ESPRIT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 00330)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2013

ANNUAL RESULTS

The board of directors (the "Board") of Esprit Holdings Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (the "Group" or "Esprit") for the year ended 30 June 2013 together with comparative figures for the year ended 30 June 2012. The following financial information, including the comparative figures, has been prepared in accordance with International Financial Reporting Standards ("IFRS").

Consolidated income statement

	Notes	For the year ended 30 June **2013** **HK$ million**	2012 HK$ million
Turnover	2	**25,902**	30,165
Cost of goods sold		**(13,065)**	(14,959)
Gross profit		**12,837**	15,206
Staff costs		**(4,216)**	(4,807)
Occupancy costs		**(3,726)**	(3,806)
Logistics expenses		**(1,453)**	(1,454)
Marketing and advertising expenses		**(1,027)**	(1,577)
Depreciation		**(866)**	(684)
Impairment of property, plant and equipment		**(346)**	(64)
Impairment of goodwill	2	**(1,996)**	-
(Additional)/write-back of provision for store closures and leases	10	**(426)**	696
Other operating costs		**(2,951)**	(2,339)
Operating (loss)/profit ((LBIT)/EBIT)	3	**(4,170)**	1,171
Interest income		**51**	28
Finance costs	4	**(30)**	(37)
(Loss)/profit before taxation		**(4,149)**	1,162
Taxation	5	**(239)**	(289)
(Loss)/profit attributable to shareholders of the Company		**(4,388)**	873
(Loss)/earnings per share			(Adjusted)
- Basic and diluted	7	**(HK$2.50)**	HK$0.60

Consolidated statement of comprehensive income

	For the year ended 30 June	
	2013	2012
	HK$ million	HK$ million
(Loss)/profit attributable to shareholders of the Company	**(4,388)**	873
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Fair value gain on cash flow hedge	**1**	223
Exchange translation	**603**	(1,462)
Total comprehensive loss for the year attributable to shareholders of the Company	**(3,784)**	(366)

Consolidated statement of financial position

	Notes	As at 30 June 2013 HK$ million	2012 HK$ million
Non-current assets			
Intangible assets		**5,763**	7,613
Property, plant and equipment		**4,363**	4,489
Investment properties		**15**	13
Other investments		**7**	7
Debtors, deposits and prepayments		**384**	402
Deferred tax assets		**697**	549
		11,229	13,073
Current assets			
Inventories		**3,209**	3,593
Debtors, deposits and prepayments	8	**3,375**	3,455
Tax receivable		**264**	388
Cash, bank balances and deposits		**5,171**	3,171
		12,019	10,607
Current liabilities			
Creditors and accrued charges	9	**3,951**	4,263
Provision for store closures and leases	10	**591**	446
Tax payable		**799**	908
Bank loans	11	**520**	642
		5,861	6,259
Net current assets		**6,158**	4,348
Total assets less current liabilities		**17,387**	17,421
Equity			
Share capital		**194**	129
Reserves		**16,402**	15,477
Total equity		**16,596**	15,606
Non-current liabilities			
Bank loans	11	**-**	1,040
Deferred tax liabilities		**791**	775
		791	1,815
		17,387	17,421

Notes to the consolidated financial statements

1. Basis of preparation

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

In the current year, the Group has adopted the following International Accounting Standards ("IAS") which do not have any significant impact on the Group's consolidated financial statements.

IAS 1 (Amendment)	Presentation of Financial Statements – Amendments to Revise the Way Other Comprehensive Income is Presented
IAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets

The Group has not early adopted the following IAS, IFRS and International Financial Reporting Interpretations Committee ("IFRIC") interpretation that have been issued but are not yet effective.

		Effective for accounting periods beginning on or after
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
IAS 36 (Amendment)	Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
IAS 39 (Amendment)	Novation of Derivatives and Continuation of Hedge Accounting	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
IFRS10, 11, 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013
IFRS 10, 12 and IAS 27 (Amendments)	Investment Entities	1 January 2014
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
IFRIC 21	Levies	1 January 2014
IFRSs (Amendments)	Annual Improvements to IFRSs 2009-2011 Cycle	1 January 2013

1. Basis of preparation (continued)

The Group will apply these new and revised standards, interpretations and amendments in the period of initial application. The Group assessed that adoption of IFRS 10 did not result in any change in the consolidation status of its subsidiaries. The Group is currently assessing the impact of the adoption of the other new and revised standards, interpretations and amendments per above-mentioned and is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

2. Turnover and segment information

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

	2013 **HK$ million**	2012 HK$ million
Revenue		
Wholesale	**10,062**	12,116
Retail	**15,652**	17,806
Licensing and other income	**188**	243
	25,902	30,165

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 non-apparel products designed under its own internationally-known Esprit brand name.

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

2. **Turnover and segment information (continued)**

	For the year ended 30 June 2013				
	Wholesale HK$ million	**Retail HK$ million**	**Licensing HK$ million**	**Corporate services, sourcing and others HK$ million**	**Group HK$ million**
Total revenue	**10,062**	**15,652**	**172**	**22,504**	**48,390**
Inter-segment revenue	**-**	**-**	**-**	**(22,488)**	**(22,488)**
Revenue from external customers	**10,062**	**15,652**	**172**	**16**	**25,902**
Segment results	**972**	**(1,104)**	**142**	**(2,184)**	**(2,174)**
Impairment of goodwill (Note)	**(1,822)**	**(174)**	**-**	**-**	**(1,996)**
LBIT					**(4,170)**
Interest income					**51**
Finance costs					**(30)**
Loss before taxation					**(4,149)**
Capital expenditure	**49**	**559**	**-**	**311**	**919**
Depreciation	**50**	**509**	**-**	**307**	**866**
Impairment of property, plant and equipment	**2**	**343**	**-**	**1**	**346**
Additional/(write-back of) provision for store closures and leases	**-**	**446**	**-**	**(20)**	**426**

Note: The Group's management has reviewed the development of the operation and the business plan in China. The current competition in the China market is considered increasingly intense. Based on the current year's goodwill impairment assessment, an impairment charge of **HK$1,996 million** for the China goodwill has been recognised in the current financial year.

2. Turnover and segment information (continued)

	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
Impairment of goodwill	-	-	-	-	-
EBIT					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
Additional/(write-back of) provision for store closures and leases	7	(792)	-	89	(696)

2. Turnover and segment information (continued)

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

	2013 HK$ million	2012 HK$ million
Europe		
Germany (Note 1)	**11,591**	12,998
Benelux	**3,236**	3,867
France	**1,619**	1,942
Austria	**1,174**	1,260
Scandinavia	**1,106**	1,389
Switzerland	**1,149**	1,333
United Kingdom	**307**	346
Ireland	**21**	29
Italy	**132**	201
Spain	**218**	307
Portugal	**12**	12
Others	**24**	21
	20,589	23,705
Asia Pacific		
Hong Kong	**456**	548
Macau (Note 2)	**615**	583
Taiwan	**232**	279
Singapore	**420**	441
Malaysia	**285**	267
China	**2,416**	2,587
Australia and New Zealand	**688**	827
	5,112	5,532
North America		
Canada	**58**	391
United States	**143**	537
	201	928
	25,902	30,165

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

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

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

	2013	2012
	HK$ million	HK$ million
(LBIT)/EBIT is arrived at after charging and (crediting) the following:		
Auditor's remuneration	**15**	16
Depreciation	**866**	684
Amortisation of customer relationships	**64**	59
Impairment of goodwill	**1,996**	-
Impairment of property, plant and equipment (Note)		
- store closures and leases	**102**	-
- others	**244**	64
Additional/(write-back of) provision for store closures and leases (Note)	**426**	(696)
Loss on disposal of property, plant and equipment	**24**	25
Occupancy costs		
- operating lease charge (including variable rental of **HK$450 million** (2012: HK$419 million))	**2,946**	2,840
- other occupancy costs	**780**	966
Cash flow hedges:		
- ineffective portion transferred from equity to exchange losses/(gains) on forward foreign exchange contracts	**-**	(94)
- ineffective portion recognised in exchange (gains)/losses on forward foreign exchange contracts not qualifying for hedge accounting	**(1)**	7
Other net exchange gains	**(72)**	(66)
Provision for obsolete inventories, net	**527**	72
Provision for impairment of trade debtors, net	**312**	186

Note: During the year, the management decided to close a number of stores and identified a number of stores of which the lease contracts are onerous in various countries in Europe. In this connection, the Group has recognised an impairment of property, plant and equipment of the stores of **HK$102 million**, and provision for store closures and onerous leases of **HK$396 million**. Additional provision for store closures of **HK$30 million** was made in connection with the store closures for Europe and Asia Pacific announced in the prior years.

The plan to divest the retail operation in North America announced in 2011 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.

4. Finance costs

	2013 **HK$ million**	2012 HK$ million
Interest on bank loans wholly repayable within five years	**23**	25
Imputed interest on financial assets and financial liabilities	**7**	12
	30	37

5. Taxation

	2013 **HK$ million**	2012 HK$ million
Current tax		
Hong Kong profits tax		
Provision for current year	**3**	1
Under-provision for prior years	**-**	7
Overseas taxation		
Provision for current year	**328**	229
Under/(over)-provisions for prior years	**33**	(67)
	364	170
Deferred tax		
Current year net (credit)/charge	**(131)**	118
Effect of changes in tax rates	**6**	1
Taxation	**239**	289

Hong Kong profits tax is calculated at **16.5%** (2012: 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.

5. Taxation (continued)

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

6. Dividends

	2013 **HK$ million**	2012 HK$ million
No interim dividend (2012: HK$0.26 per share)	-	336
No proposed final dividend (2012: HK$0.15 per share)	-	194*
	-	530

* The actual final dividend paid in cash for the year ended 30 June 2012 was HK$281 million. The amount of the actual final dividend paid for the year ended 30 June 2012 had taken into account the additional shares issued during the period from 27 September 2012 to 14 December 2012, the date of closure of the register of members, and part of the final dividend 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 final dividend, the market value of the scrip shares is HK$12.19, 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 12 December 2012.

7. (Loss)/earnings per share

Basic

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

	2013	2012 (Adjusted)
(Loss)/profit attributable to shareholders of the Company (HK$million)	**(4,388)**	873
Weighted average number of ordinary shares in issue (million)	**1,754**	1,463
Basic (loss)/earnings per share (HK dollars per share)	**(2.50)**	0.60

Diluted

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

Diluted loss per share for the year ended 30 June 2013 was the same as the basic loss per share since the share options had anti-dilutive effect.

The basic and diluted earnings per share for the year ended 30 June 2012 have been adjusted to reflect the effect of a rights issue of the Company during the year.

	2013	2012 (Adjusted)
(Loss)/profit attributable to shareholders of the Company (HK$million)	**(4,388)**	873
Weighted average number of ordinary shares in issue (million)	**1,754**	1,463
Adjustments for share options (million)	**-**	1
Weighted average number of ordinary shares for diluted earnings per share (million)	**1,754**	1,464
Diluted (loss)/earnings per share (HK dollars per share)	**(2.50)**	0.60

8. Debtors, deposits and prepayments

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

	2013 **HK$ million**	2012 HK$ million
Current portion	**1,666**	1,750
1-30 days	**171**	169
31-60 days	**114**	125
61-90 days	**62**	114
Over 90 days	**302**	323
Amount past due but not impaired	**649**	731
	2,315	2,481

The Group's sales to retail customers are made in cash, bank transfer or by credit card. The Group also grants credit period, which is usually 30 to 60 days to certain wholesale and franchise customers.

9. Creditors and accrued charges

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

	2013 **HK$ million**	2012 HK$ million
0-30 days	**1,084**	1,369
31-60 days	**12**	27
61-90 days	**7**	9
Over 90 days	**19**	29
	1,122	1,434

10. Provision for store closures and leases

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

	2013 **HK$ million**	2012 HK$ million
At 1 July	**446**	1,992
Additional/(write-back of) provision for store closures and leases	**426**	(696)
Amounts used during the year	**(294)**	(764)
Exchange translation	**13**	(86)
At 30 June	**591**	446

The provision for store closures and leases was made in connection with the store closures and provision for onerous lease contracts for loss-making stores in Europe and Asia Pacific and the divestment of operations in North America announced in the current and prior years. The store closures are still ongoing while 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 2013, the Group recognised a net additional provision of **HK$426 million**, mainly arising from an additional provision for store closures and onerous leases of **HK$396 million** in relation to loss-making stores in Europe announced in the current year.

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

As at 30 June 2013, the provision expected to be settled within twelve months after the date of the statement of financial position is **HK$298 million** (2012: HK$380 million) and the provision expected to be settled more than twelve months after the date of the statement of financial position is **HK$293 million** (2012: HK$66 million).

11. Bank loans

At 30 June 2013, the Group's bank loans were payable as follows:

	2013 **HK$ million**	2012 HK$ million
Unsecured short-term bank loans	**-**	122
Unsecured long-term bank loans repayable within one year	**520**	520
	520	642
Unsecured long-term bank loans repayable between one and two years	**-**	520
Unsecured long-term bank loans repayable between two and five years	**-**	520
	520	1,682

The carrying amounts of the total borrowings are denominated in the following currencies and interest rate structure:

	2013 **HK$ million**	2012 HK$ million
Fixed rate borrowings		
Renminbi	**-**	122
Floating rate borrowings		
Hong Kong dollar	**520**	1,560
	520	1,682

FINANCIAL REVIEW

Revenue Analysis

As expressed in our Interim Report for the six months ended 31 December 2012, the combination of external and internal challenges has had considerable impact on the Group's performance this year. For the financial year ended 30 June 2013, Group turnover amounted to HK$25,902 million (2012: HK$30,165 million), representing a -14.1% decline from the same period last year; which was attributable to:

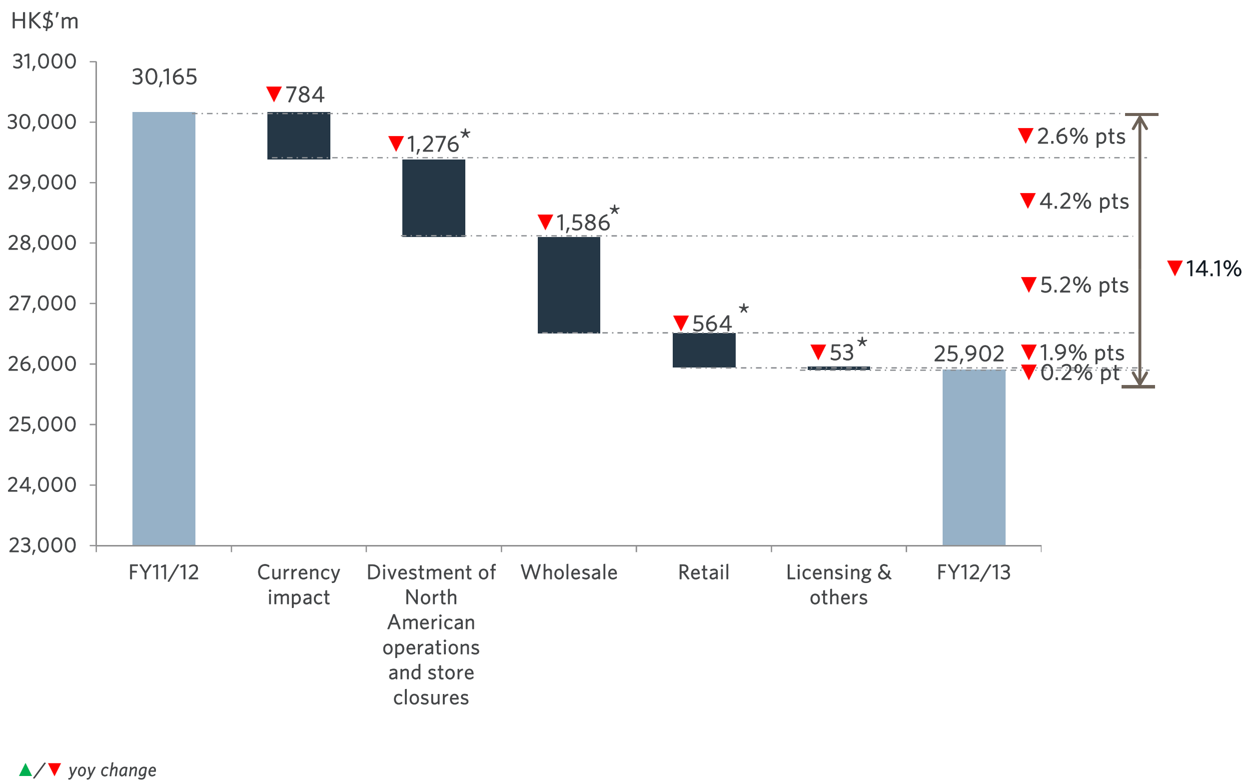
i) Strategic decision to divest North American operations (the "Divestment of NA") and the closure of certain loss-making stores as announced in prior financial years (the "Store Closures")

ii) Decline in wholesale and retail turnover due to weak performance in most markets

iii) Negative impact of foreign exchange effect

Excluding the impact from currency exchange rates, the Divestment of NA and the Store Closures, turnover from the core businesses of the Group declined by -7.7% year-on-year. This percentage decline in turnover was -6.4% in the second half of the financial year ("Second Half") versus the -8.8% decline in the first half of the financial year ("First Half").

Analysis of Group Turnover



* Represents the year-on-year variance excluding currency impact

Turnover by Product Divisions

	For the year ended 30 June				Change in %	
	2013		2012			
	HK$ million	% to Group Turnover	HK$ million	% to Group Turnover	HK$	Local currency
women	**9,818**	**37.9%**	11,723	38.9%	-16.3%	-13.7%
women casual	**6,707**	**25.9%**	8,861	29.4%	-24.3%	-21.9%
women collection	**2,871**	**11.1%**	2,862	9.5%	0.3%	3.3%
trend	**240**	**0.9%**	-	-	n.a.	n.a.
men	**3,963**	**15.3%**	4,816	16.0%	-17.7%	-15.5%
men casual	**3,062**	**11.8%**	3,827	12.7%	-20.0%	-17.7%
men collection	**901**	**3.5%**	989	3.3%	-8.9%	-7.1%
others	**5,906**	**22.8%**	6,122	20.2%	-3.5%	-0.6%
accessories	**1,153**	**4.5%**	1,355	4.5%	-14.9%	-12.4%
shoes	**1,097**	**4.2%**	1,190	3.9%	-7.8%	-4.0%
bodywear	**1,055**	**4.1%**	1,116	3.7%	-5.5%	-2.1%
kids	**894**	**3.5%**	785	2.6%	13.9%	18.2%
denim	**652**	**2.5%**	-	-	n.a.	n.a.
sports	**317**	**1.2%**	401	1.3%	-20.9%	-18.3%
de. corp	**115**	**0.4%**	541	1.8%	-78.8%	-77.6%
others*	**623**	**2.4%**	734	2.4%	-14.9%	-12.7%
Esprit total	**19,687**	**76.0%**	22,661	75.1%	-13.1%	-10.5%
edc women	**4,744**	**18.3%**	5,512	18.3%	-13.9%	-11.2%
edc men	**1,177**	**4.6%**	1,271	4.2%	-7.4%	-4.6%
edc others^	**294**	**1.1%**	721	2.4%	-59.2%	-57.7%
edc total	**6,215**	**24.0%**	7,504	24.9%	-17.2%	-14.6%
Group Total	**25,902**	**100.0%**	**30,165**	**100.0%**	**-14.1%**	**-11.5%**

* Others include mainly salon, licensing income & licensed products like timewear, eyewear, jewellery, bed & bath, houseware, etc.
^ edc others include edc kids, edc shoes, edc accessories and edc bodywear
n.a. Not applicable

The Group markets its products under two brands, namely the Esprit brand and the edc brand. In FY12/13, turnover from Esprit and edc branded products represented 76.0% (2012: 75.1%) and 24.0% (2012: 24.9%) of Group turnover respectively.

Turnover from Esprit branded products reported a -10.5% year-on-year decline in local currency. The results among the twelve product divisions of the Esprit branded portfolio were mixed. In general, we observed a more favourable development of the Collection divisions (more dressed up than the Casual lines). In fact, on a positive note, Women Collection, the third largest product division under the Esprit brand, contributed 11.1% (2012: 9.5%) of Group turnover and recorded a year-on-year turnover growth of +3.3% in local currency.

Also worth mentioning is the introduction of our Denim division as an opportunity to grow in the underpenetrated denim segment. Since the delivery of its first collection during the First Half, the reporting of Denim products sales was carved out from Women Casual, Men Casual, Women Collection and Men Collection. The Trend division was also launched during the financial year with its first collection delivered to selected retail stores in Europe in July 2012. These two new divisions represented 2.5% and 0.9% of Group turnover in the current financial year respectively.

Due to the carving out of Denim's turnover from existing divisions (Women Casual, Men Casual, Women Collection and Men Collection), and the effect of the Trend division against Women Casual and Women Collection, it is more meaningful to interpret their performances together with Denim and Trend as a whole. In FY12/13, the total turnover from Women Casual, Men Casual, Women Collection, Men Collection, Trend and Denim amounted to HK$14,433 million as compared to HK$16,539 million in FY11/12, representing a year-on-year decline of -10.3% in local currency.

As for the rest of the Esprit brand divisions, Kids' 18.2% turnover growth in local currency is due to an internal change in the classification of product lines. Excluding the impact of this change, the division had a sales decline mostly caused by the reduction of selling space. Shoes and Bodywear presented quite stable figures relative to the overall performance. Finally, Sports and de. corp presented the largest decline as a result of the internal decision to reduce these lines.

The turnover from edc branded products reported a decline of -14.6% year-on-year in local currency. This underperformance is partly attributable to the slightly higher mix of wholesale turnover (40.9%) as compared to the Esprit brand (38.2%) and to the larger impact of the reduction of selling space in the Retail stores of the Group.

Turnover by Distribution Channels

	For the year ended 30 June				Change in %	
	2013		2012			
Key Distribution Channels	**HK$ million**	**% to Group Turnover**	HK$ million	% to Group Turnover	HK$	Local currency
Retail#	**15,652**	**60.4%**	17,806	59.0%	-12.1%	-9.9%
Europe	**11,589**	**44.7%**	12,407	41.1%	-6.6%	-3.3%
Asia Pacific	**3,742**	**14.5%**	3,863	12.8%	-3.1%	-3.9%
Subtotal	**15,331**	**59.2%**	16,270	53.9%	-5.8%	-3.5%
Store closures announced in prior years	**321**	**1.2%**	914	3.0%	-64.8%	-63.6%
North America	**-**	**-**	622	2.1%	-100.0%	-100.0%
Wholesale	**10,062**	**38.9%**	12,116	40.2%	-17.0%	-13.7%
Europe	**8,682**	**33.5%**	10,464	34.7%	-17.0%	-13.3%
Asia Pacific	**1,322**	**5.1%**	1,521	5.1%	-13.1%	-12.5%
North America	**58**	**0.3%**	131	0.4%	-55.5%	-55.3%
Licensing and others	**188**	**0.7%**	243	0.8%	-22.5%	-22.0%
Licensing	**172**	**0.7%**	203	0.7%	-15.2%	-14.5%
Others	**16**	**0.0%**	40	0.1%	-59.7%	-59.9%
Total	**25,902**	**100.0%**	30,165	100.0%	-14.1%	-11.5%

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

The Group adopts a multi-channel distribution strategy with three distribution channels, i.e. retail, wholesale and licensing. For the year ended 30 June 2013, retail and wholesale contributed 60.4% (2012: 59.0%) and 38.9% (2012: 40.2%) of Group turnover respectively. The remaining 0.7% (2012: 0.8%) of Group turnover was mainly licensing royalties from third-party licensees.

Retail Performance Scorecard

	For the year ended 30 June			
	2013		2012	
	Total excluding North America and store closures announced in prior years	**Total**	Total excluding North America and store closures announced in prior years	Total
Year-on-year local currency turnover growth	**-3.5%**	**-9.9%**	-3.5%	-6.1%
Segment EBIT margin	**-5.7%**	**-7.1%**	2.9%	6.5%
No. of Esprit POS	**1,009**	**1,024**	1,026	1,066
Esprit net sales area (m^2)	**341,419**	**350,303**	338,185	361,309
Year-on-year change in Esprit net sales area	**1.0%**	**-3.0%**	6.5%	-8.8%
Comparable store sales growth	**-3.3%**	**-3.3%**	-4.1%	-4.1%

Retail turnover amounted to HK$15,652 million (2012: HK$17,806 million) and decreased by -12.1% year-on-year. Excluding impact from currency exchange rates, the Divestment of NA and the Store Closures, retail turnover declined by -3.5% year on year. This decline is mainly attributable to a comparable store sales decline of -3.3% as a result of a significant decline of footfalls in our stores. Comparable stores represented approximately 40% of total retail space.

Tactical sales activation initiatives were more ambitious since the middle of the financial year to improve store traffic and conversion rate. These initiatives contributed to the narrowing of the rate of retail turnover decline to -1.6% in the Second Half in local currency (First Half: -5.1%).

We are encouraged with this development that was observed in both Europe and the Asia Pacific regions. Excluding impact from the Store Closures, the retail turnover decline in Europe and the Asia Pacific both narrowed in the Second Half to -1.4% (First Half: -4.9%) and -2.2% (First Half: -5.5%) in local currency respectively. This improving trend is even more apparent in China, our third largest retail market, where we saw a positive retail turnover growth of +4.4% in the Second Half (First Half: -0.2%).

Retail Turnover by Countries

	For the year ended 30 June				Change in %	
	2013		2012			
Countries	**HK$ million**	**% of Retail Turnover**	HK$ million	% of Retail Turnover	HK$	Local currency
Europe	**11,589**	**74.0%**	12,407	69.7%	-6.6%	-3.3%
Germany	**6,950**	**44.4%**	7,511	42.2%	-7.5%	-4.2%
Benelux	**1,725**	**11.0%**	1,887	10.6%	-8.5%	-5.1%
Switzerland	**943**	**6.0%**	1,039	5.9%	-9.2%	-5.5%
France	**791**	**5.1%**	809	4.6%	-2.3%	0.7%
Austria	**764**	**4.9%**	734	4.1%	4.2%	7.7%
United Kingdom	**168**	**1.1%**	161	0.9%	4.4%	6.0%
Finland	**140**	**0.9%**	161	0.9%	-13.3%	-10.2%
Denmark	**55**	**0.4%**	54	0.3%	2.8%	6.1%
Ireland	**14**	**0.1%**	18	0.1%	-21.3%	-18.5%
Sweden	**6**	**0.0%**	4	0.0%	27.9%	31.4%
Spain	**5**	**0.0%**	5	0.0%	-3.3%	-0.4%
Italy	**4**	**0.0%**	4	0.0%	1.2%	4.1%
Portugal	**1**	**0.0%**	0	0.0%	21.3%	23.6%
Others*	**23**	**0.1%**	20	0.1%	17.6%	21.0%
Asia Pacific	**3,742**	**23.9%**	3,863	21.7%	-3.1%	-3.9%
China	**1,613**	**10.3%**	1,557	8.7%	3.7%	2.0%
Australia and New Zealand	**640**	**4.1%**	726	4.1%	-11.9%	-11.6%
Hong Kong	**456**	**2.9%**	512	2.9%	-11.0%	-11.0%
Singapore	**398**	**2.5%**	416	2.3%	-4.3%	-6.0%
Malaysia	**285**	**1.8%**	267	1.5%	6.6%	6.6%
Taiwan	**232**	**1.5%**	279	1.6%	-16.8%	-17.2%
Macau	**118**	**0.8%**	106	0.6%	11.4%	11.4%
Subtotal	**15,331**	**97.9%**	16,270	91.4%	-5.8%	-3.5%
Store closures announced in prior years	**321**	**2.1%**	914	5.1%	-64.8%	-63.6%
North America	**-**	**-**	622	3.5%	-100.0%	-100.0%
United States	**-**	**-**	360	2.0%	-100.0%	-100.0%
Canada	**-**	**-**	262	1.5%	-100.0%	-100.0%
Total	**15,652**	**100.0%**	**17,806**	**100.0%**	**-12.1%**	**-9.9%**

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

The Group's store network was comprised of 1,024 directly managed retail stores as at 30 June 2013, representing a net decrease of 42 points of sales ("POS") from the beginning of the financial year. The decline is partly the result of the Store Closures involving 25 POS closures in the financial year.

The store portfolio (excluding the Store Closures) comprises 930 stores or concession counters, and 79 outlets. As part of our initiatives to build a platform for better inventory management, the Group strategically expanded its outlet channel with a net addition of 12 outlets (including our largest outlet in Ratingen, Germany with selling space of 3,500 m^2) or 24.5% net increase in outlet space. Most of this growth happened in Europe resulting in a net increase of selling space (3.0%) while the Asia Pacific region showed a net decline (-2.9%) mainly because of the closures in the Australia and New Zealand markets.

Directly Managed Retail Stores by Countries

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
						As at 30 June 2013
Europe	**370**	**12**	**228,508**	**3.0%**	**199**	**-3.3%**
Germany**	163	4	126,847	3.8%	90	-3.2%
Netherlands	52	3	20,606	4.0%	23	-10.2%
Switzerland	39	1	17,479	2.2%	27	-5.6%
France	36	2	17,975	3.7%	24	-6.3%
Belgium	29	-	17,686	-3.1%	8	6.6%
United Kingdom	23	-	4,572	0.0%	13	0.9%
Austria	18	2	17,189	3.8%	8	2.2%
Finland	6	-	3,849	-13.6%	4	-5.2%
Luxembourg	3	1	1,866	62.4%	1	-12.4%
Ireland	1	(1)	439	-9.1%	1	-8.8%
Asia Pacific	**639**	**(29)**	**112,911**	**-2.9%**	**222**	**-3.5%**
China	364	20	57,748	0.8%	71	-3.7%
Australia	114	(42)	14,771	-17.3%	64	0.1%
Taiwan	79	(6)	7,524	-12.9%	46	-13.8%
Malaysia	32	-	12,026	4.2%	14	-6.6%
Singapore	23	1	8,975	3.1%	14	-7.6%
Hong Kong	15	-	7,854	1.8%	6	3.9%
New Zealand	8	(3)	1,826	-34.5%	5	1.8%
Macau	4	1	2,187	28.6%	2	7.5%
Subtotal	**1,009**	**(17)**	**341,419**	**1.0%**	**421**	**-3.3%**
Store closures announced in prior years	15	(25)	8,884	-61.6%	n.a.	n.a.
Total	**1,024**	**(42)**	**350,303**	**-3.0%**	**421**	**-3.3%**

* Net change from 1 July 2012
** All e-shops within Europe are shown as 1 comparable store in Germany
n.a. Not applicable

Directly Managed Retail Stores by Store Types

	No. of POS					Net sales area (m²)				
Store types	As at 30 Jun 13	vs 1 Jul 12 Opened	vs 1 Jul 12 Closed	As at 1 Jul 12	Net change	As at 30 Jun 13	vs 1 Jul 12 Opened	vs 1 Jul 12 Closed	As at 1 Jul 12	Net change
Stores/concession counters	930	84	(113)	959	(29)	304,778	17,059	(21,028)	308,747	-1.3%
Outlets	79	23	(11)	67	12	36,641	12,575	(5,372)	29,438	24.5%
Sub-total	**1,009**	**107**	**(124)**	**1,026**	**(17)**	**341,419**	**29,634**	**(26,400)**	**338,185**	**1.0%**
Store closures announced in prior years	15	-	(25)	40	(25)	8,884	-	(14,240)	23,124	-61.6%
Total	**1,024**	**107**	**(149)**	**1,066**	**(42)**	**350,303**	**29,634**	**(40,640)**	**361,309**	**-3.0%**

Wholesale Performance Scorecard

	For the year ended 30 June	
	2013	2012
Year-on-year local currency turnover growth	**-13.7%**	-16.5%
Segment EBIT margin	**9.7%**	17.7%
No. of Esprit controlled space POS	**9,248**	10,826
Esprit controlled space area (m²)	**566,176**	653,493
Year-on-year change in Esprit controlled space area	**-13.4%**	-7.0%

Wholesale turnover amounted to HK$10,062 million (2012: HK$12,116 million) representing a -17.0% year-on-year decrease (-13.7% in local currency terms). The decrease was primarily attributable to a -13.4% year-on-year reduction in controlled wholesale space reflecting both the difficult trading conditions and the Group's strategic initiative to rationalise the wholesale channel.

Wholesale Turnover by Countries

	For the year ended 30 June				Change in %	
	2013		2012			
Countries	HK$ million	% of Wholesale Turnover	HK$ million	% of Wholesale Turnover	HK$	Local currency
Europe	8,682	86.3%	10,464	86.4%	-17.0%	-13.3%
Germany*	4,493	44.7%	5,214	43.0%	-13.8%	-9.9%
Benelux	1,489	14.8%	1,888	15.6%	-21.2%	-17.2%
Scandinavia	863	8.6%	1,079	8.9%	-20.0%	-18.6%
France	813	8.1%	1,003	8.3%	-18.9%	-14.6%
Austria	381	3.8%	486	4.0%	-21.6%	-17.9%
Spain	213	2.1%	221	1.8%	-3.6%	0.7%
Switzerland	203	2.0%	287	2.4%	-29.5%	-25.1%
Italy	129	1.3%	197	1.6%	-34.8%	-30.7%
United Kingdom	80	0.8%	66	0.6%	20.6%	22.3%
Portugal	11	0.1%	12	0.1%	-1.4%	2.6%
Ireland	7	0.0%	11	0.1%	-34.5%	-31.3%
Asia Pacific	1,322	13.1%	1,521	12.5%	-13.1%	-12.5%
China	787	7.8%	1,007	8.3%	-21.8%	-22.9%
Macau**	498	4.9%	477	3.9%	4.2%	7.6%
Australia	37	0.4%	37	0.3%	1.6%	3.3%
North America	58	0.6%	131	1.1%	-55.5%	-55.3%
Canada	58	0.6%	129	1.1%	-54.7%	-55.0%
United States	-	-	2	0.0%	-100.0%	-100.0%
Total	10,062	100.0%	12,116	100.0%	-17.0%	-13.7%

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

** Macau sales includes wholesale sales to other countries mainly the Middle East, Colombia and Chile

In view of the challenging operating environment for wholesale customers, relevant efforts were made to support and retain the Group's key customers who account for a majority of the Group's wholesale turnover and operating profit. During the financial year, HK$336 million (2012: HK$340 million) was spent in wholesale support measures, including HK$114 million in discounts and HK$141 million in subsidies for the refurbishment of 49,900 m^2 of controlled wholesale space.

These wholesale support measures are yielding positive results. In FY12/13, wholesale turnover from the top ten customers in Europe, achieved positive growth of +3.3% in local currency. Unfortunately, these results were not enough to compensate for the loss of sales and space from the smaller wholesale customers.

In the financial year under review, total controlled wholesale space decreased by approximately 87,300 m^2 to 566,176 m^2 (30 June 2012: 653,493 m^2). The largest reduction of controlled wholesale space was from franchise stores (-49,494 m^2). In terms of space loss in percentage as compared with the previous year, the largest space loss happened in identity corners (-24.9%).

Wholesale Distribution Channel by Countries (controlled space only) – Movement since 1 July 2012

As at 30 June 2013

Countries	Franchise stores**				Shop-in-stores**				Identity corners**				Total**			
	No. of stores	Net sales area m^2	Net opened stores	Net change in net sales area*	No. of stores	Net sales area m^2	Net opened stores	Net change in net sales area*	No. of stores	Net sales area m^2	Net opened stores	Net change in net sales area*	No. of stores	Net sales area m^2	Net opened stores	Net change in net sales area*
Europe	**920**	**232,316**	**(113)**	**-10.9%**	**4,301**	**161,186**	**(332)**	**-8.8%**	**3,135**	**66,320**	**(932)**	**-24.9%**	**8,356**	**459,822**	**(1,377)**	**-12.6%**
Germany***	363	97,188	(36)	-10.9%	3,289	128,784	(285)	-9.4%	1,851	34,500	(398)	-18.9%	5,503	260,472	(719)	-11.3%
Benelux	150	47,947	(10)	-7.2%	153	6,312	(19)	-12.5%	349	8,567	(167)	-37.4%	652	62,826	(196)	-13.4%
France	145	26,621	(26)	-14.7%	344	7,731	(25)	-8.2%	202	6,016	(101)	-27.2%	691	40,368	(152)	-15.7%
Sweden	63	21,071	(12)	-9.0%	-	-	(1)	-100.0%	45	1,240	(53)	-39.9%	108	22,311	(66)	-11.7%
Austria	73	12,669	(7)	-12.9%	93	3,185	(12)	-12.0%	58	1,507	(34)	-36.2%	224	17,361	(53)	-15.4%
Finland	28	7,568	1	0.7%	91	4,050	(2)	-9.1%	249	6,408	(35)	-15.5%	368	18,026	(36)	-7.8%
Italy	34	6,772	(17)	-28.5%	33	1,106	(3)	-22.2%	156	2,585	(73)	-46.4%	223	10,463	(93)	-33.4%
Switzerland	26	4,689	(8)	-24.0%	63	3,225	11	18.7%	32	629	(23)	-41.4%	121	8,543	(20)	-14.2%
Denmark	17	4,563	(1)	0.5%	1	25	(2)	-70.9%	38	1,000	(72)	-61.6%	56	5,588	(75)	-22.7%
Spain	15	2,053	6	19.6%	214	5,979	11	3.9%	74	2,130	32	63.0%	303	10,162	49	15.8%
Portugal	2	576	-	1.2%	-	-	-	-	5	85	-	-	7	661	-	1.1%
United Kingdom	3	357	(1)	-39.4%	12	473	1	12.1%	68	1,527	(5)	-9.3%	83	2,357	(5)	-12.5%
Norway	1	242	-	0.8%	-	-	-	-	-	-	(2)	-100.0%	1	242	(2)	-16.6%
Ireland	-	-	(2)	-100.0%	8	316	(6)	-34.6%	8	126	(1)	-31.1%	16	442	(9)	-57.5%
Asia Pacific	**786**	**103,754**	**(196)**	**-16.9%**	**106**	**2,600**	**(5)**	**-8.9%**	**-**	**-**	**-**	**-**	**892**	**106,354**	**(201)**	**-16.7%**
China	508	67,700	(161)	-19.1%	-	-	-	-	-	-	-	-	508	67,700	(161)	-19.1%
The Middle East	40	9,333	(3)	-19.6%	-	-	-	-	-	-	-	-	40	9,333	(3)	-19.6%
Thailand	98	7,323	8	7.7%	-	-	-	-	-	-	-	-	98	7,323	8	7.7%
Philippines	28	4,220	7	48.9%	-	-	-	-	-	-	-	-	28	4,220	7	48.9%
India	-	-	(63)	-100.0%	-	-	-	-	-	-	-	-	-	-	(63)	-100.0%
Australia	-	-	-	-	18	674	(12)	-38.3%	-	-	-	-	18	674	(12)	-38.3%
Others	112	15,178	16	16.8%	88	1,926	7	9.3%	-	-	-	-	200	17,104	23	15.9%
Total	**1,706**	**336,070**	**(309)**	**-12.8%**	**4,407**	**163,786**	**(337)**	**-8.8%**	**3,135**	**66,320**	**(932)**	**-24.9%**	**9,248**	**566,176**	**(1,578)**	**-13.4%**

* Net change from 1 July 2012

** Excludes salon

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

Key licensed product categories

As at 30 June 2013	Europe	Asia Pacific	North America	Latin America
Accessories' World				
costume jewellery	■	■		
eyewear	■	■	■	■
fragrance	■	■		■
jewellery	■	■		■
luggage	■	■		
outerwear			■	■
shoes			■	■
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	■			

With regard to licensing operation, the Group continued to optimise its licence portfolio by terminating brand-dilutive licences, such as flooring, kitchen furniture, baby furniture and stationery, and is focusing on licences that add value to the core value and business of the Esprit brand. As a consequence, **licensing turnover** decreased by -15.2% (-14.5% in local currency) year-on-year to HK$172 million (2012: HK$203 million).

Our licensing team continues to work closely with more than 30 licensing partners in developing products that complement the lifestyle of our targeted customers.

Turnover by Countries

Countries[#]	For the year ended 30 June 2013 HK$ million	2013 % to Group Turnover	2012 HK$ million	2012 % to Group Turnover	Change in % HK$	Change in % Local currency
Europe	**20,301**	**78.4%**	22,900	75.9%	-11.3%	-7.9%
Germany* ##	**11,460**	**44.2%**	12,741	42.2%	-10.1%	-6.5%
Benelux*	**3,227**	**12.5%**	3,787	12.6%	-14.8%	-11.0%
France	**1,604**	**6.2%**	1,813	6.0%	-11.5%	-7.7%
Switzerland	**1,146**	**4.4%**	1,326	4.4%	-13.6%	-9.6%
Austria	**1,145**	**4.4%**	1,219	4.0%	-6.1%	-2.4%
Scandinavia	**1,064**	**4.1%**	1,298	4.3%	-18.1%	-16.3%
United Kingdom	**248**	**1.0%**	227	0.8%	9.1%	10.7%
Spain	**218**	**0.8%**	226	0.7%	-3.6%	0.7%
Italy	**132**	**0.5%**	201	0.7%	-34.1%	-30.1%
Ireland	**21**	**0.1%**	29	0.1%	-26.4%	-23.4%
Portugal	**12**	**0.1%**	12	0.0%	-0.5%	3.5%
Others	**24**	**0.1%**	21	0.1%	16.1%	19.7%
Asia Pacific	**5,079**	**19.6%**	5,423	18.0%	-6.3%	-6.7%
China**	**2,416**	**9.3%**	2,587	8.6%	-6.6%	-8.0%
Australia and New Zealand	**677**	**2.6%**	763	2.5%	-11.2%	-10.9%
Macau###	**615**	**2.4%**	583	1.9%	5.5%	8.8%
Hong Kong	**456**	**1.8%**	528	1.8%	-13.6%	-13.6%
Singapore	**398**	**1.5%**	416	1.4%	-4.3%	-6.0%
Malaysia	**285**	**1.1%**	267	0.9%	6.6%	6.6%
Taiwan	**232**	**0.9%**	279	0.9%	-16.8%	-17.2%
Subtotal	**25,380**	**98.0%**	28,323	93.9%	-10.4%	-7.7%
Store closures announced in prior years	**321**	**1.2%**	914	3.0%	-64.8%	-63.6%
North America	**201**	**0.8%**	928	3.1%	-78.3%	-78.3%
United States*	**143**	**0.6%**	537	1.8%	-73.4%	-73.3%
Canada	**58**	**0.2%**	391	1.3%	-85.1%	-85.2%
Total	**25,902**	**100.0%**	**30,165**	**100.0%**	**-14.1%**	**-11.5%**

\# Country as a whole includes retail, wholesale and licensing operations
\## Germany sales include wholesale sales to other European countries mainly Russia, Czech Republic, Poland, Bulgaria and Ukraine
\### Macau sales include wholesale sales to other countries mainly the Middle East, Colombia, and Chile
* Includes licensing
** Includes salon

Europe remained the largest region, with its turnover as a proportion of the Group's total turnover increased from 75.9% (excluding the Store Closures) last year to 78.4% (excluding the Store Closures) this year, mainly due to the Divestment of NA. In absolute terms, turnover in Europe (excluding the Store Closures) declined by -7.9% in local currency to HK$20,301 million (2012: HK$22,900 million) mostly due to the abovementioned trading difficulties in the wholesale channel.

On a half-on-half year basis, however, the rate of turnover decline (excluding the Store Closures) narrowed from -8.8% in the First Half to -6.4% in the Second Half, due to management efforts on sales activation initiatives. Within the region, Germany continued to be the largest market of the Group, accounting for 44.2% (excluding the Store Closures) of Group turnover (2012: 42.2%), and reported a relatively lower rate of turnover decline of -6.5% (excluding the Store Closures) in local currency. Benelux was the second largest market of the Group, contributing 12.5% (excluding the Store Closures) of Group turnover and reported a turnover decline of -11.0% (excluding the Store Closures) in local currency.

The comparatively weaker performance in Benelux was primarily due to its much weaker wholesale business performance.

The Asia Pacific region reported a -6.7% turnover (excluding the Store Closures) decline in local currency to HK$5,079 million (2012: HK$5,423 million). China was the biggest market in the region in terms of turnover and the third largest market of the Group. In FY12/13, turnover from China represented 9.3% of Group turnover (2012: 8.6%) and recorded a turnover decline of -8.0% in local currency. Much effort has been put into growing the retail business in China, resulting in a +2.0% growth in turnover in local currency. Unfortunately, the positive growth in the China retail business was dragged down by a -22.9% decline in wholesale turnover in local currency, mainly due to a -19.1% loss of controlled wholesale space.

Regarding North America, following the closure of the retail operation in the second half of last financial year, its wholesale operation also ceased to operate. As a result of the Divestment of NA, turnover declined substantially to HK$201 million (2012: HK$928 million), the majority of which was third-party licensing royalties amounting to HK$143 million (2012: HK$175 million).

Profitability Analysis

FY12/13 was an extraordinarily challenging year for the Group. On the one hand, overall business performance was dragged by the Group's negative top line development (as seen before). On the other hand, the bottom line results were impacted by the following items:

i) The Divestment of NA effective April 2012;

ii) Store Closures announced in prior years;

iii) Non-recurring provisions and impairments amounting to HK$2,722 million as highlighted in the profit warning announcement in May 2013 (the "Non-recurring Provisions and Impairments") majority of which are non-cash items including:

    a) HK$1,996 million non-cash impairment of goodwill arising from the acquisition of the remaining interests of associated companies in China.

    b) HK$274 million provision and impairment for 16 additional store closures, including HK$78 million impairment of fixed assets. In FY12/13, these stores had turnover of HK$295 million.

    c) HK$224 million provision and impairment for onerous contracts for 43 store leases, including HK$24 million impairment of fixed assets. In FY12/13, these stores had turnover of HK$477 million.

    d) HK$228 million additional provision for inventory arising from a change in the estimation methodology to reflect more appropriately the net realisable value of aged inventory.

iv) Higher than expected levels of impairment of fixed assets for loss-making stores (HK$244 million), provision for doubtful debts (HK$312 million) and provisions for aged inventory (HK$299 million) primarily caused by the negative top line development (the "Special Items"). These items amounted to HK$855 million (2012: HK$322 million) and increased year-on-year by HK$533 million.

In view of the aforementioned, an adjusted consolidated income statement excluding these impacts is shown below for the purpose of comparing the underlying operations.

Adjusted Consolidated Income Statement

(excluding the Divestment of NA, the Store Closures, the Special Items, and the Non-Recurring provisions and impairments)

	For the year ended 30 June		Change in %	
	2013	**2012**		
	HK$ million	HK$ million	HK$	LCY
	Adjusted	Adjusted		
Turnover	**25,523**	28,498	-10.4%	-7.7%
Cost of goods sold	**(12,874)**	(14,007)	-8.1%	-5.6%
Gross profit	**12,649**	14,491	-12.7%	-9.8%
Gross profit margin	***49.6%***	*50.9%*	*-1.3%pts*	*-1.1%pts*
Staff costs	**4,140**	4,395	-5.8%	-3.4%
Occupancy costs	**3,579**	3,562	0.5%	2.7%
Logistic costs	**1,453**	1,432	1.4%	5.1%
Advertising & marketing expenses	**1,020**	1,526	-33.1%	-30.7%
Depreciation	**866**	683	26.7%	30.2%
Other operating costs	**2,125**	1,972	7.7%	10.1%
Operating expenses	**13,183**	13,570	-2.9%	-0.3%
EBIT (loss)/profit	**(534)**	921	-157.9%	-149.4%

Gross profit amounted to HK$12,837 million (2012: HK$15,206 million) with a gross profit margin of 49.6% over net sales (2012: 50.4%). Adjusted gross profit was HK$12,649 million (2012: HK$14,491 million) with an adjusted gross profit margin of 49.6% (2012: 50.9%). The year-on-year decrease in adjusted gross profit was mainly due to the decrease in the Group's total turnover and the higher levels of discounts and returns in the wholesale business.

Operating expenses ("OPEX") amounted to HK$17,007 million (2012: HK$14,035 million). Adjusted OPEX was HK$13,183 million (2012: HK$13,570 million) which represented a -0.3% decline in local currency.

The Group has launched a cost reduction program during the financial year, with the aim to bring the Group back to profitability even in a declining turnover environment. We are beginning to see some immediate effect from this program especially on the more controllable operating cost items such as adjusted advertising and marketing expenses and adjusted staff costs, which were reduced by -30.7% and -3.4% year-on-year respectively in local currency.

Since the cost reduction program only commenced in the middle of the financial year, when still certain costs were fully committed, its impact should be more apparent in the next financial year.

The Group recorded an **EBIT loss** of HK$4,170 million (2012: EBIT of HK$1,171 million). Excluding the Divestment of NA; the Store Closures; the Non-recurring Provisions and Impairments; and the Special Items, operating loss would have been HK$534 million (2012: operating profit of HK$921 million) as a result of the decline in Group turnover and gross profit margin.

Loss before taxation amounted to HK$4,149 million (2012: profit before taxation of HK$1,162 million). Together with **taxation** of HK$239 million (2012: HK$289 million), **net loss** for the financial year was HK$4,388 million (2012: net profit of HK$873 million).

Liquidity and Financial Resources Analysis

	For the year ended 30 June	
HK$ million	**2013**	**2012**
Cash, bank balances and deposits as at beginning of year	3,171	4,794
Cash (used in) / generated from operations	(417)	583
Tax (paid) / refund received, net	(340)	147
Net cash (used in) / generated from operating activities	(757)	730
Net cash generated from / (used in) investing and financing activities	2,720	(2,150)
Effect of change in exchange rates	37	(203)
Cash, bank balances and deposits as at end of year	**5,171**	**3,171**
Less:		
Bank loans	520	1,682
Net cash balance	**4,651**	**1,489**

As at 30 June 2013, the Group had **cash, bank balances and deposits** (“**gross cash**”) of HK$5,171 million (30 June 2012: HK$3,171 million) and **net cash** position of HK$4,651 million (30 June 2012: HK$1,489 million).

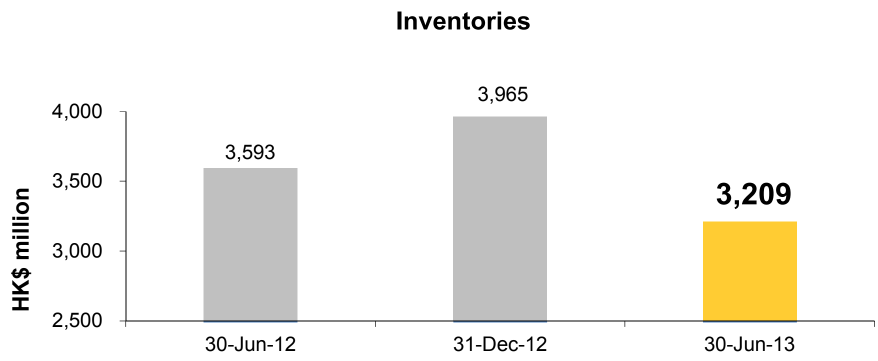
With regard to the analysis of the net cash utilization (excluding rights issue), this is set out in the table below. The amount of cash utilized in the Second Half was significantly reduced to -HK$42 million, net of payment of the FY11/12 final dividend of HK$281 million, as compared to -HK$1,552 million in the First Half. This positive development was mainly attributable to our efforts to significantly reduce operating costs, invest CAPEX very selectively and reduce inventory and trade debtors, all of which enabled the Group to generate cash inflow from operations of HK$674 million in the Second Half (First Half: cash outflow from operations of HK$1,091 million).

HK$ million	1H FY12/13	2H FY12/13	FY12/13
Cash (used in) / generated from operations	(1,091)	674	(417)
Tax paid, net	(51)	(289)	(340)
Net cash used in investing and financing activities*	(410)	(708)	(1,118)
Net cash utilization	(1,552)	(323)	(1,875)
Less: Dividend paid	-	(281)	(281)
Net cash utilization (excluding dividend paid)	**(1,552)**	**(42)**	**(1,594)**

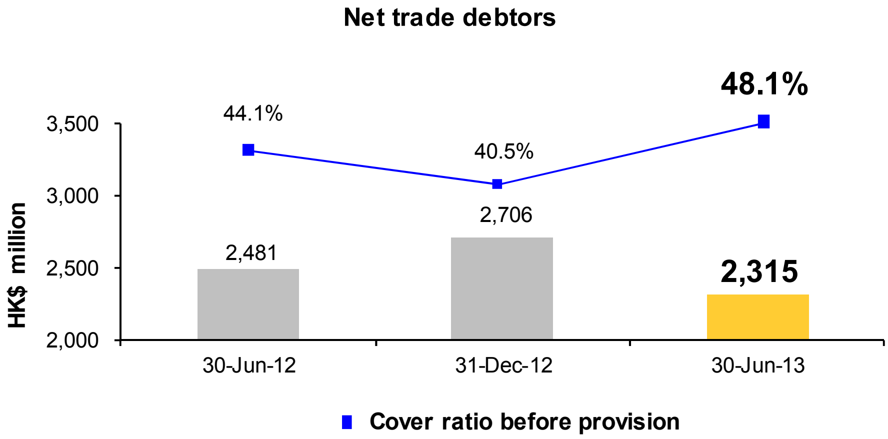
* Excludes net proceeds from rights issue and bank loans

Inventories decreased by HK$384 million or -10.7% to HK$3,209 million when compared with 30 June 2012 of HK$3,593 million. Inventory turnover days remained at 100 days (30 June 2012: 100 days).

Several measures have been put in place to reduce and normalize inventory levels, including adjusting buying quantities, clearance promotions and markdowns, a net opening of 12 discount outlets during the financial year and utilizing jobbers to clear aged inventory. The decrease in inventories is also attributable to i) the HK$228 million in additional provisions arising from a change in the estimation methodology to reflect the net realizable value of aged inventories as mentioned in the earlier section more appropriately; and ii) 1.2% depreciation of the EUR/HKD closing rate to 10.134 as at 30 June 2013 (31 December 2012: 10.254).



Net trade debtors decreased to HK$2,315 million (31 December 2012: HK$2,706 million; 30 June 2012: HK$2,481 million), mainly due to the lower wholesale turnover in 4Q FY12/13 as compared to 2Q FY12/13 and the provision for doubtful debts (2013: HK$312 million; 2012: HK$186 million). The higher than expected provision for doubtful debts is mainly due to late payments by wholesale customers. The amount of net trade debtors aged over 90 days amounted to HK$302 million (31 December 2012: HK$334 million; 30 June 2012: HK$323 million). The cover ratio before the provision (the amount of insured and secured gross trade debtors including VAT over total gross trade debtors including VAT) improved to 48.1% (31 December 2012: 40.5%; 30 June 2012: 44.1%).



Capital expenditure was significantly reduced to HK$919 million (2012: HK$1,420 million) with the largest decline noted in the CAPEX for opening and rebuilding retail stores, which is in line with the Group's strategic priorities to focus on driving improvement in product performance before pushing store upgrades and accelerating expansion. Among the capital expenditure of retail stores, HK$228 million (2012: HK$454 million) and HK$329 million (2012: HK$380 million) were invested in the openings of 107 new stores and refurbished approximately 43,000 m^2 stores respectively.

	For the year ended 30 June	
HK$ million	**2013**	2012
Retail stores	**557**	834
IT projects	**203**	269
Office & others	**159**	317
Purchase of property, plant and equipment	**919**	1,420

Total interest bearing external borrowings decreased to HK$520 million (30 June 2012: HK$1,682 million). A total of HK$1,040 million long-term bank loans were repaid in the Second Half. All of the Group's bank borrowings are subject to floating interest rates and denominated in Hong Kong dollar. The bank loans are unsecured. None of the Group's assets were pledged as security for overdraft or any short-term revolving facility.

HK$ million	30-Jun-13	30-Jun-12
Unsecured short-term bank loans	-	122
Unsecured long-term bank loans repayable within one year	520	520
	520	642
Unsecured long-term bank loans		
- Repayable between one and two years	-	520
- Repayable between two and five years	-	520
	-	1,040
Total interest bearing external borrowings	**520**	1,682

FOREIGN EXCHANGE RISK MANAGEMENT

The Group uses foreign currency contracts for risk management purposes only, for hedging transactions and for managing the Group's assets and liabilities.

The Group faces foreign exchange risk arising from various currency exposures, primarily with respect to the Euro. As the majority of suppliers in Asia 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 2013, the Group employed over 10,700 full-time equivalent staff (30 June 2012: over 12,400) 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 maintains the dividend payout ratio of 60% of basic earnings per share. As the Group recorded a loss for the year ended 30 June 2013, the Board does not recommend the distribution of a final dividend (FY11/12: HK$0.15 per share) for the year ended 30 June 2013.

FOCUS AND PRIORITIES in FY13/14

Looking ahead, the management team expects the next financial year to be a period of transition where we aim to stabilize our business performance and build the basis for a sustainable turnaround. In the short term, we do not foresee a visible improvement of the top line given the weak macroeconomic environment, our reduced selling space and the fact that most of the structural measures we are putting in place are still work-in-progress. Consequently, management priorities will focus on returning the Group to profitability through cost reduction, inventory normalization and overhauling our operations.

Continued efforts in reducing operational expenses

Reducing the costs of operating our business is a critical goal for Esprit. The continued decline in turnover over the past years requires an adjustment of our expenses in order to recover profitability. Moreover, stabilizing cash consumption is vital to maintain sufficient resources necessary to complete our transformation. To achieve this, we are implementing opportunistic as well as structural measures, including:

i) **Minimizing operational expenses** by continuing to evaluate and address every single line item of the Group's cost structure. Although we are beginning to see some good progress, we believe there is additional room for improvement in many areas and therefore we will continue to seek opportunities to further reduce consumption of resources.

ii) **Enhancing overall efficiencies** by reducing unnecessary complexities and streamlining the Group's processes and organizational structure. These are ambitious measures that will require more time to implement, but once they are completed, we will have a more solid platform for the business.

iii) **Rationalizing our business units and our distribution network** to help us focus the Group's resources on those areas of the business that are both profitable and core to the Group. While this rationalization will reduce the scale of the business (e.g. because of store closures), it is unavoidable in order to ease some of the pressure on our profitability.

We anticipate that the above measures will help generate significant operating leverage when sales recover.

Proactive and preventive actions to normalize inventory

We will continue to implement specific measures to stimulate inventory sales, avoid further increases in inventory levels and clear out aged inventory on a timely basis. In the short term, this involves opportunistically clearing out excessive levels of out-of-season stock. We also aim to establish the infrastructure (i.e. network of outlets) and practices necessary for more efficiently managing of inventories in the near term.

Leveraging our new infrastructure to optimize operations

In FY12/13, the Group completed the two most important infrastructure projects in its recent history: 1) the migration of our IT systems to a new platform and 2) the launch of a highly automated distribution center to manage deliveries to all of our European markets. Both of these are high potential assets that we can leverage to create maximum value by increasing productivity, improving service to customers and enabling higher efficiency across the whole organization.

Restoring sustainable and profitable growth

In parallel with the above short term priorities, we will continue to implement medium-term initiatives to turn around the business and ensure sustainable growth. The key initiatives that we are focusing on include:

i) **Building a "High Performance Product Engine"** that is capable of consistently delivering an outstanding value for money product. Adoption of a more vertically integrated business model will play a key role in this process and will enable us to enhance our speed to market and cost efficiency.

ii) **Enhancing the appeal and productivity of our stores,** firstly by introducing and extending best practices in our store management model and secondly by continuing the development of our new Lighthouse store concept. The new concept has had an increasingly positive impact on business performance since its inception and therefore we believe it has significant high potential going forward. We expect it to become a pillar of our brand enhancement strategy in the near future.

Financial Implication for FY13/14

Taking all factors into consideration, we anticipate a slight decline in the **top line** in FY13/14 mainly due to a further reduction in controlled space in retail, due to store closures, and in wholesale, due to rationalization. Net retail space is expected to decline by a mid to high single digit percentage as a result of the anticipated closures and selective new openings.

Gross profit margin is expected to also decline slightly as a result of our continued investments in improving product quality.

Given our strong commitment to reducing costs, we expect to achieve a decline in the **opex-to-sales ratio** to below 50%.

Whilst we are confident of the strategic direction we are taking to restore the long term sustainable growth and profitability of the Group, the ambitious project ahead of us, combined with the challenging and demanding market environment, may exert uncertainty on our short term performance. As we move along this journey, we will continuously track our progress and performance so as to adapt and make appropriate adjustments in a dynamic manner as and when necessary.

CLOSURE OF REGISTERS OF MEMBERS

The Registers of Members of the Company will be closed from Friday, 29 November 2013 to Tuesday, 3 December 2013 (both dates inclusive) in order to ascertain the rights of the shareholders for the purpose of attending and voting at the forthcoming annual general meeting of the Company. During such period, no transfer of shares of the Company will be effected. In order to be entitled to attend and vote at the forthcoming annual general meeting, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 pm on Thursday, 28 November 2013.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SHARES

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company’s shares during the year.

AUDIT COMMITTEE

As required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), the Company has an Audit Committee comprising four Non-executive Directors, three of whom are independent. 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 2013.

CORPORATE GOVERNANCE

The Company has applied the principles and complied with the Corporate Governance Code and Corporate Governance Report (the “Code”) as set out in Appendix 14 of the Listing Rules throughout the year ended 30 June 2013, except that Non-executive Directors of the Company do not have specific term of appointment (code provision A.4.1 of the Code). Nevertheless, under Bye-law 87 of the Company’s Bye-laws, all Directors, including Non-executive Directors, of the Company are subject to retirement by rotation and re-election in the annual general meeting of the Company and each Director is effectively appointed under an average term of three years.

The majority of the Nomination Committee of the Board was not Independent Non-executive Directors for the period from 1 July 2012 to 25 September 2012 (code provision A.5.1 of the Code). During the said period, the Nomination Committee comprised two Independent Non-executive Directors, one Non-executive Director and one Executive Director and the Chairman of the Committee who was an Independent Non-executive Director had a casting vote in case of an equality of votes. For the period from 26 September 2012 to 5 December 2012, the Nomination Committee comprised a majority of Independent Non-executive Directors. Effective from 6 December 2012, the Nomination Committee comprises Independent Non-executive Directors only.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in Appendix 10 to the Listing Rules.

The Company has made specific enquiry with all Directors and all of them confirmed that they have complied with the required standard set out in the Model Code for the year ended 30 June 2013.

GENERAL INFORMATION

The consolidated financial statements of the Group for the year ended 30 June 2013 have been reviewed by the Audit Committee of the Board.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT ON THE WEBSITE OF HONG KONG EXCHANGES AND CLEARING LIMITED

The annual results announcement is published on HKExnews website (www.hkexnews.hk) and the Company's website (www.espritholdings.com). The annual report will be despatched to the shareholders of the Company and will be available on HKExnews website (www.hkexnews.hk) and the Company's website (www.espritholdings.com) in due course.

BOARD OF DIRECTORS

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

Executive Directors:	Mr Jose Manuel MARTINEZ GUTIERREZ *(Group CEO)* Mr Thomas TANG Wing Yung *(Group CFO)*
Non-executive Director:	Mr Jürgen Alfred Rudolf FRIEDRICH
Independent Non-executive Directors:	Mr Raymond OR Ching Fai *(Chairman)* Mr Paul CHENG Ming Fun *(Deputy Chairman)* Mrs Eva CHENG LI Kam Fun Mr Alexander Reid HAMILTON Mr Carmelo LEE Ka Sze Mr Norbert Adolf PLATT

By Order of the Board
Florence NG Wai Yin
Company Secretary

Hong Kong, 10 September 2013

Forward-Looking Statements

This announcement contains certain forward-looking statements. Such forward-looking statements are subject to various risks and uncertainties, including without limitation, statements relating to our plans to transform the Company's business, make significant investment in our businesses and achieve sustainable profitability in the future, and other risks and factors identified by us from time to time. Although the Group believes that the anticipations, believes, estimates, expectations and/or plan stated in this announcement are true, actual events and/or results could differ materially. It cannot assure you that those current anticipations, believes, estimates, expectations and/or plan will prove to be correct and you are cautioned not to place undue reliance on such statements. The Group undertakes no obligation to publicly update or revise any forward-looking statements contained in this announcement, whether as a result of new information, future events or otherwise, except as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited or any other applicable laws and regulations.