ANNUAL REPORT

Year ended 30 June 2011

Hong Kong Stock Code 00330

ESPRIT

CORPORATE INFORMATION

Chairman
Dr Hans-Joachim KÖRBER
Independent Non-executive Director
(appointed as Chairman with effect from 11 February 2011)

Deputy Chairman
Paul CHENG Ming Fun
Independent Non-executive Director

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

Non-executive Director
Jürgen Alfred Rudolf FRIEDRICH

Independent Non-executive Directors
Alexander Reid HAMILTON
Raymond OR Ching Fai
Francesco TRAPANI

Company Secretary
Florence NG Wai Yin

Principal bankers
The Hongkong and Shanghai Banking Corporation Limited
Deutsche Bank AG
Citibank N.A.
ANZ Bank
Commerzbank

Auditor
PricewaterhouseCoopers
Certified Public Accountants

Principal legal advisors
Baker & Mckenzie

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

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

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

Registered office
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Church Street
Hamilton HM 11
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Hong Kong head office
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CORPORATE PROFILE

Esprit is a global fashion brand offering style and quality made to last. The brand creates women's, men's and kids' collections for all occasions and distributes in over 1,100 directly managed retail stores and over 11,000 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.

01 *TO OUR SHAREHOLDERS*

"When the TRANSFORMATION process is completed, Esprit will be a brand again which possesses a CLEAR IDENTITY, which demonstrates **SUSTAINABLE GROWTH AND PROFITABILITY.**"

01 *TO OUR SHAREHOLDERS*

01.1 LETTER FROM CHAIRMAN

Dear Shareholders,

This is my first report to you as Chairman of the Company. Since I was appointed as an Independent Non-Executive Director in May 2008, I have witnessed and accompanied the development of the Company and I am honoured having been asked to take over the responsibility to lead the Board of the Company forward in these difficult times.

During FY10/11, Esprit continued to be impacted by a weak consumer spending environment, coupled with costs inflation, some impact of internal lack of competitiveness and intensifying competition. Such conditions challenged both the Board of Directors and the executive management team. The Group reported turnover of HK$33,767 million with a 0.5% growth in local currency. Profitability was impacted by this challenging environment and the Board made a strategic decision to divest the non-profitable United States of America and Canada, to exit our retail operations in Sweden, Spain and Denmark, and to close down certain non-profitable stores worldwide. The aforementioned has resulted one-off restructuring costs lowering net earnings of the Group to HK$79 million. Our net cash position remains strong at approximately HK$2,714 million as at 30 June 2011. The Board of Directors adhered to the Company's dividend policy for the interim dividend, but no final dividend is proposed as the interim dividend which had already been paid exceeds the 60% regular payout ratio.

The combination of the challenging macro environment and the unique situation of the Company presented a particularly complex restructuring case for the management. On the one hand, in keeping with the perceived opportunities and ambitions of both the management and the Board, the commitment to listen to customer needs and invest in the promising vitality of the Esprit brand and products is being intensified. Resources are being directed to strengthening our presence in core markets and accelerating growth in China as we deeply believe in the future strength of the ESPRIT brand. On the other hand, goals are set with respect to streamlining measures, including exiting markets and closing stores that were not performing, optimising costs on both sourcing and operational levels, aligning the sales structure to a channel-based one for higher efficiency and further stepping up on employees' incentive programs to retain and attract the key talent of our Company. We are of the view that only those strategies that consistently adapt to a dynamic environment and needs of customers will prove successful in the long run and lead to sustainable growth.

We believe these measures are not only necessary but also rich in perspective to recharge the potential and reignite the momentum of the Company. We see the journey to successfully reinvigorating the Esprit brand to be long and challenging, but absolutely rewarding. The Board is fully aligned and fully support the transformation strategies and initiatives adopted by the management to make all the bold and necessary rectifications so that when the transformation process is completed, Esprit will be a brand again which possesses a clear identity, which demonstrates sustainable growth and profitability.

In the meantime, I request for your support to sail with us through these difficult times as we execute and implement these strategic initiatives with the firm intent to reap the harvest in the medium term.

Last but not least, I want to extend my appreciation to Mr Heinz Krogner, who resigned as Chairman in February 2011. Our thanks also go to you as our shareholders and everyone at Esprit for their teamwork and efforts throughout the year. Looking forward, I remain confident that Esprit possesses the brand, strategy, resources and team to paint a new picture that will emerge once the transformation is completed.

Dr. Hans-Joachim KÖRBER // Independent Non-executive Chairman
15 September 2011

01.2 LETTER FROM GROUP CEO

Dear Shareholders,

Looking back, FY10/11 was a challenging year full of adversity. The prolonged European sovereign debt crisis, adverse impact from the austerity measures which impacted the macro environment, rising input costs and widespread fear of a double dip recession created a weak and uncertain consumer climate. Our Group is not immune from such external influences.

During the financial year, the Group's turnover grew 0.5% year-on-year in local currency, thanks to a positive 6.2% retail turnover growth, which compensated for the 6.0% decline in wholesale turnover. Amidst the backdrop of a weak macro environment in Europe, retail comparable store sales performance improved moderately in the second half of the financial year to -0.6% resulting in comparable store sales growth for the full year of -1.1%. On a full year comparable basis, China, being the second largest country in terms of sales for the Group and accounting for approximately 8% of total Group turnover, posted positive turnover growth of 4.4%.

In 2010 we introduced the Six Strategic Initiatives to strengthen Esprit's platform for growth and profitability. The first stage of the strategic plan is in the process of being implemented. Initiative Six (Organisation and Structure) has been successfully completed with the transformation from a continental, regional sales organisation into a global, channel-based one. Dedicated channel leadership for Retail and Wholesale has been recruited as part of the new Executive Board of Management to drive these channels globally. Initiative Five relating to the EPS project is ongoing.

The Strategic Initiatives are delivering encouraging first results on our objectives, but we have always made it clear that we will still need the medium term for the benefits of these measures to bear fruit. Despite the challenging macro environment, we saw stabilisation of our business with improving performance in the second half. The stabilisation was a good sign showing that we are keeping up and moving in the right direction.

Founded in 1968 in San Francisco, Esprit still carries the DNA of a creative and responsible fashion brand. These values built a strong and profitable company. However, we realise and admit that our values and heritage were neglected in the process of fast growth and expansion. The focus was too much on short-term top-line growth instead of long-term customer satisfaction and loyalty. While commercially very successful, we gradually eroded the brand and to some extent lost sight of the customer. Our past opportunistic growth entails challenges, which the economic crisis has amplified.

Our customers have clearly said what we need to do: change. The Esprit woman wants Esprit back: a responsible fashion company that gives her fashion and quality made to last. Stylish and feminine, inspired by our Californian heritage. To her that is more relevant than ever before!

Based on a clearly defined new brand direction for Esprit, a new executive management team on board and encouraged by the first positive results, it is the right time to intensify the Strategic Initiatives in a bolder way. In essence, this is an in-depth transformation process to re-establish Esprit as an inspiring fashion brand again.

We call it "Giving Esprit, the Sleeping Beauty, a wake-up kiss."

As part of this transformation process, we have decided the following measures:

Initiative 1: Global brand – Implement new Esprit brand direction

The new brand direction is built upon the Esprit woman, who is embracing fashion and style in a confident and relaxed way, caring about her looks as well as the ones around her. For her Esprit creates responsible fashion – stylish and feminine – guided by the latest trends and inspired by our Californian heritage.

This new brand direction is the starting point of our transformation process. It impacts everything we do. Then everything we do, we do for her: the Esprit woman.

"We are COMMITTED to do what is necessary
to complete this TRANSFORMATION PROCESS
SUCCESSFULLY.*"*

Based on the positive customer feedback, we are stepping up our efforts to implement the new brand direction in all consumer touch points.

To rebuild and revitalise the somewhat tiring brand, which has resulted in a loss in traffic, we will invest an additional HK$1.7 billion per annum over the next four years to compensate for the historical under-investment by launching local and global media campaigns in our core markets and global fashion capital cities to re-establish Esprit as a leading and inspiring fashion brand.

As a result of the Esprit brand strategy, our sub-brand 'edc' catering for a younger, trendier customer, will be established as a stand-alone brand and organisation during 2012 to realise its full market potential. We are convinced that both brands will benefit from this separation.

Our license portfolio has grown opportunistically in recent years. We will consolidate the portfolio and bring it in line with our brand positioning. This means that we will intensify our core product categories with the best license partners and abandon non-core categories from a brand perspective.

Initiative 2: Products – Improve product offering

Our customer has said it clearly: "Change and update the design. Make it more feminine. Surprise me again."

In restoring product differentiation and newness, "Centres of Excellence", a series of measures to bundle expertise and drive excellence, for product creation and design are to be established. This includes launching a Trend division in Paris as well as a local design hub in China to cater for local tastes, stepping up design capabilities to inject newness and fashion into the collections on an on-going basis.

Secondly, all (apparel) product divisions will be grouped around Women's or Men's focusing to create the best and most inspiring wardrobe for our customers. Within Women's and Men's product development will be grouped around product categories with the best specialists. All denim know-how will be bundled into one denim division to cater for the women's and men's denim collections.

Finally, in order for the product organisation to be able to focus on product creation, the buying roles will be grouped into a central sourcing organisation.

This is all driven by our new brand direction: away from fragmentised divisional thinking to centres of expertise for creating the perfect wardrobe for the Esprit customers.

Furthermore to improve the design and product creation process, the creation rhythm for new products will be based on product categories and consumer needs. While continuing delivering twelve collections per year, some products will run longer, while others will be updated more frequently than present. This allows for focusing creativity where it matters for the customers. It also improves our sourcing efficiencies and reduces markdowns as a result of similar styles.

Apart from improving product offerings, we are also enhancing the price/value proposition by injecting values through better fabrics, more detailing etc. into products through additional margin investment in key product categories.

Initiative 3: Channels and Regions – Accelerate growth in China, Divest North America, Refurbishment and expansion in core markets

Being the major growth engine of the Group, we are putting significant investment to continue and accelerate the expansion in China. We aim to strengthen our leading position and to more than double our sales to approximately HK$6 billion in FY14/15 operating around 1,900 points-of-sale.

It has been decided to divest our long-term loss-making operations in North America. The limited scale and lack of wholesale distribution structure in North America, does not enable a sustainable profitable business model for Esprit in the near future. In addition, in our aim to focus our efforts and investments, it has been decided to exit our retail operations in Sweden, Spain and Denmark and to close down certain non-profitable stores worldwide. The provisions taken for these one-off restructuring measures have a significant impact on the results for the fiscal year FY10/11.

On the other hand, we are targeting expanding our store network (excluding China) until FY14/15 with 185 full price retail stores, approximately 25 outlets and more than 200 new franchise stores.

Our stores are amongst the best vehicles to communicate our brand message. The historical under-investment into our stores and the refurbishment of our store network, has resulted in a somewhat uninspiring shopping experience. Based on the newly defined Esprit brand direction, a new store concept is being developed. The first pilot store will open in the fourth quarter of 2011. Following a successful pilot phase, the new store concept will be rolled out. A global refurbishment plan totalling capital expenditure of approximately HK$3 billion is planned to refurbish over 400 full price retail stores in the next 4 years.

Our wholesale strategy has been re-visited. Focus will be on cooperating closer with key accounts, franchise partners and bigger multi-label accounts. We are going to actively support them with refurbishing and expanding their selling spaces to help driving their business. On the other hand, small accounts and/or brand-diluting accounts will be actively delisted.

Growth in online channels will be further exploited internationally following the successful e-shop model in Europe.

Initiative 4: Supply chain – Accelerate sourcing strategies

Encouraged by the results of our sourcing strategy based on supplier portfolio consolidation and sourcing footprint optimisation, we have decided to accelerate the implementation. On the one hand, the opening of new, own sourcing offices in key markets will be accelerated in addition to the offices in Hong Kong and Bangladesh and Shanghai, which were opened in 2010.

On the other hand, the centralisation of all buying activities from within the product divisions will enable us to achieve our mid-term target of approximately HK$1 billion savings per year.

Transformation process

Esprit has embarked on an in-depth transformation process to strengthen the company and to win back the hearts and mind of the Esprit woman. This transformation process will take time and require investments into the future of the Company. Total planned capital expenditure and total additional operating expenses in association with the implementation is approximately HK$7 billion and HK$11.5 billion respectively over the next 4 years.

Especially in the next 24 months our financial results will be impacted by the outlined measures we need to take as part of this transformation process to create a better and bigger Esprit. Turnover for FY11/12 is expected to decline 3% to 5% in local currency as a result of the divestment of the North American operations and the store closures programme with operating profit margin of 1% to 2%.

The full results will gradually become visible over time, but the whole transformation will take until FY14/15 to complete. Cumulative average sales growth for the 4 years till FY14/15 is targeted to be around 8% to 10% per annum in local currency, while post transformation operating profit margin is expected to normalise at around 15%.

We are committed to do what is necessary to complete this transformation process successfully. The Company is determined to do what is right for the brand long-term. No more short-term gains at the expense of the long-term prosperity of the Company. By doing so, we will bring back Esprit to its full glory and potential. And very importantly: the Esprit customers are waiting for it.

Ronald VAN DER VIS // Executive Director and Group CEO
15 September 2011


ESPRIT

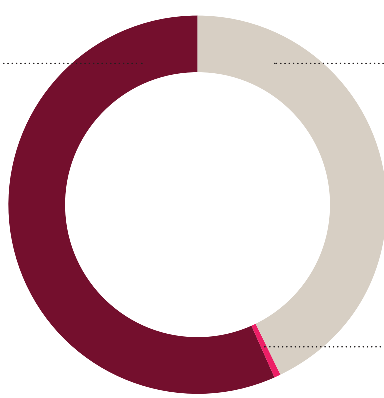
01.3 FINANCIAL HIGHLIGHTS

- Transformation plan 2014/15 to give the brand back its shine and recover its profitability
- Significant investments in stores, product design and brand communication
- Group turnover grew 0.5% year-on-year in local currency to HK$33.8 billion
- Retail turnover grew 6.2% year-on-year in local currency
- Total retail space increased 5.3% year-on-year off pro-forma retail store base
- China growth and profitability accelerating in line with 5-year plan
- Divesting structurally loss-making stores as well as North America
- Operating result impacted by one-off restructuring costs related to store network
- Net profit of HK$79 million or HK$2,352 million excluding exceptional events

		Year ended 30 June 2011		Year ended 30 June 2010
Turnover		**HK$33,767m**		HK$33,734m
Operating profit		**HK$692m**		HK$3,786m
Net profit		**HK$79m**		HK$4,226m
EPS (Basic)		**HK$0.06**		HK$3.35
GP margin		**53.9%**		54.7%
Operating profit margin		**2.0%**		11.2%
Net profit margin		**0.2%**		12.5%
	HK$	**% of EPS***	HK$	% of EPS*
Dividend per share				
– Regular interim paid	**1.00**	**182%**	0.74	31%
– Proposed regular final	**–**	**–**	0.67	29%
– Total regular	**1.00**	**182%**	1.41	60%

* Calculated by dividing dividend per share by adjusted EPS. Please refer to page 57 for details of calculation.

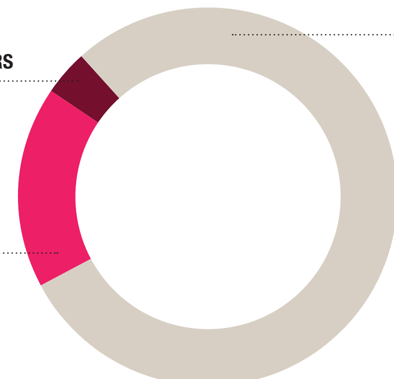
TURNOVER BY DISTRIBUTION CHANNELS
HK$ million // % to Group turnover // % local currency growth



01.3 FINANCIAL HIGHLIGHTS (CONTINUED)

TURNOVER BY COUNTRIES#

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



NORTH AMERICA AND OTHERS

United States*
$647 // 1.9% // 22.9%
Canada
$587 // 1.8% // 0.6%

ASIA PACIFIC

China**
$2,675 // 7.9% // 227.0%
Australia and New Zealand
$997 // 3.0% // -8.9%
Hong Kong**
$586 // 1.7% // -14.8%
Macau###
$562 // 1.7% //-55.4%
Singapore
$446 // 1.3% // -0.1%
Taiwan
$296 // 0.9% // 5.5%
Malaysia
$246 // 0.7% // 6.0%

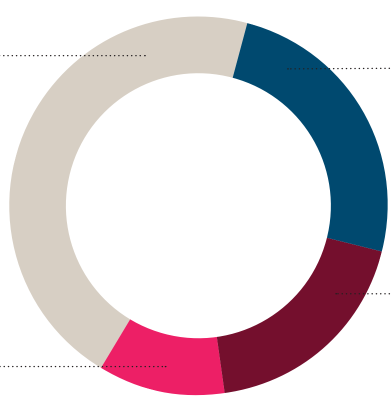
EUROPE

Germany*##
$14,280 // 42.3% // -1.1%
Benelux*
$4,613 // 13.7% // -5.3%
France
$2,503 // 7.4% // -9.2%
Scandinavia
$1,530 // 4.5% // 2.3%
Switzerland
$1,478 // 4.4% // -3.7%
Austria
$1,394 // 4.1% // -2.9%
United Kingdom
$357 // 1.1% // -12.7%
Spain
$301 // 0.9% // 4.1%
Italy
$211 // 0.6% // -23.9%
Ireland
$30 // 0.1% // -1.5%
Portugal
$13 // 0.0% // -51.5%
Others
$15 // 0.0% // 172.9%

Country as a whole includes retail stores, outlet stores, edc standalone stores and e-shop
Germany sales includes wholesale sales to other European countries mainly Russia, Poland, Greece, Czech Republic and Slovenia
Macau sales for the year ended 30 June 2011 includes wholesale sales to other countries mainly Columbia, Middle East and Thailand. Macau sales for the year ended 30 June 2010 also included wholesale sales to the former China Joint Venture
* Includes licensing
** Includes salon

TURNOVER BY PRODUCTS

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



CASUAL

women casual
$11,018 // 32.6% // -5.0%
men casual
$4,290 // 12.7% // 0.6%

COLLECTION

women collection
$2,736 // 8.1% // 13.8%
men collection
$973 // 2.9% // 19.8%

EDC

edc women
$6,213 // 18.4% // 5.5%
edc men
$1,283 // 3.8% // 3.4%
edc others^
$940 // 2.8% // -0.3%

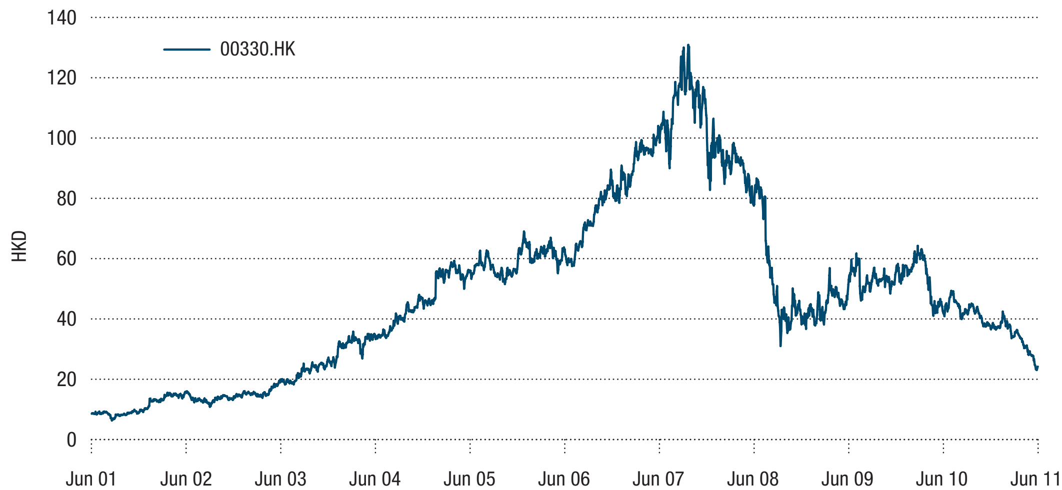
OTHERS

accessories
$1,591 // 4.7% // 0.0%
bodywear
$1,100 // 3.3% // 11.7%
shoes
$1,060 // 3.2% // 11.7%
kids
$918 // 2.7% // -10.3%
sports
$570 // 1.7% // -17.6%
de. corp
$385 // 1.1% // 12.7%
others*
$690 // 2.0% // -19.0%

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

01.3 FINANCIAL HIGHLIGHTS (CONTINUED)

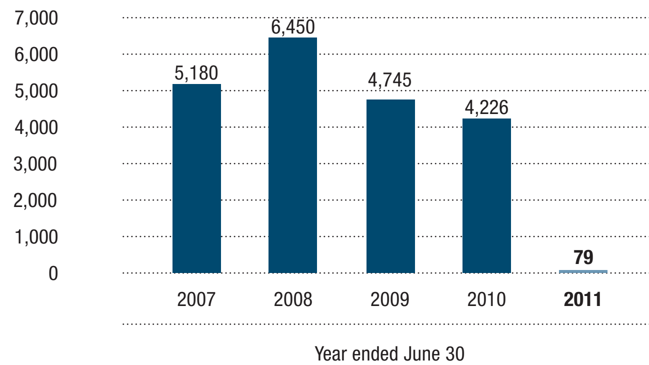
Esprit 10-Year Share Price Performance



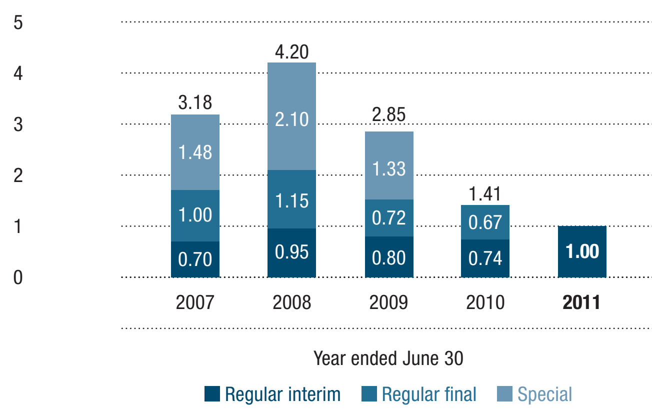
Benchmark with HSI

01.3 FINANCIAL HIGHLIGHTS (CONTINUED)

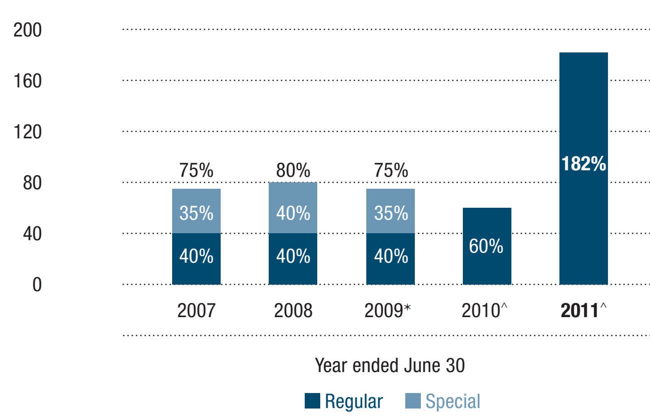
Profit Attributable to Shareholders (HK$ million)



Dividend Payment History (HK$ Per Share)



Dividend Payout Ratio (% of Basic EPS)



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

^ Dividend payout ratios for the year ended 30 June 2011 and 30 June 2010 were calculated based on adjusted EPS. Please refer to page 57 for details of calculation

01.3 FINANCIAL HIGHLIGHTS (CONTINUED)

Breakdown of group turnover

	Year ended 30 June				
	2011	2010	2009^	2008^	2007^
Operation mix (%)					
Retail	**56**	53	47	43	43
Wholesale	**43**	46	52	56	56
Licensing and others	**1**	1	1	1	1
Geographical mix (%)					
Europe	**79**	83	85	87	86
Asia Pacific	**17**	14	12	11	11
North America and others	**4**	3	3	2	3
Product mix (%)					
women casual	**33**	34	34	34	36
men casual	**12**	13	12	12	11
edc women	**18**	18	17	19	18
edc men	**4**	4	4	3	2
women collection	**8**	7	7	6	6
men collection	**3**	2	2	2	2
accessories#	**5**	5	6	5	5
kids#	**4**	5	5	5	6
shoes#	**4**	3	4	5	5
bodywear#	**4**	3	3	3	3
sports	**2**	2	2	3	3
de. corp	**1**	1	1	–	–
red earth	**–**	–	–	–	1
others*#	**2**	3	3	3	2

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

^ Turnover by geographical segment for the years ended 30 June 2007 to 30 June 2009 were restated for comparison purpose as a result of the adoption of the new IFRS 8 "Operating Segments"

The turnover proportion of edc others, which include edc kids, edc shoes, edc accessories and edc bodywear, is allocated to product divisions of kids, shoes, accessories, bodywear and others respectively.

02 *ESPRIT FY10/11 IN BRIEF*

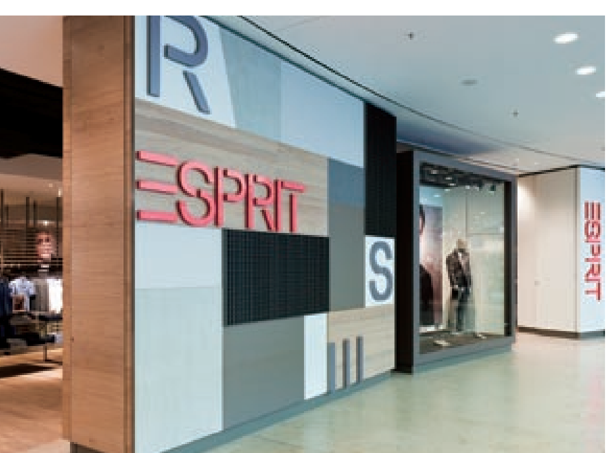
02 *ESPRIT FY10/11 IN BRIEF*

02.1 STORE OPENINGS

Country	City	Location
Australia	Ryde	Top Ryde City Shopping Centre
	Sydney	Westfield Shopping Centre
	Adelaide	Myer
	Belconnen	Myer
	Booragoon	Myer
	Hurstville	Myer
	Maribyrnong	Myer
	Modbury	Myer
	Morley	Myer
	Robina	Myer
	Ryde	Myer
	Wantirna	Myer
	Wollongong	Myer
Austria	Vienna	Riverside
	Innsbruch	DEZ
		Sillpark
Canada	Calgary	Signal Hill Shopping Centre
	Ottawa	College Square
	Wellington	Wellington
	Burlington	Burloak
China	Shanghai	Bailian Jinshan Shopping Centre
		Jiari Department Store
		Riyueguang Plaza
		Van's Department Store
		New World Department Store
		Pudong Emporium
		Caoyang Department Store
	Beijing	New World Department Store
		Xinhua Department Store
		Parkson Department Store
		Van's Department Store
		Guotai Department Store
		Wangfujing Department Store
		Rainbow Department Store
		Chengxiang Huamao Department Store
		Ganjiakou Department Store
	Guangzhou	Friendship Store
		China Plaza
		China Plaza Department Store
		Metono Department Store
		Grand Buy Department Store
	Dalian	Maikaile Department Store
		Olympic Square
		Xinhua Department Store
		New Mart
		Pacific Department Store
	Chengdu	Hualian Department Store
		Chicony Department Store
		Longfor 3000 Shopping Mall
		Van's Department Store
		Far Eastern Department Store
	Chongqing	New Century Department Store
		Longfor West Paradise Walk Shopping Centre

Country	City	Location
Finland	Helsinki	Itäkeskus
		Aleksi
Germany	Reutlingen	Reutlingen
	Braunschweig	Schloßarkaden
	Kassel	Kassel
	Munich	Pasing Arkaden
	Neuss	Rheinpark-Center
	Wildau	A10-Center
	Hamburg	AEZ
Hong Kong	North Point	Metropole International Department Store
	Tai Kok Tsui	Olympian City 2
Malaysia	Miri	Bintang Megamall
	Kuala Lumpur	Suria KLCC
		Cheras Leisure Mall
	Kota Kinabalu	Suria Sabah Shopping Mall
	Kuching	Hills Shopping Mall
Netherlands	Oss	V&D
	Hoofddorp	V&D
	Zaandam	V&D
	Ede	V&D
	Alkmaar	V&D
	Zeist	V&D
	Amsterdam	Arena Boulevard
	Nijmegen	Broerstraat
Singapore	Urban Central (Serangoon)	NEX
	Woodlands	Causeway Point
	Orchard	Paragon Shopping Centre
Spain	Palma de Mallorca	Sindicat
Switzerland	Neuchatel	La Maladiere Centre
	Biel	Nidaugasse
Taiwan	Taipei	Momo Department Store
		Carrefour
	Taichung	Mitsukoshi Department Store
United States	Las Vegas	Las Vegas Outlet Centre
	Commerce	Citadel Outlets
	Milpitas	Great Mall
	Cypress	Houston Premium Outlets
	Cabazon	Desert Hills Premium Outlets
	Gilroy	Gilroy Premium Outlets
	Birch Run	Birch Run Premium Outlets
	San Marcos	San Marcos Premium Outlets
	Vacaville	Vacaville Premium Outlets
	Pleasant Prairie	Pleasant Prairie Premium Outlets
	Mercedes	Rio Grande Valley Premium Outlets
	Destin	Silver Sands Factory Stores
	Tempe	Arizona Mills
	Jeffersonville	Tanger Outlets
	Branson	Tanger Outlets
	Myrtle Beach	Tanger Outlets

GERMANY
Munich –
Pasing Arkaden

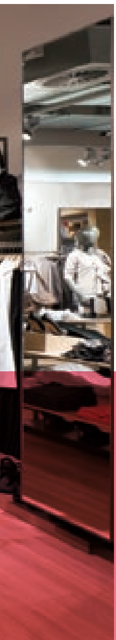


inspirational

sustainable

GERMANY
Neuss – Rheinpark-Centre

natural



feminine

relaxed

02.2 AWARDS

DIRECTORS OF THE YEAR AWARDS 2010

Our Board of Directors has been awarded “Directors Of The Year Awards 2010” in the category of “Listed Companies (SEHK - Hang Seng Index Constituents) Boards” by the Hong Kong Institute of Directors.

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

HONG KONG CORPORATE GOVERNANCE EXCELLENCE AWARDS 2010

Esprit has been selected a winner for the “Hong Kong Corporate Governance Excellence Awards 2010” under the category of “Main Board Companies: Hang Seng Index Constituent Companies”.

The award is conferred by the Chamber of Hong Kong Listed Companies and the Centre for Corporate Governance and Financial Policy, Hong Kong Baptist University. Companies are considered for their commitment and achievement in eight key areas of corporate governance ranging from shareholder rights to corporate culture and leadership.

HKMA BEST ANNUAL REPORTS AWARDS 2010

Esprit has been awarded the “2010 HKMA Best Annual Reports Awards – Honorable Mention” by The Hong Kong Management Association.

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

INTERNATIONAL ARC AWARDS 2010

Esprit has been selected as “Green/Environmentally Sound Annual Report Gold Awards” winner in the category of “Retail Fashion” by the International ARC Awards 2010.

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

1ST ASIAN EXCELLENCE RECOGNITION AWARDS 2011

Esprit has been awarded “1st Asian Excellence Recognition Awards 2011” in the category of “Best Investor Relations by a Hong Kong Company”. Our Executive Director and Group Chief Financial Officer, Mr CHEW Fook Aun, was also awarded “Asia’s Best CFO (Investor Relations)”, organised by Corporate Governance Asia, one of the most influential publications promoting corporate governance in the region.

The 1st Asian Excellence Recognition Awards are designed to recognise excellence in investor communications, business ethics, corporate social responsibility, environmental practices and financial performance.

7TH CORPORATE GOVERNANCE ASIA RECOGNITION AWARDS 2011

Esprit was awarded “The Best of Asia Award” in the “7th Corporate Governance Asia Recognition Awards 2011” organised by Corporate Governance Asia.

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

2ND ASIAN CORPORATE DIRECTOR RECOGNITION AWARDS 2011

Mr. Ronald VAN DER VIS, our Executive Director and Group Chief Executive Officer was recognised at the “2nd Asian Corporate Director Recognition Awards 2011” organised by Corporate Governance Asia.

The Asian Corporate Director Recognition Awards recognises awardee contributions in growing the company’s business, social responsibility, environmental protection and efforts in raising the standards of corporate governance practice.


ESPRIT

Maggie Gyllenhaal at the opening of the SOS Children's Village, Alibaug

140 abandoned children have found a new, safe home in Alibaug, India.

The new SOS Children's Village provides 600 families in the surrounding communities for the support they need to build an independent future.

02.3 MARKETING INITIATIVES

ESPRIT BIG BANG DRUMS UP SUPPORT

In mid-October 2010, actress Maggie Gyllenhaal and her husband Peter Sarsgaard opened the SOS Children's Village in Alibaug, India, which was completely financed by Esprit. The Hollywood couple, who are committed to supporting social causes and are global Esprit Big Bang ambassadors, showed immense dedication to the cause and provided lots of fun for the Children's Village and its residents.

Maggie Gyllenhaal and Peter Sarsgaard at the opening ceremony of the SOS Children's Village, Alibaug.

NETHERLANDS
Amsterdam

Hanna Verboom,
Actress

UNITED STATES
New York

Whitney Port,
Actress of "The City"

In November 2010, the BIG BANG campaign was launched to raise awareness for the children in the village in India. In 11 Esprit stores in 11 international cities, people gathered to perform their personal "Big Bang" (drumbeat) for the children. If 3 million drumbeats was achieved worldwide, Esprit promised to donate EUR500,000 to the SOS's Children's Village. The campaign was a success with over 4 million registered drumbeats.

Marie Nasemann,
Germany's Next Topmodel

GERMANY
Berlin

Marina Diamandis,
Marina and
the Diamonds

AUSTRALIA
Melbourne

UK
London

SPRING CAMPAIGN 2011

The Esprit Flower Campaign is presented with powerful images and a comprehensive communication strategy. The shooting in Los Angeles captures the authentic atmosphere: Intensive lighting effects and floral patterns of the Esprit Spring Styles sets the pictorial expression of the campaign theme.

The Texan top model Erin Wasson is the new Esprit Face for this campaign. She has kept her casualness after countless cover shootings and shows for the most renowned magazines and labels. With her cool, distinctive charisma, the Esprit Flower Campaign is added with a concise, individualistic appeal.

OUTDOOR ADVERTISING

Billboard · Bus Shelter · City Light

In the outdoor area, the Esprit Flower Campaign is implemented with extra carefulness. The giant posters are absolutely eye-catching, which can also be seen in premium locations such as Berlin and Hamburg. In addition, the poster network in the big German cities ensures that the customers can also be reached outside the Point-of-Sales.

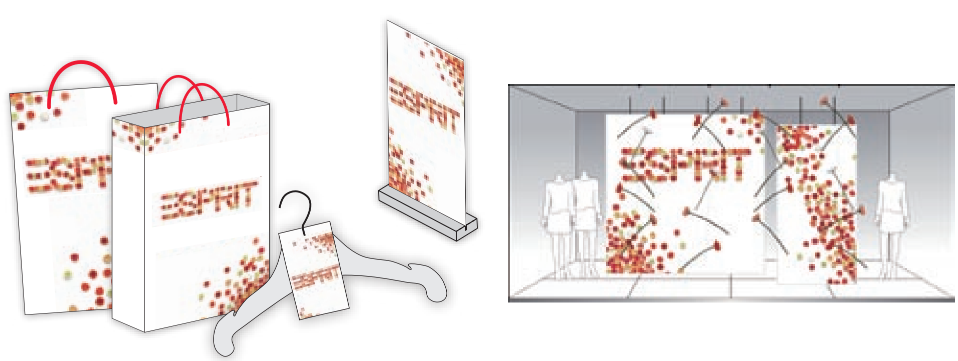
DIRECT COMMUNICATION

The communication strategy includes latest updates, campaign-related events on the Esprit Facebook profile and esprit.com, as well as newsletter sent to Esprit club members and direct mailing via post.

PRINT CAMPAIGN

Elle · Glamour · InStyle · Vogue · Grazia · Cosmopolitan

A comprehensive print campaign in the most important German lifestyle magazines and their respective online media would guarantee a high number of contacts, which sets, in addition to advertorials or cover folds, a main focus on the key products.



POS & STORE WINDOWS

Paper Bag · Hanger Swing Tag · Counter Card · Store Window

Special window and product displays in store, as well as Esprit shopping bags of the same style can promote the campaign right at the Point-of-Sales.

SUMMER CAMPAIGN 2011

The Esprit Summer Collection 2011 Campaign is characterised by colours, joy of life and style.

The source of inspiration can be found everywhere in the world, but a fantastic journey on the Maldives has given us the idea. There, at the paradise-like beach, we fall in love with the turquoise water, the broad sky and the open, friendly locals on the island.

During the shooting, we have transformed the colours of the Caribbean into a campaign full of sensuality, fun and feminine, flowing shapes, that brings out the typical Esprit Lifestyle perfectly.

The new Summer Collection Campaign features our new Texan Supermodel Erin Wasson.

Emphasis of this campaign is placed on colours, new silhouettes with smooth material, soft, feminine prints as well as innovative Summer details that express our inspiration. The colours are selectively and meaningfully chosen. For example, the gleaming turquoise is combined with clear white, which resembles a postcard from the tropical beach.

OUTDOOR ADVERTISING

Billboard · Bus Shelter · City Light

In the outdoor area, the Esprit Summer Collection 2011 Campaign is implemented with extra carefulness. The giant posters are absolutely eye-catching, which can also be seen in premium locations such as Berlin and Hamburg. In addition, the poster network in the big German cities ensures that the customers can also be reached outside the Point-of-Sales.

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POS & STORE WINDOWS
Paper Bag · Counter Card · Store Window

Special window and product displays in store, as well as Esprit shopping bags of the same style can promote the campaign right at the Point-of-Sales.

03 *MANAGEMENT DISCUSSION & ANALYSIS*

For the year ended 30 June 2011, the Group reported turnover of HK$33.8 billion (2010: HK$33.7 billion) representing 0.5% growth in local currency. Amidst inflationary pressures from raw material and labour costs, the gross profit margin dropped 0.7% point to 54.0% in local currency. The impact of additional store closures and the divestment of operations in the United States and Canada ("North America") caused the operating profit margin falling 7.2% points to 2.0%. Due to the decline in profitability and the provision in association with the additional store closures and the divestment of operations in North America, the net profit of the Group fell to HK$79 million (2010: HK$4,226 million). Nevertheless, the Group maintained a net cash balance of approximately HK$2,714 million as at 30 June 2011 (30 June 2010: HK$4,148 million). The Board of Directors did not recommend a final dividend for the year ended 30 June 2011 (2010: HK$0.67 per share) because after taking into consideration the interim dividend of HK$1.00 per share which had been paid, the total regular dividend payout for the financial year exceeded 60% of adjusted basic EPS.

03.1 REVENUE ANALYSIS

Group turnover amounted to HK$33.8 billion (2010: HK$33.7 billion) for the year ended 30 June 2011. In local currency, the Group's turnover grew 0.5% year-on-year, thanks to a positive 6.2% retail turnover growth, which was more than enough to compensate for the 6.0% decline in wholesale turnover. Retail turnover as percentage of Group turnover rose to 56.4% (2010: 53.0%) whilst wholesale turnover as percentage of Group turnover dropped to 42.9% (2010: 46.3%).

A steady improvement in the top line continued in the second half of the financial year, during which turnover growth accelerated to a positive 5.3% in the second half of the financial year (1H FY10/11: -4.2%). Consequently, turnover growth for the full year returned to positive territory with a positive 0.1% (2010: -2.2%) or 0.5% in local currency (2010: -4.4%), for the first time since FY08/09.

While sales development continued to improve moderately in the second half of the financial year, the recovery pace was slower than expected, especially in Europe, as consumer spending and sentiment was negatively impacted by rising inflation and austerity measures. Nevertheless, sales development in our biggest market, Germany, only experienced a marginal decline of 1.1% in local currency benefiting from its relatively stronger economy and consumer confidence.

In Asia Pacific, the high turnover growth was mainly due to the impact of the full year consolidation of China. On a full year comparable basis, China, being the second largest country in terms of sales for the Group and accounting for approximately 8% of total Group turnover, posted positive turnover growth of 4.4% mainly driven by 9.1% wholesale turnover growth whilst retail turnover grew 2.0%. Comparable store sales growth followed an upward trend and accelerated to a positive 2.8% and 4.9% in the third and fourth quarters, respectively with the full year comp being a positive 2.7%. We have also successfully expanded our distribution network in China. As at 30 June 2011, we had over 1,000 POS (retail and wholesale combined) in China with a total selling space of over 138,000 m^2 (30 June 2010: 129,171 m^2) covering 185 cities (30 June 2010: 169).

Turnover in other markets in Asia Pacific fell 3.1% in local currency mainly due to the turnover decline in Australia and New Zealand and Hong Kong. Turnover decline in Australia and New Zealand was partly due to rising interest rates which continue to weigh on local consumer sentiment. In Hong Kong, turnover declined mainly due to the decrease in retail selling space resulting from store closures. Nevertheless, comparable store sales in Hong Kong advanced by nearly 10%, being the highest comparable store sales growth posted amongst our retail markets.

In North America, turnover grew 11.5% year-on-year in local currency due to the outlet expansion to achieve breakeven.

Turnover by Countries

	Year ended 30 June 2011		Year ended 30 June 2010		Change in %	
Countries#	**HK$ million**	**% to Group Turnover**	HK$ million	% to Group Turnover	HK$	Local currency
Europe	**26,725**	**79.1%**	28,021	83.1%	-4.6%	-3.1%
Germany*##	**14,280**	**42.3%**	14,773	43.8%	-3.3%	-1.1%
Benelux*	**4,613**	**13.7%**	5,000	14.8%	-7.8%	-5.3%
France	**2,503**	**7.4%**	2,841	8.4%	-11.9%	-9.2%
Scandinavia	**1,530**	**4.5%**	1,464	4.3%	4.5%	2.3%
Switzerland	**1,478**	**4.4%**	1,409	4.2%	4.9%	-3.7%
Austria	**1,394**	**4.1%**	1,475	4.4%	-5.5%	-2.9%
United Kingdom	**357**	**1.1%**	411	1.2%	-13.0%	-12.7%
Spain	**301**	**0.9%**	295	0.9%	1.8%	4.1%
Italy	**211**	**0.6%**	287	0.9%	-26.7%	-23.9%
Ireland	**30**	**0.1%**	32	0.1%	-4.0%	-1.5%
Portugal	**13**	**0.0%**	27	0.1%	-53.2%	-51.5%
Others	**15**	**0.0%**	7	0.0%	112.7%	172.9%
Asia Pacific	**5,808**	**17.2%**	4,634	13.7%	25.3%	19.9%
China**	**2,675**	**7.9%**	793	2.4%	237.1%	227.0%
Australia and New Zealand	**997**	**3.0%**	976	2.9%	2.1%	-8.9%
Hong Kong**	**586**	**1.7%**	688	2.0%	-14.8%	-14.8%
Macau###	**562**	**1.7%**	1,295	3.8%	-56.6%	-55.4%
Singapore	**446**	**1.3%**	410	1.2%	8.9%	-0.1%
Taiwan	**296**	**0.9%**	261	0.8%	13.2%	5.5%
Malaysia	**246**	**0.7%**	211	0.6%	16.7%	6.0%
North America and others	**1,234**	**3.7%**	1,079	3.2%	14.4%	11.5%
United States*	**647**	**1.9%**	526	1.6%	23.1%	22.9%
Canada	**587**	**1.8%**	553	1.6%	6.1%	0.6%
Total	**33,767**	**100.0%**	33,734	100.0%	0.1%	0.5%

Country as a whole includes retail stores, outlet stores, edc standalone stores and e-shop
Germany sales includes wholesale sales to other European countries mainly Russia, Poland, Greece, Czech Republic and Slovenia
Macau sales for the year ended 30 June 2011 includes wholesale sales to other countries mainly Columbia, Middle East and Thailand. Macau sales for the year ended 30 June 2010 also included wholesale sales to the former China Joint Venture
* Includes licensing
** Includes salon

Turnover by Products

	Year ended 30 June 2011		Year ended 30 June 2010		Change in %	
Product Divisions	**HK$ million**	**% to Group Turnover**	HK$ million	% to Group Turnover	HK$	Local currency
casual	**15,308**	**45.3%**	15,898	47.1%	-3.7%	-3.5%
women casual	**11,018**	**32.6%**	11,623	34.4%	-5.2%	-5.0%
men casual	**4,290**	**12.7%**	4,275	12.7%	0.3%	0.6%
edc	**8,436**	**25.0%**	8,129	24.1%	3.8%	4.5%
edc women	**6,213**	**18.4%**	5,910	17.5%	5.1%	5.5%
edc men	**1,283**	**3.8%**	1,253	3.7%	2.4%	3.4%
edc others^	**940**	**2.8%**	966	2.9%	-2.6%	-0.3%
collection	**3,709**	**11.0%**	3,211	9.5%	15.5%	15.3%
women collection	**2,736**	**8.1%**	2,398	7.1%	14.1%	13.8%
men collection	**973**	**2.9%**	813	2.4%	19.6%	19.8%
others	**6,314**	**18.7%**	6,496	19.3%	-2.8%	-1.9%
accessories	**1,591**	**4.7%**	1,603	4.8%	-0.7%	0.0%
bodywear	**1,100**	**3.3%**	990	2.9%	11.2%	11.7%
shoes	**1,060**	**3.2%**	962	2.9%	10.2%	11.7%
kids	**918**	**2.7%**	1,035	3.1%	-11.3%	-10.3%
sports	**570**	**1.7%**	695	2.1%	-18.0%	-17.6%
de. corp	**385**	**1.1%**	345	1.0%	11.7%	12.7%
others*	**690**	**2.0%**	866	2.5%	-20.3%	-19.0%
Total	**33,767**	**100.0%**	33,734	100.0%	0.1%	0.5%

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

Most product divisions grew much stronger when compared to the last financial year. Turnover from edc and collection, the two major product categories apart from casual, climbed 4.5% and 15.3% year-on-year, respectively in local currency benefiting from our efforts in differentiating product divisions. In addition, they also collectively represented a higher Group turnover weighting of 36.0% (2010: 33.6%). Sales performances of smaller product divisions even outperformed major product divisions. Turnover from shoes, bodywear and de. corp grew 11.7%, 11.7% and 12.7%, respectively in local currency. Furthermore, Esprit bodywear was recently selected as the “Top Brand Bodywear Women 2010” under the “Young Underwear” in a survey conducted by Textilwirtschaft, a German trade magazine. Encouraged by good market acceptance and its strong sales performance, the Group has decided to speed up the development of bodywear concept stores and open standalone stores that sell solely Esprit bodywear which were tested and found to be successful last year.

Turnover by Distribution Channels

	Year ended 30 June 2011		Year ended 30 June 2010		Change in %	
Key Distribution Channels	**HK$ million**	**% to Group Turnover**	HK$ million	% to Group Turnover	HK$	Local currency
Retail#	**19,059**	**56.4%**	17,877	53.0%	6.6%	6.2%
Europe	**13,905**	**41.2%**	14,090	41.8%	-1.3%	0.0%
Asia Pacific	**4,257**	**12.6%**	3,023	9.0%	40.8%	33.1%
North America	**897**	**2.6%**	764	2.2%	17.3%	14.4%
Wholesale	**14,475**	**42.9%**	15,631	46.3%	-7.4%	-6.0%
Europe	**12,791**	**37.9%**	13,903	41.2%	-8.0%	-6.2%
Asia Pacific	**1,503**	**4.5%**	1,566	4.6%	-4.0%	-5.3%
North America and others	**181**	**0.5%**	162	0.5%	12.0%	6.5%
Licensing and others	**233**	**0.7%**	226	0.7%	3.1%	3.0%
Licensing	**185**	**0.6%**	181	0.6%	2.2%	2.5%
Salon	**47**	**0.1%**	44	0.1%	7.8%	6.1%
Others	**1**	**0.0%**	1	0.0%	-30.0%	-28.5%
Total	**33,767**	**100.0%**	33,734	100.0%	0.1%	0.5%

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

RETAIL

Retail turnover increased to HK$19.1 billion (2010: HK$17.9 billion) and grew 6.2% year-on-year in local currency. Amidst the backdrop of a weak macro environment in Europe, comparable store sales performance improved moderately in the second half of the financial year to -0.6% resulting in comparable store sales growth for the full year of -1.1% (1H FY10/11: -1.5%).

Retail Performance Scorecard

	Year ended 30 June	
	2011	2010
Year-on-year local currency turnover growth	**6.2%**	6.4%
Segment EBIT margin	**-5.4%**	3.8%
No. of Esprit POS	**1,141**	1,123
Esprit net sales area (m^2)	**396,355**	385,817
Year-on-year change in Esprit sales area	**2.7%**	23.1%
Comparable store sales growth	**-1.1%**	-2.4%

Excluding China, retail turnover growth for the Group was largely flat year-on-year whilst retail turnover growth in Asia Pacific was -4.8% in local currency. There was a mild decline in the footfall and conversion rate at comparable stores as trading down of customers continued. Exceptional closures and delay in new store openings also impeded the speed of our retail expansion.

In response to the above unfavourable conditions, we have stepped up measures to strengthen brand equity and enhance the shopping experience. For instance, in addition to continued visual display upgrade, we have also increased our investment in marketing and promotion as part of our branding Strategic Initiative. Consequently, total advertising expenditure as a percentage to total turnover for the year ended 30 June 2011 increased to around 3% (2010: 2.1%). In terms of store format, we intend to focus on opening larger format Esprit stores, which are large enough to display a full range of items that meet our customers' needs and provide a better shopping atmosphere. During the financial year, 4 new large-format stores with selling space of over 1,000 m^2 each were opened in Germany, Netherlands and Finland.

Retail Turnover by Countries

	Year ended 30 June 2011		Year ended 30 June 2010		Change in %	
Countries	**HK$ million**	**% of Retail Turnover**	HK$ million	% of Retail Turnover	HK$	Local currency
Europe	**13,905**	**73.0%**	14,090	78.8%	-1.3%	0.0%
Germany	**8,155**	**42.8%**	8,294	46.4%	-1.7%	0.3%
Benelux	**2,114**	**11.1%**	2,221	12.5%	-4.8%	-2.6%
Switzerland	**1,078**	**5.7%**	1,020	5.7%	5.7%	-2.7%
France	**1,030**	**5.4%**	1,032	5.8%	-0.1%	2.4%
Austria	**784**	**4.1%**	776	4.3%	1.0%	3.1%
United Kingdom	**300**	**1.6%**	351	2.0%	-14.5%	-14.1%
Denmark	**136**	**0.7%**	151	0.8%	-10.0%	-7.8%
Finland	**132**	**0.7%**	86	0.5%	53.1%	54.3%
Spain	**101**	**0.5%**	91	0.5%	10.6%	12.7%
Norway	**22**	**0.1%**	23	0.1%	-3.5%	-6.0%
Sweden	**19**	**0.1%**	13	0.1%	42.6%	34.8%
Ireland	**15**	**0.1%**	5	0.0%	222.9%	207.6%
Italy	**3**	**0.0%**	1	0.0%	97.5%	98.2%
Portugal	**2**	**0.0%**	19	0.1%	-91.4%	-90.6%
Others*	**14**	**0.1%**	6	0.0%	145.1%	145.0%
Asia Pacific	**4,257**	**22.3%**	3,023	16.9%	40.8%	33.1%
China	**1,673**	**8.8%**	499	2.8%	235.1%	225.5%
Australia and New Zealand	**936**	**4.9%**	899	5.0%	4.1%	-7.2%
Hong Kong	**564**	**3.0%**	647	3.6%	-12.9%	-12.9%
Singapore	**446**	**2.3%**	410	2.3%	8.9%	-0.1%
Taiwan	**295**	**1.5%**	261	1.5%	13.2%	5.5%
Malaysia	**246**	**1.3%**	211	1.2%	16.7%	6.0%
Macau	**97**	**0.5%**	97	0.5%	0.2%	0.2%
North America	**897**	**4.7%**	764	4.3%	17.3%	14.4%
United States	**481**	**2.5%**	357	2.0%	34.6%	34.4%
Canada	**416**	**2.2%**	407	2.3%	2.2%	-3.1%
Total	**19,059**	**100.0%**	17,877	100.0%	6.6%	6.2%

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

During the financial year, the Group had a net addition of 18 retail POS which comprised of 122 new store openings, 86 normal store closures and 18 exceptional store closures. As at 30 June 2011, total number of directly managed retail stores increased to 1,141 and total selling space advanced to 396,355 m^2 (30 June 2010: 385,817 m^2). Excluding the stores included in the 33-store closure program, retail selling space grew 5.3% year-on-year, in line with expectations.

Directly Managed Retail Stores by Countries

					As at 30 June 2011	
Countries	**No. of stores**	**Net opened stores***	**Net sales area m²**	**Change in net sales area***	**No. of comp stores**	**Comp-store sales growth**
Europe	**408**	**8**	**243,236**	**4.9%**	**289**	**-1.3%**
Germany**	178	5	128,208	4.2%	131	-0.6%
Benelux	84	(2)	40,165	5.3%	59	-5.3%
France	43	(1)	21,417	-1.4%	39	2.2%
Switzerland	41	2	18,032	6.0%	30	-4.6%
United Kingdom	28	(1)	7,185	-4.4%	12	-3.3%
Austria	17	3	16,190	10.3%	11	-1.1%
Denmark	6	–	3,841	–	4	5.4%
Finland	5	2	4,074	72.7%	2	19.0%
Spain	3	1	2,844	45.8%	1	6.7%
Ireland	2	–	525	-6.6%	–	n.a.
Sweden	1	(1)	755	-26.9%	–	36.7%
Asia Pacific	**630**	**14**	**114,135**	**2.9%**	**323**	**0.3%**
China	300	12	50,438	4.2%	101	2.7%
Australia	161	7	23,141	3.6%	104	-8.5%
Taiwan	86	(4)	8,299	-0.7%	64	6.8%
Malaysia	29	–	8,963	5.8%	22	2.2%
Singapore	22	1	9,321	5.2%	15	-3.8%
Hong Kong	17	(2)	9,472	-4.5%	9	9.9%
New Zealand	12	–	2,827	0.0%	6	-8.5%
Macau	3	–	1,674	-1.6%	2	1.6%
North America	**89**	**14**	**31,125**	**18.5%**	**57**	**-1.7%**
Canada	46	(1)	15,955	-0.5%	34	-7.7%
United States**	43	15	15,170	48.2%	23	5.5%
SUBTOTAL	**1,127**	**36**	**388,496**	**5.3%**	**669**	**-1.1%**
Store closure program FY09/10^	14	(18)	7,859	-53.3%	n.a.	n.a.
TOTAL	**1,141**	**18**	**396,355**	**2.7%**	**669**	**-1.1%**

n.a. Means not applicable
* Net change from 30 June 2010
** 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.
^ 1 out of the 33 stores included in the store closure program was closed in FY09/10

WHOLESALE

Wholesale turnover amounted to HK$14.5 billion (2010: HK$15.6 billion) representing 6.0% year-on-year decline in local currency.

We continued to see improving signs in the second half of the financial year, primarily in the fourth quarter, in which wholesale turnover decline narrowed to 0.6% in local currency. Nevertheless, the pace of recovery is slower than expected partly due to the prolonged macro weakness. Wholesale customers' buying patterns remained very conservative, especially for long lead time pre-orders, which still posted a year-on-year decline. In response to this buying pattern, we have been stepping up our efforts in developing Never-Out-of-Stock ("NOOS") business to cater for the change in buying behaviour towards shorter lead time orders. NOOS received good market acceptance and posted a high double digit percentage growth, stronger than expected.

Leveraging on the resilience of the local economy and our strong brand presence in the local market, wholesales sales growth development in our core market, Germany, showed a much stronger recovery as compared to other European wholesale markets. Wholesale turnover decline in Germany narrowed substantially to only 3.0% in local currency (2010: -15.6%).

Wholesale Performance Scorecard

	Year ended 30 June	
	2011	2010
Year-on-year local currency turnover growth	**-6.0%**	-14.3%
Segment EBIT margin	**22.9%**	25.4%
No. of Esprit controlled space POS^	**11,704**	12,286
Esprit controlled space area^ (m^2)	**702,803**	721,500
Year-on-year change in Esprit controlled space area^	**-2.6%**	-9.5%

^ With the roll out of the SAP program for the wholesale business, the Group has tightened the definitions of inactive accounts, resulting in the restatement of wholesale POS and controlled space

Wholesale Turnover by Countries

	Year ended 30 June 2011		Year ended 30 June 2010		Change in %	
Countries	**HK$ million**	**% of Wholesale Turnover**	HK$ million	% of Wholesale Turnover	HK$	Local currency
Europe	**12,791**	**88.4%**	13,903	89.0%	-8.0%	-6.2%
Germany*	**6,107**	**42.2%**	6,461	41.3%	-5.5%	-3.0%
Benelux	**2,488**	**17.2%**	2,769	17.7%	-10.1%	-7.6%
France	**1,473**	**10.2%**	1,809	11.6%	-18.6%	-15.9%
Scandinavia	**1,221**	**8.4%**	1,191	7.6%	2.6%	-0.3%
Austria	**610**	**4.2%**	699	4.5%	-12.7%	-9.7%
Switzerland	**401**	**2.8%**	389	2.5%	3.0%	-6.6%
Italy	**208**	**1.4%**	286	1.8%	-27.4%	-24.6%
Spain	**200**	**1.4%**	204	1.3%	-2.1%	0.3%
United Kingdom	**57**	**0.4%**	60	0.4%	-4.4%	-4.5%
Ireland	**15**	**0.1%**	27	0.2%	-44.9%	-42.7%
Portugal	**11**	**0.1%**	8	0.1%	30.8%	33.6%
Asia Pacific	**1,503**	**10.3%**	1,566	10.0%	-4.0%	-5.3%
China	**977**	**6.7%**	285	1.8%	242.8%	232.8%
Macau**	**465**	**3.2%**	1,198	7.7%	-61.2%	-59.5%
Australia	**61**	**0.4%**	77	0.5%	-20.7%	-28.9%
Hong Kong	**–**	**–**	6	0.0%	-100.0%	-100.0%
North America and others	**181**	**1.3%**	162	1.0%	12.0%	6.5%
Canada	**171**	**1.2%**	146	0.9%	16.9%	10.9%
United States	**10**	**0.1%**	16	0.1%	-33.7%	-33.8%
Total	**14,475**	**100.0%**	15,631	100.0%	-7.4%	-6.0%

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

** Macau wholesale sales for the year ended 30 June 2011 includes sales to other countries mainly Columbia, Middle East and Thailand. Macau sales for the year ended 30 June 2010 also included wholesale sales to the former China Joint Venture

The strengthening of the wholesale channel continued during the financial year with stronger emphasis placed on the development of franchise stores. Hence, the controlled wholesale space of franchise stores increased 2.1% year-on-year to 406,253 m² representing 57.8% (30 June 2010: 55.1%) of total controlled wholesale space. Nevertheless, the macro weakness still had an unfavourable impact on our wholesale distribution channel leading to a net decline in the number of wholesale POS and controlled wholesale space during the second half of the financial year. As at 30 June 2011, total controlled wholesale space fell by 2.6% to 702,803 m² mainly due to the decline in controlled wholesale space of shop-in-stores and identity corners in Europe, offsetting the positive 4.8% year-on-year growth in controlled wholesale space in Asia Pacific. The decline in controlled wholesale space in Europe during the second half of the financial year was mainly attributable to the decline in wholesale controlled space in Germany, France, Austria, the United Kingdom and Ireland where there were closures of non-performing wholesale POS and bankruptcy of some customers. In Asia Pacific, controlled wholesale space growth was mainly driven by the strong growth in China, Philippines and India at 8.7%, 10.7% and 16.6%, respectively. As at 30 June 2011, the number of wholesale cities in China increased by 16 to 179 (30 June 2010: 163).

Wholesale Distribution Channel by Countries (controlled space only)

As at 30 June 2011

	Franchise stores**				Shop-in-stores**				Identity corners**				Total**			
Countries	No. of stores	Net sales area m²	Net opened stores/ Reclassi-fication*	Net change in net sales area*	No. of stores	Net sales area m²	Net opened stores/ Reclassi-fication*	Net change in net sales area*	No. of stores	Net sales area m²	Net opened stores/ Reclassi-fication*	Net change in net sales area*	No. of stores	Net sales area m²	Net opened stores/ Reclassi-fication*	Net change in net sales area*
Esprit Europe#	**1,108**	**278,555**	**(41)**	**-1.3%**	**4,840**	**190,102**	**(177)**	**-4.8%**	**4,617**	**102,856**	**(427)**	**-9.9%**	**10,565**	**571,513**	**(645)**	**-4.1%**
Germany***	421	118,137	4	2.1%	3,719	152,786	(113)	-4.4%	2,603	50,901	(192)	-8.7%	6,743	321,824	(301)	-2.9%
France	204	35,665	(24)	-5.7%	400	10,394	(11)	-7.0%	360	10,293	(45)	-6.2%	964	56,352	(80)	-6.0%
Benelux	168	52,282	(7)	1.1%	163	6,874	(3)	-1.0%	658	16,949	(84)	-9.3%	989	76,105	(94)	-1.6%
Austria	81	14,791	(7)	-13.6%	111	3,760	(28)	-24.1%	117	3,061	(90)	-37.2%	309	21,612	(125)	-19.8%
Sweden	80	24,592	6	8.1%	1	40	–	–	103	2,111	10	0.8%	184	26,743	16	7.4%
Italy	46	9,242	(2)	-4.7%	37	1,642	6	8.4%	131	3,375	4	6.9%	214	14,259	8	-0.8%
Switzerland	45	8,235	(3)	-10.8%	51	2,789	3	0.4%	67	1,328	(19)	-30.9%	163	12,352	(19)	-11.3%
Finland	22	6,380	2	4.9%	93	4,562	6	4.9%	352	9,555	13	2.4%	467	20,497	21	3.7%
Denmark	17	4,173	(9)	-33.8%	7	209	(1)	-6.7%	121	2,828	(3)	4.9%	145	7,210	(13)	-21.8%
Spain	14	3,308	2	-6.2%	219	5,586	(23)	-7.8%	21	504	9	123.0%	254	9,398	(12)	-4.2%
United Kingdom	5	746	–	–	22	843	(7)	-16.9%	75	1,738	(15)	-56.3%	102	3,327	(22)	-42.0%
Ireland	3	559	(1)	-31.7%	17	617	(6)	-31.1%	7	163	(15)	-58.8%	27	1,339	(22)	-36.6%
Norway	2	445	(2)	-40.9%	–	–	–	–	2	50	–	–	4	495	(2)	-38.4%
Esprit Asia Pacific	**1,004**	**127,698**	**182**	**10.6%**	**135**	**3,592**	**(116)**	**-63.2%**	**–**	**–**	**(3)**	**-100.0%**	**1,139**	**131,290**	**63**	**4.8%**
China	712	87,781	69	8.7%	–	–	–	–	–	–	–	–	712	87,781	69	8.7%
Thailand	86	5,716	63	94.3%	–	–	(71)	-100.0%	–	–	–	–	86	5,716	(8)	-0.1%
India	56	7,914	36	48.9%	–	–	(27)	-100.0%	–	–	–	–	56	7,914	9	16.6%
The Middle East	46	12,270	(1)	0.4%	–	–	(4)	-100.0%	–	–	–	–	46	12,270	(5)	-6.3%
Philippines	18	2,631	2	10.7%	–	–	–	–	–	–	–	–	18	2,631	2	10.7%
Australia	–	–	–	–	55	1,938	(3)	-4.5%	–	–	–	–	55	1,938	(3)	-4.5%
Others	86	11,386	13	-3.9%	80	1,654	(11)	-36.8%	–	–	(3)	-100.0%	166	13,040	(1)	-10.3%
Total#	**2,112**	**406,253**	**141**	**2.1%**	**4,975**	**193,694**	**(293)**	**-7.5%**	**4,617**	**102,856**	**(430)**	**-10.0%**	**11,704**	**702,803**	**(582)**	**-2.6%**

* Net change from 30 June 2010
** Excludes Red Earth and salon
*** Germany controlled space wholesale POS include controlled space wholesale POS in countries outside Germany, mainly Russia, Poland, Greece, Czech Republic and Croatia
\# The opening balances of the POS numbers of franchise stores, shop-in-stores and identity corners in Europe were restated to 1,149, 5,017 and 5,044 respectively and the opening balances of the wholesale controlled space of franchise stores, shop-in-stores and identity corners in Europe were restated to 282,297 m², 199,722 m² and 114,166 m² respectively. Consequently, the opening balances of the POS numbers for franchise stores, shop-in-stores and identity corners for the Group were restated to 1,971, 5,268 and 5,047 respectively and the opening balances of the wholesale controlled space of franchise stores, shop-in-stores and identity corners for the Group were restated to 397,787 m², 209,487 m² and 114,226 m² respectively. With the roll out of the SAP program for the wholesale business, the Group has tightened the definitions of inactive accounts, resulting in the restatement of wholesale POS and controlled space

LICENSING

Licensing turnover (primarily license royalties) increased to HK$185 million (2010: HK$181 million), representing 2.5% year-on-year growth in local currency.

During the second half of the financial year, we successfully launched the new fragrance, "Esprit Jeans Style". The launch was accompanied by a strong media campaign in TV, print and internet. The close link between fashion and fragrance was demonstrated clearly during its pre-launch in 70 Esprit retail stores where visualisation was made under the Esprit fashion denim theme. The success of this new concept has opened up a new area for Esprit fragrances which will be supported by a communication complementing Esprit's own fashion campaign.

As at 30 June 2011	Europe	Asia Pacific	North America	Latin America
Accessories' World				
costume jewellery	■	■		
cosmetics	■			
eyewear	■	■	■	■
fragrance	■	■		■
jewellery	■	■	■	■
luggage	■			
outerwear			■	■
shoes			■	■
sleepwear/daywear			■	
socks + tights	■	■	■	■
stationery	■			
timewear	■	■	■	■
umbrellas	■	■	■	■
Home World				
bathroom	■	■		
bedding	■	■	■	■
carpets	■	■		
down	■	■		
flooring	■	■		
furniture	■	■		
home accessories	■	■		■
kitchen	■			
lighting	■	■		
towels	■	■	■	■
wallpaper	■	■		
Babies' & kids' World				
baby carriages	■	■		
baby/childrens furniture	■			
kids' shoes			■	
maternity	■			
school	■			
soft toys	■			

03.2 PROFITABILITY ANALYSIS

Amidst the challenging macro environment, the Group made a strategic decision to divest operations in North America, exit from retail operations in Spain, Denmark and Sweden and close down certain additional non-profitable stores worldwide so that the Group can concentrate its efforts and resources in developing higher growth and profitable markets and avoid incurring further losses from non-performing markets and stores. Their financial impact to the Group results is shown as follows.

FINANCIAL IMPACT OF THE DIVESTMENT OF OPERATIONS IN NORTH AMERICA

The Group acquired the Esprit trademark rights in the United States and the Caribbean Islands as well as the remaining 37% interest in Esprit International in 2002, unifying the Esprit brand globally. Since then, the business in North America has been making losses despite our continued efforts and investment. As a result, the Group decided to divest its business in North America. The planned divestment mainly involves closing down 93 directly managed retail stores in North America. During the financial year, our retail operation in North America delivered retail turnover of HK$897 million and incurred operating loss of HK$410 million before store closure costs. The cost in relation to the divestment was HK$1,268 million, which comprised of the provision for store closure of HK$944 million and the impairment of stores/assets of HK$324 million.

FINANCIAL IMPACT OF ADDITIONAL STORE CLOSURES

80 additional loss-making stores were identified for closure, among which 65 are in Europe and 15 are in Asia Pacific. As a result of our strategic decision to exit retail operations in Spain, Denmark and Sweden, we are closing down all the directly managed retail stores in these three countries. During the financial year, these 80 directly managed retail stores delivered retail turnover of HK$1,039 million and incurred operating loss of HK$220 million before store closure costs. The cost for these additional store closures amounted to HK$1,161 million, representing the provision for store closure of HK$744 million and the impairment of stores/assets of HK$417 million.

Due to the impact of such exceptional events in FY10/11 and FY09/10, the Group believes its results after being adjusted for the impact of such changes will give a more meaningful year-on-year comparison of its operational performances. Hence, the table below showed the adjusted results of both FY10/11 and FY09/10.

HK$ million	Year ended 30 June 2011	Year ended 30 June 2010
Operating profit	**692**	3,786
Add back:		
(i) Impairment of stores/assets*	**741**	352
(ii) Provision for store closure	**1,688**	441
Adjusted operating profit	**3,121**	4,579
Profit before taxation	**710**	5,474
Add back:		
(i) Impairment of stores/assets*	**741**	352
(ii) Provision for store closure	**1,688**	441
(iii) Gain on measuring equity interest in the associated companies held before business combination	**–**	(1,586)
Adjusted profit before taxation	**3,139**	4,681
Adjusted taxation	**787**	1,322
Adjusted net profit	**2,352**	3,359

* Represent impairment of stores/assets in association with store closure program announced in FY10/11 and FY09/10 as well as the divestment of operations in North America

Gross profit amounted to HK$18,198 million (2010: HK$18,436 million) with a **gross profit margin** of 53.9% (2010: 54.7%) or 54.0% in local currency. The decline of gross profit and gross profit margin was primarily due to rising raw material and labour costs and an unfavourable currency impact, partially offset by the favourable impact from the shift in channel mix towards retail.

Operating expenses amounted to HK$17,506 million (2010: HK$14,650 million), 19.5% higher than last year, mainly due to the full year consolidation of China, the provision for additional store closures, the divestment of operations in North America and an unfavourable currency impact. Stripping out the impact of consolidation of China, exceptional changes and the impairment of stores/assets for stores other than the stores under the store closure program, adjusted operating expenses grew 5.8% to HK$13.9 billion (2010: HK$13.2 billion) mainly due to the increase in expenses in relation to the retail expansion and costs associated with the implementation of the Strategic Initiatives, partially offset by the decrease in the doubtful debt provision.

Due to the decrease in gross profit and an increase in operating expenses, **operating profit** fell to HK$692 million (2010: HK$3,786 million). **Operating profit margin** was 2.0% (2010: 11.2%) or 3.3% in local currency. Adjusted operating profit amounted to HK$3,121 million (2010: HK$4,579 million) and adjusted operating profit margin was 9.2% (2010: 13.6%). The decline in adjusted operating profit margin was mainly due to an unfavourable currency impact, continued shift in channel mix towards retail which lowered adjusted operating profit margin, mounting cost inflationary pressure, and negative wholesale turnover growth leading to a deleveraging effect.

Retail EBIT margin was -5.4% (2010: 3.8%). Excluding the provision for exceptional store closures in FY10/11 and FY09/10 and the divestment of operations in North America, retail EBIT margin declined to 7.1% (2010: 8.2%) mainly due to a decrease in the gross profit margin, deleveraging effect from the marginal decline in comparable store sales and a longer ramp up period for new and full year stores. As a result of continued execution of cost tightening measures, operating expenses at comparable stores (excluding e-shop) dropped marginally year-on-year.

Wholesale EBIT margin was 22.9% (2010: 25.4%). The decline was mainly due to a decrease in the gross profit margin and the deleveraging effect resulting from negative wholesale sales development. The decrease in gross profit margin was mainly attributable to the lower wholesale gross profit margin achieved in Europe, whilst there was improvement in the wholesale gross profit margin in Asia Pacific. The wholesale gross profit margin decline in Europe was mainly due to increase in input costs, e.g. higher cotton prices and labour costs.

Profit before taxation was HK$710 million (2010: HK$5,474 million) and the adjusted profit before taxation was HK$3,139 million (2010: HK$4,681 million). The decline was mainly due to the decrease in profitability as explained above.

The Group's **effective tax rate** was 88.9% (2010: 22.8%) and the adjusted effective tax rate of the Group was 25.1% (2010: 28.2%).

Net profit amounted to HK$79 million (2010: HK$4,226 million) and the **net profit margin** was 0.2% (2010: 12.5%). The adjusted net profit amounted to HK$2,352 million (2010: HK$3,359 million) and the adjusted net profit margin was 7.0% (2010: 10.0%).

03.3 BALANCE SHEET REVIEW

As at 30 June 2011, **cash and bank balances** amounted to HK$4,794 million (30 June 2010: HK$6,748 million). The net cash inflow from operating activities dropped to HK$1,835 million (2010: HK$5,412 million) primarily due to lower profitability and increases in working capital. Deducting interest bearing external borrowings from cash and bank balances, the net cash balance was HK$2,714 million (30 June 2010: HK$4,148 million). The decline in net cash balance was mainly due to the scheduled repayment of bank loans of HK$520 million (2010: nil) and an increase in dividends paid as the interim dividend for FY10/11 which was paid during the financial year was higher than the interim dividend for FY09/10 paid in the previous financial year as a result of the adoption of the new dividend policy.

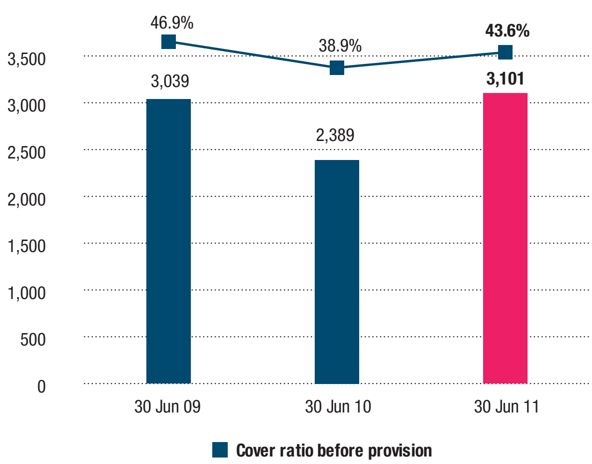
HK$ million	Year ended 30 June 2011	Year ended 30 June 2010
Cash and cash equivalents as at 1 July	**6,748**	4,840
Net cash inflow from operating activities	**1,835**	5,412
Net cash used in investing activities	**(1,634)**	(4,429)
Net cash (used in)/inflow from financing activities	**(2,612)**	1,296
Net (decrease)/increase in cash and cash equivalents	**(2,411)**	2,279
Effect of change in exchange rates	**457**	(371)
Cash and cash equivalents as at 30 June	**4,794**	6,748
Less:		
Bank loans	**2,080**	2,600
Net cash balance	**2,714**	4,148

Capital expenditure of the Group amounted to HK$1,436 million (2010: HK$1,509 million). The year-on-year increase in investment in office and others was mainly attributable to our investment in the new distribution centre situated in Mönchengladbach, Germany. Total capital expenditure made for the new distribution centre amounted to about HK$247 million.

HK$ million	Year ended 30 June 2011	Year ended 30 June 2010
New stores and expansion	380	576
Refurbishing existing stores	203	232
IT projects	484	639
Office & others	369	62
Purchase of property, plant and equipment	**1,436**	1,509

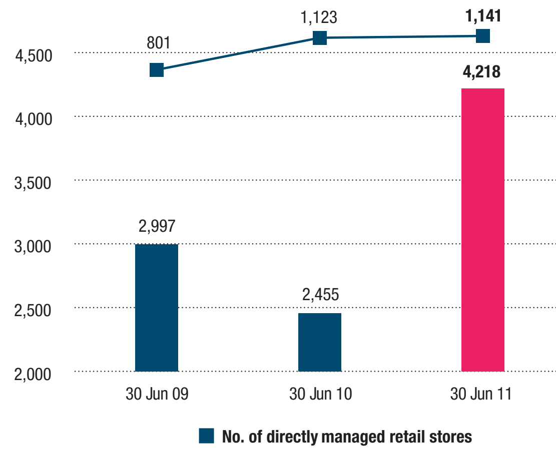
As at 30 June 2011, **net trade debtors balance** increased to HK$3,101 million (30 June 2010: HK$2,389 million) partly due to a 18.4% year-on-year appreciation in EUR/HKD closing rate. The cover ratio before provision (the amount of insured and secured trade debtors including VAT over gross trade debtors including VAT) advanced to 43.6% (30 June 2010: 38.9%).

Net trade debtors balance (HK$ million)



As at 30 June 2011, **inventory** increased to HK$4,218 million (30 June 2010: HK$2,455 million) mainly driven by a 18.4% year-on-year appreciation of the EUR/HKD closing rate, a 20.5% increase in the number of units of inventory, primarily in Europe and the higher cost of inventory due to input cost pressure. The increase in the number of units of inventory and cost of inventory was also partly due to the retail expansion and our intention to maintain a higher level of NOOS inventory in response to the change in buying behaviour of wholesale customers. Inventory turnover for the financial year was 76 days (2010: 63 days).

Inventory balance (HK$ million)



Total interest bearing external borrowings declined to HK$2,080 million (30 June 2010: HK$2,600 million) as at 30 June 2011. None of the Group's assets were pledged as security for overdraft or any short-term revolving facility.

HUMAN RESOURCES

As at 30 June 2011, the Group employed over 14,100 full-time equivalent staff (30 June 2010: over 14,100) around the globe. Competitive remuneration packages that take into account business performance, market practices and competitive market conditions are offered to employees in compensation for their contribution. In addition, share options and discretionary bonuses are also granted based on the Group's and individual's performances. All employees around the world are connected through the Group's quarterly newsletters and global intranet.

FOREIGN EXCHANGE RISK MANAGEMENT

In the past, most of the suppliers in Asia were asked to quote and settle in Euros. To better minimise our foreign exchange exposure on sourcing costs for merchandise produced for Europe and North America in Asia, some of the suppliers in Asia were asked to quote and settle in US dollar for selected pilot product divisions starting in the first half of the financial year and this has been extended since January 2011 to all main divisions. In addition, the Group entered into foreign currency forward contracts with reputable financial institutions to hedge such foreign exchange risks.

DIVIDEND

The Board maintains the 60% dividend payout policy based on regular earnings excluding exceptional events.

The total dividend, including the interim dividend paid, represents a total full year regular dividend payout ratio of approximately 182% (2010: 60%) of the adjusted earnings per share of the Group for the year ended 30 June 2011. The Board does not recommend the payment of a final dividend for the year ended 30 June 2011 (2010: HK$0.67 per share).

HK$ million	Year ended 30 June 2011
Net earnings	**79**
Adjusted for:	
(i) After tax impact of the impairment of stores/assets*	624
Adjusted net earnings	**703**
Adjusted EPS (HK$)	**0.55**

HK$	Year ended 30 June 2011
Adjusted EPS	0.55
Dividend payout ratio	60%
Regular DPS	0.33
Interim DPS paid	1.00
Final DPS recommended	**Nil**

* Represents the after tax impact of the impairment of stores/assets as a result of the 80 additional store closures and the divestment of operations in North America

03.4 PROSPECTS

Esprit has embarked on an in-depth transformation process to strengthen the company and its brand and to win back the hearts and mind of the Esprit woman with a comprehensive investment program over the coming four years. Esprit plans to invest a total of over HK$18 billion into the future of the company until FY14/15, thereof HK$7 billion to be spent on long-term investments (CAPEX) and HK$11.5 billion on business operations (OPEX). The planned total capital expenditure in FY11/12 will be about HK$1.5 billion, in which HK$0.7 billion is related to stores, HK$0.5 billion related to IT projects and HK$0.2 billion related to the new distribution centre.

To reshape and build a tangible, unmistakable brand profile across all channels and regions, Esprit invests an additional HK$1.7 billion annually (in total HK$6.8 billion over four years) in brand communication. The proportion of advertising to sales will increase up to around 6% to 8% in the new financial year. This ratio is expected to normalise at 4% to 5% from FY14/15 onwards.

The collections will be given a much more distinct and fashionable profile. To drive this forward the product divisions will be reorganised. All divisions will be regrouped around Women's and Men's with apparel centred around Knits and Wovens. Esprit will step-up its design capabilities by establishing a Trend division in the fashion capital of Paris and a dedicated design hub in China for the Chinese market. This way fashion trends can be implemented into the collections more quickly. To capture the huge opportunities in denim, a new Denim division will be established.

In order to concentrate on developing the best products, all buying functions will be centralised within one sourcing organisation. New sourcing offices will be opened to accelerate our sourcing strategy. In doing so Esprit targets annual savings of around HK$1 billion by FY14/15.

To upgrade the shopping experience for the customers in line with the new brand direction, approximately HK$3 billion will be invested until FY14/15 in the refurbishment of the entire retail full price store network. Over 62 existing retail POS are selected to undergo store refurbishment in FY11/12 and the associated renovation cost is expected to be around HK$0.5 billion.

Esprit's expansion in the future will be focused on the opportunities for profitable growth. With this strategy, the company is going to strengthen its European business in German-speaking DACH-countries, Benelux and France. Excluding the impact of exceptional store closures and the divestment of operations in North America, we expect to achieve 5%-10% year-on-year full year retail space growth in FY11/12. Total investment in new store openings will be around HK$0.2 billion. In addition to physical store expansion, we have also planned to expand our e-shop platform coverage to include China in the second half of the new financial year. In Asia, Esprit will concentrate its expansion in the growth markets of Taiwan, Singapore, Malaysia and – above all – China. In China, turnover is expected to double over the next four years to around HK$6 billion, with the store network increasing from approximately 1,000 to 1,900 POS. In addition to the expansion in China, Esprit plans to open a total of 185 new full price retail stores and approximately 25 outlets until FY14/15.

In line with its retail business Esprit will also concentrate its efforts in the wholesale business. The company will invest in the opening of more than 200 new franchise stores (excluding China) until FY14/15 and is going to support wholesale partners with refurbishing their space. Furthermore, expansion in high opportunity markets will be driven forward. The total investment in wholesale is expected to be approximately HK$3.9 billion. We anticipate a challenging wholesale trading environment at least in the first half of the new financial year. The wholesale order book between July and December 2011 shows mid single digit percentage year-on-year decline in local currency. In terms of the distribution network, we plan to grow controlled wholesale space by around 5% year-on-year, mainly via franchise with a stronger emphasis on China and Germany.

The results of our work will gradually become visible over time, but the full transformation process will take until FY14/15 to complete. Especially in the next 24 months our financial results will be impacted by the measures and investments required to transform our business.

Hence, turnover for FY11/12 is expected to decline 3% to 5% in local currency as a result of the divestment of the North American operations and the store closures programme with operating profit margin of 1% to 2%. Cumulative average sales growth for the 4 years till FY14/15 is targeted to be around 8% to 10% per annum in local currency, while post transformation operating profit margin is expected to normalise at around 15%.

04 *CORPORATE SOCIAL RESPONSIBILITY REPORT*


ESPRIT

04 *CORPORATE SOCIAL RESPONSIBILITY REPORT*

"As an apparel company, we integrate corporate conscience into every part of our business, from looking for the most ecologically friendly source of materials, designing with values of sustainability, manufacturing in a responsible manner to our interaction with customers for charitable purposes. It is our ultimate goal to work towards a green future and be at the forefront of the development of sustainability in this industry. I am also pleased to see that all our staff are fully supportive of our effort on sustainability when carrying out their own functions."

Mr Ronald VAN DER VIS
Executive Director and Group CEO

SOURCING – LOOKING FOR ECOLOGICALLY FRIENDLY PRODUCERS

CHOOSING AN ECOLOGICALLY FRIENDLY WOOL PRODUCER

All animals adore a life in nature without being disturbed by human activity, but most of them are not lucky enough. It is not uncommon to hear about abuse of farm animals. As a responsible apparel company, we put our effort in searching for suppliers who treat their animals in a humane way. We have identified one such supplier for wool. Gostwyck farm, a 175-year old farm located in the New England Tabelands – Australia's premier wool region has been chosen as our supplier of wool.

THE LUCKY SHEEP

The Merino Sheep bred in the Gostwyck farm are lucky. By taking great pride in its environment, Gostwyck has developed a rotational grazing method – Time Controlled Grazing System (the "System") which is essential for the long-term sustainability of land in Gostwyck. By relocating the animals regularly, the pastures are allowed to rest to prevent overgrazing. Besides, the System helps retain water and increase carbon stored in the soil, it also helps reduce the need to use chemicals to control weeds grown in the land. Gostwyck is therefore able to grow better quality pasture for the Merino Sheep.

In addition, to maintain the wellness of the Merino Sheep, Gostwyck ceased mulesing in 2005. The lucky Merino sheep are therefore enjoying a perfect natural habitat at Gostwyck.

Through the effort made by Gostwyck, the fleece of the Merino sheep has evolved to become one of the world's softest and most luxurious natural fibers. The Merino fiber is fine, soft but strong which is delicate to touch and gentle on the skin, yet can be treated to be machine-washable and easy to care for.

ESPRIT AND THE LUCKY SHEEP

With offering the best quality products to our customers in mind, we have entered into a partnership with both, Gostwyck farm and the experienced spinner Novetex. This gives us the exclusivity on the annual harvest at Gostwyck.

More importantly, the high quality Merino wool has been used for the Esprit RCA limited edition, which was a line inspired by young designers from Royal College of Art in London ("RCA").

DESIGN – ENCOURAGING YOUNG DESIGNERS TO WORK TOWARDS SUSTAINABLE FASHION

"CAN FASHION BE SUSTAINABLE?"

With the objective of nurturing and supporting young talent to come up with creative ideas and designs based on the core values of sustainability, we have entered into a two-year collaboration with the RCA, one of the global leading specialist art and design institutions. Together we have launched a design competition with the theme "Can fashion be sustainable?". All of the 22 graduating students for this year were invited to create a collection using our Gostwyck Merino wool – The Lucky Sheep with environmentally friendly ideas. The collections were presented in the graduate fashion show of RCA. At the end, the three students, Victoria Hill, Amélie Marciasini and Katie Hildebrand with their exciting, modern and bold collections, were chosen as the winners of the competition.

ESPRIT RCA LIMITED EDITION

The designs of the three winners became the inspiration for our own design department. The winning collections were interpreted by the design department into new styles for the Esprit RCA limited edition collection. The collection will be available at the end of September 2011 in several designated Esprit stores.

Besides, the three winners were also invited to contribute in creating the "look book" for the competition.

THE WINNERS

This whole project co-launched by Esprit and RCA was a further forum for the participating students to have first hand experience in the commercial environment to show off their talent. The project has great impact on their own collections, it gives them opportunity to express their creativity. It also allows them to gain insight in different aspects in the fashion industry.

VICTORIA HILL

"The shapes I was able to create made me much more confident and taught me a lot about scale."

"I'm really happy that we were allowed to be as creative as possible within the brief. And I really enjoy the idea that when my friends see the designs and want to try things on, that for once, there was a chance that they could actually be able to go and buy something. I'm not very good at shouting my own name but I will be quietly observing when the pieces go on sale. It will be great to see people's reactions to it."

AMÉLIE MARCIASINI

"We all say yes when we are asked if we think about green issues and sustainability."

"It was really interesting to see another part of the industry. To work with stylist, photographer, make-up artists. And then to see the final images of our pieces."

KATIE HILDEBRAND

"It was great to make them and the experience really pushed me in my own collection. It was an intense process – we had to make eight outfits in three weeks, but it did stop us worrying about our own collections."

DESIGN – IN OTHER PARTS OF THE WORLD

ECOCHIC DESIGN AWARD

Our sustainability footprint spreads across the European countries into Asia. As a further commitment to a greener garment industry and to also educate young designers in Asia about sustainable design techniques and materials to reduce textile waste, we participated in and were also one of the sponsors of the competition – EcoChic Design Award organised by Redress, a Hong Kong charity with a mission to drive positive environmental and social change in the fashion industry in Asia. We were also the judge for the Grand Final of the competition.

The EcoChic Design Award is the first sustainable fashion design competition in Hong Kong. The competition aims to increase awareness of sustainable fashion with focus on four main sustainable design principles: Reconstruction[1], Textile up-cycling[2], Textile recycling[3] and Zero-waste[4] technique.

The competition commenced in January 2011 and the Grand Final was held on 20 May 2011, with the selected designs of the finalists shown on a runway show. Finally, the participant Janko Lam was awarded the first prize.

ESPRIT RECYCLED CAPSULE COLLECTION

Apart from the prizes granted by Redress, the winner of the competition, Janko, was offered an opportunity to design a Recycled Capsule Collection exclusively for us using our own table waste.

Cutting table waste from our own productions will be collected from our suppliers to ensure that the source and quality can be verified for the Recycled Capsule Collection. This fabric leftover will then be used to regenerate the fiber and yarn for the use of the Recycled Capsule Collection.

To ensure consumer confidence and to assure that this special Recycled Capsule Collection can be recognised by customers and relevant governing bodies as a sustainable production, all our partners participating in this project will be certified to Global Recycling Standards by the globally recognised organisation, Peterson Control Union.

The winner – Janko is now working with us on this special collection. We expect the collection will be available in Hong Kong Esprit stores early next year.

"Winning the EcoChic Design Award Hong Kong competition and being offered the incredible opportunity of designing a capsular collection for Esprit using recycled textiles has proved to be the turning point of my career as a young fashion designer. Through the support offered by Redress and Esprit, I am genuinely seeing that there is an exciting and viable future for sustainable fashion and I'm very proud to be part of it."

Janko Lam

1. Reconstruction: the process of making new clothes from previously worn garments
2. Textile up-cycling: the process of converting waste materials into new materials or products of better quality
3. Textile recycling: the process of reusing or reprocessing left over, used clothing, fibrous material and/or clothing scraps from the manufacturing process
4. Zero-waste: a life-cycle approach to design how the resources are utilised so that zero, or very little, waste is produced

MANUFACTURING – PRODUCING GARMENT IN A RESPONSIBLE MANNER

FASHION AND LIFE BAN ON APPAREL SANDBLASTING

To achieve a worn look for denim of a vintage style, sandblasting is the common textile finishing process used by the apparel industry to create the abrasive effect. The process involves sand particles being applied to garments under high pressure which makes the denim softer in texture and faded in certain places. Nevertheless scientific studies have shown a link between sandblasting and silicosis, a disabling and potentially fatal lung disease. It is reported that in Turkey alone, more than 50 workers working in jeans factories have suffered and died from this incurable illness since 2005. Such tragedy has moved the Turkish Government to adopt a law prohibiting this fatal procedure 2 years ago.

VOLUNTARY BAN ON SANDBLASTING

Unfortunately, there are still many countries that continue to allow sandblasting. We have decided to take a proactive role and voluntarily stopped the use of this controversial technique in our global apparel production chain. The ban applies to all our fabrics and all our international suppliers, both existing and future.

Our apparel manufacturers have been told to stop using this technique. We will ensure that this ban on sandblasting is effectively applied and adhered to throughout the whole supply chain through the regular checks we conduct on our manufacturing processes and manufacturers.

ALTERNATIVES

Our primary focus is to ensure that each item is produced safely and in a way that does not endanger the health of the garment workers and in an environmentally friendly manner. Therefore we have identified alternative processes to produce the vintage look on denim while ensuring the safety of the worker which includes, for example, hand scraping.

INDUSTRY CALL TO ACTION

Esprit has also signed up to support the Call to Action issued by The International Textile, Garment and Leather Workers' Federation and other global apparel buyers and manufacturers urging an industry-wide ban on sandblasting throughout the global garment industry.

SUPPLY CHAIN MANAGEMENT – WORKING WITH OTHER APPAREL COMPANIES TO MANAGE OUR SUPPLY CHAIN FOR A GREENER GARMENT INDUSTRY

SUSTAINABLE APPAREL COALITION

Greener garment industry can never be achieved without collaboration and collective action. As one of the leading global apparel companies, we see our responsibility to take the lead to work towards this green dream. With this common belief, we and other leading companies in the global apparel and footwear industry including but not limited to, *Adidas, Arvind Mills, ASICS, C&A, Duke Center for Sustainability and Commerce, Environmental Defense Fund, Esquel, Gap Inc., H&M, HanesBrands, Intradeco, JC Penney, Kohl's Department Stores, Lenzing, Levi Strauss & Co., LF USA, a division of Li & Fung Limited, L.L.Bean, Inc., Marks & Spencer, Mountain Equipment Co-op, New Balance, Nike, Nordstrom, Otto Group, Outdoor Industry Association, Patagonia, Pentland Brands, PUMA, REI, TAL Apparel, Target, Timberland, USA DuPont, U.S. Environmental Protection Agency, Verité, VF Corp, Walmart, WL Gore & Associates,* and *WRI* formed the Sustainable Apparel Coalition (the "Coalition") in March 2011 which aims to "lead the industry toward a shared vision of sustainability built on a common approach for measuring and evaluating apparel and footwear product sustainability performance". The Coalition desires to bring positive impacts to five different areas, including Water Use & Quality, Energy/Greenhouse Gas, Waste, Chemicals/Toxicity and Social/Labor.

As a member of the Coalition, we have agreed to make the following commitments:

- Agreement to engage upstream suppliers to collect data in support of the industry wide shared index for measuring sustainability performance at a time to be set by the Coalition.
- Commitment to work towards attaining a specified, minimal level of best practices within our company's supply chain.
- Agreement to share best practice information in support of Coalition initiatives to improve supply chain performance industry-wide.

SUSTAINABLE APPAREL INDEX

Recognising that most supply chain partners and garment companies are using different standards for measuring and reporting sustainability performance to customers, it is essential to adopt a common approach for measuring and evaluating sustainability performance so as to enable customers to have a fairer comparison on the performance of the apparel products. Besides, this common standard can highlight opportunity in the supply chain and help identify social/labor issue for improvements. It also helps reduce operating costs and risks for the garment companies.

In view of the above, the first major project of the Coalition is to establish a common and industry-wide index which should have measureable impact for the entire product's life cycle. It should be able to help drive behavior change and promote continuous improvement and should be credible for measuring the environmental and social performance of apparel products and supply chains. Besides, this index should also serve as a foundation for reporting to customers the environmental impact through their purchases. The current Version 1.0 index will be further expanded in scope over time.

PLAN FOR GROWING FUTURE MEMBERSHIP

The Coalition is planning to expand its membership with a primary focus on increasing the number of representatives from footwear companies, supply chain partners, NGO expertise and government authorities. Currently, the membership is by nomination only but the intention of the Coalition is for the memberships to evolve into an open membership structure once development and adoption of governance, structure, staffing and funding are in place.

RETAIL –
INVITING THE CUSTOMERS TO PARTICIPATE IN OUR CHARITABLE CAMPAIGN

SOS CHILDREN'S VILLAGE

We love giving back, especially when others gain a new and better prospect on their future through our effort. For years, we have been supporting various humanitarian projects; the most prominent one is our partnership with the SOS organisation building a SOS Children's Village in Alibaug, India. The construction of this village is completely financed by us.

This village consists of fourteen family homes offering about 140 abandoned children a space to live and grow up and where they will receive long-term family-based childcare. There is a kindergarten for these children in the SOS Children's Village and also for the other children in the neighborhood providing them with an opportunity to receive an education. There is also a social centre in the SOS Children's Village offering single mothers in the surrounding communities support to build an independent future for themselves as well as for their children.

Since 4 November 2008, which was when the foundation stone was laid in Alibaug, we and our colleagues have been working to support this meaningful project by raising funds through various channels. With this dedication, the construction of the village was completed in 2010 and most families and kids started moving into the village during the same year. The village was officially opened on 12 October 2010.

ESPRIT MAKES A BIG BANG

To celebrate the opening of the SOS Children's Village as well as to raise global awareness of protection of basic rights for underprivileged children, we launched the Big Bang campaign globally in early November 2010.

The banging of a drum is a universally recognised symbol of celebration, as well as being a symbol of strength and unity. It was for this reason, we used the Big Bang to celebrate and to draw global attention to the big event.

MAKE YOUR BANG COUNT

We invited all people worldwide to make their bang from 5 November 2010 to 13 November 2010. Super drums were located in some designated Esprit stores in 11 cities across the global, including Amsterdam, Beijing, Brussels, Berlin, Hong Kong, Kuala Lumpur, London, Melbourne, New Delhi, New York and Paris and, our customers were invited to go to these stores to make their bangs. For every other participating country, customers were welcome to make their bangs by banging the virtual super drum online on the Big Bang website.

The bangs made in the designated stores and online were not only for celebrating the opening of the SOS Children's Village, but also for donation purposes. Bangs made between the prescribed timeframe were all counted. Per each bang made, we promised to donate a fixed amount to SOS Children's Village to contribute towards its running costs. Upon achieving the 3 million bangs target, we would donate a total of 500,000 Euros to the SOS Children's Village.

During the Big Bang campaign, celebrations took place on the streets and in-stores to attract and draw people into the designated stores so that they can make their bangs count.

Besides that, the Oscar nominated actress, Maggie Gyllenhaal and her husband, the actor, Peter Sarsgaard, who are actively involved in human rights, civil liberty and anti-poverty campaigns, were appointed to be the global ambassadors for the SOS Children's Village project and they have pledged their support to help reaching the 3-millions bangs target.

THE BIG BANG DAY – 13 NOVEMBER 2010

On 13 November 2010, the finale of the Big Bang campaign, people were gathered in the designated Esprit stores around the world to perform their personal "big bang" music for celebrating SOS Children's Village and the joy it will bring to children living there and their new life. It was also to celebrate achieving the 3-millions big bangs target. Customers and passers-by were invited in to the designated stores to enjoy live performances from our drummers and the celebration.

We were able to obtain over 4 million registered bangs from people across the world between 5 November and 13 November 2010. As promised, under this Big Bang campaign, 500,000 Euro was donated to the SOS Children's Village.

05 CORPORATE GOVERNANCE


ESPRIT

05 CORPORATE GOVERNANCE

05.1 CORPORATE GOVERNANCE REPORT

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

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

OWNERSHIP STRUCTURE

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

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

BOARD INDEPENDENCE AND EFFECTIVENESS

Protecting 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 overseas the overall management of the Group, including oversight of the Group's operations, whilst allowing management substantial autonomy to run and develop the business.

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

Membership

The Board comprises of eight directors. Following the resignation of Mr Heinz Jürgen KROGNER-KORNALIK as Non-executive Chairman on 11 February 2011, Dr Hans-Joachim KÖRBER has been appointed as Independent Non-executive Chairman with effect from 11 February 2011. The Board now comprises of two Executive Directors with 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 retailer, apparel industry expert to banker and professional accountant, bringing with them valuable expertise and experience that promote the best interests of the Group and its shareholders. 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. In assessing the independence of the Independent Non-executive Directors, the Nomination Committee and the Board would consider the character and the judgement demonstrated by the Director's contribution to the Board, the relationship with the Group other than being a Director, the past and present directorships and important appointments of the Director outside the Group.

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 less than three years.

Under the Company's Bye-law 87, one-third of the Directors must retire, thus becoming eligible for re-election at each AGM. This year, Dr Hans-Joachim KÖRBER, Mr CHEW Fook Aun and Mr Francesco TRAPANI will retire at the forthcoming AGM and all being eligible, offer themselves for re-election. The biographical details of the retiring Directors will be set out in the circular to shareholders of the Company to assist shareholders in making an informed decision on their re-elections. None of the Directors standing for re-election at the forthcoming AGM has a service contract with any member of the Group which is not determinable by the relevant employer within one year without payment of compensation (other than statutory compensation). They have no fixed term of service with the Company and are subject to retirement by rotation and re-election in accordance with the Company's Bye-laws.

Board Committees

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

Audit Committee

Members
Alexander Reid HAMILTON (Chairman)
Paul CHENG Ming Fun
Dr Hans-Joachim KÖRBER (resigned on 17 May 2011)
Raymond OR Ching Fai
Francesco TRAPANI

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

The Audit Committee is provided with sufficient resources to discharge its duties and meets regularly with management, internal auditors and external auditors and reviews their reports. During the financial year, the Audit Committee reviewed the quarterly trading updates, interim results and the annual results of the Group for the year ended 30 June 2011 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 Group Chief Financial Officer, the external auditors, internal auditors and senior management are invited to attend the meetings to answer any questions raised by the Audit Committee.

Nomination Committee

Members
Paul CHENG Ming Fun (Chairman)
Jürgen Alfred Rudolf FRIEDRICH
Dr Hans-Joachim KÖRBER
Ronald VAN DER VIS (appointed on 17 May 2011)
Heinz Jürgen KROGNER-KORNALIK (resigned on 11 February 2011)

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

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

Remuneration Committee

Members
Raymond OR Ching Fai (Chairman)
Alexander Reid HAMILTON
Francesco TRAPANI
Ronald VAN DER VIS (appointed on 17 May 2011)
Heinz Jürgen KROGNER-KORNALIK (resigned on 11 February 2011)

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
- Ensure that no Director or any of his associates is involved in deciding his own remuneration.

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

General Committee

Members
Ronald VAN DER VIS
CHEW Fook Aun

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 the 2001 Share Option Scheme and the 2009 Share Option Scheme;
- Issue of new shares upon exercise of share options granted under the share option schemes adopted by the Company;
- Implement share repurchase strategy upon approval by the Board in accordance with the delegated authority;
- Determine at the request of management any person or persons who may be regarded as "relevant employees" pursuant to the Guidelines Regarding Securities Transactions by Employees of the Company; and
- Other administrative matters.

Board meetings and minutes

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

Minutes of the Board meetings and Board 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 2011 is set out in the table below:

Meetings attended/held

Directors	Board	Audit Committee	Nomination Committee	Remuneration Committee	General Committee
Executive Directors					
Ronald VAN DER VIS	7/7		1/1	1/1	11/11
CHEW Fook Aun	7/7				11/11
Non-executive Directors					
Jürgen Alfred Rudolf FRIEDRICH	7/7		4/4		
Heinz Jürgen KROGNER-KORNALIK (resigned as Non-executive Director with effect from 11 February 2011)	5/5		3/3	3/3	
Independent Non-executive Directors					
Paul CHENG Ming Fun	7/7	4/4	4/4		
Alexander Reid HAMILTON	7/7	4/4		4/4	
Dr Hans-Joachim KÖRBER	7/7	3/3	4/4		
Raymond OR Ching Fai	7/7	4/4		4/4	
Francesco TRAPANI	7/7	4/4		4/4	

Roles of Different Directors

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

Non-executive Directors on the other hand play an important role in the Audit Committee, the Nomination Committee and the Remuneration Committee to ensure independent and objective views are expressed and to promote critical review and control. The three above-named committees are all chaired by Independent Directors. The members of the Audit Committee are all Independent Non-executive Directors and the majority of the members of the Remuneration Committee and Nomination Committee are Non-executive 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 eight 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 2010 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 2010 AGM. Tricor Secretaries Limited, the Company's branch share registrar in Hong Kong, was appointed as the scrutineer for voting by poll at the 2010 AGM to ensure the votes were properly counted.

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

Transparency of information

The Company recognises the importance of timely and quarterly trading updates, interim and non-selective disclosure of information. Latest information on the Company including annual 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, and first and third quarter trading updates through email alerts. In addition, a press conference is organised to ensure that members of the public has access to first-hand information on the results announcement. A live webcast is available along with an archive of the webcast on Esprit's Investor Relations website so that the results presentation is easily and readily accessible to individuals all over the world in English.

Esprit is committed to a timely disclosure of information. Aside from annual and interim reports, since 2009, Esprit has voluntarily commenced releasing quarterly sales update to further increase the transparency of the Company. Since 2004, Esprit has adopted the International Financial Reporting Standards in order for the financial results to be comprehended by international audiences in a consistent manner. Another illustration of the Company's efforts in enhancing shareholders' understanding in its operation is the inclusion of a glossary of the terms commonly used within Esprit since Annual Report FY08/09.

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

Pro-active investor relations

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

Conferences attended in FY10/11

Month	Event	Organiser	Venue
September 2010	FY09/10 Post Final Results Roadshow	CLSA BNP Paribas Citi	Hong Kong London New York
September 2010	CLSA 17th Investors' Forum	CLSA	Hong Kong
October 2010	FY09/10 Post Final Results Roadshow	UBS	Singapore
October 2010	FY09/10 Post Final Results Roadshow	Nomura	Tokyo
November 2010	Morgan Stanley 9th Asia Pacific Summit	Morgan Stanley	Singapore
November 2010	Daiwa Investment Conference	Daiwa	Hong Kong
November 2010	CLSA Consumer Access Day	CLSA	Hong Kong
December 2010	UBS Consumer Day	UBS	Shanghai
February 2011	FY10/11 Post Interim Results Roadshow	Morgan Stanley Barclays Credit Suisse Credit Suisse DBS Vickers	Hong Kong London New York San Francisco Singapore
March 2011	Daiwa Investment Conference	Daiwa	Tokyo
March 2011	Citi Hong Kong Retailers Conference 2011	Citi	Hong Kong
March 2011	Credit Suisse Asia Investment Conference 2011	Credit Suisse	Hong Kong
April 2011	Standard Chartered Asia Pacific Emerging Corporates Spring Conference	Standard Chartered	Hong Kong
May 2011	Morgan Stanley 2nd Annual Hong Kong Investor Summit	Morgan Stanley	Hong Kong
May 2011	Deutsche Bank Access Asia Conference 2011	Deutsche Bank	Singapore
June 2011	J.P.Morgan 7th Annual China Conference	J.P.Morgan	Beijing
June 2011	UBS Consumer Day	UBS	Hong Kong

Awards in FY10/11

Time	Recognition	Awarding Party
September 2010	Green/Environmentally Sound Annual Report Gold Awards Category: Retail Fashion	International ARC Awards
November 2010	2010 HKMA Best Annual Reports Awards (Honourable Mention)	Hong Kong Management Association
November 2010	Directors Of The Year Awards 2010 Category: Listed Companies (SEHK – Hang Seng Index Constituents) Boards	Hong Kong Institute of Directors
December 2010	Hong Kong Corporate Governance Excellence Awards 2010 Category: Main Board Companies (Hang Seng Index Constituent Companies)	The Chamber of Hong Kong Listed Companies
March 2011	1st Asian Excellence Recognition Awards 2011 – Best Investor Relations by a Hong Kong Company	Corporate Governance Asia
June 2011	7th Corporate Governance Asia Recognition Awards 2011 – The Best of Asia	Corporate Governance Asia

In October 2010, our former Chairman, Mr Heinz Jürgen KROGNER-KORNALIK, was inaugurated into the World Retail Hall of Fame by the World Retail Congress.

In March 2011, our Executive Director and Group Chief Financial Officer, Mr CHEW Fook Aun, was awarded the 1st Asian Excellence Recognition Awards 2011 – Asia's Best CFO (Investor Relations) by Corporate Governance Asia.

In June 2011, our Executive Director and Group Chief Executive Officer, Mr Ronald VAN DER VIS, was awarded the 2nd Asian Corporate Director Recognition Awards 2011 by Corporate Governance Asia.

American Depositary Receipt Programme

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

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

Compliance with the Code on Corporate Governance Practices

The Company has applied the principles and complied with the Code throughout the year ended 30 June 2011, except that Non-executive Directors of the Company do not have specific term of appointment as detailed above (code provision A.4.1).

The Esprit Corporate Governance Code has been adopted by the Board of the Company throughout the financial year ended 30 June 2011 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 2011, they have complied with the required standard set out in the Model Code.

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

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for overseeing the preparation of the consolidated financial statements for the year ended 30 June 2011, 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 2011, the Directors are satisfied that Management have selected appropriate accounting policies, applied them consistently in accordance with the International Financial Reporting Standards and made judgments and estimates that are prudent and reasonable, and have prepared the consolidated financial statements on the going concern basis.

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

AUDITORS' REMUNERATION

A summary of fees for audit and non-audit services to the external auditors for the financial years ended 30 June 2011 and 30 June 2010 is as follows:

	2011 HK$ million	2010 HK$ million
Nature of the services		
Audit services	**16**	14
Other services	**5**	8#
	21	22

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


ESPRIT

05.2 REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their annual report and the audited consolidated financial statements for the year ended 30 June 2011.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of the principal subsidiaries are shown in note 31 to the consolidated financial statements. The Group is principally engaged in wholesale and retail distribution and licensing of quality fashion and life-style products designed under its own internationally-known Esprit brand name.

RESULTS AND APPROPRIATIONS

The results of the Group and appropriations of the Company are set out in the consolidated income statement on page 97 and in the accompanying notes to the consolidated financial statements.

The interim dividend of HK$1.00 per share, with an option to receive in form of new fully paid shares of the Company, totalling HK$1,289 million was paid on 12 April 2011. 960,208 ordinary shares were issued at a dividend reinvestment price of HK$38.17 amounting to approximately HK$36 million on 12 April 2011 pursuant to the scrip dividend reinvestment scheme for the interim dividend. Net cash of approximately HK$1,253 million was paid for the interim dividend on 12 April 2011.

The Directors do not recommend the distribution of a final dividend (2010: HK$0.67 per share). Details are set out in note 10 to the consolidated financial statements.

The Board maintains the 60% dividend payment policy based on regular earnings excluding exceptional events.

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 102 and in note 30 to the consolidated financial statements respectively.

SHARE CAPITAL

During the year, 345,000 (2010: 4,875,000) ordinary shares of HK$0.10 each were issued in relation to the share options exercised by employees under the share option scheme of the Company adopted on 26 November 2001 at exercise prices in the range of HK$24.20 to HK$24.45 each (representing a premium in the range of HK$24.10 to HK$24.35 each) and no ordinary share of HK$0.10 each was issued in relation to the share option scheme of the Company adopted on 10 December 2009. Further details of movements in share capital of the Company are set out in note 20 to the consolidated financial statements.

During the year, the Company issued 904,515 ordinary shares at a dividend reinvestment price of HK$41.53 amounting to approximately HK$37 million pursuant to the scrip dividend reinvestment scheme for the final dividend for the year ended 30 June 2010. 960,208 ordinary shares were issued at a dividend reinvestment price of HK$38.17 amounting to approximately HK$36 million pursuant to the scrip dividend reinvestment scheme for the interim dividend for the six months ended 31 December 2010.

FINANCIAL SUMMARY

A summary of the consolidated results and the consolidated balance sheets of the Group for the last ten financial years is set out on pages 136 and 137 respectively.

PROPERTY, PLANT AND EQUIPMENT

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

PENSION SCHEMES

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

PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 30 June 2011 are set out in note 31 to the consolidated financial statements.

CHARITABLE DONATIONS

During the year, the Group made charitable donations totaling HK$7.7 million.

Particulars of the charitable initiatives undertaken by the Group are set out in the section headed "Corporate Social Responsibility Report" on pages 63 to 66 of this report.

DIRECTORS

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

Executive Directors

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

Non-executive Directors

Jürgen Alfred Rudolf FRIEDRICH
Heinz Jürgen KROGNER-KORNALIK (resigned with effect from 11 February 2011)

Independent Non-executive Directors

Dr Hans-Joachim KÖRBER (appointed as Chairman with effect from 11 February 2011)
Paul CHENG Ming Fun (Deputy Chairman)
Alexander Reid HAMILTON
Raymond OR Ching Fai
Francesco TRAPANI

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

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Executive Directors

Ronald VAN DER VIS, aged 44, was appointed as an Executive Director on 22 June 2009 and as Group Chief Executive Officer on 1 November 2009. He is responsible for the overall management and control of the business of the Group. He has over 10 years experience as chief executive officer in brand building and retail in an international environment. He holds a Bachelor Degree in Business Administration from Nyenrode University, Netherlands, and a Master of Business Administration Degree (with Honours) from the Manchester Business School, University of Manchester, United Kingdom. Before joining the Company, Mr VAN DER VIS had worked for over 10 years in various senior management positions in Pearle Europe B.V., a leading international optical retail group and had been serving as its chief executive officer since January 2004. Mr VAN DER VIS is an independent non-executive director of Sonova Holding AG.

CHEW Fook Aun, aged 49, was appointed as an Executive Director and Group Chief Financial Officer on 1 February 2009. He has over 26 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 was a Council member of the Hong Kong Institute of Certified Public Accountants ("HKICPA") and was the Vice President of HKICPA in 2010. Mr CHEW is a fellow member of the HKICPA and the Institute of Chartered Accountants in England and Wales. He is a member of the advisory committee of the Securities and Futures Commission, the corruption prevention advisory committee of the Independent Commission Against Corruption, the standing committee on company law reform of the Hong Kong Companies Registry and a Council member of the Financial Reporting Council of Hong Kong. Mr CHEW was an executive director and chief financial officer of The Link Management Limited, manager of The Link Real Estate Investment Trust, from 1 February 2007 to 16 January 2009. He was also the chief financial officer of Kerry Properties Limited from 1996 to 2004, a director of corporate finance for Kerry Holdings Limited from 1998 to 2004 and the executive director responsible for the property portfolio for Kyard Limited from 2004 to 2007.

Non-executive Directors

Dr Hans-Joachim KÖRBER, aged 65, has been an Independent Non-executive Director of the Company since May 2008. Following Mr Heinz Jürgen KROGNER-KORNALIK's resignation as Non-Executive Chairman with effect from 11 February 2011, Dr KÖRBER has been unanimously elected by the Board as the successor of Mr KROGNER to act as the Independent Non-executive Chairman of the Board with effect from 11 February 2011. Dr KÖRBER was the former chief executive officer of Metro AG for many years until his retirement in 2007. Under his guidance, Metro has grown to become one of the largest retailers in the world. Dr KÖRBER is a well-known executive in the international commercial community with extensive experience in finance, accounting, controlling, logistics and IT, including 23 years experience in retailing.

Paul CHENG Ming Fun, aged 74, 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 an independent non-executive director of Global Logistic Properties Limited, a company listed on the Singapore Stock Exchange. He is also an independent non-executive chairman of Vietnam Infrastructure Ltd. and an independent non-executive director of Pacific Alliance China Land Ltd., both companies are listed on the AIM Board of the London Stock Exchange. He is an independent non-executive director of Pacific Can China Holdings Limited and the chairman of China High Growth Fund. Mr CHENG was an independent non-executive director of Kingboard Chemical Holdings Limited and Pou Sheng International (Holdings) Limited, both companies are listed on The Stock Exchange of Hong Kong Limited. He was a former member of the Hong Kong Legislative Council as well as Chairman of Inchcape Pacific Limited, N M Rothschild & Sons (Hong Kong) Ltd., The Link Management Limited and the Hong Kong General Chamber of Commerce. He is currently an Honorary Steward of the Hong Kong Jockey Club.

Jürgen Alfred Rudolf FRIEDRICH, aged 73, 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 69, has been an Independent Non-executive Director of the Company since August 1995. He is also a director of CITIC Pacific Limited, COSCO International Holdings Limited, Shangri-La Asia Limited, Octopus Cards Limited and a number of other Hong Kong companies. He was a director of China COSCO Holdings Company Limited. He was a partner of Price Waterhouse with whom he practiced for 16 years.

Raymond OR Ching Fai, aged 61, has been an Independent Non-executive Director of the Company since 1996. He is an executive director, chief executive officer and vice chairman of China Strategic Holdings Limited, an independent non-executive director and a vice chairman of G-Resources Group Ltd. 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 54, has been appointed Independent Non-executive Director of the Company since December 2008. Mr TRAPANI has over 27 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. Since 1984 Mr TRAPANI has been the chief executive officer of the Bulgari Group, a previously small jewellery family business, which he led to become one of today's global and diversified players in the luxury market offering world famous fine jewellery, watches, accessories, fragrances and skincare. In 2011, Bulgari joined its forces with the LVMH Moët Hennessy – Louis Vuitton Group ("LVMH") and Mr TRAPANI was appointed President of LVMH's Watches & Jewelry Division and member of the board of directors of LVMH, while retaining his previous responsibilities at the Bulgari Group.

Senior Management

Jörgen ANDERSSON, aged 46, is Director of Brand and New Business since October 2010. He is responsible for organising and leading the implementation of the brand direction in all touch points. Prior to that he held the same position at Hennes & Mauritz ("H&M") for the past 10 years. Mr ANDERSSON have spent 25 years in various positions within the H&M group and worked as controller, chief buyer, country manager and marketing director. He also acted as chairman of the board in the H&M controlled companies Cheap Monday, Monki and Weekday. He holds a Bachelor degree in economics from the Stockholm University.

Christophe Jean BEZU, aged 54, is the Chief Wholesale Officer. He is responsible for the global wholesale business of the Group. Prior to joining the Group in May 2011, he had 23 years of experience in the sports apparel industry, with 20 years in Asia as the marketing director and then president of Adidas Japan, before becoming the chief executive officer, senior vice president and managing director of Adidas group Asia Pacific till 2009. His last position was chief e-commerce officer for the Adidas group and the president of Adidas group Greater China. He has an extensive experience in Asia, specialising in sales, product marketing and general management. He holds a Master degree from ESCP Europe in Paris.

John GUNN, aged 55, 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 37 years of experience in the apparel industry, Mr GUNN has held various leadership positions at global companies. Prior to rejoining the Group, he was the executive vice president of Tommy Hilfiger where he worked for 9 years. Prior to this, he was general manager of InWear Canada and vice president wholesale and retail Esprit Canada. Mr GUNN was born in Aberdeen, Scotland and attended the Aberdeen Grammar School for boys and Aberdeen Technical College.

Colin HENRY, aged 46, has been working as Chief Product Officer Esprit since April 2010. From 1984 to 1997 he held various senior commercial roles for Marks and Spencer followed by a position as Managing Director at Coats Viyella PLC from 1997 to 2000. From 2000 to 2003 he was Senior Vice President Brand Management for Polo Ralph Lauren Corporation (Europe). Before he joined the Group he was Senior Vice President Design and Marketing for Nike and Umbro PLC.

Jan NORD, aged 55, is Creative Director of Brand and New Business since October 2010. He is responsible for creative input and direction in all touch points of the brand. Prior to Esprit he held the same position at H&M for the past 10 years. He began his career in the advertising business, creating the highly renowned agency Nord & Co, before joining H&M full time. He has more than 25 years experience as creative director in communication, retail and fashion related businesses. He has studied Political Science, Economics and Cultural Science at the Stockholm University.

Tanya TODD, aged 48, is Chief Operating Officer. She is responsible for global sourcing and supply chain, research and development, quality management and sustainability. She joined the Group in the second quarter of calendar year 2010 and has 27 years of experience in fashion apparel retailing. Prior to joining the Group she was a board director for C&A in the role of chief merchandising officer, and before that she was buying director of the Mothercare. She holds a Bachelor of arts degree from Durham University and an Master of business administration in retailing and wholesaling from the University of Stirling.

Gert VAN DE WEERDHOF, aged 45, is Chief Retail Officer. He is responsible for the global retail business of the Group. Prior to joining the Group in July 2010, he was the CEO and previously Vice President of Pearle Europe B.V. where he worked for 6 years. Mr VAN DE WEERDHOF started his career in leading FMCG companies and has since gained extensive management experience in sales, marketing and general management. He holds a Bachelor degree in Economics and Business from the Vrije Universiteit in Amsterdam, Netherlands.

Ernst-Peter VOGEL, aged 46, is Executive Vice President – Global Finance & IT. He is primarily responsible for the Group's operational finance functions including the Group's statutory and management reporting as well as the Global IT functions. He joined the Group in 2003 as Senior Vice President – Finance Europe and has been overseeing various global finance projects of the Group in the past years. He has over 10 years of extensive experience in finance and tax matters and possesses the qualification as a German CPA and tax advisor. He holds a Master of Business Administration degree (Diplom-Kaufmann) with the University of Frankfurt. Prior to joining the Group, he headed the finance team of an international lifestyle group.

DIRECTORS' EMOLUMENTS

A Remuneration Committee 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 would be involved in deciding his own remuneration.

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

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

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

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

SHARE OPTIONS

2001 Share Option Scheme

The Company adopted a share option scheme on 26 November 2001 (the "2001 Share Option Scheme"). The 2001 Share Option Scheme was terminated on 10 December 2009, but the Options which have been granted and remained outstanding and/or committed as of that date shall continue to follow the provisions of the 2001 Share Option Scheme and the Listing Rules. Particulars of the 2001 Share Option Scheme are set out in note 20 to the consolidated financial statements. Details of the grant of share options and a summary of the movements of the outstanding share options during the financial year under the 2001 Share Option Scheme are as follows:

Directors

Ronald VAN DER VIS

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

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

CHEW Fook Aun

				Number of share options				
Date of grant (dd/mm/yyyy)	Exercise price (HK$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	As at 01/07/2010	Granted	Exercised	Lapsed	As at 30/06/2011
09/02/2009	41.70	09/02/2010	09/02/2010 – 08/02/2015	240,000	–	–	–	240,000
		09/02/2011	09/02/2011 – 08/02/2015	240,000	–	–	–	240,000
		09/02/2012	09/02/2012 – 08/02/2015	240,000	–	–	–	240,000
		09/02/2013	09/02/2013 – 08/02/2015	240,000	–	–	–	240,000
		09/02/2014	09/02/2014 – 08/02/2015	240,000	–	–	–	240,000
09/02/2010	56.90	09/02/2011	09/02/2011 – 08/02/2016	180,000	–	–	–	180,000
		09/02/2012	09/02/2012 – 08/02/2016	180,000	–	–	–	180,000
		09/02/2013	09/02/2013 – 08/02/2016	180,000	–	–	–	180,000
		09/02/2014	09/02/2014 – 08/02/2016	180,000	–	–	–	180,000
		09/02/2015	09/02/2015 – 08/02/2016	180,000	–	–	–	180,000
11/02/2011	40.40	11/02/2012	11/02/2012 – 10/02/2017	–	180,000	–	–	180,000
		11/02/2013	11/02/2013 – 10/02/2017	–	180,000	–	–	180,000
		11/02/2014	11/02/2014 – 10/02/2017	–	180,000	–	–	180,000
		11/02/2015	11/02/2015 – 10/02/2017	–	180,000	–	–	180,000
		11/02/2016	11/02/2016 – 10/02/2017	–	180,000	–	–	180,000
In aggregate				**2,100,000**	**900,000**	**–**	**–**	**3,000,000**

2001 Share Option Scheme (continued)

Directors (continued)

Heinz Jürgen KROGNER-KORNALIK
(Resigned with effect from 11 February 2011)

				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 01/07/2010	Granted	Exercised	Lapsed	As at 30/06/2011
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**	**–**	**–**	**1,200,000**	**2,000,000**

Employees & Consultants

				Number of share options				
Date of grant (dd/mm/yyyy)	Exercise price (HK$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	As at 01/07/2010	Granted	Exercised	Lapsed	As at 30/06/2011
26/11/2003	24.20	26/11/2006	26/11/2006 – 25/11/2011	150,000	–	–	150,000	–
		26/11/2007	26/11/2007 – 25/11/2011	305,000	–	–	150,000	155,000
		26/11/2008	26/11/2008 – 25/11/2011	440,000	–	105,000	150,000	185,000
23/12/2003	24.45	23/12/2007	23/12/2007 – 22/12/2011	120,000	–	120,000	–	–
		23/12/2008	23/12/2008 – 22/12/2011	120,000	–	120,000	–	–
27/11/2004	42.58	27/11/2006	27/11/2006 – 26/11/2010	120,000	–	–	120,000	–
		27/11/2007	27/11/2007 – 26/11/2010	300,000	–	–	300,000	–
		27/11/2008	27/11/2008 – 26/11/2010	480,000	–	–	480,000	–
		27/11/2009	27/11/2009 – 26/11/2010	720,000	–	–	720,000	–
28/11/2005	55.11	28/11/2006	28/11/2006 – 27/11/2011	105,000	–	–	60,000	45,000
		28/11/2007	28/11/2007 – 27/11/2011	105,000	–	–	60,000	45,000
		28/11/2008	28/11/2008 – 27/11/2011	345,000	–	–	60,000	285,000
		28/11/2009	28/11/2009 – 27/11/2011	345,000	–	–	60,000	285,000
		28/11/2010	28/11/2010 – 27/11/2011	300,000	–	–	15,000	285,000
02/12/2005	56.20	02/12/2006	02/12/2006 – 01/12/2011	100,000	–	–	40,000	60,000
		02/12/2007	02/12/2007 – 01/12/2011	140,000	–	–	40,000	100,000
		02/12/2008	02/12/2008 – 01/12/2011	220,000	–	–	40,000	180,000
		02/12/2009	02/12/2009 – 01/12/2011	220,000	–	–	40,000	180,000
		02/12/2010	02/12/2010 – 01/12/2011	220,000	–	–	40,000	180,000
23/12/2005	56.50	23/12/2006	23/12/2006 – 22/12/2011	90,000	–	–	–	90,000
		23/12/2007	23/12/2007 – 22/12/2011	90,000	–	–	–	90,000
		23/12/2008	23/12/2008 – 22/12/2011	90,000	–	–	–	90,000
		23/12/2009	23/12/2009 – 22/12/2011	90,000	–	–	–	90,000
		23/12/2010	23/12/2010 – 22/12/2011	90,000	–	–	–	90,000

2001 Share Option Scheme (continued)

Employees & Consultants (continued)

				Number of share options				
Date of grant (dd/mm/yyyy)	Exercise price (HK$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	As at 01/07/2010	Granted	Exercised	Lapsed	As at 30/06/2011
27/11/2006	80.60	27/11/2007	27/11/2007 – 26/11/2012	15,000	–	–	15,000	–
		27/11/2008	27/11/2008 – 26/11/2012	165,000	–	–	15,000	150,000
		27/11/2009	27/11/2009 – 26/11/2012	165,000	–	–	15,000	150,000
		27/11/2010	27/11/2010 – 26/11/2012	150,000	–	–	–	150,000
		27/11/2011	27/11/2011 – 26/11/2012	150,000	–	–	60,000	90,000
04/12/2006	79.49	04/12/2007	04/12/2007 – 03/12/2012	150,000	–	–	30,000	120,000
		04/12/2008	04/12/2008 – 03/12/2012	165,000	–	–	30,000	135,000
		04/12/2009	04/12/2009 – 03/12/2012	165,000	–	–	30,000	135,000
		04/12/2010	04/12/2010 – 03/12/2012	165,000	–	–	30,000	135,000
		04/12/2011	04/12/2011 – 03/12/2012	165,000	–	–	30,000	135,000
05/12/2006	80.95	05/12/2007	05/12/2007 – 04/12/2012	536,000	–	–	80,000	456,000
		05/12/2008	05/12/2008 – 04/12/2012	576,000	–	–	80,000	496,000
		05/12/2009	05/12/2009 – 04/12/2012	576,000	–	–	80,000	496,000
		05/12/2010	05/12/2010 – 04/12/2012	576,000	–	–	80,000	496,000
		05/12/2011	05/12/2011 – 04/12/2012	576,000	–	–	140,000	436,000
07/02/2007	83.00	07/02/2008	07/02/2008 – 06/02/2013	40,000	–	–	–	40,000
		07/02/2009	07/02/2009 – 06/02/2013	40,000	–	–	–	40,000
		07/02/2010	07/02/2010 – 06/02/2013	40,000	–	–	–	40,000
		07/02/2011	07/02/2011 – 06/02/2013	40,000	–	–	–	40,000
		07/02/2012	07/02/2012 – 06/02/2013	40,000	–	–	–	40,000
04/12/2007	119.00	04/12/2008	04/12/2008 – 03/12/2013	165,000	–	–	30,000	135,000
		04/12/2009	04/12/2009 – 03/12/2013	165,000	–	–	30,000	135,000
		04/12/2010	04/12/2010 – 03/12/2013	165,000	–	–	30,000	135,000
		04/12/2011	04/12/2011 – 03/12/2013	165,000	–	–	30,000	135,000
		04/12/2012	04/12/2012 – 03/12/2013	165,000	–	–	30,000	135,000
05/12/2007	118.70	05/12/2008	05/12/2008 – 04/12/2013	432,000	–	–	60,000	372,000
		05/12/2009	05/12/2009 – 04/12/2013	432,000	–	–	60,000	372,000
		05/12/2010	05/12/2010 – 04/12/2013	432,000	–	–	60,000	372,000
		05/12/2011	05/12/2011 – 04/12/2013	432,000	–	–	105,000	327,000
		05/12/2012	05/12/2012 – 04/12/2013	432,000	–	–	105,000	327,000
31/01/2008	100.80	31/01/2009	31/01/2009 – 30/01/2014	680,000	–	–	–	680,000
		31/01/2010	31/01/2010 – 30/01/2014	680,000	–	–	–	680,000
		31/01/2011	31/01/2011 – 30/01/2014	680,000	–	–	–	680,000
		31/01/2012	31/01/2012 – 30/01/2014	680,000	–	–	80,000	600,000
		31/01/2013	31/01/2013 – 30/01/2014	680,000	–	–	80,000	600,000
11/02/2008	102.12	11/02/2009	11/02/2009 – 10/02/2014	30,000	–	–	–	30,000
		11/02/2010	11/02/2010 – 10/02/2014	30,000	–	–	–	30,000
		11/02/2011	11/02/2011 – 10/02/2014	30,000	–	–	–	30,000
		11/02/2012	11/02/2012 – 10/02/2014	30,000	–	–	–	30,000
		11/02/2013	11/02/2013 – 10/02/2014	30,000	–	–	–	30,000
09/12/2008	44.25	09/12/2009	09/12/2009 – 08/12/2014	432,000	–	–	60,000	372,000
		09/12/2010	09/12/2010 – 08/12/2014	432,000	–	–	60,000	372,000
		09/12/2011	09/12/2011 – 08/12/2014	432,000	–	–	105,000	327,000
		09/12/2012	09/12/2012 – 08/12/2014	432,000	–	–	105,000	327,000
		09/12/2013	09/12/2013 – 08/12/2014	432,000	–	–	105,000	327,000
11/12/2008	45.95	11/12/2009	11/12/2009 – 10/12/2014	516,000	–	–	–	516,000
		11/12/2010	11/12/2010 – 10/12/2014	516,000	–	–	–	516,000
		11/12/2011	11/12/2011 – 10/12/2014	516,000	–	–	60,000	456,000
		11/12/2012	11/12/2012 – 10/12/2014	516,000	–	–	60,000	456,000
		11/12/2013	11/12/2013 – 10/12/2014	516,000	–	–	60,000	456,000

2001 Share Option Scheme (continued)

Employees & Consultants (continued)

				Number of share options				
Date of grant (dd/mm/yyyy)	Exercise price (HK$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	As at 01/07/2010	Granted	Exercised	Lapsed	As at 30/06/2011
05/02/2009	39.76	05/02/2010	05/02/2010 – 04/02/2015	692,000	–	–	24,000	668,000
		05/02/2011	05/02/2011 – 04/02/2015	722,000	–	–	24,000	698,000
		05/02/2012	05/02/2012 – 04/02/2015	722,000	–	–	84,000	638,000
		05/02/2013	05/02/2013 – 04/02/2015	722,000	–	–	84,000	638,000
		05/02/2014	05/02/2014 – 04/02/2015	722,000	–	–	84,000	638,000
09/02/2009	41.70	09/02/2010	09/02/2010 – 08/02/2015	30,000	–	–	–	30,000
		09/02/2011	09/02/2011 – 08/02/2015	30,000	–	–	–	30,000
		09/02/2012	09/02/2012 – 08/02/2015	30,000	–	–	–	30,000
		09/02/2013	09/02/2013 – 08/02/2015	30,000	–	–	–	30,000
		09/02/2014	09/02/2014 – 08/02/2015	30,000	–	–	–	30,000
08/05/2009	51.76	08/05/2010	08/05/2010 – 07/05/2015	160,000	–	–	–	160,000
		08/05/2011	08/05/2011 – 07/05/2015	160,000	–	–	–	160,000
		08/05/2012	08/05/2012 – 07/05/2015	160,000	–	–	–	160,000
		08/05/2013	08/05/2013 – 07/05/2015	160,000	–	–	–	160,000
		08/05/2014	08/05/2014 – 07/05/2015	160,000	–	–	–	160,000
22/06/2009	46.45	22/06/2010	22/06/2010 – 21/06/2015	80,000	–	–	–	80,000
		22/06/2011	22/06/2011 – 21/06/2015	80,000	–	–	–	80,000
		22/06/2012	22/06/2012 – 21/06/2015	80,000	–	–	–	80,000
		22/06/2013	22/06/2013 – 21/06/2015	80,000	–	–	–	80,000
		22/06/2014	22/06/2014 – 21/06/2015	80,000	–	–	–	80,000
09/12/2009	53.74	09/12/2010	09/12/2010 – 08/12/2015	672,000	–	–	240,000	432,000
		09/12/2011	09/12/2011 – 08/12/2015	672,000	–	–	240,000	432,000
		09/12/2012	09/12/2012 – 08/12/2015	672,000	–	–	240,000	432,000
		09/12/2013	09/12/2013 – 08/12/2015	672,000	–	–	240,000	432,000
		09/12/2014	09/12/2014 – 08/12/2015	672,000	–	–	240,000	432,000
11/12/2009	53.90	11/12/2010	11/12/2010 – 10/12/2015	387,000	–	–	–	387,000
		11/12/2011	11/12/2011 – 10/12/2015	387,000	–	–	45,000	342,000
		11/12/2012	11/12/2012 – 10/12/2015	387,000	–	–	45,000	342,000
		11/12/2013	11/12/2013 – 10/12/2015	387,000	–	–	45,000	342,000
		11/12/2014	11/12/2014 – 10/12/2015	387,000	–	–	45,000	342,000
04/02/2010	57.70	04/02/2011	04/02/2011 – 03/02/2016	510,000	–	–	–	510,000
		04/02/2012	04/02/2012 – 03/02/2016	510,000	–	–	60,000	450,000
		04/02/2013	04/02/2013 – 03/02/2016	510,000	–	–	60,000	450,000
		04/02/2014	04/02/2014 – 03/02/2016	510,000	–	–	60,000	450,000
		04/02/2015	04/02/2015 – 03/02/2016	510,000	–	–	60,000	450,000
05/02/2010	55.46	05/02/2011	05/02/2011 – 04/02/2016	159,000	–	–	18,000	141,000
		05/02/2012	05/02/2012 – 04/02/2016	159,000	–	–	18,000	141,000
		05/02/2013	05/02/2013 – 04/02/2016	159,000	–	–	18,000	141,000
		05/02/2014	05/02/2014 – 04/02/2016	159,000	–	–	18,000	141,000
		05/02/2015	05/02/2015 – 04/02/2016	159,000	–	–	18,000	141,000
10/05/2010	52.61	10/05/2011	10/05/2011 – 09/05/2016	120,000	–	–	–	120,000
		10/05/2012	10/05/2012 – 09/05/2016	120,000	–	–	–	120,000
		10/05/2013	10/05/2013 – 09/05/2016	120,000	–	–	–	120,000
		10/05/2014	10/05/2014 – 09/05/2016	120,000	–	–	–	120,000
		10/05/2015	10/05/2015 – 09/05/2016	120,000	–	–	–	120,000
22/06/2010	45.24	22/06/2011	22/06/2011 – 21/06/2016	60,000	–	–	–	60,000
		22/06/2012	22/06/2012 – 21/06/2016	60,000	–	–	–	60,000
		22/06/2013	22/06/2013 – 21/06/2016	60,000	–	–	–	60,000
		22/06/2014	22/06/2014 – 21/06/2016	60,000	–	–	–	60,000
		22/06/2015	22/06/2015 – 21/06/2016	60,000	–	–	–	60,000

2001 Share Option Scheme (continued)

Employees & Consultants (continued)

				Number of share options				
Date of grant (dd/mm/yyyy)	Exercise price (HK$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	As at 01/07/2010	Granted	Exercised	Lapsed	As at 30/06/2011
09/12/2010	37.92	09/12/2011	09/12/2011 – 08/12/2016	–	384,000	–	60,000	324,000
		09/12/2012	09/12/2012 – 08/12/2016	–	384,000	–	60,000	324,000
		09/12/2013	09/12/2013 – 08/12/2016	–	384,000	–	60,000	324,000
		09/12/2014	09/12/2014 – 08/12/2016	–	384,000	–	60,000	324,000
		09/12/2015	09/12/2015 – 08/12/2016	–	384,000	–	60,000	324,000
13/12/2010	38.10	13/12/2011	13/12/2011 – 12/12/2016	–	387,000	–	45,000	342,000
		13/12/2012	13/12/2012 – 12/12/2016	–	387,000	–	45,000	342,000
		13/12/2013	13/12/2013 – 12/12/2016	–	387,000	–	45,000	342,000
		13/12/2014	13/12/2014 – 12/12/2016	–	387,000	–	45,000	342,000
		13/12/2015	13/12/2015 – 12/12/2016	–	387,000	–	45,000	342,000
11/02/2011	40.40	11/02/2012	11/02/2012 – 10/02/2017	–	141,000	–	–	141,000
		11/02/2013	11/02/2013 – 10/02/2017	–	141,000	–	–	141,000
		11/02/2014	11/02/2014 – 10/02/2017	–	141,000	–	–	141,000
		11/02/2015	11/02/2015 – 10/02/2017	–	141,000	–	–	141,000
		11/02/2016	11/02/2016 – 10/02/2017	–	141,000	–	–	141,000
09/05/2011	31.96	09/05/2012	09/05/2012 – 08/05/2017	–	120,000	–	–	120,000
		09/05/2013	09/05/2013 – 08/05/2017	–	120,000	–	–	120,000
		09/05/2014	09/05/2014 – 08/05/2017	–	120,000	–	–	120,000
		09/05/2015	09/05/2015 – 08/05/2017	–	120,000	–	–	120,000
		09/05/2016	09/05/2016 – 08/05/2017	–	120,000	–	–	120,000
22/06/2011	25.60	22/06/2012	22/06/2012 – 21/06/2017	–	60,000	–	–	60,000
		22/06/2013	22/06/2013 – 21/06/2017	–	60,000	–	–	60,000
		22/06/2014	22/06/2014 – 21/06/2017	–	60,000	–	–	60,000
		22/06/2015	22/06/2015 – 21/06/2017	–	60,000	–	–	60,000
		22/06/2016	22/06/2016 – 21/06/2017	–	60,000	–	–	60,000
In aggregate				**35,545,000**	**5,460,000**	**345,000**	**7,090,000**	**33,570,000**
TOTAL				**48,845,000**	**6,360,000**	**345,000**	**8,290,000**	**46,570,000**

Notes:

(i) The closing prices of the shares of the Company immediately before the share options granted on 9 December 2010, 13 December 2010, 11 February 2011, 9 May 2011 and 22 June 2011 were HK$37.60, HK$38.30, HK$38.75, HK$31.35 and HK$24.55 respectively.

(ii) The weighted average closing price of the shares immediately before the dates of exercise by the employees and consultants was HK$41.27.

(iii) No share options were cancelled under the 2001 Share Option Scheme during the year ended 30 June 2011.

2009 Share Option Scheme

The Company adopted a new share option scheme on 10 December 2009 (the "2009 Share Option Scheme"). Particulars of the 2009 Share Option Scheme are set out in note 20 to the consolidated financial statements. Details of the grant of share options and a summary of the movements of the outstanding share options during the financial year under the 2009 Share Option Scheme are as follows:

Directors

Ronald VAN DER VIS

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

				Number of share options				
Date of grant (dd/mm/yyyy)	Exercise price (HK$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	As at 01/07/2010	Granted	Exercised	Lapsed	As at 30/06/2011
27/09/2010	43.00	27/09/2013	27/09/2013 – 26/09/2020	–	400,000	–	–	400,000
In aggregate				**–**	**400,000**	**–**	**–**	**400,000**

CHEW Fook Aun

				Number of share options				
Date of grant (dd/mm/yyyy)	Exercise price (HK$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	As at 01/07/2010	Granted	Exercised	Lapsed	As at 30/06/2011
27/09/2010	43.00	27/09/2013	27/09/2013 – 26/09/2020	–	300,000	–	–	300,000
In aggregate				**–**	**300,000**	**–**	**–**	**300,000**

Employees & Consultants

				Number of share options				
Date of grant (dd/mm/yyyy)	Exercise price (HK$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	As at 01/07/2010	Granted	Exercised	Lapsed	As at 30/06/2011
19/04/2010	62.21	19/04/2011	19/04/2011 – 18/04/2016	160,000	–	–	–	160,000
		19/04/2012	19/04/2012 – 18/04/2016	160,000	–	–	–	160,000
		19/04/2013	19/04/2013 – 18/04/2016	160,000	–	–	–	160,000
		19/04/2014	19/04/2014 – 18/04/2016	160,000	–	–	–	160,000
		19/04/2015	19/04/2015 – 18/04/2016	160,000	–	–	–	160,000
02/07/2010	43.93	02/07/2011	02/07/2011 – 01/07/2016	–	600,000	–	–	600,000
		02/07/2012	02/07/2012 – 01/07/2016	–	600,000	–	–	600,000
		02/07/2013	02/07/2013 – 01/07/2016	–	600,000	–	–	600,000
		02/07/2014	02/07/2014 – 01/07/2016	–	600,000	–	–	600,000
		02/07/2015	02/07/2015 – 01/07/2016	–	600,000	–	–	600,000
27/09/2010	43.00	27/09/2013	27/09/2013 – 26/09/2020	–	9,160,000	–	1,300,000	7,860,000
04/10/2010	42.34	04/10/2011	04/10/2011 – 03/10/2016	–	400,000	–	–	400,000
		04/10/2012	04/10/2012 – 03/10/2016	–	400,000	–	–	400,000
		04/10/2013	04/10/2013 – 03/10/2016	–	400,000	–	–	400,000
		04/10/2014	04/10/2014 – 03/10/2016	–	400,000	–	–	400,000
		04/10/2015	04/10/2015 – 03/10/2016	–	400,000	–	–	400,000
11/02/2011	40.40	11/02/2012	11/02/2012 – 10/02/2017	–	40,000	–	–	40,000
		11/02/2013	11/02/2013 – 10/02/2017	–	40,000	–	–	40,000
		11/02/2014	11/02/2014 – 10/02/2017	–	40,000	–	–	40,000
		11/02/2015	11/02/2015 – 10/02/2017	–	40,000	–	–	40,000
		11/02/2016	11/02/2016 – 10/02/2017	–	40,000	–	–	40,000

2009 Share Option Scheme (continued)

Employees & Consultants (continued)

Date of grant (dd/mm/yyyy)	Exercise price (HK$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	Number of share options: As at 01/07/2010	Granted	Exercised	Lapsed	As at 30/06/2011
19/04/2011	34.71	19/04/2012	19/04/2012 – 18/04/2017	–	120,000	–	–	120,000
		19/04/2013	19/04/2013 – 18/04/2017	–	120,000	–	–	120,000
		19/04/2014	19/04/2014 – 18/04/2017	–	120,000	–	–	120,000
		19/04/2015	19/04/2015 – 18/04/2017	–	120,000	–	–	120,000
		19/04/2016	19/04/2016 – 18/04/2017	–	120,000	–	–	120,000
17/05/2011	30.90	17/05/2014	17/05/2014 – 16/05/2021	–	600,000	–	–	600,000
		17/05/2015	17/05/2015 – 16/05/2021	–	200,000	–	–	200,000
		17/05/2016	17/05/2016 – 16/05/2021	–	200,000	–	–	200,000
In aggregate				**800,000**	**15,960,000**	**–**	**1,300,000**	**15,460,000**
TOTAL				**800,000**	**16,660,000**	**–**	**1,300,000**	**16,160,000**

Notes:
(i) The closing price of the shares of the Company immediately before the share options granted on 2 July 2010, 27 September 2010, 4 October 2010, 11 February 2011, 19 April 2011 and 17 May 2011 were HK$42.45, HK$42.20, HK$42.10, HK$38.75, HK$34.30 and HK$30.50 respectively.
(ii) No share options were cancelled under the 2009 Share Option Scheme during the year ended 30 June 2011.

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 2011, 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
Ronald VAN DER VIS	Interest of a controlled corporation (Note 1)	–	8,400,000	8,400,000	0.65%
CHEW Fook Aun	Beneficial owner	–	3,300,000	3,300,000	0.26%
Jürgen Alfred Rudolf FRIEDRICH	Beneficial owner	45,000,000	–	45,053,669	3.49%
	Interest of spouse (Note 2)	53,669	–		

Notes:
1. The interests of the underlying shares of equity derivatives was held by Pisces Investments Limited of which Pisces Trust controlled 100% share interest. Mr Ronald VAN DER VIS is the settlor of the trust which beneficiaries are Mr Ronald VAN DER VIS, his spouse, Mrs Eef WOLTERS e/v VAN DER VIS and his child, Mr Floris Maximilian Pieter Daniel VAN DER VIS.
2. The shares were held by Mrs Anke Beck FRIEDRICH, the spouse of Mr Jürgen Alfred Rudolf FRIEDRICH.
3. The interests of Directors and chief executives of the Company in the underlying shares of equity derivatives in respect of share options granted to them pursuant to the 2001 Share Option Scheme and the 2009 Share Option Scheme are detailed in "Share Options" section above.
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 2011, 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 2011, 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	Number of shares (Long position)	Number of shares (Short position)	Approximate percentage of aggregate interests to total issued share capital
AllianceBernstein L.P.	86,370,012 (Notes 1 & 2)	–	6.69%
JPMorgan Chase & Co.	75,349,552 (Notes 3 – 5)	5,099,533 (Note 6)	5.84%
The Bank of New York Mellon Corporation	65,512,422 (Notes 1, 7 & 8)	–	5.08%

Notes:
1. All interests disclosed herein represent long positions in the shares of the Company.
2. The shares held by AllianceBernstein L.P. were held in the following capacities:

Capacity	Number of shares (Long position)
Investment manager	77,701,055
Interest of controlled corporations	8,668,957

3. 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	4,130,556	5,099,533
Investment manager	2,905,496	–
Custodian corporation/approved lending agent	68,313,500	–

4. Details of the interest in long position of the 75,349,552 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	68,324,093	5.29%
JPMorgan Chase Bank, N.A.	I	4,130,556	0.32%
J.P. Morgan International Inc.	I	4,130,556	0.32%
Bank One International Holdings Corporation	I	4,130,556	0.32%
J.P. Morgan International Finance Limited	I	4,130,556	0.32%
J.P. Morgan Overseas Capital Corporation	I	1,642,322	0.13%
J.P. Morgan Whitefriars Inc.	D	1,642,322	0.13%
JPMorgan Asset Management Holdings Inc.	I	2,894,903	0.22%
J.P. Morgan Investment Management Inc.	D	508,026	0.04%
JPMorgan Asset Management International Limited	I	2,386,877	0.18%
JPMorgan Asset Management Holdings (UK) Limited	I	2,386,877	0.18%
JPMorgan Asset Management (UK) Limited	D	2,386,877	0.18%
J.P. Morgan Capital Holdings Limited	I	2,488,234	0.19%
J.P. Morgan Chase (UK) Holdings Limited	I	2,488,234	0.19%
J.P. Morgan Chase International Holdings	I	2,488,234	0.19%
J.P. Morgan Securities Ltd.	D	2,488,234	0.19%

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 75,349,552 shares held or deemed to be held by: (I) JPMorgan Chase Bank, N.A. (72,454,649 shares); and (II) JPMorgan Asset Management Holdings Inc. (2,894,903 shares), all were wholly-owned subsidiaries of JPMorgan Chase & Co.

(a) JPMorgan Chase Bank, N.A. directly held 68,324,093 shares and was also deemed to be interested in an aggregate of 4,130,556 shares held by the following indirect subsidiaries held through J.P. Morgan International Finance Limited ("JPIF"):
 (i) 1,642,322 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
 (ii) 2,488,234 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.

(b) JPMorgan Asset Management Holdings Inc. ("JPAMH") was deemed to be interested in an aggregate of 2,894,903 shares held by the following subsidiaries:
 (i) 508,026 shares were held by J.P. Morgan Investment Management Inc., directly wholly-owned by JPAMH;
 (ii) 2,386,877 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.

5. 68,313,500 shares of the interest disclosed herein represent shares of the Company in the lending pool.

6. Details of the interest in short position of the 5,099,533 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	5,099,533	0.40%
J.P. Morgan International Inc.	I	5,099,533	0.40%
Bank One International Holdings Corporation	I	5,099,533	0.40%
J.P. Morgan International Finance Limited	I	5,099,533	0.40%
J.P. Morgan Capital Holdings Limited	I	2,488,233	0.19%
J.P. Morgan Chase (UK) Holdings Limited	I	2,488,233	0.19%
J.P. Morgan Chase International Holdings	I	2,488,233	0.19%
J.P. Morgan Securities Ltd.	D	2,488,233	0.19%
J.P. Morgan Overseas Capital Corporation	I	2,611,300	0.20%
J.P. Morgan Whitefriars Inc.	D	2,611,300	0.20%

Explanatory Notes:
All the following interests were deemed to be held by the relevant company under the SFO. JPMorgan Chase & Co. was deemed to have a short position in an aggregate of 5,099,533 shares held by the following indirect subsidiaries:

(a) 2,488,233 shares held by J.P. Morgan Securities Ltd., 98.95% subsidiary of J.P. Morgan Chase International Holdings, wholly-owned by J.P. Morgan Chase (UK) Holdings Limited, wholly-owned by J.P. Morgan Capital Holdings Limited, a wholly-owned subsidiary of JPIF, indirect wholly-owned subsidiary of JPMorgan Chase & Co; and

(b) 2,611,300 shares held by J.P. Morgan Whitefriars Inc., wholly-owned by J.P. Morgan Overseas Capital Corporation, a wholly-owned subsidiary of JPIF, indirect wholly-owned subsidiary of JPMorgan Chase & Co.

7. The shares held by The Bank of New York Mellon Corporation were held in the following capacity:

Capacity	Number of shares (Long position)
Interest of controlled corporations	65,512,422

8. 57,706,585 shares of the interest disclosed herein represent shares of the Company in the lending pool.

Save as aforesaid and as disclosed in the "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" section of this report, the Company has not been notified by any person who had interest or short position in the shares or underlying shares of the Company as at 30 June 2011 which were required to be notified to the Company pursuant to Part XV of the SFO or which are recorded in the register required to be kept by the Company under Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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

PRE-EMPTIVE RIGHTS

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

MAJOR CUSTOMERS AND SUPPLIERS

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

PUBLIC FLOAT

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

MANAGEMENT CONTRACTS

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

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details of the significant related party transactions undertaken in the normal course of business are provided under note 29 to the consolidated financial statements. None of these related party transactions constitutes a connected transaction as defined in the Listing Rules.

AUDIT COMMITTEE

As required under the Listing Rules, the Company has an Audit Committee comprising of four Independent Non-executive Directors. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and has also discussed auditing, internal controls, and financial reporting matters including the review of the consolidated results of the Group for the year ended 30 June 2011.

CORPORATE GOVERNANCE

Particulars of the Company's corporate governance practices are set out on pages 72 to 76 of this report.

AUDITOR

The consolidated financial statements have been audited by PricewaterhouseCoopers who are due to retire and, being eligible, offer themselves for re-appointment at the 2011 Annual General Meeting.

On behalf of the Board
ESPRIT HOLDINGS LIMITED

Dr Hans-Joachim KÖRBER
Chairman

Hong Kong, 15 September 2011

06 *FINANCIAL SECTION*

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

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Esprit Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 97 to 133, which comprise the consolidated and company balance sheets as at 30 June 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2011, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Other matters

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

PricewaterhouseCoopers

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 15 September 2011

06.2 CONSOLIDATED INCOME STATEMENT

	Notes	For the year ended 30 June 2011 HK$ million	2010 HK$ million
Turnover	5	**33,767**	33,734
Cost of goods sold		**(15,569)**	(15,298)
Gross profit		**18,198**	18,436
Staff costs	12	**(4,933)**	(4,539)
Occupancy costs		**(4,407)**	(3,936)
Logistics expenses		**(1,466)**	(1,315)
Advertising expenses		**(984)**	(720)
Depreciation		**(830)**	(884)
Impairment of property, plant and equipment		**(780)**	(655)
Provision for store closure		**(1,656)**	(441)
Other operating costs		**(2,450)**	(2,160)
Operating profit	6	**692**	3,786
Interest income		**45**	33
Finance costs	7	**(27)**	(12)
Share of results of associates		**–**	81
Gain on measuring equity interest in the associated companies held before the business combination		**–**	1,586
Profit before taxation		**710**	5,474
Taxation	8	**(631)**	(1,248)
Profit attributable to shareholders of the Company	9	**79**	4,226
Earnings per share	11		
– Basic		**HK$0.06**	HK$3.35
– Diluted		**HK$0.06**	HK$3.34

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

The notes on pages 104 to 133 form an integral part of these consolidated financial statements.

06.3 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 30 June	
	2011	2010
	HK$ million	HK$ million
Profit attributable to shareholders of the Company	**79**	4,226
Other comprehensive income		
Fair value (loss)/gain on cash flow hedge	**(139)**	4
Exchange translation	**2,103**	(1,424)
Total comprehensive income for the year attributable to shareholders of the Company	**2,043**	2,806

The notes on pages 104 to 133 form an integral part of these consolidated financial statements.

06.4 CONSOLIDATED BALANCE SHEET

		As at 30 June	
		2011	2010
	Notes	**HK$ million**	HK$ million
Non-current assets			
Intangible assets	14	**7,672**	7,345
Property, plant and equipment	15	**4,415**	3,976
Investment properties	16	**13**	12
Other investments		**8**	7
Deposits and prepayments	18	**502**	440
Deferred tax assets	24	**808**	532
		13,418	12,312
Current assets			
Inventories	17	**4,218**	2,455
Debtors, deposits and prepayments	18	**3,586**	3,043
Tax receivable		**1,018**	–
Cash and cash equivalents	19	**4,794**	6,748
		13,616	12,246
Current liabilities			
Creditors and accrued charges	21	**4,723**	3,712
Provision for store closure	22	**1,992**	434
Taxation		**1,156**	918
Bank loans – current portion	23	**520**	520
		8,391	5,584
Net current assets		**5,225**	6,662
Total assets less current liabilities		**18,643**	18,974
Equity			
Share capital	20	**129**	129
Reserves		**16,104**	15,943
Total equity		**16,233**	16,072
Non-current liabilities			
Bank loans	23	**1,560**	2,080
Deferred tax liabilities	24	**850**	822
		2,410	2,902
		18,643	18,974

Approved by the Board of Directors on 15 September 2011.

RONALD **VAN DER VIS**
Executive Director

CHEW FOOK AUN
Executive Director

The notes on pages 104 to 133 form an integral part of these consolidated financial statements.

06.5 BALANCE SHEET

	Notes	2011 HK$ million	2010 HK$ million
		As at 30 June	
Non-current assets			
Investments in subsidiaries, unlisted and at cost	31	**1,091**	949
Current assets			
Amounts due from subsidiaries	30(a)	**9,826**	8,837
Tax receivable		**1**	–
Cash and cash equivalents		**4**	1
		9,831	8,838
Current liabilities			
Amounts due to subsidiaries	30(a)	**4,106**	3,951
Accrued charges		**21**	14
		4,127	3,965
Net current assets		**5,704**	4,873
Total assets less current liabilities		**6,795**	5,822
Equity			
Share capital	20	**129**	129
Reserves	30(b)	**6,666**	5,693
Total equity		**6,795**	5,822

Approved by the Board of Directors on 15 September 2011.

RONALD **VAN DER VIS**
Executive Director

CHEW FOOK AUN
Executive Director

The notes on pages 104 to 133 form an integral part of these consolidated financial statements.

06.6 CONSOLIDATED CASH FLOW STATEMENT

	Notes	2011 HK$ million	2010 HK$ million
		For the year ended 30 June	
Cash flows from operating activities			
Cash generated from operations	25	**3,386**	6,704
Hong Kong profits tax paid		**(9)**	(53)
Overseas tax paid		**(1,542)**	(1,239)
Net cash inflow from operating activities		**1,835**	5,412
Cash flows from investing activities			
Net cash outflow for acquisition of remaining interest in the associated companies	25	**(250)**	(3,173)
Net cash outflow for acquisition of a subsidiary		**–**	(41)
Purchase of property, plant and equipment		**(1,436)**	(1,509)
Proceeds from disposal of property, plant and equipment	25	**7**	16
Interest received		**45**	33
Dividend received from an associate		**–**	245
Net cash used in investing activities		**(1,634)**	(4,429)
Cash flows from financing activities			
Net proceeds on issue of shares for cash		**8**	186
Dividends paid		**(2,079)**	(1,482)
Interest paid on bank loans		**(21)**	(8)
Repayment of bank loans		**(520)**	–
Proceeds from bank loans		**–**	2,600
Net cash (used in)/inflow from financing activities		**(2,612)**	1,296
Net (decrease)/increase in cash and cash equivalents		**(2,411)**	2,279
Cash and cash equivalents at beginning of year		**6,748**	4,840
Effect of change in exchange rates		**457**	(371)
Cash and cash equivalents at end of year	19	**4,794**	6,748

The notes on pages 104 to 133 form an integral part of these consolidated financial statements.

06.7 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2011

	Share capital	Share premium	Employee share-based payment reserve	Hedging reserve	Contributed surplus	Translation reserve	Capital reserve	Retained profits	Total
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
At 1 July 2010	129	3,073	481	–	7	(797)	1	13,178	16,072
Exchange translation	–	–	–	–	–	2,103	–	–	2,103
Fair value loss on cash flow hedge									
– net fair value loss	–	–	–	(192)	–	–	–	–	(192)
– transferred to operating profit – exchange difference	–	–	–	2	–	–	–	–	2
– transferred to inventories	–	–	–	51	–	–	–	–	51
Profit attributable to shareholders of the Company	–	–	–	–	–	–	–	79	79
Total comprehensive income	–	–	–	(139)	–	2,103	–	79	2,043
2009/10 final dividend paid (Note 10)	–	37	–	–	–	–	–	(863)	(826)
2010/11 interim dividend paid (Note 10)	–	36	–	–	–	–	–	(1,289)	(1,253)
Issues of shares (Note 20)	–	8	–	–	–	–	–	–	8
Employee share option benefits	–	–	189	–	–	–	–	–	189
Transfer of reserve upon exercise of share options	–	3	(3)	–	–	–	–	–	–
At 30 June 2011	129	3,157	667	(139)	7	1,306	1	11,105	16,233
Representing:									
Proposed final dividend									–
Balance after proposed final dividend									16,233
At 30 June 2011									16,233

The notes on pages 104 to 133 form an integral part of these consolidated financial statements.

06.7 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2010

	Share capital	Share premium	Employee share-based payment reserve	Hedging reserve	Contributed surplus	Translation reserve	Capital reserve	Retained profits	Total
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
At 1 July 2009	125	2,841	378	(4)	7	627	1	10,434	14,409
Exchange translation	–	–	–	–	–	(1,424)	–	–	(1,424)
Fair value gain on cash flow hedge									
– net fair value gain	–	–	–	1	–	–	–	–	1
– transferred to inventories	–	–	–	3	–	–	–	–	3
Profit attributable to shareholders of the Company	–	–	–	–	–	–	–	4,226	4,226
Total comprehensive income	–	–	–	4	–	(1,424)	–	4,226	2,806
2008/09 final and special dividends paid	3	(3)	–	–	–	–	–	(870)	(870)
2009/10 interim dividend paid	1	(1)	–	–	–	–	–	(612)	(612)
Issues of shares (Note 20)	–	186	–	–	–	–	–	–	186
Employee share option benefits	–	–	153	–	–	–	–	–	153
Transfer of reserve upon exercise of share options	–	50	(50)	–	–	–	–	–	–
At 30 June 2010	129	3,073	481	–	7	(797)	1	13,178	16,072
Representing:									
Proposed final dividend									863
Balance after proposed final dividend									15,209
At 30 June 2010									16,072

The 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 104 to 133 form an integral part of these consolidated financial statements.

06.8 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2011

1 General information

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

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

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

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

These consolidated financial statements have been approved for issue by the Board of Directors on 15 September 2011.

2 Summary of significant accounting policies

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

(a) Basis of preparation

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

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

IAS 1 (Amendment)	Presentation of Financial Statements
IAS 7 (Amendment)	Classification of Expenditures on Unrecognised Assets
IAS 32 (Amendment)	Financial Instruments – Classification of Rights Issues
IAS 36 (Amendment)	Impairment of Assets
IAS 39 (Amendment)	Eligible Hedge Items
IFRS 1 (Amendment)	First-time Adoption of IFRS – Oil and Gas Assets and Determining Whether an Arrangement Contains a Lease
IFRS 1 (Amendment)	Limited Exemption from Comparative IFRS 7 Disclosure for First-time Adopters
IFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
IFRS 5 (Amendment)	Non-current Assets Held for Sale and Discontinued Operations
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

The Group did not early adopt the following 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 (Amendment)	Presentation of Financial Statements – Amendments to Revise the Way Other Comprehensive Income is Presented	1 July 2012
IAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets	1 January 2012
IAS 19 (Amendment)	Employee Benefits – Amended Standard Resulting from the Post-Employment Benefits and Termination Benefits Projects	1 January 2013
IAS 24 (Revised)	Related Party Disclosures	1 January 2011
IAS 27	Consolidated and Separate Financial Statements – Reissued as IAS 27 Separate Financial Statements	1 January 2013
IAS 28	Investments in Associates – Reissued as IAS 28 Investments in Associates and Joint Ventures	1 January 2013
IFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 July 2011
IFRS 7 (Amendment)	Disclosures – Transfers of Financial Assets	1 July 2011
IFRS 9	Financial Instruments	1 January 2013
IFRS 9 (Amendment)	Additions to IFRS 9 for Financial Liabilities Accounting	1 January 2013
IFRS 10	Consolidated Financial Statements	1 January 2013
IFRS 11	Joint Arrangements	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013
IFRIC 14 (Amendment)	Prepayment of a Minimum Funding Requirement	1 January 2011
Various IASs and IFRSs	Improvements to IFRSs 2010	1 January 2011

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

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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

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

(b) Consolidation

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

The purchase method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. When a business combination is achieved in stages, the Group remeasures its previously held interest in the acquiree at its fair value at the date when control is obtained, with any resulting gain or loss recognised in the income statement.

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

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

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

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

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

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

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

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

(c) Segment reporting

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

2 Summary of significant accounting policies (continued)

(d) Foreign currency translation

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

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

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

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

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

(c) all resulting exchange differences are recognised in other comprehensive income.

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

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

(e) Property, plant and equipment

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

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

Buildings	$3^1/_3$% - 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 it is completed and ready for use.

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

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

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

(f) Investment properties

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

(g) Intangible assets

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

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

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

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

2 Summary of significant accounting policies (continued)

(h) Impairment of non-financial assets

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

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

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

(i) Inventories

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

(j) Receivables

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

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

(k) Payables

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

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

(l) Cash and cash equivalents

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

(m) Borrowings

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

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

(n) Share capital

Ordinary shares are classified as equity.

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

(o) Current and deferred tax

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

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

2 Summary of significant accounting policies (continued)

(o) Current and deferred tax (continued)

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

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

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

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

(p) Employee benefits

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

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

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

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

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

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

(q) Provisions

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

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

(r) Revenue recognition

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

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

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

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

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

2 Summary of significant accounting policies (continued)

(s) Accounting for derivative financial instruments

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

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

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

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

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

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

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

(t) Leases

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

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

(u) Dividend distributions

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

(v) Financial guarantee

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

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

3 Financial risk management and fair value

(a) Financial risk factors

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

(i) Foreign exchange risk
The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro. Foreign exchange risk primarily arises from future commercial transactions and recognised 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 of the Company would decrease (2010: decrease) by approximately **HK$3 million** (2010: HK$4 million) and total equity would decrease (2010: decrease) by approximately **HK$33 million** (2010: HK$4 million) in response to a 1% strengthening in Euro vs US Dollars in relation to monetary items and derivative financial instruments in existence at the balance sheet date.

3 Financial risk management and fair value (continued)

(a) Financial risk factors (continued)

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

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

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

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

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

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

	Less than 1 year HK$ million	Between 1 and 2 years HK$ million	Between 2 and 5 years HK$ million
At 30 June 2011			
Creditors and accrued charges (Note)	**4,723**	**–**	**–**
Provision for store closure	**1,992**	**–**	**–**
Bank loans	**536**	**531**	**1,050**
	7,251	**531**	**1,050**
At 30 June 2010			
Creditors and accrued charges (Note)	3,712	–	–
Provision for store closure	434	–	–
Bank loans	542	538	1,583
	4,688	538	1,583

Note: Included in creditors and accrued charges with a maturity less than 1 year are derivative financial instruments of **HK$145 million** (2010: nil).

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

The Group's profit attributable to shareholders of the Company would decrease by approximately **HK$24 million** (2010: HK$10 million) in response to a 100 basis points increase in market interest rates from the rates applicable at 30 June 2011, with all other variables held constant.

(b) Capital risk management

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

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

The Group monitors capital by maintaining a net cash position throughout the year. Net cash position is calculated by cash and cash equivalents less interest bearing borrowings. As at 30 June 2011, the Group maintained a net cash position of **HK$2,714 million** (2010: HK$4,148 million).

(c) Fair value estimation

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

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

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

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

3 Financial risk management and fair value (continued)

(c) Fair value estimation (continued)

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

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

4 Critical accounting estimates and judgements

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

Critical accounting estimates and assumptions

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

(a) Useful life and impairment of trademarks

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

(ii) Impairment
In accordance with IAS 36 "Impairment of Assets", the Group completed its annual impairment test for Esprit trademarks by comparing their recoverable amount to their carrying amount as at 30 June 2011. The Group conducted a valuation of the Esprit trademarks as one corporate asset based on a fair value less costs to sell calculation. This valuation uses cash flow projections based on financial estimates covering a three-year period, expected royalty rates deriving from the Esprit trademarks in the range of **3% to 6%** (2010: 3% to 6%) and a discount rate of **16%** (2010: 14%). The cash flows beyond the three-year period are extrapolated using a steady **3%** (2010: 3%) growth rate. This growth rate does not exceed the long-term average growth rate for apparel markets in which the Group operates. Management has considered the above assumptions and valuation and has also taken into account the business expansion plan going forward, the current wholesale order books and the strategic retail expansion worldwide and believes that there is no impairment in the Esprit trademarks.

(b) Impairment of goodwill

In accordance with IAS 36 "Impairment of Assets", the Group completed its annual impairment test for goodwill allocated to the Group's various CGUs by comparing their recoverable amount to their carrying amount as at the balance sheet date. Goodwill impairment review has been performed at the lowest level of CGU which generates cash flow independently. The recoverable amount of a CGU is determined based on fair value less cost to sell calculations. These calculations use cash flow projections based on financial budgets approved by management covering a four-year period and a discount rate of **11%**. Cash flows beyond the four-year period are extrapolated using a steady growth rate of **3%**. The budgeted net profit margin was determined by management for each individual CGU based on past performance and its expectations for market development.

(c) Impairment of property, plant and equipment

In accordance with IAS 36 "Impairment of Assets", the Group assesses annually whether property, plant and equipment have any indication of impairment. The Group estimates the recoverable amount of the asset if any such indication exists. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. The value in use calculation involves estimating the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and applying the appropriate discount rate to those future cash flows. The estimation of future cash flows and selection of discount rate require the use of judgements and estimates.

(d) Net realisable value of inventories

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

(e) Income 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.

4 Critical accounting estimates and judgements (continued)

(f) Provision for store closure

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

The Group recognises a provision for store closure based on the estimated unavoidable costs of meeting all leases and other obligations under the retail stores, net of economic benefits expected to be received from the stores, if any. The Group estimates the provision based on the historical patterns of the actual outflows to landlords as a result of early termination of leases and management also consults with retail agencies for certain locations in respect of the current market trends. The Group also estimates the provision for store closure based on past experience of payout ratio of the total compensation to the landlords. Estimates differ depending on the current rent, location, lease exit terms and management's assessment of when the lease term can be terminated early. The settlement of these contracts may be different from the Group's estimation subject to the negotiation with the landlords. With all other variables held constant, if the payout ratio of the total compensation increases/decreases by 10%, the provision for store closure will increase/ decrease by **HK$199 million**.

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.

	2011	2010
	HK$ million	HK$ million
Revenue		
Wholesale	**14,475**	15,631
Retail	**19,059**	17,877
Licensing and other income	**233**	226
	33,767	33,734

The chief operating decision-makers have been identified as the executive directors ("Executive Directors") of the Group.

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

The Executive Directors consider the business from an operations nature perspective, including wholesale and retail distribution and licensing of quality fashion and life-style products designed under its own internationally-known Esprit brand name.

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

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

5 Turnover and segment information (continued)

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

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

	2011	2010
	HK$ million	HK$ million
Europe		
Germany (Note 1)	**14,280**	14,773
Benelux	**4,613**	5,000
France	**2,503**	2,841
Austria	**1,394**	1,475
Scandinavia	**1,530**	1,464
Switzerland	**1,478**	1,409
United Kingdom	**357**	411
Ireland	**30**	32
Italy	**211**	287
Spain	**301**	295
Portugal	**13**	27
Others	**15**	7
	26,725	28,021
Asia Pacific		
Hong Kong	**586**	688
Macau (Note 2)	**562**	1,295
Taiwan	**296**	261
Singapore	**446**	410
Malaysia	**246**	211
China	**2,675**	793
Australia and New Zealand	**997**	976
	5,808	4,634
North America		
Canada	**587**	553
United States	**647**	526
	1,234	1,079
	33,767	33,734

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

Note 2: Macau sales for the year ended 30 June 2011 includes wholesale sales to other countries mainly Columbia, Middle East and Thailand; Macau sales for the year ended 30 June 2010 also included wholesale sales to the former China Joint Venture

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

	2011	2010
	HK$ million	HK$ million
Hong Kong	**321**	332
Germany	**2,826**	1,926
Other countries (Note)	**8,953**	9,075
	12,100	11,333

Note: Non-current assets located in other countries include intangible assets of **HK$7,672 million** (2010: HK$7,345 million) (Note 14).

During the year, the turnover from the Group's largest customer amounted to less than 10% of the Group's total turnover (2010: less than 10%).

6 Operating profit

	2011 HK$ million	2010 HK$ million
Operating profit is arrived at after charging and (crediting) the following:		
Auditors' remuneration	**16**	14
Depreciation	**830**	884
Amortisation of customer relationships	**59**	23
Impairment of property, plant and equipment (Note)		
Store closure	**741**	352
Others	**39**	303
Provision for store closure (Note)		
Additional provisions	**1,688**	441
Unused amounts reversed	**(32)**	–
Loss on disposal of property, plant and equipment	**37**	32
Occupancy costs		
Operating lease charge (including variable rental of **HK$439 million** (2010: HK$283 million))	**3,412**	3,018
Other occupancy costs	**995**	918
Cash flow hedges:		
– transferred from equity to exchange losses on foreign currency forward contracts	**1**	–
– ineffective portion recognised in exchange gain or loss on foreign currency forward contracts not qualified for hedge accounting	**(22)**	–
Fair value hedges:		
– exchange loss/(gain) on foreign currency forward contracts	**19**	(7)
– exchange (gain)/loss on hedged items	**(68)**	41
Other net exchange losses/(gains)	**6**	(148)
Net (write back)/charge for provision for obsolete inventories	**(27)**	18
Provision for impairment of trade debtors	**153**	283

Note: During the year, the management has decided to divest the operations in North America and close a number of stores in various countries in Europe and Asia Pacific. In this connection, the Group has recognised an impairment of property, plant and equipment of **HK$741 million** (2010: HK$352 million), of which **HK$324 million** relates to the divestment of operations in North America, and a provision for store closure of **HK$1,688 million** (2010: HK$441 million), of which **HK$944 million** relates to the divestment of operations in North America.

7 Finance costs

	2011 HK$ million	2010 HK$ million
Interest on bank loans wholly repayable within five years	**21**	8
Imputed interest on financial assets and financial liabilities	**6**	4
	27	12

8 Taxation

	2011 HK$ million	2010 HK$ million
Current tax		
Hong Kong profits tax		
Provision for current year	**1**	1
Underprovision for prior years	**2**	54
Overseas taxation		
Provision for current year	**874**	1,270
Overprovision for prior years	**(52)**	(336)
	825	989
Deferred tax (Note 24)		
Current year net (credit)/charge	**(192)**	237
Effect of changes in tax rates	**(2)**	22
Taxation	**631**	1,248

Hong Kong profits tax is calculated at **16.5%** (2010: 16.5%) on the estimated assessable profit for the year, net of tax losses carried forward, if applicable.

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

The tax on the Group's profit before taxation differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the Group's subsidiaries. The weighted average applicable tax rate was **88.9%** (2010: 22.8%).

	2011 HK$ million	2010 HK$ million
Profit before taxation	**710**	5,474
Tax calculated at applicable tax rates	**164**	1,146
Expenses not deductible for tax purposes	**536**	52
Non-taxable income	**(19)**	(5)
Utilisation of carried forward tax losses	**(45)**	(56)
Tax effect of tax losses not recognised	**33**	18
Tax effect of share of results of associates	**–**	(19)
Overprovision for prior years	**(50)**	(282)
Tax effect on deferred tax balances due to changes in income tax rates	**(2)**	22
Tax on undistributed earnings	**14**	372
Taxation	**631**	1,248

9 Profit attributable to shareholders of the Company

The profit attributable to shareholders of the Company is dealt with in the financial statements of the Company to the extent of **HK$2,855 million** (2010: HK$2,135 million) (Note 30).

10 Dividends

	2011 HK$ million	2010 HK$ million
Paid interim dividend of **HK$1.00** (2010: HK$0.74) per share	**1,289***	946
No proposed final dividend for 2011 (2010: HK$0.67 per share)	**–**	863**
	1,289	1,809

* The actual interim dividend paid in cash for the year ended 30 June 2011 was HK$1,253 million. Part of the interim dividend for the year ended 30 June 2011 amounting to HK$36 million was paid in form of new fully paid shares out of the retained profits during the year. For the purpose of calculating the number of scrip shares allotted in respect of the interim dividend, the market value of the scrip shares is HK$38.17, which is the average closing price of the Company's share as quoted on The Stock Exchange of Hong Kong Limited for the five consecutive trading days immediately preceding 7 March 2011.

** The actual final dividend paid in cash for the year ended 30 June 2010 was HK$826 million. The amount of the actual final dividend paid for the year ended 30 June 2010 had taken into account the additional shares issued during the period from 3 September 2010 to 24 November 2010, the date of closure of the register of members, and part of the final dividend amounting to HK$37 million was paid in form of new fully paid shares out of the retained profits during the year. For the purpose of calculating the number of scrip shares allotted in respect of the final dividend, the market value of the scrip shares is HK$41.53, which is the average closing price of the Company's share as quoted on The Stock Exchange of Hong Kong Limited for the five consecutive trading days immediately preceding 18 November 2010.

11 Earnings per share

Basic

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

	2011 HK$ million	2010 HK$ million
Profit attributable to shareholders of the Company	**79**	4,226
Weighted average number of ordinary shares in issue (million)	**1,289**	1,263
Basic earnings per share (HK dollars per share)	**0.06**	3.35

Diluted

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

	2011 HK$ million	2010 HK$ million
Profit attributable to shareholders of the Company	**79**	4,226
Weighted average number of ordinary shares in issue (million)	**1,289**	1,263
Adjustments for share options (million)	**–**	2
Weighted average number of ordinary shares for diluted earnings per share (million)	**1,289**	1,265
Diluted earnings per share (HK dollars per share)	**0.06**	3.34

12 Staff costs (including directors' emoluments)

	2011 HK$ million	2010 HK$ million
Salaries and wages	**3,690**	3,426
Social security costs and other staff costs	**943**	866
Pensions costs of defined contribution plans	**111**	94
Employee share option benefits	**189**	153
	4,933	4,539

Defined contribution retirement schemes

The Group principally participates in defined contribution plans. In Hong Kong, the Group participates in the Mandatory Provident Fund Scheme operated by HSBC Provident Fund Trustee (Hong Kong) Limited. Contributions at a fixed rate of 5% of the employee's relevant income, subject to a cap of monthly relevant income of HK$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 (2010: nil) which have been applied towards the contributions payable by the Group.

13 Directors' and senior management's emoluments

(a) Directors' emoluments

Name of Director	Fees[4]	Basic salaries, allowance and benefits in kind	Bonuses	Share option benefits	Provident fund contributions/ retirement benefit costs	2011 Total emoluments	2010 Total emoluments
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RONALD **VAN DER VIS**	–	16,383 (EUR1,544,246)	10,609 (EUR1,000,000)	30,645 (EUR2,888,545)	1 (EUR102)	57,638 (EUR5,432,893)	62,862 (EUR5,821,686)
CHEW FOOK AUN	–	8,326	2,875	11,419	12	22,632	16,883
JÜRGEN ALFRED RUDOLF **FRIEDRICH**[1,3]	565	–	–	–	–	565	573
DR HANS-JOACHIM **KÖRBER**[2,3]	1,236	79	–	–	–	1,315	665
PAUL **CHENG** MING FUN[2,3]	805	–	–	–	–	805	805
ALEXANDER REID **HAMILTON**[2,3]	735	–	–	–	–	735	735
RAYMOND **OR** CHING FAI[2,3]	730	–	–	–	–	730	730
FRANCESCO **TRAPANI**[2]	665	–	–	–	–	665	658
HEINZ JÜRGEN **KROGNER-KORNALIK**[5]	1,653 (EUR155,830)	1,154 (EUR108,754)	–	5,340 (EUR503,324)	–	8,147 (EUR767,908)	124,630 (EUR11,541,936)
THOMAS JOHANNES **GROTE**[6]	–	–	–	–	–	–	(17,845) (EUR1,652,590)
Total for the year 2011	6,389	25,942	13,484	47,404	13	93,232	
Total for the year 2010	4,166	42,892	98,432	45,078	128		190,696

[1] Non-executive directors
[2] Independent non-executive directors
[3] Members of the Audit Committee
[4] The amount includes directors' fees of **HK$4.2 million** (2010: HK$3.6 million) paid to independent non-executive directors
[5] Mr Heinz Jürgen KROGNER-KORNALIK resigned with effect from 11 February 2011
[6] Mr Thomas Johannes GROTE resigned with effect from 26 March 2009

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included **two** (2010: three) directors whose emoluments are reflected in the analysis presented above. The emoluments receivable by the remaining **three** (2010: two) individuals during the year are listed below:

	2011 HK$'000	2010 HK$'000
Salaries, housing and other allowances and benefits in kind	**20,007**	11,864
Bonuses	**11,139**	11,357
Share option benefits	**29,305**	15,384
Pensions costs of defined contribution plans	**58**	18
	60,509	38,623

	Number of individuals	
Emoluments band	**2011**	2010
HK$18,500,001 – HK$ 19,000,000	**1**	–
HK$19,000,001 – HK$ 19,500,000	**–**	2
HK$19,500,001 – HK$ 20,000,000	**1**	–
HK$22,000,001 – HK$ 22,500,000	**1**	–

14 Intangible assets

	Trademarks HK$ million	Goodwill HK$ million	Customer relationships HK$ million	Total HK$ million
Cost				
At 1 July 2009	2,014	47	–	2,061
Acquisition of remaining interest in the associated companies	–	4,719	589	5,308
Acquisition of a subsidiary	–	42	–	42
Amortisation charge	–	–	(23)	(23)
Exchange translation	(39)	(4)	–	(43)
At 1 July 2010	**1,975**	**4,804**	**566**	**7,345**
Amortisation charge	**–**	**–**	**(59)**	**(59)**
Exchange translation	**56**	**300**	**30**	**386**
At 30 June 2011	**2,031**	**5,104**	**537**	**7,672**

Trademarks

The trademarks are considered to have an indefinite useful life and were tested for impairment at 30 June 2011, as described in note 4(a). The recoverable amount of the Esprit trademarks as at 30 June 2011 was higher than their carrying amount.

Goodwill

The goodwill arising from the business combinations during the year ended 30 June 2010 was allocated to the Group's CGUs identified according to operating segment. An operating segment-level summary of the goodwill allocation as at 30 June 2011 is presented below:

	Wholesale HK$ million	**Retail HK$ million**	**Total HK$ million**
China	2,999	1,999	4,998
Finland	45	–	45
Total	**3,044**	**1,999**	**5,043**

15 Property, plant and equipment

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

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

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

16 Investment properties

	2011 HK$ million	2010 HK$ million
Opening balance	**12**	–
Acquisition of remaining interest in the associated companies	**–**	12
Change in fair value of investment properties	**1**	–
Closing balance	**13**	12

The investment properties represent certain medium-term leasehold land and buildings located in the People's Republic of China. An independent professional valuer, American Appraisal China Limited, valued the properties at 30 June 2011 on an open market value basis at **HK$13 million** (2010: HK$12 million).

17 Inventories

	2011 HK$ million	2010 HK$ million
Finished goods	**4,115**	2,381
Consumables	**103**	74
	4,218	2,455

18 Debtors, deposits and prepayments

	2011 HK$ million	2010 HK$ million
Trade debtors	**3,533**	2,777
Less: provision for impairment of trade debtors	**(432)**	(388)
	3,101	2,389
Deposits	**285**	231
Prepayments	**524**	528
Other debtors and receivables	**178**	335
	4,088	3,483
Non-current portion of deposits	**(187)**	(160)
Non-current portion of prepayments	**(315)**	(280)
Current portion	**3,586**	3,043
Maximum exposure to credit risk	**3,564**	2,955

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

	2011 HK$ million	2010 HK$ million
Current portions	**2,290**	1,873
1-30 days	**269**	165
31-60 days	**130**	98
61-90 days	**68**	56
Over 90 days	**344**	197
Amount past due but not impaired	**811**	516
	3,101	2,389

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

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

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

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

	2011 HK$ million	2010 HK$ million
At beginning of year	**388**	251
Provision for impairment of trade debtors	**206**	293
Bad debts written off	**(180)**	(87)
Unused amounts reversed	**(53)**	(10)
Exchange translation	**71**	(59)
At end of year	**432**	388

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

During the year, the Group renegotiated the terms of trade debtors totalling **HK$149 million** (2010: HK$124 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:

	2011 HK$ million	2010 HK$ million
Short-term bank deposits	**2,252**	3,089
Bank balances and cash	**2,542**	3,659
	4,794	6,748

The maximum exposure to credit risk as at 30 June 2011 is the carrying amount of bank balances and short-term bank deposits.

The effective interest rate on cash and cash equivalents for 2011 was determined to be **0.5%** (2010: 0.4%) per annum; the short-term bank deposits generally have a maturity of less than 180 days.

20 Share capital

	2011 HK$ million	2010 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 2010	**1,288**	**129**
Exercise of share options (Note (a))	**–**	**–**
Issue of scrip shares (Note (b))	**2**	**–**
Balance at 30 June 2011	**1,290**	**129**
Balance at 1 July 2009	1,246	125
Exercise of share options	5	–
Issue of scrip shares	37	4
Balance at 30 June 2010	1,288	129

(a) During the year, **345,000** (2010: 4,875,000) 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$24.20 to HK$24.45** (2010: HK$14.60 to HK$47.10) each (representing a premium in the range of **HK$24.10 to HK$24.35** (2010: HK$14.50 to HK$47.00) each).

(b) On 24 November 2010, the shareholders approved a final dividend of HK$0.67 per share for the year ended 30 June 2010. The shareholders were provided with an option to receive the final dividend in form of shares in lieu of cash. On 29 December 2010, 904,515 shares were issued in respect of the final dividend.

On 10 February 2011, the Board of Directors declared an interim dividend of HK$1.00 per share for the six months ended 31 December 2010. The shareholders were provided with an option to receive the interim dividend in form of shares in lieu of cash. On 12 April 2011, 960,208 shares were issued in respect of the interim dividend.

(c) Share options

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

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

Information on the Schemes

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

Purpose of the Schemes

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

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

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

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

Participants of the Schemes

The board may at its discretion grant options to:

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

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

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

Total number of shares available for issue under the Schemes and percentage of issued share capital at 30 June 2011

The total number of shares available for issue upon exercise of all outstanding options already granted under the Schemes is 62,730,000 shares (2001 Share Option Scheme: 46,570,000 shares and 2009 Share Option Scheme: 16,160,000 shares), representing 4.86% of the issued share capital of the Company at 30 June 2011.

The maximum number of shares available for issue upon exercise of options not yet granted under the Schemes is 109,574,064 shares (2001 Share Option Scheme: 17,751,371 shares and 2009 Share Option Scheme: 91,822,693 shares), representing 8.49% of the issued share capital of the Company at 30 June 2011.

20 Share capital (continued)

Maximum entitlement of each participant under the Schemes

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

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

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

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

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

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

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

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

The basis of determining the subscription price under the Schemes

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

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

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

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

The remaining life of the 2001 Share Option Scheme

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

Details of the share options movement during the year and outstanding share options as at 30 June 2011 under the 2001 Share Option Scheme were as follows:

	Number of share options	
	2011	2010
Opening balance	**48,845,000**	49,510,000
Granted during the year (Note (i))	**6,360,000**	10,500,000
Exercised during the year (Note (ii))	**(345,000)**	(4,875,000)
Lapsed during the year	**(2,820,000)**	(490,000)
Forfeited during the year	**(5,470,000)**	(5,800,000)
Closing balance (Note (iii))	**46,570,000**	48,845,000

20 Share capital (continued)

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

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

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

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

(ii) Details of share options exercised during the year ended 30 June 2011 were as follows:

			Proceeds received		Market value*
Exercise date	Exercise price HK$	Number of options	Share capital HK$'000	Share premium HK$'000	per share at exercise date HK$
28 October 2010	24.20	65,000	7	1,567	42.60
17 November 2010	24.45	240,000	24	5,844	40.30
6 December 2010	24.20	40,000	4	964	37.90
		345,000	35	8,375	

* "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:

Expiry date	Exercise price	Number of share options outstanding as at 30 June	
	HK$	**2011**	2010
Directors			
27 November 2010 *	42.58	**–**	1,200,000
7 February 2013 *#	83.00	**–**	480,000
7 February 2013 **#	83.00	**–**	320,000
11 February 2014 *#	102.12	**–**	240,000
11 February 2014 **#	102.12	**–**	360,000
9 February 2015 *#	41.70	**480,000**	360,000
9 February 2015 **#	41.70	**720,000**	1,440,000
22 June 2015 *	46.45	**3,200,000**	1,600,000
22 June 2015 **	46.45	**4,800,000**	6,400,000
9 February 2016 *	56.90	**180,000**	–
9 February 2016 **	56.90	**720,000**	900,000
11 February 2017 **	40.40	**900,000**	–
Others			
7 February 2013 *#	83.00	**640,000**	–
7 February 2013 **#	83.00	**160,000**	–
11 February 2014 *#	102.12	**360,000**	–
11 February 2014 **#	102.12	**240,000**	–
9 February 2015 *#	41.70	**240,000**	–
9 February 2015 **#	41.70	**360,000**	–
Employees and consultants			
27 November 2010 *	42.58	**–**	1,620,000
26 November 2011 *	24.20	**340,000**	895,000
28 November 2011 *	55.11	**945,000**	900,000
28 November 2011 **	55.11	**–**	300,000
2 December 2011 *	56.20	**700,000**	680,000
2 December 2011 **	56.20	**–**	220,000
23 December 2011 *	24.45	**–**	240,000
23 December 2011 *	56.50	**450,000**	360,000
23 December 2011 **	56.50	**–**	90,000
27 November 2012 *	80.60	**450,000**	345,000
27 November 2012 **	80.60	**90,000**	300,000
4 December 2012 *	79.49	**525,000**	480,000
4 December 2012 **	79.49	**135,000**	330,000
5 December 2012 *	80.95	**1,944,000**	1,688,000
5 December 2012 **	80.95	**436,000**	1,152,000
7 February 2013 *	83.00	**160,000**	120,000
7 February 2013 **	83.00	**40,000**	80,000
4 December 2013 *	119.00	**405,000**	330,000
4 December 2013 **	119.00	**270,000**	495,000
5 December 2013 *	118.70	**1,116,000**	864,000
5 December 2013 **	118.70	**654,000**	1,296,000
31 January 2014 *	100.80	**2,040,000**	1,360,000
31 January 2014 **	100.80	**1,200,000**	2,040,000
11 February 2014 *	102.12	**90,000**	60,000
11 February 2014 **	102.12	**60,000**	90,000
9 December 2014 *	44.25	**744,000**	432,000
9 December 2014 **	44.25	**981,000**	1,728,000
11 December 2014 *	45.95	**1,032,000**	516,000
Employees and consultants (continued)			
11 December 2014 **	45.95	**1,368,000**	2,064,000
5 February 2015 *	39.76	**1,366,000**	692,000
5 February 2015 **	39.76	**1,914,000**	2,888,000
9 February 2015 *	41.70	**60,000**	30,000
9 February 2015 **	41.70	**90,000**	120,000
8 May 2015 *	51.76	**320,000**	160,000
8 May 2015 **	51.76	**480,000**	640,000
22 June 2015 *	46.45	**160,000**	80,000
22 June 2015 **	46.45	**240,000**	320,000
9 December 2015 *	53.74	**432,000**	–
9 December 2015 **	53.74	**1,728,000**	3,360,000
11 December 2015 *	53.90	**387,000**	–
11 December 2015 **	53.90	**1,368,000**	1,935,000
4 February 2016 *	57.70	**510,000**	–
4 February 2016 **	57.70	**1,800,000**	2,550,000
5 February 2016 *	55.46	**141,000**	–
5 February 2016 **	55.46	**564,000**	795,000
10 May 2016 *	52.61	**120,000**	–
10 May 2016 **	52.61	**480,000**	600,000
22 June 2016 *	45.24	**60,000**	–
22 June 2016 **	45.24	**240,000**	300,000
9 December 2016 **	37.92	**1,620,000**	–
13 December 2016 **	38.10	**1,710,000**	–
11 February 2017 **	40.40	**705,000**	–
9 May 2017 **	31.96	**600,000**	–
22 June 2017 **	25.60	**300,000**	–
		46,570,000	48,845,000

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

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

\# The share options held by Mr Heinz Jürgen KROGNER-KORNALIK have been recategorised and transferred from the table headed "Directors" to "Others".

The remaining life of the 2009 Share Option Scheme

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

Details of the share options movement during the year and outstanding share options as at 30 June 2011 under the 2009 Share Option Scheme were as follows:

	Number of share options	
	2011	2010
Opening balance	**800,000**	–
Granted during the year (Note (i))	**16,660,000**	800,000
Lapsed during the year	**(100,000)**	–
Forfeited during the year	**(1,200,000)**	–
Closing balance (Note (ii))	**16,160,000**	800,000

20 Share capital (continued)

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

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

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

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

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

Expiry date	Exercise price	Number of share options outstanding as at 30 June	
	HK$	2011	2010
Directors			
27 September 2020 **	43.00	700,000	–
Employees and consultants			
19 April 2016 *	62.21	160,000	–
19 April 2016 **	62.21	640,000	800,000
2 July 2016 **	43.93	3,000,000	–
27 September 2020 **	43.00	7,860,000	–
4 October 2016 **	42.34	2,000,000	–
11 February 2017 **	40.40	200,000	–
19 April 2017 **	34.71	600,000	–
17 May 2021 **	30.90	1,000,000	–
		16,160,000	800,000

* 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.

20 Share capital (continued)

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

Date of grant	Option value[1] HK$	Share price at the date of grant[2] HK$	Exercisable price HK$	Expected volatility[3]	Annual risk-free interest rate[4]	Life of option[5]	Dividend yield[6]
2001 Share Option Scheme							
9 December 2010	8.46 – 13.17	37.50	37.92	55.05%	0.65% – 1.99%	2 – 6 years	3.49%
13 December 2010	8.71 – 13.47	38.10	38.10	55.01%	0.65% – 2.03%	2 – 6 years	3.49%
11 February 2011	9.10 – 14.21	40.40	40.40	54.04%	0.61% – 2.35%	2 – 6 years	3.49%
9 May 2011	6.10 – 9.85	30.30	31.96	51.76%	0.49% – 1.90%	2 – 6 years	3.49%
22 June 2011	4.72 – 7.66	24.00	25.60	51.56%	0.30% – 1.59%	2 – 6 years	3.49%
2009 Share Option Scheme							
2 July 2010	10.77 – 11.88	42.00	43.93	44.52% – 59.05%	0.75% – 1.86%	2 – 6 years	6.21%
27 September 2010	12.46	43.00	43.00	50.63%	0.98%	4 years	6.21%
4 October 2010	10.21 – 11.79	41.50	42.34	44.57% – 55.62%	0.54% – 1.45%	2 – 6 years	6.21%
11 February 2011	7.74 – 11.84	40.40	40.40	43.29% – 51.43%	0.76% – 2.43%	2 – 6 years	6.22%
19 April 2011	5.65 – 9.70	33.95	34.71	39.82% – 50.93%	0.68% – 2.10%	2 – 6 years	6.22%
17 May 2011	8.82 – 8.98	30.90	30.90	44.18% – 50.39%	1.32% – 1.87%	4 – 6 years	6.22%

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

2. The share price at the date of grant disclosed is the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the relevant 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 the Stock Exchange's daily quotations sheet immediately preceding the date of grant was disclosed.

3. As stated in IFRS 2, the issuer can use either i) implied volatilities obtained from market information; or ii) historical volatilities as expected volatility input to the Binomial option pricing model. For share options granted under the 2001 Share Option Scheme, Esprit has estimated volatility based on the historical stock prices over three years preceding the date of grant, expressed as an annualised rate and based on daily price changes. For share options granted under the 2009 Share Option Scheme, Esprit has estimated volatility based on the historical stock prices over the period corresponding to the expected life preceding the date of grant, expressed as an annualised rate and based on daily price changes.

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

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

6. For share options granted under the 2001 Share Option Scheme, dividend yield was based on the average dividend yield (excluding special dividend) for the three years preceding the year of grant. For share options granted under the 2009 Share Option Scheme, dividend yield was based on the average dividend yield (including special dividend) for the three years preceding the year of grant.

21 Creditors and accrued charges

	2011 HK$ million	2010 HK$ million
Trade creditors	**1,320**	992
Accruals	**2,262**	1,599
Other creditors and payables	**1,141**	1,121
	4,723	3,712

The ageing analysis of trade creditors is as follows:

	2011 HK$ million	2010 HK$ million
0-30 days	**1,224**	934
31-60 days	**73**	35
61-90 days	**13**	6
Over 90 days	**10**	17
	1,320	992

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

22 Provision for store closure

Movements in provision for store closure are as follows:

	2011 HK$ million	2010 HK$ million
At beginning of year	**434**	–
Additional provisions	**1,688**	441
Unused amounts reversed	**(32)**	–
Amounts used during the year	**(122)**	(7)
Exchange differences	**24**	–
At end of year	**1,992**	434

23 Bank loans

At 30 June 2011, the Group's bank loans were payable as follows:

	2011 HK$ million	2010 HK$ million
Within 1 year	**520**	520
Between 1 and 2 years	**520**	520
Between 2 and 5 years	**1,040**	1,560
	2,080	2,600

The carrying amount of bank loans approximates their fair value.

The bank loans are unsecured. The effective interest rate on bank loans for 2011 was determined to be **0.9%** (2010: 0.8%) per annum.

24 Deferred taxation

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

The Group:

	Accelerated accounting depreciation	Elimination of unrealised profits	Intangible assets	Tax losses	Withholding tax on undistributed earnings	Other deferred tax assets	Other deferred tax liabilities	Total
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
At 1 July 2009	28	260	(238)	55	–	59	(47)	117
(Charged)/credited to income statement	36	2	7	(13)	(372)	91	12	(237)
Acquisition of remaining interest in the associated companies	–	–	(147)	2	(24)	53	(1)	(117)
Changes in tax rates	(1)	–	(21)	–	–	–	–	(22)
Exchange difference recognised in equity	(4)	(34)	13	(2)	–	(8)	4	(31)
At 30 June 2010	**59**	**228**	**(386)**	**42**	**(396)**	**195**	**(32)**	**(290)**
(Charged)/credited to income statement	**130**	**(30)**	**14**	**(13)**	**(2)**	**102**	**(9)**	**192**
Changes in tax rates	**–**	**–**	**2**	**–**	**–**	**–**	**–**	**2**
Exchange difference recognised in equity	**10**	**42**	**(26)**	**4**	**(1)**	**31**	**(6)**	**54**
At 30 June 2011	**199**	**240**	**(396)**	**33**	**(399)**	**328**	**(47)**	**(42)**

24 Deferred taxation (continued)

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

	2011 HK$ million	2010 HK$ million
Deferred tax assets	**808**	532
Deferred tax liabilities	**850**	822

At 30 June 2011, the Group had unused tax losses of approximately **HK$1,145 million** (2010: HK$1,129 million) available for offset against future taxable profits. A deferred tax asset has been recognised in respect of approximately **HK$192 million** (2010: HK$218 million) of such losses. No deferred tax asset has been recognised in respect of the remaining losses of approximately **HK$953 million** (2010: HK$911 million). Included in unrecognised tax losses are losses of approximately **HK$318 million** (2010: HK$368 million) that will expire in the next one to twenty years. Other losses may be carried forward indefinitely.

Deferred income tax liabilities of **HK$10 million** (2010: HK$8 million) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Such amounts are permanently reinvested.

25 Notes to consolidated cash flow statement

Reconciliation of profit before taxation to cash generated from operations:

	2011 HK$ million	2010 HK$ million
Profit before taxation	**710**	5,474
Adjustments for:		
Interest income	**(45)**	(33)
Finance costs	**27**	12
Depreciation	**830**	884
Impairment of property, plant and equipment	**780**	655
Loss on disposal of property, plant and equipment	**37**	32
Provision for store closure	**1,656**	441
Increase in fair value of investment properties	**(1)**	–
Share of results of associates	**–**	(81)
Employee share option expense	**189**	153
Gain on measuring equity interest in associated companies held before the business combination	**–**	(1,586)
Amortisation of customer relationships	**59**	23
Operating profit before changes in working capital	**4,242**	5,974
Changes in working capital (excluding the effects of business combinations):		
(Increase)/decrease in inventories	**(1,763)**	707
(Increase)/decrease in debtors, deposits and prepayments	**(642)**	1,199
Decrease in amounts due from associates	**–**	71
Increase/(decrease) in creditors and accrued charges	**1,011**	(734)
Effect of foreign exchange rate changes	**538**	(513)
Cash generated from operations	**3,386**	6,704

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

	2011 HK$ million	2010 HK$ million
Net book value	**44**	48
Loss on disposal of property, plant and equipment	**(37)**	(32)
Proceeds from disposal of property, plant and equipment	**7**	16

On 12 February 2010, the Group acquired the remaining interest of the associated companies with operations in the People's Republic of China from China Resources Enterprise, Limited. The net cash outflow for acquisition of remaining interest in the associated companies, representing the amount of purchase consideration paid, is **HK$250 million** (2010: HK$3,173 million).

26 Operating lease commitments

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

	2011 HK$ million	2010 HK$ million
Land and buildings		
– within one year	3,155	2,767
– in the second to fifth year inclusive	10,078	9,156
– after the fifth year	7,484	7,491
	20,717	19,414
Other equipment		
– within one year	28	25
– in the second to fifth year inclusive	31	42
	59	67
	20,776	19,481

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

The total future minimum lease receipts under non-cancellable subleases in respect of land and buildings at 30 June 2011 are **HK$82 million** (2010: HK$55 million).

27 Capital commitments

	2011 HK$ million	2010 HK$ million
Property, plant and equipment		
– Contracted but not provided for	70	216
– Authorised but not contracted for	969	1,026
	1,039	1,242

28 Derivative financial instruments

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

At 30 June 2011, the fair values of the foreign currency forward contracts included in other receivables and other payables are as below:

	2011		2010	
	Assets HK$ million	Liabilities HK$ million	Assets HK$ million	Liabilities HK$ million
Foreign currency forward contracts				
Cash flow hedges	–	127	–	–
Fair value hedges	–	18	7	–
	–	145	7	–

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:

	2011 HK$ million	2010 HK$ million
Foreign currency forward contracts	4,543	162

Gains and losses in equity on foreign currency forward contracts as of 30 June 2011 will be released to the consolidated income statement at various dates between one month to one year from the balance sheet date, to match the recognition of the hedged items in the consolidated income statement.

The ineffective portion recognised in the consolidated income statement that arises from cash flow hedges amounts to a gain of **HK$22 million** (2010: nil).

29 Related party transactions

On 12 February 2010, the Group acquired the remaining interest of the associated companies with operations in the People's Republic of China from China Resources Enterprise, Limited. The transactions with these associated companies were inter-company transactions during the year ended 30 June 2011.

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 in the year ended 30 June 2010. Details relating to these related party transactions are as follows:

	2011 HK$ million	2010 HK$ million
Transactions with associates		
Sales of finished goods	–	785
Royalty and accrued interest receivable/received	–	22
Commission received	–	1

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

30 Notes to the balance sheet of the Company

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

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

(b) Movements of reserves are as follows:

	Share premium HK$ million	Contributed surplus HK$ million	Employee share-based payment reserve HK$ million	Retained profits HK$ million	Total HK$ million
At 1 July 2010	**3,073**	**474**	**481**	**1,665**	**5,693**
Profit attributable to shareholders	**–**	**–**	**–**	**2,855**	**2,855**
2009/10 final dividend paid (Note 10)	**37**	**–**	**–**	**(863)**	**(826)**
2010/11 interim dividend paid (Note 10)	**36**	**–**	**–**	**(1,289)**	**(1,253)**
Issues of shares (Note 20)	**8**	**–**	**–**	**–**	**8**
Employee share option benefits	**–**	**–**	**189**	**–**	**189**
Transfer of reserve	**3**	**–**	**(3)**	**–**	**–**
Balance at 30 June 2011	**3,157**	**474**	**667**	**2,368**	**6,666**
Representing:					
Proposed final dividend					**–**
Balance after proposed final dividend					**6,666**
Balance at 30 June 2011					**6,666**
At 1 July 2009	2,841	474	378	1,012	4,705
Profit attributable to shareholders	–	–	–	2,135	2,135
2008/09 final and special dividends paid	(3)	–	–	(870)	(873)
2009/10 interim dividend paid	(1)	–	–	(612)	(613)
Issues of shares	186	–	–	–	186
Employee share option benefits	–	–	153	–	153
Transfer of reserve	50	–	(50)	–	–
Balance at 30 June 2010	3,073	474	481	1,665	5,693
Representing:					
Proposed final dividend					863
Balance after proposed final dividend					4,830
Balance at 30 June 2010					5,693

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

Contributed surplus is available for distribution to shareholders under the laws of Bermuda. Distributable reserves of the Company at 30 June 2011 amounted to **HK$3,509 million** (2010: HK$2,620 million).

(c) The Company did not have any operating lease commitment at 30 June 2011 (2010: nil).

(d) The Company did not have any significant capital commitment at 30 June 2011 (2010: nil).

(e) The Company provided a guarantee of **HK$2,080 million** (2010: HK$2,600 million) in respect of bank loans to a subsidiary at 30 June 2011. The guarantee is callable upon the subsidiary's defaults in repayment of the bank loans.

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

31 Principal subsidiaries

The following are the principal subsidiaries as at 30 June 2011 which, in the opinion of the directors, principally affect the results and net operating assets of the Group. To give details of other subsidiaries would in the opinion of the directors result in particulars of excessive length. None of the subsidiaries had issued any debt securities at the end of the year.

Name of subsidiary	Place of incorporation/ operation	Attributable equity interest to the Group (Note a)	Issued and fully paid share capital/ registered capital (Note b)	Principal activities
Esprit Belgie Retail N.V.	Belgium	100%	EUR1,200,000	Retail distribution of apparel and accessories
Esprit Belgie Wholesale N.V.	Belgium	100%	EUR100,000	Wholesale distribution of apparel and accessories
Esprit Canada Distribution Limited	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 SAS	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

31 Principal subsidiaries (continued)

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

31 Principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operation	Attributable equity interest to the Group (Note a)	Issued and fully paid share capital/ registered capital (Note b)	Principal activities
Esprit Retail B.V. & Co. KG (limited partnership)	Germany	100%	EUR5,000,000	Retail distribution of apparel and accessories, operation of Esprit Café
Esprit Retail (Hong Kong) Limited	Hong Kong	100%	HKD10,000	Retail distribution of apparel and accessories and operation of Salon Esprit
Esprit (Retail) Proprietary Limited	Australia	100%	AUD200,000	Wholesale and retail distribution of apparel and accessories
Esprit Retail Pte Ltd	Singapore	100%	SGD3,000,000	Retail distribution of apparel and accessories
Esprit Retail (Taiwan) Limited	Hong Kong/Taiwan	100%	HKD9,000	Retail distribution of apparel and accessories
Esprit Sweden AB	Sweden	100%	SEK500,000	Wholesale and retail distribution of apparel and accessories
Esprit Swiss Treasury Limited	British Virgin Islands/ Hong Kong	100%	USD1	Financial services
Esprit Switzerland Distribution AG	Switzerland	100%	CHF100,000	Wholesale distribution of apparel and accessories
Esprit Switzerland Retail AG	Switzerland	100%	CHF500,000	Retail distribution of apparel and accessories
Esprit US Distribution Limited	United States	100%	USD1,000	Wholesale distribution of apparel and accessories
Esprit US Online Shop Limited	United States	100%	USD1,000	Online retail distribution of apparel and accessories
Esprit US Retail Limited	United States	100%	USD0.001	Retail distribution of apparel and accessories
Esprit US Wholesale Limited	United States	100%	USD1,000	Wholesale distribution of apparel and accessories
Esprit Wholesale GmbH	Germany	100%	EUR5,000,000	Wholesale distribution of apparel and accessories
EFE (Investments-II) S.á.r.L.	Netherlands Antilles/ Luxembourg	100%	EUR16,101	Management of European group subsidiaries and investment holding
ESP Clothing Finland OY	Finland	100%	EUR2,500	Agency services
Garment, Acessories and Cosmetics Esprit Retail (Macau) Limited	Macau	100%	MOP100,000	Retail distribution of apparel and accessories
Glory Raise Limited	British Virgin Islands	100%	USD1	Investment holding
Million Success Resources Limited	Hong Kong	100%	HKD2	Investment holding
Sijun Fashion (Shenzhen) Co., Ltd.	The People's Republic of China (Note c)	100%	USD1,600,000	Sample development
Solution Services Limited	British Virgin Islands	100%	USD1	Property investment

31 Principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operation	Attributable equity interest to the Group (Note a)	Issued and fully paid share capital/ registered capital (Note b)	Principal activities
思環貿易（上海）有限公司	The People's Republic of China (Note c)	100%	USD12,000,000	Wholesale distribution of apparel and accessories
普思埃商業（上海）有限公司	The People's Republic of China (Note c)	100%	USD7,900,000	Retail distribution of apparel and accessories
創捷商業（上海）有限公司	The People's Republic of China (Note c)	100%	USD1,800,000	Retail distribution of apparel and accessories
成都潤捷商業有限公司	The People's Republic of China (Note c)	100%	USD1,200,000	Retail distribution of apparel and accessories
創和捷商貿（北京）有限公司	The People's Republic of China (Note c)	100%	USD5,000,000	Retail distribution of apparel and accessories
特力普思埃貿易（大連）有限公司	The People's Republic of China (Note c)	100%	USD800,000	Retail distribution of apparel and accessories
廣州特力普思埃商業有限公司	The People's Republic of China (Note c)	100%	USD2,500,000	Retail distribution of apparel and accessories

Notes:

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

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

(c) Wholly owned foreign enterprise.

32 Comparative figures

Certain comparative figures relating to operating costs, creditors and accrued charges and provision for store closure have been reclassified to conform with the current year's presentation. These reclassifications did not affect the Group's consolidated balance sheet as at 1 July 2009.

07 TEN-YEAR SUMMARY

CONSOLIDATED BALANCE SHEET ITEMS

	As at 30 June 2011 HK$ million	As at 30 June 2010 HK$ million	As at 30 June 2009 HK$ million	As at 30 June 2008 HK$ million
Intangible assets	**7,672**	7,345	2,061	2,121
Property, plant and equipment	**4,415**	3,976	4,398	3,570
Investment properties	**13**	12	–	–
Other investments	**8**	7	7	7
Investments in associates	**–**	–	522	583
Deposits and prepayments	**502**	440	559	569
Deferred tax assets	**808**	532	408	510
Net current assets	**5,225**	6,662	6,745	8,972
	18,643	18,974	14,700	16,332
Equity				
Share capital	**129**	129	125	124
Reserves	**16,104**	15,943	14,284	15,820
Total equity	**16,233**	16,072	14,409	15,944
Bank loans	**1,560**	2,080	–	–
Deferred tax liabilities	**850**	822	291	388
Obligation under finance leases	**–**	–	–	–
	2,410	2,902	291	388
	18,643	18,974	14,700	16,332

CONSOLIDATED INCOME STATEMENT ITEMS

	Year ended 30 June 2011 HK$ million	Year ended 30 June 2010 HK$ million	Year ended 30 June 2009 HK$ million	Year ended 30 June 2008 HK$ million
Turnover	**33,767**	33,734	34,485	37,227
Operating profit	**692**	3,786	5,729	7,721
Interest income	**45**	33	87	190
Finance costs	**(27)**	(12)	–	–
Share of results of associates	**–**	81	161	145
Gain on measuring equity interest in the associated companies held before the business combination	**–**	1,586	–	–
Profit before taxation	**710**	5,474	5,977	8,056
Taxation	**(631)**	(1,248)	(1,232)	(1,606)
Profit after taxation	**79**	4,226	4,745	6,450
Profit attributable to shareholders of the Company	**79**	4,226	4,745	6,450
Profit attributable to non-controlling interests	**–**	–	–	–
	79	4,226	4,745	6,450

Note: The Group has adopted IFRS retrospectively with effect from 1 July 2002. The financial information in respect of FY02/03 to FY10/11 is prepared in accordance with IFRS. For the purpose of presenting the financial information in respect of FY01/02, certain estimates have been made to adjust the financial information to IFRS, mainly representing the reversal of amortisation of trademarks.

	As at 30 June 2007 HK$ million	As at 30 June 2006 HK$ million	As at 30 June 2005 HK$ million	As at 30 June 2004 HK$ million	As at 30 June 2003 HK$ million	As at 30 June 2002 HK$ million
	2,057	2,027	2,009	2,021	1,960	1,922
	2,705	2,614	2,242	1,495	1,077	988
	–	–	–	–	–	–
	7	8	8	8	8	8
	406	269	182	155	122	101
	–	–	–	–	–	–
	396	315	205	104	93	35
	6,888	4,232	2,723	1,964	2,027	1,060
	12,459	9,465	7,369	5,747	5,287	4,114
	123	122	120	119	119	117
	11,958	8,985	6,919	5,296	4,073	2,915
	12,081	9,107	7,039	5,415	4,192	3,032
	–	–	–	–	776	780
	378	358	330	332	318	301
	–	–	–	–	1	1
	378	358	330	332	1,095	1,082
	12,459	9,465	7,369	5,747	5,287	4,114

	Year ended 30 June 2007 HK$ million	Year ended 30 June 2006 HK$ million	Year ended 30 June 2005 HK$ million	Year ended 30 June 2004 HK$ million	Year ended 30 June 2003 HK$ million	Year ended 30 June 2002 HK$ million
	29,640	23,349	20,632	16,357	12,381	9,219
	6,259	4,765	4,075	2,837	1,811	1,373
	149	37	22	40	42	23
	–	(1)	(2)	(22)	(32)	(14)
	130	84	73	63	45	33
	–	–	–	–	–	–
	6,538	4,885	4,168	2,918	1,866	1,415
	(1,358)	(1,148)	(957)	(949)	(590)	(364)
	5,180	3,737	3,211	1,969	1,276	1,051
	5,180	3,737	3,211	1,969	1,276	993
	–	–	–	–	–	58
	5,180	3,737	3,211	1,969	1,276	1,051

FINANCIAL SUMMARY

Year ended 30 June	**2011**	2010	2009	2008
Per share data (HK$)				
Earnings per share – basic^^	**0.06**	3.35	3.72	5.21
Dividend per share				
– Regular dividend	**1.00**	1.41	1.52	2.10
– Special dividend	**–**	–	1.33	2.10
Total	**1.00**	1.41	2.85	4.20
Key statistics (HK$ million)				
Total equity	**16,233**	16,072	14,409	15,944
Net current assets^	**5,225**	6,662	6,745	8,972
Cash position (net of overdraft)	**4,794**	6,748	4,840	6,521
Net cash inflow from operating activities	**1,835**	5,412	5,272	5,970
Term loans	**2,080**	2,600	–	–
Retail data				
Number of directly managed stores#	**1,146**	1,128	804	700
Directly managed selling space# (sqm)	**398,829**	388,291	314,966	273,801
Comparable store sales growth	**-1.1%**	-2.4%	3.5%	6.9%
Wholesale data				
Number of controlled-space POS#^^^	**11,706**	12,289	14,067	14,590
Controlled-space sales area#^^^ (sqm)	**704,393**	722,825	808,605	746,655
Other data				
Capital expenditure (HK$ million)	**1,436**	1,509	2,011	1,352
Number of employees##	**14,192**	14,172	10,766	10,541
Key ratios				
Return on shareholders' equity (ROE)###	**0.5%**	27.7%	31.3%	46.0%
Return on total assets (ROA)*	**0.3%**	19.1%	22.8%	33.1%
Net debt to equity**	**net cash**	net cash	net cash	net cash
Current ratio^ (times)	**1.6**	2.2	2.4	2.6
Inventory turnover***(days)	**76**	63	65	54
Operating profit before depreciation and amortisation margin	**4.7%**	14.0%	18.9%	22.8%
Operating profit margin	**2.0%**	11.2%	16.6%	20.7%
Earnings before taxation margin	**2.1%**	16.2%	17.3%	21.6%
Net profit margin	**0.2%**	12.5%	13.8%	17.3%

Include Esprit, Red Earth stores and salon
After converting the part-time positions into full-time positions based on working hours
Calculated based on net earnings as a percentage of average shareholders' equity
* Calculated based on net earnings as a percentage of average total assets
** Net debt refers to all interest bearing borrowings less cash and cash equivalents
*** Calculated as average inventory (excluding consumables) over cost of goods sold for the year
^ Comparative figures relating to net current assets in respect of financial years prior to FY09/10 were restated as a result of the adoption of IAS 17 (Amendment) and due to the reclassification of deposits and prepayments in FY09/10
^^ Earnings per share – basic for the year ended 30 June 2009 was restated in FY09/10 to account for approximately 31 million scrip shares issued on 15 January 2010. The basic earnings per share was restated as the scrip shares were treated as if the issue had occurred as at 1 July 2008
^^^ With the roll out of the SAP program for the wholesale business, the Group has tightened the definitions of inactive accounts, resulting in the restatement of wholesale POS and controlled space as at 30 June 2010

2007	2006	2005	2004	2003	2002
4.22	3.09	2.68	1.65	1.07	0.86
1.70	1.23	1.11	0.67	0.40	0.23
1.48	1.08	0.84	0.50	0.30	0.05
3.18	2.31	1.95	1.17	0.70	0.28
12,081	9,107	7,039	5,415	4,192	3,032
6,888	4,232	2,723	1,964	2,027	1,060
5,232	2,469	1,729	1,758	2,097	934
5,881	3,428	2,718	1,983	1,575	1,331
–	250	–	–	776	780
607	671	634	562	569	495
239,400	225,693	195,042	172,343	152,108	141,059
19.8%	9.0%	8.5%	5.3%	6.9%	-0.1%
13,369	11,459	9,751	7,970	6,459	2,232
629,967	525,090	443,321	337,230	264,838	153,649
615	838	1,236	662	333	344
9,617	8,400	7,720	6,796	5,751	5,936
48.9%	46.3%	51.6%	41.0%	35.3%	39.3%
34.7%	32.7%	34.8%	24.7%	19.1%	14.9%
net cash	net cash	net cash	net cash	net cash	net cash
2.5	2.2	2.0	1.7	1.9	1.6
55	54	47	45	51	64
23.1%	22.7%	21.9%	19.4%	16.8%	17.3%
21.1%	20.4%	19.8%	17.3%	14.6%	14.9%
22.1%	20.9%	20.2%	17.8%	15.1%	15.3%
17.5%	16.0%	15.6%	12.0%	10.3%	10.8%

08 *GLOSSARY OF TERMS*

GLOSSARY OF TERMS

Retail

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

Wholesale

Term	Definition
Wholesale sales	Sale of merchandise to third party wholesale customers
Controlled wholesale space	POS which Esprit wholesale management team has control over the look and feel such as Esprit brand name logo, merchandising display, etc. Includes partnership stores, shop-in-stores and identity corners with wholesale customers
Wholesale order book	The value of wholesale orders received for future delivery
Yoy increase in wholesale order book	Year to date growth of order value recorded in wholesale order book, compared to same period last year
Franchise stores	Stand-alone stores closely resemble our own directly managed retail stores and concession stores located in department stores which local retail partners pay for investment. Esprit provides initial setup support and a wide range of on-going support services to ensure consistency with directly managed retail stores
Partnership stores (PSS)	Same as Franchise stores
Shop-in-stores (SIS)	Controlled wholesale space found in department stores. 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

Others

Term	Definition
ADR	American Depositary Receipt
Capex	Capital expenditure
Conversion rate	Measures the portion of Traffic which is translated into actual purchases
DPS	Dividend per share
EPS	Earnings per share
Esprit Club (e-Club)	Esprit customer loyalty programme where members can enjoy benefits such as collect points or apply discounts, receive updates on latest news about Esprit, enjoy exclusive offers and more. Benefits vary across different regions
Inventory turnover days	Calculated by dividing average inventory excluding consumables by average daily cost of goods sold for the reporting period
Licensing	For certain product categories, independent third parties are authorised to use the name of Esprit to manufacture and distribute products. Esprit works with over 30 licensees and offers over 30 categories of licensed products
NOOS	Never-out-of-stock styles
Opex	Operating expenditure
POS	Point-of-sales
Product divisions	There are 12 divisions including Women casual, Women collection, edc Women, sports, Men casual, Men collection, edc Men, Kids, Shoes, Accessories, bodywear, de. corp
Season	Collections of each product division with consistent theme/design. We design and produce up to 12 seasons per annum for our product divisions
Segment EBIT margin	Segment earnings before interest and taxation, finance costs and share of results of associates divided by the segment turnover
Sell through	An indicator of how fast a particular product is being sold to a consumer at retail level
Sqm	Square metre
Traffic	Footfall recorded in a store during a period of time
Yoy	Year-on-year