he held several leadership functions at The Walt Disney Company in the USA and in Europe. He is an alumnus of Bain & Company. He holds Business Administration degrees from the Universities of Innsbruck and Venice Ca' Foscari in addition to an MBA from the University of Notre Dame.

Melody HARRIS-JENSBACH, aged 51, is Chief Product and Design Officer of the Group. She rejoined the Group in January 2012, and is responsible for all product divisions and the global licensing business. She graduated from Parsons School of Design in New York City with a Bachelor of Fine Arts majoring in Fashion Design. She has over 28 years' experience in the apparel industry for various international and national apparel companies. Prior to rejoining the Group, she was the deputy chief executive officer and chief product officer of Puma AG from 2008 to 2011. She first joined the Group in August 1998 and from 1998 to 2007, she was responsible for Esprit's successful product design strategy and was Global Business Manager for the women casual division.

Julia MERKEL, aged 46, is Senior Vice President – Head of Global Human Resources since December 2010. Prior to joining Esprit, she led the executive development and placement as well as the group's talent management as head of corporate executive development for Metro Group for seven years. She holds a Bachelor in Business Administration and has extensive experience in the retail industry including sales, buying and first and foremost international human resources management and organisational and leadership development. She gained her experience at Castorama (France) and Mitsukoshi (Japan) and for more than 15 years with OBI Do-It-Yourself stores, where she held the responsibility as managing director human resources & administration in OBI Do-It-Yourself international headquarters from 2000 – 2003.

Senior Management (continued)

Jan NORD, aged 56, is Senior Vice President – Creative Director Brand and New Business. He is responsible for creative input and direction in all touch points of the brand. Prior to joining the Group in October 2010, he held the same position at H&M for the past 10 years. He began his career in the advertising business, creating the highly renowned agency Nord & Co, before joining H&M full time. He has more than 25 years experience as creative director in communication, retail and fashion related businesses. He has studied Political Science, Economics and Cultural Science at the Stockholm University.

Tanya TODD, aged 49, is Chief Operating Officer. She is responsible for global sourcing and supply chain, buying, research and development, quality management and sustainability. She joined the Group in the second quarter of calendar year 2010 and has 27 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 an Master of business administration in retailing and wholesaling from the University of Stirling.

Gert VAN DE WEERDHOF, aged 46, 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 Master degree in Economics and Business from the Vrije Universiteit in Amsterdam, Netherlands.

Ernst-Peter VOGEL, aged 47, is Executive Vice President – Global Finance & IT. 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 comprises of two Independent Non-executive Directors and one Executive Director has been established to make recommendations to the Board on the Group's policy and structure for all Directors and senior management remuneration. The Remuneration Committee is responsible for determining the specific remuneration packages of all individual Executive Directors and senior management and to make recommendations to the Board on the remuneration of Non-executive Directors. No individual Director or any of his associates 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 reference to the Board's 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 should consult with the Chairman of the Board and/or the Chief Executive Officer about their remuneration proposals for other Executive Directors. 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, fee for representation on Board committees and where appropriate, chairmanship fee.

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"). The 2001 Share Option Scheme was terminated on 10 December 2009, notwithstanding that the share options which have been granted and remained outstanding and/or committed as of that date shall continue to follow the provisions of the 2001 Share Option Scheme and the Listing Rules. Particulars of the 2001 Share Option Scheme are set out in note 20 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
(Resigned with effect from 26 September 2012)
(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, Mrs Eef WOLTERS e/v VAN DER VIS and his child Mr 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 01/07/2011	Granted	Exercised	Lapsed	As at 30/06/2012
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
(Resigned with effect from 1 May 2012)

				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 01/07/2011	Granted	Exercised	Lapsed	As at 30/06/2012
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	–
11/02/2011	40.40	11/02/2012	11/02/2012 – 10/02/2017	180,000	–	–	–	180,000
		11/02/2013	11/02/2013 – 10/02/2017	180,000	–	–	180,000	–
		11/02/2014	11/02/2014 – 10/02/2017	180,000	–	–	180,000	–
		11/02/2015	11/02/2015 – 10/02/2017	180,000	–	–	180,000	–
		11/02/2016	11/02/2016 – 10/02/2017	180,000	–	–	180,000	–
In aggregate				**3,000,000**	**–**	**–**	**1,740,000**	**1,260,000**

2001 Share Option Scheme (continued)

Employees & Consultants

				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 01/07/2011	Granted	Exercised	Lapsed	As at 30/06/2012
26/11/2003	24.20	26/11/2007	26/11/2007 – 25/11/2011	155,000	–	–	155,000	–
		26/11/2008	26/11/2008 – 25/11/2011	185,000	–	–	185,000	–
28/11/2005	55.11	28/11/2006	28/11/2006 – 27/11/2011	45,000	–	–	45,000	–
		28/11/2007	28/11/2007 – 27/11/2011	45,000	–	–	45,000	–
		28/11/2008	28/11/2008 – 27/11/2011	285,000	–	–	285,000	–
		28/11/2009	28/11/2009 – 27/11/2011	285,000	–	–	285,000	–
		28/11/2010	28/11/2010 – 27/11/2011	285,000	–	–	285,000	–
02/12/2005	56.20	02/12/2006	02/12/2006 – 01/12/2011	60,000	–	–	60,000	–
		02/12/2007	02/12/2007 – 01/12/2011	100,000	–	–	100,000	–
		02/12/2008	02/12/2008 – 01/12/2011	180,000	–	–	180,000	–
		02/12/2009	02/12/2009 – 01/12/2011	180,000	–	–	180,000	–
		02/12/2010	02/12/2010 – 01/12/2011	180,000	–	–	180,000	–
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	27/11/2008	27/11/2008 – 26/11/2012	150,000	–	–	60,000	90,000
		27/11/2009	27/11/2009 – 26/11/2012	150,000	–	–	60,000	90,000
		27/11/2010	27/11/2010 – 26/11/2012	150,000	–	–	60,000	90,000
		27/11/2011	27/11/2011 – 26/11/2012	90,000	–	–	–	90,000
04/12/2006	79.49	04/12/2007	04/12/2007 – 03/12/2012	120,000	–	–	–	120,000
		04/12/2008	04/12/2008 – 03/12/2012	135,000	–	–	–	135,000
		04/12/2009	04/12/2009 – 03/12/2012	135,000	–	–	–	135,000
		04/12/2010	04/12/2010 – 03/12/2012	135,000	–	–	–	135,000
		04/12/2011	04/12/2011 – 03/12/2012	135,000	–	–	–	135,000
05/12/2006	80.95	05/12/2007	05/12/2007 – 04/12/2012	456,000	–	–	196,000	260,000
		05/12/2008	05/12/2008 – 04/12/2012	496,000	–	–	236,000	260,000
		05/12/2009	05/12/2009 – 04/12/2012	496,000	–	–	236,000	260,000
		05/12/2010	05/12/2010 – 04/12/2012	496,000	–	–	236,000	260,000
		05/12/2011	05/12/2011 – 04/12/2012	436,000	–	–	176,000	260,000
07/02/2007	83.00	07/02/2008	07/02/2008 – 06/02/2013	40,000	–	–	–	40,000
		07/02/2009	07/02/2009 – 06/02/2013	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	135,000	–	–	–	135,000
		04/12/2009	04/12/2009 – 03/12/2013	135,000	–	–	–	135,000
		04/12/2010	04/12/2010 – 03/12/2013	135,000	–	–	–	135,000
		04/12/2011	04/12/2011 – 03/12/2013	135,000	–	–	–	135,000
		04/12/2012	04/12/2012 – 03/12/2013	135,000	–	–	–	135,000
05/12/2007	118.70	05/12/2008	05/12/2008 – 04/12/2013	372,000	–	–	177,000	195,000
		05/12/2009	05/12/2009 – 04/12/2013	372,000	–	–	177,000	195,000
		05/12/2010	05/12/2010 – 04/12/2013	372,000	–	–	177,000	195,000
		05/12/2011	05/12/2011 – 04/12/2013	327,000	–	–	132,000	195,000
		05/12/2012	05/12/2012 – 04/12/2013	327,000	–	–	132,000	195,000
31/01/2008	100.80	31/01/2009	31/01/2009 – 30/01/2014	680,000	–	–	360,000	320,000
		31/01/2010	31/01/2010 – 30/01/2014	680,000	–	–	360,000	320,000
		31/01/2011	31/01/2011 – 30/01/2014	680,000	–	–	360,000	320,000
		31/01/2012	31/01/2012 – 30/01/2014	600,000	–	–	280,000	320,000
		31/01/2013	31/01/2013 – 30/01/2014	600,000	–	–	280,000	320,000

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 01/07/2011	Granted	Exercised	Lapsed	As at 30/06/2012
11/02/2008	102.12	11/02/2009	11/02/2009 – 10/02/2014	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	372,000	–	–	177,000	195,000
		09/12/2010	09/12/2010 – 08/12/2014	372,000	–	–	177,000	195,000
		09/12/2011	09/12/2011 – 08/12/2014	327,000	–	–	132,000	195,000
		09/12/2012	09/12/2012 – 08/12/2014	327,000	–	–	132,000	195,000
		09/12/2013	09/12/2013 – 08/12/2014	327,000	–	–	132,000	195,000
11/12/2008	45.95	11/12/2009	11/12/2009 – 10/12/2014	516,000	–	–	120,000	396,000
		11/12/2010	11/12/2010 – 10/12/2014	516,000	–	–	120,000	396,000
		11/12/2011	11/12/2011 – 10/12/2014	456,000	–	–	60,000	396,000
		11/12/2012	11/12/2012 – 10/12/2014	456,000	–	–	116,000	340,000
		11/12/2013	11/12/2013 – 10/12/2014	456,000	–	–	116,000	340,000
05/02/2009	39.76	05/02/2010	05/02/2010 – 04/02/2015	668,000	–	–	310,000	358,000
		05/02/2011	05/02/2011 – 04/02/2015	698,000	–	–	310,000	388,000
		05/02/2012	05/02/2012 – 04/02/2015	638,000	–	–	250,000	388,000
		05/02/2013	05/02/2013 – 04/02/2015	638,000	–	–	250,000	388,000
		05/02/2014	05/02/2014 – 04/02/2015	638,000	–	–	250,000	388,000
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	–
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	432,000	–	–	80,000	352,000
		09/12/2011	09/12/2011 – 08/12/2015	432,000	–	–	80,000	352,000
		09/12/2012	09/12/2012 – 08/12/2015	432,000	–	–	80,000	352,000
		09/12/2013	09/12/2013 – 08/12/2015	432,000	–	–	80,000	352,000
		09/12/2014	09/12/2014 – 08/12/2015	432,000	–	–	80,000	352,000
11/12/2009	53.90	11/12/2010	11/12/2010 – 10/12/2015	387,000	–	–	90,000	297,000
		11/12/2011	11/12/2011 – 10/12/2015	342,000	–	–	45,000	297,000
		11/12/2012	11/12/2012 – 10/12/2015	342,000	–	–	87,000	255,000
		11/12/2013	11/12/2013 – 10/12/2015	342,000	–	–	87,000	255,000
		11/12/2014	11/12/2014 – 10/12/2015	342,000	–	–	87,000	255,000
04/02/2010	57.70	04/02/2011	04/02/2011 – 03/02/2016	510,000	–	–	270,000	240,000
		04/02/2012	04/02/2012 – 03/02/2016	450,000	–	–	210,000	240,000
		04/02/2013	04/02/2013 – 03/02/2016	450,000	–	–	210,000	240,000
		04/02/2014	04/02/2014 – 03/02/2016	450,000	–	–	210,000	240,000
		04/02/2015	04/02/2015 – 03/02/2016	450,000	–	–	210,000	240,000

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 01/07/2011	Granted	Exercised	Lapsed	As at 30/06/2012
05/02/2010	55.46	05/02/2011	05/02/2011 – 04/02/2016	141,000	–	–	30,000	111,000
		05/02/2012	05/02/2012 – 04/02/2016	141,000	–	–	30,000	111,000
		05/02/2013	05/02/2013 – 04/02/2016	141,000	–	–	30,000	111,000
		05/02/2014	05/02/2014 – 04/02/2016	141,000	–	–	30,000	111,000
		05/02/2015	05/02/2015 – 04/02/2016	141,000	–	–	30,000	111,000
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	–
09/12/2010	37.92	09/12/2011	09/12/2011 – 08/12/2016	324,000	–	–	60,000	264,000
		09/12/2012	09/12/2012 – 08/12/2016	324,000	–	–	60,000	264,000
		09/12/2013	09/12/2013 – 08/12/2016	324,000	–	–	60,000	264,000
		09/12/2014	09/12/2014 – 08/12/2016	324,000	–	–	60,000	264,000
		09/12/2015	09/12/2015 – 08/12/2016	324,000	–	–	60,000	264,000
13/12/2010	38.10	13/12/2011	13/12/2011 – 12/12/2016	342,000	–	–	45,000	297,000
		13/12/2012	13/12/2012 – 12/12/2016	342,000	–	–	87,000	255,000
		13/12/2013	13/12/2013 – 12/12/2016	342,000	–	–	87,000	255,000
		13/12/2014	13/12/2014 – 12/12/2016	342,000	–	–	87,000	255,000
		13/12/2015	13/12/2015 – 12/12/2016	342,000	–	–	87,000	255,000
11/02/2011	40.40	11/02/2012	11/02/2012 – 10/02/2017	141,000	–	–	30,000	111,000
		11/02/2013	11/02/2013 – 10/02/2017	141,000	–	–	30,000	111,000
		11/02/2014	11/02/2014 – 10/02/2017	141,000	–	–	30,000	111,000
		11/02/2015	11/02/2015 – 10/02/2017	141,000	–	–	30,000	111,000
		11/02/2016	11/02/2016 – 10/02/2017	141,000	–	–	30,000	111,000
09/05/2011	31.96	09/05/2012	09/05/2012 – 08/05/2017	120,000	–	–	120,000	–
		09/05/2013	09/05/2013 – 08/05/2017	120,000	–	–	120,000	–
		09/05/2014	09/05/2014 – 08/05/2017	120,000	–	–	120,000	–
		09/05/2015	09/05/2015 – 08/05/2017	120,000	–	–	120,000	–
		09/05/2016	09/05/2016 – 08/05/2017	120,000	–	–	120,000	–
22/06/2011	25.60	22/06/2012	22/06/2012 – 21/06/2017	60,000	–	–	60,000	–
		22/06/2013	22/06/2013 – 21/06/2017	60,000	–	–	60,000	–
		22/06/2014	22/06/2014 – 21/06/2017	60,000	–	–	60,000	–
		22/06/2015	22/06/2015 – 21/06/2017	60,000	–	–	60,000	–
		22/06/2016	22/06/2016 – 21/06/2017	60,000	–	–	60,000	–
09/12/2011	11.09	09/12/2012	09/12/2012 – 08/12/2017	–	324,000	–	60,000	264,000
		09/12/2013	09/12/2013 – 08/12/2017	–	324,000	–	60,000	264,000
		09/12/2014	09/12/2014 – 08/12/2017	–	324,000	–	60,000	264,000
		09/12/2015	09/12/2015 – 08/12/2017	–	324,000	–	60,000	264,000
		09/12/2016	09/12/2016 – 08/12/2017	–	324,000	–	60,000	264,000
In aggregate				**33,570,000**	**1,620,000**	**–**	**14,981,000**	**20,209,000**

2001 Share Option Scheme (continued)

Other

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 01/07/2011	Granted	Exercised	Lapsed	As at 30/06/2012
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				**2,000,000**	**–**	**–**	**–**	**2,000,000**
TOTAL				**46,570,000**	**1,620,000**	**–**	**16,721,000**	**31,469,000**

Notes:
(i) The closing price of the shares of the Company immediately before the share options granted on 9 December 2011 was HK$10.94.
(ii) No share options were cancelled under the 2001 Share Option Scheme during the year ended 30 June 2012.

2009 Share Option Scheme

The Company adopted a new share option scheme on 10 December 2009 (the "2009 Share Option Scheme"). Particulars of the 2009 Share Option Scheme are set out in note 20 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 2009 Share Option Scheme are as follows:

Directors

Ronald VAN DER VIS
(Resigned with effect from 26 September 2012)
(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, Mrs Eef WOLTERS e/v VAN DER VIS and his child Mr 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 01/07/2011	Granted	Exercised	Lapsed	As at 30/06/2012
27/09/2010	43.00	27/09/2013	27/09/2013 – 26/09/2020	400,000	–	–	–	400,000
27/09/2011	8.76	27/09/2014	27/09/2014 – 26/09/2021	–	1,200,000	–	–	1,200,000
In aggregate				**400,000**	**1,200,000**	**–**	**–**	**1,600,000**

CHEW Fook Aun
(Resigned with effect from 1 May 2012)

				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 01/07/2011	Granted	Exercised	Lapsed	As at 30/06/2012
27/09/2010	43.00	27/09/2013	27/09/2013 – 26/09/2020	300,000	–	–	300,000	–
27/09/2011	8.76	27/09/2014	27/09/2014 – 26/09/2021	–	800,000	–	800,000	–
In aggregate				**300,000**	**800,000**	**–**	**1,100,000**	**–**

Employees & Consultants

				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 01/07/2011	Granted	Exercised	Lapsed	As at 30/06/2012
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
02/07/2010	43.93	02/07/2011	02/07/2011 – 01/07/2016	600,000	–	–	–	600,000
		02/07/2012	02/07/2012 – 01/07/2016	600,000	–	–	–	600,000
		02/07/2013	02/07/2013 – 01/07/2016	600,000	–	–	–	600,000
		02/07/2014	02/07/2014 – 01/07/2016	600,000	–	–	–	600,000
		02/07/2015	02/07/2015 – 01/07/2016	600,000	–	–	–	600,000
27/09/2010	43.00	27/09/2013	27/09/2013 – 26/09/2020	7,860,000	–	–	2,005,000	5,855,000
04/10/2010	42.34	04/10/2011	04/10/2011 – 03/10/2016	400,000	–	–	–	400,000
		04/10/2012	04/10/2012 – 03/10/2016	400,000	–	–	–	400,000
		04/10/2013	04/10/2013 – 03/10/2016	400,000	–	–	–	400,000
		04/10/2014	04/10/2014 – 03/10/2016	400,000	–	–	–	400,000
		04/10/2015	04/10/2015 – 03/10/2016	400,000	–	–	–	400,000
11/02/2011	40.40	11/02/2012	11/02/2012 – 10/02/2017	40,000	–	–	–	40,000
		11/02/2013	11/02/2013 – 10/02/2017	40,000	–	–	–	40,000
		11/02/2014	11/02/2014 – 10/02/2017	40,000	–	–	–	40,000
		11/02/2015	11/02/2015 – 10/02/2017	40,000	–	–	–	40,000
		11/02/2016	11/02/2016 – 10/02/2017	40,000	–	–	–	40,000

2009 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 01/07/2011	Granted	Exercised	Lapsed	As at 30/06/2012
19/04/2011	34.71	19/04/2012	19/04/2012 – 18/04/2017	120,000	–	–	–	120,000
		19/04/2013	19/04/2013 – 18/04/2017	120,000	–	–	–	120,000
		19/04/2014	19/04/2014 – 18/04/2017	120,000	–	–	–	120,000
		19/04/2015	19/04/2015 – 18/04/2017	120,000	–	–	–	120,000
		19/04/2016	19/04/2016 – 18/04/2017	120,000	–	–	–	120,000
17/05/2011	30.90	17/05/2014	17/05/2014 – 16/05/2021	600,000	–	–	–	600,000
		17/05/2015	17/05/2015 – 16/05/2021	200,000	–	–	–	200,000
		17/05/2016	17/05/2016 – 16/05/2021	200,000	–	–	–	200,000
16/09/2011	18.17	16/09/2012	16/09/2012 – 15/09/2017	–	30,000	–	–	30,000
		16/09/2013	16/09/2013 – 15/09/2017	–	30,000	–	–	30,000
		16/09/2014	16/09/2014 – 15/09/2017	–	30,000	–	–	30,000
		16/09/2014	16/09/2014 – 15/09/2021	–	600,000	–	–	600,000
		16/09/2015	16/09/2015 – 15/09/2017	–	30,000	–	–	30,000
		16/09/2015	16/09/2015 – 15/09/2021	–	200,000	–	–	200,000
		16/09/2016	16/09/2016 – 15/09/2017	–	30,000	–	–	30,000
		16/09/2016	16/09/2016 – 15/09/2021	–	200,000	–	–	200,000
27/09/2011	8.76	27/09/2014	27/09/2014 – 26/09/2021	–	16,525,000	–	975,000	15,550,000
18/01/2012	11.40	18/01/2015	18/01/2015 – 17/01/2022	–	720,000	–	–	720,000
		18/01/2016	18/01/2016 – 17/01/2022	–	240,000	–	–	240,000
		18/01/2017	18/01/2017 – 17/01/2022	–	240,000	–	–	240,000
06/03/2012	18.22	06/03/2015	06/03/2015 – 05/03/2022	–	540,000	–	–	540,000
		06/03/2016	06/03/2016 – 05/03/2022	–	180,000	–	–	180,000
		06/03/2017	06/03/2017 – 05/03/2022	–	180,000	–	–	180,000
10/05/2012	14.78	10/05/2013	10/05/2013 – 09/05/2018	–	120,000	–	–	120,000
		10/05/2014	10/05/2014 – 09/05/2018	–	120,000	–	–	120,000
		10/05/2015	10/05/2015 – 09/05/2018	–	120,000	–	–	120,000
		10/05/2016	10/05/2016 – 09/05/2018	–	120,000	–	–	120,000
		10/05/2017	10/05/2017 – 09/05/2018	–	120,000	–	–	120,000
In aggregate				**15,460,000**	**20,375,000**	**–**	**2,980,000**	**32,855,000**
TOTAL				**16,160,000**	**22,375,000**	**–**	**4,080,000**	**34,455,000**

Notes:
(i) The closing price of the shares of the Company immediately before the share options granted on 16 September 2011, 27 September 2011, 18 January 2012, 6 March 2012 and 10 May 2012 were HK$15.08, HK$7.93, HK$11.68, HK$18.70 and HK$14.02 respectively.
(ii) No share options were cancelled under the 2009 Share Option Scheme during the year ended 30 June 2012.

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 20 to the consolidated financial statements.

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

As at 30 June 2012, 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 5)	Total number of shares	Approximate percentage of aggregate interests to total issued share capital
Ronald VAN DER VIS (Resigned with effect from 26 September 2012)	Beneficial owner	300,000	–	9,900,000	0.77%
	Interest of a controlled corporation (Note 1)	–	9,600,000		
Paul CHENG Ming Fun	Beneficial owner (Note 2)	350,000	–	350,000	0.03%
Jürgen Alfred Rudolf FRIEDRICH	Beneficial owner (Note 3)	45,500,000	–	45,553,669	3.53%
	Interest of spouse (Note 4)	53,669	–		

Notes:
1. The interests of the underlying shares of equity derivatives was held 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, Mrs Eef WOLTERS e/v VAN DER VIS and his child, Mr Floris Maximilian Pieter Daniel VAN DER VIS.
2. The interests of the 350,000 shares were held jointly by Mr Paul CHENG Ming Fun and his spouse, Mrs Janet Mary CHENG.
3. Mr Jürgen Alfred Rudolf FRIEDRICH has entered into a securities lending agreement with a third party for the interest of 10,000,000 shares beneficially owned by him.
4. The shares were held by Mrs Anke Beck FRIEDRICH, the spouse of Mr Jürgen Alfred Rudolf FRIEDRICH.
5. 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 and the 2009 Share Option Scheme are detailed in "Share Options" section above.
6. All interests disclosed above represent long position in the shares and underlying shares of the Company.

(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 2012, 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 2012, 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)	Approximate percentage of aggregate interests to total issued share capital
Lone Pine Capital LLC	Investment manager	182,903,600	–	14.17%
Marathon Asset Management LLP	Investment manager	86,036,807 (Note 1)	–	6.66%

Note:
1. Marathon Asset Management LLP is 26.70%, 26.70%, 26.70% and 19.90% controlled by Mr Jeremy Hosking, Mr Neil Ostrer, Mr William Arah and Marathon Asset Management (Services) Ltd respectively.

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 2012 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 29 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 three Independent Non-executive Directors. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and has also discussed auditing, internal controls, and financial reporting matters including the review of the consolidated results of the Group for the year ended 30 June 2012.

CORPORATE GOVERNANCE

Particulars of the Company's corporate governance practices are set out on pages 76 to 82 of this report.

AUDITOR

The consolidated financial statements have been audited by PricewaterhouseCoopers who are due to retire and, being eligible, offer themselves for re-appointment at the Annual General Meeting 2012.

On behalf of the Board
ESPRIT HOLDINGS LIMITED

Raymond OR Ching Fai
Chairman

Hong Kong, 26 September 2012

06 FINANCIAL SECTION

06.1 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 103 to 137, which comprise the consolidated and company balance sheets as at 30 June 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated 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 state of affairs of the Company and of the Group as at 30 June 2012, and of the Group's profit 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, 26 September 2012

06.2 CONSOLIDATED INCOME STATEMENT

		For the year ended 30 June	
	Notes	**2012 HK$ million**	2011 HK$ million
Turnover	5	**30,165**	33,767
Cost of goods sold		**(14,959)**	(15,569)
Gross profit		**15,206**	18,198
Staff costs	12	**(4,807)**	(4,933)
Occupancy costs		**(3,806)**	(4,407)
Logistics expenses		**(1,454)**	(1,466)
Marketing and advertising expenses		**(1,577)**	(984)
Depreciation		**(684)**	(830)
Impairment of property, plant and equipment		**(64)**	(780)
Write-back of/(additional) provision for store closure	22	**696**	(1,656)
Other operating costs		**(2,339)**	(2,450)
Operating profit	6	**1,171**	692
Interest income		**28**	45
Finance costs	7	**(37)**	(27)
Profit before taxation		**1,162**	710
Taxation	8	**(289)**	(631)
Profit attributable to shareholders of the Company	9	**873**	79
Earnings per share	11		
– Basic		**HK$0.68**	HK$0.06
– Diluted		**HK$0.68**	HK$0.06

Details of dividends to the shareholders of the Company are set out in note 10.

The notes on pages 110 to 137 form an integral part of these consolidated financial statements.

06.3 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 30 June	
	2012 HK$ million	2011 HK$ million
Profit attributable to shareholders of the Company	**873**	79
Other comprehensive income		
Fair value gain/(loss) on cash flow hedge	**223**	(139)
Exchange translation	**(1,462)**	2,103
Total comprehensive (loss)/income for the year attributable to shareholders of the Company	**(366)**	2,043

The notes on pages 110 to 137 form an integral part of these consolidated financial statements.

06.4 CONSOLIDATED BALANCE SHEET

		As at 30 June	
	Notes	**2012 HK$ million**	2011 HK$ million
Non-current assets			
Intangible assets	14	**7,613**	7,672
Property, plant and equipment	15	**4,489**	4,415
Investment properties	16	**13**	13
Other investments		**7**	8
Debtors, deposits and prepayments	18	**402**	502
Deferred tax assets	24	**549**	808
		13,073	13,418
Current assets			
Inventories	17	**3,593**	4,218
Debtors, deposits and prepayments	18	**3,455**	3,586
Tax receivable		**388**	1,018
Cash and cash equivalents	19	**3,171**	4,794
		10,607	13,616
Current liabilities			
Creditors and accrued charges	21	**4,263**	4,723
Provision for store closure	22	**446**	1,992
Taxation		**908**	1,156
Bank loans	23	**642**	520
		6,259	8,391
Net current assets		**4,348**	5,225
Total assets less current liabilities		**17,421**	18,643
Equity			
Share capital	20	**129**	129
Reserves		**15,477**	16,104
Total equity		**15,606**	16,233
Non-current liabilities			
Bank loans	23	**1,040**	1,560
Deferred tax liabilities	24	**775**	850
		1,815	2,410
		17,421	18,643

Approved by the Board of Directors on 26 September 2012.

RONALD **VAN DER VIS**
Executive Director

THOMAS **TANG** WING YUNG
Executive Director

The notes on pages 110 to 137 form an integral part of these consolidated financial statements.

06.5 BALANCE SHEET

	Notes	2012 HK$ million	2011 HK$ million
		As at 30 June	
Non-current assets			
Investments in subsidiaries, unlisted and at cost	31	**1,137**	1,091
Current assets			
Amounts due from subsidiaries	30(a)	**8,605**	9,826
Tax receivable		**1**	1
Cash and cash equivalents		**–**	4
		8,606	9,831
Current liabilities			
Amounts due to subsidiaries	30(a)	**2,615**	4,106
Accrued charges		**33**	21
		2,648	4,127
Net current assets		**5,958**	5,704
Total assets less current liabilities		**7,095**	6,795
Equity			
Share capital	20	**129**	129
Reserves	30(b)	**6,966**	6,666
Total equity		**7,095**	6,795

Approved by the Board of Directors on 26 September 2012.

RONALD **VAN DER VIS**
Executive Director

THOMAS **TANG** WING YUNG
Executive Director

The notes on pages 110 to 137 form an integral part of these consolidated financial statements.

06.6 CONSOLIDATED CASH FLOW STATEMENT

	Notes	2012 HK$ million	2011 HK$ million
		For the year ended 30 June	
Cash flows from operating activities			
Cash generated from operations	25	**583**	3,386
Hong Kong profits tax paid		**(9)**	(9)
Overseas tax refund received/(paid), net		**156**	(1,542)
Net cash generated from operating activities		**730**	1,835
Cash flows from investing activities			
Purchase of property, plant and equipment		**(1,420)**	(1,436)
Proceeds from disposal of property, plant and equipment	25	**8**	7
Net cash outflow for disposal of interest in subsidiaries		**(18)**	–
Net cash outflow for acquisition of remaining interest in the associated companies		**–**	(250)
Interest received		**28**	45
Net cash used in investing activities		**(1,402)**	(1,634)
Cash flows from financing activities			
Net proceeds on issue of shares for cash		**–**	8
Dividends paid		**(326)**	(2,079)
Interest paid on bank loans		**(25)**	(21)
Proceeds from short-term bank loans		**395**	–
Repayment of short-term bank loans		**(272)**	–
Repayment of long-term bank loans		**(520)**	(520)
Net cash used in financing activities		**(748)**	(2,612)
Net decrease in cash and cash equivalents		**(1,420)**	(2,411)
Cash and cash equivalents at beginning of year		**4,794**	6,748
Effect of change in exchange rates		**(203)**	457
Cash and cash equivalents at end of year	19	**3,171**	4,794

The notes on pages 110 to 137 form an integral part of these consolidated financial statements.

06.7 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2012

	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 2011	129	3,157	667	(139)	7	1,306	1	11,105	16,233
Exchange translation	–	–	–	–	–	(1,462)	–	–	(1,462)
Fair value gain on cash flow hedge									
– net fair value gain	–	–	–	371	–	–	–	–	371
– transferred to operating profit – exchange difference	–	–	–	(94)	–	–	–	–	(94)
– transferred to inventories	–	–	–	(54)	–	–	–	–	(54)
Profit attributable to shareholders of the Company	–	–	–	–	–	–	–	873	873
Total comprehensive income	–	–	–	223	–	(1,462)	–	873	(366)
2011/12 interim dividend paid (Note 10)	–	10	–	–	–	–	–	(336)	(326)
Employee share option benefits	–	–	65	–	–	–	–	–	65
At 30 June 2012	129	3,167	732	84	7	(156)	1	11,642	15,606
Representing:									
Proposed final dividend									194
Balance after proposed final dividend									15,412
At 30 June 2012									15,606

The notes on pages 110 to 137 form an integral part of these consolidated financial statements.

06.7 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2011

	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 2010	129	3,073	481	–	7	(797)	1	13,178	16,072
Exchange translation	–	–	–	–	–	2,103	–	–	2,103
Fair value loss on cash flow hedge									
– net fair value loss	–	–	–	(192)	–	–	–	–	(192)
– transferred to operating profit – exchange difference	–	–	–	2	–	–	–	–	2
– transferred to inventories	–	–	–	51	–	–	–	–	51
Profit attributable to shareholders of the Company	–	–	–	–	–	–	–	79	79
Total comprehensive income	–	–	–	(139)	–	2,103	–	79	2,043
2009/10 final dividends paid	–	37	–	–	–	–	–	(863)	(826)
2010/11 interim dividend paid	–	36	–	–	–	–	–	(1,289)	(1,253)
Issues of shares	–	8	–	–	–	–	–	–	8
Employee share option benefits	–	–	189	–	–	–	–	–	189
Transfer of reserve upon exercise of share options	–	3	(3)	–	–	–	–	–	–
At 30 June 2011	129	3,157	667	(139)	7	1,306	1	11,105	16,233
Representing:									
Proposed final dividend									–
Balance after proposed final dividend									16,233
At 30 June 2011									16,233

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 110 to 137 form an integral part of these consolidated financial statements.

06.8 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2012

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 26 September 2012.

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 following International Accounting Standards ("IAS"), IFRS and International Financial Reporting Interpretations Committee ("IFRIC") interpretations which do not have any significant impact on the Group's consolidated financial statements.

IAS 24 (Revised)	Related Party Disclosures
IFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
IFRS 7 (Amendment)	Disclosures – Transfers of Financial Assets
IFRIC 14 (Amendment)	Prepayment of a Minimum Funding Requirement
IFRSs (Amendments)	Improvements to IFRSs 2010

The Group did not early adopt the following IAS, IFRS and IFRIC interpretation that have been issued up to the date of approval of these consolidated financial statements.

		Effective for accounting periods beginning on or after
IAS 1 (Amendment)	Presentation of Financial Statements – Amendments to Revise the Way Other Comprehensive Income is Presented	1 July 2012
IAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets	1 January 2012
IAS 19 (Revised)	Employee Benefits – Amended Standard Resulting from the Post-Employment Benefits and Termination Benefits Projects	1 January 2013
IAS 27 (Revised)	Consolidated and Separate Financial Statements – Reissued as IAS 27 Separate Financial Statements	1 January 2013
IAS 28 (Revised)	Investments in Associates – Reissued as IAS 28 Investments in Associates and Joint Ventures	1 January 2013
IAS 32 (Amendment)	Offsetting Financial Assets and Financial Liabilities	1 January 2014
IFRS 1 (Amendment)	Government Loans	1 January 2013
IFRS 7 (Amendment)	Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
IFRS 9 and 7 (Amendments)	Mandatory Effective Date of IFRS 9 and Transition Disclosures	1 January 2015
IFRS 9	Financial Instruments	1 January 2015
IFRS 10	Consolidated Financial Statements	1 January 2013
IFRS 11	Joint Arrangements	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013
IFRS 10,11,12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
IFRSs (Amendments)	Annual Improvements to IFRSs 2009-2011 Cycle	1 January 2013

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

The Group will apply these new and revised standards, interpretations and amendments in the period of initial application. The Group is currently assessing the impact of the adoption of the above new and revised standards, interpretations and amendments and is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

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 Group uses the acquisition method of accounting to account for business combinations. 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. When a business combination is achieved in stages, the Group remeasures its previously held interest in the acquiree at its fair value at the date when control is obtained, with any resulting gain or loss recognised in the income statement.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously held 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 income statement.

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.

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiaries in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(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 non-controlling 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 non-controlling interest are also recorded in equity.

(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, have been identified as the executive directors that make strategic decisions.

2 Summary of significant accounting policies (continued)

(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 in other comprehensive income.

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 other comprehensive income. When a foreign operation is sold, such exchange differences are transferred to 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 transferred to 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. Exchange differences arising are recognised in equity.

(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.

(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 values. 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 consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously held equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired. Goodwill on acquisitions of subsidiaries is included in intangible assets. 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.

2 Summary of significant accounting policies (continued)

(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 other than goodwill are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGUs")). Goodwill is allocated to CGUs for the purposes of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

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. Any goodwill impairment is recognised immediately as an expense and is not subsequently reversed.

(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, charges that have been incurred in bringing inventories to their current location and condition and the transfer from equity of any gains or losses on qualifying cash flow hedges relating to purchase of inventories. 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. If collection of receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are classified as non-current assets. 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 original 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 translated 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 other comprehensive income.

(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 translated 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 other comprehensive income.

(l) Cash and cash equivalents

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

(m) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Borrowing costs are recognised in the income statement in the period in which they are incurred.

(n) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(o) Current and deferred tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 Summary of significant accounting policies (continued)

(o) Current and deferred tax (continued)

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 substantively 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, 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 tax 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.

(p) 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 be vested. The Group recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity.

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

The grant of options by the Company over its equity instruments to the employees of subsidiaries is treated as a capital contribution. The fair value of employee services received, measured by reference to the fair value at the date of grant, is recognised over the vesting period as an increase to investment in subsidiaries with a corresponding credit to equity.

(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.

(q) 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.

(r) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable 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.

2 Summary of significant accounting policies (continued)

(s) 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 values. 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 hedges); or (ii) hedges of highly probable forecast transactions (cash flow hedges).

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 other comprehensive income. 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 non-financial 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.

(t) 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 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. 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.

(u) 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.

(v) Financial guarantee

A financial guarantee contract is a contract that requires the Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are initially recognised at fair value on the date the guarantee was given. Subsequently, the liabilities under such guarantees are measured at the higher of the best estimate of the expenditure required to settle any financial obligation arising at the balance sheet date and the initial measurement. These estimates are determined based on debtors' payment history, supplemented by the judgement of management of the Group.

3 Financial risk management and fair value

(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 monetary assets and liabilities that are denominated in a currency that is not the entity's functional currency.

To minimise the Group's foreign exchange exposure on costs for merchandise produced for Europe in Asia, majority of the suppliers in Asia were asked to quote and settle in US dollar. In addition, to manage the foreign exchange risk arising from future commercial transactions, the Group enters into forward foreign exchange contracts with reputable financial institutions to hedge the foreign exchange risk.

The Group's profit attributable to shareholders of the Company would increase (2011: decrease) by approximately **HK$11 million** (2011: HK$3 million) and total equity would decrease (2011: decrease) by approximately **HK$23 million** (2011: HK$33 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.

3 Financial risk management and fair value (continued)

(a) Financial risk factors (continued)

(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.

The Group has a group credit control policy in place 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.

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
At 30 June 2012			
Creditors and accrued charges (Note)	**4,263**	**–**	**–**
Bank loans	**658**	**528**	**523**
	4,921	**528**	**523**
At 30 June 2011			
Creditors and accrued charges (Note)	4,723	–	–
Bank loans	536	531	1,050
	5,259	531	1,050

Note: Included in creditors and accrued charges with a maturity less than 1 year are derivative financial instruments of **HK$1 million** (2011: HK$145 million).

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

The Group monitors closely its interest rate risk exposure and considers hedging significant interest rate risk exposure should the need arise.

At 30 June 2012, if the variable interest rates on the bank loans had been 100 basis points higher with all other variables held constant, the Group's profit for the year attributable to shareholders of the Company would decrease by approximately **HK$19 million** (2011: HK$24 million).

(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 consists of equity, cash and cash equivalents and bank loans as shown in the consolidated balance sheet.

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. Net cash position is calculated by cash and cash equivalents less interest bearing borrowings. As at 30 June 2012, the Group maintained a net cash position of **HK$1,489 million** (2011: HK$2,714 million).

(c) Fair value estimation

IFRS 7 requires disclosure for financial instruments that are measured at fair value by level of the following fair value measurement hierarchy:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

3 Financial risk management and fair value (continued)

(c) Fair value estimation (continued)

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

The Group's derivative financial instruments measured at fair value are described in note 28. These derivative financial instruments are all measured at fair value based on Level 2 of the fair value measurement hierarchy.

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 the future financial performance of the Group, they are expected to generate positive cash flows indefinitely. This view was 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 2012. The Group conducted a valuation of the Esprit trademarks as one corporate asset based on a fair value less costs to sell calculation. 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%** (2011: 3% to 6%) and a post-tax discount rate of **17%** (2011: 16%). The cash flows beyond the three-year period are extrapolated using a steady **3%** (2011: 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.

(b) Impairment of goodwill

In accordance with IAS 36 "Impairment of Assets", the Group completed its annual impairment test for goodwill allocated to the Group's various CGUs by comparing their recoverable amount to their carrying amount as at the balance sheet date. Goodwill impairment review has been performed at the lowest level of CGU which generates cash flow independently. The recoverable amount of a CGU is determined based on fair value less cost to sell calculations. These calculations use cash flow projections based on financial budgets approved by management covering a four-year period and a post-tax discount rate of **11%** (2011: 11%). Cash flows beyond the four-year period are extrapolated using a steady growth rate of **3%** (2011: 3%) which does not exceed the long term average growth rate for the market in which the Group operates. The budgeted net profit margin was determined by management for each individual CGU based on past performance and its expectations for market development.

(c) 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.

(d) 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.

(e) Income and other taxes

The Group is subject to income and other taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income and other 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 and other taxes and deferred tax provisions in the period in which such determination is made.

4 Critical accounting estimates and judgements (continued)

(f) Provision for store closure

The provision for store closure of the Group consists of provisions for store closure costs, compensation to employees and other related costs in connection with the divestment of operations in North America and the store closure programs for Europe and Asia Pacific.

The Group recognises and measures a provision for store closure costs as a provision for onerous contract. In accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", an onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfill it.

The Group recognises a provision for store closure based on the estimated unavoidable costs of meeting all leases and other obligations under the retail stores, net of economic benefits expected to be received from the stores, if any. The Group estimates the provision based on the amount of compensation payment agreed with the landlord as a result of early termination of leases, unfulfilled lease obligations, and economic benefits estimated to be received from fulfilling the lease contracts. Management also consults with retail agencies for certain locations in respect of the current market trends. The Group also estimates the provision based on past experience of payout ratio of the total compensation to the landlords. Estimates differ depending on the current rent, location, lease exit terms and management's assessment of when the lease term can be terminated early and expected benefits to be received from fulfilling the leases. Except for stores which termination contracts have already been agreed with the landlords, the settlement of these contracts may be different from the Group's estimation subject to the negotiation with the landlords and the economic benefits estimated to be received.

The Group recognises a provision for compensation to employees when the Group has a detailed formal plan for store closure/divestment and has communicated the plan to the employees affected by it. The Group recognises a provision for other related costs when obligations for direct expenditures necessarily entailed by the plan for store closure/divestment and not associated with the ongoing activities of the Group arise.

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.

	2012 HK$ million	2011 HK$ million
Revenue		
Wholesale	12,116	14,475
Retail	17,806	19,059
Licensing and other income	243	233
	30,165	33,767

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

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

The Executive Directors consider the business from an operations nature perspective, including wholesale and retail distribution and licensing of quality fashion and lifestyle 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 2012				
	Wholesale HK$ million	Retail HK$ million	Licensing HK$ million	Corporate services, sourcing and others HK$ million	Group HK$ million
Total revenue	12,116	17,806	203	25,631	55,756
Inter-segment revenue	–	–	–	(25,591)	(25,591)
Revenue from external customers	12,116	17,806	203	40	30,165
Segment results	2,142	1,157	146	(2,274)	1,171
Interest income					28
Finance costs					(37)
Profit before taxation					1,162
Capital expenditure	47	829	–	544	1,420
Depreciation	47	511	–	126	684
Impairment of property, plant and equipment	–	64	–	–	64
(Write-back of)/additional provision for store closure	7	(792)	–	89	(696)

5 Turnover and segment information (continued)

	For the year ended 30 June 2011				
	Wholesale HK$ million	Retail HK$ million	Licensing HK$ million	Corporate services, sourcing and others HK$ million	Group HK$ million
Total revenue	14,475	19,059	185	28,151	61,870
Inter-segment revenue	–	–	–	(28,103)	(28,103)
Revenue from external customers	14,475	19,059	185	48	33,767
Segment results	3,319	(1,037)	145	(1,735)	692
Interest income					45
Finance costs					(27)
Profit before taxation					710
Capital expenditure	47	593	–	796	1,436
Depreciation	57	646	5	122	830
Impairment of property, plant and equipment	9	752	–	19	780
(Write-back of)/additional provision for store closure	–	1,656	–	–	1,656

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

	2012 HK$ million	2011 HK$ million
Europe		
Germany (Note 1)	**12,998**	14,280
Benelux	**3,867**	4,613
France	**1,942**	2,503
Austria	**1,260**	1,394
Scandinavia	**1,389**	1,530
Switzerland	**1,333**	1,478
United Kingdom	**346**	357
Ireland	**29**	30
Italy	**201**	211
Spain	**307**	301
Portugal	**12**	13
Others	**21**	15
	23,705	26,725
Asia Pacific		
Hong Kong	**548**	586
Macau (Note 2)	**583**	562
Taiwan	**279**	296
Singapore	**441**	446
Malaysia	**267**	246
China	**2,587**	2,675
Australia and New Zealand	**827**	997
	5,532	5,808
North America		
Canada	**391**	587
United States	**537**	647
	928	1,234
	30,165	33,767

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

Note 2: Macau sales include wholesale sales to other countries mainly Columbia, Chile and Thailand

Non-current assets other than deferred tax assets and financial instruments are located in the following countries:

	2012 HK$ million	2011 HK$ million
Hong Kong	**298**	321
Germany	**3,023**	2,826
Other countries (Note)	**8,794**	8,953
	12,115	12,100

Note: Non-current assets located in other countries include intangible assets of **HK$7,613 million** (2011: HK$7,672 million) (Note 14).

During the year, the turnover from the Group's largest customer amounted to less than 10% of the Group's total turnover (2011: less than 10%).

6 Operating profit

	2012 HK$ million	2011 HK$ million
Operating profit is arrived at after charging and (crediting) the following:		
Auditor's remuneration	**16**	16
Depreciation	**684**	830
Amortisation of customer relationships	**59**	59
Impairment of property, plant and equipment (Note)		
– store closure	**–**	741
– others	**64**	39
Provision for store closure (Note)		
– additional provisions	**–**	1,688
– unused amounts reversed	**(696)**	(32)
Loss on disposal of property, plant and equipment	**25**	37
Occupancy costs		
– operating lease charge (including variable rental of **HK$419 million** (2011: HK$439 million))	**2,840**	3,412
– other occupancy costs	**966**	995
Cash flow hedges:		
– transferred from equity to exchange (gains)/losses on forward foreign exchange contracts	**(94)**	1
– ineffective portion recognised in exchange losses/(gains) on forward foreign exchange contracts not qualifying for hedge accounting	**7**	(22)
Fair value hedges:		
– exchange loss on forward foreign exchange contracts	**–**	19
– exchange gain on hedged items	**–**	(68)
Other net exchange (gains)/losses	**(66)**	6
Net charge/(write-back) of provision for obsolete inventories	**72**	(27)
Provision for impairment of trade debtors, net	**186**	153

Note: The provision for store closure was made in connection with the divestment of operations in North America and the store closure programs for Europe and Asia Pacific announced in the prior fiscal years. The plan to divest the retail operation in North America was completed and all retail stores in North America were closed as at 30 June 2012.

During the year ended 30 June 2012, the Group recognised a net write-back of provision of **HK$696 million**, mainly arising from write-back of provision relating to the successful divestment of operations in North America, net of related costs.

During the year ended 30 June 2011, the Group recognised an impairment of property, plant and equipment of HK$741 million, of which HK$324 million related to the divestment of operations in North America, and a provision for store closure/divestment of HK$1,688 million, of which HK$944 million related to the divestment of operations in North America.

7 Finance costs

	2012 HK$ million	2011 HK$ million
Interest on bank loans wholly repayable within five years	**25**	21
Imputed interest on financial assets and financial liabilities	**12**	6
	37	27

8 Taxation

	2012 HK$ million	2011 HK$ million
Current tax		
Hong Kong profits tax		
Provision for current year	**1**	1
Underprovision for prior years	**7**	2
Overseas taxation		
Provision for current year	**229**	874
Overprovision for prior years	**(67)**	(52)
	170	825
Deferred tax (Note 24)		
Current year net charge/(credit)	**118**	(192)
Effect of changes in tax rates	**1**	(2)
Taxation	**289**	631

Hong Kong profits tax is calculated at **16.5%** (2011: 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 taxation differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the Group's subsidiaries. The effective tax rate was **24.9%** (2011: 88.9%).

8 Taxation (continued)

	2012 HK$ million	2011 HK$ million
Profit before taxation	**1,162**	710
Tax calculated at applicable tax rates	**443**	164
Expenses not deductible for tax purposes	**50**	536
Non-taxable income	**(303)**	(19)
Utilisation of previously unrecognised tax losses	**(2)**	(45)
Tax effect of tax losses not recognised	**151**	33
Overprovision for prior years, net	**(60)**	(50)
Tax effect on deferred tax balances due to changes in income tax rates	**1**	(2)
Tax on undistributed earnings	**9**	14
Taxation	**289**	631

9 Profit attributable to shareholders of the Company

The profit attributable to shareholders of the Company is dealt with in the financial statements of the Company to the extent of **HK$561 million** (2011: HK$2,855 million) (Note 30).

10 Dividends

	2012 HK$ million	2011 HK$ million
Paid interim dividend of **HK$0.26** (2011: HK$1.00) per share	**336***	1,289
Proposed final dividend of **HK$0.15** (2011: Nil) per share	**194**	–
	530	1,289

The amount of the 2012 proposed final dividend is based on **1,290,976,114 shares** in issue as at **26 September 2012**. The proposed final dividend for 2012 will not be reflected as dividend payable in the balance sheet until it is approved at the forthcoming annual general meeting by the shareholders of the Company. The Board of Directors has recommended to provide the shareholders with an option to receive the final dividend in form of new fully paid shares in lieu of cash.

* The actual interim dividend paid in cash for the year ended 30 June 2012 was HK$326 million. Part of the interim dividend for the year ended 30 June 2012 amounting to HK$10 million was paid in form of new fully paid shares out of the retained profits during the year. For the purpose of calculating the number of scrip shares allotted in respect of the interim dividend, the market value of the scrip shares is HK$18.22, 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 6 March 2012.

11 Earnings per share

Basic

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

	2012 HK$ million	2011 HK$ million
Profit attributable to shareholders of the Company	**873**	79
Weighted average number of ordinary shares in issue (million)	**1,291**	1,289
Basic earnings per share (HK dollars per share)	**0.68**	0.06

Diluted

Diluted earnings per share is calculated based on the profit attributable to shareholders of the Company, and the weighted average number of shares in issue during the year after adjusting for the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares granted under the Company's share option scheme. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares for the year) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2012 HK$ million	2011 HK$ million
Profit attributable to shareholders of the Company	**873**	79
Weighted average number of ordinary shares in issue (million)	**1,291**	1,289
Adjustments for share options (million)	**1**	–
Weighted average number of ordinary shares for diluted earnings per share (million)	**1,292**	1,289
Diluted earnings per share (HK dollars per share)	**0.68**	0.06

12 Staff costs (including directors' emoluments)

	2012 HK$ million	2011 HK$ million
Salaries and wages	**3,670**	3,690
Social security costs and other staff costs	**959**	943
Pensions costs of defined contribution plans	**113**	111
Employee share option benefits	**65**	189
	4,807	4,933

12 Staff costs (including directors' emoluments) (continued)

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. Contributions at a fixed rate of 5% of the employee's relevant income, subject to a cap of monthly relevant income of HK$25,000 per employee on or after 1 June 2012, and HK$20,000 per employee before 1 June 2012, 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 (2011: 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 [6] HK$'000	Basic salaries, allowance and benefits in kind HK$'000	Bonuses HK$'000	Share option benefits HK$'000	Provident fund contributions/ retirement benefit costs HK$'000	2012 Total emoluments HK$'000	2011 Total emoluments HK$'000
RONALD **VAN DER VIS**[4,5,8]	–	16,322 (EUR1,567,917)	15,615 (EUR1,500,000)	21,816 (EUR2,095,678)	62 (EUR5,981)	53,815 (EUR5,169,576)	57,638 (EUR5,432,893)
THOMAS **TANG** WING YUNG[7]	–	1,322	–	–	2	1,324	–
RAYMOND **OR** CHING FAI[2,3,5]	805	–	–	–	–	805	730
PAUL **CHENG** MING FUN[2,3,4]	805	–	–	–	–	805	805
JÜRGEN ALFRED RUDOLF **FRIEDRICH**[1,4]	565	–	–	–	–	565	565
ALEXANDER REID **HAMILTON**[2,3,5]	735	–	–	–	–	735	735
CHEW FOOK AUN[10]	–	7,669	2,400	(6,838)	12	3,243	22,632
DR HANS-JOACHIM **KÖRBER**[2,4,9]	1,988	559	–	–	–	2,547	1,315
FRANCESCO **TRAPANI**[2,3,5,11]	433	153	–	–	–	586	665
HEINZ JÜRGEN **KROGNER-KORNALIK**[12]	–	–	–	–	–	–	8,147 (EUR767,908)
Total for the year 2012	**5,331**	**26,025**	**18,015**	**14,978**	**76**	**64,425**	
Total for the year 2011	6,389	25,942	13,484	47,404	13		93,232

1 Non-executive Director
2 Independent Non-executive Director
3 Member of the Audit Committee
4 Member of the Nomination Committee
5 Member of the Remuneration Committee
6 The amount includes directors' fees of **HK$4.8 million** (2011: HK$4.2 million) paid to Independent Non-executive Directors
7 Mr Thomas TANG Wing Yung was appointed as Executive Director with effect from 2 May 2012
8 Mr Ronald VAN DER VIS resigned with effect from 26 September 2012
9 Dr Hans-Joachim KÖRBER resigned with effect from 13 June 2012
10 Mr CHEW Fook Aun resigned with effect from 1 May 2012
11 Mr Francesco TRAPANI resigned with effect from 23 February 2012
12 Mr Heinz Jürgen KROGNER-KORNALIK resigned with effect from 11 February 2011

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 **one** (2011: two) director whose emolument is reflected in the analysis presented above. The emoluments payable to the remaining **four** (2011: three) individuals during the year are listed below:

	2012 HK$'000	2011 HK$'000
Salaries, housing and other allowances and benefits in kind	**26,057**	20,007
Bonuses	**16,308**	11,139
Share option benefits	**27,274**	29,305
Pensions costs of defined contribution plans	**12**	58
	69,651	60,509

The emoluments fell within the following bands:

	Number of individuals	
Emoluments band	**2012**	2011
HK$12,500,001 – HK$ 13,000,000	**1**	–
HK$17,500,001 – HK$ 18,000,000	**1**	–
HK$18,500,001 – HK$ 19,000,000	**1**	1
HK$19,500,001 – HK$ 20,000,000	**–**	1
HK$20,000,001 – HK$ 20,500,000	**1**	–
HK$22,000,001 – HK$ 22,500,000	**–**	1

14 Intangible assets

	Trademarks HK$ million	Goodwill HK$ million	Customer relationships HK$ million	Total HK$ million
Cost				
At 1 July 2010	1,975	4,804	566	7,345
Amortisation charge	–	–	(59)	(59)
Exchange translation	56	300	30	386
At 1 July 2011	**2,031**	**5,104**	**537**	**7,672**
Amortisation charge	**–**	**–**	**(59)**	**(59)**
Exchange translation	**(56)**	**53**	**3**	**–**
At 30 June 2012	**1,975**	**5,157**	**481**	**7,613**

Trademarks

The trademarks are considered to have an indefinite useful life and were tested for impairment at 30 June 2012, as described in note 4(a). The recoverable amount of the Esprit trademarks as at 30 June 2012 was higher than their carrying amount.

Goodwill

The goodwill arising from the business combinations during the year ended 30 June 2010 was allocated to the Group's CGUs identified according to operating segment. An operating segment-level summary of the goodwill allocation as at 30 June 2012 is presented below:

	2012			2011		
	Wholesale HK$ million	**Retail HK$ million**	**Total HK$ million**	Wholesale HK$ million	Retail HK$ million	Total HK$ million
China	**3,040**	**2,026**	**5,066**	2,999	1,999	4,998
Finland	**38**	**–**	**38**	45	–	45
Total	**3,078**	**2,026**	**5,104**	3,044	1,999	5,043

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 2011	26	196	233	5,786	11	3,180	63	1,647	11,142
Exchange translation	(2)	–	(11)	(607)	–	(359)	(8)	(267)	(1,254)
Additions	–	–	–	552	–	213	13	642	1,420
Transfer	–	–	–	12	–	155	–	(167)	–
Disposals	–	–	–	(1,188)	–	(575)	(15)	–	(1,778)
At 30 June 2012	24	196	222	4,555	11	2,614	53	1,855	9,530
Depreciation and impairment									
At 1 July 2011	–	36	121	4,091	11	2,429	39	–	6,727
Exchange translation	–	(1)	(9)	(402)	–	(273)	(4)	–	(689)
Charge for the year	–	4	8	403	–	257	12	–	684
Disposals	–	–	–	(1,167)	–	(564)	(14)	–	(1,745)
Impairment charge	–	–	–	55	–	9	–	–	64
At 30 June 2012	–	39	120	2,980	11	1,858	33	–	5,041
Net book value									
At 30 June 2012	24	157	102	1,575	–	756	20	1,855	4,489

	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 2010	23	196	216	4,970	10	2,417	57	1,014	8,903
Exchange translation	3	–	17	788	2	365	10	219	1,404
Additions	–	–	–	421	–	309	13	693	1,436
Transfer	–	–	–	17	–	262	–	(279)	–
Disposals	–	–	–	(410)	(1)	(173)	(17)	–	(601)
At 30 June 2011	26	196	233	5,786	11	3,180	63	1,647	11,142
Depreciation and impairment									
At 1 July 2010	–	31	99	2,886	10	1,868	33	–	4,927
Exchange translation	–	–	14	438	1	288	6	–	747
Charge for the year	–	5	8	505	–	298	14	–	830
Disposals	–	–	–	(379)	–	(164)	(14)	–	(557)
Impairment charge	–	–	–	641	–	139	–	–	780
At 30 June 2011	–	36	121	4,091	11	2,429	39	–	6,727
Net book value									
At 30 June 2011	26	160	112	1,695	–	751	24	1,647	4,415

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

	2012 HK$ million	2011 HK$ million
At 1 July	**13**	12
Change in fair value of investment properties	**–**	1
At 30 June	**13**	13

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 2012 on an open market value basis at **HK$13 million** (2011: HK$13 million).

17 Inventories

	2012 HK$ million	2011 HK$ million
Finished goods	**3,445**	4,115
Consumables	**148**	103
	3,593	4,218

18 Debtors, deposits and prepayments

	2012 HK$ million	2011 HK$ million
Trade debtors	**2,838**	3,533
Less: provision for impairment of trade debtors	**(357)**	(432)
	2,481	3,101
Deposits	**226**	285
Prepayments	**469**	524
Other debtors and receivables	**681**	178
	3,857	4,088
Non-current portion of deposits	**(152)**	(187)
Non-current portion of prepayments	**(237)**	(315)
Non-current portion of other debtors and receivables	**(13)**	–
Current portion	**3,455**	3,586
Maximum exposure to credit risk	**3,388**	3,564

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

	2012 HK$ million	2011 HK$ million
Current portion	**1,750**	2,290
1-30 days	**169**	269
31-60 days	**125**	130
61-90 days	**114**	68
Over 90 days	**323**	344
Amount past due but not impaired	**731**	811
	2,481	3,101

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:

	2012 HK$ million	2011 HK$ million
At 1 July	**432**	388
Provision for impairment of trade debtors	**251**	206
Bad debts written off	**(197)**	(180)
Unused amounts reversed	**(65)**	(53)
Exchange translation	**(64)**	71
At 30 June	**357**	432

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

19 Cash and cash equivalents

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

	2012 HK$ million	2011 HK$ million
Short-term bank deposits	**595**	2,252
Bank balances and cash	**2,576**	2,542
	3,171	4,794

The maximum exposure to credit risk as at 30 June 2012 is the carrying amount of bank balances and short-term bank deposits.

The effective interest rate on cash and cash equivalents for the year was determined to be **0.7%** (2011: 0.5%) per annum; the short-term bank deposits generally have a maturity of less than 180 days.

20 Share capital

	2012 HK$ million	2011 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 2011	**1,290**	**129**
Issue of scrip shares (Note (a))	**1**	**–**
Balance at 30 June 2012	**1,291**	**129**
Balance at 1 July 2010	1,288	129
Exercise of share options	–	–
Issue of scrip shares	2	–
Balance at 30 June 2011	1,290	129

(a) On 23 February 2012, the Board of Directors declared an interim dividend of HK$0.26 per share for the six months ended 31 December 2011. The shareholders were provided with an option to receive the interim dividend in the form of shares in lieu of cash. On 18 April 2012, 538,431 shares were issued in respect of the interim dividend.

(b) Share options

The Company adopted a share option scheme on 26 November 2001 (the "2001 Share Option Scheme"). The 2001 Share Option Scheme was terminated on 10 December 2009, but the share options which had been granted and remained outstanding and/or committed as of that date 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").

The Company adopted a new share option scheme on 10 December 2009 (the "2009 Share Option Scheme").

Information on the Schemes

The following is a summary of the 2001 Share Option Scheme and the 2009 Share Option Scheme (collectively 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.

20 Share capital (continued)

Total number of shares available for issue under the Schemes and percentage of issued share capital as at 30 June 2012

The total number of shares available for issue upon exercise of all outstanding share options already granted under the Schemes is 65,924,000 shares (2001 Share Option Scheme: 31,469,000 shares and 2009 Share Option Scheme: 34,455,000 shares), representing 5.11% of the issued share capital of the Company as at 30 June 2012.

The maximum number of shares available for issue upon exercise of share options not yet granted under the Schemes is 104,395,064 shares (2001 Share Option Scheme: 30,867,371 shares and 2009 Share Option Scheme: 73,527,693 shares), representing 8.09% of the issued share capital of the Company as at 30 June 2012.

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 share 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 share 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 a share option under the Schemes

A share option is exercisable, subject to certain restrictions contained in the Schemes and the terms on which the share 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 share option.

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

There is no general requirement on the minimum period for which a share option must be held or the performance targets which must be achieved before a share option can be exercised under the Schemes. At the time of granting a share 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 share 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 share 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 share 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 a share 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 share 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 quotation sheets for the five Business Days immediately preceding the date of grant of the relevant share 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 annual general meeting of the Company the termination of the 2001 Share Option Scheme and no further share options may be granted to eligible person under the 2001 Share Option Scheme with effect thereof, save and except the share 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 movement during the year and outstanding share options as at 30 June 2012 under the 2001 Share Option Scheme were as follows:

	Number of share options	
	2012	2011
At 1 July	**46,570,000**	48,845,000
Granted during the year (Note (i))	**1,620,000**	6,360,000
Exercised during the year	**–**	(345,000)
Lapsed during the year	**(5,555,000)**	(2,820,000)
Forfeited during the year	**(11,166,000)**	(5,470,000)
At 30 June (Note (ii))	**31,469,000**	46,570,000

20 Share capital (continued)

The remaining life of the 2001 Share Option Scheme (continued)

(i) Details of share options granted during the year ended 30 June 2012 were as follows:

Exercise period	Exercise price HK$	Number of share options
9 December 2012 – 8 December 2017	11.09	324,000
9 December 2013 – 8 December 2017	11.09	324,000
9 December 2014 – 8 December 2017	11.09	324,000
9 December 2015 – 8 December 2017	11.09	324,000
9 December 2016 – 8 December 2017	11.09	324,000
		1,620,000

Details of share options granted during the year ended 30 June 2011 were as follows:

Exercise period	Exercise price HK$	Number of share options
9 December 2011 – 8 December 2016	37.92	384,000
9 December 2012 – 8 December 2016	37.92	384,000
9 December 2013 – 8 December 2016	37.92	384,000
9 December 2014 – 8 December 2016	37.92	384,000
9 December 2015 – 8 December 2016	37.92	384,000
13 December 2011 – 12 December 2016	38.10	387,000
13 December 2012 – 12 December 2016	38.10	387,000
13 December 2013 – 12 December 2016	38.10	387,000
13 December 2014 – 12 December 2016	38.10	387,000
13 December 2015 – 12 December 2016	38.10	387,000
11 February 2012 – 10 February 2017	40.40	321,000
11 February 2013 – 10 February 2017	40.40	321,000
11 February 2014 – 10 February 2017	40.40	321,000
11 February 2015 – 10 February 2017	40.40	321,000
11 February 2016 – 10 February 2017	40.40	321,000
9 May 2012 – 8 May 2017	31.96	120,000
9 May 2013 – 8 May 2017	31.96	120,000
9 May 2014 – 8 May 2017	31.96	120,000
9 May 2015 – 8 May 2017	31.96	120,000
9 May 2016 – 8 May 2017	31.96	120,000
22 June 2012 – 21 June 2017	25.60	60,000
22 June 2013 – 21 June 2017	25.60	60,000
22 June 2014 – 21 June 2017	25.60	60,000
22 June 2015 – 21 June 2017	25.60	60,000
22 June 2016 – 21 June 2017	25.60	60,000
		6,360,000

(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$	**2012**	2011
Directors			
9 February 2015 *	41.70	**720,000**	480,000
9 February 2015 **	41.70	**–**	720,000
22 June 2015 *	46.45	**4,800,000**	3,200,000
22 June 2015 **	46.45	**3,200,000**	4,800,000
9 February 2016 *	56.90	**360,000**	180,000
9 February 2016 **	56.90	**–**	720,000
11 February 2017 *	40.40	**180,000**	–
11 February 2017 **	40.40	**–**	900,000
Employees and consultants			
26 November 2011 *	24.20	**–**	340,000
28 November 2011 *	55.11	**–**	945,000
2 December 2011 *	56.20	**–**	700,000
23 December 2011 *	56.50	**–**	450,000
27 November 2012 *	80.60	**360,000**	450,000
27 November 2012 **	80.60	**–**	90,000
4 December 2012 *	79.49	**660,000**	525,000
4 December 2012 **	79.49	**–**	135,000
5 December 2012 *	80.95	**1,300,000**	1,944,000
5 December 2012 **	80.95	**–**	436,000
7 February 2013 *	83.00	**200,000**	160,000
7 February 2013 **	83.00	**–**	40,000
4 December 2013 *	119.00	**540,000**	405,000
4 December 2013 **	119.00	**135,000**	270,000
5 December 2013 *	118.70	**780,000**	1,116,000
5 December 2013 **	118.70	**195,000**	654,000
31 January 2014 *	100.80	**1,280,000**	2,040,000
31 January 2014 **	100.80	**320,000**	1,200,000
11 February 2014 *	102.12	**120,000**	90,000
11 February 2014 **	102.12	**30,000**	60,000
9 December 2014 *	44.25	**585,000**	744,000
9 December 2014 **	44.25	**390,000**	981,000
11 December 2014 *	45.95	**1,188,000**	1,032,000
11 December 2014 **	45.95	**680,000**	1,368,000
5 February 2015 *	39.76	**1,134,000**	1,366,000
5 February 2015 **	39.76	**776,000**	1,914,000

20 Share capital (continued)

The remaining life of the 2001 Share Option Scheme (continued)

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

Expiry date	Exercise price	Number of share options outstanding as at 30 June	
	HK$	**2012**	2011
Employees and consultants (continued)			
9 February 2015 *	41.70	**90,000**	60,000
9 February 2015 **	41.70	**60,000**	90,000
8 May 2015 *	51.76	**–**	320,000
8 May 2015 **	51.76	**–**	480,000
22 June 2015 *	46.45	**–**	160,000
22 June 2015 **	46.45	**–**	240,000
9 December 2015 *	53.74	**704,000**	432,000
9 December 2015 **	53.74	**1,056,000**	1,728,000
11 December 2015 *	53.90	**594,000**	387,000
11 December 2015 **	53.90	**765,000**	1,368,000
4 February 2016 *	57.70	**480,000**	510,000
4 February 2016 **	57.70	**720,000**	1,800,000
5 February 2016 *	55.46	**222,000**	141,000
5 February 2016 **	55.46	**333,000**	564,000
10 May 2016 *	52.61	**–**	120,000
10 May 2016 **	52.61	**–**	480,000
22 June 2016 *	45.24	**–**	60,000
22 June 2016 **	45.24	**–**	240,000
9 December 2016 *	37.92	**264,000**	–
9 December 2016 **	37.92	**1,056,000**	1,620,000
13 December 2016 *	38.10	**297,000**	–
13 December 2016 **	38.10	**1,020,000**	1,710,000
11 February 2017 *	40.40	**111,000**	–
11 February 2017 **	40.40	**444,000**	705,000
9 May 2017 **	31.96	**–**	600,000
22 June 2017 **	25.60	**–**	300,000
9 December 2017 **	11.09	**1,320,000**	–
Others			
7 February 2013 *	83.00	**800,000**	640,000
7 February 2013 **	83.00	**–**	160,000
11 February 2014 *	102.12	**480,000**	360,000
11 February 2014 **	102.12	**120,000**	240,000
9 February 2015 *	41.70	**360,000**	240,000
9 February 2015 **	41.70	**240,000**	360,000
		31,469,000	46,570,000

* 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 movement during the year and outstanding share options as at 30 June 2012 under the 2009 Share Option Scheme were as follows:

	Number of share options	
	2012	2011
At 1 July	**16,160,000**	800,000
Granted during the year (Note (i))	**22,375,000**	16,660,000
Lapsed during the year	**(1,100,000)**	(100,000)
Forfeited during the year	**(2,980,000)**	(1,200,000)
At 30 June (Note (ii))	**34,455,000**	16,160,000

(i) Details of share options granted during the year ended 30 June 2012 were as follows:

Exercise period	Exercise price HK$	Number of share options
16 September 2012 – 15 September 2017	**18.17**	**30,000**
16 September 2013 – 15 September 2017	**18.17**	**30,000**
16 September 2014 – 15 September 2017	**18.17**	**30,000**
16 September 2014 – 15 September 2021	**18.17**	**600,000**
16 September 2015 – 15 September 2017	**18.17**	**30,000**
16 September 2015 – 15 September 2021	**18.17**	**200,000**
16 September 2016 – 15 September 2017	**18.17**	**30,000**
16 September 2016 – 15 September 2021	**18.17**	**200,000**
27 September 2014 – 26 September 2021	**8.76**	**18,525,000**
18 January 2015 – 17 January 2022	**11.40**	**720,000**
18 January 2016 – 17 January 2022	**11.40**	**240,000**
18 January 2017 – 17 January 2022	**11.40**	**240,000**
6 March 2015 – 5 March 2022	**18.22**	**540,000**
6 March 2016 – 5 March 2022	**18.22**	**180,000**
6 March 2017 – 5 March 2022	**18.22**	**180,000**
10 May 2013 – 9 May 2018	**14.78**	**120,000**
10 May 2014 – 9 May 2018	**14.78**	**120,000**
10 May 2015 – 9 May 2018	**14.78**	**120,000**
10 May 2016 – 9 May 2018	**14.78**	**120,000**
10 May 2017 – 9 May 2018	**14.78**	**120,000**
		22,375,000

20 Share capital (continued)

The remaining life of the 2009 Share Option Scheme (continued)

Details of share options granted during the year ended 30 June 2011 were as follows:

Exercise period	Exercise price HK$	Number of share options
2 July 2011 – 1 July 2016	43.93	600,000
2 July 2012 – 1 July 2016	43.93	600,000
2 July 2013 – 1 July 2016	43.93	600,000
2 July 2014 – 1 July 2016	43.93	600,000
2 July 2015 – 1 July 2016	43.93	600,000
27 September 2013 – 26 September 2020	43.00	9,860,000
4 October 2011 – 3 October 2016	42.34	400,000
4 October 2012 – 3 October 2016	42.34	400,000
4 October 2013 – 3 October 2016	42.34	400,000
4 October 2014 – 3 October 2016	42.34	400,000
4 October 2015 – 3 October 2016	42.34	400,000
11 February 2012 – 10 February 2017	40.40	40,000
11 February 2013 – 10 February 2017	40.40	40,000
11 February 2014 – 10 February 2017	40.40	40,000
11 February 2015 – 10 February 2017	40.40	40,000
11 February 2016 – 10 February 2017	40.40	40,000
19 April 2012 – 18 April 2017	34.71	120,000
19 April 2013 – 18 April 2017	34.71	120,000
19 April 2014 – 18 April 2017	34.71	120,000
19 April 2015 – 18 April 2017	34.71	120,000
19 April 2016 – 18 April 2017	34.71	120,000
17 May 2014 – 16 May 2021	30.90	600,000
17 May 2015 – 16 May 2021	30.90	200,000
17 May 2016 – 16 May 2021	30.90	200,000
		16,660,000

(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$	**2012**	2011
Directors			
27 September 2020 **	43.00	**400,000**	700,000
27 September 2021 **	8.76	**1,200,000**	–
Employees and consultants			
19 April 2016 *	62.21	**320,000**	160,000
19 April 2016 **	62.21	**480,000**	640,000
2 July 2016 *	43.93	**600,000**	–
2 July 2016 **	43.93	**2,400,000**	3,000,000
27 September 2020 **	43.00	**5,855,000**	7,860,000
4 October 2016 *	42.34	**400,000**	–
4 October 2016 **	42.34	**1,600,000**	2,000,000
11 February 2017 *	40.40	**40,000**	–
11 February 2017 **	40.40	**160,000**	200,000
19 April 2017 *	34.71	**120,000**	–
19 April 2017 **	34.71	**480,000**	600,000
17 May 2021 **	30.90	**1,000,000**	1,000,000
16 September 2017 **	18.17	**150,000**	–
10 May 2018 **	14.78	**600,000**	–
16 September 2021 **	18.17	**1,000,000**	–
27 September 2021 **	8.76	**15,550,000**	–
18 January 2022 **	11.40	**1,200,000**	–
6 March 2022 **	18.22	**900,000**	–
		34,455,000	16,160,000

* 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.

Share option expenses charged to the consolidated income statement are based on valuations determined using the Binomial model. Share options granted during the year 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]
2001 Share Option Scheme							
9 December 2011	2.52 – 3.94	10.76	11.09	58.60%	0.27% – 1.01%	2 – 6 years	3.00%
2009 Share Option Scheme							
16 September 2011	1.03 – 2.94	12.22	18.17	41.64% – 52.66%	0.19% – 1.02%	2 – 6 years	3.82%
27 September 2011	2.85	8.50	8.76	54.05%	0.60%	4 years	3.82%
18 January 2012	4.07 – 4.20	11.38	11.40	50.51% – 56.37%	0.60% – 1.00%	4 – 6 years	3.82%
6 March 2012	6.09 – 6.38	17.40	18.22	51.84% – 57.19%	0.40% – 0.80%	4 – 6 years	3.82%
10 May 2012	4.08 – 5.61	14.78	14.78	52.21% – 57.25%	0.25% – 0.65%	2 – 6 years	3.82%

20 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 the Stock Exchange's daily quotations sheet on the date of grant of the relevant share option; where the date of grant of the relevant share 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 the Stock Exchange'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 under the 2001 Share Option Scheme, Esprit has estimated volatility based on the historical stock prices over three years preceding the date of grant, expressed as an annualised rate and based on daily price changes. For share options granted under the 2009 Share Option Scheme, Esprit has estimated volatility based on the historical stock prices over the period corresponding to the expected life preceding the date of grant, 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. For share options granted under the 2001 Share Option Scheme, dividend yield was based on the average dividend yield (excluding special dividend) for the three years preceding the year of grant. For share options granted under the 2009 Share Option Scheme, dividend yield was based on the average dividend yield (including special dividend) for the three years preceding the year of grant.

21 Creditors and accrued charges

	2012 HK$ million	2011 HK$ million
Trade creditors	**1,434**	1,320
Accruals	**2,023**	2,262
Other creditors and payables	**806**	1,141
	4,263	4,723

The ageing analysis by due date of trade creditors is as follows:

	2012 HK$ million	2011 HK$ million
0-30 days	**1,369**	1,224
31-60 days	**27**	73
61-90 days	**9**	13
Over 90 days	**29**	10
	1,434	1,320

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

22 Provision for store closure

Movements in provision for store closure are as follows:

	2012 HK$ million	2011 HK$ million
At 1 July	**1,992**	434
Additional provisions	**–**	1,688
Unused amounts reversed	**(696)**	(32)
Amounts used during the year	**(764)**	(122)
Exchange translation	**(86)**	24
At 30 June	**446**	1,992

The provision for store closure was made in connection with the divestment of operations in North America and the store closure programs for Europe and Asia Pacific announced in the prior fiscal years. The plan to divest the retail operation in North America was completed and all retail stores in North America were closed as at 30 June 2012.

During the year ended 30 June 2012, the Group recognised a net write-back of provision of **HK$696 million**, mainly arising from write-back of provision relating to the successful divestment of operations in North America, net of related costs.

The amounts used during the year include compensation paid to landlords and staff, payments of other direct costs attributable to store closure/divestment and occupancy costs under lease contracts recognised during the year.

As at 30 June 2012, the provision expected to be settled within twelve months after the balance sheet date is **HK$380 million** (2011: HK$1,819 million) and the provision expected to be settled more than twelve months after the balance sheet date is **HK$66 million** (2011: HK$173 million).

23 Bank loans

At 30 June 2012, the Group's bank loans were payable as follows:

	2012 HK$ million	2011 HK$ million
Unsecured short-term bank loans	**122**	–
Unsecured long-term bank loans repayable within one year	**520**	520
	642	520
Unsecured long-term bank loans repayable between one and two years	**520**	520
Unsecured long-term bank loans repayable between two and five years	**520**	1,040
	1,682	2,080

The carrying amount of bank loans approximates their fair value.

The bank loans are unsecured. The effective interest rate on bank loans for the year was determined to be **1.2%** (2011: 0.9%) per annum.

24 Deferred taxation

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

The Group:

	Accelerated Accounting/tax 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 2010	59	228	(386)	42	(396)	195	(32)	(290)
(Charged)/credited to income statement	130	(30)	14	(13)	(2)	102	(9)	192
Changes in tax rates	–	–	2	–	–	–	–	2
Exchange difference recognised in equity	10	42	(26)	4	(1)	31	(6)	54
At 30 June 2011	**199**	**240**	**(396)**	**33**	**(399)**	**328**	**(47)**	**(42)**
(Charged)/credited to income statement	**(82)**	**(53)**	**14**	**56**	**11**	**(93)**	**29**	**(118)**
Changes in tax rates	**(1)**	**–**	**–**	**–**	**–**	**–**	**–**	**(1)**
Exchange difference recognised in equity	**(16)**	**(35)**	**17**	**(12)**	**2**	**(24)**	**3**	**(65)**
At 30 June 2012	**100**	**152**	**(365)**	**77**	**(386)**	**211**	**(15)**	**(226)**

Deferred tax assets and liabilities are netted off when the taxes relate to the same tax authority and where offsetting is legally enforceable. The following amounts, determined after appropriate offsetting, are shown separately on the consolidated balance sheet:

	2012 HK$ million	2011 HK$ million
Deferred tax assets	**549**	808
Deferred tax liabilities	**775**	850

At 30 June 2012, the Group had unused tax losses of approximately **HK$1,780 million** (2011: HK$1,145 million) available for offset against future taxable profits. A deferred tax asset has been recognised in respect of approximately **HK$349 million** (2011: HK$192 million) of such losses. No deferred tax asset has been recognised in respect of the remaining losses of approximately **HK$1,431 million** (2011: HK$953 million). Included in unrecognised tax losses are losses of approximately **HK$676 million** (2011: HK$318 million) that will expire in the next one to twenty years. Other losses may be carried forward indefinitely.

Deferred income tax liabilities of **HK$10 million** (2011: HK$10 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:

	2012 HK$ million	2011 HK$ million
Profit before taxation	**1,162**	710
Adjustments for:		
Interest income	**(28)**	(45)
Finance costs	**37**	27
Depreciation	**684**	830
Impairment of property, plant and equipment	**64**	780
Loss on disposal of property, plant and equipment	**25**	37
(Write-back of)/additional provision for store closure	**(696)**	1,656
Increase in fair value of investment properties	**–**	(1)
Employee share option benefits	**65**	189
Amortisation of customer relationships	**59**	59
Operating profit before changes in working capital	**1,372**	4,242
Changes in working capital:		
Decrease/(increase) in inventories	**625**	(1,763)
Decrease/(increase) in debtors, deposits and prepayments	**353**	(642)
(Decrease)/increase in creditors and accrued charges	**(1,136)**	1,011
Effect of foreign exchange rate changes	**(631)**	538
Cash generated from operations	**583**	3,386

25 Notes to consolidated cash flow statement (continued)

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

	2012 HK$ million	2011 HK$ million
Net book value	33	44
Loss on disposal of property, plant and equipment	(25)	(37)
Proceeds from disposal of property, plant and equipment	8	7

26 Operating lease commitments

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

	2012 HK$ million	2011 HK$ million
Land and buildings		
– within one year	2,504	3,155
– in the second to fifth year inclusive	7,432	10,078
– after the fifth year	4,568	7,484
	14,504	20,717
Other equipment		
– within one year	27	28
– in the second to fifth year inclusive	13	31
	40	59
	14,544	20,776

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-cancellable subleases in respect of land and buildings at 30 June 2012 are **HK$188 million** (2011: HK$82 million).

27 Capital commitments

	2012 HK$ million	2011 HK$ million
Property, plant and equipment		
– Contracted but not provided for	150	70
– Authorised but not contracted for	1,289	969
	1,439	1,039

28 Derivative financial instruments

The Group enters into forward foreign exchange 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 2012, the fair values of the forward foreign exchange contracts included in other receivables and other payables are as below:

	2012		2011	
	Assets HK$ million	Liabilities HK$ million	Assets HK$ million	Liabilities HK$ million
Forward foreign exchange contracts				
Cash flow hedges	127	1	–	127
Fair value hedges	–	–	–	18
	127	1	–	145

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 forward foreign exchange contracts to which the Group has committed is as below:

	2012 HK$ million	2011 HK$ million
Forward foreign exchange contracts	3,741	4,543

Gains and losses in equity on forward foreign exchange contracts as of 30 June 2012 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 ineffective portion recognised in the consolidated income statement that arises from cash flow hedges amounts to a gain of **HK$87 million** (2011: gain of HK$22 million).

29 Related party transactions

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.

30 Notes to the balance sheet of the Company

(a) The amounts due from/to subsidiaries are unsecured, interest free and have no fixed terms of repayment. The credit quality of the 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.

30 Notes to the balance sheet of the Company (continued)

(b) 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 2011	**3,157**	**474**	**667**	**2,368**	**6,666**
Profit attributable to shareholders	**–**	**–**	**–**	**561**	**561**
2011/12 interim dividend paid (Note 10)	**10**	**–**	**–**	**(336)**	**(326)**
Employee share option benefits	**–**	**–**	**65**	**–**	**65**
Balance at 30 June 2012	**3,167**	**474**	**732**	**2,593**	**6,966**
Representing:					
Proposed final dividend					**194**
Balance after proposed final dividend					**6,772**
Balance at 30 June 2012					**6,966**
At 1 July 2010	3,073	474	481	1,665	5,693
Profit attributable to shareholders	–	–	–	2,855	2,855
2009/10 final dividend paid	37	–	–	(863)	(826)
2010/11 interim dividend paid	36	–	–	(1,289)	(1,253)
Issues of shares	8	–	–	–	8
Employee share option benefits	–	–	189	–	189
Transfer of reserve	3	–	(3)	–	–
Balance at 30 June 2011	3,157	474	667	2,368	6,666
Representing:					
Proposed final dividend					–
Balance after proposed final dividend					6,666
Balance at 30 June 2011					6,666

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 2012 amounted to **HK$3,799 million** (2011: HK$3,509 million).

(c) The Company did not have any operating lease commitment at 30 June 2012 (2011: nil).

(d) The Company did not have any significant capital commitment at 30 June 2012 (2011: nil).

(e) The Company provided a guarantee of **HK$1,560 million** (2011: HK$2,080 million) in respect of bank loans to a subsidiary at 30 June 2012. The guarantee is callable upon the subsidiary's defaults in repayment of the bank loans.

(f) The 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.

(g) The Company has provided a corporate guarantee of **HK$1,700 million** (2011: nil) in favour of a bank to support the banking facilities granted to its subsidiaries.

31 Principal subsidiaries

The following are the principal subsidiaries as at 30 June 2012 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 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	France	100%	EUR63,373,350	Wholesale and retail distribution of apparel and accessories
Esprit De Corp (Malaysia) Sdn, Bhd.	Malaysia	100%	MYR5,000,000	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 Design & Product Development GmbH	Germany	100%	EUR100,000	Provision 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, wholesale and retail distribution of apparel and accessories, and licensing of trademarks
Esprit Europe GmbH	Germany	100%	EUR5,112,919	Management and control function; render of services to 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	British Virgin Islands/ Hong Kong	100%	USD500	Investment holding

31 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 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 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
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
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

31 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 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 Wholesale GmbH	Germany	100%	EUR5,000,000	Wholesale distribution of apparel and accessories
EFE (Investments-II) S.á r.l.	Luxembourg	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
Glory Raise Limited	British Virgin Islands	100%	USD1	Investment holding
Million Success Resources Limited	Hong Kong	100%	HKD2	Investment holding
Sijun Fashion (Shenzhen) Co., Ltd.	The People's Republic of China (Note c)	100%	USD1,600,000	Sample development
Solution Services Limited	British Virgin Islands	100%	USD1	Property investment
思環貿易（上海）有限公司	The People's Republic of China (Note c)	100%	USD12,000,000	Wholesale distribution of apparel and accessories
普思埃商業（上海）有限公司	The People's Republic of China (Note c)	100%	USD7,900,000	Retail distribution of apparel and accessories
創捷商業（上海）有限公司	The People's Republic of China (Note c)	100%	USD1,800,000	Retail distribution of apparel and accessories
成都潤捷商業有限公司	The People's Republic of China (Note c)	100%	USD1,200,000	Retail distribution of apparel and accessories
創和捷商貿（北京）有限公司	The People's Republic of China (Note c)	100%	USD5,000,000	Retail distribution of apparel and accessories
特力普思埃貿易（大連）有限公司	The People's Republic of China (Note c)	100%	USD800,000	Retail distribution of apparel and accessories
廣州特力普思埃商業有限公司	The People's Republic of China (Note c)	100%	USD2,500,000	Retail distribution of apparel and accessories
上海進捷商貿有限公司	The People's Republic of China (Note c)	100%	USD1,000,000	Wholesale distribution of apparel and accessories
重慶埃斯普利特商業有限公司	The People's Republic of China (Note c)	100%	USD1,200,000	Retail distribution of apparel and accessories

Notes:

(a) All subsidiaries were held indirectly by the Company, except Esprit Global Limited.

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

(c) Wholly owned foreign enterprise.

07 TEN-YEAR FINANCIAL SUMMARY

CONSOLIDATED BALANCE SHEET ITEMS

	As at 30 June 2012 HK$ million	As at 30 June 2011 HK$ million	As at 30 June 2010 HK$ million	As at 30 June 2009 HK$ million
Intangible assets	**7,613**	7,672	7,345	2,061
Property, plant and equipment	**4,489**	4,415	3,976	4,398
Investment properties	**13**	13	12	–
Other investments	**7**	8	7	7
Investments in associates	**–**	–	–	522
Debtors, deposits and prepayments	**402**	502	440	559
Deferred tax assets	**549**	808	532	408
Net current assets	**4,348**	5,225	6,662	6,745
	17,421	18,643	18,974	14,700
Equity				
Share capital	**129**	129	129	125
Reserves	**15,477**	16,104	15,943	14,284
Total equity	**15,606**	16,233	16,072	14,409
Bank loans	**1,040**	1,560	2,080	–
Deferred tax liabilities	**775**	850	822	291
Obligation under finance leases	**–**	–	–	–
	1,815	2,410	2,902	291
	17,421	18,643	18,974	14,700

CONSOLIDATED INCOME STATEMENT ITEMS

	Year ended 30 June 2012 HK$ million	Year ended 30 June 2011 HK$ million	Year ended 30 June 2010 HK$ million	Year ended 30 June 2009 HK$ million
Turnover	**30,165**	33,767	33,734	34,485
Operating profit	**1,171**	692	3,786	5,729
Interest income	**28**	45	33	87
Finance costs	**(37)**	(27)	(12)	–
Share of results of associates	**–**	–	81	161
Gain on measuring equity interest in the associated companies held before the business combination	**–**	–	1,586	–
Profit before taxation	**1,162**	710	5,474	5,977
Taxation	**(289)**	(631)	(1,248)	(1,232)
Profit attributable to shareholders of the Company	**873**	79	4,226	4,745

As at 30 June 2008 HK$ million	As at 30 June 2007 HK$ million	As at 30 June 2006 HK$ million	As at 30 June 2005 HK$ million	As at 30 June 2004 HK$ million	As at 30 June 2003 HK$ million
2,121	2,057	2,027	2,009	2,021	1,960
3,570	2,705	2,614	2,242	1,495	1,077
–	–	–	–	–	–
7	7	8	8	8	8
583	406	269	182	155	122
569	-	–	–	–	–
510	396	315	205	104	93
8,972	6,888	4,232	2,723	1,964	2,027
16,332	12,459	9,465	7,369	5,747	5,287
124	123	122	120	119	119
15,820	11,958	8,985	6,919	5,296	4,073
15,944	12,081	9,107	7,039	5,415	4,192
–	–	–	–	–	776
388	378	358	330	332	318
–	–	–	–	–	1
388	378	358	330	332	1,095
16,332	12,459	9,465	7,369	5,747	5,287

Year ended 30 June 2008 HK$ million	Year ended 30 June 2007 HK$ million	Year ended 30 June 2006 HK$ million	Year ended 30 June 2005 HK$ million	Year ended 30 June 2004 HK$ million	Year ended 30 June 2003 HK$ million
37,227	29,640	23,349	20,632	16,357	12,381
7,721	6,259	4,765	4,075	2,837	1,811
190	149	37	22	40	42
–	–	(1)	(2)	(22)	(32)
145	130	84	73	63	45
–	–	–	–	–	–
8,056	6,538	4,885	4,168	2,918	1,866
(1,606)	(1,358)	(1,148)	(957)	(949)	(590)
6,450	5,180	3,737	3,211	1,969	1,276

FINANCIAL SUMMARY

Year ended 30 June	2012	2011	2010	2009
Per share data (HK$)				
Earnings per share – basic^^	**0.68**	0.06	3.35	3.72
Dividend per share				
– Regular dividend	**0.41**	1.00	1.41	1.52
– Special dividend	**–**	–	–	1.33
Total	**0.41**	1.00	1.41	2.85
Key statistics (HK$ million)				
Total equity	**15,606**	16,233	16,072	14,409
Net current assets^	**4,348**	5,225	6,662	6,745
Cash position (net of overdraft)	**3,171**	4,794	6,748	4,840
Net cash inflow from operating activities	**730**	1,835	5,412	5,272
Term loans	**1,682**	2,080	2,600	–
Retail data				
Number of directly managed stores#	**1,069**	1,146	1,128	804
Directly managed selling space# (sqm)	**363,295**	398,829	388,291	314,966
Comparable store sales growth	**-4.1%**	-1.1%	-2.4%	3.5%
Wholesale data				
Number of controlled-space POS#^^^	**10,827**	11,706	12,289	14,067
Controlled-space sales area#^^^ (sqm)	**654,093**	704,393	722,825	808,605
Other data				
Capital expenditure (HK$ million)	**1,420**	1,436	1,509	2,011
Number of employees##	**12,455**	14,192	14,172	10,766
Key ratios				
Return on shareholders' equity (ROE)###	**5.5%**	0.5%	27.7%	31.3%
Return on total assets (ROA)*	**3.4%**	0.3%	19.1%	22.8%
Net debt to equity**	**net cash**	net cash	net cash	net cash
Current ratio^ (times)	**1.7**	1.6	2.2	2.4
Inventory turnover*** (days)	**100**	76	63	65
Operating profit before depreciation and amortisation margin	**6.4%**	4.7%	14.0%	18.9%
Operating profit margin	**3.9%**	2.0%	11.2%	16.6%
Earnings before taxation margin	**3.9%**	2.1%	16.2%	17.3%
Net profit margin	**2.9%**	0.2%	12.5%	13.8%

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
^ Comparative figures relating to net current assets in respect of financial years prior to FY09/10 were restated as a result of the adoption of IAS 17 (Amendment) and due to the reclassification of deposits and prepayments in FY09/10
^^ Earnings per share – basic for the year ended 30 June 2009 was restated in FY09/10 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
^^^ With the roll out of the SAP program for the wholesale business, the Group has tightened the definitions of inactive accounts, resulting in the restatement of wholesale POS and controlled space as at 30 June 2010 in FY10/11

2008	2007	2006	2005	2004	2003
5.21	4.22	3.09	2.68	1.65	1.07
2.10	1.70	1.23	1.11	0.67	0.40
2.10	1.48	1.08	0.84	0.50	0.30
4.20	3.18	2.31	1.95	1.17	0.70
15,944	12,081	9,107	7,039	5,415	4,192
8,972	6,888	4,232	2,723	1,964	2,027
6,521	5,232	2,469	1,729	1,758	2,097
5,970	5,881	3,428	2,718	1,983	1,575
–	–	250	–	–	776
700	607	671	634	562	569
273,801	239,400	225,693	195,042	172,343	152,108
6.9%	19.8%	9.0%	8.5%	5.3%	6.9%
14,590	13,369	11,459	9,751	7,970	6,459
746,655	629,967	525,090	443,321	337,230	264,838
1,352	615	838	1,236	662	333
10,541	9,617	8,400	7,720	6,796	5,751
46.0%	48.9%	46.3%	51.6%	41.0%	35.3%
33.1%	34.7%	32.7%	34.8%	24.7%	19.1%
net cash	net cash	net cash	net cash	net cash	net cash
2.6	2.5	2.2	2.0	1.7	1.9
54	55	54	47	45	51
22.8%	23.1%	22.7%	21.9%	19.4%	16.8%
20.7%	21.1%	20.4%	19.8%	17.3%	14.6%
21.6%	22.1%	20.9%	20.2%	17.8%	15.1%
17.3%	17.5%	16.0%	15.6%	12.0%	10.3%

08 *GLOSSARY OF TERMS*

GLOSSARY OF TERMS

Retail

Term	Definition
APT	Average price per transaction
Closed store	Closed store locations and includes shrunken and relocated stores
Comparable store (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
Concession stores	Retail stores situated in big department stores. Offer selective range of product divisions
Conversion rate	Measures the portion of traffic which is translated into actual purchase
Directly managed retail stores	Stores, concessions and outlets fully managed by Esprit. All stores are leased
e-shop	On-line store
New store opening	Newly opened store locations and includes expanded and relocated stores
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
Retail sales	Direct sale of merchandise to end consumers via directly managed retail stores or e-shop
Sell-through	Accumulated quantity sold divided by total quantity received by stores
Traffic	Footfall recorded in a store during a period of time

Wholesale

Term	Definition
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
Country distributors	Exclusive distributors for Esprit products in certain countries
Franchise stores	Stand-alone stores or concession stores located in department stores managed by wholesale customers which closely resemble our own directly managed retail 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
Partnership stores (PSS)	Same as Franchise stores
Shop-in-stores (SIS)	Controlled wholesale space in department stores managed by wholesale customers. Esprit provides initial setup support and a wide range of on-going support services to ensure consistency with directly managed retail stores
Wholesale sales	Sale of merchandise to third party wholesale customers

Others

Term	Definition
ADR	American Depositary Receipt
Capex	Capital expenditure
DPS	Dividend per share
EPS	Earnings per share
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
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
NOOS	Never-Out-Of-Stock
Opex	Operating expenditure
POS	Point-of-sales
Segment EBIT margin	Segment earnings before interest income, finance costs and taxation divided by the segment turnover
Sqm	Square metre
Yoy	Year-on-year

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