ANNUAL REPORT YEAR ENDED 30 JUNE 2009

HONG KONG STOCK CODE 00330

ESPRIT

01 INTRODUCTION

ESPRIT IS AN **INTERNATIONAL,** YOUTHFUL **LIFESTYLE** BRAND OFFERING SMART, AFFORDABLE LUXURY AND BRINGING **NEWNESS** AND STYLE TO LIFE.

01.1 CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Heinz Jürgen **KROGNER-KORNALIK**
 Chairman & Group CEO
Ronald **VAN DER VIS**
 Group CEO-Designate
CHEW Fook Aun
 Group CFO

NON-EXECUTIVE DIRECTOR

Jürgen Alfred Rudolf **FRIEDRICH**

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

CORPORATE OFFICERS

Heinz Jürgen **KROGNER-KORNALIK**
 Group CEO
Ronald **VAN DER VIS**
 Group CEO-Designate
CHEW Fook Aun
 Group CFO

COMPANY SECRETARY

Bella **CHHOA** Peck Lim

PRINCIPAL BANKERS

Deutsche Bank AG
The Hongkong and Shanghai Banking Corporation Limited
Citibank N.A.
DBS Bank Limited
Dresdner Bank

AUDITORS

PricewaterhouseCoopers
 Certified Public Accountants

PRINCIPAL LEGAL ADVISORS

Baker & Mckenzie

STOCK CODE

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

PRINCIPAL SHARE REGISTRAR

Butterfield Fund Services (Bermuda) Limited
11 Rosebank Centre
Bermudiana Road
Pembroke
Bermuda

HONG KONG BRANCH SHARE REGISTRAR

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

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM 11
Bermuda

HONG KONG HEAD OFFICE

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Kowloon, Hong Kong
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f +852 2362 5576

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f +49 2102 12315-100

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INVESTOR RELATIONS DEPARTMENT

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WEBSITE

www.espritholdings.com

01.2 CORPORATE PROFILE

Esprit is an international youthful lifestyle brand offering smart and affordable luxury and bringing newness and style to the life of our customers. The Group operates with 12 established product lines offering women's wear, men's wear, kid's wear, edc youth as well as shoes and accessories in over 800 directly managed retail stores and over 14,000 controlled-space wholesale point-of-sales internationally. Esprit licenses its trademark to third party licensees that offer non-apparel products that abide by Esprit's quality standards and brand essence.

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

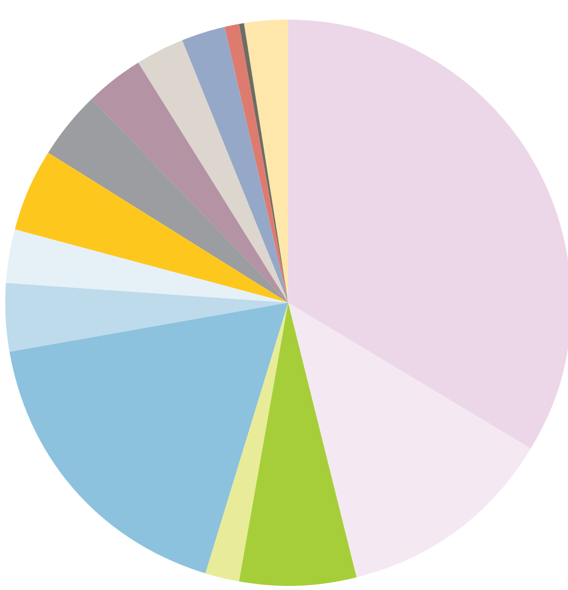

ESPRIT

01.3 FINANCIAL HIGHLIGHTS

- The Group's **turnover** was HK$34.5 billion (2008: HK$37.2 billion).
- **Operating profit** of the Group was HK$5,729 million (2008: HK$7,721 million) reflecting an operating profit margin of 16.6% (2008: 20.7%).
- The **profit contribution from our China associated companies** increased to HK$161 million (2008: HK$145 million) benefiting from the relatively resilient consumer demand in mainland China.
- The Group's **profit before taxation** was HK$5,977 million (2008: HK$8,056 million).
- The **effective tax rate** of the Group was 20.6% (2008: 19.9%).
- **Net profit** of the Group was HK$4,745 million (2008: HK$6,450 million) and the Group's **net profit margin** was 13.8% (2008: 17.3%).
- The Group's **net cash position** was HK$4.8 billion (2008: HK$6.5 billion).
- The Board of Directors have proposed a **final dividend** of HK$0.72 (2008: HK$1.15) per share and a **special dividend** of HK$1.33 (2008: HK$2.10) per share, together with interim dividends paid, amounting to 75% of basic EPS for the year.

	For the year ended 30 June			
	2009		2008	
Turnover		**HK$34,485m**		HK$37,227m
Operating Profit		**HK$5,729m**		HK$7,721m
Net Profit		**HK$4,745m**		HK$6,450m
EPS (Basic)		**HK$3.81**		HK$5.21
GP Margin		**52.1%**		53.6%
Operating Profit Margin		**16.6%**		20.7%
Net Profit Margin		**13.8%**		17.3%
	HK$	**% of EPS**	HK$	% of EPS
Dividend Per Share				
- Regular Interim Paid	**0.80**	**21%**	0.95	18%
- Proposed Regular Final	**0.72**	**19%**	1.15	22%
	1.52	**40%**	2.10	40%
- Proposed Special	**1.33**	**35%**	2.10	40%
Total	**2.85**	**75%**	4.20	80%

TURNOVER BY PRODUCTS



casual

women casual
11,651, 33.8%, -2.4%

men casual
4,297, 12.4%, 1.5%

collection

women collection
2,268, 6.6%, 3.8%

men collection
759, 2.2%, 0.1%

edc

edc women
6,046, 17.5%, -5.8%

edc men
1,290, 3.7%, 13.5%

edc others^
1,016, 3.0%, 10.9%

others

accessories
1,673, 4.9%, 2.2%

shoes
1,322, 3.8%, -12.8%

kids
1,169, 3.4%, -8.8%

bodywear
950, 2.8%, 2.0%

sports
836, 2.4%, -11.0%

de.corp
311, 0.9%, 385.1%

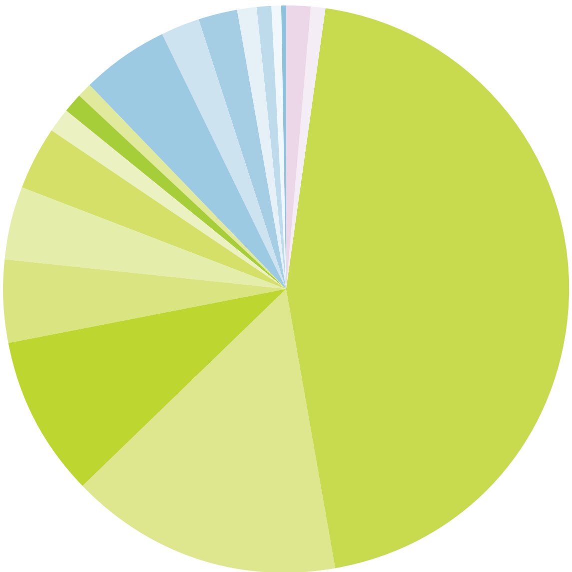
red earth
25, 0.1%, -47.8%

others*
872, 2.5%, -12.7%

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

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

TURNOVER BY COUNTRIES#



Europe

Germany* ##
15,502, 45.0%, -4.0%

Benelux*
5,301, 15.4%, -1.8%

France*
3,148, 9.1%, 3.0%

Scandinavia
1,605, 4.7%, 1.7%

Austria
1,506, 4.4%, -1.7%

Switzerland
1,254, 3.6%, 11.0%

U.K. and Ireland
464, 1.3%, -0.3%

Italy
361, 1.0%, -11.4%

Spain and Portugal
278, 0.8%, 2.7%

Asia Pacific

Macau###
1,724, 5.0%, 26.7%

Australia and New Zealand*
821, 2.4%, 15.1%

Hong Kong**
781, 2.2%, -6.6%

Singapore
399, 1.1%, 4.2%

Taiwan
266, 0.8%, -5.3%

Malaysia
210, 0.6%, 11.2%

Others^
20, 0.1%, 2.8%

North America and others

Canada
488, 1.5%, 8.4%

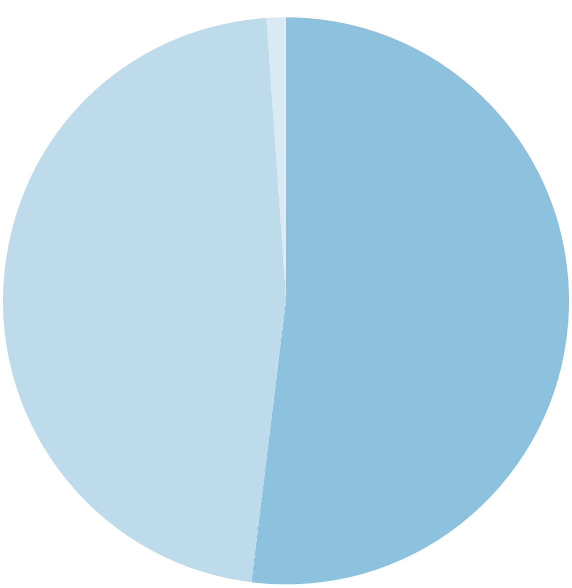
United States*
346, 1.0%, 7.0%

Others^^
11, 0.0%, -9.0%

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

Country as a whole includes retail stores, outlet stores, edc standalone stores and e-shop
Germany sales includes wholesale sales to other European countries mainly Russia, Poland, Greece, and Croatia
Macau sales includes wholesale sales to other countries mainly China, Middle East, Thailand, and India
* Includes licensing
** Includes licensing and salon
^ Represents licensing income from licensees in Japan
^^ Represents licensing income from licensees in Chile and Columbia

TURNOVER BY KEY DISTRIBUTION CHANNELS



Wholesale
17,906, 51.9%, -8.0%

Retail
16,351, 47.4%, 10.0%

Licensing and others
228, 0.7%, 1.1%

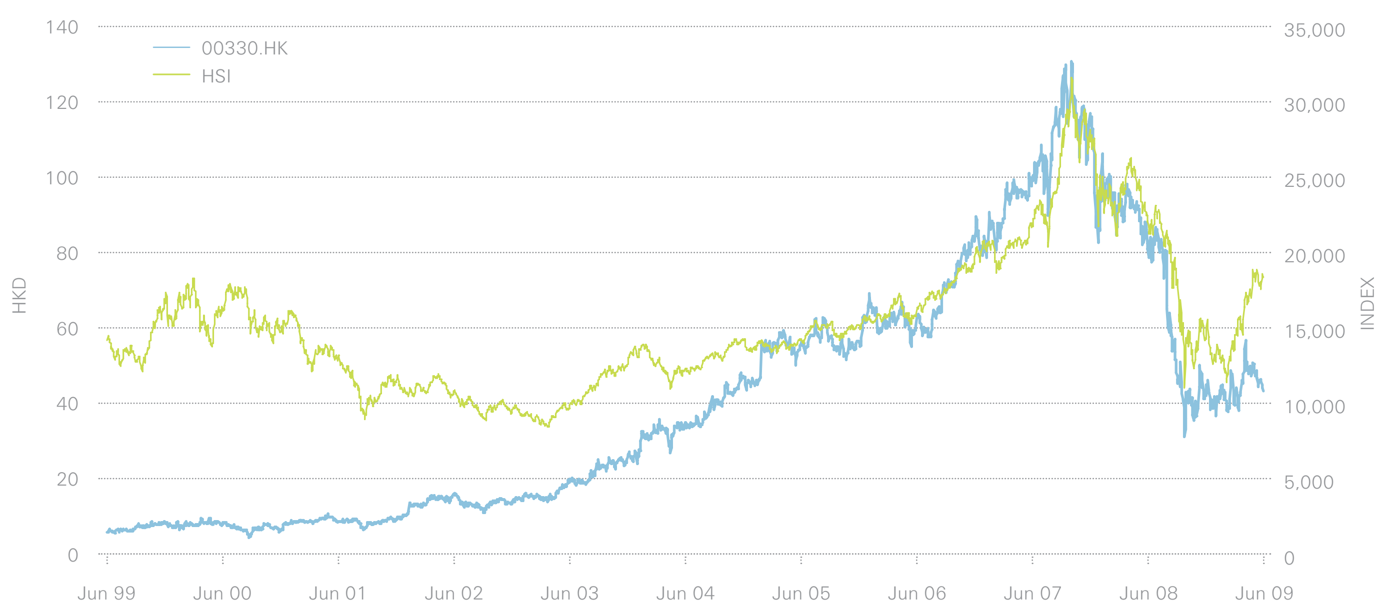
HK$ million, % to Group turnover, % local currency growth


ESPRIT

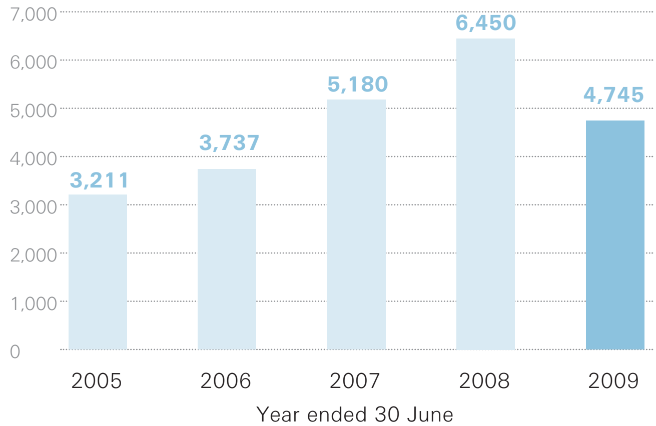
01.3 FINANCIAL HIGHLIGHTS (continued)

ESPRIT 10-YEAR SHARE PRICE PERFORMANCE

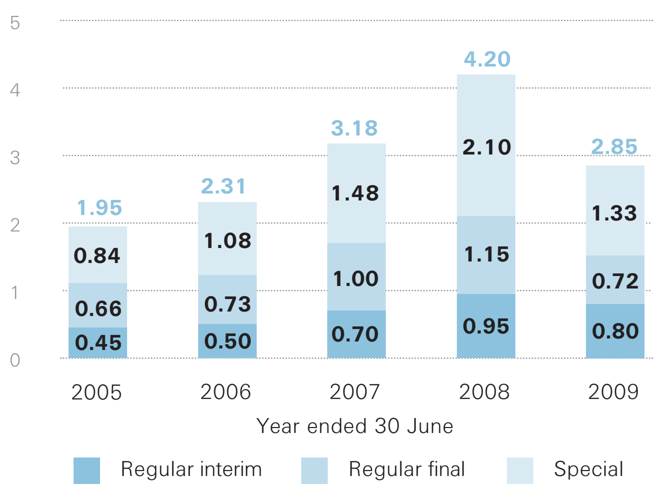
BENCHMARK WITH HSI



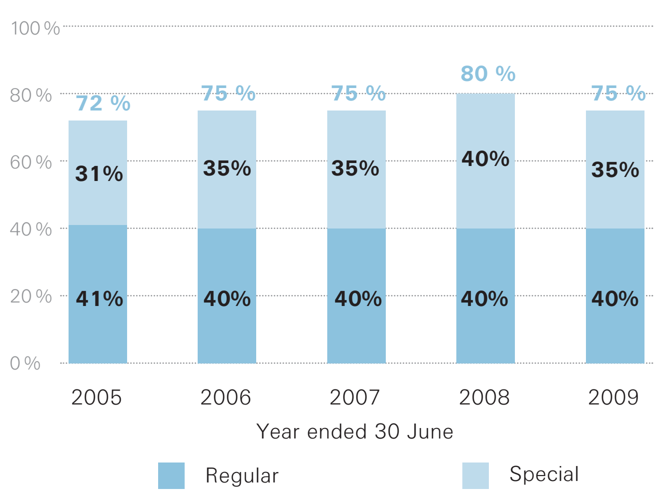
PROFIT ATTRIBUTABLE TO SHAREHOLDERS (HK$ MILLION)

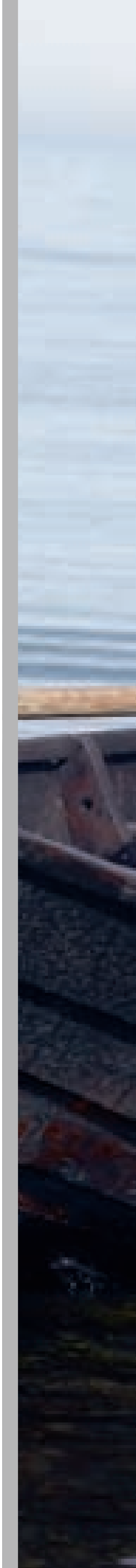


DIVIDEND PAYMENT HISTORY (HK$ PER SHARE)



DIVIDEND PAYOUT RATIO (% of BASIC EPS)





01.4 LETTER TO SHAREHOLDERS

HEINZ KROGNER // CHAIRMAN & GROUP CEO

"I HAVE ALWAYS BELIEVED IN THE STRENGTH OF ESPRIT."

Dear Shareholders,

I have always believed in the strength of Esprit. Despite a very challenging year, we have achieved a net profit of HK$4,745 million and the Board has decided to recommend the payment of a final dividend of HK$0.72 per share and a special dividend of HK$1.33 per share, together with interim dividends paid, representing a 75% total dividend payout ratio for the year. This year, the robustness of our Company was put to the ultimate stress test. On many fronts, I am proud to see that the evidence of the resilience of our business model is abundant and I am convinced that Esprit will emerge as a bigger and stronger company.

As I always say, the strength of our business model comes from the multi-distribution network, where the wholesale and retail businesses complement one another. Although the wholesale business is presently facing strong headwinds, we are able to maintain our turnover base as the retail business has delivered comparatively better performance. Within the wholesale channel, we have started a few years ago to place more emphasis on the franchise store concept whilst keeping all three channels of wholesale distribution. We are happy to see that this strategy is already bearing fruit and this year, the performance of franchise stores has helped offset the decline in turnover of the department stores and multi-label retailers.

Nevertheless, I see difficult times as a wake-up call and I have taken this opportunity to strengthen and consolidate the operating platform, all in preparation for future growth as the global economy recovers.

We have, in the past, expanded globally using a diffused strategy. However, to continue expanding our global footprint, we have presently decided not to open in new markets/countries but to focus our resources on a select few markets, such as core markets where we can increase market share and loss making countries where we can maximise and strengthen our retail store portfolio. For instance, in France, one of our core markets, our market share is still less than 1%. At the same time, we are diverting resources that would have been spent on entering new markets to focus on turning around selected existing underperforming markets, including Australia, Canada and the United Kingdom. In the United States in particular, we will adopt a multi-pronged strategy, which includes penetrating into outlet malls, partnering with department stores, building the ecommerce channel and very selectively expanding the retail store network in selected cities on the east and west coasts. We will continue to build the brand's relevance and visibility, thereby increasing customer awareness, of our brand through opening stores in prominent shopping locations in these markets.

A comprehensive review of our product divisions has been done and we have noticed that overtime, the 12 product divisions have blended somewhat and became less differentiated. We are working on differentiating the divisions so that they are targeted at each distinct customer group thereby fully maximising our market potential.

Certain inefficiencies and discretionary spending habits have proliferated in the organisation during the period of growth. During this period of consolidation, we need to become stronger and leaner. We have implemented cost savings initiatives and asked every department to trim costs. We have launched a worldwide revamp of our IT systems, which will optimise and unify workflows within and enhance communication between different departments around the world. Years of experience, knowledge and know-how will be captured within the system and the automated systems will raise efficiency significantly.

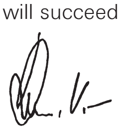
To fuel customer demand, we must deliver quality products that are desired by customers and to this end, collectively as an organisation we will need to think with a retail mind. Delivering the right products at the perfect price – the perfect "price-value correlation" – to our customers is and will always be the top priority of this organisation. Regardless of the wholesale or retail channel, the whole organisation must operate with a retail-minded vision that is focused on satisfying customers' needs. I cannot stress enough the importance of having Ronald Van der Vis as the new CEO to lead the Company on this journey of becoming a more consumer driven company. Having vast retail experience under his belt, he will be able to lead the Company to ensure our customer needs are put in the forefront of everything we do.

Quality products must be accompanied by a strong brand in order to drive consumer demand. For the past 40 years, we have quietly built up our brand to becoming the fourth most valuable apparel brand worldwide, based on a recent study conducted by the consulting group Millward Brown Optimor. My goal is to ensure that the brand is being continuously upheld and improved so I have appointed a Global Marketing Director to ensure we keep charging forward. Subsequent to the year end, to allow management more time to focus on enhancing the Esprit brand, the Company divested the non-core red earth brand related operations.

One of my goals in the past few years is to put in place a succession plan. This year, I am happy to report that the new management team is in place with many top talents who have impressive track records joining the Esprit family. This team will take Esprit onto the next phase of growth. I am already excited with some of the new visions they have brought to me since coming on board.

As the Chairman of the Board, I am delighted to welcome several valuable additions to the Board. Ronald Van der Vis and Chew Fook Aun have joined the Board as Executive Directors and CEO and CFO, respectively. Francesco Trapani, who joined as an Independent Non-Executive Director, brings a wealth of expertise and knowledge from his role as the CEO of Bulgari for more than 20 years. Independent Directors now represent over 50% of the Board. I would also like to thank John Poon, Jerome Griffith and Thomas Grote who left the Board during the year for their contributions to this Company over the years. With the separation of the roles of the Chairman and the CEO as Ronald takes over the role of CEO of the Company in November 2009, this will be yet another step to strengthening corporate governance within the Company.

After a period of uncertainty, there is now clarity. Performance is the only way to measure this and it is my intention that we will succeed!



Heinz Krogner // Chairman and Group CEO
26 August 2009

01.5 INTERVIEW WITH GROUP CEO-DESIGNATE

"ESPRIT STILL HAS POTENTIAL IN GLOBAL BRAND."

WHAT IS YOUR IMPRESSION OF ESPRIT AFTER YOUR FIRST 60 DAYS?

Over the past 60 days, I have travelled around the world to visit our stores and meet many of our employees and customers to familiarise myself with the Esprit organisation, its people, our customers and products.

My first impression of Esprit is the robustness of the business model, which not only enables it to overcome this financial crisis in good shape, but also to act as a solid foundation for our continuous growth. I am convinced that Esprit still has tremendous growth potential and there are certain areas which can be improved further to ensure the smooth execution of our strategies in driving such growth. I am impressed by the quality, commitment and passion of the many employees who I have met so far. They are all working towards our common goal of building and growing the brand and making Esprit a truly global company.

There are several other factors which were fundamental to the success of Esprit so far and which will continue to be the key drivers of our strategy going forward.

Brand

The brand positioning of Esprit was never based on merely following fashion trends, but rather to differentiate by offering smart, affordable luxury based on quality and newness. This clear focus enables the design teams to concentrate on creating new, value added quality products for our target groups twelve times a year.

The brand is undoubtedly the Company's greatest asset. With Esprit's powerful brand and our customer loyalty to the brand, I am excited about the potential that the team can capture. Even in Europe, I see significant growth potential as the markets are still quite fragmented. There is an even greater opportunity in transferring the brand strengths and operational best practices to other regions around the world We already have a growing business in Asia Pacific. I am especially impressed with our business in China, one of the fastest growing economies in the world. We need to keep up the momentum in these markets to ensure that we attain the same level of brand relevance as in Europe. At the same time, the United States was once our largest market, so we have a lot to gain by regaining that position.

Product

I am convinced that ultimately every brand is as good as its products. That's why Esprit always puts 'quality first'. This is not only a phrase, but it is part of the Company's DNA. This consistent focus on quality is extended throughout our business processes: from design, fabric selection, fit, manufacturing, quality control to recognising different colour and style preferences and size requirements for customers all over the world. We do not take any such details lightly. The Company has demonstrated an impressive strength in this aspect as all divisions basically develop twelve collections per year. Our multi-channel distribution strategy based on wholesale and own retail stores, provides our designers with the right market and customer feedback which is needed to deliver constant freshness in the product offerings to our customers.

Multi-Distribution Channel

I think what sets Esprit apart from our peers is our established multi-channel distribution. Wholesale and retail are working very well as complementary channels. The wholesale business is asset light and in collaboration with our wholesale partners, we get to build our brand and our local network faster. I am sure the decision to move towards authorised dealerships and franchise stores is right and consistent with our observation some years ago of evolving consumer buying behaviour, where multi-label and department stores are becoming less preferred as a shopping destination.

TREMENDOUS GROWTH BECOMING A TRULY

RONALD VAN DER VIS //
EXECUTIVE DIRECTOR & GROUP CEO-DESIGNATE

short biography on page 115
(directors and senior management profile)

Structure and Culture
In a large organisation such as Esprit, it is not uncommon for bureaucracy to replace entrepreneurship. From the early days, the success of Esprit has always been the entrepreneurship of its people. This made Esprit stand-out, drove innovation and boosted the growth of the Company. I am pleased to see that Esprit has succeeded in treasuring this entrepreneurial spirit within the Company whilst developing into a global player. There are clearly defined roles and responsibilities. All product divisions are managed on a stand-alone basis with their own profit responsibilities. This creates the right level of competition, ownership and accountability.

AFTER HAVING OBSERVED THE OPERATIONS OF ESPRIT, WHAT ARE YOUR PRIORITIES?

In short, it is my ambition to continue the fast growth track from the past by capitalising on Esprit's full international potential and by always having our customers in mind. I want the whole Company to be customer-obsessed.

In the end, it is all about customer centricity, offering the right quality products to our customers and having excellence in operations in our business processes. Even more so in challenging economic times.

Until November, Heinz and I will work closely together in order to ensure a smooth transition. I am thrilled to succeed Heinz Krogner as Esprit's next Group CEO. We will build Esprit's next era on the Company's successful business principles and the very solid foundation laid under his leadership.

01.6 INTERVIEW WITH GROUP CFO

"I FIRMLY BELIEVE ESPRIT STILL HAS PLENTY OF POTENTIAL TO EXCEL AND GROW!"

CHEW FOOK AUN //
EXECUTIVE DIRECTOR & GROUP CFO

short biography on page 115
(directors and senior management profile)

WHAT ARE YOUR COMMENTS ON THE FY 08I09 RESULTS?

We ended the year earning a net profit margin of 13.8% whilst generating a relatively stable turnover for the Group in local currency terms. Although net profit is reduced this year, this is achieved against a very difficult operating environment. The fluctuations in EUR have set us back in terms of achieving growth in turnover in our reporting currency but I believe the strength of our performance is more accurately reflected in local currency terms. Retail is the main contributor to the overall turnover growth, thanks to the loyal and resilient customer base and the consistent quality of our products. The main weakness in turnover is due to the wholesale channel, as the operating environment for our wholesale customers has deteriorated.

The past financial year has been a challenging year, particularly so for our wholesale customers. The wholesale situation has declined rapidly. Contributory factors include cautious buying behaviour by wholesale customers, reduction of our wholesale customers' credit insurance limits by credit insurers, reduced franchise store openings as some potential franchisees are unable to secure bank financing and ultimately several of our department store customers filing for bankruptcy protection, all of which contributed to the decline. We continue to monitor the situation closely and provide the necessary support to our customers during this difficult time. It is likely that in the short run, the department store industry will undergo a period of consolidation and restructuring. Against such a backdrop, my primary goal is risk management. Since I have joined, we have seen adjusted customers' credit limit due to reduced insured balances, deliveries to financially stressed customers on a cash-on-delivery basis, pushed for speedy subsequent settlements to reduce the exposure on receivables and worked with operational colleagues to control inventory levels. I am glad to report that the receivable balances over 90 days past due and inventory balances have been reduced, as compared to 31 December 2008, by 25% and 7%, respectively.

In terms of EBIT margin, the full cost impact from more store openings in the first six months of FY 08|09 was felt in the second half of FY 08|09, thus leading to a reduction in retail EBIT margins. New stores are taking longer than expected to become profitable due to dampened consumer spending. We have also launched a cost-cutting programme in all departments in the Company to protect margins.

WHAT DO YOU CONSIDER AS THE STRENGTHS OF ESPRIT FROM A FINANCIAL PERSPECTIVE AND WHAT ARE SOME OF THE CHANGES YOU WOULD LIKE TO SEE?

It is a widely known fact that Esprit has a strong balance sheet with a net cash balance and runs a highly cash generative business, which allows us to provide good returns to shareholders year after year. Our ROE of 31% stands among the highest of our peers.

Of course, there is always room for improvements. A successful listed company must enhance transparency in its reporting to its stakeholders. Hence, since my joining, I have put forth several initiatives to enhance the disclosure of the Company's operations. For example, we have voluntarily initiated quarterly sales update for the nine months up to 31 March 2009 to keep investors appraised of the latest sales trends of the Group. We will continue with such quarterly disclosure going forward. You will also notice in this annual report that we have enhanced the disclosure aspect by supplementing our analysis with more operational data points as well as a glossary of terms to help shareholders and investors understand our business better. In addition, I have made a point to meet as many analysts and investors as I can through investor relations meetings and at investor conferences. Internally, enhancements were also made to the management reports aiming to give management meaningful data on a timely basis to make operational decisions. Needless to say, not only do these initiatives give our stakeholders first-hand views of the Company's operations thus making well-informed decisions, but it also fosters a system of checks and balances for management to have timely responses and performance feedback.

WHAT DO YOU SEE AS PROSPECTS OF THE COMPANY?

Although it is hard to predict when the global economy will recover, one thing is for certain – when the market recovers, we will come out of the recession stronger and better – with increased brand presence in more countries, improved profitability and an enhanced store portfolio capable of capturing increased market share and achieving sustainable long term growth.

Looking into the near future, the expansion plan for FY 09|10 will consist of approximately 130-140 franchise store openings and approximately 60-80 retail store openings. In this regard, part of the CAPEX budget will be dedicated to opening stores in successful core markets and the remainder, which typically had been earmarked for new market entry, will be diverted to expanding brand presence in selected underperforming markets. With this targeted expansion plan, we hope to ride on the growth momentum in core European markets, to strengthen the profitability of Asia Pacific and to continue to develop the North American region.

It is definitely exciting for me to be part of the management team in this Company which I firmly believe still has plenty of potential to excel and grow! I am particularly glad to be part of a team of talented individuals with great vision and ability to execute strategies for the future success of this Company. Under the leadership of Heinz, Ronald and the Board and by working closely with fellow colleagues at Esprit, I look forward to reporting on future successes to all shareholders!


ESPIRIT

02
WHAT MAKES US DIFFERENT


ESPRIT

02.1 ESPRIT – THE FUTURE

Back to the future ...
The road to success has been a great experience for Esprit. Even though we are facing some headwinds today, Esprit is a strong, youthful lifestyle brand and we have spotted many opportunities which we can explore. With the new management team on board and with an excellent employee base, highly motivated and skilled professionals, we are preparing for future growth. Last year we celebrated our 40th anniversary with our customers. Today we look ahead into the future and the chances it offers.

Innovation and entrepreneurship have always been our key strengths, and we simply embrace change as the major driver for success. It is part of our corporate DNA and as such we are convinced that the future is ours and that of our customers'. The world is our culture!

02.2 ESPRIT – THE BRAND

We improve your quality of life…
As the first truly global lifestyle brand, Esprit has grown its business by providing different lifestyle collections which are sold in a modern shopping environment and on the web.

Esprit is about real people enjoying life and within that context we believe in developing people and the quality of life for everybody.

Esprit is striving for growth by continuously capturing new customers and sustaining the base of customers who want to join our community.

We will further emphasise the brand essence, which is all about team spirit, quality and lifestyle.

We offer a total lifestyle solution…
We will continue to offer a wide range of apparel collections, targeting the modern and trendy affluent families - women, men and children – with great up-to-date outfits and essential key styles for every wardrobe and occasion. Our Esprit casual division provides comfortable and practical casual outfits for every day of the week while Esprit collection provides smart dressed up solutions both for work and after work. Other key product divisions which we intend to strengthen includes edc which offers trendy fashion for the younger customer segment.

Additionally we also intend to strengthen product ranges in key markets such as bodywear, accessories, sportswear and shoes.

We will also expand our licensing business further with new complementary product offerings to finish off the total personal look and add value to customers' lifestyle. Cosmetics, home furnishing, flooring, eyewear and kids are just some of the categories which we are targeting to expand.

We are developing a new brand communication strategy in order to further strengthen the brand positioning in different product divisions and we will seek for strategic alliances with global partners in case this can benefit our positioning message and overall business performance.

CONNECT TO STYLE // IMPROVE YOUR QUALITY OF LIFE WITH ESPRIT // **FRIENDS FOR LIFE** // SHARE AND CARE

02.3 ESPRIT – THE PRODUCT

QUALITY FIRST, IT'S OUR PROMISE

Our dedication to delivering high quality products is unquestionable – Quality is our culture. At a bare minimum, all of our products must meet basic safety requirements and international standards. Also, it is our philosophy to operate in a preventative manner instead of curative. Thus, we maintain a constant dialogue with suppliers right from the start to monitor how the raw materials are grown and develop quality-enhancing processes. We keep our suppliers updated on the latest developments on restrictions and laws by issuing a quality specific newsletter, "Sparkles". A number of quality and safety tests are conducted within our in-house laboratory or Esprit-nominated laboratories on our products to ensure standards are met.

HIGH FABRIC QUALITY STANDARDS

DEDICATED ESPRIT QUALITY AND SAFETY TEST LABORATORIES

STRINGENT PRODUCT SAFETY STANDARDS

STRICT ADHERENCE TO INTERNATIONAL REGULATIONS

ADDITIONAL STITCHING FOR DURABILITY

NO USE OF REAL FUR

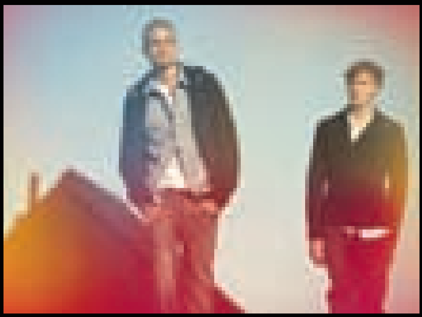
OFFERS MORE SIZES AIMED AT GIVING THE PERFECT FIT

COLOURS AND FIT MATCHING REGIONAL CUSTOMERS' PREFERENCES


ESPRIT


ESPRIT


edc
by esprit

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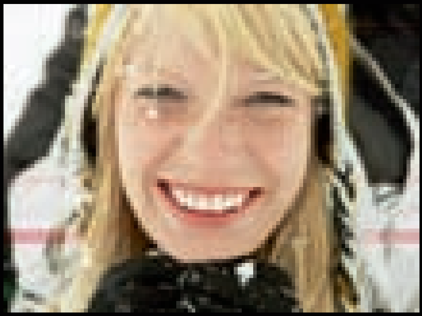
ESPRIT
collection


ESPRIT SPORTS




ESPRIT

02.4 ESPRIT – THE DIVISIONS

With over 174,000,000 pieces of Esprit merchandises sold to customers worldwide in FY 08|09 alone, we ought to have a well-defined product development structure. It is for this reason that not only do we have 12 product divisions, each with a dedicated team to cater to the respective unique customer group, but we have also created up to 12 seasons for each of the divisions so that we only deliver the most desired products.

Esprit casual

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

Esprit collection

Dressed up
Quality & Details
Professional & Occasions
Feminine style
Sophisticated

de.corp ESPRIT URBAN CASUAL

Esprit urban casual
Modern
Stylish
Individualistic
Forward
Open to change

edc by Esprit

Latest Fashion
Shopaholic
Cool & Sexy
Involved
Young

ESP Esprit sports

Complete, functionally inspired sport-lifestyle programme divided into five theme worlds:

"fitness/wellness/training",
"urban adventure",
"sun/fun/beach",
"winter/snow/arctic" and
"lifestyle/sports"

Esprit kids

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


ESPRIT

02.5 ESPRIT – THE LICENSED PRODUCTS

THE LIFESTYLE ACCESSORIES WORLD

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

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

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

THE HOME WORLD

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

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

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

THE BABIES' & KIDS' WORLD

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

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

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

02.6 ESPRIT – THE DISTRIBUTION NETWORK

The strength of a multi-distribution network became clearly evident as the world faces one of the worst economic recessions. The versatility of a diversified business model allowed us to capitalise on different opportunities.

Retail

From selling from the back of a station wagon, to the Ettore Sottsass designed stores in the 1980s, to the relaxed and spacious atmosphere of our stores today, Esprit has always been a pioneer in store development. But what remains unchanged is our dedication to creating a unique shopping experience for our customers. In each of Esprit's 800+ stores worldwide, we optimise the possibilities in terms of architecture and visual merchandising techniques to create unique stores. Nonetheless, our stores are a key asset and we constantly seek for opportunities to improve and innovate. We have launched several new initiatives in store architecture and visual merchandising, introducing new techniques, which will provide key lessons for future store openings and refurbishments. This year, such initiatives were implemented in the newly opened standalone bodywear store in Oberhausen Germany and a first-of-its-kind store, featuring a new store architecture that is expected to bring the shopping experience to the next level, will be opened in Hong Kong.

Esprit stores worldwide carry more than 5 km of shopping windows. These are considered our most important feature to communicate with our customers and we will continue to explore the potential to showcase our brand position.

Store formats

In our portfolio, there are several types of retail stores with various sizes, divisions offered and locations.

Mega and Flagship

Mostly found in prominent shopping areas, these stores offer customers the most complete collection of Esprit products in a large type store format. Due to the more prominent location in international cities and initiatives in store architecture, these stores usually require a longer period to become profitable. However, we consider the extra costs to be worthy investments in these stores as they bear the essence of Esprit.

Satellite & town

A network of regular-sized stores strategically positioned around mega and/or flagship stores to amplify and leverage on the noise, traffic and brand awareness created by the mega and/or flagship stores.

Outlet

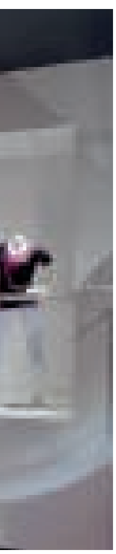
Stores which cater to value-conscious customers, offering product collection exclusively made for outlets and prior season products at more competitive pricing. These stores are mostly located in the vicinity of major markets where we have established brand presence.

Concession

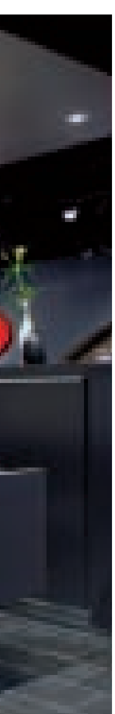
We believe that the concession model, where department stores rent spaces out to brands to operate their own businesses, is the up and coming trend. We have gained valuable experiences operating the concession model in the Asia Pacific region where this model is quite well developed and are ready to test this strategy elsewhere as it gains popularity in other parts of the world.

e-shop

Esprit has successfully leveraged on the internet as an additional distribution channel for over 10 years. The sales increases recorded from e-shop have grown tremendously and exceeded our expectations. We will continue to invest in this medium and we are planning an uplift of the look and feel of the website.




ESPRIT

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ESPRIT

Wholesale
This asset-light operating model enables us to quickly build our brand and presence by leveraging on the existing premium store locations, extensive store network, established customer base, marketing and promotional expertise and financial strength of our wholesale partners. There are four types of wholesale selling space:

Franchise stores
These are stores that closely resemble our own directly managed retail stores and an open dialogue is maintained with our franchisees to ensure smooth operations. In the past several years, we have increased the number of franchise stores, both by obtaining more franchise partners and also by converting existing multi-label stores who have been our wholesale customers to selling Esprit only franchise stores. Going forward, we aim to increase the number of franchise stores to complement our global expansion strategy.

Shop-in-stores
These are smaller format stores found in department stores where investments are funded by the department stores. This year, even though several of our department store customers have experienced financial difficulties, selling space under this category increased as remaining customers allocate more space to showcase our relatively newer product divisions such as bodywear, sports, de. corp, etc.

Identity corners
Mainly multi-label retailers who stock their shelves with a limited range of our products. Esprit has less involvement in the store appearance. The popularity of multi-label retailers has declined in recent years as customers prefer stand-alone stores as a shopping destination. Going forward, we will continue to convert these customers' existing multi-label stores into the more successful mono-brand store, carrying only Esprit products.

Country distributors
In order to enter unfamiliar territories when expanding our global presence, exclusive rights are granted to distribute Esprit products to partners who in turn contribute their local expertise, customer network, infrastructure and funding. Examples include China and India.


ESPRIT

DID YOU KNOW THAT IN FY 08|09...

WE PARTNERED WITH AT LEAST **1,300 SUPPLIERS** WHO HIRED MORE THAN **340,000 WORKERS** TO PRODUCE MORE THAN **174,000,000 PIECES** OF ESPRIT PRODUCTS WHICH WERE DELIVERED TO OVER **56 COUNTRIES?**

02.7 EQUIPPING FOR FUTURE GROWTH

Our value chain is the backbone of our global operation. Our focus now is to reinforce the infrastructure along our value chain so that the backend will not only support our customer facing side but also boost its potential. We have been working on our Excellence in Process and Systems Programme ("EPS"). This project requires the wall-to-wall revamp of our existing global IT system and processes. Upon its roll-out, firstly all Esprit employees across Europe and afterwards worldwide will be using identical processes thanks to the new IT-System. We will start with Women edc as the first product division to use EPS. We will also deliver a number of quick wins prior to end of next year, which will enable us to trial some of the new capabilities before the overall rollout.

Our goals for EPS are as follows:

- To get an IT-System up and running which makes us fit for our future challenges and growth.
- To ensure a sustainable infrastructure that supports corporate growth and can adapt to a competitive environment.
- To improve business performance through better planning, tracking and root cause analysis.
- To achieve harmonised best practice processes and systems – however maintaining the product divisions' uniqueness.
- To achieve high efficiency, consistency and focus on value added activities through automated standard processes.
- To increase overall service levels on operational business needs.

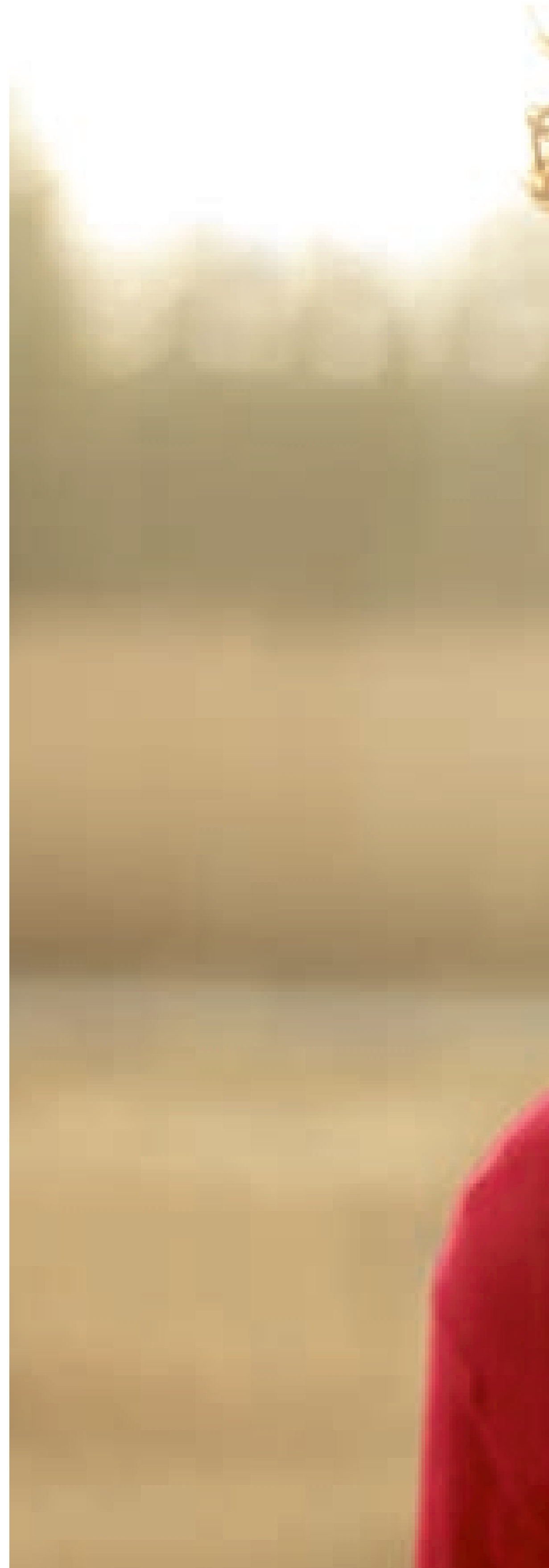
Our potential with the EPS in place will be:

- Business information will be more transparent with better quality. There will be stricter and more coherent data entry requirements.
- Having integrated the processes, there will be less breaks and more automated processes.
- We will have more reporting capability to do root cause analysis.
- Most importantly, EPS will enable us to be more customer-oriented in our ordering and allocation procedures.

European Distribution Centre

We are also working on another big project - a new Esprit Distribution Centre for the European business. Over the last few years we have been in preparation with our supply chain partners for setting up a new Distribution Centre which will be able to fulfil our expectations and requirements on service for our future.

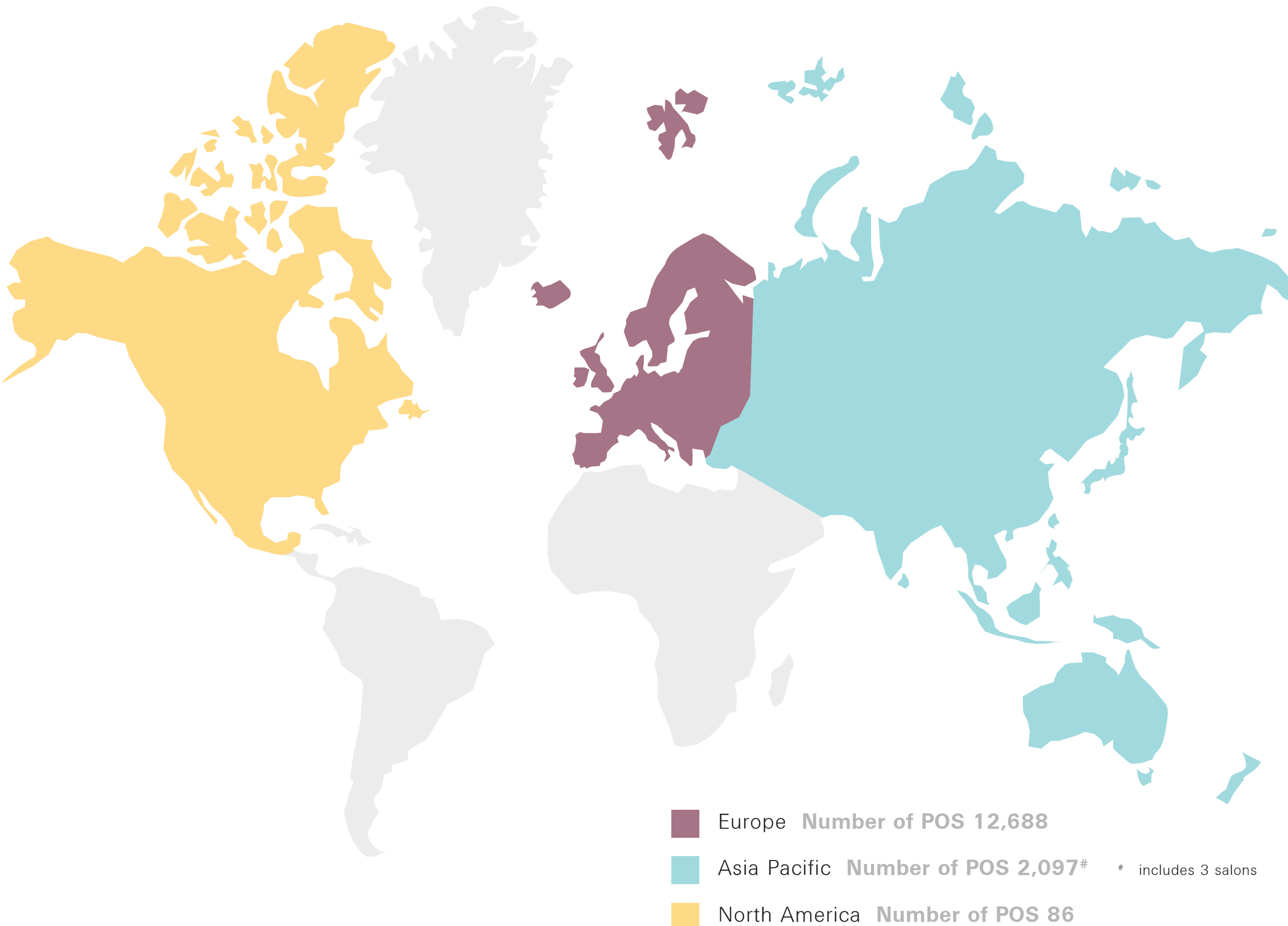
This means we will have a streamlined Distribution Centre – with one consolidated Distribution Centre for all product types in Europe. We will update the infrastructure in North America. In both Europe and America we will provide customer-oriented deliveries to increase our service levels from our warehouses overall. Together with the new IT-System and state of the art processes in the Distribution Centre, we will achieve higher level of automation in the future and a greater level of efficiency.



03
THE WORLD IS OUR CULTURE


ESPRIT
collection

03.1 REGIONAL STRATEGIES



EUROPE

In the past financial year, we have witnessed widespread dampened consumer sentiment in Europe. As such, our department store customers are under much pressure and remain cautious when placing orders. In addition, during this period, although franchise store openings continued, leading to increased orders, orders from existing franchise store customers have rationalised as an attempt to minimise stock on hand. However, even in such difficult times, we have proven our resilience and we are confident that the operations in Europe are fundamentally sound and strong enough to withstand this headwind. Thinking ahead, in order to equip ourselves for the next upturn, we have crafted various strategies specifically for this region which include driving demand through continuous strengthening of the brand and expanding the existing store portfolio to maximise the upside potential.

We believe that mass promotions are detrimental to our brand positioning and that the only way to ensure long-term growth is to grow our brand. Various initiatives have been and will continue to be introduced to uplift brand image and educate consumers about Esprit. Starting August 2009, only authorised specialty retailers will be allowed to sell Esprit products. This initiative is targeted to strengthen our wholesale customers and prevent unauthorised sales at discounters without Esprit's knowledge and is expected to complete in approximately two years time. On the products front, we have intensified the 'Essentials' line, selling basics with a twist, which is already delivering strong initial results. We have also introduced more starting price point products to the price conscious customers, reducing the need for subsequent markdowns to drive sales. On a much broader level, we are reinforcing the potential of each product division through delineation and enhanced price-value correlation. The shop floor and store windows will also be revamped to highlight the unique features of each product division. Pamphlets are available in stores with tips on putting together outfits with our latest products. We also stay connected with our e-club members on a monthly basis through the Esprit newsletter, telling them about our latest styles, exclusive events and competitions with first-class prizes.

Our market share is hardly near the point of saturation for any of the countries we are in, including our core markets such as Germany and Benelux. For this reason, as more premium store locations become available during this economic crisis, we have selected France as one of the markets where we will secure more store locations and keep growing our presence to leverage on the success already established. We have also selected the United Kingdom, where efforts in building brand relevance by having a presence in the major shopping areas with an emphasis on London have shown positive improvement in this currently loss-making market.

ASIA PACIFIC

The Company's strategy for this region is to improve Esprit product offerings in the Asia Pacific region, and improve the mix of retail space to ensure visibility and viability. Furthermore, we are working to unify all available marketing tools to enhance brand image, encourage knowledge sharing between retail and wholesale, and manage the turnaround of underperforming markets such as Australia and New Zealand.

We have enhanced our merchandise with improved quality, better price-value correlation and a fit tailored for Asia Pacific customers and are already seeing strong performance from these measures. The alignment of marketing practices across the region and with Europe has yielded further positive results.

To increase visibility of Esprit within the region, we are continuing to open flagship stores in every market across the region. We opened the Pavillion Flagship in Kuala Lumpur in September 2007, the Liat Tower Flaghship on Orchard Road, Singapore in October 2008 and now we are excited to open a first-of-its-kind 'Heritage' flagship store in Tsim Sha Tsui, Hong Kong in October 2009, presenting the newest exterior and interior architectural concepts of Esprit. We are supporting this latest launch with an extensive customer bonding campaign in Hong Kong, which will stretch from August to the end of 2009.

It is our goal to share knowledge accumulated in Esprit with our wholesale customers to create brand value and build successful businesses together. Through continuous business reviews and intensive knowledge exchange we were able to support our wholesale partners successfully through the current turbulent times. In October 2008, wholesale partners from all around Asia Pacific convened in Singapore to attend a 4-day Asia Pacific Forum. The group was able to review local industry trends, share best practices and tactics and together set goals, missions and strategies to improve performance of the region.

Efforts put into improving profitability in Australia and New Zealand, such as rebuilding the brand and streamlining of operations through alignment with Esprit Global systems, have continued to yield positive results. At the same time we have expanded our collaboration with David Jones and Myers and continued our expansion throughout Australia through freestanding stores.

NORTH AMERICA

We have identified several priorities for this region, including improving profitability via implementation of an outlet strategy. Premium outlet malls are one of the major shopping destinations for shoppers in the United States and we see a great opportunity to expand our outlet stores network.

To increase the brand's exposure in the United States, we are planning to partner with department stores to leverage on its existing distribution network to gain visibility across the United States. Our brand has yet to penetrate the online market in the United States and with our experience and knowledge in operating a successful online business in Europe, we are exploring the possibility of replicating the success in the United States. During this time, full price store expansion will continue in a focused manner, mainly by establishing presence in major shopping areas in selected cities on the west and east coasts.

In Canada, we noted several years ago that the existing stores were outdated and inconsistent with our global brand image. A store revamp programme was subsequently launched to update the stores and we are coming to the end of this programme. We are excited to see that the performances of the stores are already improving.

To improve the attractiveness of our products, a colour consultant has been hired to advise on the colour preferences of North American customers and is working closely with our product teams in Germany.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03.2 DIRECTLY MANAGED RETAIL STORES OPENED IN FY 08|09

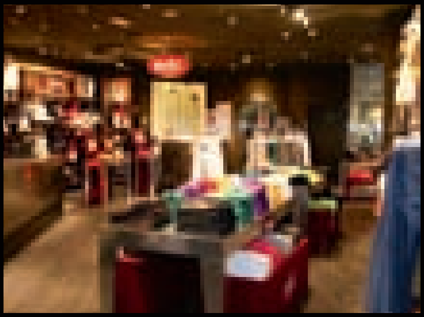
AUSTRALIA & NEW ZEALAND BLACKTOWN^ · CANBERRA KIDS · DUBBO ^ · DUNEDIN · ERINA ^ · FREEMANTLE ^ · MIRANDA^ · ORANGE^ · PERTH^ · QUEENSLAND · ROCKINGHAM · WOLLONGONG ^ **AUSTRIA** VOSENDORF **BELGIUM** WOLUWE-SAINT-PIERRE BODYWEAR **CANADA** TORONTO **FRANCE** MARSEILLE · NANCY · PARIS · PARIS EDC · ROUEN AACHEN EDC · BERLIN 5 STORES · BIELEFELD · BREMEN · 2 STORES · DUSSELDORF EDC · HAMBURG · HANNOVER · NUREMBERG · OBERHAUSEN BODYWEAR · OLDENBURG BELFAST · BIRMINGHAM * · BOURNEMOUTH * · BRIGHTON DARLINGTON * · EDINBURGH * · HIGH WYCOMBE * · LAKESIDE · NORTHAMPTON * · WHITE CITY **HONG KONG** CAUSEWAY · SELANGOR **NETHERLANDS** HAARLEM ° · HILVERSUM MATOSINHOS-PORTO · PORTO **SINGAPORE** ORCHARD · MALAGA **SWITZERLAND** AARAU · BERN · BERN EDC · **TAIWAN** KAOHSIUNG 3 STORES · SAN CHUNG CITY **STATES** CAMARILLO · ESTERO · SANTA MONICA ·

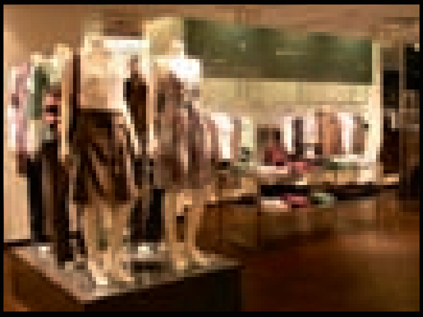
^ · DANDENONG^ · DONCASTER · DONCASTER^ · DONCASTER
GEELONG · GEELONG ^ · HORNSBY ^ · LIVERPOOL ^ ·
· SUBIACO · SYDNEY · SYDNEY^ · WATERFRONT · WESTGATE
BRUGES · LOUVAIN-LA-NEUVE BODYWEAR · NAMUR ·
DENMARK AARHUS · COPENHAGEN · ODENSE · TAASTRUP
· STRASBOURG · STRASBOURG EDC · TOURS **GERMANY**
BREMEN EDC · COLOGNE · DUISBURG EDC · DUSSELDORF
HEIDELBERG EDC · HILDEN · LUBECK · MINDEN · MUNICH ·
EDC · REGENSBURG EDC · SCHWERIN **UNITED KINGDOM**
· BRISTOL · CAMBERLEY * · CARDIFF * · CHICHESTER * ·
* · LEAMINGTON SPA * · LINCOLN * · LONDON * · MAIDSTONE *
BAY · TSIM SHA TSUI **MALAYSIA** KUALA LUMPUR EDC
° · LEIDSCHENDAM ° · MAASTRICHT EDC **PORTUGAL**
TAMPINES · SEMBAWANG **SPAIN** BARCELONA · MADRID ·
BIEL EDC · KREUZLINGEN · SPREITENBACH · THUN · ZUG
· TAINAN 3 STORES · TAIPEI 2 STORES · YILAN **UNITED**
SAWGRASS · TINTON FALLS · WILLIAMSBURG

In addition to the 127 directly managed retail store openings, there were 23 store closures during the financial year.

° Within Vroom & Dreesmann Department Stores * Within House of Fraser Department Stores ^ Within Myers Department Stores

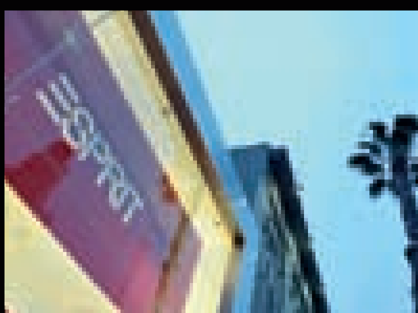
BARCELONA, SPAIN
OPENED 2 OCTOBER 2008
with Sylvie van der Vaart

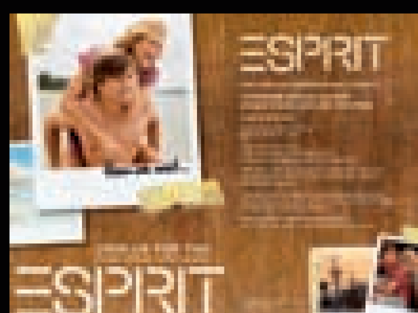


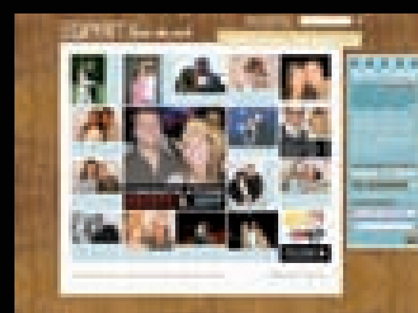


PARIS, FRANCE
OPENED 31 JULY 2008

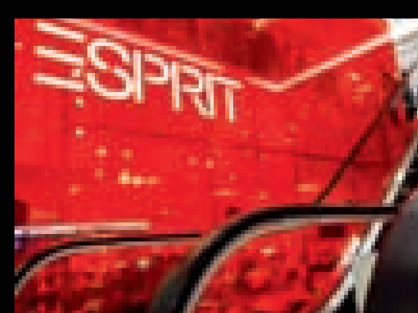
SANTA MONICA, CALIFORNIA
OPENED 2 APRIL 2009
with Nicole Richie and Joel Madden

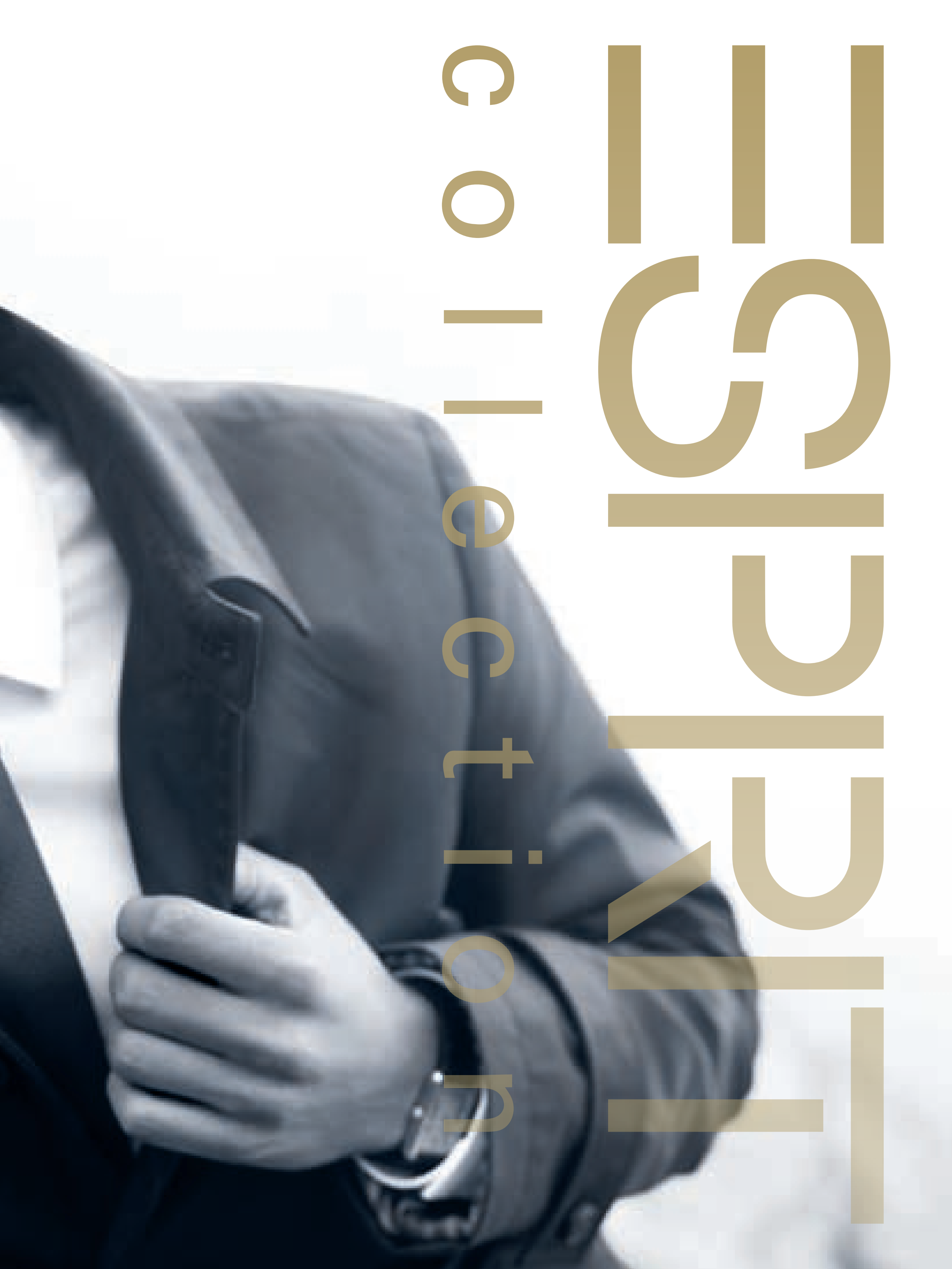






SINGAPORE
OPENED 9 SEPTEMBER 2008




ESPRIT
collection

04 MANAGEMENT DISCUSSION AND ANALYSIS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by esprit

04.1 REVENUE ANALYSIS

Turnover of the Group was HK$34.5 billion (FY 07|08: HK$37.2 billion), which was relatively stable in local currency terms with a -0.2% change year-on-year. The 7.4% drop in reporting currency reflects approximately 6.7% year-on-year, or approximately 13% year-on-year for the second half of the financial year, due to depreciation of the average EUR:USD exchange rate.

The Group's turnover was mainly contributed by 3.5% comparable store sales growth, increase in total selling spaces and rising contribution from members of Esprit's customer loyalty programme ("e-club members"), offset by reduced wholesale turnover as wholesale customers, facing a difficult operating environment, continue to rationalise order sizes.

Turnover by Products

	Year ended 30 June 2009		Year ended 30 June 2008		Change in %	
	HK$ million	**% to Group Turnover**	HK$ million	% to Group Turnover	HK$	Local currency
casual	**15,948**	**46.2%**	17,176	46.1%	-7.2%	-1.4%
women casual	**11,651**	**33.8%**	12,691	34.1%	-8.2%	-2.4%
men casual	**4,297**	**12.4%**	4,485	12.0%	-4.2%	1.5%
edc	**8,352**	**24.2%**	9,027	24.2%	-7.5%	-1.4%
edc women	**6,046**	**17.5%**	6,831	18.3%	-11.5%	-5.8%
edc men	**1,290**	**3.7%**	1,213	3.3%	6.4%	13.5%
edc others^	**1,016**	**3.0%**	983	2.6%	3.4%	10.9%
collection	**3,027**	**8.8%**	3,127	8.4%	-3.2%	2.9%
women collection	**2,268**	**6.6%**	2,321	6.2%	-2.3%	3.8%
men collection	**759**	**2.2%**	806	2.2%	-5.8%	0.1%
others	**7,158**	**20.8%**	7,897	21.3%	-9.4%	-3.5%
accessories	**1,673**	**4.9%**	1,739	4.7%	-3.8%	2.2%
kids	**1,169**	**3.4%**	1,365	3.7%	-14.3%	-8.8%
shoes	**1,322**	**3.8%**	1,626	4.4%	-18.7%	-12.8%
bodywear	**950**	**2.8%**	997	2.7%	-4.8%	2.0%
sports	**836**	**2.4%**	1,000	2.7%	-16.3%	-11.0%
de. corp	**311**	**0.9%**	69	0.2%	351.3%	385.1%
red earth	**25**	**0.1%**	49	0.1%	-48.8%	-47.8%
others*	**872**	**2.5%**	1,052	2.8%	-17.2%	-12.7%
Total	**34,485**	**100.0%**	37,227	100.0%	-7.4%	-0.2%

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

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

Turnover by Countries#

	Year ended 30 June 2009		Year ended 30 June 2008		Change in %	
	HK$ million	**% to Group Turnover**	HK$ million	% to Group Turnover	HK$	Local currency
Europe	**29,419**	**85.3%**	32,296	86.7%	-8.9%	-1.9%
Germany* ##	**15,502**	**45.0%**	17,387	46.7%	-10.8%	-4.0%
Benelux*	**5,301**	**15.4%**	5,787	15.5%	-8.4%	-1.8%
France*	**3,148**	**9.1%**	3,269	8.8%	-3.7%	3.0%
Scandinavia	**1,605**	**4.7%**	1,758	4.7%	-8.7%	1.7%
Austria	**1,506**	**4.4%**	1,646	4.4%	-8.5%	-1.7%
Switzerland	**1,254**	**3.6%**	1,156	3.1%	8.5%	11.0%
U.K. and Ireland	**464**	**1.3%**	567	1.5%	-18.2%	-0.3%
Italy	**361**	**1.0%**	438	1.2%	-17.5%	-11.4%
Spain and Portugal	**278**	**0.8%**	288	0.8%	-3.4%	2.7%
Asia Pacific	**4,221**	**12.2%**	4,073	10.9%	3.6%	12.0%
Macau###	**1,724**	**5.0%**	1,463	3.9%	17.8%	26.7%
Australia and New Zealand*	**821**	**2.4%**	870	2.3%	-5.6%	15.1%
Hong Kong**	**781**	**2.2%**	836	2.2%	-6.6%	-6.6%
Singapore	**399**	**1.1%**	393	1.1%	1.5%	4.2%
Taiwan	**266**	**0.8%**	290	0.8%	-8.4%	-5.3%
Malaysia	**210**	**0.6%**	201	0.5%	4.7%	11.2%
Others ^	**20**	**0.1%**	20	0.1%	2.5%	2.8%
North America and Others	**845**	**2.5%**	858	2.4%	-1.4%	7.6%
Canada	**488**	**1.5%**	520	1.4%	-6.0%	8.4%
United States*	**346**	**1.0%**	326	1.0%	6.2%	7.0%
Others ^^	**11**	**0.0%**	12	0.0%	-9.3%	-9.0%
Total	**34,485**	**100.0%**	37,227	100.0%	-7.4%	-0.2%

Country as a whole includes retail stores, outlet stores, edc standalone stores and e-shop
Germany sales includes wholesale sales to other European countries mainly Russia, Poland, Greece, and Croatia
Macau sales includes wholesale sales to other countries mainly China, Middle East, Thailand, and India
* Includes licensing
** Includes licensing and salon
^ Represents licensing income from licensees in Japan
^^ Represents licensing income from licensees in Chile and Columbia

Retail contributed HK$16,351 million and wholesale contributed HK$17,906 million to the Group's total turnover, representing 47.4% and 51.9%, respectively, of total Group turnover. Licensing and others contribution to turnover to the Group was HK$228 million, representing 0.7% of total Group turnover.

Turnover by Key Distribution Channels

	Year ended 30 June 2009		Year ended 30 June 2008		Change in %	
	HK$ million	**% to Group Turnover**	HK$ million	% to Group Turnover	HK$	Local currency
Retail#	**16,351**	**47.4%**	16,055	43.1%	1.8%	10.0%
Europe	**13,304**	**38.6%**	12,926	34.7%	2.9%	11.0%
Asia Pacific	**2,381**	**6.9%**	2,473	6.6%	-3.7%	4.2%
North America	**666**	**1.9%**	656	1.8%	1.6%	10.3%
Wholesale	**17,906**	**51.9%**	20,943	56.3%	-14.5%	-8.0%
Europe	**16,030**	**46.5%**	19,299	51.8%	-16.9%	-10.7%
Asia Pacific	**1,721**	**5.0%**	1,470	4.0%	17.1%	27.1%
North America and Others	**155**	**0.4%**	174	0.5%	-11.0%	-0.3%
Licensing and Others	**228**	**0.7%**	229	0.6%	-0.7%	1.1%
Total	**34,485**	**100.0%**	37,227	100.0%	-7.4%	-0.2%

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

Retail

The retail operations delivered 10.0% year-on-year local currency turnover growth as majority of the retail markets recorded year-on-year local currency turnover growth. During the financial year, we achieved a Group comparable store sales growth of 3.5% year-on-year on the back of the declining global economic trend.

The second half of the financial year became more challenging as we saw rising unemployment rates, continued restrictive lending to consumers and the outbreak of swine flu which all contributed to dampened consumer confidence further and the Group's retail turnover local currency growth softened.

In the financial year, the Group continued to make progress in growing the retail network by adding 104 directly managed retail stores to a total of 801, representing selling space of over 313,000 m^2 as at 30 June 2009.

In such challenging times, customer loyalty plays an important role in providing solid support to drive turnover growth. Increasing turnover contribution from members of Esprit's customer loyalty programme ("e-club members") to the Group's retail turnover was solid evidence of customer loyalty. During the financial year, turnover from e-club members accounted for more than 65% of the Group's retail turnover (FY 07|08: 64.5%). At 30 June 2009, there were approximately more than 5.6 million e-club members (30 June 2008: 5.2 million).

Retail performance scorecard

	2009	2008
Year-on-year local currency turnover growth	**10.0%**	13.1%
Segment EBIT Margin *	**10.8%**	13.3%
No. of POS **	**801**	697
Sales area (m^2)	**313,534**	271,740
Net change in sales area ^	**15.4%**	14.3%
Comparable store sales growth	**3.5%**	6.9%

* segment EBIT margin excluding inter-segment licensing expense
** calculation excludes salon
^ net change from 30 June 2008 and 30 June 2007

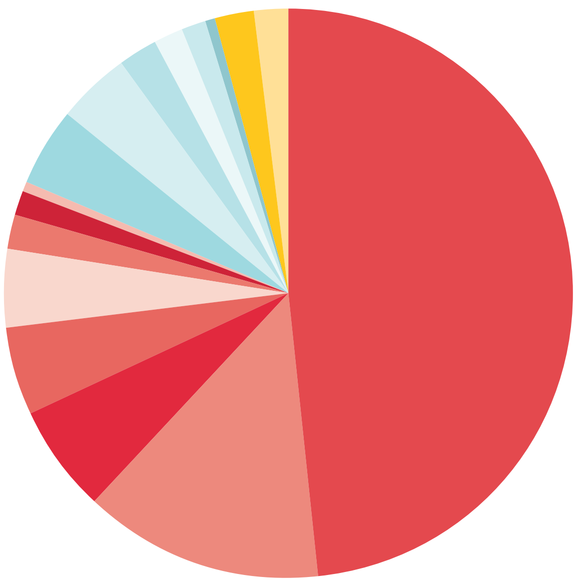
Directly managed retail stores by countries

	As at 30 June 2009					
	No. of stores	**Net opened stores***	**Sales area m^2**	**Change in sales area***	**No. of comparable stores**	**Comparable store sales growth**
Europe	**385**	**71**	**221,273**	**19.5%**	**214**	**4.5%**
Germany **	164	24	114,235	13.9%	103	4.7%
Benelux	78	5	34,688	3.6%	48	1.8%
France	48	8	20,505	21.8%	28	1.8%
Switzerland	34	7	14,176	35.5%	20	21.0%
U.K.	29	18	10,843	54.4%	8	-16.3%
Austria	12	1	12,991	26.3%	5	9.9%
Scandinavia	10	3	7,323	49.0%	2	0.4%
Spain	8	3	4,845	150.4%	–	n.a.
Portugal	2	2	1,667	n.a.	–	n.a.
Asia Pacific	**338**	**27**	**64,063**	**11.3%**	**157**	**-1.7%**
Australia	156	20	21,621	11.7%	59	9.5%
Taiwan	89	7	7,992	9.2%	45	-6.7%
Malaysia	30	(1)	8,551	-0.2%	18	-4.2%
Hong Kong	25	(1)	12,623	13.9%	13	-10.1%
Singapore	23	–	8,594	20.5%	14	-0.8%
New Zealand	11	2	2,817	28.0%	5	1.5%
Macau	4	–	1,865	–	3	-3.4%
North America	**78**	**6**	**28,198**	**-2.7%**	**47**	**-0.8%**
Canada	49	1	16,823	1.1%	31	0.0%
United States **	29	5	11,375	-7.9%	16	-1.6%
Total	**801**	**104**	**313,534**	**15.4%**	**418**	**3.5%**

* Net change from 30 June 2008
** All e-shops within Europe are shown as 1 comparable store in Germany and the e-shop in U.S. is shown as 1 comparable store in U.S.
n.a. Means not applicable

Retail Turnover by Countries

Total retail turnover: HK$16,351 million



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

Europe

Germany
7,913 48.4%
0.2% (8.1%)

Benelux
2,219 13.6%
-3.8% (3.3%)

France
991 6.1%
19.1% (28.3%)

Switzerland
852 5.2%
19.6% (22.7%)

Austria
690 4.2%
4.5% (12.7%)

U.K.
344 2.1%
-4.5% (18.8%)

Scandinavia
222 1.4%
54.6% (68.0%)

Spain and Portugal
73 0.4%
752.9% (826.3%)

Asia Pacific

Australia and New Zealand
742 4.5%
-6.4% (14.3%)

Hong Kong
662 4.1%
-4.8% (-4.8%)

Singapore
399 2.4%
1.5% (4.1%)

Taiwan
266 1.6%
-8.4% (-5.3%)

Malaysia
210 1.3%
4.7% (11.2%)

Macau
102 0.6%
0.4% (0.4%)

North America

Canada
364 2.2%
-7.9% (6.2%)

United States
302 1.9%
16.1% (16.5%)

Europe

European retail business performed well and recorded turnover of HK$13,304 million, representing a 11.0% local currency growth and 4.5% comparable store sales growth. **Germany**, with a retail turnover of HK$7,913 million, benefited from 4.7% comparable store sales growth, a 13.9% increase in retail selling space and most importantly, strong support from the largest e-club membership base, with over 2.3 million members. **France**, with a retail turnover of HK$991 million, benefited from 1.8% comparable store sales growth and increased turnover contribution from new stores and full-year stores, such as the flagship store in Champs-Elysées in Paris.

Asia Pacific

Retail turnover in Asia Pacific grew in local currency terms to turnover of HK$2,381 million despite a comparable store sales growth of -1.7%. **Australia and New Zealand**, with retail turnover of HK$742 million, delivered strong retail turnover growth due to impressive 9.5% and 1.5% growth in comparable store sales in Australia and New Zealand respectively, as well as additional sales contribution from the newly added concession counters in Myers, a leading department store chain in Australia. **Hong Kong and Taiwan** together generated retail turnover of HK$928 million, remained largely challenging as there was an outbreak of swine flu in addition to the decline in tourism and customer spending.

North America

The North America retail turnover, which amounted to HK$666 million, continued to record year-on-year growth of 10.3% in local currency despite having a 2.7% decline in retail selling space. **U.S. and Canadian** retail turnover was HK$302 million and HK$364 million respectively. U.S. and Canadian retail turnover growth of 16.5% and 6.2% in local currency respectively was mainly driven by non-comparable stores. Comparable store sales in Canada was flat and U.S. was down 1.6%. As at 30 June 2009, we had a total of 78 directly managed retail stores in North America.

Wholesale

Wholesale turnover of HK$17,906 million reflects a year-on-year local currency turnover decline of 8.0%, as wholesale customers rationalised orders due to the uncertain timing of market recovery, reduction in credit insurance (credit limit given by Esprit to wholesale customers are limited to the amount of credit insurance the customer is able to obtain), and bankruptcy of several major department stores during the financial year.

As at 30 June 2009, total controlled wholesale space increased by 8.3% to 808,605 m^2 (FY 07|08: 746,655 m^2) driven by the 15.5% and 11.2% increase in sales area of franchised stores and shop-in-stores respectively, while the sales area of identity corners dropped by 4.3%, mainly due to closure of the red earth operations.

The Group has been expanding the franchise business for the past few years, thus the franchise store number and franchise store selling space now account for an increased portion to the Group's total controlled wholesale point-of-sales and total controlled wholesale space over the years. However, the positive contribution from additional franchise stores were partially offset by the reduction in orders from department stores and multi-label customers, which were most affected by the financial crisis.

Wholesale performance scorecard

	2009	2008
Year-on-year local currency turnover growth	**-8.0%**	12.2%
Segment EBIT Margin *	**22.1%**	26.5%
No. of controlled space POS	**14,067**	14,590
Controlled space area (m^2)	**808,605**	746,655
Net change in controlled space area ^	**8.3%**	18.5%

* segment EBIT margin excluding inter-segment licensing expense
^ net change from 30 June 2008 and 30 June 2007

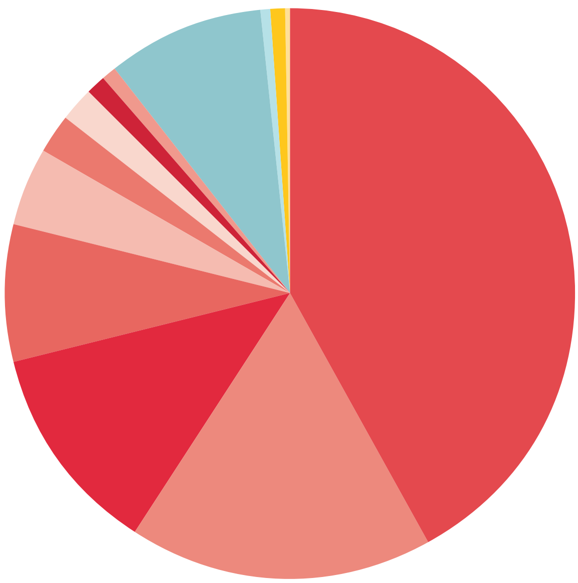
Wholesale Distribution Channel by Countries (controlled space only)

	As at 30 June 2009											
	Franchise stores**				**Shop-in-stores****				**Identity Corners****			
	No. of stores	Sales area m^2	Net opened stores*	Net change in sales area*	No. of stores	Sales area m^2	Net opened stores*	Net change in sales area*	No. of stores	Sales area m^2	Net opened stores*	Net change in sales area*
Europe	**1,231**	**292,056**	**117**	**16.4%**	**5,172**	**209,486**	**557**	**11.2%**	**5,900**	**130,320**	**(789)**	**-12.4%**
Germany	414	115,475	34	15.1%	4,054	170,025	443	10.3%	3,212	65,689	(496)	-20.4%
Benelux	176	50,554	10	17.7%	195	8,091	69	49.2%	846	19,527	(71)	-10.8%
France	274	42,991	31	25.7%	369	10,472	(15)	-2.9%	488	12,652	36	6.8%
Scandinavia	122	35,846	27	26.5%	107	4,719	(6)	3.4%	753	17,670	(105)	21.0%
Austria	109	20,790	–	1.5%	128	4,866	14	16.2%	223	5,591	31	19.8%
Italy	61	10,335	11	26.6%	25	1,317	7	20.4%	163	4,116	(177)	-53.1%
Switzerland	47	9,208	(2)	-21.5%	53	3,162	18	74.3%	106	2,612	14	15.2%
Spain and Portugal	15	4,035	5	72.8%	198	4,998	27	20.1%	8	145	(41)	-68.2%
U.K. and Ireland	13	2,822	1	16.0%	43	1,836	–	-19.2%	101	2,318	20	33.1%
Asia Pacific	**318**	**77,098**	**18**	**12.4%**	**231**	**10,490**	**35**	**10.4%**	**1,207**	**88,718**	**(35)**	**10.8%**
China***	125	39,711	17	12.3%	7	128	–	-8.6%	980	87,876	119	11.3%
The Middle East	56	14,039	(7)	6.1%	3	581	(1)	-40.8%	–	–	–	–
India	21	6,584	5	56.2%	24	1,606	3	-2.8%	–	–	–	–
Thailand	32	4,306	1	0.7%	79	3,133	4	8.5%	19	267	(2)	12.7%
Philippines	16	2,290	(1)	0.5%	–	–	–	–	–	–	(5)	-100.0%
Australia and New Zealand	–	–	–	–	55	1,955	25	68.2%	208	575	10	–
Korea	–	–	–	–	–	–	–	–	–	–	(26)	-100.0%
Japan	–	–	–	–	–	–	–	–	–	–	(4)	-100.0%
Others	68	10,168	3	10.3%	63	3,087	4	15.3%	–	–	(127)	-100.0%
North America and Others	**2**	**300**	**1**	**-22.1%**	**6**	**137**	**6**	**n.a.**	**–**	**–**	**(433)**	**n.a.**
Mexico	2	300	1	-22.1%	6	137	6	n.a.	–	–	–	–
Canada	–	–	–	–	–	–	–	–	–	–	(263)	n.a.
United States	–	–	–	–	–	–	–	–	–	–	(170)	n.a.
Total	**1,551**	**369,454**	**136**	**15.5%**	**5,409**	**220,113**	**598**	**11.2%**	**7,107**	**219,038**	**(1,257)**	**-4.3%**

* Net change from 30 June 2008
** Include Esprit and red earth stores/units
*** Managed by China associated companies or its franchise partners
n.a. Means not applicable

Wholesale Turnover by Countries

Total wholesale turnover: HK$17,906 million



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

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

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

Europe

Germany*
7,525 42.0%
-20.2% (-14.3%)

Benelux
3,076 17.2%
-11.5% (-5.2%)

France
2,141 12.0%
-11.6% (-5.7%)

Scandinavia
1,383 7.7%
-14.3% (-4.2%)

Austria
816 4.6%
-17.2% (-11.4%)

Switzerland
403 2.2%
-9.3% (-7.7%)

Italy
361 2.0%
-17.5% (-11.4%)

Spain and Portugal
206 1.1%
-26.4% (-22.5%)

U.K. and Ireland
119 0.7%
-42.2% (-33.8%)

Asia Pacific

Macau**
1,622 9.1%
19.0% (28.7%)

Australia
77 0.4%
4.3% (25.8%)

Hong Kong
22 0.1%
-34.8% (-34.8%)

North America

Canada
124 0.7%
0.2% (15.2%)

United States
31 0.2%
-38.9% (-38.7%)

Europe

Europe's wholesale local currency turnover was down 10.7% year-on-year to HK$16,030 million, reflecting the loss of several major department store and multi-label customers.

Consistent with the Group's strategy to accelerate growth of franchise stores, Europe's franchise stores increased to 1,231 (30 June 2008: 1,114) and its total controlled space of franchised stores grew 16.4% year-on-year. **France** and **Scandinavia** recorded 25.7% and 26.5% growth in controlled space of franchise stores.

Asia Pacific

Asia Pacific's wholesale turnover posted 27.1% year-on-year jump in local currency growth to HK$1,721 million, mainly driven by the strong wholesale turnover growth posted in China and Australia. Resilient domestic demand in **China** contributed to wholesale turnover of HK$1,210 million.

Growth in **Australia**, which recorded wholesale turnover of HK$77 million, was driven by 68.2% year-on-year increase in controlled wholesale space of Esprit or 25 controlled space wholesale point-of-sales of Esprit. Newly added controlled wholesale spaces were shop-in-stores located in David Jones, benefiting from strong traffic flow of this leading department store chain in Australia.

North America

Wholesale local currency turnover growth in North America remained flat, recording wholesale turnover of HK$155 million. The 15.2% jump in local currency turnover growth recorded in the **Canadian** wholesale business, which amounted to wholesale turnover of HK$124 million, was offset by the -38.7% local currency turnover growth recorded in the **U.S.** The wholesale division in the U.S. was streamlined in the second half of the financial year to manage profitability and as a result generated wholesale turnover of HK$31 million for the financial year.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Licensing and Others

The turnover from licensing and others achieved 1.1% year-on-year growth in local currency to HK$228 million, accounting for 1% of the Group's total turnover (FY 07|08: 1%). Being a lifestyle brand, the Group continued to work closely with our license partners to develop new non-apparel licensed products.

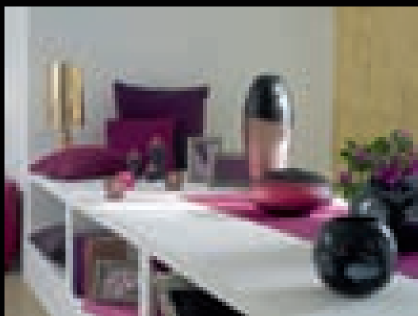
In January 2009, Esprit Cosmetics was launched as a new licensed product line. In this first ever Esprit make-up line, Coty, our long-time license partner and global leader in beauty products, successfully developed products which embody the brand's ethos of smart, affordable luxury whilst capturing Esprit's positive, youthful attitude to life. It is a hypoallergenic cosmetics range suitable for even the most sensitive skins in the European mass market.

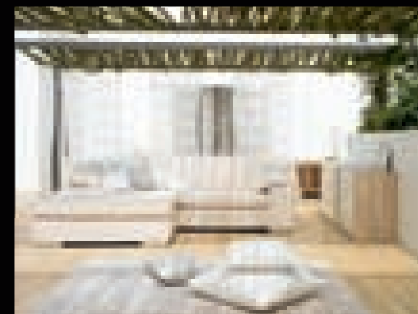
During the financial year, the Esprit Home World was expanded in greater depth through the introduction of the complete Esprit home bath concept, and at the same time the quality of products such as carpets made of 100% New Zealand wool was also enhanced.

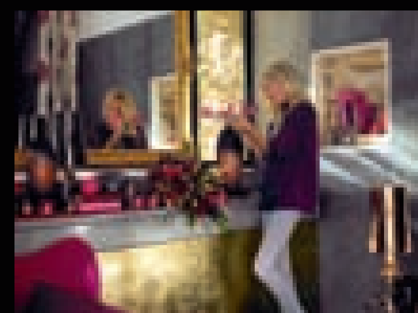
Within the Babies' and kids' World, the focus of product expansion was on extending the range with baby furniture and kids wallpaper. Now the nursery can be completely furnished with Esprit baby products.

Key licensed product categories

	As at 30 June 2009			
	Europe	Asia Pacific	North America	Latin America
Accessories' World				
costume jewellery	■			
eyewear	■	■	■	■
fragrance	■	■	■	■
jewellery	■	■		
outerwear			■	
shoes				■
sleepwear/daywear			■	
socks + tights Esprit	■	■	■	
stationery	■	■		
swimwear			■	
timewear	■	■	■	■
umbrellas	■	■		
Home World				
bathroom	■	■		
bedding	■	■	■	■
carpets	■	■		
down	■	■		
furniture	■			
glassware	■	■		■
home accessories	■	■		■
lighting	■	■		
towels	■	■	■	■
wallpaper	■	■		
Babies' & kids' World				
baby carriages	■	■	■	
baby furniture	■	■		
kids' apparel			■	
kids' bedding	■	■		
kids' shoes			■	
maternity	■			
school	■			
soft toys	■			

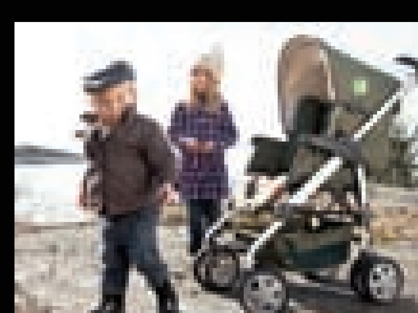










04.2 PROFITABILITY ANALYSIS

The Group's **gross profit** was HK$17,962 million (FY 07|08: HK$19,970 million), representing a gross profit margin of 52.1% (FY07|08: 53.6%).

Operating profit of the Group was HK$5,729 million (FY 07|08: HK$7,721 million), representing a Group operating profit margin of 16.6% (FY 07|08: 20.7%). The change in the Group's operating profit was mainly due to lower gross profit while the Group's total operating expenses remained relatively flat year-on-year at -0.1%, despite increased retail occupancy costs in relation to new store openings, higher provision for impairment of trade debtors and obsolete inventories and a series of cost cutting initiatives launched during the year.

The retail EBIT margin of 10.8% (FY 07|08: 13.3%) reflects lowered productivity and profitability of selling space in line with dampened customer demand. Comparable stores in Europe demonstrated resilience during this period, while non-comparable stores in Europe became challenging and reported lower productivity and profitability. While we expect the retail EBIT margin to continue to reflect market trends, we believe the profitability of new stores and full-year stores to gradually normalise when the market recovers.

Wholesale EBIT margin was 22.1% (FY 07|08: 26.5%) as efforts in cost-cutting were offset by lower turnover and higher provision for impairment of trade debtors. The wholesale segment was unable to reap the benefits of an already lean and mean cost structure as turnover slowed down more than anticipated, resulting in reduced margins. This effect is expected to reverse once the market recovers.

As part of our prudent financial management practice, the Group exercises tight credit control to manage our credit exposure. In response to the deterioration of the financial health of some of our wholesale customers, we reduced credit limits of problem debtors when appropriate.

Profit contribution from our China associated companies increased to HK$161 million (FY 07|08: HK$145 million) benefiting from the relatively resilient consumer demand in mainland China. During the financial year, turnover growth of our China associated companies grew 16.8% year-on-year.

	2009 HK$ million	2008 HK$ million	% change
Results of China associated companies			
Turnover	**2,678**	2,292	16.8%
Net profit	**329**	296	11.3%
Share of results	**161**	145	11.3%
Dividend received from China associated companies	**220**	–	n.a.

n.a. Means not applicable

Effective tax rate of the Group increased to 20.6% (FY 07|08: 19.9%). **Net profit** of the Group was HK$4,745 million (FY 07|08: HK$6,450 million), representing a Group net profit margin of 13.8% (FY 07|08: 17.3%).

04.3 BALANCE SHEET REVIEW

LIQUIDITY AND FINANCIAL RESOURCES

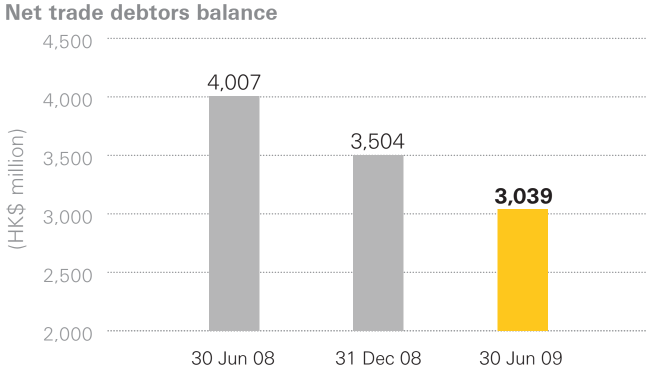
As at 30 June 2009, the Group had a **net cash balance** of HK$4,840 million (30 June 2008: HK$6,521 million) and generated HK$5,272 million (FY 07|08: HK$5,970 million) from operating activities. The decrease in net cash balance was partially due to higher capital expenditure, record dividends paid of HK$5,039 million (FY 07|08: HK$4,256 million) and share repurchases of HK$204 million (FY 07|08: nil) during the financial year and the 10.8% year-on-year depreciation of EUR:USD closing rate applied.

During the financial year, the Group invested HK$2,011 million (FY07|08: HK$1,352 million) in **capital expenditure**. HK$865 million was invested in opening new stores and expanding existing stores and HK$455 million was invested in refurbishing existing stores. In addition, the Group invested HK$524 million in IT projects.

	Year ended 30 June	
	2009 HK$ million	2008 HK$ million
Purchase of property, plant and equipment	**(2,011)**	(1,352)
- New stores and expansion	**(865)**	(758)
- Existing stores	**(455)**	(373)
- IT projects	**(524)**	(63)
- Office & others	**(167)**	(158)

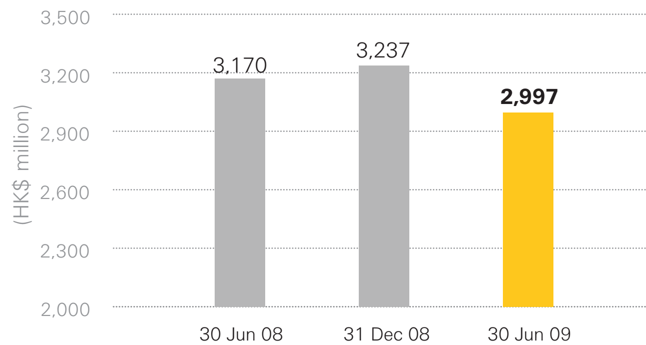
As at 30 June 2009, **net trade debtors balance** was HK$3,039 million (30 June 2008: HK$4,007 million), representing a 24.2% and 13.3% decline, as compared to 30 June 2008 and 31 December 2008 respectively, as a result of our risk control measures. As the wholesale market conditions remained difficult and the financial health of some of our wholesale customers deteriorated, the portion of overdue over 90 days net trade debtor balance increased to 5.6% (30 June 2008: 4.0%). To further mitigate the risks of negative impact brought by possible continued weakness of the financial health of our wholesale customers, the Group had reduced the credit exposure of some of our wholesale customers. The amount of uninsured and/or unsecured net trade debtors accounted for about 54.8% of the net trade debtors (30 June 2008: 33.7%). Since 31 December 2008, the Group has made rigorous efforts to secure subsequent settlements of overdue debts and has made good improvements with such efforts.

Net trade debtors balance



Inventory was HK$2,997 million, representing a decline of 5.5% and 7.4% when compared to 30 June 2008 and 31 December 2008 respectively. The proportion of finished goods aged over six seasons to total finished goods increased to 9.4% (30 June 2008: 5.6%).

Inventory balance



BALANCE SHEET RATIOS

The Group had no long-term bank borrowings and did not pledge any assets as security for overdraft or any short-term revolving facility. The debt-to-equity ratio (interest bearing external borrowings divided by total equity) was 0% (30 June 2008: 0%). In view of these healthy ratios and a net cash balance, the Group considers its financial strength remains strong.

	Year ended 30 June	
	2009	2008
Profitability		
Return on total assets (ROA)[1]	**22.8%**	33.1%
Return on equity (ROE)[2]	**31.3%**	46.0%
Liquidity		
Current ratio (times)	**2.5**	2.7
Quick ratio[3] (times)	**1.6**	1.9
Net cash to debt ratio[4]	**net cash**	net cash
Efficiency		
Inventory turnover[5] (days)	**65**	54
Working capital to sales[6]	**24.4%**	22.1%
Net profit to working capital[7]	**56.3%**	78.5%

1 Calculated based on net earnings as a percentage of average total assets
2 Calculated based on net earnings as a percentage of average total equity
3 Calculated by dividing the sum of net trade debtors and cash and cash equivalents by current liabilities
4 Calculated by dividing net cash balance by interest bearing external borrowings
5 Calculated by dividing average inventory (excluding consumables) by average daily cost of goods sold for the year
6 Calculated based on average working capital balances as a percentage of Group's turnover
7 Calculated based on net earnings as a percentage of average working capital balances

EARNINGS PER SHARE

Based on the 1,244,251,082 (FY 07|08: 1,238,418,256) weighted average number of ordinary shares in issue during the financial year, the basic earnings per share was HK$3.81 (FY 07|08: HK$5.21).

FOREIGN EXCHANGE RISK MANAGEMENT

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

HUMAN RESOURCES

After converting to full-time position terms, the Group employed over 10,700 staff worldwide (30 June 2008: over 10,000) as at 30 June 2009. Remuneration packages that take into account business performance, market practices and competitive market conditions are offered to employees in compensation for their contributions. In addition, share options and discretionary bonuses are also granted based on the Group's and individual's performances. Employees are connected through the Group's quarterly newsletters and global intranet.

DIVIDENDS

The Board is pleased to recommend the distribution of a final dividend of HK$0.72 per share (FY 07|08: HK$1.15) and a special dividend of HK$1.33 per share (FY 07|08: HK$2.10) for the year ended 30 June 2009.

In order to maintain a strong balance sheet for future growth, the Board has recommended to provide the shareholders with an option to receive the final dividend in form of new fully paid shares in lieu of cash. The Board has also recommended that the special dividend be satisfied wholly in form of new fully paid shares without offering any rights to the shareholders to elect to receive such dividend in cash.

Subject to the approval of shareholders of the Company at the forthcoming annual general meeting, the final dividend and the special dividend will be payable to the shareholders whose names appear on the Registers of Members of the Company at close of business on Thursday, 10 December 2009. Dividend warrants and share certificates for new shares to be issued under the scrip dividend reinvestment scheme will be despatched by ordinary mail on or around Friday, 15 January 2010.

The dividend reinvestment price shall be determined by the average closing price of the shares of the Company for the five trading days preceding Monday, 30 November 2009. The election form will be despatched on or around Tuesday, 15 December 2009 and the election period for scrip dividend will commence from on or around Tuesday, 15 December 2009 to Monday, 4 January 2010, both days inclusive.

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

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

The total dividend, including the interim dividend paid and the proposed final and special dividends, represents a total full year dividend payout ratio of around 75% (FY 07|08: 80%) of the earnings per share of the Group for the year ended 30 June 2009. The Board will continue to review the Group's financial position and capital needs every year in deciding its dividend recommendation going forward.

04.4 STRATEGIC REVIEW AND PROSPECTS

Looking forward to FY 09|10, the Group will focus on the ongoing global expansion, leveraging the robust business model, product innovation, brand rejuvenation and achieving operational excellence to maximise the upside potential when the market recovers.

We will continue the **global expansion** as we build the brand's relevance and visibility, thereby increasing customer awareness of our brand through opening stores in prominent shopping locations in these markets. Core market growth will be intensified by opening more stores in major shopping areas to increase market share. France, where we only have less than 1% market share even though it is one of our core markets, is among the markets chosen to open more stores and grow brand presence. In addition, resources will be diverted to underperforming markets, including Australia, Canada and United Kingdom by opening stores in major shopping districts to build up brand relevance so that the market will become profitable faster. In the United States, we will adopt a multi-pronged strategy which includes penetrating into outlet malls, partnering with department stores, building the ecommerce channel and very selectively expanding the retail store network in selected cities on the east and west coasts. In FY 09|10, the Group currently targets to open 60 to 80 stores and plans to utilise approximately HK$800 million for retail expansion. 130 to 140 franchise stores are currently approved to open during the next fiscal year.

Our **robust business model** has shown its strength in enabling us to capture opportunities that arose during the recent macro economic slowdown. We see continued weakness in the wholesale orderbook in the first half of FY 09|10. We will continue to build the multi-distribution network to expand the operational platform for future growth. In addition to the expected addition of retail and franchise stores under the ongoing global expansion, we believe concession counters, where department stores rent spaces out to brands to operate their own businesses, will generate higher profits than the traditional department store format under wholesale. We are already gaining experience in operating this type of retail model in Asia and we will work with department store customers in Europe to convert existing wholesale shop-in-stores into concession counters.

Several years ago, it became evident that customers increasingly prefer shopping at stand-alone stores as opposed to multi-label retail stores. So we have started to convert our multi-label retailers to **franchise stores**, carrying only Esprit products. This strategy was proven effective as the performance of franchise stores offsets the struggling performance of multi-label retail shops as demand dampens. Looking ahead, we will continue this strategy and work with strong franchise partners to accelerate further franchise expansion.

We recognise the importance of being a consumer-driven company as we must possess a **retail-minded vision** to deliver quality products that are focused on satisfying customer needs. Product initiatives currently underway include reduction of the number of styles offered in each collection to redirect the focus of the teams to deliver only best selling products. In addition, a comprehensive review of product divisions revealed that the 12 product divisions have blended somewhat and became less differentiated. We will work on delineating the divisions so that they are targeted at each distinct customer group to maximise the market potential.

To **protect our most valuable asset, brand positioning**, we will implement an authorised dealership programme, where our wholesale customers will be contractually required to adhere to Esprit's standards such as minimum selling space, order size, timing of markdowns and placement of products.

With over 5 km of Esprit store windows worldwide, our stores are a key communication channel with our customers. In Autumn 2009, a first-of-its-kind retro-fitted flagship store will be opened in Hong Kong, featuring newest store architecture that is expected to create a buzz in the shopping scene. In addition, store fronts in the Asia Pacific region will be getting a makeover by experts targeted to build brand relevance amongst shoppers.

Esprit had in the past adopted subtle ways to promote the brand, mainly through quality products and our stores. However, going forward to complement all other efforts to raise the profile of Esprit, we will be more receptive to higher profile brand communication strategy.

Achieving operational excellence remains our goal to strengthen the foundation. To accommodate Esprit's anticipated growth, a **worldwide IT system upgrade** has been launched to unify workflows, encourage knowledge sharing, minimise human error and enlarge the organisational platform to support long term growth. The project is expected to take several years to complete, and the targeted capital expenditure for FY 09|10 is approximately HK$650 million. We also planned to partner with a logistical service provider and open a new distribution centre in Europe to enhance our efficient and customer-oriented supply chain. Subsequent to the year end, to allow management more time to focus on enhancing the Esprit brand, the Company divested the non-core loss making red earth brand related operations. Additionally, all departments have engaged in various cost cutting initiatives in the past year to keep the organisation lean and mean, examples include switching from air to sea freight via better planning, reducing sourcing costs by consolidating the supplier base, freezing headcount and tightening discretionary spending.

04.5 FIVE-YEAR SUMMARY

FINANCIAL SUMMARY

	Year ended 30 June				
	2009	2008	2007	2006	2005
Operating results (HK$ million)					
Turnover	**34,485**	37,227	29,640	23,349	20,632
Operating profit	**5,729**	7,721	6,259	4,765	4,075
Profit attributable to shareholders	**4,745**	6,450	5,180	3,737	3,211
Per share data (HK$)					
Earnings per share – basic	**3.81**	5.21	4.22	3.09	2.68
Dividend per share+	**2.85**	4.20	3.18	2.31	1.95
Key statistics (HK$ million)					
Total equity	**14,409**	15,944	12,081	9,107	7,039
Net current assets	**7,309**	9,546	6,893	4,237	2,728
Cash position (net of overdraft)	**4,840**	6,521	5,232	2,469	1,729
Net cash inflow from operating activities	**5,272**	5,970	5,881	3,428	2,718
Term loans	**–**	–	–	250	–
Retail data					
Number of directly managed stores#	**804**	700	607	671	634
Directly managed selling space (m^2)#	**314,966**	273,801	239,400	225,693	195,042
Comparable store sales growth	**3.5%**	6.9%	19.8%	9.0%	8.5%
Wholesale data					
Number of controlled-space POS	**14,067**	14,590	13,369	11,459	9,751
Controlled-space sales area (m^2)	**808,605**	746,655	629,967	525,090	443,321
Other data					
Capital expenditure (HK$ million)	**2,011**	1,352	615	838	1,236
Number of employees ##	**10,766**	10,541	9,617	8,400	7,720
Key ratios					
Return on total equity (ROE)###	**31.3%**	46.0%	48.9%	46.3%	51.6%
Return on total assets (ROA)*	**22.8%**	33.1%	34.7%	32.7%	34.8%
Net debt to equity**	**net cash**	net cash	net cash	net cash	net cash
Interest cover (times)	**5,052**	15,823	21,363	3,370	2,125
Current ratio (times)	**2.5**	2.7	2.5	2.3	2.0
Inventory turnover ***(days)	**65**	54	55	54	47
Operating profit before depreciation and amortisation margin	**18.9%**	22.8%	23.1%	22.7%	21.9%
Operating profit margin	**16.6%**	20.7%	21.1%	20.4%	19.8%
Earnings before taxation margin	**17.3%**	21.6%	22.1%	20.9%	20.2%
Net profit margin	**13.8%**	17.3%	17.5%	16.0%	15.6%

+ calculated after including the HK$1.33 special dividend for FY 08|09, the HK$2.10 special dividend for FY 07|08, the HK$1.48 special dividend for FY 06|07, HK$1.08 special dividend for FY 05|06 and HK$0.84 special dividend for FY 04|05

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 average daily cost of goods sold for the year

05
SUSTAINABILITY TO ESPRIT


ESPRIT

WOULD YOU…

…CONSENT TO WEARING ANY PRODUCT MANUFACTURED UNDER UNFAIR CONDITIONS?

…LIKE TO PREVENT ENVIRONMENTAL DAMAGE?

…EXPECT US TO SUPPORT THOSE IN NEED?

…LIKE TO WORK FOR A COMPANY THAT VALUES ITS EMPLOYEES?

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

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

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

We have a set of core beliefs which ensures that those who produce Esprit products are treated fairly. Our core beliefs are:
- No child labour
- No forced labour
- Safe and healthy working conditions for workers
- Fair compensation for workers
- Voluntary overtime
- No unauthorised or disciplinary deductions from wages
- Legal and regulatory compliance practice strictly enforced
- Free of discrimination
- Minimal damage on the environment

With the above core beliefs and the goal to minimise the adverse impacts on our stakeholders in mind, we have adopted the Business Social Compliance Initiative ("BSCI") Code of Conduct, which gives details on supply chain standards that members must meet, and have incorporated it into our buying agreement. The BSCI was founded by the EU Foreign Trade Association in Brussels. For details of the BSCI and its Code of Conduct, please refer to BSCI website at http://www.bsci-eu.com/. We have been contributing our knowledge to other BSCI members through our representation on the BSCI Members' Board since 2006 and as Chairman of the BSCI Certification Bodies and Accreditation Committee for the period 2008 to 2009.

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

1. Supplier/Manufacturer documentation

All suppliers are contractually required to abide by our Sourcing Compliance Policy and to provide written declaration:
- not to use restricted chemicals,
- not to use child labour,
- observe the BSCI Code of Conduct, and
- provide a manufacturer profile.

2. Enforcing our standard continuously

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

Minimum requirements for new suppliers

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

In-house audits

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

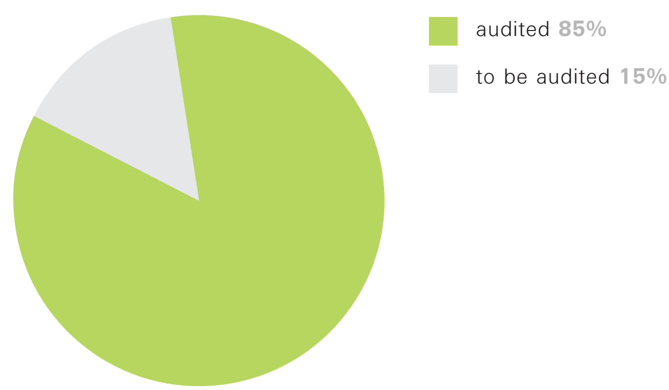
BSCI audits

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

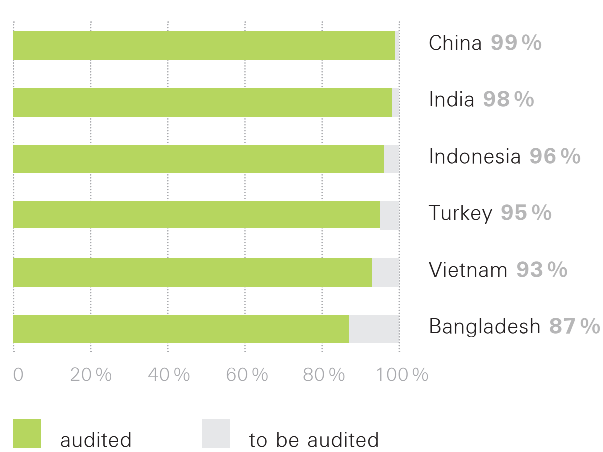
Continuous monitoring

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

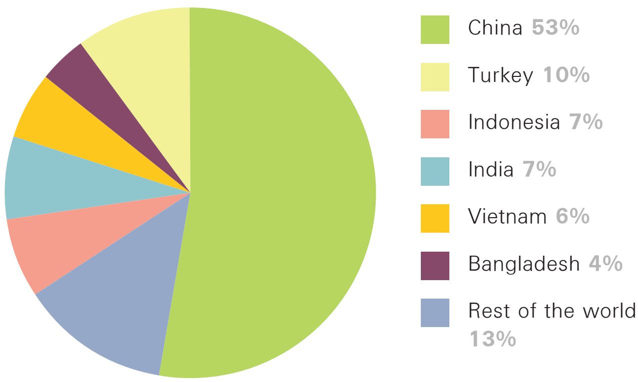
Active suppliers audited in FY 08|09



Percentage of active suppliers audited in FY 08|09



Countries where Esprit Products were made in FY 08|09



From the figures above, in FY 08|09 at least 85% of our active manufacturers were audited, mostly in countries which are considered "high-risk". In addition, the majority of active manufacturers were BSCI audited in FY 08|09. Approximately 26 new manufacturers were suspended for failing to meet our minimum compliance requirements.

The most common non-compliance issues found in vendor compliance audits conducted in FY 08|09 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
- Unauthorised excess overtime working hours
- Incomplete training records
- Insufficient illumination for workers during working hours
- Insufficient first aid supplies
- Salary release later than 20 days after month-end cut off
- No rest day per week on monthly average
- No policy on discrimination, maternity and dormitory rules included in the factory policy or employment contracts.

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

Child labour

We really have zero tolerance towards the use of child labour – not even one child. Recently a third party reported that child labour was used in one of our suppliers' factory in China. After further investigation, unauthorised child labour was detected and our contractual relationship with that supplier was immediately terminated. The supplier has subsequently allegedly claimed that damages have been incurred and filed a case in the High Court in Hong Kong. Despite the potentially high litigation cost, we do not compromise on our standards.

3. Education

For suppliers:
Suppliers are invited to attend Esprit Vendor Meetings to learn about Esprit's Vendor Compliance Programme and BSCI materials. In FY 08|09, about 85% of vendors attended such meetings.

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

05.2 WOULD YOU LIKE TO PREVENT ENVIRONMENTAL DAMAGE?

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

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

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

- We participate in the dual system of the Duales System Deutschland GmbH which collects and recovers sales packaging. Our participation in 2008 led to savings of 863 tonnes CO_2-equivalent.

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

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

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

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

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

05.3 WOULD YOU EXPECT US TO SUPPORT THOSE IN NEED?

SOS CHILDREN'S VILLAGES

Welfare and protection of basic rights of underprivileged children is very personal to us. Therefore, besides having no tolerance for child labour, we regard our work with SOS Children's Villages ("SOS") for the past few years as another way of addressing the issue of child poverty and exclusion. SOS Children's Villages is an international non-governmental social development organisation that has been active in the field of children's rights and committed to children's needs and concerns since 1949. At the moment, SOS runs more than 2,000 projects and programmes in 132 countries and territories. We picked India as a country to focus our efforts because of the 400 million children in India, of whom 40% live below the poverty line (INR 800 per child per month) and SOS Children Villages India has set a goal to support 100,000 children by the year 2016. Since the first SOS Children's Village built in Greenfields near Delhi in 1964, more than 14,000 children are now under long-term care in 32 SOS Children's Villages around India. Children without parental care are provided with long term family-based childcare. In 2008, our partnership with SOS was taken to a new level:

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

www.esprit.com/sos

Family strengthening programme

Socially excluded and marginalised families are at the verge of collapse in India due to extreme poverty, death of husbands/wives, separation and caregivers getting affected by fatal diseases. Thus, the primary goal of these programmes is to empower caregivers most of whom are women: courses advise them on how they can take charge of their own lives again. They get to know and protect their own rights and learn how to manage resources. This programme helps almost all women caregivers find an employment opportunity with which they can earn enough money to send their children back to school, provide for basic health and minimum nutrition. Besides that, in Faridabad, Greenfields and Bawana, 700 children and their families received a subsidy for school fees and food, as well as basic medical care.

Mini, a 31 year-old widow with three children was identified for intervention by the SOS Social Centre in Faridabad. In 2001, her husband had a heart attack and left Mini with her three children. They led a pleasant life, until her husband's money ran out and left them with nothing. Although Mini found herself a job as a housekeeper and earned a little money, her earnings were not nearly sufficient to feed her family. The children were no longer able to go to school.

In 2003, Mini caught the eye of the Social Centre of the SOS Children's Village. With the help of the SOS Social Centre, Mini got a good job in a cable factory and earned enough to be able to feed her children again. "One of the SOS community programme workers even arranged a personal loan for me. I used it to buy myself a sewing machine. This way, I can work from home and even supplement my earnings," said Mini ecstatically. That is not all: SOS employees helped Mini apply for a pension the Indian state provides to widows which Mini was not aware of. "With this pension and my two jobs, I can even save a little", said Mini. She could even save for her house that she is building.

At the end of 2007, she "graduated" from the SOS family strengthening programme: her house is finished, she has paid back the loan for the sewing machine and is standing on her own two feet. "My husband's death still weighs heavily on me. But the help of the SOS Children's Villages encouraged me and made me believe in myself again. Since my children have gotten back to school, they are even better in school than they were before," laughs Mini, "Karuna is even among the top of her class".

It is stories like Mini's which has moved us and made us to commit further in 2008 to fund the construction of a new SOS Children's Village in Alibaug, south of Mumbai with 14 family houses for over 140 children without parental care. Not only will the children in this SOS Children's Village be given support, but the Alibaug community will benefit from the SOS Social Centre which will be the hub of community empowerment focusing on socially and economically vulnerable families as well as their children.

The foundation stone for the Alibaug SOS Children's Village was officially laid on 4 November 2008. Over 200 children and around 150 adults from Alibaug and surrounding areas attended the celebration alongside local politicians, representatives from SOS Children's Villages worldwide, Esprit employees and Esprit's Indian sales partner. The ceremony was blessed by a Hindu priest through "bhoomi pujan" (Hinduism believes in five elements of life represented by Earth, Wind, Fire, Water and the Sky. Hence it is a prayer offered to the Earth. BHOOMI in Sanskrit means EARTH and PUJAN means PRAYERS)".

While the Alibaug SOS Children's Village is under construction, our colleagues have been working on raising funds.

- The SOS Charity Mug was sold with 100% of the proceeds going towards our SOS project in Alibaug. The high quality white ceramic coffee mug premiered at our franchise and retail stores worldwide in November 2008. By December 2008, over 13,306 mugs were sold across the globe and allowed us to raise around 132,000 Euros for the cause.

- Twelve high-quality leather bags were auctioned off at a one-off event in the mall at our Ratingen headquarters at the beginning of December 2008. The campaign was not only fun but the generous bids raised a total of almost 3,800 Euros, all of which went into supporting the Alibaug SOS Children's Village.

Some other colleagues have been working closely with SOS on the construction. The Alibaug SOS Children's Village is beginning to take shape. As of May, we have already seen the foundation of most of the units built and columns ready to take slab.

Key dates

15 MAY 2008:
Purchase of the land

OCTOBER 2008:
Laying of the foundation stone and launch of construction after the end of the monsoon season

JANUARY 2010:
Construction of six family houses will be completed and children will move into these houses in a phased manner

23 JUNE 2010:
Construction complete in all respect and House warming ceremony to be conducted

AUTUMN 2010:
Official opening once all the families have moved in

CHANGING THE WORLD WITH ONE PICTURE

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

AUSTRALIAN ESPRIT CARES TRUST

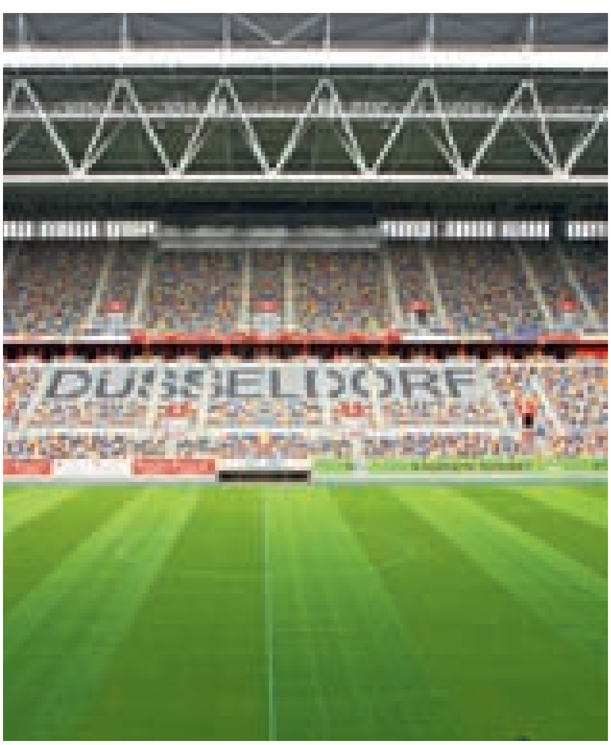
The Australian Esprit Cares Trust was established in 1991 with the purpose of housing, educating, counseling and training Australian homeless youth in order to enable their successful integration into mainstream society and its workforce. Through the generosity, commitment and passion of our people, the Esprit Cares Trust has over AUD300,000 in funds. Some of the funds have been donated to homeless youth communities such as Youth off the Streets, Stretch-A-Family and Kids under Cover.


ESPRIT
NATIVE SPIRIT

DEDICATION TO ATHLETICS AND LOCAL COMMUNITY

"This is a demonstration of Esprit's close relationship with Düsseldorf and the entire region."
Dirk Elbers // Düsseldorf City Mayor, Germany

Esprit will be lending its name to Düsseldorf's multi-purpose stadium from 1 July 2009 onwards for a period of at least five years. As Chairman Heinz Krogner puts it during the press conference, "Aside from the fact that the stadium is located right next door to our Global Business Headquarters, the Arena symbolises what Esprit has always stood for... vibrancy, youthfulness, spontaneity, and athleticism".



FOSTERING TALENT: THE ESPRIT ACADEMY

2009
Dressed in Esprit clothing, the German U21 football national team won the finals in UEFA European Championship in Sweden. With our continuous collaboration, we hope that the German U21 football national team can always "win-in-style".

2007 & 2008
Sponsoring talents encompasses all fields, including sports. We made sure the German Youth National Teams look as good off the field as they do on, head to toe in Esprit, of course.

2006
We commissioned a competition for a new look for Esprit stores worldwide. Fifteen architecture studios from all over Europe participated. There were two outstanding entries so we awarded the two winners with 20,000 Euros each.

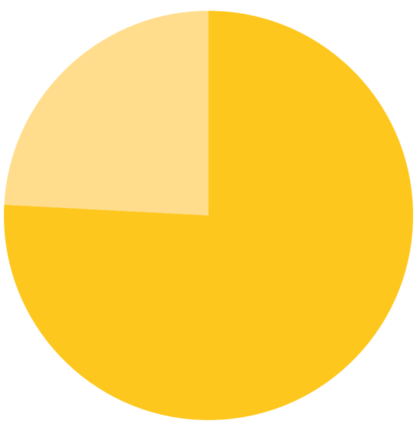
2005
We gave young designers at "The London College of Fashion" two tasks: to complement the Esprit "casual", "collection" and "edc" lines in a surprising way. The best designs went into production and were sold under the "limited edition line" label in selected European Esprit stores.

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

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

KEY EMPLOYEE STATISTICS IN FY 08|09

Share of Female Employees in FY 08|09

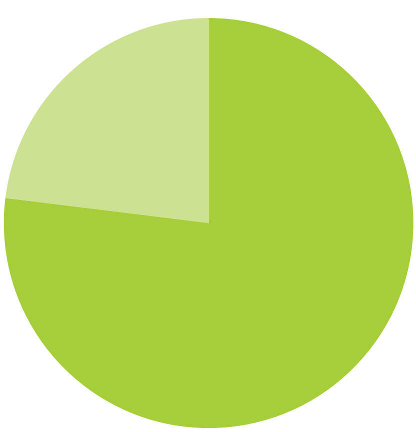


Female 76% Male 24%

Share of Full Time vs Part Time Employees in FY 08|09

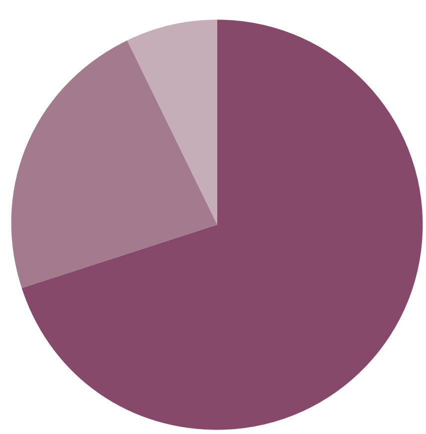
Full time 54% Part time 46%

Share of Employees with Permanent Contracts in FY 08|09



Permanent 71% Temporary 29%

Employees by Region in FY 08|09

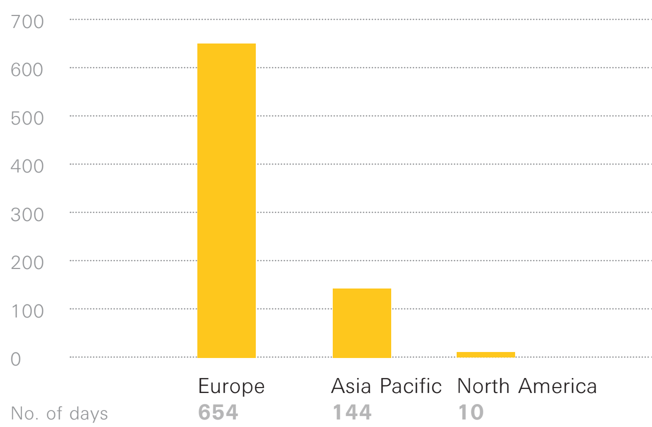


Europe 70% Asia Pacific 23% North America 7%

EMPLOYEE TRAINING AND DEVELOPMENT

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

Training Days by Region



BENEFITS

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

Our staff welfare is multi-facet, for example:

- In our Hong Kong office, this year, in addition to the maternity leave given to female employees, any full time employee whose wife is expecting or has delivered a new baby will also be entitled to 5 days full pay leave.
- In our Ratingen headquarters, employees, customers and visitors get to enjoy healthy food without compromising their taste buds because bio-food is served in our e-lounge. Our bio-food has been certified by the Gesellschaft für Ressourcenschutz mbH (GfRS) (Germany) which is an organisation within the European Union that audits the integrity of products from organic agriculture.

INTERNAL PROMOTION

Besides bringing in talents from the outside to reinvigorate the Company, we firmly believe in breeding talents internally. This year, there have been more than 430 internal promotions across all countries. Amongst those, Mike Ross, who has been working for Esprit for over 20 years in product management and merchandise management, was promoted to the position of Head of Global Division Women casual.

Retention of our staff is another key objective. In every Esprit News, the internal global newsletter, we celebrate those long-serving staff by listing out the number of years they have been in the Esprit family, many over 20 or even 25 years.

INCENTIVES

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

After a year's hard work, top sales in China are rewarded with fully-funded tours to different countries across the globe every year, with a surprise element to the trip – the participants do not know the itinerary to the trip. Another fun example is our Holiday Store Contest 2008 where teams from all three regions of Switzerland were asked to achieve the December retail plan. Winners received iPod Touch and iPod Nano. At the same time, retail in Germany held a huge Christmas competition "We Celebrate Your Performance".

WORKING CAN BE FUN

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

COMMUNICATION

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

05.5 WHO ARE WE TO JUDGE?

"Esprit's support to SOS Children's Villages of India has strengthened the lives of 1640 children and their families. In the coming months, SOS Children's Village Alibaug will come to life bringing a 'loving home and family' to 130-140 orphan. As Esprit's support towards our organisation grows, more lives will be touched and strengthened making our partnership an outstanding example of social responsibility."

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

"Through your participation in our dual system, you have a lasting contribution to reducing greenhouse gases."

THE GREEN DOT – DUAL SYSTEM GERMANY LTD.

"The National Heritage Foundation would like to thank Esprit personally for your exemplary commitment to this valuable natural area."

NABU FOUNDATION

"With the help of the compliance programme and compliance team from Esprit, we have become fully aware of the importance of social compliance (BSCI) and we are experiencing many benefits after we implemented the BSCI programme into our factory. Our employees are now fully aware of their own safety and information they need to know, so that we have had a lot of improvement on the safety in the working environment."

HERBERT LEE // DIRECTOR, GREAT SMART TRADING LTD

"This year will be my 25th year at Esprit. It's been a very good time and still I feel that I can contribute. It's the little things that are fun and that make me happy. Esprit for me is having a sense of belonging and being able to help others. I'm very proud to be working for Esprit."

WALTRAUD KHAN // BUSINESS CENTRE, ESPRIT

06
CORPORATE GOVERNANCE

06.1 CORPORATE GOVERNANCE REPORT

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

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

OWNERSHIP STRUCTURE

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

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

BOARD INDEPENDENCE AND EFFECTIVENESS

Protecting shareholder value

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

Clear distinction between the responsibilities of the Board and management

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

Decisions reserved for the Board are mainly related to:

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

Membership

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

Under the code provision A.4.1 of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules, Non-executive Directors should be appointed for a specific term, subject to re-election. Non-executive Directors of the Company have not been appointed for a specific term. However, under Bye-law 87 of the Company's Bye-laws, all Directors, including Non-executive Directors, of the Company are subject to retirement by rotation and re-election in the annual general meeting of the Company ("AGM") and each Director is effectively appointed under an average term of three years.

Under the Company's Bye-law 87, one-third of the Directors must retire, thus becoming eligible for re-election at each AGM. This year, Mr. Heinz Jürgen KROGNER-KORNALIK and Mr. Jürgen Alfred Rudolf FRIEDRICH will retire at the forthcoming AGM and both being eligible to offer themselves for re-election. Furthermore, under the Company's Bye-law 86(2), any Director appointed during the year to fill a causal vacancy should retire at the first general meeting after his appointment and Mr. Ronald VAN DER VIS who was appointed on 22 June 2009, Mr. CHEW Fook Aun who was appointed on 1 February 2009 and Mr. Francesco TRAPANI who was appointed on 12 December 2008 shall also retire at the forthcoming AGM and all being eligible to offer themselves for re-election. Their biographical details 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).

Mr. Heinz Jürgen KROGNER-KORNALIK, Mr. Ronald VAN DER VIS and Mr. CHEW Fook Aun have entered into service contracts with members of the Group that can be terminated by the Company by giving a period of notice of not more than one year.

Neither Mr. Jürgen Alfred Rudolf FRIEDRICH nor Mr. Francesco TRAPANI has entered into service contract with any member of the Group. They have no fixed term of service with the Company and are subject to retirement by rotation and re-election in accordance with the Company's Bye-laws.

Board Committees

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

Audit Committee

Members

Alexander Reid HAMILTON (Chairman)
Paul CHENG Ming Fun
Jürgen Alfred Rudolf FRIEDRICH
Dr. Hans-Joachim KÖRBER
Raymond OR Ching Fai

Responsibilities

- Provide an independent review of the effectiveness of the financial reporting process and the internal control and risk management systems;
- Review of financial information of the Company; and
- Oversee the audit process and perform other duties as assigned by the Board

The Audit Committee is provided with sufficient resources to discharge its duties and meets regularly with management, internal auditors and external auditors and reviews their reports. During the financial year, the Audit Committee reviewed the interim results and the annual results of the Group for the year ended 30 June 2009 as well as the accounting principles and practices adopted by the Group. It also reviewed the nature, scope and findings of internal and external audits, and the Company's treasury activities, liquidity and risk management. Our finance function head, the external auditors, internal auditors and senior management attended the meetings to answer any questions raised by the Audit Committee.

Nomination Committee

Members

Paul CHENG Ming Fun (Chairman)
Heinz Jürgen KROGNER-KORNALIK
Dr. Hans-Joachim KÖRBER
Francesco TRAPANI (appointed on 1 January 2009)
Alexander Reid HAMILTON (resigned on 1 January 2009)
Raymond OR Ching Fai (resigned on 1 January 2009)
John POON Cho Ming (resigned on 20 July 2008)

Responsibilities

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

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

Remuneration Committee

Members

Raymond OR Ching Fai (Chairman)
Heinz Jürgen KROGNER-KORNALIK
Alexander Reid HAMILTON
Francesco TRAPANI (appointed on 1 January 2009)
Paul CHENG Ming Fun (resigned on 1 January 2009)
Dr. Hans-Joachim KÖRBER (resigned on 1 January 2009)

Responsibilities

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

BOARD INDEPENDENCE AND EFFECTIVENESS (continued)

General Committee

Members

Heinz Jürgen **KROGNER-KORNALIK**
Ronald **VAN DER VIS** (appointed on 22 June 2009)
CHEW Fook Aun (appointed on 1 February 2009)
Thomas Johannes **GROTE** (resigned on 26 March 2009)
Jerome Squire **GRIFFITH** (appointed on 11 December 2008 and resigned on 1 February 2009)
John **POON** Cho Ming (resigned on 20 July 2008)

Responsibilities

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

- Issue statements regarding unusual movements in price and/or trading volume of the shares of the Company;
- Respond to routine enquiries from The Stock Exchange of Hong Kong Limited relating to the continuing obligations of the Company under the Listing Rules;
- Routine acknowledgement of the notification of dealing in the Company's securities from the Chairman pursuant to Appendix 10 of the Listing Rules;
- Routine administration of i) the 1993 Employees Share Option Scheme, and ii) the 2001 Share Option Scheme;
- Issue of new shares upon exercise of share options granted under the share option scheme 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 Committee meetings have been recorded in sufficient detail including any matters considered in the meetings, decisions reached and concerns or queries raised by the Directors or dissenting views expressed. Draft and final versions of minutes of the Board and other Board Committees are sent to all Directors or committee members for comments and records respectively within a reasonable time after the meeting.

The attendance of individual members of the Board and other Board Committees meetings during the financial year ended 30 June 2009 is set out in the table below:

Meetings attended/held

Directors	Board	Audit Committee	Nomination Committee	Remuneration Committee	General Committee
Executive Directors					
Heinz Jürgen **KROGNER-KORNALIK**	4/4		2/2	4/4	19/19
Ronald **VAN DER VIS** (appointed on 22 June 2009)	0/0				0/0
CHEW Fook Aun (appointed on 1 February 2009)	3/3				5/5
Thomas Johannes **GROTE** (resigned on 26 March 2009)	3/3				12/13
Jerome Squire **GRIFFITH** (resigned on 1 February 2009)	2/2				1/4
John **POON** Cho Ming (resigned on 20 July 2008)	0/0		0/0		0/0
Non-executive Directors					
Jürgen Alfred Rudolf **FRIEDRICH**	4/4	4/4			
Independent Non-executive Directors					
Paul **CHENG** Ming Fun	3/4	3/4	2/2	2/2	
Alexander Reid **HAMILTON**	4/4	4/4	2/2	4/4	
Dr. Hans-Joachim **KÖRBER**	4/4	4/4	2/2	2/2	
Raymond **OR** Ching Fai	4/4	4/4	2/2	4/4	
Francesco **TRAPANI** (appointed on 12 December 2008)	2/2		0/0	2/2	

Roles of Different Directors

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

Non-executive Directors on the other hand play an important role in the Audit Committee, the Nomination Committee and the Remuneration Committee to ensure independent and objective views are expressed and to promote critical review and control. The three committees are all chaired by Independent Directors and its members are largely comprised of Independent Directors to avoid conflicts of interest for Executive Directors. The independence of the Board has risen over the years, as shown with the increased number of Independent Directors from three (total of ten Directors) in FY05|06 to five (total of nine Directors) as it currently stands.

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

Professional advice

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

TRANSPARENCY AND DISCLOSURE

Shareholders engagement

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

Voting by poll

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

At the 2008 AGM, the Chairman of the meeting demanded voting by poll on all resolutions put forth at the meeting. The procedures for demanding a poll by the shareholders were set out in the circular sent to the shareholders in the time stipulated and were explained to the shareholders on commencement of the 2008 AGM. Tricor Secretaries Limited, the Company's branch share registrar in Hong Kong, was appointed as the scrutineer for voting by poll at the 2008 AGM to ensure the votes were properly counted.

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

Transparency of information

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

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

Esprit is committed to a timely disclosure of information. For instance, the final results are announced within 2 months from year end and interim results around 1 month from period end. Aside from annual and interim reports, this year 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 terms commonly used within Esprit in this year's Annual Report.

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

Pro-active investor relations

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

TRANSPARENCY AND DISCLOSURE (continued)

Conferences attended in FY 08|09

Month	Event	Organiser	Venue
August 2008	FY 07|08 Post Final Results Roadshow	Citi Deutsche Bank Goldman Sachs HSBC Merrill Lynch Morgan Stanley UBS	Hong Kong
September 2008	FY 07|08 Post Final Results Roadshow	Credit Suisse HSBC	London Edinburgh
September 2008	JPMorgan 13th Annual Asia Pacific & Emerging Markets Equity Conference 2008	JPMorgan	New York
September 2008	CLSA Investors' Forum 2008	CLSA	Hong Kong
November 2008	Morgan Stanley 7th Annual Asia Pacific Summit	Morgan Stanley	Singapore
February 2009	FY 08|09 Post Interim Results Roadshow	Citi Credit Suisse HSBC Merrill Lynch Morgan Stanley Nomura UBS Societe Generale Deutsche Bank	Hong Kong London New York
March 2009	CSFB Asian Investment Conference 2009	Credit Suisse	Hong Kong
May 2009	Macquarie China Conference & China Commodities Tour	Macquarie	Hong Kong
June 2009	Non-Deal Roadshow	BOCI	Tokyo
June 2009	Non-Deal Roadshow	DBS Vickers	Singapore

Awards

Time	Recognition	Awarding Party
September 2008	Most-Admired Companies in Hong Kong, "Innovative in Responding to Customer Needs" Category (no. 2)	The Wall Street Journal Asia 200 Survey 2008
December 2008	The Best in Corporate Governance, Hong Kong (Honourable mention)	The Asset Corporate Governance Awards 2008
April 2009	The Fastest Growing Listed Company 2009	World Eminence Chinese Business Association
April 2009	4th Most Valuable Apparel Board	Brandz Top 100 Most Valuable Global Brand 2009
June 2009	5th Corporate Governance Asia Recognition Awards 2009 - The Best of Asia	Corporate Governance Asia
July 2009	Silver Award (Retail Fashion Category)	2009 International ARC Awards

In addition, in April 2009, our Group CFO, Chew Fook Aun, was also honoured by the World Eminence Chinese Business Association and named as one of the "Top 40 Chinese Financial Leaders of 2009".

Compliance with the Code on Corporate Governance Practices

The Company has applied the principles and complied with the Code throughout the year ended 30 June 2009, except that: (i) Non-executive Directors of the Company do not have specific term of appointment as detailed above (code provision A.4.1); and (ii) the role of chairman and chief executive officer is performed by the same individual as noted below (code provision A.2.1).

Currently, the roles of chairman and chief executive officer are performed by Mr. Heinz Jürgen KROGNER-KORNALIK as unanimously elected by the Board on 5 December 2006. However, subject to the appointment of Mr. Ronald VAN DER VIS as the new Group CEO on or before 1 November 2009, Mr. Heinz Jürgen KROGNER-KORNALIK will step down from his position as Group CEO and remain in his role as Executive Chairman. Consequently, in accordance with A.2.1 of the Code, the role of the chairman and chief executive officer will be separated and will not be performed by the same individual.

The Esprit Corporate Governance Code has been adopted by the Board of the Company throughout the financial year ended 30 June 2009 which ensures greater transparency and quality of disclosure as well as more effective risk control.

AUDIT, CONTROL AND RISK MANAGEMENT

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

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

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

Internal audit function

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

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

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

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 2009, 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 ("CSR") into every business decision. In an effort to provide more clarity on the Company's corporate social responsibility efforts, more details have been incorporated into this Annual Report within 05 Sustainability to Esprit. Also, the Company has continued to answer CSR questionnaires such as the Carbon Disposal Project 2009 (CDP7).

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for overseeing the preparation of consolidated financial statements for the year ended 30 June 2009, 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 2009, 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 financial statements on the going concern basis.

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

AUDITORS' REMUNERATION

A summary of fees for audit and non-audit services to the external auditors for the financial years ended 30 June 2009 and 30 June 2008 is as follows:

Nature of the services	**2009 HK$ million**	2008 HK$ million
Audit services	**13**	14
Other services*	**1**	3
	14	17

* Non-audit service fees are mainly for tax compliance and related services, and advisory services in relation to employee benefits.

06.2 REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their annual report and the audited consolidated financial statements for the year ended 30 June 2009.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of the principal subsidiaries are shown in note 1 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 131 and in the accompanying notes to the consolidated financial statements.

The interim dividend of HK$0.80 per share, totaling HK$997 million, was paid on 8 April 2009.

The Directors recommend the payment of a final dividend of HK$0.72 per share and a special dividend of HK$1.33 per share. Details are set out in note 9 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 134 and in note 28 to the consolidated financial statements respectively.

SHARE CAPITAL

During the year, 4,607,000 (2008: 12,700,000) ordinary shares of HK$0.10 each were issued in relation to the share options exercised by Directors and employees under the share option scheme of the Company adopted on 26 November 2001 at exercise prices in the range of HK$14.60 to HK$42.58 each (representing a premium in the range of HK$14.50 to HK$42.48 each). Further details of movements in share capital of the Company are set out in note 20 to the consolidated financial statements.

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 164 and 165 respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

PENSION SCHEMES

Particulars of pension schemes of the Group are set out in note 11 to the consolidated financial statements.

PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 30 June 2009 are set out in note 29 to the consolidated financial statements.

CHARITABLE DONATIONS

During the year, the Group made charitable donations totaling HK$14 million.

Particulars of the charitable initiatives undertaken by the Group are set out in the section headed "Sustainability to Esprit" on pages 85 to 105 to this report.

DIRECTORS

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

Executive Directors
Heinz Jürgen **KROGNER-KORNALIK** (Chairman)
Ronald **VAN DER VIS** (appointed on 22 June 2009)
CHEW Fook Aun (appointed on 1 February 2009)
Thomas Johannes **GROTE** (resigned on 26 March 2009)
Jerome Squire **GRIFFITH** (resigned on 1 February 2009)
John **POON** Cho Ming (resigned on 20 July 2008)

Non-executive Director
Jürgen Alfred Rudolf **FRIEDRICH**

Independent Non-executive Directors
Paul **CHENG** Ming Fun (Deputy Chairman)
Alexander Reid **HAMILTON**
Dr. Hans-Joachim **KÖRBER**
Raymond **OR** Ching Fai
Francesco **TRAPANI** (appointed on 12 December 2008)

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

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Executive Directors

Heinz Jürgen **KROGNER-KORNALIK**, aged 68, is an Executive Director and Group Chief Executive Officer. He became Chairman of the Board effective from 5 December 2006. He has been with the Group since January 1995. Mr. KROGNER is primarily responsible for the overall corporate direction and strategy of the Group, as well as providing leadership for the management in achieving the goals and targets set by the Board. He possesses a degree in business administration and industrial engineering. He was a consultant with Kurt Salmon Associates in a variety of areas, including production, organization, marketing, strategy and brand positioning, as well as with several textile firms, always in executive positions, before joining the Group.

Ronald **VAN DER VIS**, aged 41, has been appointed as Executive Director on 22 June 2009. Following the transition period, he will be appointed as Group Chief Executive Officer on or before 1 November 2009. He has over 10 years of 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 for the last 5 years. Mr. VAN DER VIS is an independent non-executive director of Sonova Holding AG.

CHEW Fook Aun, aged 47, has been an Executive Director and Group Chief Financial Officer since 1 February 2009. He has over 20 years of experience in accounting, auditing and finance in the United Kingdom and Hong Kong. He is a graduate of the London School of Economics and Political Science of the University of London in the United Kingdom and holds a Bachelor of Science (Economics) degree from the University of London. Mr. CHEW is a Fellow member of the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the Institute of Chartered Accountants in England and Wales. Mr. CHEW is also a Council member of the HKICPA. He is also a member of the advisory committee of the Securities and Futures Commission, the corruption prevention advisory committee of the Independent Commission Against Corruption and the standing committee on company law reform of the Hong Kong Companies Registry. Mr. CHEW was an executive director and chief financial officer of The Link Management Limited, manager of The Link Real Estate Investment Trust, from 1 February 2007 to 16 January 2009. He was also the chief financial officer of Kerry Properties Limited from 1996 to 2004, a director of corporate finance for Kerry Holdings Limited from 1998 to 2004 and the executive director responsible for the property portfolio for Kyard Limited from 2004 to 2007.

Non-executive Directors

Paul **CHENG** Ming Fun, aged 72, has been an Independent Non-executive Director of the Company since November 2002 and became Deputy Chairman of the Company effective from 20 July 2008. Mr. CHENG is also an independent non-executive director of several companies which are listed on The Stock Exchange of Hong Kong Limited, and the AIM Board of the London Stock Exchange. He was a former member of the Hong Kong Legislative Council as well as Chairman of Inchcape Pacific Limited, N M Rothschild & Sons (Hong Kong) Ltd., the Hong Kong General Chamber of Commerce, and the American Chamber of Commerce in Hong Kong. He is currently an Honorary Steward of the Hong Kong Jockey Club.

Jürgen Alfred Rudolf **FRIEDRICH**, aged 71, 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 67, has been an Independent Non-executive Director of the Company since August 1995. He is also a director of CITIC Pacific Limited, China Cosco Holdings Company Limited, Shangri-La Asia Limited, China Central Properties Limited and a number of other Hong Kong companies. He was a partner of Price Waterhouse with whom he practiced for 16 years.

Dr. Hans-Joachim **KÖRBER**, aged 63, has been an Independent Non-executive Director of the Company since May 2008. Dr. KÖRBER has 32 years of experience in finance & accounting, controlling, logistics and IT, including 23 years of experience in retailing. He graduated as Master Brewer in brewing technology and earned a doctor degree in business management from Technical University of Berlin, Germany. Dr. KÖRBER was the former Chairman and Chief Executive Officer of Metro AG, one of the world's largest retailers, until his retirement at the end of 2007. He is a director of Air Berlin PLC, Skandinaviska Enskilda Banken AB, Sysco Corporation and Bertelsmann AG.

Raymond **OR** Ching Fai, aged 59, has been an Independent Non-executive Director of the Company since 1996. He is a non-executive director and the vice-chairman of G-Resources Group Ltd. and a director of 2009 East Asian Games (Hong Kong) Limited. He was the former Vice Chairman and Chief Executive of Hang Seng Bank Limited, the former chairman of Hang Seng Life Limited and a director of The Hongkong and Shanghai Banking Corporation Limited, Cathay Pacific Airways Limited and Hutchison Whampoa Limited until his retirement in May 2009.

Francesco **TRAPANI**, aged 52, has been appointed an Independent Non-executive Director of the Company since December 2008. Mr. TRAPANI has over 21 years of experience in the luxury industry. He graduated with a degree in economics from the University of Naples and studied business administration at the New York University. Mr. TRAPANI is the chief executive officer of the Bulgari Group since 1984, who has since led the Bulgari Group to become one of today's leading global players in the luxury market offering world famous fine jewelry, watches, accessories, fragrances and skincare. Bulgari SpA is listed on the Italian Stock Exchange. Mr. TRAPANI is also deputy chairman of the board of directors of Altagamma, the association of Italian companies operating in the high-end of the market.

DIRECTORS AND SENIOR MANAGEMENT PROFILE (continued)

Senior Management

Ursula BUCK, aged 47, is Executive Director Licences. She is responsible for the management of the worldwide license business, product and country licenses. She holds a Bachelor Degree in Business Management and Economics from the University of Augsburg. She joined the Group in 2002 and has 17 years' experience in licensing fashion products. Prior to joining the Group, she was on the board of the luxury company Valentino in Italy, worked many years for the lifestyle company Hugo Boss and has 7 years' experience with McKinsey & Company, a management consultancy firm.

Bella CHHOA Peck Lim, aged 39, is Company Secretary and Senior Vice President – Group Legal and Compliance. She joined the Group in March 2006, has been overseeing the Group's legal, company secretarial and tax compliance matters. Ms. CHHOA is a solicitor qualified to practice in Hong Kong. Prior to joining the Group, she had been the company secretary of another company listed on The Stock Exchange of Hong Kong Limited for a number of years. She graduated from the University of Hong Kong with a degree in law in 1993. She also has a master of business administration degree from the Chinese University of Hong Kong.

Henning GERBAULET, aged 38, is Continental President Europe. He is responsible for the overall business strategy of the European region of the Esprit Group. After obtaining a master of business administration degree at the University of Regensburg in 1996, he started as assistant to CEO Europe for business development in September 1997. Mr Gerbaulet later founded the bodywear division and was appointed as a division manager bodywear in September 1998. In July 2002, he was further promoted as wholesale manager Europe before he became the Continental President Europe in October 2008.

Udo GREISER, aged 52, is Senior Vice President – Head of edc. He began his professional career in the consumer electronics sector in 1991, where he gained his expertise in the areas of sales and distribution in retail, of which his last position was Managing Director. In 2002, he joined the Group as Sales Manager – edc and was appointed as Global Business Manager – edc in 2003.

John GUNN, aged 53, is President Americas. He rejoined the Group in May 2009, and manages the overall business strategy of the North and South American region. During his 35 years of experience in the apparel industry, Mr Gunn has held various leadership positions at global companies. For the past 9 years prior to rejoining the Group, he worked as executive vice president of Tommy Hilfiger, General Manager of InWear Canada, and vice president wholesale and retail Esprit Canada. Mr Gunn was born in Aberdeen Scotland, and attended the Aberdeen Grammar School for boys and Aberdeen Technical College.

Wolfram HAIL, aged 50, is President Asia Pacific. He joined the Group in August 2007. He is in charge of the overall business strategy of Asia Pacific region of the Esprit Group. Prior to joining the Group, he had worked with various reputable global apparel companies, all in senior management roles. He has 26 years of extensive experience in the apparel industry. He holds a Master of Business Administration degree (Diplom-Kaufmann) with the University of Cologne.

Patrick LAU Yiu Pong, aged 42, is Senior Vice President – Group Finance. He has been with the Group since March 2000. He is responsible for various Group Finance functions including corporate finance and investor relations. He has over 16 years of experience in corporate finance with various listed companies. He holds a bachelor degree in engineering from the University of Toronto and a master of business administration degree from Schulich School of Business, York University.

Mike ROSS, aged 47, is Head of Global Division Women Casual. He joined Esprit in 1986 and has gained broad experience in various management positions in Retail, Product Management and Merchandise Management. Prior to joining the Group he had worked several years in retail and apparel companies.

Ernst-Peter VOGEL, aged 44, is Deputy Chief Financial Officer of the Group. He is primarily responsible for the Group's finance functions including the Group's statutory and management reporting. 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 (Diploma-Kaufmann) with the University of Frankfurt. Prior to joining the Group, he headed the finance team of an international lifestyle group.

DIRECTORS' EMOLUMENTS

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

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

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

The remuneration of all the Directors during the financial year, excluding Directors' interests in share options of the Company which are detailed in "Share Options" section below, is set out in note 12 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 12 to the consolidated financial statements.

SHARE OPTIONS

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

Heinz Jürgen **KROGNER-KORNALIK**

					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 01/07/2008	Granted	Transferred In	Exercised	Lapsed	Transferred Out	As at 30/06/2009
26/11/2003	24.20	26/11/2008	26/11/2008 – 25/11/2011	(xiii)	600,000	–	–	–	–	–	600,000
27/11/2004	42.58	27/11/2008	27/11/2008 – 26/11/2010		600,000	–	–	–	–	–	600,000
		27/11/2009	27/11/2009 – 26/11/2010		600,000	–	–	–	–	–	600,000
07/02/2007	83.00	07/02/2008	07/02/2008 – 06/02/2013		160,000	–	–	–	–	–	160,000
		07/02/2009	07/02/2009 – 06/02/2013		160,000	–	–	–	–	–	160,000
		07/02/2010	07/02/2010 – 06/02/2013		160,000	–	–	–	–	–	160,000
		07/02/2011	07/02/2011 – 06/02/2013		160,000	–	–	–	–	–	160,000
		07/02/2012	07/02/2012 – 06/02/2013		160,000	–	–	–	–	–	160,000
11/02/2008	102.12	11/02/2009	11/02/2009 – 10/02/2014		120,000	–	–	–	–	–	120,000
		11/02/2010	11/02/2010 – 10/02/2014		120,000	–	–	–	–	–	120,000
		11/02/2011	11/02/2011 – 10/02/2014		120,000	–	–	–	–	–	120,000
		11/02/2012	11/02/2012 – 10/02/2014		120,000	–	–	–	–	–	120,000
		11/02/2013	11/02/2013 – 10/02/2014		120,000	–	–	–	–	–	120,000
09/02/2009	41.70	09/02/2010	09/02/2010 – 08/02/2015		–	120,000	–	–	–	–	120,000
		09/02/2011	09/02/2011 – 08/02/2015		–	120,000	–	–	–	–	120,000
		09/02/2012	09/02/2012 – 08/02/2015		–	120,000	–	–	–	–	120,000
		09/02/2013	09/02/2013 – 08/02/2015		–	120,000	–	–	–	–	120,000
		09/02/2014	09/02/2014 – 08/02/2015		–	120,000	–	–	–	–	120,000
In aggregate					3,200,000	600,000	–	–	–	–	3,800,000

SHARE OPTIONS (continued)

Directors (continued)

Ronald **VAN DER VIS**
(Through his wholly owned company, Pisces Investments Limited (formerly known as SKA Limited))

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 01/07/2008	Granted	Transferred In	Exercised	Lapsed	Transferred Out	As at 30/06/2009
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

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 01/07/2008	Granted	Transferred In	Exercised	Lapsed	Transferred Out	As at 30/06/2009
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
In aggregate				–	1,200,000	–	–	–	–	1,200,000

SHARE OPTIONS (continued)

Directors (continued)

Thomas Johannes **GROTE**
(Resigned as director on 26 March 2009 and continued to be in his position as President of the Esprit brand until 30 June 2009)

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 01/07/2008	Granted	Transferred In	Exercised	Lapsed	Transferred Out		As at 30/06/2009
26/11/2003	24.20	26/11/2006	26/11/2006 – 25/11/2009	240,000	–	–	240,000	–	–		–
		26/11/2007	26/11/2007 – 25/11/2009	240,000	–	–	240,000	–	–		–
		26/11/2008	26/11/2008 – 25/11/2009	240,000	–	–	240,000	–	–		–
27/11/2004	42.58	27/11/2006	27/11/2006 – 26/11/2010	240,000	–	–	–	–	240,000	(ix)	–
		27/11/2007	27/11/2007 – 26/11/2010	240,000	–	–	–	–	240,000	(ix)	–
		27/11/2008	27/11/2008 – 26/11/2010	240,000	–	–	–	–	240,000	(ix)	–
		27/11/2009	27/11/2009 – 26/11/2010	240,000	–	–	–	–	240,000	(ix)	–
05/12/2006	80.95	05/12/2007	05/12/2007 – 04/12/2012	160,000	–	–	–	–	160,000	(ix)	–
		05/12/2008	05/12/2008 – 04/12/2012	160,000	–	–	–	–	160,000	(ix)	–
		05/12/2009	05/12/2009 – 04/12/2012	160,000	–	–	–	–	160,000	(ix)	–
		05/12/2010	05/12/2010 – 04/12/2012	160,000	–	–	–	–	160,000	(ix)	–
		05/12/2011	05/12/2011 – 04/12/2012	160,000	–	–	–	–	160,000	(ix)	–
05/12/2007	118.70	05/12/2008	05/12/2008 – 04/12/2013	120,000	–	–	–	–	120,000	(ix)	–
		05/12/2009	05/12/2009 – 04/12/2013	120,000	–	–	–	–	120,000	(ix)	–
		05/12/2010	05/12/2010 – 04/12/2013	120,000	–	–	–	–	120,000	(ix)	–
		05/12/2011	05/12/2011 – 04/12/2013	120,000	–	–	–	–	120,000	(ix)	–
		05/12/2012	05/12/2012 – 04/12/2013	120,000	–	–	–	–	120,000	(ix)	–
09/12/2008	44.25	09/12/2009	09/12/2009 – 08/12/2014	–	120,000	–	–	–	120,000	(ix)	–
		09/12/2010	09/12/2010 – 08/12/2014	–	120,000	–	–	–	120,000	(ix)	–
		09/12/2011	09/12/2011 – 08/12/2014	–	120,000	–	–	–	120,000	(ix)	–
		09/12/2012	09/12/2012 – 08/12/2014	–	120,000	–	–	–	120,000	(ix)	–
		09/12/2013	09/12/2013 – 08/12/2014	–	120,000	–	–	–	120,000	(ix)	–
In aggregate				3,080,000	600,000	–	720,000	–	2,960,000	(ix)	–

Jerome Squire **GRIFFITH**
(Resigned on 1 February 2009)

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 01/07/2008	Granted	Transferred In	Exercised	Lapsed	Transferred Out	As at 30/06/2009
26/11/2003	24.20	26/11/2008	26/11/2008 – 25/11/2009	240,000	–	–	240,000	–	–	–
27/11/2004	42.58	27/11/2008	27/11/2008 – 26/11/2010	240,000	–	–	–	240,000	–	–
		27/11/2009	27/11/2009 – 26/11/2010	240,000	–	–	–	240,000	–	–
In aggregate				720,000	–	–	240,000	480,000	–	–

SHARE OPTIONS (continued)

Directors (continued)

John **POON** Cho Ming
(Resigned on 20 July 2008)

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 01/07/2008	Granted	Transferred In	Exercised	Lapsed	Transferred Out	As at 30/06/2009
26/11/2003	24.20	20/07/2008 (v)	20/07/2008 – 19/10/2008 (v)	360,000	–	–	360,000	–	–	–
27/11/2004	42.58	20/07/2008 (vi)	20/07/2008 – 19/10/2008 (vi)	360,000	–	–	360,000	–	–	–
		20/07/2008 (vii)	20/07/2008 – 19/10/2008 (vii)	360,000	–	–	360,000	–	–	–
07/02/2007	83.00	07/02/2008	07/02/2008 – 19/10/2008 (viii)	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	–	–
In aggregate				2,480,000	–	–	1,080,000	1,400,000	–	–

Employees & Consultants

Date of Grant (dd/mm/yyyy)	Exercise Price (HK$)	Vesting Date (dd/mm/yyyy)	Exercise Period (dd/mm/yyyy)		Number of Share Options: As at 01/07/2008	Granted	Transferred In	Exercised	Lapsed	Transferred Out	As at 30/06/2009
26/11/2002	14.60	26/11/2005	26/11/2005 – 25/11/2009	(xi)	120,000	–	–	120,000	–	–	–
		26/11/2006	26/11/2006 – 25/11/2011	(xi) & (xii)	360,000	–	–	320,000	–	–	40,000
		26/11/2007	26/11/2007 – 25/11/2011	(xi) & (xii)	720,000	–	–	680,000	–	–	40,000
26/11/2003	24.20	26/11/2006	26/11/2006 – 25/11/2011	(xiii)	415,000	–	–	130,000	–	–	285,000
		26/11/2007	26/11/2007 – 25/11/2011	(xiii)	770,000	–	–	365,000	–	–	405,000
		26/11/2008	26/11/2008 – 25/11/2011	(xiii)	1,822,000	–	–	952,000	200,000	–	670,000
23/12/2003	24.45	23/12/2006	23/12/2006 – 22/12/2011	(xiii)	120,000	–	–	–	–	–	120,000
		23/12/2007	23/12/2007 – 22/12/2011	(xiii)	120,000	–	–	–	–	–	120,000
		23/12/2008	23/12/2008 – 22/12/2011	(xiii)	120,000	–	–	–	–	–	120,000
27/11/2004	42.58	27/11/2005	27/11/2005 – 26/11/2010		280,000	–	–	–	130,000	–	150,000
		27/11/2006	27/11/2006 – 26/11/2010		450,000	–	240,000 (ix)	–	130,000	–	560,000
		27/11/2007	27/11/2007 – 26/11/2010		795,000	–	240,000 (ix)	–	175,000	–	860,000
		27/11/2008	27/11/2008 – 26/11/2010		2,107,000	–	240,000 (ix)	–	717,000	–	1,630,000
		27/11/2009	27/11/2009 – 26/11/2010		2,107,000	–	240,000 (ix)	–	717,000	–	1,630,000
23/12/2004	47.10	23/12/2005	23/12/2005 – 22/12/2010		90,000	–	–	–	–	–	90,000
		23/12/2006	23/12/2006 – 22/12/2010		90,000	–	–	–	–	–	90,000
		23/12/2007	23/12/2007 – 22/12/2010		90,000	–	–	–	–	–	90,000
		23/12/2008	23/12/2008 – 22/12/2010		90,000	–	–	–	–	–	90,000
		23/12/2009	23/12/2009 – 22/12/2010		90,000	–	–	–	–	–	90,000

SHARE OPTIONS (continued)

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 01/07/2008	Granted	Transferred In	Exercised	Lapsed	Transferred Out	As at 30/06/2009
21/01/2005	45.60	21/01/2009	21/01/2009 – 20/01/2011	80,000	–	–	–	80,000	–	–
		21/01/2010	21/01/2010 – 20/01/2011	80,000	–	–	–	80,000	–	–
28/11/2005	55.11	28/11/2006	28/11/2006 – 27/11/2011	135,000	–	–	–	30,000	–	105,000
		28/11/2007	28/11/2007 – 27/11/2011	150,000	–	–	–	45,000	–	105,000
		28/11/2008	28/11/2008 – 27/11/2011	450,000	–	–	–	105,000	–	345,000
		28/11/2009	28/11/2009 – 27/11/2011	450,000	–	–	–	105,000	–	345,000
		28/11/2010	28/11/2010 – 27/11/2011	450,000	–	–	–	105,000	–	345,000
02/12/2005	56.20	02/12/2006	02/12/2006 – 01/12/2011	100,000	–	–	–	–	–	100,000
		02/12/2007	02/12/2007 – 01/12/2011	140,000	–	–	–	–	–	140,000
		02/12/2008	02/12/2008 – 01/12/2011	280,000	–	–	–	–	–	280,000
		02/12/2009	02/12/2009 – 01/12/2011	280,000	–	–	–	60,000	–	220,000
		02/12/2010	02/12/2010 – 01/12/2011	280,000	–	–	–	60,000	–	220,000
23/12/2005	56.50	23/12/2006	23/12/2006 – 22/12/2011	90,000	–	–	–	–	–	90,000
		23/12/2007	23/12/2007 – 22/12/2011	90,000	–	–	–	–	–	90,000
		23/12/2008	23/12/2008 – 22/12/2011	90,000	–	–	–	–	–	90,000
		23/12/2009	23/12/2009 – 22/12/2011	90,000	–	–	–	–	–	90,000
		23/12/2010	23/12/2010 – 22/12/2011	90,000	–	–	–	–	–	90,000
23/02/2006	64.31	23/02/2009	23/02/2009 – 22/02/2012	140,000	–	–	–	140,000	–	–
		23/02/2010	23/02/2010 – 22/02/2012	140,000	–	–	–	140,000	–	–
		23/02/2011	23/02/2011 – 22/02/2012	140,000	–	–	–	140,000	–	–
27/11/2006	80.60	27/11/2007	27/11/2007 – 26/11/2012	45,000	–	–	–	30,000	–	15,000
		27/11/2008	27/11/2008 – 26/11/2012	255,000	–	–	–	90,000	–	165,000
		27/11/2009	27/11/2009 – 26/11/2012	255,000	–	–	–	90,000	–	165,000
		27/11/2010	27/11/2010 – 26/11/2012	255,000	–	–	–	90,000	–	165,000
		27/11/2011	27/11/2011 – 26/11/2012	255,000	–	–	–	90,000	–	165,000
04/12/2006	79.49	04/12/2007	04/12/2007 – 03/12/2012	150,000	–	–	–	–	–	150,000
		04/12/2008	04/12/2008 – 03/12/2012	210,000	–	–	–	–	–	210,000
		04/12/2009	04/12/2009 – 03/12/2012	210,000	–	–	–	45,000	–	165,000
		04/12/2010	04/12/2010 – 03/12/2012	210,000	–	–	–	45,000	–	165,000
		04/12/2011	04/12/2011 – 03/12/2012	210,000	–	–	–	45,000	–	165,000
05/12/2006	80.95	05/12/2007	05/12/2007 – 04/12/2012	616,000	–	160,000 (ix)	–	20,000	–	756,000
		05/12/2008	05/12/2008 – 04/12/2012	696,000	–	160,000 (ix)	–	60,000	–	796,000
		05/12/2009	05/12/2009 – 04/12/2012	696,000	–	160,000 (ix)	–	120,000	–	736,000
		05/12/2010	05/12/2010 – 04/12/2012	696,000	–	160,000 (ix)	–	120,000	–	736,000
		05/12/2011	05/12/2011 – 04/12/2012	696,000	–	160,000 (ix)	–	120,000	–	736,000
07/02/2007	83.00	07/02/2008	07/02/2008 – 06/02/2013	80,000	–	–	–	–	–	80,000
		07/02/2009	07/02/2009 – 06/02/2013	80,000	–	–	–	–	–	80,000
		07/02/2010	07/02/2010 – 06/02/2013	80,000	–	–	–	40,000	–	40,000
		07/02/2011	07/02/2011 – 06/02/2013	80,000	–	–	–	40,000	–	40,000
		07/02/2012	07/02/2012 – 06/02/2013	80,000	–	–	–	40,000	–	40,000

SHARE OPTIONS (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 01/07/2008	Granted	Transferred In	Exercised	Lapsed	Transferred Out	As at 30/06/2009
28/02/2007	86.85	28/02/2008	28/02/2008 – 27/02/2013	60,000	–	–	–	60,000	–	–
		28/02/2009	28/02/2009 – 27/02/2013	120,000	–	–	–	120,000	–	–
		28/02/2010	28/02/2010 – 27/02/2013	120,000	–	–	–	120,000	–	–
		28/02/2011	28/02/2011 – 27/02/2013	120,000	–	–	–	120,000	–	–
		28/02/2012	28/02/2012 – 27/02/2013	120,000	–	–	–	120,000	–	–
04/12/2007	119.00	04/12/2008	04/12/2008 – 03/12/2013	210,000	–	–	–	–	–	210,000
		04/12/2009	04/12/2009 – 03/12/2013	210,000	–	–	–	45,000	–	165,000
		04/12/2010	04/12/2010 – 03/12/2013	210,000	–	–	–	45,000	–	165,000
		04/12/2011	04/12/2011 – 03/12/2013	210,000	–	–	–	45,000	–	165,000
		04/12/2012	04/12/2012 – 03/12/2013	210,000	–	–	–	45,000	–	165,000
05/12/2007	118.70	05/12/2008	05/12/2008 – 04/12/2013	522,000	–	120,000 (ix)	–	45,000	–	597,000
		05/12/2009	05/12/2009 – 04/12/2013	522,000	–	120,000 (ix)	–	90,000	–	552,000
		05/12/2010	05/12/2010 – 04/12/2013	522,000	–	120,000 (ix)	–	90,000	–	552,000
		05/12/2011	05/12/2011 – 04/12/2013	522,000	–	120,000 (ix)	–	90,000	–	552,000
		05/12/2012	05/12/2012 – 04/12/2013	522,000	–	120,000 (ix)	–	90,000	–	552,000
31/01/2008	100.80	31/01/2009	31/01/2009 – 30/01/2014	1,400,000	–	–	–	440,000	–	960,000
		31/01/2010	31/01/2010 – 30/01/2014	1,400,000	–	–	–	440,000	–	960,000
		31/01/2011	31/01/2011 – 30/01/2014	1,400,000	–	–	–	440,000	–	960,000
		31/01/2012	31/01/2012 – 30/01/2014	1,400,000	–	–	–	440,000	–	960,000
		31/01/2013	31/01/2013 – 30/01/2014	1,400,000	–	–	–	440,000	–	960,000
11/02/2008	102.12	11/02/2009	11/02/2009 – 10/02/2014	60,000	–	–	–	–	–	60,000
		11/02/2010	11/02/2010 – 10/02/2014	60,000	–	–	–	30,000	–	30,000
		11/02/2011	11/02/2011 – 10/02/2014	60,000	–	–	–	30,000	–	30,000
		11/02/2012	11/02/2012 – 10/02/2014	60,000	–	–	–	30,000	–	30,000
		11/02/2013	11/02/2013 – 10/02/2014	60,000	–	–	–	30,000	–	30,000
06/05/2008	94.80	06/05/2009	06/05/2009 – 05/05/2014	60,000	–	–	–	60,000	–	–
		06/05/2010	06/05/2010 – 05/05/2014	60,000	–	–	–	60,000	–	–
		06/05/2011	06/05/2011 – 05/05/2014	60,000	–	–	–	60,000	–	–
		06/05/2012	06/05/2012 – 05/05/2014	60,000	–	–	–	60,000	–	–
		06/05/2013	06/05/2013 – 05/05/2014	60,000	–	–	–	60,000	–	–
09/12/2008	44.25	09/12/2009	09/12/2009 – 08/12/2014	–	522,000	120,000 (ix)	–	90,000	–	552,000
		09/12/2010	09/12/2010 – 08/12/2014	–	522,000	120,000 (ix)	–	90,000	–	552,000
		09/12/2011	09/12/2011 – 08/12/2014	–	522,000	120,000 (ix)	–	90,000	–	552,000
		09/12/2012	09/12/2012 – 08/12/2014	–	522,000	120,000 (ix)	–	90,000	–	552,000
		09/12/2013	09/12/2013 – 08/12/2014	–	522,000	120,000 (ix)	–	90,000	–	552,000
11/12/2008	45.95	11/12/2009	11/12/2009 – 10/12/2014	–	756,000	–	–	–	–	756,000
		11/12/2010	11/12/2010 – 10/12/2014	–	756,000	–	–	–	–	756,000
		11/12/2011	11/12/2011 – 10/12/2014	–	756,000	–	–	–	–	756,000
		11/12/2012	11/12/2012 – 10/12/2014	–	756,000	–	–	–	–	756,000
		11/12/2013	11/12/2013 – 10/12/2014	–	756,000	–	–	–	–	756,000

SHARE OPTIONS (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 01/07/2008	Granted	Transferred In	Exercised	Lapsed	Transferred Out	As at 30/06/2009
05/02/2009	39.76	05/02/2010	05/02/2010 – 04/02/2015	–	1,032,000	–	–	100,000	–	932,000
		05/02/2011	05/02/2011 – 04/02/2015	–	1,032,000	–	–	100,000	–	932,000
		05/02/2012	05/02/2012 – 04/02/2015	–	1,032,000	–	–	100,000	–	932,000
		05/02/2013	05/02/2013 – 04/02/2015	–	1,032,000	–	–	100,000	–	932,000
		05/02/2014	05/02/2014 – 04/02/2015	–	1,032,000	–	–	100,000	–	932,000
09/02/2009	41.70	09/02/2010	09/02/2010 – 08/02/2015	–	60,000	–	–	30,000	–	30,000
		09/02/2011	09/02/2011 – 08/02/2015	–	60,000	–	–	30,000	–	30,000
		09/02/2012	09/02/2012 – 08/02/2015	–	60,000	–	–	30,000	–	30,000
		09/02/2013	09/02/2013 – 08/02/2015	–	60,000	–	–	30,000	–	30,000
		09/02/2014	09/02/2014 – 08/02/2015	–	60,000	–	–	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
In aggregate				32,156,000	13,050,000	2,960,000 (ix)	2,567,000	9,089,000	–	36,510,000
Total				41,636,000	23,450,000	2,960,000 (ix)	4,607,000	10,969,000	2,960,000 (ix)	49,510,000

Notes:

(i) The closing prices of the shares of the Company immediately before the share options granted on 9 December 2008, 11 December 2008, 5 February 2009, 9 February 2009, 8 May 2009 and 22 June 2009 were HK$44.35, HK$50.10, HK$38.55, HK$41.00, HK$56.85 and HK$45.95 respectively.

(ii) The weighted average closing price of the shares immediately before the date of exercise by Mr. Thomas Johannes GROTE was HK$45.50.

(iii) The weighted average closing price of the shares immediately before the date of exercise by Mr. Jerome Squire GRIFFITH was HK$44.35.

(iv) The weighted average closing price of the shares immediately before the date of exercise by Mr. John POON Cho Ming was HK$73.15.

(v) With effect from 20 July 2008, the vesting date was accelerated from 26 November 2008 to 20 July 2008 and the exercise period was changed from 26 November 2008 – 25 November 2009 to 20 July 2008 – 19 October 2008.

(vi) With effect from 20 July 2008, the vesting date was accelerated from 27 November 2008 to 20 July 2008 and the exercise period was changed from 27 November 2008 – 26 November 2010 to 20 July 2008 – 19 October 2008.

(vii) With effect from 20 July 2008, the vesting date was accelerated from 27 November 2009 to 20 July 2008 and the exercise period was changed from 27 November 2009 – 26 November 2010 to 20 July 2008 – 19 October 2008.

(viii) With effect from 20 July 2008, the exercise period was changed from 7 February 2008 – 6 February 2013 to 7 February 2008 – 19 October 2008.

(ix) Mr. Thomas Johannes GROTE resigned as director of the Company on 26 March 2009 and continued to be in his position as President of the Esprit brand until 30 June 2009. All his outstanding share options as at 26 March 2009 were transferred to the share options of employees & consultants with effect from 27 March 2009. 1,800,000 unvested share options held by Mr. GROTE were lapsed on 1 July 2009 and the remaining 1,160,000 vested share options held by Mr. GROTE to the extent not exercised will lapse on 30 September 2009.

(x) The weighted average closing price of the shares immediately before the dates of exercise by the employees and consultants was HK$52.07.

(xi) A one year extension to the option period from six years to seven years from the date of grant has been granted during the year under review.

(xii) A further two year extension to the option period from seven years to nine years from the date of grant has been granted during the year under review.

(xiii) A two year extension to the option period from six years to eight years from the date of grant has been granted during the year under review.

(xiv) No share options were cancelled under the 2001 Share Option Scheme during the year ended 30 June 2009.

SHARE OPTIONS (continued)

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 2009, 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 3)	Total Number of Shares	Approximate Percentage of Aggregate Interests to Total Issued Share Capital
Heinz Jürgen **KROGNER-KORNALIK**	Beneficial owner	–	3,800,000	3,800,000	0.30%
Ronald **VAN DER VIS**	Interest of a controlled corporation (Note 1)	–	8,000,000	8,000,000	0.64%
CHEW Fook Aun	Beneficial owner	–	1,200,000	1,200,000	0.10%
Jürgen Alfred Rudolf **FRIEDRICH**	Beneficial owner	66,721,076	–	66,771,977	5.36%
	Interest of spouse (Note 2)	50,901	–		

Notes:
1. The interests in the underlying shares of equity derivatives were held by Pisces Investments Limited (formerly known as SKA Limited) of which Mr. Ronald VAN DER VIS controlled 100% share interest.
2. The shares were held by Mrs. Anke Beck FRIEDRICH, the spouse of Mr. Jürgen Alfred Rudolf FRIEDRICH.
3. The interests of Directors and chief executives of the Company in the underlying shares of equity derivatives in respect of share options granted to them pursuant to the 2001 Share Option Scheme are detailed in "Share Options" section above.
4. 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 2009, save as disclosed above, none of the Directors, chief executives of the Company or their associates had any interests or short positions (within the meaning of Part XV of the SFO), whether beneficial or non-beneficial, in the shares, underlying shares or debentures of the Company or any of its associated corporations 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 2009, the following shareholders (other than the Directors and chief executives of the Company whose interests or short positions in the shares and underlying shares of the Company as disclosed above) had interests or short positions in the shares and underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of Shareholders	Capacity	Number of Shares (Long Position)	Number of Shares (Short Position)	Total Number of Shares	Approximate Percentage of Aggregate Interests to Total Issued Share Capital
JPMorgan Chase & Co.	Interest of controlled corporations (Notes 1 to 4)	124,952,665	548,400	125,501,065	10.07%
Capital Research and Management Company	Investment manager (Note 5)	123,260,900	Nil	123,260,900	9.89%
HSBC International Trustee Limited	Trustee (Note 6)	106,273,652	Nil	106,273,652	8.53%
Janus Capital Management LLC	Investment Manager (Note 5)	73,246,813	Nil	73,246,813	5.88%

Notes:

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

Capacity	Number of Shares (Long Position)	Number of Shares (Short Position)
Beneficial owner	2,298,004	548,400
Investment manager	38,764,999	Nil
Custodian corporation/ approved lending agent	83,889,662	Nil

2. Details of the interest in long position of the 124,952,665 shares held by JPMorgan Chase & Co. were as follows:

Name	Direct (D)/ Indirect (I) Interests in the Shares	Aggregate Long Position in the Shares	Approximate Percentage of Aggregate Interests to Total Issued Share Capital
JPMorgan Chase Bank, N.A.	D	85,483,405	6.86%
JPMorgan Chase Bank, N.A.	I	2,298,004	0.18%
J.P. Morgan International Inc.	I	2,298,004	0.18%
Bank One International Holdings Corporation	I	2,298,004	0.18%
J.P. Morgan International Finance Limited	I	2,298,004	0.18%
J.P. Morgan Overseas Capital Corporation	I	1,583,004	0.13%
J.P. Morgan Whitefriars Inc.	D	1,583,004	0.13%
JPMorgan Asset Management Holdings Inc.	I	37,171,256	2.98%
J.P. Morgan Investment Management Inc.	D	5,964,069	0.48%
JPMorgan Asset Management (Asia) Inc.	I	4,082,387	0.33%
JPMorgan Asset Management (Taiwan) Limited	D	475,500	0.04%
JF Asset Management Limited	D	3,506,887	0.28%
JPMorgan Asset Management (Japan) Limited	D	100,000	0.01%
JPMorgan Asset Management International Limited	I	27,124,800	2.18%
JPMorgan Asset Management Holdings (UK) Limited	I	27,124,800	2.18%
JPMorgan Asset Management (UK) Limited	D	27,124,800	2.18%
J.P. Morgan Capital Holdings Limited	I	715,000	0.06%
J.P. Morgan Chase (UK) Holdings Limited	I	715,000	0.06%
J.P. Morgan Chase International Holdings	I	715,000	0.06%
J.P. Morgan Securities Ltd.	D	715,000	0.06%

Explanatory Notes:

All the following interests were deemed to be held by the relevant company under the SFO. JPMorgan Chase & Co. was deemed to be interested in an aggregate of 124,952,665 shares held or deemed to be held by: (I) JPMorgan Chase Bank, N.A. (87,781,409 shares); and (II) JPMorgan Asset Management Holdings Inc. (37,171,256 shares), all were wholly-owned subsidiaries of JPMorgan Chase & Co.

(I) JPMorgan Chase Bank, N.A. directly held 85,483,405 shares and was also deemed to be interested in an aggregate of 2,298,004 shares held by the following indirect subsidiaries held through J.P. Morgan International Finance Limited ("JPIF"):
   (a) 1,583,004 shares were held by J.P. Morgan Whitefriars Inc., wholly-owned by J.P. Morgan Overseas Capital Corporation, a wholly-owned subsidiary of JPIF; and
   (b) 715,000 shares were held by J.P. Morgan Securities Ltd., 98.95% subsidiary of J.P. Morgan Chase International Holdings, wholly-owned by J.P. Morgan Chase (UK) Holdings Limited, wholly-owned by J.P. Morgan Capital Holdings Limited, a wholly-owned subsidiary of JPIF.

SUBSTANTIAL SHAREHOLDERS' INTERESTS (continued)

(II) JPMorgan Asset Management Holdings Inc. ("JPAMH") was deemed to be interested in an aggregate of 37,171,256 shares held by the following subsidiaries:
(a) 5,964,069 shares were held by J.P. Morgan Investment Management Inc., directly wholly-owned by JPAMH;
(b) 4,082,387 shares were deemed to be held by JPMorgan Asset Management (Asia) Inc. ("JPAsia"), directly wholly-owned by JPAMH, through the following subsidiaries:
(i) 475,500 shares were held by JPMorgan Asset Management (Taiwan) Limited, wholly-owned by JPAsia;
(ii) 3,506,887 shares were held by JF Asset Management Limited, wholly-owned by JPAsia; and
(iii) 100,000 shares were held by JPMorgan Asset Management (Japan) Limited, wholly-owned by JPAsia.
(c) 27,124,800 shares were held by JPMorgan Asset Management (UK) Limited, wholly-owned by JPMorgan Asset Management Holdings (UK) Limited, wholly-owned by JPMorgan Asset Management International Limited, directly wholly-owned by JPAMH.

3. 83,889,662 shares of the interests disclosed in Note 2 above represent shares of the Company in the lending pool.

4. Details of the interest in short position of the 548,400 shares held by JPMorgan Chase & Co. were as follows:

Name	Direct (D)/ Indirect (I) Interests In the Shares	Aggregate Short Position in the Shares	Approximate Percentage of Aggregate Interests to Total Issued Share Capital
JPMorgan Chase Bank, N.A.	I	548,400	0.04%
J.P. Morgan International Inc.	I	548,400	0.04%
Bank One International Holdings Corporation	I	548,400	0.04%
J.P. Morgan International Finance Limited	I	548,400	0.04%
J.P. Morgan Overseas Capital Corporation	I	8,200	0.00%
J.P. Morgan Whitefriars Inc.	D	8,200	0.00%
J.P. Morgan Capital Holdings Limited	I	500,000	0.04%
J.P. Morgan Chase (UK) Holdings Limited	I	500,000	0.04%
J.P. Morgan Chase International Holdings	I	500,000	0.04%
J.P. Morgan Securities Ltd.	D	500,000	0.04%
J.P. Morgan Structured Products B.V.	D	40,200	0.00%

Explanatory Notes:

All the following interests were deemed to be held by the relevant company under the SFO. JPMorgan Chase & Co. was deemed to have a short position in an aggregate 548,400 shares held by the following indirect subsidiaries:

(a) 8,200 shares were held by J.P. Morgan Whitefriars Inc., wholly-owned by J.P. Morgan Overseas Capital Corporation, a wholly-owned subsidiary of JPIF;
(b) 500,000 shares held by J.P. Morgan Securities Ltd., 98.95% subsidiary of J.P. Morgan Chase International Holdings, wholly-owned by J.P. Morgan Chase (UK) Holdings Limited, indirect wholly-owned subsidiary of JPMorgan Chase & Co; and
(c) 40,200 shares held by J.P. Morgan Structured Products B.V., indirect wholly-owned subsidiary of JPMorgan Chase & Co.

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

6. Details of the interest in the 106,273,652 shares held by HSBC International Trustee Limited were as follows:

Name	Direct (D)/ Indirect (I) Interests in the Shares	Aggregate Short Position in the Shares	Approximate Percentage of Aggregate Interests to Total Issued Share Capital
Michael **YING** Lee Yuen	I	106,208,352	8.52%
YET Holdings Limited	I	106,208,352	8.52%
Great View International Limited	D	106,208,352	8.52%
HSBC International Trustee Limited	D/I	65,300	0.01%

Explanatory Notes:

All the following interests were deemed to be held by the relevant company under SFO. HSBC International Trustee Limited ("HKIT"), being the trustee of the discretionary trust set up by Mr. Michael YING Lee Yuen on 9 January 2006 and other discretionary trusts, was directly interested or deemed to be interested in an aggregate of 106,273,652 shares. HKIT was also deemed to be interested in 106,208,352 shares held by Great View International Limited, a wholly-owned subsidiary of YET Holdings Limited, 100% controlled by HKIT.

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 2009 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

The Company has purchased a total of 2,615,500 shares on the Stock Exchange during the year ended 30 June 2009 and the aggregate consideration paid was HK$203,345,307.50.

Save as disclosed above, 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 27 to the consolidated financial statements. None of these related party transactions constitutes a connected transaction as defined in the Listing Rules.

AUDIT COMMITTEE

As required under the Listing Rules, the Company has an Audit Committee comprising of five Non-executive Directors of the Company, four 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 2009.

CORPORATE GOVERNANCE

Particulars of the Company's corporate governance practices are set out on pages 108 to 113 of this report.

AUDITORS

The consolidated financial statements have been audited by PricewaterhouseCoopers who are due to retire and, being eligible, offer themselves for re-appointment at the 2009 Annual General Meeting.

On behalf of the Board
ESPRIT HOLDINGS LIMITED

Heinz Jürgen **KROGNER-KORNALIK**
Chairman

Hong Kong, 26 August 2009

07
FINANCIAL SECTION FY 08|09

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

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Esprit Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 131 to 161, which comprise the consolidated and company balance sheets as of 30 June 2009, and the consolidated income statement, the consolidated cash flow statement and the consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and of the Group as of 30 June 2009, and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

OTHER MATTERS

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

PricewaterhouseCoopers

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 August 2009

07.2 CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2009

	Notes	**2009 HK$ million**	2008 HK$ million
Turnover	5	**34,485**	37,227
Cost of goods sold		**(16,523)**	(17,257)
Gross profit		**17,962**	19,970
Staff costs	11	**(4,051)**	(4,203)
Occupancy costs		**(3,310)**	(3,004)
Logistics expenses		**(1,246)**	(1,360)
Advertising expenses		**(643)**	(629)
Depreciation		**(771)**	(750)
Other operating costs		**(2,212)**	(2,303)
Operating profit	6	**5,729**	7,721
Interest income		**87**	190
Share of results of associates		**161**	145
Profit before taxation		**5,977**	8,056
Taxation	7	**(1,232)**	(1,606)
Profit attributable to shareholders	8	**4,745**	6,450
Dividends	9	**3,551**	5,219
Earnings per share	10		
– Basic		**HK$3.81**	HK$5.21
– Diluted		**HK$3.81**	HK$5.15

The notes on pages 135 to 161 form an integral part of these consolidated financial statements.

07.3 CONSOLIDATED BALANCE SHEET

As at 30 June 2009

	Notes	**2009 HK$ million**	2008 HK$ million
Non-current assets			
Intangible assets	13	**2,061**	2,121
Property, plant and equipment	14	**4,228**	3,395
Other investments		**7**	7
Investments in associates	15	**522**	583
Prepaid lease payments	16	**165**	170
Deferred tax assets	22	**408**	510
		7,391	6,786
Current assets			
Inventories	17	**2,997**	3,170
Debtors, deposits and prepayments	18	**4,392**	5,332
Amounts due from associates	15	**71**	83
Cash and cash equivalents	19	**4,840**	6,521
		12,300	15,106
Current liabilities			
Creditors and accrued charges	21	**3,849**	4,571
Taxation		**1,142**	989
		4,991	5,560
Net current assets		**7,309**	9,546
Total assets less current liabilities		**14,700**	16,332
Equity			
Share capital	20	**125**	124
Reserves		**14,284**	15,820
Total equity		**14,409**	15,944
Non-current liabilities			
Deferred tax liabilities	22	**291**	388
		14,700	16,332

Approved by the Board of Directors on 26 August 2009.

HEINZ JÜRGEN **KROGNER-KORNALIK**
Chairman

CHEW FOOK AUN
Executive Director

The notes on pages 135 to 161 form an integral part of these consolidated financial statements.

07.4 CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2009

	Notes	2009 HK$ million	2008 HK$ million
Cash flows from operating activities			
Cash generated from operations	23	**6,458**	7,602
Hong Kong profits tax paid		**(2)**	–
Overseas tax paid		**(1,184)**	(1,632)
Net cash inflow from operating activities		**5,272**	5,970
Cash flows from investing activities			
Purchase of property, plant and equipment		**(2,011)**	(1,352)
Proceeds from disposal of property, plant and equipment	23	**6**	6
Interest received		**87**	190
Dividend received from an associate		**220**	–
Net cash used in investing activities		**(1,698)**	(1,156)
Cash flows from financing activities			
Net proceeds on issue of shares for cash		**114**	405
Repurchase of shares		**(204)**	–
Dividends paid		**(5,039)**	(4,256)
Net cash used in financing activities		**(5,129)**	(3,851)
Net (decrease)/increase in cash and cash equivalents		**(1,555)**	963
Cash and cash equivalents at beginning of year		**6,521**	5,232
Effect of change in exchange rates		**(126)**	326
Cash and cash equivalents at end of year	19	**4,840**	6,521

The notes on pages 135 to 161 form an integral part of these consolidated financial statements.

07.5 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2009

	Share capital HK$ million	Share premium HK$ million	Employee share-based payment reserve HK$ million	Hedging reserve HK$ million	Contributed surplus HK$ million	Translation reserve HK$ million	Capital reserve HK$ million	Retained profits HK$ million	Total HK$ million
At 1 July 2008	**124**	**2,896**	**322**	**(5)**	**7**	**1,871**	**1**	**10,728**	**15,944**
Exchange translation recognised directly in equity	**–**	**–**	**–**	**–**	**–**	**(1,244)**	**–**	**–**	**(1,244)**
Fair value gain on cash flow hedge	**–**	**–**	**–**	**1**	**–**	**–**	**–**	**–**	**1**
Profit attributable to shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**4,745**	**4,745**
Total recognised income	**–**	**–**	**–**	**1**	**–**	**(1,244)**	**–**	**4,745**	**3,502**
2007/08 final and special dividends paid (Note 9)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(4,042)**	**(4,042)**
2008/09 interim dividend paid (Note 9)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(997)**	**(997)**
Issues of shares (Note 20)	**1**	**113**	**–**	**–**	**–**	**–**	**–**	**–**	**114**
Repurchase of shares	**–**	**(204)**	**–**	**–**	**–**	**–**	**–**	**–**	**(204)**
Employee share option benefits	**–**	**–**	**92**	**–**	**–**	**–**	**–**	**–**	**92**
Transfer of reserve upon exercise of share options	**–**	**36**	**(36)**	**–**	**–**	**–**	**–**	**–**	**–**
At 30 June 2009	**125**	**2,841**	**378**	**(4)**	**7**	**627**	**1**	**10,434**	**14,409**
Representing:									
Proposed final dividend									**897**
Balance after proposed final dividend									**13,512**
At 30 June 2009									**14,409**

	Share capital HK$ million	Share premium HK$ million	Employee share-based payment reserve HK$ million	Hedging reserve HK$ million	Contributed surplus HK$ million	Translation reserve HK$ million	Capital reserve HK$ million	Retained profits HK$ million	Total HK$ million
At 1 July 2007	123	2,391	282	(12)	7	755	1	8,534	12,081
Exchange translation recognised directly in equity	–	–	–	–	–	1,116	–	–	1,116
Fair value gain on cash flow hedge	–	–	–	7	–	–	–	–	7
Profit attributable to shareholders	–	–	–	–	–	–	–	6,450	6,450
Total recognised income	–	–	–	7	–	1,116	–	6,450	7,573
2006/07 final and special dividends paid	–	–	–	–	–	–	–	(3,075)	(3,075)
2007/08 interim dividend paid (Note 9)	–	–	–	–	–	–	–	(1,181)	(1,181)
Issues of shares (Note 20)	1	404	–	–	–	–	–	–	405
Employee share option benefits	–	–	141	–	–	–	–	–	141
Transfer of reserve upon exercise of share options	–	101	(101)	–	–	–	–	–	–
At 30 June 2008	124	2,896	322	(5)	7	1,871	1	10,728	15,944
Representing:									
Proposed final and special dividends									4,038
Balance after proposed final and special dividends									11,906
At 30 June 2008									15,944

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 135 to 161 form an integral part of these consolidated financial statements.

07.6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2009

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 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 August 2009.

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 International Financial Reporting Interpretations Committee ("IFRIC") Interpretation 13 "Customer Loyalty Programmes" which is effective for the Group's annual accounting period commencing 1 July 2008.

IFRIC 13 addresses the accounting by entities that provide their customers with incentives to buy goods or services by providing awards as part of a sales transaction. The adoption of this interpretation did not result in any significant change to the Group's accounting policies.

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

		Effective for accounting periods beginning on or after
IAS 1 (Revised)	Presentation of Financial Statements	1 January 2009
IAS 23 (Revised)	Borrowing Costs	1 January 2009
IAS 27 (Revised)	Consolidated and Separate Financial Statements	1 July 2009
IAS 32 and IAS 1 (Amendment)	Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
IAS 39 (Amendment)	Eligible Hedged Items	1 July 2009
IFRS 1 (Revised)	First-time Adoption of International Financial Reporting Standards	1 July 2009
IFRS 1 and IAS 27 (Amendment)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009
IFRS 2 (Amendment)	Share-based Payment Vesting Conditions and Cancellations	1 January 2009
IFRS 3 (Revised)	Business Combinations	1 July 2009
IFRS 7 (Amendment)	Improving Disclosures about Financial Instruments	1 January 2009
IFRS 8	Operating Segments	1 January 2009
IFRIC 15	Agreements for the Construction of Real Estate	1 January 2009
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	1 October 2008
IFRIC 17	Distributions of Non-cash Assets to Owners	1 July 2009
IFRIC 18	Transfers of Assets from Customers	Transfers of assets from customers on or after 1 July 2009
Various IASs and IFRSs	Improvements to IFRSs	1 January 2009* or 1 July 2009

* All the amendments will be effective for accounting periods beginning on or after 1 January 2009 except the amendments to IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" which will be effective for accounting periods beginning on or after 1 July 2009.

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, it has concluded that while the adoption of IFRS 8 and IAS 1 (Revised) may result in new or amended disclosures and the adoption of IFRS 2 (Amendment), IFRS 3 (Revised), IAS 27 (Revised) may result in changes in accounting policies, these new and revised IFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

Further information about those changes that are expected to affect the Group is as follows:

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

IAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the consolidated income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Group will apply IAS 1 (Revised) from 1 July 2009. It is likely that both the consolidated income statement and statement of comprehensive income will be presented as performance statements.

IFRS 2 (Amendment), 'Share-based payment' (effective from 1 January 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. As such these features would need to be included in the grant date fair value for transactions with employees and others providing similar services, that is, these features would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group will apply IFRS 2 (Amendment) from 1 July 2009, but it is not expected to have material impact on the Group's financial statements.

IFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the consolidated income statement. There is a choice on an acquisition by acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (Revised) prospectively to all business combinations from 1 July 2009.

IAS 27 (Revised), 'Consolidated and separate financial statements' (effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in equity is re-measured to fair value and a gain or loss is recognised in profit or loss. The Group will apply IAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 July 2009.

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 to fair value. The policies set out below have been consistently applied to all the years presented.

(b) Consolidation

(i) Subsidiaries

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired and contingent liabilities assumed is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired and contingent liabilities assumed, 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Consolidation (continued)

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

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

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

(c) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

(d) Foreign currency translation

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

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

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

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

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

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

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

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

(e) Property, plant and equipment

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

Freehold land is not depreciated. Leasehold 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	$3\,^1/_3$ – 5%
Plant and machinery	30%
Furniture and office equipment	10 – $33\,^1/_3$%
Motor vehicles	25 – 30%

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Property, plant and equipment (continued)

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(g)).

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

(f) Intangible assets

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

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

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

(g) Impairment of non-financial assets

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

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

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

(h) Inventories

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

(i) Receivables and payables

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

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

(j) Cash and cash equivalents

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

(k) Deferred tax

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Deferred tax (continued)

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

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

(l) Employee benefits

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

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

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

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

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

(m) 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.

(n) Revenue recognition

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

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

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

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

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

(o) Accounting for derivative financial instruments

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

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

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Accounting for derivative financial instruments (continued)

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

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

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

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

(p) 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.

(q) Dividend distributions

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

3 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

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

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

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

The Group's profit attributable to shareholders and shareholders' funds would decrease (2008: increase) by approximately **HK$0.2 million** (2008: HK$5 million) in response to a 1% strengthening in Euro vs US Dollars in relation to monetary items and derivative financial instruments in existence at the balance sheet date.

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

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

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

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

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

The Group does not have significant financial liabilities except for creditors and accrued charges which have contractual maturities less than 1 year.

3 FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk factors (continued)

(iv) Interest rate risk
The Group has no interest-bearing borrowings as at 30 June 2009. The Group's exposure to change in interest rates is low and is mainly attributable to its interest-bearing assets, including bank balances and short-term bank deposits.

(b) Capital risk management

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

The Group's capital structure is being reviewed annually to ensure these objectives are to be achieved. In order to maintain or adjust the capital structure, the Group will consider the macroeconomic conditions, prevailing interest rate 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.

Currently, the Group has no external borrowings. The capital structure of the Group solely consists of shareholders' funds, comprising share capital and reserves.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Critical accounting estimates and assumptions

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

(a) Useful life and impairment of trademarks

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

(ii) Impairment
In accordance with IAS 36 "Impairment of Assets", the Group completed its annual impairment test for Esprit trademarks by comparing their recoverable amount to their carrying amount as at 30 June 2009. The Group has conducted a valuation of the Esprit trademarks as one corporate asset based on a fair value less costs to sale calculation. The resulting value of the Esprit trademarks as at 30 June 2009 was significantly higher than their carrying amount. This valuation uses cash flow projections based on financial estimates covering a three-year period, expected royalty rates deriving from the Esprit trademarks in the range of 3% to 6% and a discount rate of 9%. The cash flows beyond the three-year period are extrapolated using a steady 3% growth rate. This growth rate does not exceed the long-term average growth rate for apparel markets in which the Group operates. Management has considered the above assumptions and valuation and has also taken into account the business expansion plan going forward, the current wholesale order books and the strategic retail expansion worldwide and believes that there is no impairment in the Esprit trademarks. Management believes that any reasonably foreseeable change in any of the above key assumptions would not cause the aggregate carrying amount of trademarks to exceed the aggregate recoverable amount.

(b) Impairment of property, plant and equipment

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

(c) Net realisable value of inventories

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

(d) Income taxes

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

5 TURNOVER AND SEGMENT INFORMATION

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

	2009 HK$ million	2008 HK$ million
Turnover		
Sales of goods	**34,257**	36,998
Licensing and other income	**228**	229
	34,485	37,227

Primary reporting format – business segments

The Group's businesses are managed according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Inter-segment transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties. Global brand development costs are fully reflected within the licensing segment to reflect the Esprit brand owners' initiative to develop the brand globally both in existing and prospective new markets.

	For the year ended 30 June 2009				
	Wholesale HK$ million	Retail HK$ million	Licensing & others HK$ million	Eliminations HK$ million	Group HK$ million
Turnover	17,906	16,351	228	–	34,485
Inter-segment sales	–	–	901	(901)	–
	17,906	16,351	1,129	(901)	34,485
Segment results	3,869	1,734	253	(27)	5,829
Unallocated net expenses					(100)
Interest income					87
Share of results of associates					161
Profit before taxation					5,977
Segment EBIT – ex-inter-segment licensing expense/income (note)	3,960	1,773	123	(27)	5,829
Segment assets	12,270	8,419	1,011	(5,638)	16,062
Interests in associates					593
Intangible assets					2,061
Other unallocated assets					975
Total assets					19,691
Segment liabilities	3,298	5,988	103	(5,638)	3,751
Other unallocated liabilities					1,531
Total liabilities					5,282
Capital expenditure	64	1,303	2	–	1,369
Depreciation	97	634	4	–	735
Impairment of property, plant and equipment	–	38	–	–	38

5 TURNOVER AND SEGMENT INFORMATION (continued)

	For the year ended 30 June 2008				
	Wholesale HK$ million	Retail HK$ million	Licensing & others HK$ million	Eliminations HK$ million	Group HK$ million
Turnover	20,943	16,055	229	–	37,227
Inter-segment sales	–	–	959	(959)	–
	20,943	16,055	1,188	(959)	37,227
Segment results	5,207	2,012	588	(4)	7,803
Unallocated net expenses					(82)
Interest income					190
Share of results of associates					145
Profit before taxation					8,056
Segment EBIT – ex-inter-segment licensing expense/ income (note)	5,545	2,129	133	(4)	7,803
Segment assets	11,528	7,799	1,408	(4,843)	15,892
Interests in associates					666
Intangible assets					2,121
Other unallocated assets					3,213
Total assets					21,892
Segment liabilities	3,406	5,770	54	(4,843)	4,387
Other unallocated liabilities					1,561
Total liabilities					5,948
Capital expenditure	240	1,009	27	–	1,276
Depreciation	123	605	3	–	731
Impairment of property, plant and equipment	–	23	–	–	23

Note: The trademark owners receive licensing income based on wholesale and retail turnover. Should the licensing fee not be allocated to the wholesale and retail segments, the segment EBIT ("earnings before interest and taxation, finance costs, share of results of associates and unallocated net income/ expenses") of the wholesale and retail segments would have been **HK$3,960 million** (2008: HK$5,545 million) and **HK$1,773 million** (2008: HK$2,129 million) respectively, representing wholesale segment EBIT margin ("segment EBIT/segment turnover") of **22.1%** (2008: 26.5%) and retail segment EBIT margin of **10.8%** (2008: 13.3%).

5 TURNOVER AND SEGMENT INFORMATION (continued)

Secondary reporting format – geographical segments

In determining the Group's geographical segments, turnover is attributed to the segments based on the location of customers.

	Turnover 2009 HK$ million	Capital expenditure 2009 HK$ million	Segment assets 2009 HK$ million
Europe	**29,419**	**1,733**	**16,614**
Asia Pacific	**4,221**	**194**	**2,528**
North America and others	**845**	**83**	**2,558**
Eliminations	**–**	**–**	**(5,638)**
	34,485	**2,010**	**16,062**
Unallocated assets:			
Intangible assets			**2,061**
Interests in associates			**593**
Other assets			**975**
Total			**19,691**

	Turnover 2008 HK$ million	Capital expenditure 2008 HK$ million	Segment assets 2008 HK$ million
Europe	32,296	851	16,168
Asia Pacific	4,073	187	2,924
North America and others	858	238	1,643
Eliminations	–	–	(4,843)
	37,227	1,276	15,892
Unallocated assets:			
Intangible assets			2,121
Interests in associates			666
Other assets			3,213
Total			21,892

6 OPERATING PROFIT

	2009 HK$ million	2008 HK$ million
Operating profit is arrived at after charging and (crediting) the following:		
Auditors' remuneration	**13**	14
Depreciation	**771**	750
Impairment of property, plant and equipment	**38**	23
Loss on disposal of property, plant and equipment	**32**	33
Amortisation of prepaid lease payments	**5**	5
Occupancy costs		
Operating lease charge (including variable rental of **HK$162 million** (2008: HK$153 million))	**2,497**	2,227
Other occupancy costs	**813**	777
Net exchange losses on foreign currency forward contracts	**40**	133
Other net exchange gains	**(38)**	(307)
Net charge for provision for obsolete inventories	**30**	20
Provision for impairment of trade debtors	**181**	86

7 TAXATION

	2009 HK$ million	2008 HK$ million
Current tax		
Hong Kong profits tax		
Provision for current year	**1**	–
Overseas taxation		
Provision for current year	**1,346**	1,660
(Reversal of provision)/ underprovision in respect of prior years	**(31)**	17
	1,316	1,677
Deferred tax (Note 22)		
Current year net charge/(credit)	**18**	(157)
Effect of changes in tax rates	**(102)**	86
Taxation	**1,232**	1,606

Hong Kong profits tax is calculated at **16.5%** (2008: 16.5%) on the estimated assessable profit for the year, net of tax losses carried forward, if applicable.

Overseas (outside of Hong Kong) taxation has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group companies operate, net of tax losses carried forward, if applicable.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the Group's subsidiaries. The weighted average applicable tax rate was **20.6%** (2008: 19.9%).

	2009 HK$ million	2008 HK$ million
Profit before taxation	**5,977**	8,056
Tax calculated at applicable tax rate	**1,365**	1,523
Expenses not deductible for tax purpose	**43**	24
Non-taxable income	**(14)**	(18)
Utilisation of carried forward tax losses	**(36)**	(20)
Tax effect of tax losses not recognised	**39**	19
Tax effect of share of results of associates	**(32)**	(29)
(Over)/under provision in prior years and others	**(31)**	21
Tax effect on deferred tax balances due to changes in income tax rates	**(102)**	86
Taxation	**1,232**	1,606

8 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders of the Company is dealt with in the financial statements of the Company to the extent of **HK$1,947 million** (2008: HK$5,448 million (Note 28)).

9 DIVIDENDS

	2009 HK$ million	2008 HK$ million
Paid interim dividend of **HK$0.80** (2008: HK$0.95) per share	**997**	1,181
Proposed – final dividend of **HK$0.72** (2008: HK$1.15) per share	**897**	1,429*
– special dividend of **HK$1.33** (2008: HK$2.10) per share	**1,657**	2,609*
	3,551	5,219

The amount of 2009 proposed final and special dividends is based on **1,246,031,934 shares** (2008: 1,242,504,934 shares as at 27 August 2008) in issue as at **26 August 2009**. The proposed final and special dividends for 2009 will not be reflected as dividends payable in the balance sheet until they are approved at the forthcoming annual general meeting by the shareholders of the Company.

In order to maintain a strong balance sheet for future growth, at the Board of Directors' meeting held on 26 August 2009, the Board has recommended to provide the shareholders with an option to receive the final dividend in form of new fully paid shares in lieu of cash. The Board has also recommended that the special dividend be satisfied wholly in form of new fully paid shares without offering any rights to the shareholders to elect to receive such dividend in cash. Such dividends shall be put forth for shareholders' approval at the forthcoming annual general meeting of the Company to be held on 10 December 2009.

* The actual final and special dividends paid for 2008 was HK$4,042 million due to additional shares issued during the period from 28 August 2008 to 11 December 2008, the date of closure of the register of members.

10 EARNINGS PER SHARE

Basic

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

	2009 HK$ million	2008 HK$ million
Profit attributable to shareholders	**4,745**	6,450
Weighted average number of ordinary shares in issue (million)	**1,244**	1,238
Basic earnings per share (HK dollars per share)	**3.81**	5.21

Diluted

Diluted earnings per share is calculated based on the profit attributable to shareholders, and the weighted average number of shares in issue during the year after adjusting for the number of dilutive potential ordinary shares granted under the Company's share option scheme.

	2009 HK$ million	2008 HK$ million
Profit attributable to shareholders	**4,745**	6,450
Weighted average number of ordinary shares in issue (million)	**1,244**	1,238
Adjustments for share options (million)	**2**	13
Weighted average number of ordinary shares for diluted earnings per share (million)	**1,246**	1,251
Diluted earnings per share (HK dollars per share)	**3.81**	5.15

11 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2009 HK$ million	2008 HK$ million
Salaries and wages	**3,080**	3,161
Social security costs and other staff costs	**803**	826
Pensions costs of defined contribution plans	**76**	75
Employee share option benefits	**92**	141
	4,051	4,203

Defined contribution retirement schemes

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

Under the defined contribution scheme in some countries, where employees leave the scheme prior to the full vesting of the employer's contributions, the amount of forfeited contributions is used to reduce the contributions payable by the Group. During the year, the Group did not have any contributions forfeited in accordance with the schemes' rules (2008: HK$nil) which have been applied towards the contributions payable by the Group.

12 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

Name of Director	Fees [4] 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$'000	Compensation for loss of office as a director [5] HK$'000	2009 Total emoluments HK$'000	2008 Total emoluments HK$'000
HEINZ JÜRGEN **KROGNER-KORNALIK**	–	**12,009 (EUR1,126,779)**	**42,632 (EUR4,000,000)**	**13,539 (EUR1,270,269)**	**77 (EUR7,203)**	–	**68,257 (EUR6,404,251)**	72,655 (EUR6,334,905)
RONALD **VAN DER VIS**	–	**413 (EUR38,788)**	–	**1,157 (EUR108,532)**	–	–	**1,570 (EUR147,320)**	–
THOMAS JOHANNES **GROTE**	–	**10,914 (EUR1,024,056)**	**10,658 (EUR1,000,000)**	**11,279 (EUR1,058,292)**	–	–	**32,851 (EUR3,082,348)**	34,124 (EUR2,975,322)
CHEW FOOK AUN	–	**3,351**	–	**2,313**	**5**	–	**5,669**	–
JEROME SQUIRE **GRIFFITH**	–	**4,097 (USD527,673)**	**3,106 (USD400,000)**	**(2,798) (USD(360,312))**	–		**4,405 (USD567,361)**	11,159 (USD1,431,603)
JOHN **POON** CHO MING	–	**895**	**5,329**	**(6,369)**	**1**	**21,445**	**21,301**	33,444
JÜRGEN ALFRED RUDOLF **FRIEDRICH**[1,3]	**425**	–	–	–	–	–	**425**	425
MICHAEL **YING** LEE YUEN[1]	–	–	–	–	–	–	–	205
PAUL **CHENG** MING FUN[2,3]	**613**	–	–	–	–	–	**613**	650
ALEXANDER REID **HAMILTON**[2,3]	**613**	–	–	–	–	–	**613**	650
DR. HANS-JOACHIM **KÖRBER**[2,3]	**538**	–	–	–	–	–	**538**	90
RAYMOND **OR** CHING FAI[2,3]	**613**	–	–	–	–	–	**613**	650
FRANCESCO **TRAPANI**[2]	**268**	–	–	–	–	–	**268**	–
Total for the year 2009	**3,070**	**31,679**	**61,725**	**19,121**	**83**	**21,445**	**137,123**	
Total for the year 2008	2,670	40,820	71,932	38,543	87	–		154,052

[1] Non-executive directors
[2] Independent non-executive directors
[3] Members of the Audit Committee
[4] The amount includes directors' fees of **HK$2.6 million** (2008: HK$2.0 million) paid to independent non-executive directors
[5] The amount includes payment for non-competition agreement

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included **three** (2008: four) Directors whose emoluments are reflected in the analysis presented above. The emoluments receivable by the remaining **two** (2008: one) during the year are listed below:

	2009 HK$'000	2008 HK$'000
Salaries, housing and other allowances and benefits in kind	**10,717**	3,109
Bonuses	**7,940**	6,308
Share option benefits	**22,244**	4,300
Pensions costs of defined contribution plans	**10**	6
	40,911	13,723

Emoluments Band	Number of Individuals 2009	2008
HK$13,500,001 – HK$14,000,000	–	1
HK$17,500,001 – HK$18,000,000	**1**	–
HK$23,000,001 – HK$23,500,000	**1**	–

13 INTANGIBLE ASSETS

	Trademarks HK$ million	Goodwill HK$ million	Total HK$ million
Cost			
At 1 July 2007	2,015	42	2,057
Exchange translation	55	9	64
At 1 July 2008	**2,070**	**51**	**2,121**
Exchange translation	**(56)**	**(4)**	**(60)**
At 30 June 2009	**2,014**	**47**	**2,061**

The trademarks are considered to have an indefinite useful life and were tested for impairment at 30 June 2009, as described in note 4(a).

14 PROPERTY, PLANT AND EQUIPMENT

	Freehold land outside Hong Kong HK$ million	Buildings HK$ million	Leasehold improvements and fixtures HK$ million	Plant and machinery HK$ million	Furniture and office equipment HK$ million	Motor vehicles HK$ million	Construction in progress HK $ million	Total HK$ million
Cost								
At 1 July 2008	**25**	**228**	**4,569**	**14**	**2,350**	**73**	**–**	**7,259**
Exchange translation	**(2)**	**(8)**	**(498)**	**(2)**	**(224)**	**(8)**	**–**	**(742)**
Additions	**–**	**–**	**1,029**	**–**	**385**	**11**	**586**	**2,011**
Disposals	**–**	**–**	**(223)**	**–**	**(84)**	**(13)**	**–**	**(320)**
At 30 June 2009	**23**	**220**	**4,877**	**12**	**2,427**	**63**	**586**	**8,208**
Depreciation								
At 1 July 2008	**–**	**88**	**2,046**	**10**	**1,689**	**31**	**–**	**3,864**
Exchange translation	**–**	**(5)**	**(233)**	**(1)**	**(168)**	**(4)**	**–**	**(411)**
Charge for the year	**–**	**9**	**465**	**1**	**282**	**14**	**–**	**771**
Disposals	**–**	**–**	**(194)**	**–**	**(78)**	**(10)**	**–**	**(282)**
Impairment charge	**–**	**–**	**32**	**–**	**6**	**–**	**–**	**38**
At 30 June 2009	**–**	**92**	**2,116**	**10**	**1,731**	**31**	**–**	**3,980**
Net book value								
At 30 June 2009	**23**	**128**	**2,761**	**2**	**696**	**32**	**586**	**4,228**

	Freehold land outside Hong Kong HK$ million	Buildings HK$ million	Leasehold improvements and fixtures HK$ million	Plant and machinery HK$ million	Furniture and office equipment HK$ million	Motor vehicles HK$ million	Construction in progress HK$ million	Total HK$ million
Cost								
At 1 July 2007	23	202	3,297	11	1,743	49	–	5,325
Exchange translation	2	26	495	3	317	12	–	855
Additions	–	–	951	–	374	27	–	1,352
Disposals	–	–	(174)	–	(84)	(15)	–	(273)
At 30 June 2008	25	228	4,569	14	2,350	73	–	7,259
Depreciation								
At 1 July 2007	–	58	1,493	5	1,221	23	–	2,800
Exchange translation	–	22	247	4	245	7	–	525
Charge for the year	–	8	426	1	301	14	–	750
Disposals	–	–	(143)	–	(78)	(13)	–	(234)
Impairment charge	–	–	23	–	–	–	–	23
At 30 June 2008	–	88	2,046	10	1,689	31	–	3,864
Net book value								
At 30 June 2008	25	140	2,523	4	661	42	–	3,395

15 INVESTMENTS IN ASSOCIATES

	2009 HK$ million	2008 HK$ million
Share of net assets	**522**	583

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

Name of associates	Place of incorporation/ operation	Attributable equity interest to the Group	Issued and fully paid share capital/ registered capital	Principal activities
Tactical Solutions Incorporated ("TSI")	British Virgin Islands/ The People's Republic of China	49%	US$100	Investment holding
CRE Esprit Inc. ("CRE")	The People's Republic of China	49%	RMB 5,000,000	Retail and wholesale distribution of apparel, accessories and cosmetics products

Except for royalty payments by TSI which have scheduled payment due dates and bear interest at Hong Kong dollar prime rate plus 3% on overdue balances, the amounts due from associates are unsecured, interest free and have no fixed terms of repayment.

The credit quality of the amounts due from associates can be assessed by reference to historical information about counterparties' default rates. None of them have defaults and been renegotiated in the past.

Summary of unaudited consolidated financial information of the associates as at 30 June is as follows:

	2009 HK$ million	2008 HK$ million
Assets	**1,363**	1,518
Liabilities	**(298)**	(328)
Net assets	**1,065**	1,190
Revenue	**2,678**	2,292
Net Profit	**329**	296

16 PREPAID LEASE PAYMENTS

	2009 HK$ million	2008 HK$ million
Net book value at beginning of year	**175**	180
Amortisation	**(5)**	(5)
Net book value at end of year	**170**	175
Current portion of non-current assets	**(5)**	(5)
Non-current portion	**165**	170

Prepaid lease payments represent costs of a share of medium-term (10 to 50 years) leasehold land in Hong Kong. The costs are amortised over the leasehold period.

17 INVENTORIES

	2009 HK$ million	2008 HK$ million
Finished goods	**2,867**	2,990
Consumables	**130**	176
Raw materials	**–**	4
	2,997	3,170

18 DEBTORS, DEPOSITS AND PREPAYMENTS

	2009 HK$ million	2008 HK$ million
Trade debtors	**3,290**	4,161
Less: provision for impairment of trade debtors	**(251)**	(154)
	3,039	4,007
Deposits	**830**	616
Prepayments	**251**	287
Other debtors and receivables	**272**	422
	4,392	5,332
Maximum exposure to credit risk	**4,141**	5,045

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

	2009 HK$ million	2008 HK$ million
Current	**2,410**	3,268
1-30 days	**246**	366
31-60 days	**137**	151
61-90 days	**76**	63
Over 90 days	**170**	159
Amount past due but not impaired	**629**	739
	3,039	4,007

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

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

18 DEBTORS, DEPOSITS AND PREPAYMENTS (continued)

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:

	2009 HK$ million	2008 HK$ million
At beginning of year	**154**	122
Provision for impairment of trade debtors	**196**	99
Bad debts written off	**(69)**	(74)
Unused amounts reversed	**(15)**	(13)
Exchange translation	**(15)**	20
At end of year	**251**	154

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

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

19 CASH AND CASH EQUIVALENTS

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

	2009 HK$ million	2008 HK$ million
Short-term bank deposits	**1,507**	3,754
Bank balances and cash	**3,333**	2,767
	4,840	6,521

The maximum exposure to credit risk as at 30 June 2009 is the carrying amount of bank balances and short-term bank deposits.

The effective interest rate on cash and cash equivalents for 2009 was determined to be **1.7%** (2008: 3.2%); the short-term bank deposits generally have a maturity of less than 90 days.

20 SHARE CAPITAL

	2009 HK$ million	2008 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 2007	1,231	123
Exercise of share options	13	1
Balance at 30 June 2008	1,244	124
Balance at 1 July 2008	**1,244**	**124**
Exercise of share options (Note (a))	**5**	**1**
Repurchase of shares (Note (b))	**(3)**	**–**
Balance at 30 June 2009	**1,246**	**125**

(a) During the year, **4,607,000** (2008: 12,700,000) ordinary shares of HK$0.10 were issued in respect of the share options exercised by Directors and employees under the share option scheme (defined in note (c) below) at exercise prices in the range of **HK$14.60 to HK$42.58** (2008: HK$14.60 to HK$86.85) each (representing a premium in the range of **HK$14.50 to HK42.48** (2008: HK$14.50 to HK$86.75) each).

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

(c) Share options
The Company adopted a share option scheme on 26 November 2001 (the "Scheme").

Information on Share Option Scheme

The following is a summary of the Scheme disclosed in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Purpose of the Scheme

The Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions that eligible persons make or may make to the Group.

The Scheme provides 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 Group.

20 SHARE CAPITAL (continued)

Participants of the Scheme

The board may at its discretion grant options to:

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

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

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

Total number of shares available for issue under the Scheme and percentage of issued share capital at 30 June 2009

The total number of shares available for issue upon exercise of all outstanding options already granted under the Scheme is 49,510,000 shares, representing 3.97% of the issued share capital of the Company at 30 June 2009.

The maximum number of shares available for issue upon exercise of options not yet been granted under the Scheme is 21,081,371 shares, representing 1.69% of the issued share capital of the Company at 30 June 2009.

Maximum entitlement of each participant under the Scheme

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

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

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

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

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

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

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

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

The basis of determining the subscription price

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

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

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

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

The remaining life of the Scheme

Options may be granted to eligible persons under the Scheme for the period until 26 November 2011.

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

	Number of share options	
	2009	2008
Opening balance	**41,636,000**	46,566,000
Granted during the year (Note (i))	**23,450,000**	13,660,000
Exercised during the year (Note (ii))	**(4,607,000)**	(12,700,000)
Lapsed during the year	**(5,355,000)**	(2,250,000)
Forfeited during the year	**(5,614,000)**	(3,640,000)
Closing balance (Note (iii))	**49,510,000**	41,636,000

20 SHARE CAPITAL (continued)

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

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

Details of share options granted during the year ended 30 June 2008 were as follows:

Exercise period	Exercise price HK$	Number of options
4 December 2008 – 3 December 2013	119.00	210,000
4 December 2009 – 3 December 2013	119.00	210,000
4 December 2010 – 3 December 2013	119.00	210,000
4 December 2011 – 3 December 2013	119.00	210,000
4 December 2012 – 3 December 2013	119.00	210,000
5 December 2008 – 4 December 2013	118.70	762,000
5 December 2009 – 4 December 2013	118.70	762,000
5 December 2010 – 4 December 2013	118.70	762,000
5 December 2011 – 4 December 2013	118.70	762,000
5 December 2012 – 4 December 2013	118.70	762,000
31 January 2009 – 30 January 2014	100.80	1,400,000
31 January 2010 – 30 January 2014	100.80	1,400,000
31 January 2011 – 30 January 2014	100.80	1,400,000
31 January 2012 – 30 January 2014	100.80	1,400,000
31 January 2013 – 30 January 2014	100.80	1,400,000
11 February 2009 – 10 February 2014	102.12	300,000
11 February 2010 – 10 February 2014	102.12	300,000
11 February 2011 – 10 February 2014	102.12	300,000
11 February 2012 – 10 February 2014	102.12	300,000
11 February 2013 – 10 February 2014	102.12	300,000
6 May 2009 – 5 May 2014	94.80	60,000
6 May 2010 – 5 May 2014	94.80	60,000
6 May 2011 – 5 May 2014	94.80	60,000
6 May 2012 – 5 May 2014	94.80	60,000
6 May 2013 – 5 May 2014	94.80	60,000
		13,660,000

20 SHARE CAPITAL (continued)

(ii) Details of share options exercised during the year ended 30 June 2009 were as follows:

			Proceeds received		
Exercise date	**Exercise price HK$**	**Number of options**	**Share capital HK$'000**	**Share premium HK$'000**	**Market value* per share at exercise date HK$**
20 August 2008	**24.20**	**360,000**	**36**	**8,676**	**76.50**
20 August 2008	**42.58**	**720,000**	**72**	**30,586**	**76.50**
28 August 2008	**14.60**	**560,000**	**56**	**8,120**	**66.00**
27 November 2008	**24.20**	**180,000**	**18**	**4,338**	**36.40**
9 December 2008	**24.20**	**390,000**	**39**	**9,399**	**44.25**
15 December 2008	**24.20**	**720,000**	**72**	**17,352**	**48.30**
18 December 2008	**14.60**	**360,000**	**36**	**5,220**	**46.10**
18 December 2008	**24.20**	**270,000**	**27**	**6,507**	**46.10**
22 December 2008	**24.20**	**65,000**	**7**	**1,566**	**41.15**
27 March 2009	**14.60**	**200,000**	**20**	**2,900**	**43.10**
27 March 2009	**24.20**	**470,000**	**47**	**11,327**	**43.10**
31 March 2009	**24.20**	**240,000**	**24**	**5,784**	**39.50**
16 June 2009	**24.20**	**72,000**	**7**	**1,735**	**44.35**
		4,607,000	**461**	**113,510**	

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

20 SHARE CAPITAL (continued)

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

		Number of share options outstanding as at 30 June	
Expiry date	Exercise price HK$	**2009**	2008
Directors			
26 November 2009*	24.20	**–**	480,000
26 November 2009**	24.20	**–**	1,440,000
27 November 2010*	42.58	**600,000**	480,000
27 November 2010**	42.58	**600,000**	2,880,000
26 November 2011* [b]	24.20	**600,000**	–
5 December 2012*	80.95	**–**	160,000
5 December 2012**	80.95	**–**	640,000
7 February 2013*	83.00	**320,000**	320,000
7 February 2013**	83.00	**480,000**	1,280,000
5 December 2013**	118.70	**–**	600,000
11 February 2014*	102.12	**120,000**	–
11 February 2014**	102.12	**480,000**	1,200,000
9 February 2015**	41.70	**1,800,000**	–
22 June 2015**	46.45	**8,000,000**	–
Employees and consultants			
26 November 2008*	14.60	**–**	1,200,000
26 November 2009*	24.20	**–**	1,185,000
26 November 2009**	24.20	**–**	1,822,000
23 December 2009*	24.45	**–**	240,000
23 December 2009**	24.45	**–**	120,000
27 November 2010*	42.58	**3,200,000**	1,525,000
27 November 2010**	42.58	**1,630,000**	4,214,000
23 December 2010*	47.10	**360,000**	270,000
23 December 2010**	47.10	**90,000**	180,000
21 January 2011**	45.60	**–**	160,000
26 November 2011* [a]	14.60	**80,000**	–
26 November 2011* [b]	24.20	**1,360,000**	–
28 November 2011*	55.11	**555,000**	285,000
28 November 2011**	55.11	**690,000**	1,350,000
2 December 2011*	56.20	**520,000**	240,000
2 December 2011**	56.20	**440,000**	840,000
23 December 2011* [c]	24.45	**360,000**	–
23 December 2011*	56.50	**270,000**	180,000
23 December 2011**	56.50	**180,000**	270,000
23 February 2012**	64.31	**–**	420,000
27 November 2012*	80.60	**180,000**	45,000
27 November 2012**	80.60	**495,000**	1,020,000
4 December 2012*	79.49	**360,000**	150,000
4 December 2012**	79.49	**495,000**	840,000
5 December 2012*	80.95	**1,552,000**	616,000
5 December 2012**	80.95	**2,208,000**	2,784,000
7 February 2013*	83.00	**160,000**	80,000
7 February 2013**	83.00	**120,000**	320,000
28 February 2013*	86.85	**–**	60,000
28 February 2013**	86.85	**–**	480,000
Employees and consultants (continued)			
4 December 2013*	119.00	**210,000**	–
4 December 2013**	119.00	**660,000**	1,050,000
5 December 2013*	118.70	**597,000**	–
5 December 2013**	118.70	**2,208,000**	2,610,000
31 January 2014*	100.80	**960,000**	–
31 January 2014**	100.80	**3,840,000**	7,000,000
11 February 2014*	102.12	**60,000**	–
11 February 2014**	102.12	**120,000**	300,000
6 May 2014**	94.80	**–**	300,000
9 December 2014**	44.25	**2,760,000**	–
11 December 2014**	45.95	**3,780,000**	–
5 February 2015**	39.76	**4,660,000**	–
9 February 2015**	41.70	**150,000**	–
8 May 2015**	51.76	**800,000**	–
22 June 2015**	46.45	**400,000**	–
		49,510,000	41,636,000

* 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.

a During the year, a one year extension to the option period for the share options with exercise price of HK$14.60 from six to seven years from the date of grant has been granted, and subsequently a further two year extension to the option period from seven to nine years has been granted.

b During the year, a two year extension to the option period from six to eight years for the share options with exercise price of HK$24.20 was granted.

c During the year, a two year extension to the option period from six to eight years for the share options with exercise price of HK$24.45 was granted.

20 SHARE CAPITAL (continued)

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

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

1. Since the option pricing model requires input of highly subjective assumptions, fair values calculated are therefore inherently subjective and the model may not necessarily provide a reliable measure of share option expense.
2. The share price at the date of grant disclosed is the closing price of the Company's shares as stated in SEHK's daily quotations sheet on the date of grant of the relevant option; where the date of grant of the relevant option did not fall on a Business Day (as defined in the Listing Rules), the closing price of the Company's shares as stated in SEHK's daily quotations sheet immediately preceding the date of grant was disclosed.
3. As stated in IFRS 2, the issuer can use either i) implied volatilities obtained from market information; or ii) historical volatilities as expected volatility input to the Binomial option pricing model. For share options granted prior to 1 July 2008 with the exception of those share options granted on 23 December 2005 that used implied volatilities over Esprit shares of similar maturity to the employee options, Esprit has estimated volatility based on the historical stock prices over 1 year preceding the grant date, expressed as an annualised rate and based on daily price changes. For share options granted after 1 July 2008, Esprit has estimated volatility based on the historical stock prices over 3 years preceding the grant date, expressed as an annualised rate and based on daily price changes.
4. The risk-free interest rate was based on the market yield of Hong Kong Exchange Fund notes with a remaining life corresponding to the expected option life.
5. The expected option life was determined by reference to historical data of option holders' behaviour.
6. Dividend yield was based on the average dividend yield (excluding special dividend) for the three years preceding the year of grant.

21 CREDITORS AND ACCRUED CHARGES

	2009 HK$ million	2008 HK$ million
Trade creditors	**1,165**	1,572
Accruals	**1,726**	1,997
Other creditors and payables	**958**	1,002
	3,849	4,571

The ageing analysis of trade creditors is as follows:

	2009 HK$ million	2008 HK$ million
0-30 days	**1,065**	1,419
31-60 days	**59**	94
61-90 days	**17**	17
Over 90 days	**24**	42
	1,165	1,572

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

22 DEFERRED TAXATION

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

The Group:

	Accelerated accounting depreciation HK$ million	Elimination of unrealised profits HK$ million	Trademarks HK$ million	Tax losses HK$ million	Other deferred tax assets HK$ million	Other deferred tax liabilities HK$ million	Total HK$ million
At 1 July 2007	15	312	(330)	37	32	(48)	18
(Charged)/credited to income statement	(3)	89	–	27	26	18	157
Changes in tax rates	–	(80)	(7)	(2)	(2)	5	(86)
Exchange difference recognised in equity	2	49	(21)	2	6	(5)	33
At 30 June 2008	**14**	**370**	**(358)**	**64**	**62**	**(30)**	**122**
(Charged)/credited to income statement	**16**	**(55)**	**3**	**(6)**	**3**	**21**	**(18)**
Changes in tax rates	**–**	**–**	**102**	**–**	**–**	**–**	**102**
Exchange difference recognised in equity	**(2)**	**(55)**	**15**	**(3)**	**(6)**	**(38)**	**(89)**
At 30 June 2009	**28**	**260**	**(238)**	**55**	**59**	**(47)**	**117**

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

	2009 HK$ million	2008 HK$ million
Deferred tax assets	**408**	510
Deferred tax liabilities	**291**	388

At 30 June 2009, the Group had unused tax losses of approximately **HK$1,061 million** (2008: HK$881 million) available for offset against future taxable profits. A deferred tax asset has been recognised in respect of approximately **HK$294 million** (2008: HK$307 million) of such losses. No deferred tax asset has been recognised in respect of the remaining losses of approximately **HK$767 million** (2008: HK$574 million). Included in unrecognised tax losses are losses of approximately **HK$432 million** (2008: HK$78 million) that will expire in the next one to twenty years. Other losses may be carried forward indefinitely.

Deferred income tax liabilities of **HK$420 million** (2008: HK$437 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.

23 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of profit before taxation to cash generated from operations:

	2009 HK$ million	2008 HK$ million
Profit before taxation	**5,977**	8,056
Adjustments for:		
Interest income	**(87)**	(190)
Amortisation of prepaid lease payments	**5**	5
Depreciation	**771**	750
Impairment of property, plant and equipment	**38**	23
Loss on disposal of property, plant and equipment	**32**	33
Share of results of associates	**(161)**	(145)
Employee share option expense	**92**	141
Operating profit before changes in working capital	**6,667**	8,673
Decrease/(Increase) in inventories	**173**	(978)
Decrease/(Increase) in debtors, deposits and prepayments	**953**	(1,341)
Decrease/(Increase) in amounts due from associates	**12**	(35)
(Decrease)/Increase in creditors and accrued charges	**(716)**	941
Effect of foreign exchange rate changes	**(631)**	342
Cash generated from operations	**6,458**	7,602

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

	2009 HK$ million	2008 HK$ million
Net book amount	**38**	39
Loss on disposal of property, plant and equipment	**(32)**	(33)
Proceeds from disposal of property, plant and equipment	**6**	6

24 OPERATING LEASE COMMITMENTS

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

	2009 HK$ million	2008 HK$ million
Land and buildings		
– within one year	**2,696**	2,582
– in the second to fifth year inclusive	**9,305**	9,521
– after the fifth year	**8,256**	9,675
	20,257	21,778
Other equipment		
– within one year	**25**	27
– in the second to fifth year inclusive	**16**	26
	41	53
	20,298	21,831

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

The total future minimum lease receipts under non-cancelable subleases in respect of land and buildings at 30 June 2009 are **HK$81 million** (2008: HK$100 million).

25 CAPITAL COMMITMENTS

	2009 HK$ million	2008 HK$ million
Property, plant and equipment		
– Contracted but not provided for	**130**	467
– Authorised but not contracted for	**812**	1,250
	942	1,717

26 DERIVATIVE FINANCIAL INSTRUMENTS

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

At 30 June 2009, the fair values of the foreign currency forward contracts included in other receivables and other creditors and payables are as below:

	2009		2008	
	Assets HK$ million	Liabilities HK$ million	Assets HK$ million	Liabilities HK$ million
Foreign currency forward contracts				
Cash flow hedges	**–**	**3**	–	13
Fair value hedges	**7**	**27**	–	–
	7	**30**	–	13

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

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

	2009 HK$ million	2008 HK$ million
Foreign currency forward contracts	**1,483**	492

Gains and losses in equity on foreign currency forward contracts as of 30 June 2009 will be released to the consolidated income statement at various dates between one month to one year from the balance sheet date, to match the recognition of the hedged items in the consolidated income statement.

The Group did not have any ineffective portion of changes in fair value of foreign currency forward contracts for the year ended 30 June 2009 (2008: nil).

27 RELATED PARTY TRANSACTIONS

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

	2009 HK$ million	2008 HK$ million
Transactions with associates		
Sales of finished goods	**1,210**	999
Royalty and accrued interest receivable/received	**37**	46
Commission received	**7**	6

Saved as above and the key management compensation as set out in note 12, the Group had no material related party transactions during the year.

28 SUMMARISED BALANCE SHEET OF THE COMPANY

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

	Notes	2009 HK$ million	2008 HK$ million
Non-current assets			
Investments in subsidiaries, at cost		**851**	753
Current assets			
Loans to subsidiaries	(i)	**1,625**	1,634
Amounts due from subsidiaries	(i)	**4,663**	8,504
Cash and cash equivalents		**1**	–
		6,289	10,138
Current liabilities			
Amounts due to subsidiaries	(i)	**2,303**	2,952
Accrued charges		**7**	19
		2,310	2,971
Net current assets		**3,979**	7,167
Net assets		**4,830**	7,920
Equity			
Share capital	20	**125**	124
Share premium	(ii)	**2,841**	2,896
Contributed surplus	(ii)	**474**	474
Employee share-based payment reserve	(ii)	**378**	322
Retained profits	(ii)	**1,012**	4,104
Total equity		**4,830**	7,920

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

28 SUMMARISED BALANCE SHEET OF THE COMPANY (continued)

ii. Movements of reserves are as follows:

	Share premium HK$ million	Contributed surplus HK$ million	Employee share-based payment reserve HK$ million	Retained profits HK$ million	Total HK$ million
At 1 July 2007	2,391	474	282	2,912	6,059
Profit attributable to shareholders	–	–	–	5,448	5,448
2006/07 final and special dividends paid	–	–	–	(3,075)	(3,075)
2007/08 interim dividend paid (Note 9)	–	–	–	(1,181)	(1,181)
Issues of shares	404	–	–	–	404
Employee share option benefits	–	–	141	–	141
Transfer of reserve	101	–	(101)	–	–
Balance at 30 June 2008	2,896	474	322	4,104	7,796
Representing:					
Proposed final and special dividends					4,038
Balance after proposed final and special dividends, as restated					3,758
Balance at 30 June 2008					7,796
At 1 July 2008	**2,896**	**474**	**322**	**4,104**	**7,796**
Profit attributable to shareholders	**–**	**–**	**–**	**1,947**	**1,947**
2007/08 final and special dividends paid (Note 9)	**–**	**–**	**–**	**(4,042)**	**(4,042)**
2008/09 interim dividend paid (Note 9)	**–**	**–**	**–**	**(997)**	**(997)**
Issues of shares (Note 20)	**113**	**–**	**–**	**–**	**113**
Repurchase of shares	**(204)**	**–**	**–**	**–**	**(204)**
Employee share option benefits	**–**	**–**	**92**	**–**	**92**
Transfer of reserve	**36**	**–**	**(36)**	**–**	**–**
Balance at 30 June 2009	**2,841**	**474**	**378**	**1,012**	**4,705**
Representing:					
Proposed final dividend					**897**
Balance after proposed final dividend					**3,808**
Balance at 30 June 2009					**4,705**

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 2009 amounted to **HK$1,864 million** (2008: HK$4,900 million).

iii. The Company did not have any operating lease commitment at 30 June 2009 (2008: Nil).

iv. The Company did not have any significant capital commitment at 30 June 2009 (2008: Nil).

29 PRINCIPAL SUBSIDIARIES

The following are the principal subsidiaries as at 30 June 2009 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
ESP Group Limited	British Virgin Islands/Hong Kong	100%	USD500	Investment holding
Esprit Belgie Retail N.V.	Belgium	100%	EUR1,200,000	Retail distribution of apparel and accessories
Esprit Belgie Wholesale N.V.	Belgium	100%	EUR100,000	Wholesale distribution of apparel and accessories
Esprit Canada Distribution Limited (formerly known as Esprit Canada Wholesale Limited)	Canada	100%	CAD1	Wholesale distribution of apparel and accessories
Esprit Canada Retail Limited	Canada	100%	CAD12	Retail distribution of apparel and accessories
Esprit Canada Wholesale Inc.	Canada	100%	CAD1	Wholesale distribution of apparel and accessories
Esprit Capital Limited	British Virgin Islands/Hong Kong	100%	USD1	Investment
Esprit Card Services GmbH	Germany	100%	EUR25,000	Issuance, accounting of and service in connection with GiftCard, as provided for Esprit group and distribution partners in Europe
Esprit China Distribution Limited	British Virgin Islands/Hong Kong	100%	USD100	Investment holding
Esprit Corporate Services Limited	British Virgin Islands/Hong Kong	100%	USD100	Financial services
Esprit de Corp. Danmark A/S	Denmark	100%	DKK12,000,000	Wholesale and retail distribution of apparel and accessories
Esprit de Corp. (Far East) Limited	Hong Kong	100%	HKD1,200,000	Sourcing of apparel and accessories
Esprit de Corp. France S.A.	France	100%	EUR63,373,350	Wholesale and retail distribution of apparel and accessories
Esprit De Corp. (Malaysia) Sdn, Bhd.	Malaysia	100%	MYR2,000,000	Retail distribution of apparel and accessories
Esprit de Corp. (Spain) S.L.	Spain	100%	EUR10,000	Wholesale and retail distribution of apparel and accessories
Esprit de Corp. (1980) Ltd	Canada	100%	CAD1,000,001	Retail distribution of apparel and accessories
Esprit Design & Product Development GmbH	Germany	100%	EUR100,000	Providing of services to the worldwide Esprit group in relation to the development of designs, styles and prototypes for the sales line of Esprit products
Esprit Europe B.V.	The Netherlands	100%	EUR1,500,000	Investment holding and wholesale and retail distribution of apparel and accessories, licensing of trademarks
Esprit Europe GmbH	Germany	100%	EUR5,112,919	Management and control function; render of services to the Esprit group
Esprit Europe Services GmbH	Germany	100%	EUR2,700,000	Sourcing, purchase and sale of merchandise, distribution of merchandise and other logistic functions, including customs dealing and quality control
Esprit GB Limited	United Kingdom	100%	GBP150,001	Wholesale and retail distribution of apparel and accessories
Esprit Global Image GmbH	Germany	100%	EUR25,000	Design and image directions; conceptsalisation and development of global uniform image; development and conceptualisation of global image direction within product development

29 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 Handelsgesellschaft mbH	Austria	100%	EUR100,000	Wholesale and retail distribution of apparel and accessories
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 Limited	Republic of Ireland	100%	EUR1	Wholesale 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 and operation of Salon Esprit
Esprit (Retail) Proprietary Limited	Australia	100%	AUD200,000	Wholesale and retail distribution of apparel and accessories
Esprit Retail Pte Ltd	Singapore	100%	SGD3,000,000	Retail distribution of apparel and accessories
Esprit Retail (Taiwan) Limited	Hong Kong/Taiwan	100%	HKD9,000	Retail distribution of apparel and accessories
Esprit Sweden AB	Sweden	100%	SEK500,000	Wholesale distribution of apparel and accessories
Esprit Swiss Treasury Limited	British Virgin Islands/Hong Kong	100%	USD1	Financial services
Esprit Switzerland Distribution AG	Switzerland	100%	CHF100,000	Wholesale distribution of apparel and accessories
Esprit Switzerland Retail AG	Switzerland	100%	CHF500,000	Retail distribution of apparel and accessories
Esprit US Distribution Limited	United States	100%	USD1,000	Wholesale distribution of apparel and accessories
Esprit US Online Shop Limited	United States	100%	USD1,000	Online retail distribution of apparel and accessories
Esprit US Retail Limited	United States	100%	USD0.001	Retail distribution of apparel and accessories
Esprit US Wholesale Limited	United States	100%	USD1,000	Wholesale distribution of apparel and accessories
Esprit Wholesale GmbH	Germany	100%	EUR5,000,000	Wholesale distribution of apparel and accessories
Garment, Acessories and Cosmetics Esprit Retail (Macau) Limited	Macau	100%	MOP100,000	Retail distribution of apparel and accessories
Red Earth Distribution Corporation Inc.	Canada	100%	CAD100 (Note c)	Wholesale and retail distribution of cosmetics, skin and body care products
Red Earth International Holdings Limited	British Virgin Islands/Hong Kong	100%	USD1,668,000	Investment holding
Red Earth Licensing Limited	British Virgin Islands/Hong Kong	100%	USD100	Holding and licensing of trademarks

29 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
Red Earth Production Limited	Hong Kong	100%	HKD10,000	Wholesale distribution of cosmetics, skin and body care products
Sijun Fashion Design (Shenzhen) Co., Ltd.	The People's Republic of China (Note d)	100%	USD1,600,000	Sample development

Notes:
(a) All subsidiaries were held indirectly by the Company, except ESP Group Limited.
(b) All are ordinary share capital unless otherwise stated.
(c) Representing 100 class A shares of CAD 1.00 each.
(d) Wholly owned foreign enterprise.

30 COMPARATIVE FIGURES

Certain comparative figures relating to the operating costs have been reclassified to conform with the current year's presentation.

08
TEN-YEAR SUMMARY

CONSOLIDATED BALANCE SHEET ITEMS

	As at 30 June			
	2009 HK$ million	2008 HK$ million	2007 HK$ million	2006 HK$ million
Intangible assets	**2,061**	2,121	2,057	2,027
Property, plant and equipment	**4,228**	3,395	2,525	2,429
Other investments	**7**	7	7	8
Investments in associates	**522**	583	406	269
Prepaid lease payments	**165**	170	175	180
Deferred tax assets	**408**	510	396	315
Net current assets	**7,309**	9,546	6,893	4,237
	14,700	16,332	12,459	9,465
Equity				
Share capital	**125**	124	123	122
Reserves	**14,284**	15,820	11,958	8,985
	14,409	15,944	12,081	9,107
Minority interests	**–**	–	–	–
Total equity	**14,409**	15,944	12,081	9,107
Obligation under finance leases	**–**	–	–	–
Long-term bank loan	**–**	–	–	–
Deferred tax liabilities	**291**	388	378	358
	14,700	16,332	12,459	9,465

CONSOLIDATED INCOME STATEMENT ITEMS

	For the year ended 30 June			
	2009 HK$ million	2008 HK$ million	2007 HK$ million	2006 HK$ million
Turnover	**34,485**	37,227	29,640	23,349
Operating profit	**5,729**	7,721	6,259	4,765
Interest income	**87**	190	149	37
Finance costs	**–**	–	–	(1)
Share of results of associates	**161**	145	130	84
Profit before taxation	**5,977**	8,056	6,538	4,885
Taxation	**(1,232)**	(1,606)	(1,358)	(1,148)
Profit after taxation	**4,745**	6,450	5,180	3,737
Profit attributable to shareholders	**4,745**	6,450	5,180	3,737
Profit attributable to minority interests	**–**	–	–	–

Note: The Group has adopted IFRS retrospectively with effect from 1 July 2002. The financial information in respect of FY 02|03 to FY 08|09 is prepared in accordance with IFRS. For the purposes of presenting the financial information in respect of FY 99|00 to FY 01|02, certain estimates have been made to adjust the financial information to IFRS, mainly representing the reversal of amortisation of trademarks.

	As at 30 June					
	2005 HK$ million	2004 HK$ million	2003 HK$ million	2002 HK$ million	2001 HK$ million	2000 HK$ million
	2,009	2,021	1,960	1,922	716	743
	2,053	1,474	1,056	966	756	574
	8	8	8	8	7	29
	182	155	122	101	92	67
	184	21	21	22	23	23
	205	104	93	35	6	–
	2,728	1,964	2,027	1,060	616	669
	7,369	5,747	5,287	4,114	2,216	2,105
	120	119	119	117	114	111
	6,919	5,296	4,073	2,915	1,885	1,547
	7,039	5,415	4,192	3,032	1,999	1,658
	–	–	–	–	18	18
	7,039	5,415	4,192	3,032	2,017	1,676
	–	–	1	1	1	2
	–	–	776	780	–	226
	330	332	318	301	198	201
	7,369	5,747	5,287	4,114	2,216	2,105

	For the year ended 30 June					
	2005 HK$ million	2004 HK$ million	2003 HK$ million	2002 HK$ million	2001 HK$ million	2000 HK$ million
	20,632	16,357	12,381	9,219	8,109	7,277
	4,075	2,837	1,811	1,373	1,152	902
	22	40	42	23	46	28
	(2)	(22)	(32)	(14)	(38)	(38)
	73	63	45	33	24	11
	4,168	2,918	1,866	1,415	1,184	903
	(957)	(949)	(590)	(364)	(512)	(344)
	3,211	1,969	1,276	1,051	672	559
	3,211	1,969	1,276	993	600	484
	–	–	–	58	72	75

09
GLOSSARY OF TERMS

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

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

Others	
Term	**Definition**
Conversion rate	Measures the portion of Traffic which is translated into actual purchases.
Esprit Club (e-club)	Esprit customer loyalty programme where members can enjoy benefits such as collect points or apply discounts, receive updates on latest news about Esprit, enjoy exclusive offers and more. Benefits vary across different regions.
Electronic Data Interchange (EDI)	The structured transmission of data between organisations by electronic means. Information such as inventory data are transferred from controlled-space POS computer systems to Esprit's merchandise planning.
Licensing and others	For certain product categories, independent third parties are authorised to use the name of Esprit to manufacture and distribute products. Esprit works with over 30 licensees and offers 30 categories of licensed products. Others represent income from Salon in Hong Kong.
POS	Point-of-sales
Product divisions	There are 12 divisions including Women casual, Women collection, edc Women, sports, Men casual, Men collection, edc Men, Kids, Shoes, Accessories, bodywear, de. corp
Season	Collections of each product division with consistent theme/design. We design and produce up to 12 seasons per annum for our product divisions.
Segment reporting	Information regarding the financial position and results of operations in business segments and regions. This gives an indication of developments in the individual segments and their contribution to the Group's results. Esprit's primary segment reporting format are by business segments (Wholesale/Retail/Licensing and others)
Segment EBIT margin	Earnings before interest and taxation, finance costs, share of results of associates and unallocated net income/expenses divided by the segment turnover.
Sell through	An indicator of how fast a particular product is being sold to a consumer at retail level
Sourcing	Process of managing external suppliers in order to commercialise, produce and deliver final products to customers
Traffic	Footfall recorded in a store during a period of time