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ESPRIT

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

ESPRIT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 00330)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2012

ANNUAL 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 2012 together with comparative figures for the year ended 30 June 2011. 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 2012 HK$ million	2011 HK$ million
Turnover	2	**30,165**	33,767
Cost of goods sold		**(14,959)**	(15,569)
Gross profit		**15,206**	18,198
Staff costs		**(4,807)**	(4,933)
Occupancy costs		**(3,806)**	(4,407)
Logistics expenses		**(1,454)**	(1,466)
Marketing and advertising expenses		**(1,577)**	(984)
Depreciation		**(684)**	(830)
Impairment of property, plant and equipment		**(64)**	(780)
Write-back of/(additional) provision for store closure	10	**696**	(1,656)
Other operating costs		**(2,339)**	(2,450)
Operating profit	3	**1,171**	692
Interest income		**28**	45
Finance costs	4	**(37)**	(27)
Profit before taxation		**1,162**	710
Taxation	5	**(289)**	(631)
Profit attributable to shareholders of the Company		**873**	79
Earnings per share	7		
- Basic		**HK$0.68**	HK$0.06
- Diluted		**HK$0.68**	HK$0.06

Consolidated statement of comprehensive income

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

Consolidated balance sheet

	Notes	As at 30 June 2012 HK$ million	2011 HK$ million
Non-current assets			
Intangible assets		**7,613**	7,672
Property, plant and equipment		**4,489**	4,415
Investment properties		**13**	13
Other investments		**7**	8
Debtors, deposits and prepayments		**402**	502
Deferred tax assets		**549**	808
		13,073	13,418
Current assets			
Inventories		**3,593**	4,218
Debtors, deposits and prepayments	8	**3,455**	3,586
Tax receivable		**388**	1,018
Cash and cash equivalents		**3,171**	4,794
		10,607	13,616
Current liabilities			
Creditors and accrued charges	9	**4,263**	4,723
Provision for store closure	10	**446**	1,992
Taxation		**908**	1,156
Bank loans	11	**642**	520
		6,259	8,391
Net current assets		**4,348**	5,225
Total assets less current liabilities		**17,421**	18,643
Equity			
Share capital		**129**	129
Reserves		**15,477**	16,104
Total equity		**15,606**	16,233
Non-current liabilities			
Bank loans	11	**1,040**	1,560
Deferred tax liabilities		**775**	850
		1,815	2,410
		17,421	18,643

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

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

		Effective for accounting periods beginning on or after
IAS 1 (Amendment)	Presentation of Financial Statements – Amendments to Revise the Way Other Comprehensive Income is Presented	1 July 2012
IAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets	1 January 2012
IAS 19 (Revised)	Employee Benefits – Amended Standard Resulting from the Post-Employment Benefits and Termination Benefits Projects	1 January 2013
IAS 27 (Revised)	Consolidated and Separate Financial Statements – Reissued as IAS 27 Separate Financial Statements	1 January 2013
IAS 28 (Revised)	Investments in Associates – Reissued as IAS 28 Investments in Associates and Joint Ventures	1 January 2013
IAS 32 (Amendment)	Offsetting Financial Assets and Financial Liabilities	1 January 2014
IFRS 1 (Amendment)	Government Loans	1 January 2013
IFRS 7 (Amendment)	Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
IFRS 9 and 7 (Amendments)	Mandatory Effective Date of IFRS 9 and Transition Disclosures	1 January 2015
IFRS 9	Financial Instruments	1 January 2015
IFRS 10	Consolidated Financial Statements	1 January 2013
IFRS 11	Joint Arrangements	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013
IFRS10,11,12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
IFRSs (Amendments)	Annual Improvements to IFRSs 2009-2011 Cycle	1 January 2013

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. Turnover and segment information

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

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

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

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

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

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

2. Turnover and segment information (continued)

	For the year ended 30 June 2012				
	Wholesale HK$ million	**Retail HK$ million**	**Licensing HK$ million**	**Corporate services, sourcing and others HK$ million**	**Group HK$ million**
Total revenue	**12,116**	**17,806**	**203**	**25,631**	**55,756**
Inter-segment revenue	**-**	**-**	**-**	**(25,591)**	**(25,591)**
Revenue from external customers	**12,116**	**17,806**	**203**	**40**	**30,165**
Segment results	**2,142**	**1,157**	**146**	**(2,274)**	**1,171**
Interest income					**28**
Finance costs					**(37)**
Profit before taxation					**1,162**
Capital expenditure	**47**	**829**	**-**	**544**	**1,420**
Depreciation	**47**	**511**	**-**	**126**	**684**
Impairment of property, plant and equipment	**-**	**64**	**-**	**-**	**64**
(Write-back of)/additional provision for store closure	**7**	**(792)**	**-**	**89**	**(696)**

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

2. Turnover and segment information (continued)

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

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

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

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

3. Operating profit

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

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

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

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

4. Finance costs

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

5. Taxation

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

Hong Kong profits tax is calculated at **16.5%** (2011: 16.5%) on the estimated assessable profit for the year, net of tax losses carried forward, if applicable.

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

6. Dividends

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

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

* The actual interim dividend paid in cash for the year ended 30 June 2012 was HK$326 million. Part of the interim dividend for the year ended 30 June 2012 amounting to HK$10 million was paid in form of new fully paid shares out of the retained profits during the year. For the purpose of calculating the number of scrip shares allotted in respect of the interim dividend, the market value of the scrip shares is HK$18.22, which is the average closing price of the Company's share as quoted on The Stock Exchange of Hong Kong Limited for the five consecutive trading days immediately preceding 6 March 2012.

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.

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

Diluted

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

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

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:

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

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

9. Creditors and accrued charges

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

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

10. Provision for store closure

Movements in provision for store closure are as follows:

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

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

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

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

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

11. Bank loans

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

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

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

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

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

Enhanced Store Experiences

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

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

The success of the Lighthouse stores will form the basis for upgrading our retail and wholesale store networks which will be refurbished worldwide as part of the Transformation Plan to improve consumers' in-store shopping experience. We have been able to transfer elements to the development of our icon, standard and retreat stores. Icon stores are individually designed and are reserved for our best locations in large, high-profile cities, while standard stores have been renovated according to our latest refurbishment concept, and aim to provide a cosy and inspiring atmosphere. Retreat stores are stores that will not be refurbished in the immediate future but are made more appealing to customers by upgrading visual merchandising and the overall shopping experience.

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

Creating Fashionable Collections with a Distinctive and Consistent Esprit-handwriting

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

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

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

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

Stronger Relationships with selected Wholesale Partners

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

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

Bold Decisions Taken to Eliminate Unprofitable Businesses and Operations

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

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

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

Building a Strong and Experienced Executive Management Team

For the successful implementation of our Transformation Plan, it is crucial to have an international and experienced executive management team. Our Group Chief Executive Officer, Ronald van der Vis has spent a lot of time during the last two years in building a strong senior management team.

Two new senior managers joined our executive management team this fiscal year. In January 2012, Melody Harris-Jensbach joined Esprit as Chief Product and Design Officer, responsible for all product development and license activities of the Group. In March 2012, Armin Broger joined the executive management team as Brand President edc. In addition, our Group Chief Financial Officer and Executive Director, Thomas Tang, came on board in May 2012.

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

FINANCIAL REVIEW

Turnover

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

Turnover by Countries

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

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

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

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

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

Turnover by Products

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

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

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

For the year ended 30 June

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

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

Turnover by Distribution Channels

For the year ended 30 June

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

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

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

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

Retail Turnover by Countries

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

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

Retail Performance Scorecard

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

Directly Managed Retail Stores by Countries

As at 30 June 2012

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

* Net change from 30 June 2011

** All e-shops within Europe are shown as 1 comparable store in Germany

^ 10 out of the 33 stores included under the store closure program FY09/10 were closed for the year ended 30 June 2012

44 out of the 80 stores included under the store closure program FY10/11 were closed for the year ended 30 June 2012

@ All directly managed stores in Canada and the United States and the e-shop in the United States are considered non-comparable stores as a result of management decision to divest the operations in North America

n.a. Not applicable

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

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

Wholesale Turnover by Countries

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

(For the year ended 30 June)

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

** Macau wholesale sales include sales to other countries mainly Columbia, Chile and Thailand

Wholesale Performance Scorecard

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

Wholesale Distribution Channel by Countries (controlled space only)

As at 30 June 2012

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

* Net change from 30 June 2011

** Excludes Red Earth and salon

*** Germany controlled space wholesale POS include controlled space wholesale POS in countries outside Germany, mainly Russia, Poland, Greece, Czech Republic, Hungary and Cyprus

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

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

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

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

Profitability

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

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

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

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

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

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

Liquidity and Financial Resources

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

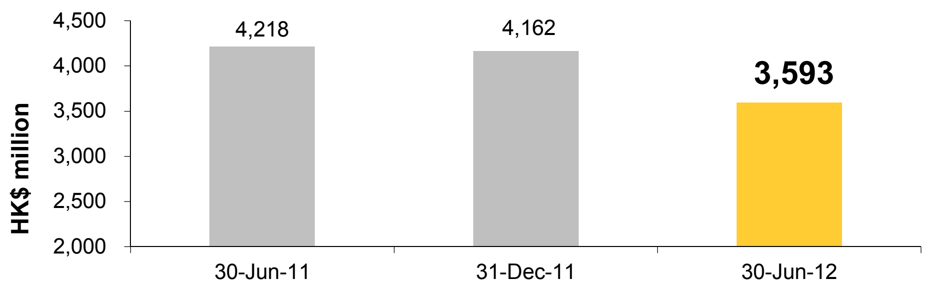
	For the year ended 30 June	
HK$ million	**2012**	2011
Cash and cash equivalents as at 1 July	4,794	6,748
Net cash generated from operating activities	730	1,835
Net cash used in investing activities	(1,402)	(1,634)
Purchase of property, plant and equipment	(1,420)	(1,436)
Proceeds from disposal of property, plant and equipment	8	7
Net cash outflow for disposal of interest in subsidiaries	(18)	-
Net cash outflow for acquisition of remaining interest in the associated companies	-	(250)
Interest received	28	45
Net cash used in financing activities	(748)	(2,612)
Net proceeds on issue of shares for cash	-	8
Dividends paid	(326)	(2,079)
Interest paid on bank loans	(25)	(21)
Proceeds from short-term bank loans	395	-
Repayment of short-term bank loans	(272)	-
Repayment of long-term bank loans	(520)	(520)
Net decrease in cash and cash equivalents	**(1,420)**	**(2,411)**
Effect of change in exchange rates	**(203)**	**457**
Cash and cash equivalents as at 30 June	**3,171**	**4,794**
Less:		
Bank loans	1,682	2,080
Net cash balance	**1,489**	**2,714**

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

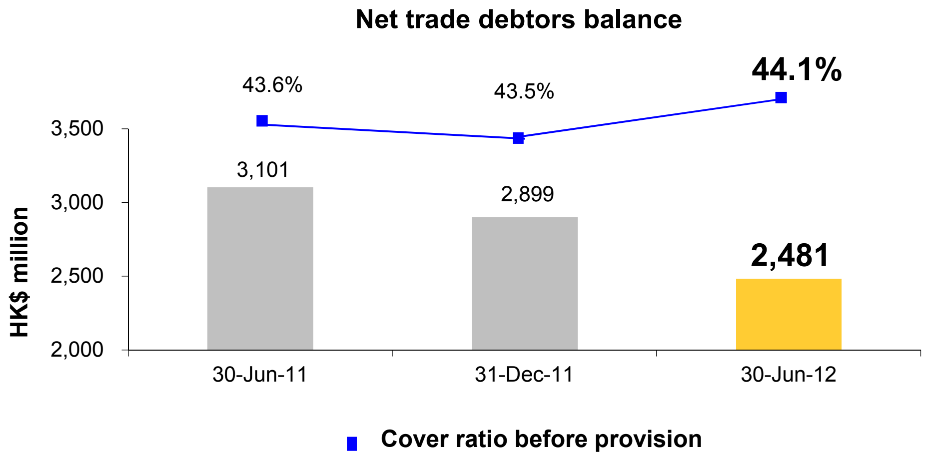
	For the year ended 30 June	
HK$ million	**2012**	2011
Retail stores	**834**	583
IT projects	**269**	484
Office & others	**317**	369
Purchase of property, plant and equipment	**1,420**	1,436

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

Inventory balance



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



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

FOREIGN EXCHANGE RISK MANAGEMENT

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

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

HUMAN RESOURCES

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

DIVIDEND

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

In order to maintain a strong balance sheet for future growth, the Board has recommended to provide the shareholders of the Company (the "Shareholders") with an option to receive the final dividend in form of new fully paid shares in lieu of cash.

Subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company (the "Annual General Meeting"), the final dividend will be payable to the Shareholders whose names appear on the Registers of Members of the Company at close of business on Friday, 14 December 2012. Dividend warrants and share certificates for new shares to be issued under the scrip dividend reinvestment scheme will be despatched to the Shareholders by ordinary mail at their risk on or around Tuesday, 22 January 2013.

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

The scrip dividend reinvestment scheme is conditional upon the passing of the relevant resolution at the Annual General Meeting and the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the new shares to be issued under the scrip dividend reinvestment scheme.

Further details of the scrip dividend reinvestment scheme will be set out in a circular to the Shareholders to be despatched before the Annual General Meeting.

FOCUS AND PRIORITIES IN FY12/13

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

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

Drive Store Traffic and Productivity

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

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

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

Fill the Perfect Wardrobe with More Modern and Fashionable Products

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

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

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

Strengthen the Wholesale Platform

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

Accelerating Growth in China

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

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

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

Ensure Sourcing Initiatives are On Track

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

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

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

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

CLOSURE OF REGISTERS OF MEMBERS

1. Annual General Meeting

The Registers of Members of the Company will be closed from Tuesday, 4 December 2012 to Thursday, 6 December 2012 (both days inclusive) in order to ascertain the rights of the Shareholders for the purpose of attending and voting at the Annual General Meeting. During such period, no transfer of shares of the Company will be effected. In order to be entitled to attend and vote at the Annual General Meeting, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 pm on Monday, 3 December 2012.

2. Proposed Final Dividend

Subject to the approval of the Shareholders at the Annual General Meeting, the Registers of Members of the Company will be closed from Wednesday, 12 December 2012 to Friday, 14 December 2012 (both days inclusive) for the purpose of determining the Shareholders who qualify for the proposed final dividend. During such period, no transfer of shares of the Company will be effected. In order to qualify for the proposed final dividend, 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 Tuesday, 11 December 2012.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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

AUDIT COMMITTEE

As required under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), the Company has an Audit Committee comprising of three Independent Non-executive Directors. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and has also discussed auditing, internal controls, and financial reporting matters including the review of the consolidated results of the Group for the year ended 30 June 2012.

CORPORATE GOVERNANCE

The Company has applied the principles and complied with (i) the Code on Corporate Governance Practices (the “Former Code”) for the period from 1 July 2011 to 31 March 2012 and (ii) the Corporate Governance Code and Corporate Governance Report effective on 1 April 2012 (the “New Code”) for the period from 1 April 2012 to 30 June 2012 as set out in Appendix 14 of the Listing Rules, except that Non-executive Directors of the Company do not have specific term of appointment (code provision A.4.1 of the Former Code and the New Code) and the majority of the Nomination Committee was not Independent Non-executive Directors for the period from 13 June 2012 to 30 June 2012 (code provision A.5.1 of the New Code). Mr Raymond OR Ching Fai has been appointed as a member of the Nomination Committee on 1 July 2012 to fill the vacancy created by the resignation of Dr Hans-Joachim KÖRBER. Effective from 1 July 2012, the Nomination Committee comprises of two Independent Non-executive Directors, one Non-executive Director and one Executive Director and the Chairman of the Committee who is an Independent Non-executive Director has a casting vote in case of an equality of votes.

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 (the "Model Code") as contained in Appendix 10 to the Listing Rules.

The Company has made specific enquiry with all Directors and all of them confirmed that they have complied with the required standard set out in the Model Code for the year ended 30 June 2012.

GENERAL INFORMATION

The consolidated financial statements of the Group for the year ended 30 June 2012 have been reviewed by the Audit Committee of the Company.

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

The annual results announcement is published on the websites of the Stock Exchange’s HKExnews (www.hkexnews.hk) and the Company (www.espritholdings.com). The annual report will be despatched to the Shareholders and will be available on the websites of the Stock Exchange’s HKExnews (www.hkexnews.hk) and the Company (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 Thomas TANG Wing Yung *(Group CFO)*
Non-executive Director:	Mr Jürgen Alfred Rudolf FRIEDRICH
Independent Non-executive Directors:	Mr Raymond OR Ching Fai *(Chairman)* Mr Paul CHENG Ming Fun *(Deputy Chairman)* Mr Alexander Reid HAMILTON

By Order of the Board
Florence NG Wai Yin
Company Secretary

Hong Kong, 26 September 2012

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.