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- **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**

ESPRIT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 00330)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2011
ESPRIT TO INVEST OVER HK$18 BILLION IN ITS BRAND OVER THE NEXT FOUR YEARS

FINAL RESULTS

The board of directors (the "Board") of Esprit Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group" or "Esprit") for the year ended 30 June 2011 together with comparative figures for the year ended 30 June 2010. The following financial information, including the comparative figures, has been prepared in accordance with International Financial Reporting Standards ("IFRS").

CONSOLIDATED INCOME STATEMENT

	Notes	**For the year ended 30 June** **2011** **HK$ million**	2010 HK$ million
Turnover	2	**33,767**	33,734
Cost of goods sold		**(15,569)**	(15,298)
Gross profit		**18,198**	18,436
Staff costs		**(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	3	**692**	3,786
Interest income		**45**	33
Finance costs	4	**(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	5	**(631)**	(1,248)
Profit attributable to shareholders of the Company		**79**	4,226
Earnings per share	7		
- Basic		**HK$0.06**	HK$3.35
- Diluted		**HK$0.06**	HK$3.34

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

CONSOLIDATED BALANCE SHEET

		As at 30 June	
		2011	2010
	Notes	**HK$ million**	HK$ million
Non-current assets			
Intangible assets		**7,672**	7,345
Property, plant and equipment		**4,415**	3,976
Investment properties		**13**	12
Other investments		**8**	7
Deposits and prepayments		**502**	440
Deferred tax assets		**808**	532
		13,418	12,312
Current assets			
Inventories		**4,218**	2,455
Debtors, deposits and prepayments	8	**3,586**	3,043
Tax receivable		**1,018**	-
Cash and cash equivalents		**4,794**	6,748
		13,616	12,246
Current liabilities			
Creditors and accrued charges	9	**4,723**	3,712
Provision for store closure		**1,992**	434
Taxation		**1,156**	918
Bank loans – current portion		**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		**129**	129
Reserves		**16,104**	15,943
Total equity		**16,233**	16,072
Non-current liabilities			
Bank loans		**1,560**	2,080
Deferred tax liabilities		**850**	822
		2,410	2,902
		18,643	18,974

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Basis of preparation

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

In the current year, the Group has adopted the following International Accounting Standards ("IAS"), 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

2 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 **HK$ million**	2010 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**

	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 HK$ million	2010 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

3 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.

4 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

5 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		
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.

6 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.

7 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

8 Debtors, deposits and prepayments

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

	2011	2010
	HK$ million	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 Group’s sales to retail customers are made in cash, bank transfer or by credit card. The Group also grants credit period, which is usually 30 to 60 days to certain wholesale and franchise customers.

9 Creditors and accrued charges

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

	2011	2010
	HK$ million	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

MANAGEMENT DISCUSSION AND 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.

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

Countries[#]	Year ended 30 June 2011 HK$ million	Year ended 30 June 2011 % to Group Turnover	Year ended 30 June 2010 HK$ million	Year ended 30 June 2010 % to Group Turnover	Change in % HK$	Change in % 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

Product Divisions	Year ended 30 June 2011 HK$ million	Year ended 30 June 2011 % to Group Turnover	Year ended 30 June 2010 HK$ million	Year ended 30 June 2010 % to Group Turnover	Change in % HK$	Change in % 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

Key Distribution Channels	Year ended 30 June 2011 HK$ million	Year ended 30 June 2011 % to Group Turnover	Year ended 30 June 2010 HK$ million	Year ended 30 June 2010 % to Group Turnover	Change in % HK$	Change in % 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	Year ended 30 June 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 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					
	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

Countries	Year ended 30 June 2011 HK$ million	Year ended 30 June 2011 % of Wholesale Turnover	Year ended 30 June 2010 HK$ million	Year ended 30 June 2010 % of Wholesale Turnover	Change in % HK$	Change in % 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 406,253m^2 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 m^2 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

Countries	Franchise stores**				Shop-in-stores**				Identity corners**				Total**			
	No. of stores	Net sales area m^2	Net opened stores/ Reclassification*	Net change in net sales area*	No. of stores	Net sales area m^2	Net opened stores/ Reclassification*	Net change in net sales area*	No. of stores	Net sales area m^2	Net opened stores/ Reclassification*	Net change in net sales area*	No. of stores	Net sales area m^2	Net opened stores/ Reclassification*	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 282,297m^2, 199,722m^2 and 114,166m^2 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 397,787m^2, 209,487m^2 and 114,226m^2 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.

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 EBIT loss of HK$308 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 EBIT loss of HK$222 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%).

BALANCE SHEET REVIEW

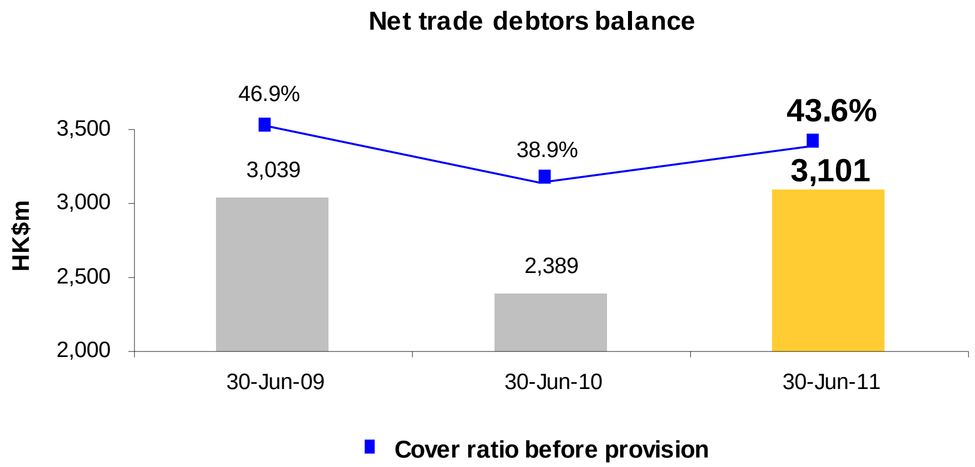
As at 30 June 2011, **cash and bank balances** amounted to HK$4,794 million (30 June 2010: HK$6,748 million). The net cash inflow from operating activities dropped to HK$1,835 million (2010: HK$5,412 million) primarily due to lower profitability and increases in working capital. Deducting interest bearing 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 outflow for acquisition of remaining interest in the associated companies	(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 & equipment	7	16
Interest received	45	33
Dividend received from an associate	-	245
Net cash (used in) / inflow from financing activities	(2,612)	1,296
Net proceeds on issue of shares for cash	8	186
Proceeds from bank loans	-	2,600
Interest paid on bank loans	(21)	(8)
Repayment of bank loans	(520)	-
Dividends paid	(2,079)	(1,482)
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**

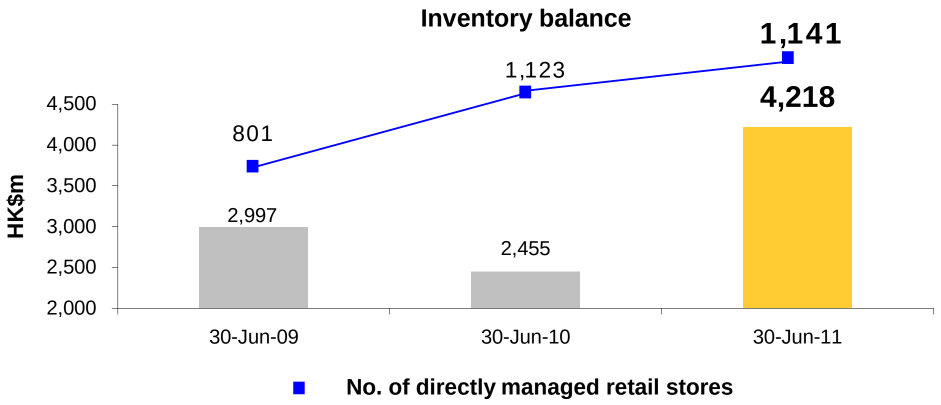
Capital expenditure of the Group amounted to HK$1,436 million (2010: HK$1,509 million). The year-on-year increase in investment in office and others was mainly attributable to our investment in the new distribution centre situated in Mönchengladbach, Germany. Total capital expenditure made for the new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



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).



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 (FY09/10: 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

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. The investments in stores, product design and brand communication are intended to revive customers' awareness of Esprit as an inspiring fashion brand, based on the unique values and heritage of the company. The company will focus on the most attractive markets with profitable growth in the future and withdraw from unprofitable locations and markets. 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.

In essence Esprit is a strong and profitable brand, but the brand has gradually lost its soul over the past few years. The heritage of the brand has been neglected and the company lost its customer focus. In 2010 we started addressing this with the launch of the Six Strategic Initiatives. After having defined the new brand direction and having started the first steps with encouraging results, we now step-up our efforts. As part of an in-depth transformation process, we are taking bold and decisive steps to rebuild the brand emotionally, inspired by our Californian heritage. Going forward Esprit will again be a brand with both a clear identity and a strong personality, returning the company to a high level of sustainable profitability. 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 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.

We are determined to do what is right in the medium-term as well as long-term for the brand, our customers and ultimately our shareholders. These measures need to be taken to recharge the profit potential of Esprit and to re-establish Esprit again as an inspiring fashion brand. With this we will bring Esprit back on track. 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%.

CLOSURE OF REGISTERS OF MEMBERS

The Registers of Members of the Company will be closed from Tuesday, 29 November 2011 to Thursday, 1 December 2011, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the forthcoming annual general meeting of the Company, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 pm on Monday, 28 November 2011.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SHARES

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

AUDIT COMMITTEE

As required under the Rules (the “Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), 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

The Company has complied with the code provisions of Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the year ended 30 June 2011, with the deviation as stated below:

Under the code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term, subject to re-election. Non-executive Directors of the Company have not been appointed for a specific term. However, under Bye-law 87 of the Company’s Bye-laws, all Directors, including Non-executive Directors, of the Company are subject to retirement by rotation and re-election in the annual general meeting of the Company and each Director is effectively appointed under an average term of less than three years.

The Company has strong commitment to act responsibly and therefore places a great deal of emphasis on ethical sourcing practices and enforces this belief with our suppliers and business partners. Social compliance audits are also performed regularly.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

The Company has made specific enquiry with all Directors and all of them confirmed that they have complied with the required standard set out in the Model Code for the year ended 30 June 2011.

GENERAL INFORMATION

The consolidated financial statements of the Group for the year ended 30 June 2011 have been reviewed by the Audit Committee of the Company.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

The final results announcement is published on the websites of the Stock Exchange (http://www.hkex.com.hk) and the Company (http://www.espritholdings.com). The annual report will be despatched to the shareholders and will be available on the websites of the Stock Exchange (http://www.hkex.com.hk) and the Company (http://www.espritholdings.com) in due course.

BOARD OF DIRECTORS

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

Executive Directors:	Mr Ronald VAN DER VIS *(Group CEO)* Mr CHEW Fook Aun *(Group CFO)*
Non-executive Director:	Mr Jürgen Alfred Rudolf FRIEDRICH
Independent Non-executive Directors:	Dr Hans-Joachim KÖRBER *(Chairman)* Mr Paul CHENG Ming Fun *(Deputy Chairman)* Mr Alexander Reid HAMILTON Mr Raymond OR Ching Fai Mr Francesco TRAPANI

By Order of the Board
Florence NG Wai Yin
Company Secretary

Hong Kong, 15 September 2011

Forward-Looking Statements

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