STOCK CODE 00330

ANNUAL REPORT

ESPRIT HOLDINGS LIMITED
YEAR ENDED 30 JUNE 2013

Annual Report FY 12/13

Esprit Holdings Limited

I'm a woman not a girl.
I'm confident in who I am and don't need
(nor mind) to show it.
I care about my family, I care about the world
and I care about my looks.
I'm passionate when in love.
I'm lazy on Sundays.
I'm true to my friends.
I enjoy shopping.
My taste is simple - the best is enough.
I love bags, but not more than nature.
I'm happy in a dress.
I'm sexy in my jeans.
To me aging is a gift not a threat.
I love the sun and I'm happy in the rain.
Life is too important to not have fun.
I believe every woman is beautiful through
the eyes of her best friend.
I love to help bring that out,
I love to be that friend.
In a true, natural and relaxed way,

I AM ESPRIT!

Corporate information

Chairman
- Raymond OR Ching Fai
  Independent Non-executive Director

Deputy Chairman
- Paul CHENG Ming Fun
  Independent Non-executive Director

Executive Directors
- Jose Manuel MARTINEZ GUTIERREZ
  Group CEO
  (appointed with effect from 26 September 2012)
- Thomas TANG Wing Yung
  Group CFO

Non-executive Director
- Jürgen Alfred Rudolf FRIEDRICH

Independent Non-executive Directors
- Eva CHENG LI Kam Fun
  (appointed with effect from 6 December 2012)
- Alexander Reid HAMILTON
- Carmelo LEE Ka Sze
  (appointed with effect from 25 July 2013)
- Norbert Adolf PLATT
  (appointed with effect from 6 December 2012)

Company Secretary
- Florence NG Wai Yin

Principal bankers
- The Hongkong and Shanghai Banking Corporation Limited
- Deutsche Bank AG
- BNP Paribas
- The Bank of East Asia
- Commerzbank
- ANZ Bank
- Industrial and Commercial Bank of China
- China Merchants Bank
- Mizuho Corporate Bank, Ltd

Auditor
- PricewaterhouseCoopers
  Certified Public Accountants

Principal legal advisor
- Baker & McKenzie
- Freshfields Bruckhaus Deringer

Share listing
Esprit's shares are listed on The Stock Exchange of Hong Kong Limited (SEHK). The Company has a Level 1 sponsored American Depositary Receipts (ADR) Programme.

Stock code
- SEHK : 00330
- ADR : ESPGY

Principal share registrar
Butterfield Fulcrum Group (Bermuda) Limited
26 Burnaby Street
Hamilton HM 11
Bermuda

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

Registered office
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2 Church Street
Hamilton HM 11
Bermuda

Hong Kong headquarters
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Corporate profile

Founded in 1968, Esprit is an international fashion brand that pays homage to its roots and expresses a relaxed, sunny Californian attitude towards life. Esprit creates inspiring collections for women, men and kids made from high-quality materials paying great attention to detail. All of Esprit's products demonstrate the Group's commitment to quality design and execution.

Esprit's collections are available in over 40 countries worldwide, in more than 1,000 self-operated retail stores and through over 9,000 wholesale points of sales including franchise partners, and sales space in department stores. The Group markets its products under two brands, namely the Esprit brand and the edc brand. Listed on The Stock Exchange of Hong Kong Limited since 1993, Esprit has headquarters in Germany and Hong Kong.

Content

ESPRIT

01
TO OUR SHAREHOLDERS

"I am confident that we are on the right track to restore Esprit back to its full potential."

01.1 Letter from Chairman

Dear Shareholders,

As I complete my first full year serving as Chairman, I am pleased to report that Esprit has continued its journey of substantial transformation. Over the course of the financial year, we announced the realignment of our strategic priorities along with new initiatives to regain market competitiveness and build a stronger foundation for our future. I am confident that we are on the right track to restore Esprit back to its full potential, and that the steps we are taking, including the hard work that goes behind them, will translate into sustainable growth and profitability, thereby creating value for all stakeholders.

Having had the privilege of being associated with the Group for many years, I have seen first hand the evolution of the apparel industry as well as the many ups and downs in the global economies. Recently, factors such as the challenging economic conditions in the Euro zone and the intensifying competition in the apparel industry have indeed placed much pressure on the Group's operating performance. As a consequence, the Group's turnover decreased to HK$25,902 million in FY12/13, representing a year-on-year decline of 11.5% in local currency. The corresponding operating loss was HK$4,170 million including the non-recurring provisions and impairments of HK$2,722 million (as highlighted in the profit warning announcement in May 2013), as well as higher than expected special items (provisions on doubtful debt, provisions on inventory, and impairments of fixed assets for loss-making stores) totalling HK$855 million. As the Group recorded a loss for the financial year, the Board has not recommended the payment of a dividend.

The Group is currently in the midst of undergoing major changes to address this situation and adapt to the rapidly evolving market and competitive environment. The significant efforts made by the management team in this regard have not yet been reflected in our financial performance. However, since taking over the responsibility to lead the Board in June 2012, I am delighted to report that the Board and the management team have successfully accomplished three important and critical tasks during FY12/13.

Firstly, in August 2012, we announced the appointment of Jose Manuel Martínez Gutiérrez as our new Group Chief Executive Officer and Executive Director. Mr Martínez has worked with the management team to promptly put in place the strategic measures to (i) stabilize the business by radically reducing costs and stabilizing the operations in the short term; (ii) reignite growth by installing a high performance product engine in the medium term; and (iii) develop a platform for future growth which includes, among other initiatives, further development of our business in China and expanding the edc brand in the long term.

The Board is encouraged to see the initial results from the short term cost savings plan, the most noteworthy being a significant reduction of the Group's cash utilization, as evidenced by a cash consumption of only HK$42 million, net of dividend payment of HK$281 million, in the second half of FY12/13. This represents a considerable reduction when compared with cash consumption of HK$1,552 million in the first half of the financial year.

Secondly, in October 2012, we were fortunate to find a window of opportunity to raise approximately HK$5.1 billion under a successful rights issue. This has strengthened the Group's cash position, providing required funding for the execution of our transformation. Indeed, I would like to take this opportunity to express my gratitude to our shareholders for their strong support on this rights issue.

Thirdly, as I mentioned in my last letter to you, the Board strives to expand its membership to achieve a well-balanced mix of executive and non-executive directors who bring further skills, insight and value to Esprit. I am delighted to inform you that Mr Norbert Adolf Platt and Mrs Eva Cheng Li Kam Fun were appointed on 6 December 2012 and Mr Carmelo Lee Ka Sze was appointed on 25 July 2013 as Independent Non-executive Directors of the Company. With their wealth of experience and expertise in the consumer retail industry, the China market, and the best practices in corporate governance, I am sure that they will bring invaluable insights and contributions to the Group.

Looking ahead, the road to recovery is still full of challenges. However, the Board fully supports the strategic priorities laid down by the management. With the continued dedication, commitment and hard work of our executive management team and our employees, I remain confident that we are on the right path to restore the Group's sustainable profitability, to build the foundation for our future growth, and to achieve our goal of re-establishing Esprit as a leading international fashion brand.

Raymond OR Ching Fai // Independent Non-executive Chairman
10 September 2013

“Esprit is a company that has immense potential …
All our current efforts are devoted to adapt Esprit’s business model to regain long term competitiveness.”

01.2 Letter from Group CEO

Dear Shareholders,

I am honored to be writing my first letter to you since joining the Esprit family in September 2012. As my first year in the Group comes to a close, I am ever more conscious that, despite our current situation, Esprit is a company that has immense potential to compete and succeed in the global market. We have an extraordinary brand supported by a broad and loyal customer base, a stable portfolio of first-class suppliers and a quality distribution network covering the key shopping areas of our core markets. Behind all these are talented and experienced professionals in every area of our business.

Needless to say, Esprit must leverage all these strengths to promptly overcome the challenges of a quickly transforming apparel industry. All our current efforts are devoted to adapt Esprit’s business model to regain long term competitiveness.

FY 2012/2013 Results

FY12/13 has been an exceptional year in many aspects but especially from a financial performance point of view. It has been exceptional not only because our business figures are extremely far from our goals and expectations, but also because many non-recurring items have impacted our Profit and Loss ("P&L") this year.

Esprit's disappointing operational performance in the past few years can be attributed to a number of factors. These factors include adverse macroeconomic conditions, particularly in the Euro zone, increasing price competition in the apparel market, particularly from vertically integrated players, and, last but not least, a number of changes in the organization and the operation of the Company which might have delayed our reaction to these external challenges.

Our performance in FY12/13 reflects the aforementioned issues, especially in Europe where the Group does the majority of its business and in the wholesale channel where we experienced difficult trading conditions and a continued reduction of selling space. Turnover was also impacted by unfavorable exchange rate effects and our strategic decision to close down unprofitable stores and the divestment of North America. As a result, Group turnover for the twelve months ended 30 June 2013 declined by -14.1% year-on-year, or -11.5% in local currency, to HK$25,902 million (FY11/12: HK$30,165 million).

Gross profit margin has also suffered from the pressure of tough wholesale trading conditions and shows a decline to 49.6% of net sales (FY11/12: 50.4%).

The Company is actively reducing costs across many areas of the business. Operating expenses (OPEX) of our underlying businesses started to decline by -2.9% year-on-year on a comparable basis which excluded i) the divestment of North American operations, ii) store closures announced in prior years, iii) the higher than expected levels of provisions for doubtful debt, inventory and impairment of fixed assets, and iv) the non-recurring provisions and impairments highlighted in the profit warning announcement in May 2013. Impairment charges and provisions, the majority of which were non-cash items, have resulted from management's assessment of the fair value of the assets of the Group.

The impact of all these exceptional expenses (i, ii, iii and iv) has massively undermined our savings. As a consequence, the Group reported an OPEX increase of 21.2% year-on-year, and an EBIT loss of HK$4,170 million for the twelve months ended 30 June 2013 (FY11/12: EBIT of HK$1,171 million).

Strategic Priorities

FY12/13 has also been a year of important change for Esprit. In light of the current business developments and our negative operating results, it is clear that the targets set forth in the original Transformation Plan, launched in September 2011, are no longer applicable. Therefore, management has undertaken a comprehensive reassessment of the original plan and has made strategic decisions to realign our financial targets and business priorities for the short, medium and long term. We find the new timing of our plans necessary to properly address our areas of weakness and to improve our sales performance in a sustainable manner.

Stabilizing the business in the short term

In the short term, we aim to stabilize business performance and enable the Company to return to profitability by radically reducing costs, normalizing inventory levels and overhauling operations. While this purely focuses on the basics of the business, there is high value creation potential in this exercise, which will be indispensable to providing a healthy platform for the more structural projects the Company is undergoing.

Over the past five years, the turnover of the Group has declined significantly while operating expenses have increased. This development has dragged the profitability of the Group to a loss situation which we aim to correct immediately by aggressively reducing costs. In this respect, the Group has undertaken an in-depth review of the entire cost base to identify potential cost saving opportunities, and I am pleased to report that we have already seen encouraging results in the second half of FY12/13. While the impact on our P&L is not fully visible yet, the achieved savings have significantly contributed to reducing cash utilization in the last six months of the financial year.

Additionally, a series of projects are in progress to facilitate further reduction of our structural costs in the future. These include operational and organizational changes, as well as the correction or elimination of unprofitable areas of the business. We have assessed the performance of countries, channels and stores, and decisions are being made to address those that are unprofitable, most likely via store closures, which will allow resources to be used more efficiently by focusing on the better performing areas of the business.

Our most immediate target is to reduce the OPEX-to-sales ratio to below 50% in FY13/14. Once this target is achieved, it is expected to generate good operating leverage to improve our EBIT margin once the top line recovers.

With respect to inventory normalization, we have introduced bold measures to accelerate the reduction of aged inventory as well as sales activation activities to control seasonal inventory. In addition, we are strengthening our network of discount outlets for inventory clearance by a net opening of 12 new outlets during the financial year. As a result, our inventory level declined to HK$3,209 million as of 30 June 2013, a 19.1% reduction from HK$3,965 million on 31 December 2012, and a 10.7% reduction over the level one year ago.

As important as cost reduction and inventory normalization are in the short term, so too is the overhauling of our core operations. In this area, the Company reached two critical milestones in FY12/13: making our new Distribution Centre (DC) fully operational and completing the migration from the old IT system to the new solution in June 2013. The Group's state of the art and highly automated DC facilities in Mönchengladbach (Germany) will enable us to increase warehouse productivity and improve distribution service levels, while the new IT system will complement our overall efforts to improving efficiency across the organization. Both elements will prove vital to enable the ambitious enhancement of our operations in the coming years.

Regaining competitiveness by adopting a faster and more efficient business model

Management is fully aware that cost and inventory control will not suffice in the medium term. Top line recovery is the imperative factor for our successful turnaround but it is equally important that such recovery happens in a truly sustainable and scalable manner. While capturing quick wins for our turnover (e.g. via promotions) can bring some immediate relief, our goal is to regain a strong level of competitiveness.

In this respect, we will place our main focus on our Product which, in our view, is the most important and fundamental element to a successful turnaround. We are competing in a market that requires fast adaptation to continuous changes in consumers demand and an outstanding value for money proposition. Consumers do not expect anything less. Achieving such quick reaction and superior price-value positioning entails high speed and efficiency across our product development and supply chain processes. Therefore, priority will be given to implement faster and more efficient product related processes, which we refer to as a "high performance product engine".

With speed, we will be able to more quickly adapt our designs to consumer preferences, while efficiency will enable us to produce high quality products at ever competitive prices. In other words, this "high performance product engine" shall facilitate Esprit's ability to more systematically produce successful collections while maintaining profitability.

The essence of this intended model is a higher degree of vertical integration to ensure that information, decisions and actions flow rapidly across all key areas of our business, including to and from our external partners. While this concept may sound "theoretical", it has very specific implications for our organization, our product ranges, our retail and wholesale network, our processes and tools, and our way of working in general. Fortunately, all the elements of a vertically integrated model are already in place in Esprit and many of the necessary practices are well known by the Company. Additionally, good progress is being made in the following pivotal areas:

Strengthened management team – The management team of Esprit continues to be complemented in multiple areas. Last year, in line with our strategy, we incorporated professionals with detailed knowledge and first-hand industry experience of operating a fast-to-market vertical model, particularly in the areas of product development and supply chain management.

Integrated product teams – All functions related to the product and supply chain in Esprit have been integrated into new category management teams to work seamlessly together. This structure ensures that all decisions are made in a fast and comprehensive manner. Equally important, these teams operate under the leadership of Category Managers who take full ownership and accountability over the collections and their performance.

Empowered markets teams – While integrating product teams is a fundamental pillar for achieving speed to market, empowering local country teams is also a critical element to secure fast reaction and adaptation to local needs. We are doing this by replacing our centralized Channels organization with a decentralized Markets structure. Our local retail and wholesale teams (and all other local functions) in every country are now grouped under one single Country Manager. This structure allows a holistic approach to each market, creates synergies in the organization and, as in the case of the product teams, enables full ownership and clear accountability over each market's performance.

Countries have been grouped along three major regions: "Germany", "Asia/Pacific", and "Europe & Rest of the World". Each of these regions will be managed by a Managing Director of the Group's Board of Management.

Simplified product development and supply chain management – Speed and efficiency require simplicity. A major aspect of our transformation consists of a continued reduction of the complexity in our value chain. Actions taken include reduction of the number of SKUs (Stock Keeping Units), continued consolidation of our portfolio of suppliers and further integration through sourcing offices (e.g. in northern China, Bangladesh, Indonesia and India), shortening of internal processes and improvement of our new IT system capabilities.

Renewed fast-to-market division – During the financial year, we redefined the role of our Trend Division as a laboratory to test our fast-to-market product development processes. Given the limited size of the division, its impact on the business will be negligible. However, this division shall prove extremely valuable in developing the solutions to reduce our product development lead times in all other Product Divisions. Our target is to operate this division on a two to three months lead time, therefore developing our ability to respond much faster to market demand.

Ongoing pricing tests – In the end, improvements in our products must be properly reflected by an outstanding value for money proposition, therefore the final pricing to consumers is decisive. A series of pricing tests are being conducted in different markets to generate crucial information for our pricing strategy. The initial results keep showing the extraordinary potential of the Esprit brand when our products are optimized from a price-value perspective.

Fine-tuned store concept – We continue to develop our new Lighthouse store concept. Our teams continuously introduce best practices to improve the commercial aspects of the concept. These practices involve window displays, space allocation, visual merchandising, in store communication, etc., and are resulting in continued improvement in performance. The current levels of productivity and profitability of the refurbished stores have underscored the positive potential of the new concept.

It is not my intention to provide an exhaustive list of all the projects currently underway, but to illustrate the type of changes and progress going on within the Company. These initiatives aim to establish the fundamentals for a different way of managing our business. They are not short term tactical actions but a very ambitious strategic challenge for the whole organization; one that is vital to recover our competitiveness in the market. We expect the major changes to be implemented over the next eighteen months, although some benefits may start to surface along the way.

Establishing a solid platform for long term growth

As soon as we see a sound improvement in the performance of our products and stores, a shift will be made to drive growth and expansion.

Esprit's growth potential is phenomenal in the longer term:

1. Given the current productivity (sales per sqm) of our selling space, the largest potential and our top priority is to leverage the existing distribution by driving comparable store sales growth across all channels and countries.

2. We also see future growth potential by leveraging our well established e-commerce model to capture opportunities in the fast growing online market in different geographic regions.

3. Diversifying our positioning through a multi-brand strategy is a strategic option that we will pursue by leveraging the edc brand to capture market share in the younger age segment.

4. China is the market with the highest growth potential for Esprit. While we enjoy great brand awareness in the country, our penetration is still limited relative to the competition.

5. In terms of expansion, emphasis in the short term will be placed on selected openings with a strong focus on Return on Investment. In the medium term, we see significant opportunities to leverage on our hybrid retail-wholesale distribution to rapidly develop density in current non-core markets.

6. In the longer term, we expect to address growth in new markets where we foresee high potential for our brand and products.

Financial Implication

The strategic initiatives set out above have the full support of the Board and the management team. While we are convinced that we are pursuing the right direction, it is clear that a lot of work still needs to be done. Hence, for the financial year FY13/14, we expect further decline in turnover, mainly due to reduced controlled space in both the retail and wholesale channels, as a result of the store closures and further rationalization of our wholesale customer base. On the positive side, we expect the cost measures undertaken by the management team to continue bearing fruit to decrease our OPEX-to-sales ratio below 50%. Reduction of operational expenses will be complemented by careful management of the CAPEX so that cash consumption remains under control.

Our outlook beyond FY13/14 is positive and ambitious but, given the importance of our immediate challenges, we will remain fully focused on the current exercise.

In closing, I would like to thank again the Board of Directors, the Board of Management and all of Esprit's employees around the world for their passionate dedication through these difficult times. I also want to thank our shareholders for their continued support especially at this stage. I am confident that the strong team in place is committed to the execution of the strategic initiatives that shall restore Esprit back to its full potential and create value for all its stakeholders. I am excited by the challenge ahead and look forward to sharing our further progress with you in due course.

Jose Manuel MARTINEZ GUTIERREZ // Executive Director and Group CEO
10 September 2013

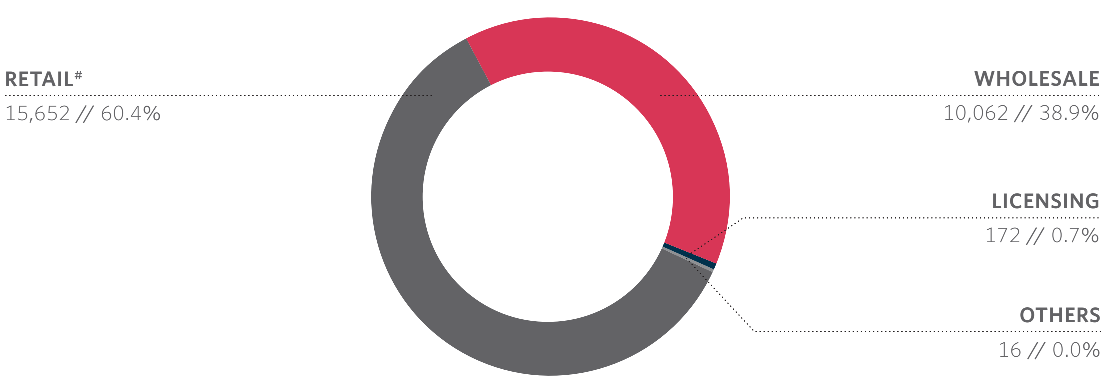
01.3 Financial highlights

	For the year ended 30 June			
	2013		2012	
	Total^		Total	
Turnover	**HK$25,902m**		HK$30,165m	
Operating (loss)/profit	**HK$(4,170)m**		HK$1,171m	
Net (loss)/profit	**HK$(4,388)m**		HK$873m	
(Loss)/earnings per share ("EPS") (Basic)*	**HK$(2.50)**		HK$0.60 (Adjusted)	
Gross profit margin	**49.6%**		50.4%	
Operating (loss)/profit margin	**-16.1%**		3.9%	
Net (loss)/profit margin	**-16.9%**		2.9%	
	HK$	**% of EPS**	HK$	% of EPS**
Dividend per share				
– Regular interim paid	–	–	0.26	38%
– Proposed regular final	–	–	0.15	22%
– Total regular	–	–	0.41	60%

* The basic earnings per share for the year ended 30 June 2012 was adjusted in FY12/13 to reflect the effect of a rights issue of the Company
** Calculated by dividing dividend per share by basic EPS, based on the basic EPS of HK$0.68 per share (before adjustment)
^ For detailed analysis of the financial performance, please refer to Management Discussion & Analysis

Turnover by distribution channels

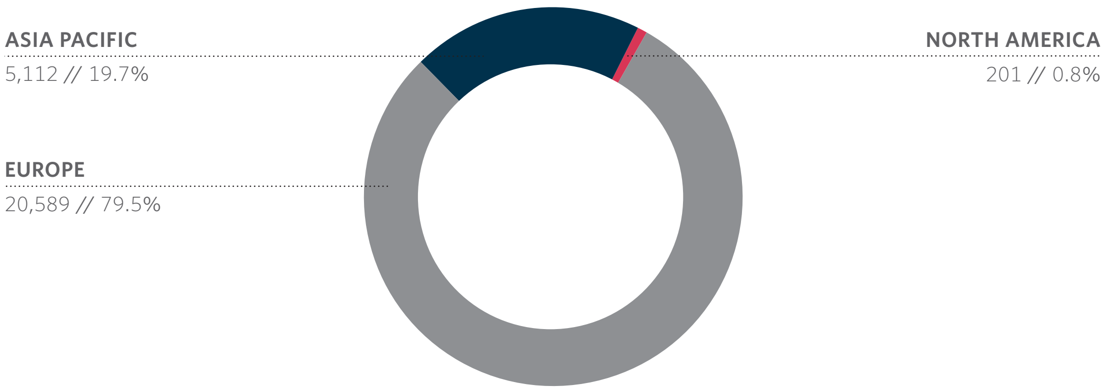
HK$ million // % to Group turnover



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

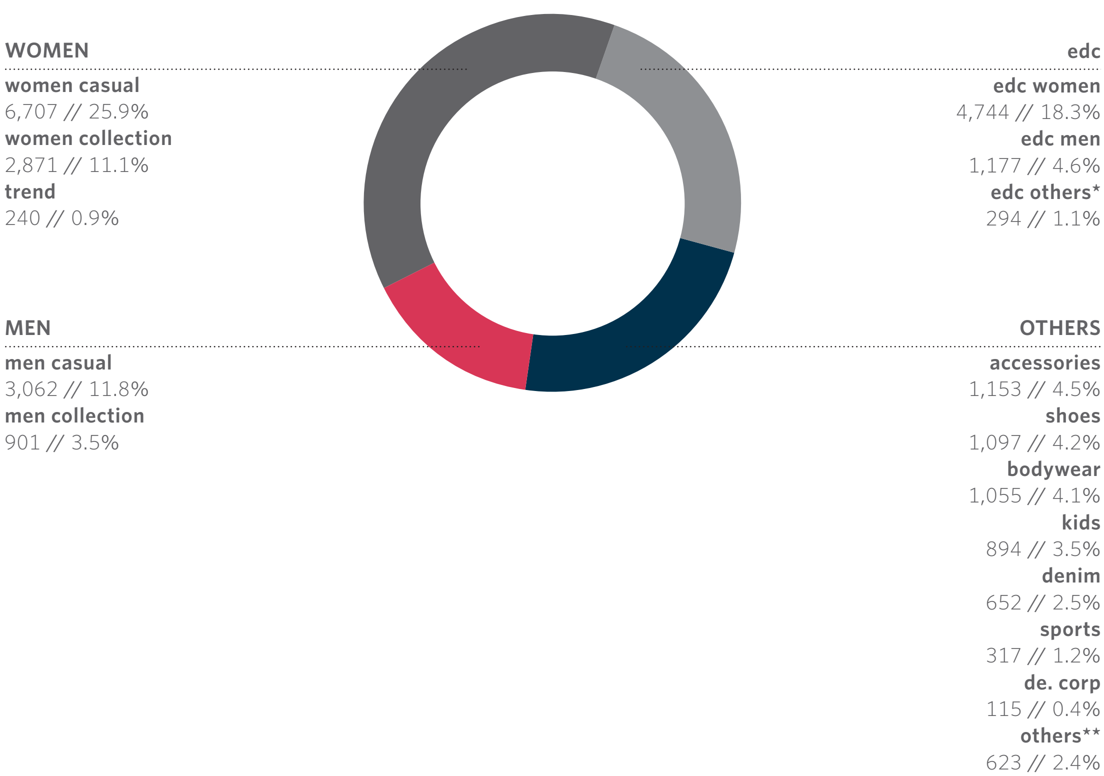
Turnover by regions

HK$ million // % to Group turnover



Turnover by products

HK$ million // % to Group turnover



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

Breakdown of group turnover

	For the year ended 30 June				
	2013	2012	2011	2010	2009^
Operation mix (%)					
Retail	**60**	59	56	53	47
Wholesale	**39**	40	43	46	52
Licensing and others	**1**	1	1	1	1
Geographical mix (%)					
Europe	**79**	79	79	83	85
Asia Pacific	**20**	18	17	14	12
North America and others	**1**	3	4	3	3
Product mix (%)					
women casual	**26**	29	33	34	34
men casual	**12**	13	12	13	12
edc women	**18**	18	18	18	17
edc men	**5**	4	4	4	4
women collection	**11**	10	8	7	7
men collection	**4**	3	3	2	2
accessories#	**5**	5	5	5	6
kids#	**3**	4	4	5	5
shoes#	**4**	4	4	3	4
bodywear#	**5**	4	4	3	3
trend	**1**	n.a.	n.a.	n.a.	n.a.
denim	**3**	n.a.	n.a.	n.a.	n.a.
sports	**1**	1	2	2	2
de. corp	**0**	2	1	1	1
others*	**2**	3	2	3	3

* Others include mainly salon, licensing income & licensed products like timewear, eyewear, jewellery, bed & bath, houseware, etc.
^ Turnover by geographical segment for the year ended 30 June 2009 was restated for comparison purpose as a result of the adoption of the new IFRS 8 "Operating Segments"
\# Include sales from edc product category
n.a. Not applicable

02
ESPRIT FY12/13 IN BRIEF

Spring Collection 2013

A fashion journey with Esprit

For spring 2013, Esprit whisked customers away on an especially exciting journey: the new spring/summer collection paired colours, patterns and materials from all over the world to make up a casual mix of elegance and exoticism. Abstract floral prints met geometric designs. Metallic coatings and lace embellished lightweight boucle, crepe, silk and linen. Colours were inspired by the fresh summer breeze, the glittering ocean, wild flowers and rugged, sun-soaked earth. Who wouldn't feel compelled to take a holiday now?

With brand-new Esprit favourites in tow, actress Dree Hemingway from New York and Asian top model Liu Wen from Beijing embarked on a weekend trip. The world-renowned photographer Terry Richardson and stylist Camille Bidault-Waddington accompanied them for this new Esprit spring campaign. Here, Dree and Liu again highlighted the outfits they had selected for their journey.

LOOKBOOK

ONLINE MOVIE

WINDOW

ONLINE & SOCIAL MEDIA

High Summer Collection 2013

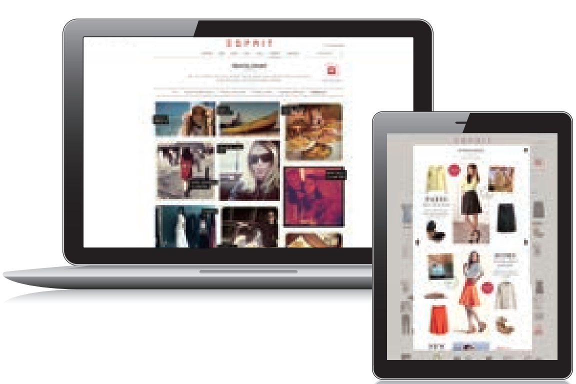
Travel in style

Hear the sound of waves gushing, feel the breeze against your skin, revel in the warm rays of sunshine – follow in the globetrotting footsteps of model duo Dree Hemingway and Liu Wen, photographed by Dan Martensen and expertly dressed by French stylist Camille Bidault-Waddington in the high summer looks by Esprit. Pastel shades meet crisp whites and tropical hues, exotic floral prints and geometric patterns highlight tailored pieces and easy denim styles. Holiday feeling to slip on and live in. All day, all summer, all across the world… Time to get your vacation going!

LOOKBOOK

ONLINE MOVIE

WINDOW



ONLINE & SOCIAL MEDIA

Introducing Simply Body

pure & feminine

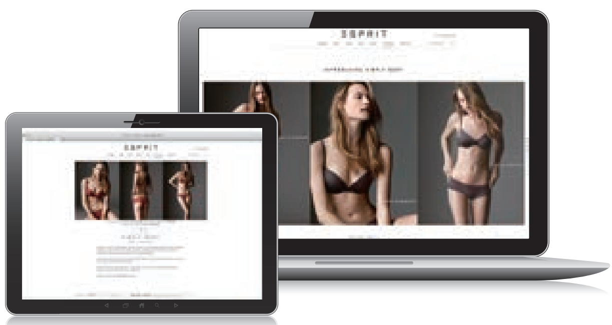
Imagine a soft and sensual bodywear collection made to discreetly highlight your body. Beautiful lingerie designed to inspire with its puristic look. A selection of panties and bras are created to make you feel irresistibly feminine and natural. Wouldn't that be simply wonderful?

Crafted with attention down to the last detail, SIMPLY BODY is made from soft microfibre and delicate lace that will stay invisible beneath your clothes.

And yet the new flat seams and laces in contemporary colour tones are a pure pleasure to look at. Because we all know: Sometimes less is simply more.

Experience Esprit's new SIMPLY BODY collection.

FLYER



ONLINE & SOCIAL MEDIA

INSTORE DISPLAY

WINDOW

Fashion comes and goes – denim is forever!

Esprit launches its first Denim Division

Following the soft launches of new women's fits in August 2012 and the establishment of the Denim Division in December 2012, Esprit launches Esprit Denim, a complete collection of rebranded men's and women's denim styles, in June 2013. From shirts, jackets and jeans to tee shirts and sweaters, the collection features every piece imaginable for any denim-wearing occasion – with the look and feel of a designer brand but at accessible high street prices.

Esprit Denim offers a comprehensive fit portfolio for both men's and women's ranges. Men will be able to choose between six new fits: The Skinny, The Slim, The Straight, The Slouch, The Tapered and The Loose. Women's styles will be available in two different rise heights (medium and high rise) and a variety of leg shapes from skinny to slouchy. Complete with a new innovative branding strategy and whimsical details like dipped indigo trims, Esprit is about to embark on a novel adventure in denim retail.

FLYER

INSTORE DISPLAY

WINDOW

ONLINE & SOCIAL MEDIA

New store openings

Country	City	Location	No. of POS
Austria	Gerasdorf	Gerasdorf EKZ	1
	Klagenfurt	Klagenfurt City Arkaden	1
Australia	Adelaide	Rundle Place	1
	Melbourne	South Wharf	1
Belgium	Liege	Liege CC Belle Ile	1
China	Beijing	Beijing Dream Port Living Mall	1
		Beijing Grand Pacific Mall	1
		Beijing Hualian Group Mall Tiantongyuan	1
		Beijing Hualian Group Mall Shangdi	1
		Beijing New World Department Store Yanjiao	2
		Beyou World Outlets	1
		Changping Guotai	2
		Dacheng Xinhua Department Store	2
		LiangXiang Guotai	1
		Modern Plaza Ding Cheng	2
		Tongzhou Guotai	1
		Uptown Mall	1
		Zhuozhan Mall	2
	Chengdu	Beijing Hualian Department Store	1
		CapitaMall Jinniu	1
		Chengdu New World Department Store	1
		Chengdu Moer Department Store	1
		Chengdu Raffles City	1
		Jinniu Wanda Plaza	3
		Mian Yang Fucheng Wanda Plaza	3
		Mian Yang New World Department Store	1
		Tian Hong Department Store	1
	Chongqing	Chongqing Department Store Jiefangbei	1
		Chongqing Department Store Nanping	1
		Chongqing Departmnet Store Shaping	1
		Chongqing Nanping Wanda Plaza	2
		Daping New Century Department Store	2
		Fu'an Department Store	1
		Nan Ping New Century Department Store	2
		Shapingba Wangfujing Department Store	1
		SML Central Shopping Center	2
	Dalian	Dalian New World Department Store	2
		Dashang Group Jinzhou New-Mart Center	1
	Guangzhou	Grandbuy Department Store (Sun Plaza)	2
		Grandview Mall	1
		Jusco	2
	Hong Kong	China Hong Kong City	1
		Domain	1
		MegaBox	1
		MPM	1
	Shanghai	Bailian Dongjiao Shopping Mall	1
		CITIC Plaza Shenhong, Hongkou	1
		Kaiyuan Mediterranean Commercial Plaza	1
		Lian Yang Plaza	1
		Parkson Department Store Xinzhuang	1
		Pudong Department Store Chengshan	1
		Shanghai Fashion Store	1
		Shanghai – Hong Kong New World Department Store – Baoshan Branch Store	1
		Shanghai – Hong Kong New World Department Store – Chengshan Branch Store	1
		Shanghai – Hong Kong New World Department Store – Hongkou Branch Store	1
		Shanghai – Hong Kong New World Department Store – Wujiaochang Branch Store	1
		Shanghai Super Brand Mall	1
		Shanghai Touch Mall	1
		Shanghai Wanda Department Store Zhoupu	1
	Wuhan	Grand Ocean Department Store Guanggu	1
		Grand Ocean Department Store Longyang	1
		Wuhan Hanshang Department Store	1
		Wuhan SOGO Chongguang	1
		Wuhan Wanda Department Store Lingjiaohu	1
		Wuhan Zhongnan Commercial Group	1
France	Avignon	Rue de la Republique	1
	Bordeaux	Bordeaux Begles	1
Germany	Essen	Limbecker Platz Bodywear	1
	Neumünster	Outlet Neumünster	1
	Ochtrup	Outlet Ochtrup	1
	Parsdorf	Outlet München Parsdorf	1
	Ratingen	Outlet Ratingen 2	1
	Soltau	Outlet Soltau	1
Luxembourg	Luxembourg	Luxembourg Belle Etoile	1
Macau	Macau	Centro Comercial Lao Chan Sau Keng	1
Malaysia	Johor Bahru	Johor City Square	1
	Kuala Lumpur	Parkson Utama WCA	1
	Kuching	Plaza Merdeka	1
	Pahang	Tangs Genting First World	1
Netherlands	Leeuwaarden	V&D Leuwaarden	1
	Lelystad	Outlet Lelystad	1
	Roosendaal	Outlet Roosendaal	1
New Zealand	Christchurch	Hornby	1
	Wellington	Willis Street	1
Singapore	Singapore	Ang Mo Kio Hub	1
		City Square Mall	1
		IMM Building	1
Switzerland	Wallisellen	Glattzentrum Glatt EZ	1
Taiwan	Kaohsiung	Dream Mall	1
		E-DA Outlet Mall	1
	Taipei	Far Eastern Department Store New Taipei	1
Total			**107**

Feel the new Esprit in our stores!

Welcome to the California way of life

The new Esprit stores invite our customers to enjoy the lifestyle of California, the home of Esprit. Here you can relax. Feel free. Be yourself.

Distribution Centre Europe (DC Europe)

Esprit opened the highly automated Distribution Centre in Mönchengladbach after eight months of construction. Opened in July 2012, the centre acts as Esprit's central logistics hub in Europe serving both the retail and wholesale channels.

Facts & Figures

- Inbound capacity:
  - up to 1,350 parcels per hour
- Outbound capacity:
  - up to 1,000,000 pieces per day
  - up to 25,000 parcels per day

03

MANAGEMENT DISCUSSION & ANALYSIS

03 Management discussion & analysis

03.1 Revenue analysis

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

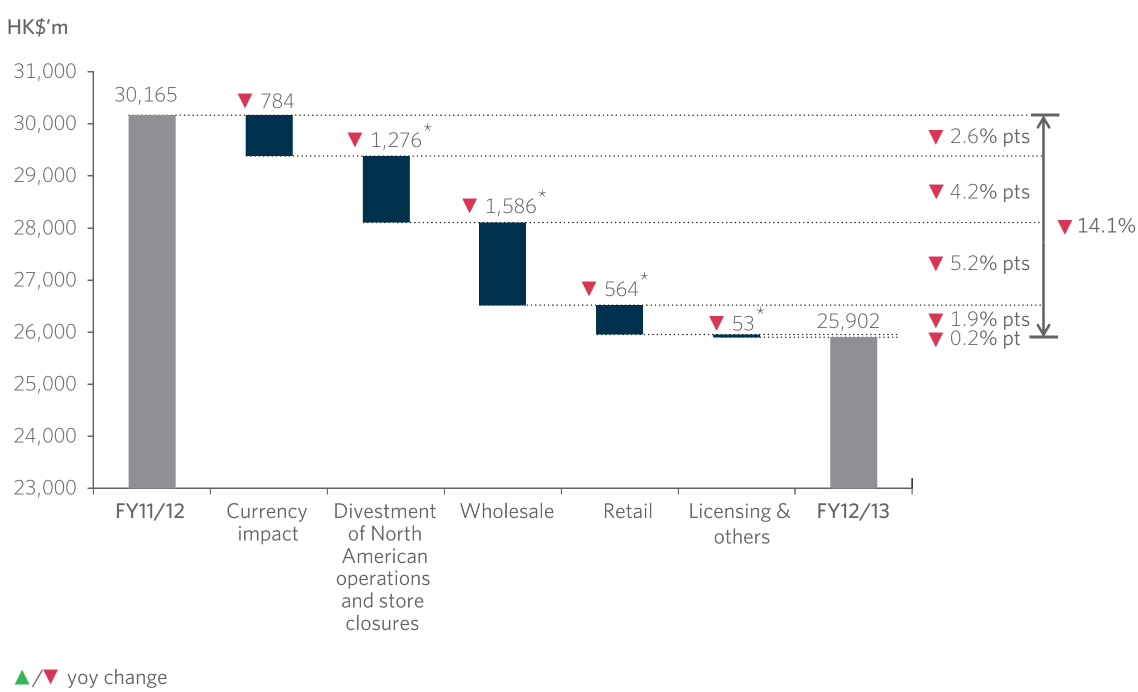
i) Strategic decision to divest North American operations (the "Divestment of NA") and the closure of certain loss-making stores as announced in prior financial years (the "Store Closures")

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

iii) Negative impact of foreign exchange effect

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

Analysis of group turnover



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

Turnover by product divisions

Turnover by product divisions

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

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

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

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

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

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

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

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

Turnover by distribution channels

Turnover by distribution channels

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

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

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

Retail performance scorecard

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

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

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

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

Retail turnover by countries

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

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

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

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

Directly managed retail stores by countries

Countries	No. of stores	Net opened stores*	Net sales area m²	Net change in net sales area*	No. of comp stores	Comp-store sales growth
						As at 30 June 2013
Europe	**370**	**12**	**228,508**	**3.0%**	**199**	**-3.3%**
Germany**	163	4	126,847	3.8%	90	-3.2%
Netherlands	52	3	20,606	4.0%	23	-10.2%
Switzerland	39	1	17,479	2.2%	27	-5.6%
France	36	2	17,975	3.7%	24	-6.3%
Belgium	29	–	17,686	-3.1%	8	6.6%
United Kingdom	23	–	4,572	0.0%	13	0.9%
Austria	18	2	17,189	3.8%	8	2.2%
Finland	6	–	3,849	-13.6%	4	-5.2%
Luxembourg	3	1	1,866	62.4%	1	-12.4%
Ireland	1	(1)	439	-9.1%	1	-8.8%
Asia Pacific	**639**	**(29)**	**112,911**	**-2.9%**	**222**	**-3.5%**
China	364	20	57,748	0.8%	71	-3.7%
Australia	114	(42)	14,771	-17.3%	64	0.1%
Taiwan	79	(6)	7,524	-12.9%	46	-13.8%
Malaysia	32	–	12,026	4.2%	14	-6.6%
Singapore	23	1	8,975	3.1%	14	-7.6%
Hong Kong	15	–	7,854	1.8%	6	3.9%
New Zealand	8	(3)	1,826	-34.5%	5	1.8%
Macau	4	1	2,187	28.6%	2	7.5%
Subtotal	**1,009**	**(17)**	**341,419**	**1.0%**	**421**	**-3.3%**
Store closures announced in prior years	15	(25)	8,884	-61.6%	n.a.	n.a.
Total	**1,024**	**(42)**	**350,303**	**-3.0%**	**421**	**-3.3%**

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

Directly managed retail stores by store types

	No. of POS					Net sales area (m²)				
		vs 1 July 2012					vs 1 July 2012			
Store types	As at 30 June 2013	Opened	Closed	As at 1 July 2012	Net change	As at 30 June 2013	Opened	Closed	As at 1 July 2012	Net change
Stores/concession counters	**930**	84	(113)	959	(29)	**304,778**	17,059	(21,028)	308,747	-1.3%
Outlets	**79**	23	(11)	67	12	**36,641**	12,575	(5,372)	29,438	24.5%
Sub-total	**1,009**	107	(124)	1,026	(17)	**341,419**	29,634	(26,400)	338,185	1.0%
Store closures announced in prior years	**15**	–	(25)	40	(25)	**8,884**	–	(14,240)	23,124	-61.6%
Total	**1,024**	107	(149)	1,066	(42)	**350,303**	29,634	(40,640)	361,309	-3.0%

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

Wholesale turnover by countries

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

* Germany wholesale sales includes sales to other European countries mainly Russia, Czech Republic, Poland, Bulgaria and Ukraine
** Macau sales includes wholesale sales to other countries mainly the Middle East, Colombia and Chile

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

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

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

Wholesale performance scorecard

	For the year ended 30 June	
	2013	2012
Year-on-year local currency turnover growth	**-13.7%**	-16.5%
Segment EBIT margin	**9.7%**	17.7%
No. of Esprit controlled space POS	**9,248**	10,826
Esprit controlled space area (m^2)	**566,176**	653,493
Year-on-year change in Esprit controlled space area	**-13.4%**	-7.0%

Wholesale distribution channel by countries (controlled space only) – movement since 1 July 2012

As at 30 June 2013

	Franchise stores**				Shop-in-stores**				Identity corners**				Total**			
Countries	No. of stores	Net sales area m²	Net opened stores	Net change in net sales area*	No. of stores	Net sales area m²	Net opened stores	Net change in net sales area*	No. of stores	Net sales area m²	Net opened stores	Net change in net sales area*	No. of stores	Net sales area m²	Net opened stores	Net change in net sales area*
Europe	**920**	**232,316**	**(113)**	**-10.9%**	**4,301**	**161,186**	**(332)**	**-8.8%**	**3,135**	**66,320**	**(932)**	**-24.9%**	**8,356**	**459,822**	**(1,377)**	**-12.6%**
Germany***	363	97,188	(36)	-10.9%	3,289	128,784	(285)	-9.4%	1,851	34,500	(398)	-18.9%	5,503	260,472	(719)	-11.3%
Benelux	150	47,947	(10)	-7.2%	153	6,312	(19)	-12.5%	349	8,567	(167)	-37.4%	652	62,826	(196)	-13.4%
France	145	26,621	(26)	-14.7%	344	7,731	(25)	-8.2%	202	6,016	(101)	-27.2%	691	40,368	(152)	-15.7%
Sweden	63	21,071	(12)	-9.0%	-	-	(1)	-100.0%	45	1,240	(53)	-39.9%	108	22,311	(66)	-11.7%
Austria	73	12,669	(7)	-12.9%	93	3,185	(12)	-12.0%	58	1,507	(34)	-36.2%	224	17,361	(53)	-15.4%
Finland	28	7,568	1	0.7%	91	4,050	(2)	-9.1%	249	6,408	(35)	-15.5%	368	18,026	(36)	-7.8%
Italy	34	6,772	(17)	-28.5%	33	1,106	(3)	-22.2%	156	2,585	(73)	-46.4%	223	10,463	(93)	-33.4%
Switzerland	26	4,689	(8)	-24.0%	63	3,225	11	18.7%	32	629	(23)	-41.4%	121	8,543	(20)	-14.2%
Denmark	17	4,563	(1)	0.5%	1	25	(2)	-70.9%	38	1,000	(72)	-61.6%	56	5,588	(75)	-22.7%
Spain	15	2,053	6	19.6%	214	5,979	11	3.9%	74	2,130	32	63.0%	303	10,162	49	15.8%
Portugal	2	576	-	1.2%	-	-	-	-	5	85	-	-	7	661	-	1.1%
United Kingdom	3	357	(1)	-39.4%	12	473	1	12.1%	68	1,527	(5)	-9.3%	83	2,357	(5)	-12.5%
Norway	1	242	-	0.8%	-	-	-	-	-	-	(2)	-100.0%	1	242	(2)	-16.6%
Ireland	-	-	(2)	-100.0%	8	316	(6)	-34.6%	8	126	(1)	-31.1%	16	442	(9)	-57.5%
Asia Pacific	**786**	**103,754**	**(196)**	**-16.9%**	**106**	**2,600**	**(5)**	**-8.9%**	**-**	**-**	**-**	**-**	**892**	**106,354**	**(201)**	**-16.7%**
China	508	67,700	(161)	-19.1%	-	-	-	-	-	-	-	-	508	67,700	(161)	-19.1%
The Middle East	40	9,333	(3)	-19.6%	-	-	-	-	-	-	-	-	40	9,333	(3)	-19.6%
Thailand	98	7,323	8	7.7%	-	-	-	-	-	-	-	-	98	7,323	8	7.7%
Philippines	28	4,220	7	48.9%	-	-	-	-	-	-	-	-	28	4,220	7	48.9%
India	-	-	(63)	-100.0%	-	-	-	-	-	-	-	-	-	-	(63)	-100.0%
Australia	-	-	-	-	18	674	(12)	-38.3%	-	-	-	-	18	674	(12)	-38.3%
Others	112	15,178	16	16.8%	88	1,926	7	9.3%	-	-	-	-	200	17,104	23	15.9%
Total	**1,706**	**336,070**	**(309)**	**-12.8%**	**4,407**	**163,786**	**(337)**	**-8.8%**	**3,135**	**66,320**	**(932)**	**-24.9%**	**9,248**	**566,176**	**(1,578)**	**-13.4%**

* Net change from 1 July 2012
** Excludes salon
*** Germany controlled space wholesale POS include controlled space wholesale POS in countries outside Germany, mainly Russia, Czech Republic, Poland, Bulgaria and Ukraine

Key licensed product categories

As at 30 June 2013	Europe	Asia Pacific	North America	Latin America
Accessories' World				
costume jewellery	■	■		
eyewear	■	■	■	■
fragrance	■	■		■
jewellery	■	■		■
luggage	■	■		
outerwear			■	■
shoes			■	■
socks + tights	■	■	■	■
stationery	■			
timewear	■	■	■	■
umbrellas	■	■	■	■
Home World				
bathroom	■	■		
bedding	■	■	■	■
carpets	■	■		
down	■	■	■	■
flooring	■	■		
furniture	■	■		
home accessories	■	■		■
kitchen	■			
lighting	■			
towels	■	■	■	■
wallpaper	■	■		
Babies' & kids' World				
baby carriages	■	■		
baby/children furniture	■			
kids' shoes			■	
maternity	■			
school	■			
soft toys	■			

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

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

Turnover by geographies

Turnover by countries

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

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

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

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

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

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

03.2 Profitability analysis

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

i) The Divestment of NA effective April 2012;

ii) Store Closures announced in prior years;

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

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

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

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

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

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

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

Adjusted consolidated income statement
(excluding the Divestment of NA, the Store Closures, the Special Items, and the Non-Recurring Provisions and Impairments)

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

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

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

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

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

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

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

03.3 Liquidity and financial resources analysis

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

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

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

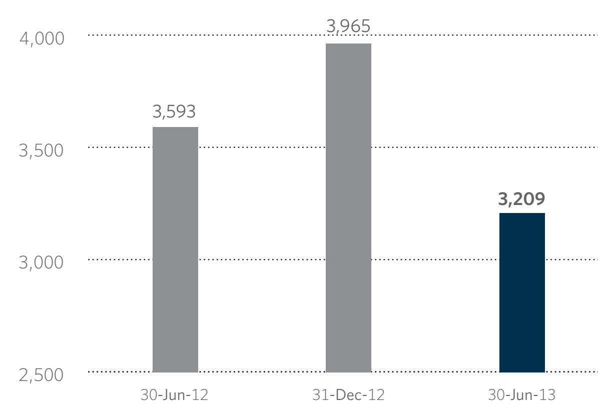
HK$ million	1H FY12/13	2H FY12/13	FY12/13
Cash (used in) / generated from operations	(1,091)	674	(417)
Tax paid, net	(51)	(289)	(340)
Net cash used in investing and financing activities*	(410)	(708)	(1,118)
Net cash utilization	(1,552)	(323)	(1,875)
Less: Dividend paid	–	(281)	(281)
Net cash utilization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

* Excludes net proceeds from rights issue and bank loans

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

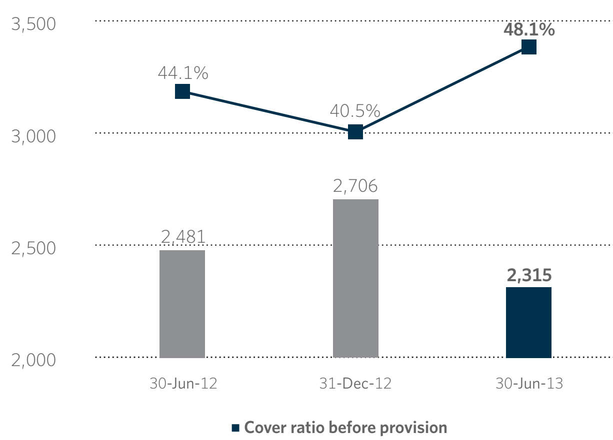
Several measures have been put in place to reduce and normalize inventory levels, including adjusting buying quantities, clearance promotions and markdowns, a net opening of 12 discount outlets during the financial year and utilizing jobbers to clear aged inventory. The decrease in inventories is also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

Inventories (HK$ million)



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

Net trade debtors (HK$ million)



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

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

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

HK$ million	**30 June 2013**	30 June 2012
Unsecured short-term bank loans	**–**	122
Unsecured long-term bank loans repayable within one year	**520**	520
	520	642
Unsecured long-term bank loans		
– Repayable between one and two years	**–**	520
– Repayable between two and five years	**–**	520
	–	1,040
Total interest bearing external borrowings	**520**	1,682

Foreign exchange risk management

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

The Group faces foreign exchange risk arising from various currency exposures, primarily with respect to the Euro. As the majority of suppliers in Asia quote and settle in US dollar, the Group enters into foreign currency forward contracts with reputable financial institutions to hedge such foreign exchange risks.

Human resources

As at 30 June 2013, the Group employed over 10,700 full-time equivalent staff (30 June 2012: over 12,400) around the globe. Competitive remuneration packages that take into account business performance, market practices and competitive market conditions are offered to employees in compensation for their contribution. In addition, share options and discretionary bonuses are also granted based on the Group's and individual's performances. All employees around the world are connected through the Group's quarterly newsletters and global intranet.

Dividend

The Board maintains the dividend payout ratio of 60% of basic earnings per share. As the Group recorded a loss for the year ended 30 June 2013, the Board does not recommend the distribution of a final dividend (FY11/12: HK$0.15 per share) for the year ended 30 June 2013.

03.4 Focus and priorities in FY13/14

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

Continued efforts in reducing operational expenses

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

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

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

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

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

Proactive and preventive actions to normalize inventory

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

Leveraging our new infrastructure to optimize operations

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

Restoring sustainable and profitable growth

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

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

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

Financial Implication for FY13/14

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

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

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

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

04
CORPORATE SOCIAL RESPONSIBILITY

04 Corporate social responsibility

Social, environmental and ethical commitment is part of Esprit's DNA. We endeavour to be a fair partner for our suppliers, a caring employer for our staff and a responsible company to our stakeholders, whilst supporting the communities around us. We are firm believers that whatever one takes, one must give back, and this belief is reflected in our respect for people, nature and future generations.

Mission

- To be a socially, environmentally and ethically responsible corporate citizen

Commitments

- We are committed to respecting the laws, regulations and standards
- We are committed to creating sustainable products and to fostering a sustainable environment for future generations to enjoy
- We are committed to caring for our communities
- We are committed to developing our people

Our commitments form the underlying core principles in the way we do business every day, and this is driven by our senior management team and our Board. Certainly, embedding these principles into everyday decision making across the entire Group can be challenging, particularly given the social, business and regulatory environments across our markets, as well as commercial viability and the ever-changing world. However, Esprit is determined to address this challenge by identifying priorities and striving for continuous progress in a step by step manner.

The following outlines specific actions undertaken by the Group in FY12/13 to further each of our commitments.

Committed to respecting the laws, regulations and standards

Esprit respects and supports international principles that promote and protect human rights. We work closely with key partners and industry collaborators/organizations to implement positive changes in labour practices to ensure that our products are produced in compliance with international and local standards and laws. Esprit has been an active member of the Business Social Compliance Initiative (BSCI) since 2005.

The BSCI was founded in 2003 by the Foreign Trade Association (FTA), with the aim to implement and maintain BSCI standards, which are based on the core standards of the International Labour Organization (ILO) of the United Nations, and to meet all relevant environmental health and safety requirements. Supplier factories are required to hold their suppliers and subcontractors to the same standards and are expected to have a BSCI audit with a "good" or "needs improvement" rating before they may begin to produce for Esprit.

Our core social beliefs are:

- No child labour
- No forced labour
- Safe and healthy working conditions
- Fair and legal compensation
- No involuntary overtime
- No illegal or disciplinary deductions from wages
- Strict adherence to local laws and regulations
- No workplace discrimination
- Minimised damage to the environment

These beliefs are upheld through the continuous monitoring of all our suppliers by our internal social compliance team, following the BSCI framework. Our internal Esprit team endeavours to visit all of our suppliers annually, through both announced and unannounced audits, taking immediate action when and where our standards are not met. If any of our suppliers violates the BSCI Code, we help them to make appropriate changes or, if necessary, terminate the business relationship.

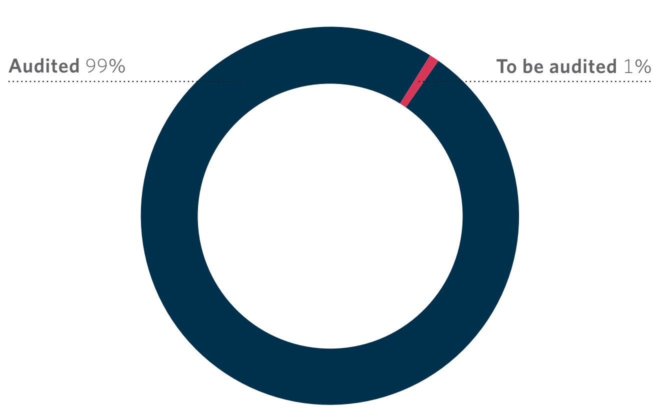
All of our production facilities are required to abide by our Social Compliance Policy and to provide a written declaration stating that they (i) do not use restricted chemicals or employ child labour; (ii) conform to the BSCI Code of Conduct; and (iii) provide a complete and up-to-date manufacturer profile. The social compliance team enforces the BSCI Code of Conduct standards by conducting audits which include regulations on working hours, compensation, child labour or young employees, forced labour, and occupational health and safety. The compliance team also works closely with the suppliers to provide assistance and guidance in order to bring them up to BSCI standards where needed. To help the compliance team with their work, alternative accredited social compliance organizations such as the Fair Labour Association and Better Work (a programme of the ILO) have conducted audits on Esprit's behalf.

Initiatives undertaken include the following:

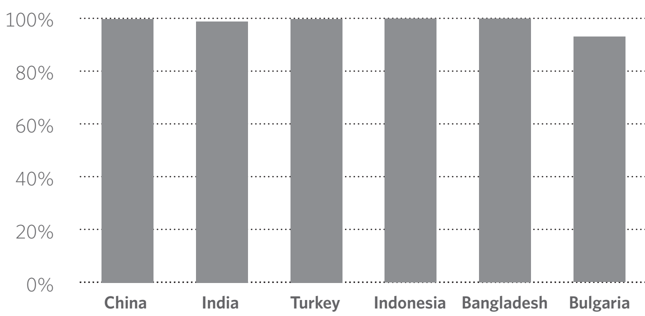
1. Social compliance audit

During FY12/13, Esprit's social compliance team conducted audits on 99% of our active suppliers;

Active suppliers audited in FY12/13



Percentage of active suppliers audited in FY12/13 split by country



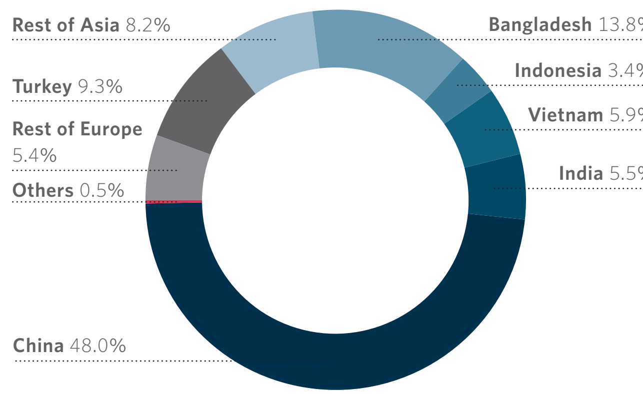
The most common non-compliance issues found through the vendor compliance audits conducted include the following:

- Inconsistency between payroll, attendance and production records
- Inconsistency between compensation policy and salary calculation
- Inconsistency between factory policy and information provided by workers during interview
- Work hours in excess of the ILO standard of 60 hours per week, including regular hours and overtime
- Incomplete training records
- Insufficient illumination of work places
- Insufficient first aid supplies
- Salary payment later than 20 days after the month-end cut off
- Failure to provide one day off in seven days as per ILO and BSCI standards
- No policy on discrimination, maternity leave or dormitory rules included in the factory policy or employment contracts.

Post audit, suppliers are continuously monitored and are required to develop a Corrective Action Plan (CAP) based on audit findings. The CAP includes a description of the actions that need to be facilitated by the factory management in response to the findings of the audit and also indicates a timeframe by when these issues should be rectified. Each CAP is evaluated by Esprit.

To ensure that improvements are made by our suppliers, Esprit provides assistance in a range of areas, including one-on-one meetings with factory managers and enrolling suppliers in a variety of training schemes offered by the BSCI. We will continue with all of the above measures to ensure the safety of our workers in the financial year 2013/14.

Countries where Esprit apparel was made in FY12/13 based on ordered quantity



To be engaged as a supplier by Esprit, a company must not have any substantial critical violations in areas such as the employment of child labour, working hour records, the discharge of waste water and/or harmful chemicals and transhipment.

2. The Bangladesh Accord on Fire and Building Safety

The fatal fire at the Tazreen Fashion in Dhaka in November of 2012, followed by the collapse of Rana Plaza in April of 2013, rocked the global apparel industry. While Esprit and its suppliers were not directly involved in either event, Esprit was among the first brands to join with a number of labour unions and non-governmental organizations (NGOs) to sign the Bangladesh Accord on Fire and Building Safety (the "Accord"). Over the next five years, the signatories to the Accord, which is coordinated by the ILO of the United Nations, will implement a thorough fire and building safety programme in all members' factories in Bangladesh. The initiative builds on, and will coordinate with, the National Action Plan on Fire Safety of the Bangladeshi government, which expressly welcomes safety initiatives from all stakeholders.

The Accord will amplify the efforts to assure safe workplaces that Esprit has been undertaking for a number of years. We are enthusiastic to be a part of the coalition and expect that its work with industry and civil society partners will contribute significantly to the well-being of Bangladeshi workers.

Committed to creating sustainable products and to fostering a sustainable environment for future generations to enjoy

We are committed to creating sustainable products and to fostering a sustainable environment by conserving our resources and sourcing our materials, where possible, through environmentally conscious means. Some of Esprit's supply chains have been assessed and audited by external third party organizations, including Redress, Control Union, and Reset Carbon, to ensure that high traceability and sustainability standards are maintained. Details about these Esprit's supply chains and how factory level best practices reflect the "Global Recycle Standard" for recycled textiles can be found at www.rcertificate.com.

Initiatives undertaken include the following:

1. Sustainable Apparel Coalition and the Higg Index

Esprit is a founding member of the Sustainable Apparel Coalition (SAC) which is focused on creating and implementing an index to measure the environmental and social performance of apparel and footwear products with the aim to improve both the working and living conditions in our sourcing and selling markets. Within the SAC, we collaborate with our industry peers and supply chain partners to achieve full life cycle transparency (back to the origin of materials) on the social and ethical performance impacts of suppliers and products. The SAC represents more than a third of global apparel and footwear industries and was formed by leading apparel and footwear brands, retailers, suppliers, non-profit organizations and NGOs to address current social and environmental challenges.

The Higg Index, launched by the SAC in July 2012, is an indicative tool that measures sustainability across the industry value chain at brand, product and facility levels. This Index not only includes modules that measure and evaluate the sustainability performance of products through the environmental impact of apparel and footwear focused on water usage and quality, energy and greenhouse gases as well as waste, chemicals and toxicity, it also includes modules for production facilities such as dyeing and finishing, garment, knitting and weaving facilities to evaluate their social and labour processes.

Esprit supports the integration of this transparent tool and as such, we conducted two benchmarking sessions with members of the SAC during the year. The Higg Index helps us identify how sustainable we are as a brand and where our strengths and weaknesses lie by giving us the tools to understand where we have the opportunities to reduce negative environmental and social impacts. We see this as a means to building a more sustainable future throughout our supply chain – from the design through to manufacturing and into our stores. The Higg Index is not yet consumer facing, but this is something we are working towards implementing in the future.

2. Zero Discharge of Hazardous Chemicals

In 2012 Esprit strengthened its long-term sustainability programme by joining the Roadmap to Zero; the apparel and footwear industry's initiative that is committed to Zero Discharge of Hazardous Chemicals (ZDHC) by 2020. We recognize that the fashion industry still lacks a common standard in the use and discharge of chemicals in textile manufacturing, which Esprit does not find acceptable. Esprit herewith confirms that it is committed to the phasing out of all hazardous chemicals from its entire life cycle, especially all production steps that are needed for the manufacturing of the Group's apparel and footwear products.

3. ÖKOPROFIT

ÖKOPROFIT is a cooperative project between communes and enterprises. The aim of the project is for companies to behave in an environmentally conscious manner. Environmental consultants support the participating companies with workshops and consultations. The project lasted for one year (starting in May 2012) and it was concluded with an award upon completion in June 2013.

Esprit's global business headquarters participated in the project for the Mettmann district with the aim of reaching higher ecological sustainability through short- and medium-term actions.

As a result of the project, Esprit aims to protect resources (economization of electricity, avoidance of waste, etc.), reduce its carbon dioxide output, and to sensitize and increase sustainability awareness among its employees.

4. Recycled Collection – Recycling our own cutting table waste

Esprit launched its second Recycled Collections in 2013 in Asia, which was created by recycling the Company's own fabric "off cuts"; promoting a more sustainable lifestyle through the reduction of textile waste, water usage and carbon emissions. The collections were designed by the 2012 Hong Kong EcoChic Design Award Winner, Wister Tsang, and the 2012 Mainland China EcoChic Design Award Winner, Gong Jiaqi. The EcoChic Design Award is a sustainable fashion design competition that educates emerging Hong Kong and Chinese fashion designers about sustainable design techniques that reduce textile waste whilst creating stylish and marketable fashion. The award is organized by Redress, an NGO with a mission to reduce waste in Asia's fashion industry.

The Recycled Collection by Esprit is designed with a mind to being kind to the environment. The recycled T-shirts and denim pieces were created using less water and less electricity, resulting in less greenhouse gas emissions per garment. The denim fabric comprises 43% recycled cotton, while the T-shirts comprise 35% recycled cotton and 65% recycled polyester, all of which is collected and recycled from Esprit's own manufacturing off cuts. In striving for sustainability, none of the T-shirt fabrics were re-dyed, and as such are blends that reflect the original off cuts, rather than solid single colours.

5. EcoChic Design Award 2013 – Merging sustainable design

Esprit sponsors NGO Redress' sustainable fashion design competition by inviting emerging designers from the East and West to change the pattern of fashion. The EcoChic Design Award is an educational, sustainable fashion design competition that inspires emerging designers to create mainstream clothing with minimal textile waste.

As global fashion consumption continues to accelerate, production and waste are becoming an increasingly pressing environmental problem. Redress has been working towards making the fashion industry more sustainable for the last seven years. Redress believes there is a huge opportunity for designers to be part of the solution through considered decisions made during the design process. The EcoChic Design Award 2013 fires-up emerging fashion designers from East to West to make tomorrow's mass market and independent fashion industries sustainable from the source.

Now in its fourth cycle, the EcoChic Design Award 2013 is expanding its scope in search of sustainable design talents living in Mainland China, Hong Kong, Taiwan, Singapore, the United Kingdom, France, Belgium and Germany. The eight finalists will personally present their sustainable collections at Hong Kong Fashion Week in January 2014, where career-changing prizes will be awarded. The EcoChic Design Award 2013 winner will be awarded the opportunity to design the 2014 Recycled Collection for Esprit, which will be distributed in stores globally.

6. I:CO – I:Collect

Esprit maintained its partnership with recycling company I:CO in Germany and Austria until the end of 2012. The scheme encouraged people to deposit their old clothes and shoes in special collection boxes in exchange for a discount coupon to purchase new Esprit clothing.

I:CO collects and sorts clothes, fabrics and shoes, which are then upcycled into new garment fabrics or recycled into industrial products, such as cleaning cloths, carpet underlay and insulation. I:CO collection boxes were placed in all Esprit stores in Austria and in 16 selected stores in Germany, and were in use until the end of 2012. We are now reviewing the project and investigating the necessary steps to enlarge its scope.

I:CO boxes have also been placed in Esprit's global business headquarters in Ratingen, Germany. Here, our employees are encouraged to return their own clothes for recycling and to hand in old, damaged or otherwise unsellable product samples. With each item, our employees are contributing to a cleaner, more sustainable environment. Following the success of this initiative in Germany, we are looking to enlarge its scope by introducing it in our Hong Kong headquarters.

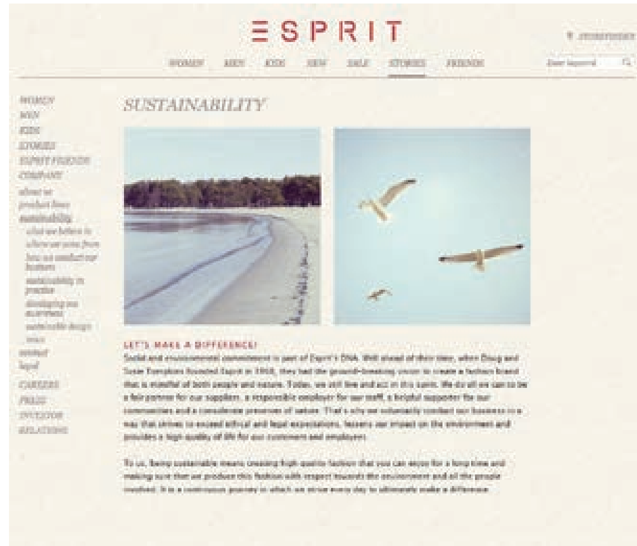
7. Sustainability Working Group

The Sustainability Working Group was established in October 2011 to function as a platform for our employees to exchange ideas and initiate sustainability programmes. Over the past year, the Sustainability Working Group has promoted internal awareness through a regular news feed. The cross disciplinary group is made up of 22 voluntary members from our German headquarters who are passionate about sustainability and want to make a difference. Projects initiated last year have continued to grow in depth of knowledge, including improved waste management in the supply chain and the internal creation of a sustainable manufacturing base, eco product offers, energy saving schemes, group transportation services and the reduction of office supply use. As a result, Esprit was able to reduce its costs and deliver better performance. The next step is to create a Sustainability Working Group in our Hong Kong headquarters.

8. Sustainability Website

In May 2013 we launched the sustainability section of the Esprit corporate website. This section enables our stakeholders to learn about our sustainable commitments, products and initiatives, providing a platform from which to understand:

- What we believe in
- Where we come from
- How we conduct our business
- Sustainability in practice
- Developing eco awareness
- Sustainable design



It also incorporates more detailed information about what we consider to be sustainable fabrics and what they are. This is a wonderful communication tool that we are continually maintaining and updating to give our stakeholders the latest Sustainable News from Esprit.

Committed to caring for our communities

Caring for our communities is as important as caring for ourselves. Esprit is deeply embedded in the communities we operate, we partner with local organizations and support programmes that cater for the needs of the local communities.

Initiatives undertaken include the following:

1. UN Women Australia

In February and March 2013, Esprit partnered with UN Women Australia in a collaboration project to support ending violence against women. Through UN Women Australia's "Critical Services Initiatives", it provides funds to nations to improve the services and support available to women and children experiencing violence. With the primary colour for International Day being purple, Esprit had created special merchandise to support this initiative. 50% of the gross profit in selling these products have been donated to UN Women.

2. The Royal College of Art, London – A platform for emerging designers

Esprit is committed to caring for the community and to fostering young talent. During FY12/13, we collaborated with the Royal College of Art London for a second time, to provide a platform for emerging designers.

The postgraduate design students from the renowned Royal College of Art London were challenged to create an innovative collection of 'must have' garments that represent Esprit's new vision. The three winning students, Ryan Mercer, Rachael Hall, and Julia Mackenroth, embraced Esprit's refreshing design challenge and were selected to create a capsule collection for the Group. We are proud to encourage and support innovative young talent and to give young designers a platform to achieve global exposure.

3. ESMOD Berlin – Taking a holistic approach to design

Since 2012 Esprit has sponsored the International Master's Programme – Sustainability in Fashion at ESMOD Berlin, a leading International University of Art for Fashion with a long history of producing highly talented creative professionals.

With Esprit as its sole sponsor, the innovative programme takes a holistic and interdisciplinary approach to design, positioning itself as ecologically, ethically, socially and economically sustainable, and allows students to work with the Group's design team.

The project presented by Esprit challenges students to design outfits for the Group's Wellness category using sustainable materials and processes as well as following the 'zero waste' principle applied to pattern construction. The sponsorship agreement allows Esprit to take an active role in the course which symbiotically unifies research, education, practice and business to inspire students to explore new solutions with critical rigor.

Each graduate who has participated in a course at ESMOD will be well-positioned to pursue a career in the international fashion industry and is fully equipped to contribute sustainable design solutions to future employers.

4. Every Mother Counts – Wellness Collection

Esprit launched its first Wellness Collection worldwide in November 2012. Wellness is a modern collection of clothing suitable for both relaxation and active well-being. Today, awareness of a healthy lifestyle is as important as ever. Inspired by the mantra "Live Honestly. Love Passionately. Care Endlessly. Speak Kindly", Esprit Wellness combines the positives of a modern lifestyle with its own Californian free-spirit heritage, and incorporates sustainable materials. Esprit Wellness supported Christy Turlington Burns' admirable advocacy on global maternal health by partnering with her Every Mother Counts campaign which is dedicated to stopping needless maternal deaths around the world. For this purpose, Esprit produced a limited edition charity T-shirt 'Count Me In!' which was sold in the Group's retail stores and its e-shops in Benelux, France, Germany, China and Hong Kong. A fixed amount of ten Euros for each charity T-shirt was donated to the Every Mother Counts campaign.

5. Relief for flood victims in Germany

For several weeks in the late spring of 2013, East and South Germany battled some of the worst floods in the country's history. The deluge forced hundreds of thousands of people to evacuate their now uninhabitable homes when rivers such as the Elbe crested into surrounding towns and villages, engulfing wide areas of the country, leaving inhabitants without a single item of dry clothing in their damaged homes.

Through an initiative set forth by our Retail Europe team, Esprit supported people in one of the worst hit regions, the district of Köthen in Saxony-Anhalt, and donated 10,000 items of clothing to the people in need.

6. Cup of Kindness Charity Day

In October 2012, Esprit Cares Trust sponsored the Hong Kong Golf Club's "Cup of Kindness Charity Day" lending invaluable support to an event which has taken place every year since 1987 and supports a variety of community outreach programmes. The event raised HK$2.24 million with the main beneficiary being The Home of Loving Faithfulness, an organization that houses and supports severely mentally and physically handicapped young people.

7. Denim aprons

The Denim team produced and sold stylish denim aprons in the Company's German headquarters, with all proceeds going to the Rosie May Foundation in Sri Lanka. The Rosie May Foundation (http://www.rosie-may.com/) was founded in memory of ten year old Rosie May who tragically lost her life, and exists to give children the future that Rosie was denied. The Rosie May Home, established to help Sri Lankan children impacted by the 2004 tsunami, is a unique concept, designed to maintain a small, family orientated environment where sisters aged 3 to 18 years are reunited and cared for by live-in house parents.

Committed to developing our people

People are our most valuable and important asset. Esprit strongly believes in providing training and opportunities to our employees to further their career paths; our long term success hinges on talented people and an engaged work force.

Initiatives taken include the following:

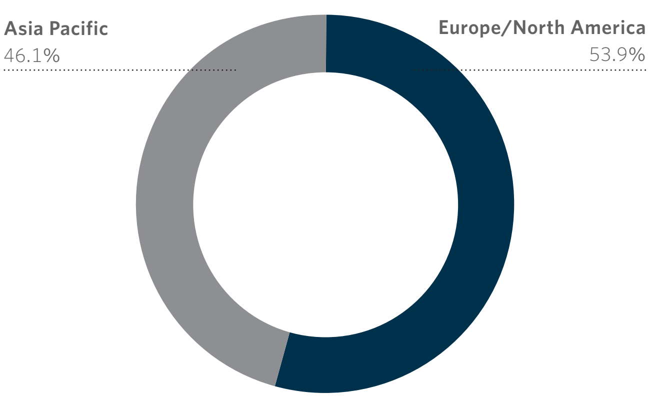
1. Global Talent Programme

Esprit is passionate about supporting internal career paths – that is why the Global Talent Programme was created. It is a comprehensive 18-month programme which combines on and off the job training. The programme includes two assignments of six to eight weeks spent in a different business unit abroad and also training modules from well-known and reputable industry experts. Initiated in 2010, the Global Talent Programme has just started its second year. The international participant group includes 13 participants from Germany, the Netherlands, the UK, Hong Kong and Macau. Training fields include Strategy, Brand, Change, Product, Channels, Finance and People.

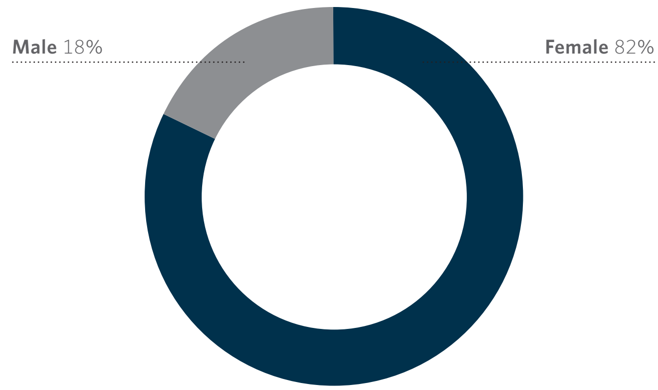
2. Providing tools to keep all our employees inspired

Our global intranet service my.esprit is used as a one stop internal communication tool to keep employees up to date on what is happening on a daily basis, across all sectors of the business. The integration of daily pop-up news helps promote the intranet and keeps it vibrant and interesting.

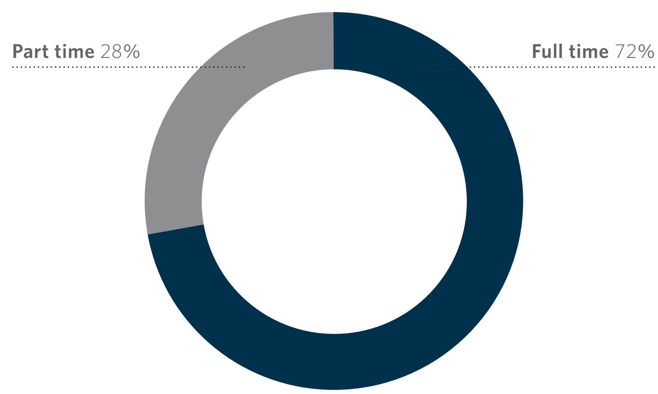
Employees by Region in FY12/13



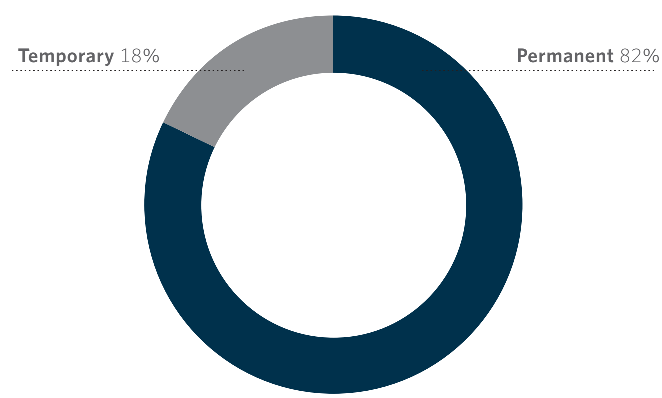
Share of Female Employees in FY12/13



Share of Full Time vs Part Time Employees in FY12/13



Share of Employees with Permanent Contracts in FY12/13



05
CORPORATE GOVERNANCE

05 Corporate governance

05.1 Corporate governance report

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

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

Ownership structure

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

The majority of the Board consists of Independent Non-executive Directors with not more than one-third being Executive Directors. In addition, all the Directors bring a wealth of experience and no controlling shareholder is present on the Board ensuring decisions are made fairly and without conflicts of interest.

Board independence and effectiveness

Protecting shareholders' value

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

Clear distinction between the responsibilities of the Board and management

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

Decisions reserved for the Board are mainly related to:

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

During the financial year, the Board reviewed and updated the Esprit Corporate Governance Code, reviewed the effectiveness of the internal control system within the Group and the Company, and reviewed the Company's compliance with Corporate Governance Code and Corporate Governance Report (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as well as the disclosure in the Company's Corporate Governance Report.

Membership

The Board comprises nine Directors, including two Executive Directors with the remaining seven being Non-executive Directors, of whom six are independent. Mrs Eva CHENG LI Kam Fun and Mr Norbert Adolf PLATT were appointed as Independent Non-executive Directors on 6 December 2012; and Mr Carmelo LEE Ka Sze was appointed as Independent Non-executive Director on 25 July 2013. The Non-executive Directors come from diverse business and professional backgrounds, ranging from industry expert in luxury goods industry, global direct selling industry and apparel industry to banker, professional accountant and lawyer, bringing with them valuable expertise and extensive experience that promote the best interests of the Group and shareholders of the Company. The Board endeavours to support the expansion of the Board membership by identifying appropriate candidates who will bring further skills, insights and value to the business so that we have a well balanced composition of Executive Directors and Non-executive Directors. Independent Non-executive Directors ensure the Board accounts for the interests of all shareholders and subject matters are considered in an objective manner. Please refer to the Reports of the Directors set out on pages 78 to 90 for the list of the Directors during the financial year and up to the date of this report and their profiles.

The Company has received confirmation of independence from each Independent Non-executive Director as set out in Rule 3.13 of the Listing Rules and continues to consider each of them to be independent. In assessing the independence of the Independent Non-executive Directors, the Nomination Committee and the Board would consider the character and the judgement demonstrated by the Director's contribution to the Board during the years of services, the relationship with the Group other than being a Director, the past and present directorships and important appointments of the Director outside the Group.

Under 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 ("AGM") and each Director is effectively appointed under an average term of not more than three years.

Under Bye-law 87 of the Company's Bye-laws, one-third of the Directors must retire, thus becoming eligible for re-election at each AGM. This year, Mr Raymond OR Ching Fai, Mr Paul CHENG Ming Fun and Mr Alexander Reid HAMILTON will retire at the forthcoming AGM and being eligible, offer themselves for re-elections. Furthermore, under Bye-law 86(2) of the Company's Bye-laws, any Director appointed during the year to fill a casual vacancy or as an addition to the existing board should retire at the first general meeting after his/her appointment. Mrs Eva CHENG LI Kam Fun, Mr Carmelo LEE Ka Sze and Mr Norbert Adolf PLATT shall also retire at the forthcoming AGM and being eligible, offer themselves for re-elections. The biographical details of the retiring Directors will be set out in the circular to shareholders of the Company to assist shareholders in making an informed decision on their re-elections. None of the Directors standing for re-election at the forthcoming AGM has a service contract with any member of the Group which is not determinable by the relevant employer within one year without payment of compensation (other than statutory compensation). They have no fixed term of service with the Company and are subject to retirement by rotation and re-election in accordance with the Company's Bye-laws.

Under code provision A.4.3 of the Code, further appointment of an independent non-executive director who serves more than nine years should be subject to a separate resolution to be approved by shareholders. Mr Raymond OR Ching Fai, Mr Paul CHENG Ming Fun and Mr Alexander Reid HAMILTON have served as Independent Non-executive Directors of the Company for more than nine years. During their years of service, Mr OR, Mr CHENG and Mr HAMILTON continue to demonstrate strong independence in judgement and discharge their duties effectively. Their re-election will be proposed under separate resolutions at the forthcoming AGM.

Board Committees

To oversee particular aspects of the Company's affairs and to assist in the execution of its responsibilities, the Board has established four Board Committees, namely the Audit Committee, the Nomination Committee, the Remuneration Committee and the General Committee. Terms of reference of the Audit Committee, the Nomination Committee and the Remuneration Committee are available on the Company's website and HKExnews website. The terms of reference are updated from time to time with reference to best corporate governance practices in the market and the Listing Rules. A summary of the membership and responsibilities of each committee is included below:

Audit Committee

Members
Alexander Reid HAMILTON (Chairman)
Eva CHENG LI Kam Fun (appointed with effect from 6 December 2012)
Jürgen Alfred Rudolf FRIEDRICH (appointed with effect from 6 December 2012)
Norbert Adolf PLATT (appointed with effect from 6 December 2012)
Raymond OR Ching Fai (resigned with effect from 6 December 2012)
Paul CHENG Ming Fun (resigned with effect from 6 December 2012)

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

The Audit Committee is provided with sufficient resources to discharge its duties and meets regularly with management, internal auditors and external auditors and reviews their reports. During the financial year, the Audit Committee reviewed the quarterly trading updates, interim results and the annual results of the Group for the year ended 30 June 2013 as well as the accounting principles and practices adopted by the Group. It also reviewed the nature, scope and findings of internal and external audits, and the Company's treasury activities, tax issue and liquidity and risk management. During the financial year, the Audit Committee also established a whistleblowing policy and system. Our Group Chief Financial Officer, the external auditors, internal auditors and senior management are invited to attend the meetings to answer any questions raised by the Audit Committee.

Nomination Committee

Members

Raymond OR Ching Fai (Chairman) (appointed as member with effect from 1 July 2012 and re-designated as Chairman with effect from 6 December 2012)

Paul CHENG Ming Fun (former Chairman) (re-designated as member with effect from 6 December 2012)

Alexander Reid HAMILTON (appointed with effect from 6 December 2012)

Carmelo LEE Ka Sze (appointed with effect from 10 September 2013)

Jürgen Alfred Rudolf FRIEDRICH (resigned with effect from 6 December 2012)

Ronald VAN DER VIS (resigned with effect from 26 September 2012)

Responsibilities

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

In evaluating whether a candidate is suitable to act as a Director, the Board will consider the skills and knowledge of the candidate, as well as gender, age, cultural and education background, ethnicity, professional experience and the willingness to commit time to the affairs of the Group. Where the candidate is appointed as an Independent Non-executive Director, the Nomination Committee will also consider his/her independence.

During the financial year, the Nomination Committee has identified and recommended Mr Jose Manuel MARTINEZ GUTIERREZ to the Board for the appointment as Executive Director of the Company and Group Chief Executive Officer, Mrs Eva CHENG LI Kam Fun, Mr Carmelo LEE Ka Sze and Mr Norbert Adolf PLATT to the Board for the appointment as Independent Non-Executive Directors of the Company. During the financial year, the Nomination Committee also reviewed the structure, size and composition of the Board and recommended to the Board the candidates for directorship, assessed the independence of the Independent Non-executive Directors and reviewed the composition of the Board Committees.

Remuneration Committee

Members

Paul CHENG Ming Fun (Chairman) (appointed with effect from 6 December 2012)

Jose Manuel MARTINEZ GUTIERREZ (appointed with effect from 6 December 2012)

Eva CHENG LI Kam Fun (appointed with effect from 6 December 2012)

Jürgen Alfred Rudolf FRIEDRICH (appointed with effect from 6 December 2012)

Carmelo LEE Ka Sze (appointed with effect from 10 September 2013)

Norbert Adolf PLATT (appointed with effect from 6 December 2012)

Raymond OR Ching Fai (former Chairman) (resigned with effect from 6 December 2012)

Alexander Reid HAMILTON (resigned with effect from 6 December 2012)

Ronald VAN DER VIS (resigned with effect from 26 September 2012)

Responsibilities

- Recommend to the Board on the Group's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- Determine specific remuneration packages of all individual Executive Directors and senior management;
- Review and approve the compensation payable to Executive Directors and senior management for any loss or termination of office or appointment; and those for dismissal or removal of Directors for misconduct;
- Recommend to the Board on the remuneration for Non-executive Directors;
- Review and approve management's remuneration proposals with reference to the Board's corporate goals and objectives;
- Review the design of share incentive schemes for approval by the Board and shareholders; and
- Ensure that no Director or any of his associates is involved in deciding his own remuneration.

With respect to future share option grants, the Remuneration Committee has adopted a performance benchmarking system based on achievement of the Group's budget which is approved by the Board for the award of share options to the management. During the financial year, the Remuneration Committee reviewed and determined the remuneration packages of the Chairman of the Board, the Group Chief Executive Officer, the Executive Directors and senior management. The remuneration of Mr Paul CHENG Ming Fun has been reviewed, he is entitled to a director's fee of HK$1,465,000 per annum, comprising HK$750,000 for acting as Deputy Chairman of the Board, HK$480,000 for his directorship, HK$150,000 for acting as Chairman of Remuneration Committee and HK$85,000 for acting as a member of Nomination Committee.

As Mr Carmelo LEE Ka Sze was appointed as a member of the Nomination Committee and the Remuneration Committee with effect from 10 September 2013, he is entitled to a director's fee of HK$650,000 per annum, comprising HK$480,000 for his directorship, HK$85,000 for acting as a member of the Nomination Committee and HK$85,000 as a member of the Remuneration Committee.

General Committee

Members
Jose Manuel MARTINEZ GUTIERREZ (appointed with effect from 26 September 2012)
Thomas TANG Wing Yung
Ronald VAN DER VIS (resigned with effect from 26 September 2012)

Responsibilities
Discuss, consider and approve routine corporate administrative matters of the Company such as:
- Issue statements regarding unusual movements in price and/or trading volume of the shares of the Company;
- Respond to routine enquiries from The Stock Exchange of Hong Kong Limited relating to the continuing obligations of the Company under the Listing Rules;
- Routine administration of the 2001 Share Option Scheme and the 2009 Share Option Scheme;
- Issue of new shares upon exercise of share options granted under the share option schemes adopted by the Company;
- Implement share repurchase strategy upon approval by the Board in accordance with the delegated authority;
- Determine at the request of management any person or persons who may be regarded as "relevant employees" pursuant to the Guidelines Regarding Securities Transactions by Employees of the Company; and
- Other administrative matters.

Board meetings and minutes

The Board conducts at least four regular Board meetings a year and additional meetings are held as and when required to discuss significant events or important issues. Sufficient notice is given for regular Board meetings to all Directors enabling them to attend and reasonable notice will be given in case of special Board meetings. The Group ensures that appropriate and sufficient information is provided to Board members in a timely manner to keep them abreast of the Group's latest developments thereby assisting them in the discharge of their duties.

Minutes of the Board meetings and Board Committees meetings have been recorded in sufficient detail including any matters considered in the meetings, decisions reached and concerns or queries raised by the Directors or dissenting views expressed. Draft and final versions of minutes of the Board and other Board Committees are sent to the Directors or committee members for comments and records respectively within a reasonable time after the meeting. Minutes of meetings of the Board, the Audit Committee, the Nomination Committee, the Remuneration Committee and the General Committee are kept by the Company Secretary, which are open for inspection following reasonable notice by any Director.

Meetings attended/held

The attendance of individual members of the Board, other Board Committees and general meetings during the financial year ended 30 June 2013 is set out in the table below:

Directors	Board	Audit Committee	Nomination Committee*	Remuneration Committee	General Committee	AGM
Executive Directors						
Jose Manuel MARTINEZ GUTIERREZ (appointed with effect from 26 September 2012)	7/7			3/3	11/11	1/1
Thomas TANG Wing Yung	9/9				12/12	1/1
Ronald VAN DER VIS (resigned with effect from 26 September 2012)	1/2		1/2	1/2	1/1	
Non-executive Director						
Jürgen Alfred Rudolf FRIEDRICH	8/9	2/2	3/3	3/3		1/1
Independent Non-executive Directors#						
Raymond OR Ching Fai (Chairman)	9/9	2/2	4/4	3/3		1/1
Paul CHENG Ming Fun (Deputy Chairman)	8/9	2/2	4/4	3/3		1/1
Eva CHENG LI Kam Fun (appointed with effect from 6 December 2012)	4/4	2/2		3/3		
Alexander Reid HAMILTON	9/9	4/4	1/1	3/3		1/1
Norbert Adolf PLATT (appointed with effect from 6 December 2012)	4/4	2/2		3/3		

\# Mr Carmelo LEE Ka Sze was appointed with effect from 25 July 2013.
* One meeting was held among Non-executive Directors only without the presence of Executive Directors.

Roles of different directors

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

Non-executive Directors on the other hand play an important role in the Audit Committee, the Nomination Committee and the Remuneration Committee to ensure independent and objective views are expressed and to promote critical review and control. The three committees are chaired by Independent Non-executive Directors and the presence of the Independent Non-executive Directors on the three committees plays an important role in avoiding conflicts of interest. The independence of the Board has risen over the years, as shown with the increased number of Independent Non-executive Directors from three (total of ten Directors) in FY05/06 to six (total of nine Directors) as it currently stands. A meeting was held between the Chairman and the Non-executive Directors (including Independent Non-executive Directors) without the Executive Directors present during the financial year.

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

Continuous professional development

Each newly appointed Director receives comprehensive, formal and tailored induction programme to ensure that he/she has an overview of the business and operations of the Group and a proper understanding of the Esprit Corporate Governance Code, his/her responsibilities and obligations under the Listing Rules and applicable laws and regulatory requirements. During the financial year, induction programme was given to Mrs Eva CHENG LI Kam Fun and Mr Norbert Adolf PLATT who were appointed as Directors on 6 December 2012.

Continuous professional development programmes are provided for Directors to develop and refresh their knowledge, skills and understanding of the business and markets in which the Group operates. All Directors were provided with Esprit news, monthly updates, research reports and other reading materials of the Group's business and the industry and regulatory environments in which the Group operates. The Company also arranged and funded a seminar on 26 June 2013 which covered topics including disclosure of inside information, whistleblowing programme and data privacy.

Participation in Director's continuous professional development programme during the financial year are summarised as follows:

	Reading regulatory updates and directors' duties	Reading materials relating to business and industry	Attending professional briefings/ seminars/ conferences relevant to directors' duties, regulatory updates and business
Executive Directors			
Jose Manuel MARTINEZ GUTIERREZ	✓	✓	✓
Thomas TANG Wing Yung	✓	✓	✓
Non-Executive Director			
Jürgen Alfred Rudolf FRIEDRICH	✓	✓	✓
Independent Non-executive Directors#			
Raymond OR Ching Fai	✓	✓	✓
Paul CHENG Ming Fun	✓	✓	✓
Eva CHENG LI Kam Fun	✓	✓	✓
Alexander Reid HAMILTON	✓	✓	✓
Norbert Adolf PLATT	✓	✓	✓
Company Secretary			
Florence NG Wai Yin*	✓	✓	✓

Mr Carmelo LEE Ka Sze was appointed with effect from 25 July 2013.
* During the financial year, Ms Florence NG Wai Yin has received not less than 15 hours of professional training as required by the Listing Rules.

Professional advice

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

Transparency and disclosure

Transparency of information

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

Esprit actively distributes information on the annual and interim results, and first and third quarter sales updates through email alerts. In addition, a press conference is organised to ensure that members of the public has access to first-hand information on the results announcement. A live webcast is available along with an archive of the webcast on Esprit's Investor Relations website so that the results presentation is easily and readily accessible to individuals all over the world in English.

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

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

Shareholders engagement

Shareholders communication policy

The Company has adopted a shareholders communication policy in 2012 to ensure that shareholders, and in appropriate circumstances, the investment community at large, are provided with ready, equal and timely access to balanced and understandable information about the Company (including its financial performance, strategic goals and plans, material developments, governance and risk profile), in order to enable shareholders to exercise their rights in an informed manner, and to allow shareholders and the investment community to engage actively with the Company.

Enquiries of shareholders

Enquiries of shareholders can be sent to the Company either by email at esprit-ir@esprit.com or by post to the Company's Hong Kong headquarters at 43/F, Enterprise Square Three, 39 Wang Chiu Road, Kowloon Bay, Kowloon, Hong Kong. Shareholders can also make enquiries with the Board directly at the general meetings of the Company.

How shareholders can convene a special general meeting

Shareholders holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company can at all times submit a signed written requisition, specifying the purpose, to the Board or the Company Secretary to require the convening of a special general meeting ("SGM") and deposit the requisition at the Company's Hong Kong headquarters at 43/F, Enterprise Square Three, 39 Wang Chiu Road, Kowloon Bay, Kowloon, Hong Kong; and such meeting shall be held within two months after the deposit of such requisition. Upon receiving a valid request from shareholder(s), the Board shall within twenty-one days of such deposit proceed to convene a SGM. If within twenty-one days of such deposit the Board fails to proceed to convene the SGM, the requisitionist(s), or any of them representing more than one half of the total voting rights of all of them, themselves may convene a SGM, but any SGM so convened shall not be held after the expiration of three months from twenty-one days of the deposit.

Procedures for putting forward proposals at general meeting

Shareholders representing not less than one-twentieth of the total voting rights of all shareholders having a right to vote at the AGM at the date of the requisition or who are no less than 100 shareholders can submit a written requisition to the Board or the Company Secretary to propose a resolution at the AGM. The written requisition must state the resolution, accompanied by a statement of not more than one thousand words with respect to the matter referred to in the proposed resolution or the business to be dealt with at the AGM and contain the signatures of all the requisitionist(s) (which may be contained in one document or in several documents in like form). Such requisition must be deposited at the Company's Hong Kong headquarters at 43/F, Enterprise Square Three, 39 Wang Chiu Road, Kowloon Bay, Kowloon, Hong Kong not less than six weeks before the AGM in the case of a requisition requiring notice of a resolution and not less than one week before the AGM in the case of any other requisition and be accompanied by a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement given by the requisitionists to all shareholders in accordance with the requirements under the applicable laws and rules. Provided that if, after a copy of the requisition requiring notice of a resolution has been deposited at the Company's Hong Kong headquarters, an AGM is called for a date six weeks or less after the copy has been deposited, the copy though not deposited within the time required shall be deemed to have been properly deposited for the purposes thereof.

Voting by poll

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

At the 2012 AGM, the Chairman of the meeting demanded voting by poll on all resolutions put forth at the meeting. The procedures for demanding a poll by the shareholders were explained to the shareholders on commencement of the 2012 AGM. Tricor Secretaries Limited, the Company's branch share registrar in Hong Kong, was appointed as the scrutineer for voting by poll at the 2012 AGM to ensure the votes were properly counted.

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

Pro-active investor relations

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

On 14 May 2013, an Investor Relations Day was organised in the Company's headquarters in Germany. A live webcast was available along with an archive of the webcast and the presentations on Esprit's Investor Relations website so that the presentations are accessible to individuals all over the world in English.

Conferences attended in FY12/13

Time	Event	Organiser	Location
July 2012	Credit Suisse's HK/ China Corporate Day	Credit Suisse	Hong Kong
July 2012	Non-deal Roadshow	J.P. Morgan	Boston New York
August 2012	Non-deal Roadshow	Deutsche Bank	London
September 2012	FY11/12 Post Final Results Roadshow	Goldman Sachs CITIC Securities International J.P. Morgan	Hong Kong London Hong Kong Singapore New York Boston
October 2012	Rights Issue Roadshow	HSBC & UBS	Hong Kong Singapore London
December 2012	Greater China Conference 2013	UBS	Shanghai
February 2013	FY12/13 Post Interim Results Roadshow	HSBC Deutsche Bank Macquarie	Boston New York London Hong Kong Singapore
March 2013	Asian Investment Conference 2013	Credit Suisse	Hong Kong
April 2013	Non-deal Roadshow	UBS	Sydney
May 2013	Non-deal Roadshow	Macquarie	Edinburgh Paris
June 2013	BNP Paribas Regional Consumer Corporate Day	BNP Paribas	Hong Kong

Awards in FY12/13

Time	Recognition	Awarding Party
December 2012	Gold Awards, Interior Design Silver Awards, Green/ Environmentally Sound Bronze Awards, Overall Annual Report Category: Fashion	International ARC Awards
February 2013	3rd Asian Excellence Recognition Awards 2013 – Best Investor Relations Company (Hong Kong) – Asia's Best CFO (Investor Relations)	Corporate Governance Asia
April 2013	Germany's Customer Champion Award 2013 Excellence in customer relations	Deutsche Gesellschaft für Qualität e.V.
June 2013	9th Corporate Governance Asia Recognition Awards 2013 – The Best of Asia Award – 4th Asian Corporate Director	Corporate Governance Asia

American depositary receipt programme

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

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

Compliance with the Corporate Governance Code and Corporate Governance Report

The Company has applied the principles and complied with the Code throughout the year ended 30 June 2013, except that Non-executive Directors of the Company do not have specific term of appointment as detailed above (code provision A.4.1 of the Code) and the majority of the Nomination Committee was not Independent Non-executive Directors for the period from 1 July 2012 to 25 September 2012 (code provision A.5.1 of the Code). During the said period, the Nomination Committee comprised two Independent Non-executive Directors, one Non-executive Director and one Executive Director and the Chairman of the Committee who was an Independent Non-executive Director had a casting vote in case of an equality of votes. For the period from 26 September 2012 to 5 December 2012, the Nomination Committee comprised a majority of Independent Non-executive Directors. Effective from 6 December 2012, the Nomination Committee comprises Independent Non-executive Directors only.

Audit, control and risk management

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

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

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

Internal audit function

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

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

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

Other control and management

The Company has a code of conduct which sets out the rules applicable in matters of professional ethics, with a view to promote responsible and ethical practice in the conduct of its business. The code of conduct is made available to every employee of the Group to ensure a unified and consistent practice. Furthermore, the Company has established written guidelines in respect to securities transactions by relevant employees to ensure there are no improper dealings.

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

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

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

Directors' responsibilities for the consolidated financial statements

The Directors are responsible for overseeing the preparation of the consolidated financial statements for the year ended 30 June 2013, to ensure that they give a true and fair view of the state of affairs of the Group and of its loss and cash flows for that financial year. In reviewing the consolidated financial statements for the year ended 30 June 2013, the Directors are satisfied that management have selected appropriate accounting policies, applied them consistently in accordance with the International Financial Reporting Standards and made judgements and estimates that are prudent and reasonable, and have prepared the consolidated financial statements on the going concern basis.

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

Auditors' remuneration

A summary of fees for audit and non-audit services to the external auditors for the financial years ended 30 June 2013 and 30 June 2012 is as follows:

	2013 HK$ million	2012 HK$ million
Nature of the services		
Audit services	**15**	16
Other services	**3**	4
	18	20

05.2 Report of the Directors

The Directors present the annual report and the audited consolidated financial statements of the Group for the year ended 30 June 2013.

Principal activities

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

Results and appropriations

The results of the Group and appropriations of the Company are set out in the consolidated income statement on page 95 and in the accompanying notes to the consolidated financial statements.

The Directors maintain the dividend payout ratio of 60% of basic earnings per share. As the Group recorded a loss for the six months ended 31 December 2012, the Directors did not declare the payment of an interim dividend for the six months ended 31 December 2012.

Furthermore, as the Group recorded a loss for the year ended 30 June 2013, the Directors do not recommend the distribution of a final dividend (FY11/12: HK$0.15 per share) for the year ended 30 June 2013. Details are set out in note 10 to the consolidated financial statements.

Reserves

Movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 100 and in note 30 to the consolidated financial statements respectively.

Share capital

Pursuant to an ordinary resolution passed at the annual general meeting on 6 December 2012, the authorised share capital of the Company was increased from HK$200 million to HK$300 million by creation of an additional HK$100 million divided into 1,000 million shares of HK$0.10 each.

During the year, no ordinary share (2012: nil) of HK$0.10 each was issued in relation to the share option scheme of the Company adopted on 26 November 2001 and 1,200,000 (2012: nil) ordinary shares of HK$0.10 each were issued in relation to the share options exercised under the share option scheme of the Company adopted on 10 December 2009 at exercise price of HK$8.76 (representing a premium of HK$8.66 each).

During the year, 646,088,057 ordinary shares of HK$0.10 each were issued by way of rights issue on the basis of one rights share for every two existing ordinary shares held by the shareholders of the Company on 2 November 2012 at the subscription price of HK$8.00 per rights share.

During the year, the Company issued 809,893 ordinary shares at a dividend reinvestment price of HK$12.19 amounting to approximately HK$10 million pursuant to the scrip dividend reinvestment scheme for the final dividend for the year ended 30 June 2012.

Further details of movements in share capital of the Company are set out in note 20 to the consolidated financial statements.

Financial summary

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

Property, plant and equipment

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

Pension schemes

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

Principal subsidiaries

Particulars of the Company's principal subsidiaries as at 30 June 2013 are set out in note 31 to the consolidated financial statements.

Charitable donations

During the year, the Group made charitable donations totaling HK$1.3 million.

Particulars of the charitable initiatives undertaken by the Group are set out in the section headed "Corporate social responsibility" on pages 60 to 67 of this report.

Directors

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

Executive Directors

Jose Manuel MARTINEZ GUTIERREZ (Group Chief Executive Officer) (appointed with effect from 26 September 2012)
Thomas TANG Wing Yung (Group Chief Financial Officer)
Ronald VAN DER VIS (Group Chief Executive Officer) (resigned with effect from 26 September 2012)

Non-executive Director

Jürgen Alfred Rudolf FRIEDRICH

Independent Non-executive Directors

Raymond OR Ching Fai (Chairman)
Paul CHENG Ming Fun (Deputy Chairman)
Eva CHENG LI Kam Fun (appointed with effect from 6 December 2012)
Alexander Reid HAMILTON
Carmelo LEE Ka Sze (appointed with effect from 25 July 2013)
Norbert Adolf PLATT (appointed with effect from 6 December 2012)

Directors and senior management profile

Executive Directors

Jose Manuel MARTINEZ GUTIERREZ, aged 43, has been an Executive Director of the Company and Group Chief Executive Officer since September 2012. He is responsible for the overall management and control of the business of the Group. He is a member of the Remuneration Committee and the General Committee of the Board, a director of certain subsidiaries of the Company and a trustee of a trust of the Company.

Mr MARTINEZ obtained a Bachelor's Degree in Business Administration from Universidad Autónoma de Madrid, and a Master in Business Administration Degree (Honours with Distinction) from J.L. Kellogg Business School, Northwestern University.

His professional career spans investment banking, strategy consulting and senior management positions in the global retail and consumer goods industries. Prior to joining Esprit, Mr MARTINEZ was the group director of distribution and operations for Industria De Diseño Textil, S.A. ("Inditex"), owner of the "Zara" brand, based in Spain. In this role, he managed the group's distribution to its extensive global retail network. Over his 9 years at Inditex, Mr MARTINEZ led cross-functional transformation projects, encompassing multiple business areas, to improve Inditex's supply chain management. Prior to joining Inditex, Mr MARTINEZ spent 8 years at McKinsey & Company leading the firm's retail and consumer goods practice in Spain, and advising clients in Europe and South America on strategy, category management and store operations.

Thomas TANG Wing Yung, aged 58, has been an Executive Director of the Company and Group Chief Financial Officer since May 2012. He is a member of the General Committee of the Board and a director of certain subsidiaries of the Company. Mr TANG obtained a Bachelor of Science degree in Modern Mathematics from Surrey University, United Kingdom. He has been an associate member of The Institute of Chartered Accountants in England and Wales since 1981. He is also a fellow member of The Hong Kong Institute of Certified Public Accountants (Practising) and has over 30 years of experience in accounting and finance.

Prior to joining the Company, Mr TANG was executive director and chief financial officer of Sino Land Company Limited and Sino Hotels (Holdings) Limited, and chief financial officer of Tsim Sha Tsui Properties Limited until his resignation in March 2012. He first joined these three companies as chief financial officer in November 2003. All these companies are listed on the main board of The Stock Exchange of Hong Kong Limited ("Stock Exchange"). Prior to joining the Sino group, he was a managing director of an investment and financial advisory services firm that is a member of an international group, overseeing operations in the Asia-Pacific region. Mr TANG started his career as an accountant working for Peat Marwick (KPMG) in London and Hong Kong.

Non-executive Directors

Raymond OR Ching Fai, aged 63, has been an Independent Non-executive Director of the Company since 1996 and became Chairman of the Board effective from 13 June 2012. He is the Chairman of the Nomination Committee of the Board, a director of a subsidiary and a trustee of a trust of the Company. Mr OR is an executive director, chief executive officer and chairman of China Strategic Holdings Limited, an independent non-executive director and a vice chairman of G-Resources Group Ltd. and an independent non-executive director of Chow Tai Fook Jewellery Group Limited, Industrial and Commercial Bank of China Limited and Television Broadcasts Limited. All these companies are listed on the Stock Exchange. He was the former vice chairman and chief executive of Hang Seng Bank Limited, the former chairman of Hang Seng Life Limited and a director of The Hongkong and Shanghai Banking Corporation Limited, Cathay Pacific Airways Limited and Hutchison Whampoa Limited until his retirement in May 2009.

Paul CHENG Ming Fun, aged 76, has been an Independent Non-executive Director of the Company since November 2002 and became Deputy Chairman of the Board effective from 20 July 2008. He is the Chairman of the Remuneration Committee and a member of the Nomination Committee of the Board, a director of a subsidiary and a trustee of a trust of the Company. Mr CHENG obtained his Bachelor of Arts degree from Lake Forest University (Illinois, USA) and Master of Business Administration degree from the Wharton School of the University of Pennsylvania. Mr CHENG is an independent non-executive director of Chow Tai Fook Jewellery Group Limited, a company listed on the Stock Exchange. He is an independent non-executive director of Global Logistic Properties Limited, a company listed on the Singapore Stock Exchange. He is also an independent non-executive chairman of Vietnam Infrastructure Ltd. and an independent non-executive director of Pacific Alliance China Land Ltd., both companies are listed on the AIM Board of the London Stock Exchange. Mr CHENG was a former member of the Hong Kong Legislative Council as well as the former chairman of Inchcape Pacific Limited, N M Rothschild & Sons (Hong Kong) Ltd., The Link Management Limited and the Hong Kong General Chamber of Commerce. He is currently an Honorary Steward of the Hong Kong Jockey Club.

Non-executive Directors (continued)

Eva CHENG LI Kam Fun, aged 60, has been an Independent Non-executive Director of the Company since December 2012. She is a member of the Audit Committee and the Remuneration Committee of the Board. She was the former corporate executive vice president of Amway Corporation, a global direct selling company which markets consumer products in the health, beauty, homecare and hometech categories. Mrs CHENG began her career with Amway in Hong Kong in 1977 and had an outstanding track record in the launch and development of Amway markets in the Greater China and Southeast Asia regions. Mrs CHENG is best known for leading Amway's entry into China in 1991, and served as chairperson of Amway China until her retirement in 2011. Under her leadership, Amway China overcame significant regulatory and operating challenges, and grew to become a business enterprise with remarkable revenues. In 2008 and 2009, Mrs CHENG was twice listed by Forbes as one of the "World's 100 Most Powerful Women".

Mrs CHENG is currently an independent non-executive director of Trinity Limited and Haier Electronics Group Co., Ltd., both companies are listed on the Stock Exchange. She is also an independent non-executive director of Nestlé S.A., a company listed on the SIX Swiss Exchange. Mrs CHENG is a non-executive director of Amway (Malaysia) Holdings Berhad, a company listed on the main market of Bursa Malaysia Securities Berhad. In the areas of public and community service, she currently serves as executive director of the China Next Generation Education Foundation Spring Sprout Special Fund and honorary chairperson of the Amway Charity Foundation in China. Mrs CHENG is also a member of the executive committee of the All-China Women's Federation and a member of the Chinese People's Political Consultative Conference-Guangdong Commission. In Hong Kong, Mrs CHENG is currently honorary president of the All-China Women's Federation Hong Kong Delegates Association, honorary president of the Hong Kong Federation of Women and a permanent honorary committee member of The Chinese General Chamber of Commerce.

Mrs CHENG obtained a Bachelor of Arts (Honours) degree and a Master of Business Administration degree from the University of Hong Kong.

Jürgen Alfred Rudolf FRIEDRICH, aged 75, founded Esprit's European operations in 1976 and has been a Non-executive Director of the Company since 1997. He is a member of the Audit Committee and the Remuneration Committee of the Board. Mr FRIEDRICH has over 32 years of experience in the apparel distribution and marketing business and is currently retired in Switzerland.

Alexander Reid HAMILTON, aged 71, has been an Independent Non-executive Director of the Company since August 1995. He is the Chairman of the Audit Committee and a member of the Nomination Committee of the Board. Mr HAMILTON is an independent non-executive director of CITIC Pacific Limited, COSCO International Holdings Limited and Shangri-La Asia Limited. All these companies are listed on the Stock Exchange. He is also an independent non-executive director of JF China Region Fund, Inc., a USA registered closed end fund quoted on the New York Stock Exchange. Mr HAMILTON is also a director of Octopus Cards Limited and a number of other Hong Kong companies. He was an independent non-executive director of China COSCO Holdings Company Limited. He was a partner of Price Waterhouse with whom he practiced for 16 years.

Carmelo LEE Ka Sze, aged 53, was appointed as an Independent Non-executive Director of the Company on 25 July 2013. He is a member of the Nomination Committee and the Remuneration Committee of the Board. He is a partner of Messrs. Woo, Kwan, Lee & Lo, Solicitors & Notaries. He has been the chairman of the Listing Committee of the Stock Exchange since 2012 after serving as deputy chairman and member of the Listing Committee of the Stock Exchange from 2009 to 2012 and from 2000 to 2003 respectively. Mr LEE is a member of the SFC (HKEC Listing) Committee and a member of the SFC Dual Filing Advisory Group of the Securities and Futures Commission. He is also a member of the Disciplinary Panels of the Hong Kong Institute of Certified Public Accountants. He is a member of the Campaign Committee and a Co-Chairman of the Corporate Challenge Half Marathon of The Community Chest of Hong Kong.

Mr LEE obtained a Bachelor of Laws degree and Postgraduate Certificate in Laws from The University of Hong Kong and qualified as a solicitor in Hong Kong, England and Wales, Singapore and Australian Capital Territory, Australia.

Mr LEE is a non-executive director of Hopewell Holdings Limited, CSPC Pharmaceutical Group Limited, Yugang International Limited, Y.T. Realty Group Limited, Safety Godown Company Limited and Termbray Industries International (Holdings) Limited and an independent non-executive director of KWG Property Holding Limited and Ping An Insurance (Group) Company of China, Ltd., all these companies are listed on the Stock Exchange. He was a non-executive director of The Cross-Harbour (Holdings) Limited from September 2004 to December 2012.

Norbert Adolf PLATT, aged 66, has been an Independent Non-executive Director of the Company since December 2012. He is a member of the Audit Committee and the Remuneration Committee of the Board. He has 40 years of extensive experience in the industry of luxury goods. Mr PLATT was the chief executive officer of the Richemont group from October 2004 to March 2010. The Richemont group's luxury goods interests encompass a portfolio of internationally renowned brands including Cartier, Van Cleef & Arpels, Piaget, Montblanc, Chloé and Alfred Dunhill. Under his leadership, the Richemont group recorded significant growth in turnover and profits. Mr PLATT is currently a non-executive director of Compagnie Financière Richemont SA, the holding company of the Richemont group which is listed in Switzerland.

Prior to acting as chief executive officer of the Richemont group, Mr PLATT was the chief executive officer of Montblanc International GmbH ("Montblanc International") between 1987 and 2004. Mr PLATT successfully transformed Montblanc International from a maker of writing instruments into a diversified and globally renowned manufacturer of luxury goods. Under his leadership, Montblanc International recorded remarkable growth in its turnover. Mr PLATT remained as the chairman of Montblanc Simplo GmbH based in Hamburg, Germany until 30 June 2013. From 1972 to 1987, Mr PLATT held various chief executive positions in Rollei Singapore and Germany.

Mr PLATT graduated with a Master of Science Degree in precision mechanical engineering, and attended business management and marketing programmes at Harvard Business School of Harvard University and INSEAD.

Senior management

Christophe Jean BEZU, aged 56, is Managing Director Europe & Rest of the World. He manages the overall business strategy and is responsible for the profit and loss of the European region (excluding Germany) and the rest of the world. He joined the Group in May 2011 as Chief Wholesale Officer of the Group and was responsible for the global wholesale business of the Group. Prior to joining the Group, he had 23 years of experience in the sports apparel industry, with 20 years in Asia as the marketing director and then president of Adidas Japan, senior vice president, managing director and then chief executive officer of Adidas group Asia Pacific until 2009. His last position before joining the Group was chief e-commerce officer of the Adidas group and president of Adidas group Greater China. Mr BEZU has extensive experience in Asia, specialising in sales, product marketing and general management. He obtained a Master's degree from ESCP Europe in Paris.

Arndt BROCKMANN, aged 39, is Managing Director Germany. He manages the overall business strategy and is responsible for the profit and loss of Germany. He has over 15 years of experience in international fashion and apparel, both in retail as well as wholesale oriented companies. Prior to joining the Group in March 2013, Mr BROCKMANN was retail director of s.Oliver group, where he was responsible for turning around the non-performing retail business. He worked at Inditex from 2005 to 2011, where he started as international director with various roles across Europe before becoming managing director of Zara Germany for almost 5 years. Previous roles include retail manager (Eastern Europe, Middle East and Africa) of Puma AG. He started his career in 1997 in the trade marketing & franchising department at Hugo Boss AG. Mr BROCKMANN obtained a MBA from INSEAD in Fontainebleau and Singapore.

Armin BROGER, aged 52, is President of edc Brand of the Group. He is responsible for setting up and leading edc as a separate brand across all functional areas. In the 21 years before joining the Group in March 2012, he developed extensive experience in building and transforming leading global brands. He was president of Europe, Middle East and Africa ("EMEA") of Levi Strauss & Co, chief executive officer of 7 for all mankind Europe BV, chief operating officer EMEA of Tommy Hilfiger BV, and general manager worldwide of Diesel. Before joining the fashion retail industry, Mr BROGER held several leadership functions at The Walt Disney Company in the USA and in Europe. He is an alumnus of Bain & Company. He obtained Business Administration degrees from the Universities of Innsbruck and Venice Ca' Foscari and a MBA from the University of Notre Dame.

Juan Antonio CHAPARRO VAZQUEZ, aged 44, is Chief Supply Chain Officer of the Group. He is responsible for operating functions including global buying, global sourcing, product planning, global quality control and sustainability. Mr CHAPARRO brings with him a rich background in product development, vertical supply chain management and apparel retailing. He has spent over 12 years in various positions within the Inditex group. Prior to joining the Group in February 2013, he was the buying director of Zara. From 2005 to 2009, he managed his own apparel company and provided retail management consulting services to several top brands. Mr CHAPARRO obtained a Master's degree in business management and marketing management from Business & Marketing School of ESIC University in Spain.

Melody HARRIS-JENSBACH, aged 52, is Chief Product and Design Officer of the Group. She rejoined the Group in January 2012, and is responsible for all product divisions and the global licensing business. She obtained a Bachelor of Fine Arts from Parsons School of Design in New York City majoring in Fashion Design. She has over 28 years of experience in the apparel industry for various international and national apparel companies. Prior to rejoining the Group, Ms HARRIS-JENSBACH was deputy chief executive officer and chief product officer of Puma AG from 2008 to 2011. She first joined the Group in August 1998 and from 1998 to 2007, she was responsible for Esprit's product design strategy and was Global Business Manager for the women casual division.

Elena LAZCANOTEGUI LARRARTE, aged 39, is Senior Vice President – Trend of the Group. Prior to joining the Group in December 2012, she was leading the fast-to-market product development in Zara (women). During her 15 years in Zara, she has held various management positions in supply chain management, product management and store management. She obtained Bachelor Degree of Business Administration from the University of Deustro in Spain and studied international business at Adolfo Ibáñez University in Chile.

Julia MERKEL, aged 47, has been Senior Vice President – Head of Global Human Resources of the Group since December 2010. Prior to joining the Group, she led the executive development and placement as well as talent management as head of corporate executive development for Metro Group for seven years. She obtained a Bachelor's degree in Business Administration and has extensive experience in the retail industry including sales, buying and first and foremost international human resources management and organisational and leadership development. Ms MERKEL gained her experience at Castorama (France) and Mitsukoshi (Japan) and for more than 15 years with OBI Do-It-Yourself stores, where she held the responsibility as managing director of human resources & administration in OBI Do-It-Yourself international headquarters from 2000 to 2003.

Arnd MUELLER, aged 46, is Senior Vice President – Head of Global Marketing of the Group. He is responsible for the implementation of the brand direction in all consumer communication and store experience touch-points. Prior to joining the Group in December 2011, Mr MUELLER held senior marketing, brand management and commercial business executive positions in Europe and the US at The Walt Disney Company, Avery Dennison and the Bertelsmann Music group. Mr MUELLER spent the majority of his career within commercial and brand management positions at international corporations and brands. In his career at The Walt Disney Company, he held management positions in the European consumer product business and later led the branded apparel business of The Walt Disney Company in the US. He led corporate marketing and creative brand development for the fortune 500 company Avery Dennison in their apparel and retail branding and information solution business. He obtained a business administration and marketing degree from the University of Duesseldorf.

Senior management (continued)

José Antonio RAMOS, aged 41, is the Chief Commercial Officer of the Group. After signing on with the Group as Chief Strategy Officer in January 2013, he is now responsible for the multichannel department commercial distribution which incorporates the centralised management related to the different channels of retail, wholesale and e-commerce (including planning, merchandise management, allocation and commercial model definition) and the management of the different multichannel support services (including sales operations, logistics, sales activation). Prior to joining the Group, he was a member of the executive board of Carrefour Spain, responsible for the food business after having managed the textile & home business for a few years. Preceding his move to Carrefour, he held key positions at Zara (Inditex) in the product divisions and in the distribution unit for several years. He started his career as a strategy consultant with McKinsey & Company. He obtained a MBA (Focus on Finance and Risk Management) from the MIT Sloan School of Management, Cambridge, USA in addition to a Double Degree in Business Administration and Law from the University ICADE (U.P.C.), Madrid, Spain – Dublin, Ireland.

Tanya TODD, aged 50, is Managing Director Asia Pacific. She manages the overall business strategy and is responsible for the profit and loss of Asia Pacific region. She joined the Group in the second quarter of year 2010 as Chief Operating Officer in which role she has greatly contributed to the improvement of global buying, sourcing and logistics operations as well as improving sustainability practices of the Group. She has over 28 years of experience in fashion apparel retailing. Prior to joining the Group, Ms TODD was buying director of the Mothercare and then board director and chief merchandising officer of C&A. She obtained a Bachelor of arts degree from Durham University and a Master of business administration in retailing and wholesaling from the University of Stirling.

Ernst-Peter VOGEL, aged 48, is Executive Vice President – Global Finance & IT of the Group. He is primarily responsible for the Group's operational finance functions including the Group's statutory and management reporting as well as the global IT functions and projects. He joined the Group in 2003 as Senior Vice President – Finance Europe and has been overseeing various global finance projects and major IT projects of the Group in the past years. Before joining the Group, he headed the finance team of an international lifestyle group for 5 years. He has over 15 years of extensive experience in finance and tax matters, and possesses a qualification as a German Certified Public Accountant and tax advisor. He obtained a Master of Business Administration degree (Diplom-Kaufmann) from the University of Frankfurt.

Directors' emoluments

A Remuneration Committee has been established to make recommendations to the Board on the Group's policy and structure for all Directors and senior management remuneration. The Remuneration Committee currently comprises five Non-executive Directors, four of whom are independent, and one Executive Director. It is responsible for determining the specific remuneration packages of all individual Executive Directors and senior management and to make recommendations to the Board on the remuneration of Non-executive Directors. No individual Director or any of his associates or senior management would be involved in deciding his own remuneration.

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

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

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

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

Share options

2001 share option scheme

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

Director

Ronald VAN DER VIS
(Resigned with effect from 26 September 2012)
(Through Pisces Investments Limited, of which Pisces Trust controlled 100% share interest. Mr Ronald VAN DER VIS is the settlor of the trust which beneficiaries are Mr Ronald VAN DER VIS, his spouse, Mrs Eef WOLTERS e/v VAN DER VIS and his child Mr Floris Maximilian Pieter Daniel VAN DER VIS)

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

Employees & consultants

				Number of share options				
Date of grant (dd/mm/yyyy)	Exercise price (HK$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	As at 01/07/2012	Granted	Exercised	Lapsed	As at 30/06/2013
27/11/2006	80.60	27/11/2008	27/11/2008 - 26/11/2012	90,000	-	-	90,000	-
		27/11/2009	27/11/2009 - 26/11/2012	90,000	-	-	90,000	-
		27/11/2010	27/11/2010 - 26/11/2012	90,000	-	-	90,000	-
		27/11/2011	27/11/2011 - 26/11/2012	90,000	-	-	90,000	-
04/12/2006	79.49	04/12/2007	04/12/2007 - 03/12/2012	120,000	-	-	120,000	-
		04/12/2008	04/12/2008 - 03/12/2012	135,000	-	-	135,000	-
		04/12/2009	04/12/2009 - 03/12/2012	135,000	-	-	135,000	-
		04/12/2010	04/12/2010 - 03/12/2012	135,000	-	-	135,000	-
		04/12/2011	04/12/2011 - 03/12/2012	135,000	-	-	135,000	-
05/12/2006	80.95	05/12/2007	05/12/2007 - 04/12/2012	260,000	-	-	260,000	-
		05/12/2008	05/12/2008 - 04/12/2012	260,000	-	-	260,000	-
		05/12/2009	05/12/2009 - 04/12/2012	260,000	-	-	260,000	-
		05/12/2010	05/12/2010 - 04/12/2012	260,000	-	-	260,000	-
		05/12/2011	05/12/2011 - 04/12/2012	260,000	-	-	260,000	-
07/02/2007	83.00	07/02/2008	07/02/2008 - 06/02/2013	40,000	-	-	40,000	-
		07/02/2009	07/02/2009 - 06/02/2013	40,000	-	-	40,000	-
		07/02/2010	07/02/2010 - 06/02/2013	40,000	-	-	40,000	-
		07/02/2011	07/02/2011 - 06/02/2013	40,000	-	-	40,000	-
		07/02/2012	07/02/2012 - 06/02/2013	40,000	-	-	40,000	-
04/12/2007	119.00	04/12/2008	04/12/2008 - 03/12/2013	135,000	-	-	75,000	60,000
		04/12/2009	04/12/2009 - 03/12/2013	135,000	-	-	75,000	60,000
		04/12/2010	04/12/2010 - 03/12/2013	135,000	-	-	75,000	60,000
		04/12/2011	04/12/2011 - 03/12/2013	135,000	-	-	75,000	60,000
		04/12/2012	04/12/2012 - 03/12/2013	135,000	-	-	75,000	60,000
05/12/2007	118.70	05/12/2008	05/12/2008 - 04/12/2013	195,000	-	-	60,000	135,000
		05/12/2009	05/12/2009 - 04/12/2013	195,000	-	-	60,000	135,000
		05/12/2010	05/12/2010 - 04/12/2013	195,000	-	-	60,000	135,000
		05/12/2011	05/12/2011 - 04/12/2013	195,000	-	-	60,000	135,000
		05/12/2012	05/12/2012 - 04/12/2013	195,000	-	-	60,000	135,000

2001 share option scheme (continued)

Employees & consultants (continued)

				Number of share options				
Date of grant (dd/mm/yyyy)	Exercise price (HK$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	As at 01/07/2012	Granted	Exercised	Lapsed	As at 30/06/2013
31/01/2008	100.80	31/01/2009	31/01/2009 - 30/01/2014	320,000	-	-	40,000	280,000
		31/01/2010	31/01/2010 - 30/01/2014	320,000	-	-	40,000	280,000
		31/01/2011	31/01/2011 - 30/01/2014	320,000	-	-	40,000	280,000
		31/01/2012	31/01/2012 - 30/01/2014	320,000	-	-	40,000	280,000
		31/01/2013	31/01/2013 - 30/01/2014	320,000	-	-	40,000	280,000
11/02/2008	102.12	11/02/2009	11/02/2009 - 10/02/2014	30,000	-	-	-	30,000
		11/02/2010	11/02/2010 - 10/02/2014	30,000	-	-	-	30,000
		11/02/2011	11/02/2011 - 10/02/2014	30,000	-	-	-	30,000
		11/02/2012	11/02/2012 - 10/02/2014	30,000	-	-	-	30,000
		11/02/2013	11/02/2013 - 10/02/2014	30,000	-	-	-	30,000
09/12/2008	44.25	09/12/2009	09/12/2009 - 08/12/2014	195,000	-	-	60,000	135,000
		09/12/2010	09/12/2010 - 08/12/2014	195,000	-	-	60,000	135,000
		09/12/2011	09/12/2011 - 08/12/2014	195,000	-	-	60,000	135,000
		09/12/2012	09/12/2012 - 08/12/2014	195,000	-	-	60,000	135,000
		09/12/2013	09/12/2013 - 08/12/2014	195,000	-	-	90,000	105,000
11/12/2008	45.95	11/12/2009	11/12/2009 - 10/12/2014	396,000	-	-	184,000	212,000
		11/12/2010	11/12/2010 - 10/12/2014	396,000	-	-	184,000	212,000
		11/12/2011	11/12/2011 - 10/12/2014	396,000	-	-	184,000	212,000
		11/12/2012	11/12/2012 - 10/12/2014	340,000	-	-	128,000	212,000
		11/12/2013	11/12/2013 - 10/12/2014	340,000	-	-	136,000	204,000
05/02/2009	39.76	05/02/2010	05/02/2010 - 04/02/2015	358,000	-	-	54,000	304,000
		05/02/2011	05/02/2011 - 04/02/2015	388,000	-	-	54,000	334,000
		05/02/2012	05/02/2012 - 04/02/2015	388,000	-	-	54,000	334,000
		05/02/2013	05/02/2013 - 04/02/2015	388,000	-	-	54,000	334,000
		05/02/2014	05/02/2014 - 04/02/2015	388,000	-	-	74,000	314,000
09/02/2009	41.70	09/02/2010	09/02/2010 - 08/02/2015	30,000	-	-	-	30,000
		09/02/2011	09/02/2011 - 08/02/2015	30,000	-	-	-	30,000
		09/02/2012	09/02/2012 - 08/02/2015	30,000	-	-	-	30,000
		09/02/2013	09/02/2013 - 08/02/2015	30,000	-	-	-	30,000
		09/02/2014	09/02/2014 - 08/02/2015	30,000	-	-	-	30,000
09/12/2009	53.74	09/12/2010	09/12/2010 - 08/12/2015	352,000	-	-	168,000	184,000
		09/12/2011	09/12/2011 - 08/12/2015	352,000	-	-	168,000	184,000
		09/12/2012	09/12/2012 - 08/12/2015	352,000	-	-	168,000	184,000
		09/12/2013	09/12/2013 - 08/12/2015	352,000	-	-	168,000	184,000
		09/12/2014	09/12/2014 - 08/12/2015	352,000	-	-	168,000	184,000
11/12/2009	53.90	11/12/2010	11/12/2010 - 10/12/2015	297,000	-	-	138,000	159,000
		11/12/2011	11/12/2011 - 10/12/2015	297,000	-	-	138,000	159,000
		11/12/2012	11/12/2012 - 10/12/2015	255,000	-	-	96,000	159,000
		11/12/2013	11/12/2013 - 10/12/2015	255,000	-	-	102,000	153,000
		11/12/2014	11/12/2014 - 10/12/2015	255,000	-	-	102,000	153,000
04/02/2010	57.70	04/02/2011	04/02/2011 - 03/02/2016	240,000	-	-	30,000	210,000
		04/02/2012	04/02/2012 - 03/02/2016	240,000	-	-	30,000	210,000
		04/02/2013	04/02/2013 - 03/02/2016	240,000	-	-	30,000	210,000
		04/02/2014	04/02/2014 - 03/02/2016	240,000	-	-	30,000	210,000
		04/02/2015	04/02/2015 - 03/02/2016	240,000	-	-	30,000	210,000
05/02/2010	55.46	05/02/2011	05/02/2011 - 04/02/2016	111,000	-	-	18,000	93,000
		05/02/2012	05/02/2012 - 04/02/2016	111,000	-	-	18,000	93,000
		05/02/2013	05/02/2013 - 04/02/2016	111,000	-	-	18,000	93,000
		05/02/2014	05/02/2014 - 04/02/2016	111,000	-	-	33,000	78,000
		05/02/2015	05/02/2015 - 04/02/2016	111,000	-	-	33,000	78,000

2001 share option scheme (continued)

Employees & consultants (continued)

Date of grant (dd/mm/yyyy)	Exercise price (HK$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	Number of share options: As at 01/07/2012	Granted	Exercised	Lapsed	As at 30/06/2013
09/12/2010	37.92	09/12/2011	09/12/2011 - 08/12/2016	264,000	-	-	126,000	138,000
		09/12/2012	09/12/2012 - 08/12/2016	264,000	-	-	126,000	138,000
		09/12/2013	09/12/2013 - 08/12/2016	264,000	-	-	126,000	138,000
		09/12/2014	09/12/2014 - 08/12/2016	264,000	-	-	126,000	138,000
		09/12/2015	09/12/2015 - 08/12/2016	264,000	-	-	126,000	138,000
13/12/2010	38.10	13/12/2011	13/12/2011 - 12/12/2016	297,000	-	-	138,000	159,000
		13/12/2012	13/12/2012 - 12/12/2016	255,000	-	-	96,000	159,000
		13/12/2013	13/12/2013 - 12/12/2016	255,000	-	-	102,000	153,000
		13/12/2014	13/12/2014 - 12/12/2016	255,000	-	-	102,000	153,000
		13/12/2015	13/12/2015 - 12/12/2016	255,000	-	-	102,000	153,000
11/02/2011	40.40	11/02/2012	11/02/2012 - 10/02/2017	111,000	-	-	18,000	93,000
		11/02/2013	11/02/2013 - 10/02/2017	111,000	-	-	18,000	93,000
		11/02/2014	11/02/2014 - 10/02/2017	111,000	-	-	33,000	78,000
		11/02/2015	11/02/2015 - 10/02/2017	111,000	-	-	33,000	78,000
		11/02/2016	11/02/2016 - 10/02/2017	111,000	-	-	33,000	78,000
09/12/2011	11.09	09/12/2012	09/12/2012 - 08/12/2017	264,000	-	-	126,000	138,000
		09/12/2013	09/12/2013 - 08/12/2017	264,000	-	-	126,000	138,000
		09/12/2014	09/12/2014 - 08/12/2017	264,000	-	-	126,000	138,000
		09/12/2015	09/12/2015 - 08/12/2017	264,000	-	-	126,000	138,000
		09/12/2016	09/12/2016 - 08/12/2017	264,000	-	-	126,000	138,000
In aggregate				**20,209,000**	**-**	**-**	**8,452,000**	**11,757,000**

Others

Date of grant (dd/mm/yyyy)	Exercise price (HK$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	Number of share options: As at 01/07/2012	Granted	Exercised	Lapsed	As at 30/06/2013
07/02/2007	83.00	07/02/2008	07/02/2008 - 06/02/2013	160,000	-	-	160,000	-
		07/02/2009	07/02/2009 - 06/02/2013	160,000	-	-	160,000	-
		07/02/2010	07/02/2010 - 06/02/2013	160,000	-	-	160,000	-
		07/02/2011	07/02/2011 - 06/02/2013	160,000	-	-	160,000	-
		07/02/2012	07/02/2012 - 06/02/2013	160,000	-	-	160,000	-
11/02/2008	102.12	11/02/2009	11/02/2009 - 10/02/2014	120,000	-	-	-	120,000
		11/02/2010	11/02/2010 - 10/02/2014	120,000	-	-	-	120,000
		11/02/2011	11/02/2011 - 10/02/2014	120,000	-	-	-	120,000
		11/02/2012	11/02/2012 - 10/02/2014	120,000	-	-	-	120,000
		11/02/2013	11/02/2013 - 10/02/2014	120,000	-	-	-	120,000
09/02/2009	41.70	09/02/2010	09/02/2010 - 08/02/2015	360,000	-	-	240,000	120,000
		09/02/2011	09/02/2011 - 08/02/2015	360,000	-	-	240,000	120,000
		09/02/2012	09/02/2012 - 08/02/2015	360,000	-	-	240,000	120,000
		09/02/2013	09/02/2013 - 08/02/2015	120,000	-	-	-	120,000
		09/02/2014	09/02/2014 - 08/02/2015	120,000	-	-	-	120,000
09/02/2010	56.90	09/02/2011	09/02/2011 - 08/02/2016	180,000	-	-	180,000	-
		09/02/2012	09/02/2012 - 08/02/2016	180,000	-	-	180,000	-
11/02/2011	40.40	11/02/2012	11/02/2012 - 10/02/2017	180,000	-	-	180,000	-
In aggregate				**3,260,000**	**-**	**-**	**2,060,000**	**1,200,000**
TOTAL				**31,469,000**	**-**	**-**	**18,512,000**	**12,957,000**

Note:
No share options were cancelled under the 2001 Share Option Scheme during the year ended 30 June 2013.

2009 share option scheme

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

Directors

Jose Manuel MARTINEZ GUTIERREZ

				Number of share options				
Date of grant (dd/mm/yyyy)	Exercise price (HK$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	As at 01/07/2012	Granted	Exercised	Lapsed	As at 30/06/2013
11/03/2013	10.04	11/03/2016	11/03/2016 - 10/03/2023	-	3,000,000	-	-	3,000,000
		11/03/2017	11/03/2017 - 10/03/2023	-	1,000,000	-	-	1,000,000
		11/03/2018	11/03/2018 - 10/03/2023	-	1,000,000	-	-	1,000,000
In aggregate				**-**	**5,000,000**	**-**	**-**	**5,000,000**

Thomas TANG Wing Yung

				Number of share options				
Date of grant (dd/mm/yyyy)	Exercise price (HK$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	As at 01/07/2012	Granted	Exercised	Lapsed	As at 30/06/2013
11/03/2013	10.04	11/03/2016	11/03/2016 - 10/03/2023	-	1,500,000	-	-	1,500,000
		11/03/2017	11/03/2017 - 10/03/2023	-	400,000	-	-	400,000
		11/03/2018	11/03/2018 - 10/03/2023	-	400,000	-	-	400,000
In aggregate				**-**	**2,300,000**	**-**	**-**	**2,300,000**

Ronald VAN DER VIS
(Resigned with effect from 26 September 2012)
(Through Pisces Investments Limited, of which Pisces Trust controlled 100% share interest. Mr Ronald VAN DER VIS is the settlor of the trust which beneficiaries are Mr Ronald VAN DER VIS, his spouse, Mrs Eef WOLTERS e/v VAN DER VIS and his child Mr Floris Maximilian Pieter Daniel VAN DER VIS)

				Number of share options				
Date of grant (dd/mm/yyyy)	Exercise price (HK$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	As at 01/07/2012	Granted	Exercised	Lapsed	As at 30/06/2013
27/09/2010	43.00	27/09/2013	27/09/2013 - 26/09/2020	400,000	-	-	400,000	-
27/09/2011	8.76	27/09/2012 (Note ii)	27/09/2012 - 26/12/2012 (Note ii)	1,200,000	-	1,200,000	-	-
In aggregate				**1,600,000**	**-**	**1,200,000**	**400,000**	**-**

Employees & consultants

				Number of share options				
Date of grant (dd/mm/yyyy)	Exercise price (HK$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	As at 01/07/2012	Granted	Exercised	Lapsed	As at 30/06/2013
19/04/2010	62.21	19/04/2011	19/04/2011 - 18/04/2016	160,000	-	-	-	160,000
		19/04/2012	19/04/2012 - 18/04/2016	160,000	-	-	-	160,000
		19/04/2013	19/04/2013 - 18/04/2016	160,000	-	-	-	160,000
		19/04/2014	19/04/2014 - 18/04/2016	160,000	-	-	-	160,000
		19/04/2015	19/04/2015 - 18/04/2016	160,000	-	-	-	160,000
02/07/2010	43.93	02/07/2011	02/07/2011 - 01/07/2016	600,000	-	-	-	600,000
		02/07/2012	02/07/2012 - 01/07/2016	600,000	-	-	-	600,000
		02/07/2013	02/07/2013 - 01/07/2016	600,000	-	-	-	600,000
		02/07/2014	02/07/2014 - 01/07/2016	600,000	-	-	-	600,000
		02/07/2015	02/07/2015 - 01/07/2016	600,000	-	-	-	600,000
27/09/2010	43.00	27/09/2013	27/09/2013 - 26/09/2020	5,855,000	-	-	2,075,000	3,780,000
04/10/2010	42.34	04/10/2011	04/10/2011 - 03/10/2016	400,000	-	-	-	400,000
		04/10/2012	04/10/2012 - 03/10/2016	400,000	-	-	-	400,000
		04/10/2013	04/10/2013 - 03/10/2016	400,000	-	-	-	400,000
		04/10/2014	04/10/2014 - 03/10/2016	400,000	-	-	-	400,000
		04/10/2015	04/10/2015 - 03/10/2016	400,000	-	-	-	400,000

2009 share option scheme (continued)

Employees & consultants (continued)

Date of grant (dd/mm/yyyy)	Exercise price (HK$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	Number of share options				
				As at 01/07/2012	Granted	Exercised	Lapsed	As at 30/06/2013
11/02/2011	40.40	11/02/2012	11/02/2012 - 10/02/2017	40,000	-	-	-	40,000
		11/02/2013	11/02/2013 - 10/02/2017	40,000	-	-	-	40,000
		11/02/2014	11/02/2014 - 10/02/2017	40,000	-	-	-	40,000
		11/02/2015	11/02/2015 - 10/02/2017	40,000	-	-	-	40,000
		11/02/2016	11/02/2016 - 10/02/2017	40,000	-	-	-	40,000
19/04/2011	34.71	19/04/2012	19/04/2012 - 18/04/2017	120,000	-	-	-	120,000
		19/04/2013	19/04/2013 - 18/04/2017	120,000	-	-	-	120,000
		19/04/2014	19/04/2014 - 18/04/2017	120,000	-	-	-	120,000
		19/04/2015	19/04/2015 - 18/04/2017	120,000	-	-	-	120,000
		19/04/2016	19/04/2016 - 18/04/2017	120,000	-	-	-	120,000
17/05/2011	30.90	17/05/2014	17/05/2014 - 16/05/2021	600,000	-	-	-	600,000
		17/05/2015	17/05/2015 - 16/05/2021	200,000	-	-	-	200,000
		17/05/2016	17/05/2016 - 16/05/2021	200,000	-	-	-	200,000
16/09/2011	18.17	16/09/2012	16/09/2012 - 15/09/2017	30,000	-	-	-	30,000
		16/09/2013	16/09/2013 - 15/09/2017	30,000	-	-	-	30,000
		16/09/2014	16/09/2014 - 15/09/2017	30,000	-	-	-	30,000
		16/09/2014	16/09/2014 - 15/09/2021	600,000	-	-	-	600,000
		16/09/2015	16/09/2015 - 15/09/2017	30,000	-	-	-	30,000
		16/09/2015	16/09/2015 - 15/09/2021	200,000	-	-	-	200,000
		16/09/2016	16/09/2016 - 15/09/2017	30,000	-	-	-	30,000
		16/09/2016	16/09/2016 - 15/09/2021	200,000	-	-	-	200,000
27/09/2011	8.76	27/09/2014	27/09/2014 - 26/09/2021	15,550,000	-	-	2,200,000	13,350,000
18/01/2012	11.40	18/01/2015	18/01/2015 - 17/01/2022	720,000	-	-	-	720,000
		18/01/2016	18/01/2016 - 17/01/2022	240,000	-	-	-	240,000
		18/01/2017	18/01/2017 - 17/01/2022	240,000	-	-	-	240,000
06/03/2012	18.22	06/03/2015	06/03/2015 - 05/03/2022	540,000	-	-	-	540,000
		06/03/2016	06/03/2016 - 05/03/2022	180,000	-	-	-	180,000
		06/03/2017	06/03/2017 - 05/03/2022	180,000	-	-	-	180,000
10/05/2012	14.78	10/05/2013	10/05/2013 - 09/05/2018	120,000	-	-	-	120,000
		10/05/2014	10/05/2014 - 09/05/2018	120,000	-	-	-	120,000
		10/05/2015	10/05/2015 - 09/05/2018	120,000	-	-	-	120,000
		10/05/2016	10/05/2016 - 09/05/2018	120,000	-	-	-	120,000
		10/05/2017	10/05/2017 - 09/05/2018	120,000	-	-	-	120,000
06/07/2012	10.02	06/07/2015	06/07/2015 - 05/07/2022	-	540,000	-	-	540,000
		06/07/2016	06/07/2016 - 05/07/2022	-	180,000	-	-	180,000
		06/07/2017	06/07/2017 - 05/07/2022	-	180,000	-	-	180,000
12/12/2012	12.32	12/12/2013	12/12/2013 - 11/12/2018	-	30,000	-	-	30,000
		12/12/2014	12/12/2014 - 11/12/2018	-	30,000	-	-	30,000
		12/12/2015	12/12/2015 - 11/12/2018	-	30,000	-	-	30,000
		12/12/2015	12/12/2015 - 11/12/2022	-	8,440,000	-	375,000	8,065,000
		12/12/2016	12/12/2016 - 11/12/2018	-	30,000	-	-	30,000
		12/12/2017	12/12/2017 - 11/12/2018	-	30,000	-	-	30,000
11/03/2013	10.04	11/03/2016	11/03/2016 - 10/03/2023	-	8,184,000	-	60,000	8,124,000
		11/03/2017	11/03/2017 - 10/03/2023	-	2,728,000	-	20,000	2,708,000
		11/03/2018	11/03/2018 - 10/03/2023	-	2,728,000	-	20,000	2,708,000
In aggregate				**32,855,000**	**23,130,000**	**-**	**4,750,000**	**51,235,000**
TOTAL				**34,455,000**	**30,430,000**	**1,200,000**	**5,150,000**	**58,535,000**

Notes:
(i) The closing price of the shares of the Company immediately before the share options granted on 6 July 2012, 12 December 2012 and 11 March 2013 were HK$10.04, HK$12.32 and HK$9.95 respectively.
(ii) With effect from 26 September 2012, the vesting date of the share options was accelerated from 27 September 2014 to 27 September 2012 and the exercise period was changed from 27 September 2014 to 26 September 2021 to 27 September 2012 to 26 December 2012.
(iii) No share options were cancelled under the 2009 Share Option Scheme during the year ended 30 June 2013.

Save as disclosed above, at no time during the year was the Company or its subsidiaries a party to any arrangement that enabled the Directors of the Company or any of their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Accounting treatment for share options

Details of accounting treatment for share options are set out in notes 2(p) and 20 to the consolidated financial statements.

Directors' interests and short positions in shares, underlying shares and debentures

As at 30 June 2013, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, were as follows:

(1) Shares of the Company

Name of Directors	Capacity	Beneficial interest in shares	Beneficial interest in unlisted underlying shares (Note 5)	Total number of shares	Approximate percentage of aggregate interests to total issued share capital
Jose Manuel MARTINEZ GUTIERREZ	Beneficial owner	500,000	5,000,000	5,500,000	0.28%
Thomas TANG Wing Yung	Beneficial owner	–	2,300,000	2,300,000	0.12%
Paul CHENG Ming Fun	Beneficial owner (Note 1)	525,000	–	775,000	0.04%
	Interest of spouse (Note 2)	250,000	–		
Jürgen Alfred Rudolf FRIEDRICH	Beneficial owner (Note 3)	45,500,000	–	45,553,669	2.35%
	Interest of spouse (Note 4)	53,669	–		

Notes:
1. The interests of the 525,000 shares were held jointly by Mr Paul CHENG Ming Fun and his spouse, Mrs Janet Mary CHENG.
2. The shares were held by Mrs Janet Mary CHENG.
3. Mr Jürgen Alfred Rudolf FRIEDRICH has entered into a securities lending agreement with a third party for the interest of 10,000,000 shares beneficially owned by him.
4. The shares were held by Mrs Anke Beck FRIEDRICH, the spouse of Mr Jürgen Alfred Rudolf FRIEDRICH.
5. The interests of Directors and chief executives of the Company in the underlying shares of equity derivatives in respect of share options granted to them pursuant to the 2001 Share Option Scheme and the 2009 Share Option Scheme are detailed in "Share options" section above.
6. All interests disclosed above represent long position in the shares and underlying shares of the Company.

(2) Share options of the Company

The interests of the Directors and chief executives of the Company in the share options of the Company are detailed in "Share Options" section above.

Save as disclosed above, as at 30 June 2013, none of the Directors and chief executives of the Company or their associates had any interests or short positions, whether beneficial or non-beneficial, in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' interests in contracts

No contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of or at any time during the year.

Substantial shareholders' interests

As at 30 June 2013, the following shareholders (other than the Directors and chief executives of the Company whose interests or short positions in the shares and underlying shares of the Company as disclosed above) had interests or short positions in the shares and underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of shareholders	Capacity	Number of shares (Long position)	Number of shares (Short position)	Approximate percentage of aggregate interests to total issued share capital
Lone Pine Capital LLC	Investment manager	210,714,405	–	10.87%
Total Market Limited (Notes 1 and 2)	Beneficial owner	200,406,000	–	10.34%
Spring Forest International Limited (Notes 1 and 2)	Interest in a controlled corporation	200,406,000	–	10.34%
YFT Group Limited (Notes 1 and 2)	Interest in a controlled corporation	200,406,000	–	10.34%
YFT Holdings Limited (Notes 1 and 2)	Interest in a controlled corporation	200,406,000	–	10.34%
Michael YING Lee Yuen (Notes 1 to 3)	Interest in a controlled corporation	200,406,000	–	10.34%
HSBC International Trustee Limited (Notes 1 and 2)	Trustee	200,829,014	–	10.36%
Marathon Asset Management LLP (Note 4)	Investment manager	148,644,675	–	7.67%
JPMorgan Chase & Co. (Notes 5 to 8)	Interest in a controlled corporation	117,957,950	815,811	6.08%

Substantial shareholders' interests (continued)

Notes:

1. The entire issued share capital of Total Market Limited ("Total Market") is held by Spring Forest International Limited, which in turn is a wholly-owned subsidiary of YFT Group Limited ("YFT Group"). YFT Group is a wholly-owned subsidiary of YFT Holdings Limited ("YFT Holdings"). HSBC International Trustee Limited ("HITL") controls 100% of YFT Holdings.
2. HITL, in its capacity as trustee of the discretionary trust set up by Mr Michael YING Lee Yuen ("Mr YING") as settlor and other discretionary trusts, was directly interested or deemed to be interested in the shares held by Total Market and in the remaining 423,014 shares pursuant to Part XV of the SFO.
3. Mr YING was deemed to be interested in the shares held by Total Market pursuant to Part XV of the SFO.
4. Marathon Asset Management LLP is 40.05%, 40.05% and 19.90% controlled by Mr William ARAH, Mr Neil OSTRER and Marathon Asset Management (Services) Ltd, respectively.
5. The shares held by JPMorgan Chase & Co. were held in the following capacities:

Capacity	Number of shares (Long position)	Number of shares (Short position)
Beneficial owner	72,273,483 (Notes 6 and 7)	815,811 (Note 8)
Custodian corporation/ approved lending agent	45,684,467 (Notes 6 and 7)	

6. Details of the interest in long position of the 117,957,950 shares held by JPMorgan Chase & Co. were as follows:

Name	Direct (D)/ Indirect (I) interests in the shares	Aggregate long position in the shares	Approximate percentage of aggregate interests to total issued share capital
JPMorgan Chase Bank, N.A.	D	45,684,467	2.36%
J.P. Morgan Whitefriars Inc.	D	1,261,183	0.07%
J.P. Morgan Overseas Capital Corporation	I	1,261,183	0.07%
J.P. Morgan International Finance Limited	I	2,750,992	0.14%
Bank One International Holdings Corporation	I	2,750,992	0.14%
J.P. Morgan International Inc.	I	2,750,992	0.14%
JPMorgan Chase Bank, N.A.	I	2,750,992	0.14%
J.P. Morgan Securities plc	D	1,489,809	0.08%
J.P. Morgan Chase International Holdings	I	1,489,809	0.08%
J.P. Morgan Chase (UK) Holdings Limited	I	1,489,809	0.08%
J.P. Morgan Capital Holdings Limited	I	1,489,809	0.08%
J.P. Morgan Clearing Corp	D	69,522,491	3.59%
J.P. Morgan Securities LLC	I	69,522,491	3.59%
J.P. Morgan Broker-Dealer Holdings Inc	I	69,522,491	3.59%

Explanatory notes:
All the following interests were deemed to be held by the relevant company under the SFO. JPMorgan Chase & Co. was deemed to be interested in an aggregate of 117,957,950 shares held or deemed to be held by: (I) JPMorgan Chase Bank, N.A. (48,435,459 shares); and (II) J.P. Morgan Broker-Dealer Holdings Inc (69,522,491 shares), all were wholly-owned subsidiaries of JPMorgan Chase & Co.

(a) JPMorgan Chase Bank, N.A. directly held 45,684,467 shares and was also deemed to be interested in an aggregate of 2,750,992 shares held by the following indirect subsidiaries held through J.P. Morgan International Finance Limited("JPIF"):
   (i) 1,261,183 shares were held by J.P. Morgan Whitefriars Inc., wholly-owned by J.P. Morgan Overseas Capital Corporation, a wholly-owned subsidiary of JPIF; and
   (ii) 1,489,809 shares were held by J.P. Morgan Securities plc, 98.95% subsidiary of J.P. Morgan Chase International Holdings, wholly-owned by J.P. Morgan Chase (UK) Holdings Limited, wholly-owned by J.P. Morgan Capital Holdings Limited, a wholly-owned subsidiary of JPIF.

(b) J.P. Morgan Broker-Dealer Holdings Inc ("JPBDH") was deemed to be interested in an aggregate of 69,522,491 shares held by J.P. Morgan Clearing Corp, wholly-owned by J.P. Morgan Securities LLC, a wholly-owned subsidiary of JPBDH.

7. 45,684,467 shares of the interest disclosed in note 6 above represent shares of the Company in the lending pool.
8. Details of the interest in short position of the 815,811 shares held by JPMorgan Chase & Co. were as follows:

Name	Direct (D)/ Indirect (I) interests in the shares	Aggregate short position in the shares	Approximate percentage of aggregate interests to total issued share capital
J.P. Morgan Whitefriars Inc.	D	621,192	0.03%
J.P. Morgan Overseas Capital Corporation	I	621,192	0.03%
J.P. Morgan International Finance Limited	I	739,227	0.04%
Bank One International Holdings Corporation	I	739,227	0.04%
J.P. Morgan International Inc.	I	739,227	0.04%
JPMorgan Chase Bank, N.A.	I	739,227	0.04%
J.P. Morgan Securities plc	D	118,035	0.01%
J.P. Morgan Chase International Holdings	I	118,035	0.01%
J.P. Morgan Chase (UK) Holdings Limited	I	118,035	0.01%
J.P. Morgan Capital Holdings Limited	I	118,035	0.01%
J.P. Morgan Clearing Corp	D	76,584	0.00%
J.P. Morgan Securities LLC	I	76,584	0.00%
J.P. Morgan Broker-Dealer Holdings Inc	I	76,584	0.00%

Explanatory notes:
All the following interests were deemed to be held by the relevant company under the SFO. JPMorgan Chase & Co. was deemed to be interested to have a short position in an aggregate of 815,811 shares held by the following indirect subsidiaries:

(a) 621,192 shares held by J.P. Morgan Whitefriars Inc., wholly-owned by J.P. Morgan Overseas Capital Corporation, wholly owned by JPIF, an indirect wholly-owned subsidiary of JPMorgan Chase & Co.;
(b) 118,035 shares held by J.P. Morgan Securities plc, 98.95% subsidiary of J.P. Morgan Chase International Holdings, wholly-owned by J.P. Morgan Chase (UK) Holdings Limited, wholly-owned by J.P. Morgan Capital Holdings Limited, wholly-owned by JPIF, an indirect wholly-owned subsidiary of JPMorgan Chase & Co.; and
(c) 76,584 shares held by J.P. Morgan Clearing Corp, wholly-owned by J.P. Morgan Securities LLC, wholly-owned by JPBDH, wholly-owned by JPMorgan Chase & Co..

Save as aforesaid and as disclosed in the "Directors' interests and short positions in shares, underlying shares and debentures" section of this report, the Company has not been notified by any person who had interest or short position in the shares or underlying shares of the Company as at 30 June 2013 which were required to be notified to the Company pursuant to Part XV of the SFO or which are recorded in the register required to be kept by the Company under Section 336 of the SFO.

Purchase, sale or redemption of the Company's shares

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

Pre-emptive rights

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

Major customers and suppliers

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

Public float

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

Management contracts

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

Related party transactions and connected transactions

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

Audit Committee

As required under the Listing Rules, the Company has an Audit Committee comprising four Non-executive Directors, three of whom are independent. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and has also discussed auditing, internal controls, and financial reporting matters including the review of the consolidated results of the Group for the year ended 30 June 2013.

Corporate governance

Particulars of the Company's corporate governance practices are set out on pages 70 to 77 of this report.

Auditors

The consolidated financial statements have been audited by PricewaterhouseCoopers who are due to retire and, being eligible, offer themselves for re-appointment at the Annual General Meeting 2013.

On behalf of the Board
ESPRIT HOLDINGS LIMITED

Raymond OR Ching Fai
Chairman

Hong Kong, 10 September 2013

06
FINANCIAL SECTION

06.1 Independent auditor's report

TO THE SHAREHOLDERS OF ESPRIT HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Esprit Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 95 to 132, which comprise the consolidated and company statement of financial position as at 30 June 2013, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2013, and of the Group's loss and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Other matters

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 10 September 2013

06.2 Consolidated income statement

		For the year ended 30 June	
	Notes	**2013 HK$ million**	2012 HK$ million
Turnover	5	**25,902**	30,165
Cost of goods sold		**(13,065)**	(14,959)
Gross profit		**12,837**	15,206
Staff costs	12	**(4,216)**	(4,807)
Occupancy costs		**(3,726)**	(3,806)
Logistics expenses		**(1,453)**	(1,454)
Marketing and advertising expenses		**(1,027)**	(1,577)
Depreciation		**(866)**	(684)
Impairment of property, plant and equipment		**(346)**	(64)
Impairment of goodwill	14	**(1,996)**	–
(Additional)/write-back of provision for store closures and leases	22	**(426)**	696
Other operating costs		**(2,951)**	(2,339)
Operating (loss)/profit ((LBIT)/EBIT)	6	**(4,170)**	1,171
Interest income		**51**	28
Finance costs	7	**(30)**	(37)
(Loss)/profit before taxation		**(4,149)**	1,162
Taxation	8	**(239)**	(289)
(Loss)/profit attributable to shareholders of the Company	9	**(4,388)**	873
(Loss)/earnings per share			(Adjusted)
– Basic and diluted	11	**HK$(2.50)**	HK$0.60

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

The notes on pages 102 to 132 form an integral part of these consolidated financial statements.

06.3 Consolidated statement of comprehensive income

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

The notes on pages 102 to 132 form an integral part of these consolidated financial statements.

06.4 Consolidated statement of financial position

		As at 30 June	
	Notes	2013 HK$ million	2012 HK$ million
Non-current assets			
Intangible assets	14	**5,763**	7,613
Property, plant and equipment	15	**4,363**	4,489
Investment properties	16	**15**	13
Other investments		**7**	7
Debtors, deposits and prepayments	18	**384**	402
Deferred tax assets	24	**697**	549
		11,229	13,073
Current assets			
Inventories	17	**3,209**	3,593
Debtors, deposits and prepayments	18	**3,375**	3,455
Tax receivable		**264**	388
Cash, bank balances and deposits	19	**5,171**	3,171
		12,019	10,607
Current liabilities			
Creditors and accrued charges	21	**3,951**	4,263
Provision for store closures and leases	22	**591**	446
Tax payable		**799**	908
Bank loans	23	**520**	642
		5,861	6,259
Net current assets		**6,158**	4,348
Total assets less current liabilities		**17,387**	17,421
Equity			
Share capital	20	**194**	129
Reserves		**16,402**	15,477
Total equity		**16,596**	15,606
Non-current liabilities			
Bank loans	23	**–**	1,040
Deferred tax liabilities	24	**791**	775
		791	1,815
		17,387	17,421

Approved by the Board of Directors on 10 September 2013.

JOSE MANUEL **MARTINEZ GUTIERREZ**
Executive Director

THOMAS **TANG** WING YUNG
Executive Director

The notes on pages 102 to 132 form an integral part of these consolidated financial statements.

06.5 Statement of financial position

	Notes	2013 HK$ million	2012 HK$ million
		As at 30 June	
Non-current assets			
Investments in subsidiaries, unlisted and at cost	31	**1,177**	1,137
Current assets			
Amounts due from subsidiaries	30(a)	**10,649**	8,605
Tax receivable		**1**	1
Cash, bank balances and deposits		**18**	–
		10,668	8,606
Current liabilities			
Amounts due to subsidiaries	30(a)	**9**	2,615
Accrued charges		**27**	33
		36	2,648
Net current assets		**10,632**	5,958
Total assets less current liabilities		**11,809**	7,095
Equity			
Share capital	20	**194**	129
Reserves	30(b)	**11,615**	6,966
Total equity		**11,809**	7,095

Approved by the Board of Directors on 10 September 2013.

JOSE MANUEL **MARTINEZ GUTIERREZ**
Executive Director

THOMAS **TANG** WING YUNG
Executive Director

The notes on pages 102 to 132 form an integral part of these consolidated financial statements.

06.6 Consolidated statement of cash flows

		For the year ended 30 June	
	Notes	2013 HK$ million	2012 HK$ million
Cash flows from operating activities			
Cash (used in)/generated from operations	25	**(417)**	583
Hong Kong profits tax paid		**(101)**	(9)
Overseas tax (paid)/refund received, net		**(239)**	156
Net cash (used in)/generated from operating activities		**(757)**	730
Cash flows from investing activities			
Purchase of property, plant and equipment		**(919)**	(1,420)
Proceeds from disposal of property, plant and equipment	25	**5**	8
Interest received		**51**	28
Net cash outflow for disposal of interest in subsidiaries		**–**	(18)
Net increase in bank deposits with maturities of more than three months		**(2,987)**	–
Net cash used in investing activities		**(3,850)**	(1,402)
Cash flows from financing activities			
Net proceeds from rights issue		**5,037**	–
Net proceeds on issue of shares for cash		**11**	–
Dividends paid		**(281)**	(326)
Proceeds from short-term bank loans		**378**	395
Repayment of short-term bank loans		**(500)**	(272)
Repayment of long-term bank loans		**(1,040)**	(520)
Interest paid on bank loans		**(24)**	(25)
Net cash generated from/(used in) financing activities		**3,581**	(748)
Net decrease in cash and cash equivalents		**(1,026)**	(1,420)
Cash and cash equivalents at beginning of year		**3,171**	4,794
Effect of change in exchange rates		**37**	(203)
Cash and cash equivalents at end of year		**2,182**	3,171
Analysis of balances of cash and cash equivalents			
Bank balances and cash		**1,723**	2,576
Bank deposits		**3,448**	595
Cash, bank balances and deposits	19	**5,171**	3,171
Less: bank deposits with maturities of more than three months		**(2,989)**	–
		2,182	3,171

The notes on pages 102 to 132 form an integral part of these consolidated financial statements.

06.7 Consolidated statement of changes in equity

For the year ended 30 June 2013

	Share capital HK$ million	Share premium HK$ million	Employee share-based payment reserve HK$ million	Hedging reserve HK$ million	Contributed surplus HK$ million	Translation reserve HK$ million	Capital reserve HK$ million	Retained profits HK$ million	Total HK$ million
At 1 July 2012	129	3,167	732	84	7	(156)	1	11,642	15,606
Exchange translation	–	–	–	–	–	603	–	–	603
Fair value gain on cash flow hedge									
– net fair value gain	–	–	–	40	–	–	–	–	40
– transferred to income statement – exchange difference	–	–	–	–	–	–	–	–	–
– transferred to inventories	–	–	–	(39)	–	–	–	–	(39)
Loss attributable to shareholders of the Company	–	–	–	–	–	–	–	(4,388)	(4,388)
Total comprehensive loss	–	–	–	1	–	603	–	(4,388)	(3,784)
Transactions with owners									
Issue of rights shares	65	4,972	–	–	–	–	–	–	5,037
Issue of shares	–	11	–	–	–	–	–	–	11
Employee share option benefits	–	–	7	–	–	–	–	–	7
2011/12 final dividend paid (Note 10)	–	10	–	–	–	–	–	(291)	(281)
Total transactions with owners	65	4,993	7	–	–	–	–	(291)	4,774
At 30 June 2013	194	8,160	739	85	7	447	1	6,963	16,596
Representing:									
Proposed final dividend									–
Balance after proposed final dividend									16,596
At 30 June 2013									16,596

The notes on pages 102 to 132 form an integral part of these consolidated financial statements.

06.7 Consolidated statement of changes in equity

For the year ended 30 June 2012

	Share capital HK$ million	Share premium HK$ million	Employee share-based payment reserve HK$ million	Hedging reserve HK$ million	Contributed surplus HK$ million	Translation reserve HK$ million	Capital reserve HK$ million	Retained profits HK$ million	Total HK$ million
At 1 July 2011	129	3,157	667	(139)	7	1,306	1	11,105	16,233
Exchange translation	–	–	–	–	–	(1,462)	–	–	(1,462)
Fair value gain on cash flow hedge									
– net fair value gain	–	–	–	371	–	–	–	–	371
– transferred to income statement – exchange difference	–	–	–	(94)	–	–	–	–	(94)
– transferred to inventories	–	–	–	(54)	–	–	–	–	(54)
Profit attributable to shareholders of the Company	–	–	–	–	–	–	–	873	873
Total comprehensive income	–	–	–	223	–	(1,462)	–	873	(366)
Transactions with owners									
2011/12 interim dividend paid (Note 10)	–	10	–	–	–	–	–	(336)	(326)
Employee share option benefits	–	–	65	–	–	–	–	–	65
Total transactions with owners	–	10	65	–	–	–	–	(336)	(261)
At 30 June 2012	129	3,167	732	84	7	(156)	1	11,642	15,606
Representing:									
Proposed final dividend									194
Balance after proposed final dividend									15,412
At 30 June 2012									15,606

The contributed surplus of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Group reorganisation in 1993 and the nominal value of the Company's shares issued in exchange thereof.

The capital reserve of the Group represents a non-distributable reserve set aside by a subsidiary according to relevant statutory requirements.

The notes on pages 102 to 132 form an integral part of these consolidated financial statements.

06.8 Notes to the consolidated financial statements

For the year ended 30 June 2013

1. General information

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

The Company is a limited liability company incorporated in Bermuda. The registered address is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The Company has its primary listing on The Stock Exchange of Hong Kong Limited (code: 00330) and also has its shares traded on the International Bulletin Board of the London Stock Exchange.

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

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

These consolidated financial statements have been approved for issue by the Board of Directors on 10 September 2013.

2. Summary of significant accounting policies

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

(a) Basis of preparation

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

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

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

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

		Effective for accounting periods beginning on or after
IAS 19 (Revised)	Employee Benefits – Amended Standard Resulting from the Post-Employment Benefits and Termination Benefits Projects	1 January 2013
IAS 27 (Revised)	Consolidated and Separate Financial Statements – Reissued as IAS 27 Separate Financial Statements	1 January 2013
IAS 28 (Revised)	Investments in Associates – Reissued as IAS 28 Investments in Associates and Joint Ventures	1 January 2013
IAS 32 (Amendment)	Offsetting Financial Assets and Financial Liabilities	1 January 2014
IAS 36 (Amendment)	Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
IAS 39 (Amendment)	Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IFRS 1 (Amendment)	Government Loans	1 January 2013
IFRS 7 (Amendment)	Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
IFRS 9 and 7 (Amendments)	Mandatory Effective Date of IFRS 9 and Transition Disclosures	1 January 2015
IFRS 9	Financial Instruments	1 January 2015
IFRS 10	Consolidated Financial Statements	1 January 2013
IFRS 11	Joint Arrangements	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013
IFRS 10, 11, 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013
IFRS 10, 12 and IAS 27 (Amendments)	Investment Entities	1 January 2014
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
IFRIC 21	Levies	1 January 2014
IFRSs (Amendments)	Annual Improvements to IFRSs 2009-2011 Cycle	1 January 2013

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

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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

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

(b) Consolidation

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

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

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

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

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

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

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

(c) Segment reporting

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

(d) Foreign currency translation

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

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

2. Summary of significant accounting policies (continued)

(d) Foreign currency translation (continued)

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

(a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

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

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

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

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

(e) Property, plant and equipment

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

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

Buildings	$3\frac{1}{3}$% – 5%
Plant and machinery	30%
Furniture and office equipment	10% – $33\frac{1}{3}$%
Motor vehicles	25% – 30%

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

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

(f) Investment properties

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

(g) Intangible assets

(i) Goodwill
Goodwill represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously held equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill included in intangible assets is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

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

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

2. Summary of significant accounting policies (continued)

(h) Impairment of non-financial assets

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

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

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

(i) Inventories

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

(j) Receivables

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

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

(k) Payables

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

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

(l) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown under current liabilities on the statement of financial position.

2. Summary of significant accounting policies (continued)

(m) Borrowings

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

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

Borrowing costs are recognised in the income statement in the period in which they are incurred.

(n) Share capital

Ordinary shares are classified as equity.

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

(o) Current and deferred tax

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

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

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

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

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

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

(p) Employee benefits

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

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

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

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

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

2. Summary of significant accounting policies (continued)

(p) Employee benefits (continued)

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

(q) Provisions

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

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

(r) Revenue recognition

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

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

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

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

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

(s) Accounting for derivative financial instruments

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

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

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

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

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

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

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

(t) Leases

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

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

2. Summary of significant accounting policies (continued)

(u) Dividend distributions

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

(v) Financial guarantee

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

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

3. Financial risk management and fair value

(a) Financial risk factors

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

(i) Foreign exchange risk
The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro. Foreign exchange risk primarily arises from future commercial transactions and recognised monetary assets and liabilities that are denominated in a currency that is not the entity's functional currency.

To minimise the Group's foreign exchange exposure on costs for merchandise produced for Europe in Asia, majority of the suppliers in Asia were asked to quote and settle in US dollar. In addition, to manage the foreign exchange risk arising from future commercial transactions, the Group enters into forward foreign exchange contracts with reputable financial institutions to hedge the foreign exchange risk.

The Group's profit attributable to shareholders of the Company would increase (2012: increase) by approximately **HK$16 million** (2012: HK$11 million) and total equity would decrease (2012: decrease) by approximately **HK$25 million** (2012: HK$23 million) in response to a 1% strengthening in Euro vs US Dollars in relation to monetary items and derivative financial instruments in existence at the date of the statement of financial position.

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

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

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

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

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

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

	Less than 1 year HK$ million	Between 1 and 2 years HK$ million	Between 2 and 5 years HK$ million
At 30 June 2013			
Creditors and accrued charges (Note)	**3,951**	**–**	**–**
Bank loans	**523**	**–**	**–**
	4,474	**–**	**–**
At 30 June 2012			
Creditors and accrued charges (Note)	4,263	–	–
Bank loans	658	528	523
	4,921	528	523

Note: Included in creditors and accrued charges with a maturity less than 1 year are derivative financial instruments of **HK$48 million** (2012: HK$1 million).

3. Financial risk management and fair value (continued)

(a) Financial risk factors (continued)

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

The Group monitors closely its interest rate risk exposure and considers hedging significant interest rate risk exposure should the need arise.

At 30 June 2013, if the variable interest rates on the bank loans had been 100 basis points higher with all other variables held constant, the Group's profit for the year attributable to shareholders of the Company would decrease by approximately **HK$12 million** (2012: HK$19 million).

(b) Capital risk management

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

The Group's capital structure consists of equity, cash, bank balances and deposits, and bank loans as shown in the consolidated statement of financial position.

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

The Group monitors capital by maintaining a net cash position throughout the year. Net cash position is calculated by cash, bank balances and deposits less interest bearing borrowings. As at 30 June 2013, the Group maintained a net cash position of **HK$4,651 million** (2012: HK$1,489 million).

(c) Fair value estimation

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

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

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

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

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

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

4. Critical accounting estimates and judgements

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

Critical accounting estimates and assumptions

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

4. Critical accounting estimates and judgements (continued)

(a) Useful life and impairment of trademarks

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

(ii) Impairment
In accordance with IAS 36 "Impairment of Assets", the Group completed its annual impairment test for Esprit trademarks by comparing their recoverable amount to their carrying amount as at 30 June 2013. The Group appointed independent professional valuers this year to conduct a valuation of the Esprit trademarks as one corporate asset based on a fair value less costs to sell calculation. This valuation uses cash flow projections based on financial estimates covering a three-year period, expected royalty rates deriving from the Esprit trademarks in the range of **3% to 6%** (2012: 3% to 6%) and a post-tax discount rate of **14%** (2012: 17%). The cash flows beyond the three-year period are extrapolated using a steady **3%** (2012: 3%) growth rate. This growth rate does not exceed the long-term average growth rate for apparel markets in which the Group operates. Management has considered the above assumptions and valuation and has also taken into account the business expansion plan going forward, the current wholesale order books and the strategic retail expansion worldwide and believes that there is no impairment in the Esprit trademarks.

(b) Impairment of goodwill

In accordance with IAS 36 "Impairment of Assets", the Group completed its annual impairment test for goodwill allocated to the Group's various CGUs by comparing their recoverable amount to their carrying amount as at the date of the statement of financial position. Goodwill impairment review has been performed at the lowest level of CGU which generates cash flow independently. The recoverable amount of a CGU is determined based on fair value less cost to sell calculations.

Management reviews the development of the operation and the business plan in China. The current competition in China market is considered increasingly intense. Based on the current year's assessment, an impairment charge of **HK$1,996 million** was recognised for the goodwill relating to China. The assessment was made based on management's cash flow projections derived from the latest expected revenue growth and profitability of the China business and the China economy.

The calculation of the recoverable amount of the China businesses use cash flow projections based on financial budgets approved by management covering a seven-year period and a post-tax discount rate of **11%** (2012: 11%). Cash flows beyond the seven-year period are extrapolated using a steady growth rate of **3%** (2012: 3%) which does not exceed the long term average growth rate in China market. If the budgeted sales growth in the financial budget covering the seven-year period used in the calculation had been lower by 1% point, the Group would have recognised a further impairment against goodwill of **HK$420 million**. If the post-tax discount rate used in the calculation had been higher by 1% point, the Group would have recognised a further impairment against goodwill of **HK$548 million**.

(c) Impairment of property, plant and equipment

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

(d) Net realisable value of inventories

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

(e) Income and other taxes

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

4. Critical accounting estimates and judgements (continued)

(f) Provision for store closures and leases

The provision for store closures and leases of the Group consists of provisions for store closures and onerous leases for loss-making stores, compensation to staff and other related costs in connection with the announced store closures and provision for onerous contracts for loss-making stores.

The Group recognises and measures a provision for store closures and leases for loss-making stores as a provision for onerous contract. In accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", an onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfill it.

The Group recognises a provision for store closures and leases based on the estimated unavoidable costs of meeting all leases and other obligations under the retail stores, net of economic benefits expected to be received from the stores, if any. The Group estimates the provision based on the amount of compensation payment agreed with the landlord as a result of early termination of leases, unfulfilled lease obligations, and economic benefits estimated to be received from fulfilling the lease contracts. Management also consults with retail agencies for certain locations in respect of the current market trends. The Group also estimates the provision based on past experience of payout ratio of the total compensation to the landlords. Estimates differ depending on the current rent, location, lease exit terms and management's assessment of when the lease term can be terminated early and expected benefits to be received from fulfilling the leases. Except for stores which termination contracts have already been agreed with the landlords, the settlement of these contracts may be different from the Group's estimation subject to the negotiation with the landlords and the economic benefits estimated to be received.

The Group recognises a provision for compensation to staff when the Group has a detailed formal plan for store closures and has communicated the plan to the employees affected by it. The Group recognises a provision for other related costs when obligations for direct expenditures necessarily entailed by the plan for store closures and not associated with the ongoing activities of the Group arise.

5. Turnover and segment information

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

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

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

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

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

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

5. Turnover and segment information (continued)

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

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

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

5. Turnover and segment information (continued)

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

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

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

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

Non-current assets other than deferred tax assets and financial instruments are located in the following countries:

	2013 HK$ million	2012 HK$ million
Hong Kong	**290**	298
Germany	**3,097**	3,023
Other countries (Note)	**6,754**	8,794
	10,141	12,115

Note: Non-current assets located in other countries include intangible assets of **HK$5,763 million** (2012: HK$7,613 million) (Note 14).

During the year, the turnover from the Group's largest customer amounted to less than 10% of the Group's total turnover (2012: less than 10%).

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

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

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

The plan to divest the retail operation in North America announced in 2011 was completed and all retail stores in North America were closed as at 30 June 2012. During the year ended 30 June 2012, the Group recognised a net write-back of provision of HK$696 million, mainly arising from write-back of provision relating to the successful divestment of operations in North America, net of related costs.

7. Finance costs

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

8. Taxation

	2013 HK$ million	2012 HK$ million
Current tax		
Hong Kong profits tax		
Provision for current year	**3**	1
Under-provision for prior years	**–**	7
Overseas taxation		
Provision for current year	**328**	229
Under/(over)-provisions for prior years	**33**	(67)
	364	170
Deferred tax (Note 24)		
Current year net (credit)/charge	**(131)**	118
Effect of changes in tax rates	**6**	1
Taxation	**239**	289

Hong Kong profits tax is calculated at **16.5%** (2012: 16.5%) on the estimated assessable profit for the year, net of tax losses carried forward, if applicable.

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

The tax on the Group's profit before taxation differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the Group's subsidiaries. The effective tax rate was **-5.8%** (2012: 24.9%).

	2013 HK$ million	2012 HK$ million
(Loss)/profit before taxation	**(4,149)**	1,162
Tax calculated at applicable tax rates	**96**	443
Expenses not deductible for tax purposes	**35**	50
Non-taxable income	**(20)**	(303)
Utilisation of previously unrecognised tax losses	**(1)**	(2)
Tax effect of tax losses not recognised	**29**	151
Under/(over)-provisions for prior years, net	**33**	(60)
Tax effect on deferred tax balances due to changes in income tax rates	**6**	1
Temporary differences not recognised	**53**	–
Tax on undistributed earnings	**8**	9
Taxation	**239**	289

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

9. (Loss)/profit attributable to shareholders of the Company

The loss attributable to shareholders of the Company is dealt with in the financial statements of the Company to the extent of **HK$60 million** (2012: profit of HK$561 million) (Note 30).

10. Dividends

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

* The actual final dividend paid in cash for the year ended 30 June 2012 was HK$281 million. The amount of the actual final dividend paid for the year ended 30 June 2012 had taken into account the additional shares issued during the period from 27 September 2012 to 14 December 2012, the date of closure of the register of members, and part of the final dividend amounting to HK$10 million was paid in form of new fully paid shares out of the retained profits during the year. For the purpose of calculating the number of scrip shares allotted in respect of the final dividend, the market value of the scrip shares is HK$12.19, which is the average closing price of the Company's share as quoted on The Stock Exchange of Hong Kong Limited for the five consecutive trading days immediately preceding 12 December 2012.

11. (Loss)/earnings per share

Basic

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

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

Diluted

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

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

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

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

12. Staff costs (including directors' emoluments)

	2013 HK$ million	2012 HK$ million
Salaries and wages	**3,264**	3,670
Social security costs and other staff costs	**837**	959
Pensions costs of defined contribution plans	**108**	113
Employee share option benefits	**7**	65
	4,216	4,807

Defined contribution retirement schemes

The Group principally participates in defined contribution plans. In Hong Kong, the Group participates in the Mandatory Provident Fund Scheme operated by HSBC Provident Fund Trustee (Hong Kong) Limited. Contributions at a fixed rate of 5% of the employee's relevant income, subject to a cap of monthly relevant income of HK$25,000 per employee on or after 1 June 2012, and HK$20,000 per employee before 1 June 2012, are made to the scheme and are vested immediately. The Group also operates several defined contribution retirement plans for its overseas subsidiaries and pays contributions to publicly or privately administered pension plans on a mandatory, contractual or voluntary basis. Contributions to the schemes by the Group and employees are calculated at fixed percentages of employees' basic salaries or at agreed fixed amounts.

Under the defined contribution scheme in some countries, where employees leave the scheme prior to the full vesting of the employer's contributions, the amount of forfeited contributions is used to reduce the contributions payable by the Group. During the year, the Group did not have any contributions forfeited in accordance with the schemes' rules (2012: nil) which have been applied towards the contributions payable by the Group.

13. Directors' and senior management's emoluments

(a) Directors' emoluments

Name of Director	Fees[6] HK$'000	Basic salaries, allowance and benefits in kind HK$'000	Bonuses HK$'000	Inducement fee HK$'000	Share option benefits HK$'000	Provident fund contributions/ retirement benefit costs HK$'000	2013 Total emoluments HK$'000	2012 Total emoluments HK$'000
Jose Manuel **MARTINEZ GUTIERREZ**[5,7]	-	12,442 (EUR1,239,337)	-	12,549 (EUR1,250,000)	1,748 (EUR174,140)	-	26,739 (EUR2,663,477)	-
Thomas **TANG** Wing Yung[8]	-	8,027	500	-	815	15	9,357	1,324
Raymond **OR** Ching Fai[2,3,4,5]	2,230	-	-	-	-	-	2,230	805
Paul **CHENG** Ming Fun[2,3,4,5]	796	-	-	-	-	-	796	805
Jürgen Alfred Rudolf **FRIEDRICH**[1,3,4,5]	622	-	-	-	-	-	622	565
Alexander Reid **HAMILTON**[2,3,4,5]	735	-	-	-	-	-	735	735
Eva **CHENG LI** Kam Fun[2,3,5,9]	377	-	-	-	-	-	377	-
Norbert Adolf **PLATT**[2,3,5,9]	377	-	-	-	-	-	377	-
Ronald **VAN DER VIS**[10]	-	11,391 (EUR1,134,702)	27,540 (EUR2,743,255)	-	(35,970) (EUR(3,583,033))	-	2,961 (EUR294,924)	53,815 (EUR5,169,576)
CHEW Fook Aun[12]	-	-	-	-	-	-	-	3,243
Dr Hans-Joachim **KÖRBER**[11]	-	-	-	-	-	-	-	2,547
Francesco **TRAPANI**[13]	-	-	-	-	-	-	-	586
Total for the year 2013	**5,137**	**31,860**	**28,040**	**12,549**	**(33,407)**	**15**	**44,194**	
Total for the year 2012	5,331	26,025	18,015	-	14,978	76		64,425

1 Non-executive Director
2 Independent Non-executive Director
3 Member of the Audit Committee
(a) From 1 July 2012 to 5 December 2012 – Mr Alexander Reid HAMILTON (Chairman), Mr Raymond OR Ching Fai and Mr Paul CHENG Ming Fun
(b) From 6 December 2012 to 30 June 2013 – Mr Alexander Reid HAMILTON (Chairman), Mr Jürgen Alfred Rudolf FRIEDRICH, Mrs Eva CHENG LI Kam Fun and Mr Norbert Adolf PLATT
4 Member of the Nomination Committee
(a) From 1 July 2012 to 25 September 2012 – Mr Paul CHENG Ming Fun (Chairman), Mr Raymond OR Ching Fai, Mr Jürgen Alfred Rudolf FRIEDRICH and Mr Ronald VAN DER VIS
(b) From 26 September 2012 to 5 December 2012 – Mr Paul CHENG Ming Fun (Chairman), Mr Raymond OR Ching Fai and Mr Jürgen Alfred Rudolf FRIEDRICH
(c) From 6 December 2012 to 30 June 2013 – Mr Raymond OR Ching Fai (Chairman), Mr Paul CHENG Ming Fun and Mr Alexander Reid HAMILTON

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

(a) Directors' emoluments (continued)

[5] Member of the Remuneration Committee
- (a) From 1 July 2012 to 25 September 2012 – Mr Raymond OR Ching Fai (Chairman), Mr Alexander Reid HAMILTON and Mr Ronald VAN DER VIS
- (b) From 26 September 2012 to 5 December 2012 – Mr Raymond OR Ching Fai (Chairman) and Mr Alexander Reid HAMILTON
- (c) From 6 December 2012 to 30 June 2013 – Mr Paul CHENG Ming Fun (Chairman), Mr Jose Manuel MARTINEZ GUTIERREZ, Mr Jürgen Alfred Rudolf FRIEDRICH, Mrs Eva CHENG LI Kam Fun and Mr Norbert Adolf PLATT

[6] The amount includes directors' fees of **HK$4.5 million** (2012: HK$4.8 million) paid to Independent Non-executive Directors

[7] Mr Jose Manuel MARTINEZ GUTIERREZ was appointed as Executive Director and Group Chief Executive Officer with effect from 26 September 2012

[8] Mr Thomas TANG Wing Yung was appointed as Executive Director and Group Chief Financial Officer with effect from 2 May 2012

[9] Mrs Eva CHENG LI Kam Fun and Mr Norbert Adolf PLATT were appointed as Independent Non-executive Directors with effect from 6 December 2012

[10] Mr Ronald VAN DER VIS resigned with effect from 26 September 2012

[11] Dr Hans-Joachim KÖRBER resigned with effect from 13 June 2012

[12] Mr CHEW Fook Aun resigned with effect from 1 May 2012

[13] Mr Francesco TRAPANI resigned with effect from 23 February 2012

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included **two** (2012: one) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining **three** (2012: four) individuals during the year are listed below:

	2013 HK$'000	2012 HK$'000
Salaries, housing and other allowances and benefits in kind	**24,761**	26,057
Bonuses	**24,151**	16,308
Share option benefits	**14,781**	27,274
Pensions costs of defined contribution plans	**72**	12
	63,765	69,651

The emoluments fell within the following bands:

	Number of individuals	
Emoluments band	2013	2012
HK$12,500,001 – HK$ 13,000,000	**–**	1
HK$17,500,001 – HK$ 18,000,000	**–**	1
HK$18,500,001 – HK$ 19,000,000	**–**	1
HK$20,000,001 – HK$ 20,500,000	**–**	1
HK$21,000,001 – HK$ 21,500,000	**2**	–
HK$21,500,001 – HK$ 22,000,000	**1**	–

14. Intangible assets

	Trademarks HK$ million	Goodwill HK$ million	Customer relationships HK$ million	Total HK$ million
Cost				
At 1 July 2012	**1,975**	**5,157**	**632**	**7,764**
Exchange translation	**15**	**177**	**22**	**214**
At 30 June 2013	**1,990**	**5,334**	**654**	**7,978**
Amortisation and impairment				
At 1 July 2012	**-**	**-**	**(151)**	**(151)**
Exchange translation	**-**	**2**	**(6)**	**(4)**
Amortisation charge	**-**	**-**	**(64)**	**(64)**
Impairment charge	**-**	**(1,996)**	**-**	**(1,996)**
At 30 June 2013	**-**	**(1,994)**	**(221)**	**(2,215)**
Net book value				
At 30 June 2013	**1,990**	**3,340**	**433**	**5,763**
Cost				
At 1 July 2011	2,031	5,104	623	7,758
Exchange translation	(56)	53	9	6
At 30 June 2012	1,975	5,157	632	7,764
Amortisation and impairment				
At 1 July 2011	-	-	(86)	(86)
Exchange translation	-	-	(6)	(6)
Amortisation charge	-	-	(59)	(59)
At 30 June 2012	-	-	(151)	(151)
Net book value				
At 30 June 2012	1,975	5,157	481	7,613

Trademarks

The trademarks are considered to have an indefinite useful life and were tested for impairment at 30 June 2013, as described in note 4(a). The recoverable amount of the Esprit trademarks as at 30 June 2013 was higher than their carrying amount.

Goodwill

The goodwill arising from the business combinations during the year ended 30 June 2010 was allocated to the Group's CGUs identified according to operating segment. An operating segment-level summary of the goodwill allocation as at 30 June 2013 is presented below:

	2013			2012		
	Wholesale HK$ million	Retail HK$ million	Total HK$ million	Wholesale HK$ million	Retail HK$ million	Total HK$ million
China (Note)	**1,324**	**1,922**	**3,246**	3,040	2,026	5,066
Finland	**40**	**-**	**40**	38	-	38
Total	**1,364**	**1,922**	**3,286**	3,078	2,026	5,104

Note: The Group's management has reviewed the development of the operation and the business plan in China. The current competition in the China market is considered increasingly intense. An impairment charge of **HK$1,996 million** for the China goodwill has been recognised in the current financial year (Note 4(b)).

15. Property, plant and equipment

	Freehold land outside Hong Kong HK$ million	Leasehold land in Hong Kong HK$ million	Buildings HK$ million	Leasehold improvements and fixtures HK$ million	Plant and machinery HK$ million	Furniture and office equipment HK$ million	Motor vehicles HK$ million	Construction in progress HK $ million	Total HK$ million
Cost									
At 1 July 2012	24	196	222	4,555	11	2,614	53	1,855	9,530
Exchange translation	1	–	3	149	–	107	2	92	354
Additions	–	–	16	439	59	210	10	185	919
Transfer	–	–	144	56	421	1,320	–	(1,941)	–
Disposals	–	–	–	(366)	(1)	(190)	(9)	–	(566)
At 30 June 2013	25	196	385	4,833	490	4,061	56	191	10,237
Depreciation and impairment									
At 1 July 2012	–	39	120	2,980	11	1,858	33	–	5,041
Exchange translation	–	–	2	80	–	75	1	–	158
Charge for the year	–	5	11	409	38	393	10	–	866
Disposals	–	–	–	(345)	(1)	(182)	(9)	–	(537)
Impairment charge	–	–	–	309	–	37	–	–	346
At 30 June 2013	–	44	133	3,433	48	2,181	35	–	5,874
Net book value									
At 30 June 2013	25	152	252	1,400	442	1,880	21	191	4,363

	Freehold land outside Hong Kong HK$ million	Leasehold land in Hong Kong HK$ million	Buildings HK$ million	Leasehold improvements and fixtures HK$ million	Plant and machinery HK$ million	Furniture and office equipment HK$ million	Motor vehicles HK$ million	Construction in progress HK $ million	Total HK$ million
Cost									
At 1 July 2011	26	196	233	5,786	11	3,180	63	1,647	11,142
Exchange translation	(2)	–	(11)	(607)	–	(359)	(8)	(267)	(1,254)
Additions	–	–	–	552	–	213	13	642	1,420
Transfer	–	–	–	12	–	155	–	(167)	–
Disposals	–	–	–	(1,188)	–	(575)	(15)	–	(1,778)
At 30 June 2012	24	196	222	4,555	11	2,614	53	1,855	9,530
Depreciation and impairment									
At 1 July 2011	–	36	121	4,091	11	2,429	39	–	6,727
Exchange translation	–	(1)	(9)	(402)	–	(273)	(4)	–	(689)
Charge for the year	–	4	8	403	–	257	12	–	684
Disposals	–	–	–	(1,167)	–	(564)	(14)	–	(1,745)
Impairment charge	–	–	–	55	–	9	–	–	64
At 30 June 2012	–	39	120	2,980	11	1,858	33	–	5,041
Net book value									
At 30 June 2012	24	157	102	1,575	–	756	20	1,855	4,489

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

16. Investment properties

	2013 HK$ million	2012 HK$ million
At 1 July	**13**	13
Change in fair value of investment properties	**2**	–
At 30 June	**15**	13

The investment properties represent certain medium-term leasehold land and buildings located in the People's Republic of China. An independent professional valuer, American Appraisal China Limited, valued the properties at 30 June 2013 on an open market value basis at **HK$15 million** (2012: HK$13 million).

17. Inventories

	2013 HK$ million	2012 HK$ million
Finished goods	**3,020**	3,445
Consumables	**189**	148
	3,209	3,593

18. Debtors, deposits and prepayments

	2013 HK$ million	2012 HK$ million
Trade debtors	**2,826**	2,838
Less: provision for impairment of trade debtors	**(511)**	(357)
	2,315	2,481
Deposits	**200**	226
Prepayments	**400**	469
Other debtors and receivables	**844**	681
	3,759	3,857
Non-current portion of deposits	**(157)**	(152)
Non-current portion of prepayments	**(209)**	(237)
Non-current portion of other debtors and receivables	**(18)**	(13)
Current portion	**3,375**	3,455
Maximum exposure to credit risk	**3,359**	3,388

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

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

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

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

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

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

	2013 HK$ million	2012 HK$ million
At 1 July	**357**	432
Provision for impairment of trade debtors	**355**	251
Bad debts written off	**(173)**	(197)
Unused amounts reversed	**(43)**	(65)
Exchange translation	**15**	(64)
At 30 June	**511**	357

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

19. Cash, bank balances and deposits

Cash, bank balances and deposits include the following for the purposes of the consolidated statement of cash flows:

	2013 HK$ million	2012 HK$ million
Bank balances and cash	**1,723**	2,576
Bank deposits with maturities within three months	**459**	595
Bank deposits with maturities of more than three months	**2,989**	–
	5,171	3,171

The maximum exposure to credit risk as at 30 June 2013 is the carrying amount of bank balances and bank deposits.

The effective interest rate on cash, bank balances and deposits for the year was determined to be **0.9%** (2012: 0.7%) per annum.

20. Share capital

	Number of shares of HK$0.10 each million	HK$ million
Authorised:		
At 1 July 2012	**2,000**	**200**
Increase (Note (a))	**1,000**	**100**
At 30 June 2013	**3,000**	**300**

	Number of shares of HK$0.10 each million	Nominal value HK$ million
Issued and fully paid:		
At 1 July 2012	**1,291**	**129**
Exercise of share options (Note (b))	**1**	**–**
Issue of rights shares (Note (c))	**646**	**65**
Issue of scrip shares (Note (d))	**1**	**–**
At 30 June 2013	**1,939**	**194**
At 1 July 2011	1,290	129
Issue of scrip shares	1	–
At 30 June 2012	1,291	129

Notes:

(a) Increase in authorised share capital

Pursuant to an ordinary resolution passed at the annual general meeting on 6 December 2012, the authorised share capital of the Company was increased from HK$200 million to HK$300 million by creation of an additional HK$100 million divided into 1,000 million shares of HK$0.10 each.

(b) Exercise of share options

During the year, 1,200,000 ordinary shares of HK$0.10 each were issued in respect of share options exercised under the 2009 Share Option Scheme (defined in note (e) below) at an exercise price of HK$8.76 each (representing a premium of HK$8.66 each).

(c) Issue of rights shares

During the year, 646,088,057 new shares of HK$0.10 each were issued and allotted under the rights issue at the subscription price of HK$8.00 each on the basis of one rights share for every two existing shares held by the shareholders on 2 November 2012.

(d) Issue of scrip shares

On 6 December 2012, the shareholders approved a final dividend of HK$0.15 per share for the year ended 30 June 2012. The shareholders were provided with an option to receive the final dividend in form of new fully paid shares in lieu of cash. On 22 January 2013, 809,893 ordinary shares were issued in respect of the final dividend.

(e) Share options

The Company adopted a share option scheme on 26 November 2001 (the "2001 Share Option Scheme"). The 2001 Share Option Scheme was terminated on 10 December 2009, notwithstanding that the share options which were granted and remained outstanding and/or committed as of that date continued to follow the provisions of the 2001 Share Option Scheme and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Company adopted a new share option scheme on 10 December 2009 (the "2009 Share Option Scheme").

Information on the Schemes

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

Purpose of the Schemes

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

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

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

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

Participants of the Schemes

The Board may at its discretion grant share options to:

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

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

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

20. Share capital (continued)

Total number of shares available for issue under the Schemes and percentage of issued share capital as at 30 June 2013

The total number of shares available for issue upon exercise of all outstanding share options already granted under the Schemes is 71,492,000 shares (2001 Share Option Scheme: 12,957,000 shares and 2009 Share Option Scheme: 58,535,000 shares), representing 3.69% of the issued share capital of the Company as at 30 June 2013.

The maximum number of shares available for issue upon exercise of share options not yet granted under the Schemes is 48,247,693 shares (2001 Share Option Scheme: Nil and 2009 Share Option Scheme: 48,247,693 shares), representing 2.49% of the issued share capital of the Company as at 30 June 2013.

Maximum entitlement of each participant under the Schemes

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

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

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

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

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

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

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

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

The basis of determining the subscription price under the Schemes

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

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

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

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

The remaining life of the 2001 Share Option Scheme

On 10 December 2009, the shareholders approved at the annual general meeting of the Company the termination of the 2001 Share Option Scheme and no further share options may be granted to eligible person under the 2001 Share Option Scheme with effect thereof, save and except the share options which were committed prior to such date continued to follow the provisions of the 2001 Share Option Scheme and the Listing Rules.

Details of the share options movement during the year and outstanding share options as at 30 June 2013 under the 2001 Share Option Scheme are as follows:

	Number of share options	
	2013	2012
At 1 July	**31,469,000**	46,570,000
Granted during the year	**–**	1,620,000
Lapsed during the year	**(3,000,000)**	(5,555,000)
Forfeited during the year	**(15,512,000)**	(11,166,000)
At 30 June (Note (i))	**12,957,000**	31,469,000

20. Share capital (continued)

The remaining life of the 2001 Share Option Scheme (continued)

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

Expiry date	Exercise price HK$	Number of share options outstanding as at 30 June 2013	2012
Directors			
9 February 2015 *	41.70	**–**	720,000
22 June 2015 *	46.45	**–**	4,800,000
22 June 2015 **	46.45	**–**	3,200,000
9 February 2016 *	56.90	**–**	360,000
11 February 2017 *	40.40	**–**	180,000
Employees and consultants			
27 November 2012 *	80.60	**–**	360,000
4 December 2012 *	79.49	**–**	660,000
5 December 2012 *	80.95	**–**	1,300,000
7 February 2013 *	83.00	**–**	200,000
4 December 2013 *	119.00	**300,000**	540,000
4 December 2013 **	119.00	**–**	135,000
5 December 2013 *	118.70	**675,000**	780,000
5 December 2013 **	118.70	**–**	195,000
31 January 2014 *	100.80	**1,400,000**	1,280,000
31 January 2014 **	100.80	**–**	320,000
11 February 2014 *	102.12	**150,000**	120,000
11 February 2014 **	102.12	**–**	30,000
9 December 2014 *	44.25	**540,000**	585,000
9 December 2014 **	44.25	**105,000**	390,000
11 December 2014 *	45.95	**848,000**	1,188,000
11 December 2014 **	45.95	**204,000**	680,000
5 February 2015 *	39.76	**1,306,000**	1,134,000
5 February 2015 **	39.76	**314,000**	776,000
9 February 2015 *	41.70	**120,000**	90,000
9 February 2015 **	41.70	**30,000**	60,000
9 December 2015 *	53.74	**552,000**	704,000
9 December 2015 **	53.74	**368,000**	1,056,000
11 December 2015 *	53.90	**477,000**	594,000
11 December 2015 **	53.90	**306,000**	765,000
4 February 2016 *	57.70	**630,000**	480,000
4 February 2016 **	57.70	**420,000**	720,000
5 February 2016 *	55.46	**279,000**	222,000
5 February 2016 **	55.46	**156,000**	333,000
9 December 2016 *	37.92	**276,000**	264,000
9 December 2016 **	37.92	**414,000**	1,056,000
13 December 2016 *	38.10	**318,000**	297,000
13 December 2016 **	38.10	**459,000**	1,020,000
11 February 2017 *	40.40	**186,000**	111,000
11 February 2017 **	40.40	**234,000**	444,000
9 December 2017 *	11.09	**138,000**	–
9 December 2017 **	11.09	**552,000**	1,320,000
Others			
7 February 2013 *	83.00	**–**	800,000
11 February 2014 *	102.12	**600,000**	480,000
11 February 2014 **	102.12	**–**	120,000
9 February 2015 *	41.70	**480,000**	360,000
9 February 2015 **	41.70	**120,000**	240,000
		12,957,000	31,469,000

* The share options listed above are vested as of the respective dates of the statement of financial position.

** The share options listed above are not vested as of the respective dates of the statement of financial position.

The remaining life of the 2009 Share Option Scheme

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

Details of the share options movement during the year and outstanding share options as at 30 June 2013 under the 2009 Share Option Scheme are as follows:

	Number of share options 2013	2012
At 1 July	**34,455,000**	16,160,000
Granted during the year (Note (i))	**30,430,000**	22,375,000
Exercised during the year (Note (ii))	**(1,200,000)**	–
Lapsed during the year	**(175,000)**	(1,100,000)
Forfeited during the year	**(4,975,000)**	(2,980,000)
At 30 June (Note (iii))	**58,535,000**	34,455,000

(i) Details of share options granted during the year ended 30 June 2013 are as follows:

Exercise period	**Exercise price HK$**	**Number of share options**
6 July 2015 – 5 July 2022	**10.02**	**540,000**
6 July 2016 – 5 July 2022	**10.02**	**180,000**
6 July 2017 – 5 July 2022	**10.02**	**180,000**
12 December 2013 – 11 December 2018	**12.32**	**30,000**
12 December 2014 – 11 December 2018	**12.32**	**30,000**
12 December 2015 – 11 December 2018	**12.32**	**30,000**
12 December 2015 – 11 December 2022	**12.32**	**8,440,000**
12 December 2016 – 11 December 2018	**12.32**	**30,000**
12 December 2017 – 11 December 2018	**12.32**	**30,000**
11 March 2016 – 10 March 2023	**10.04**	**12,684,000**
11 March 2017 – 10 March 2023	**10.04**	**4,128,000**
11 March 2018 – 10 March 2023	**10.04**	**4,128,000**
		30,430,000

Details of share options granted during the year ended 30 June 2012 are as follows:

Exercise period	Exercise price HK$	Number of share options
16 September 2012 – 15 September 2017	18.17	30,000
16 September 2013 – 15 September 2017	18.17	30,000
16 September 2014 – 15 September 2017	18.17	30,000
16 September 2014 – 15 September 2021	18.17	600,000
16 September 2015 – 15 September 2017	18.17	30,000
16 September 2015 – 15 September 2021	18.17	200,000
16 September 2016 – 15 September 2017	18.17	30,000
16 September 2016 – 15 September 2021	18.17	200,000
27 September 2014 – 26 September 2021	8.76	18,525,000
18 January 2015 – 17 January 2022	11.40	720,000
18 January 2016 – 17 January 2022	11.40	240,000
18 January 2017 – 17 January 2022	11.40	240,000
6 March 2015 – 5 March 2022	18.22	540,000
6 March 2016 – 5 March 2022	18.22	180,000
6 March 2017 – 5 March 2022	18.22	180,000
10 May 2013 – 9 May 2018	14.78	120,000
10 May 2014 – 9 May 2018	14.78	120,000
10 May 2015 – 9 May 2018	14.78	120,000
10 May 2016 – 9 May 2018	14.78	120,000
10 May 2017 – 9 May 2018	14.78	120,000
		22,375,000

20. Share capital (continued)

The remaining life of the 2009 Share Option Scheme (continued)

(ii) Details of share options exercised during the year ended 30 June 2013 are as follows:

Exercise date	Exercise price HK$	Number of share options	Proceeds received: Share capital HK$'000	Proceeds received: Share premium HK$'000	Market value* per share at exercise date HK$
4 October 2012	8.76	1,200,000	120	10,392	13.02
		1,200,000	120	10,392	

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

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

Expiry date	Exercise price HK$	Number of share options outstanding as at June 30: 2013	2012
Directors			
27 September 2020 **	43.00	–	400,000
27 September 2021 #	8.76	–	1,200,000
11 March 2023 **	10.04	7,300,000	–
Employees and consultants			
19 April 2016 *	62.21	480,000	320,000
19 April 2016 **	62.21	320,000	480,000
2 July 2016 *	43.93	1,200,000	600,000
2 July 2016 **	43.93	1,800,000	2,400,000
4 October 2016 *	42.34	800,000	400,000
4 October 2016 **	42.34	1,200,000	1,600,000
11 February 2017 *	40.40	80,000	40,000
11 February 2017 **	40.40	120,000	160,000
19 April 2017 *	34.71	240,000	120,000
19 April 2017 **	34.71	360,000	480,000
16 September 2017 *	18.17	30,000	–
16 September 2017 **	18.17	120,000	150,000
10 May 2018 *	14.78	120,000	–
10 May 2018 **	14.78	480,000	600,000
12 December 2018 **	12.32	150,000	–
27 September 2020 **	43.00	3,780,000	5,855,000
17 May 2021 **	30.90	1,000,000	1,000,000
16 September 2021 **	18.17	1,000,000	1,000,000
27 September 2021 **	8.76	13,350,000	15,550,000
18 January 2022 **	11.40	1,200,000	1,200,000
6 March 2022 **	18.22	900,000	900,000
6 July 2022 **	10.02	900,000	–
12 December 2022 **	12.32	8,065,000	–
11 March 2023 **	10.04	13,540,000	–
		58,535,000	34,455,000

* The share options listed above are vested as of the respective dates of the statement of financial position.

** The share options listed above are not vested as of the respective dates of the statement of financial position.

With effect from 26 September 2012, the vesting date was accelerated from 27 September 2014 to 27 September 2012 and the exercise period was changed from 27 September 2014 to 26 September 2021 to the exercise period of 27 September 2012 to 26 December 2012. The share options were exercised on 4 October 2012.

20. Share capital (continued)

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

Date of grant	Share option value[1] HK$	Share price at the date of grant[2] HK$	Exercisable price HK$	Expected volatility[3]	Annual risk-free interest rate[4]	Life of share option[5]	Dividend yield[6]
2009 Share Option Scheme							
6 July 2012	3.50 – 3.67	9.65	10.02	53.37% – 58.96%	0.29% – 0.52%	4 – 6 years	3.82%
12 December 2012	3.98 – 5.00	12.32	12.32	56.41% – 66.50%	0.13% – 0.38%	2 – 6 years	3.82%
11 March 2013	3.72 – 4.37	10.04	10.04	55.75% – 57.94%	0.46% – 0.82%	4 – 6 years	2.74%

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

2 The share price at the date of grant disclosed is the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the relevant share option; where the date of grant of the relevant share option did not fall on a Business Day (as defined in the Listing Rules), the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet immediately preceding the date of grant was disclosed.

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

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

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

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

21. Creditors and accrued charges

	2013 HK$ million	2012 HK$ million
Trade creditors	**1,122**	1,434
Accruals	**1,984**	2,023
Other creditors and payables	**845**	806
	3,951	4,263

The ageing analysis by due date of trade creditors is as follows:

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

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

22. Provision for store closures and leases

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

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

The provision for store closures and leases was made in connection with the store closures and provision for onerous lease contracts for loss-making stores in Europe and Asia Pacific and the divestment of operations in North America announced in the current and prior years. The store closures are still ongoing while the plan to divest the retail operation in North America was completed and all retail stores in North America were closed as at 30 June 2012.

During the year ended 30 June 2013, the Group recognised a net additional provision of **HK$426 million**, mainly arising from an additional provision for store closures and onerous leases of **HK$396 million** in relation to loss-making stores in Europe announced in the current year.

22. Provision for store closures and leases (continued)

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

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

23. Bank loans

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

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

23. Bank loans (continued)

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

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

The carrying amount of bank loans approximates their fair value.

The bank loans are unsecured. The effective interest rate on bank loans for the year was determined to be **1.5%** (2012: 1.2%) per annum.

24. Deferred taxation

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

The Group:

	Accelerated Accounting/ tax depreciation HK$ million	Elimination of unrealised profits HK$ million	Intangible assets HK$ million	Tax losses HK$ million	Withholding tax on undistributed earnings HK$ million	Other deferred tax assets HK$ million	Other deferred tax liabilities HK$ million	Total HK$ million
At 1 July 2011	199	240	(396)	33	(399)	328	(47)	(42)
(Charged)/credited to income statement	(82)	(53)	14	56	11	(93)	29	(118)
Changes in tax rates	(1)	–	–	–	–	–	–	(1)
Exchange difference recognised in equity	(16)	(35)	17	(12)	2	(24)	3	(65)
At 30 June 2012	**100**	**152**	**(365)**	**77**	**(386)**	**211**	**(15)**	**(226)**
(Charged)/credited to income statement	**39**	**(79)**	**16**	**133**	**(8)**	**49**	**(19)**	**131**
Changes in tax rates	**–**	**–**	**(5)**	**(1)**	**–**	**–**	**–**	**(6)**
Exchange difference recognised in equity	**2**	**7**	**(8)**	**5**	**–**	**3**	**(2)**	**7**
At 30 June 2013	**141**	**80**	**(362)**	**214**	**(394)**	**263**	**(36)**	**(94)**

24. Deferred taxation (continued)

Deferred tax assets and liabilities are netted off when the taxes relate to the same tax authority and where offsetting is legally enforceable. The following amounts, determined after appropriate offsetting, are shown separately on the consolidated statement of financial position:

	2013 HK$ million	2012 HK$ million
Deferred tax assets	697	549
Deferred tax liabilities	791	775

At 30 June 2013, the Group had unused tax losses of approximately **HK$1,720 million** (2012: HK$1,780 million) available for offset against future taxable profits. A deferred tax asset has been recognised in respect of approximately **HK$792 million** (2012: HK$349 million) of such losses. No deferred tax asset has been recognised in respect of the remaining losses of approximately **HK$928 million** (2012: HK$1,431 million). Included in unrecognised tax losses are losses of approximately **HK$45 million** (2012: HK$676 million) that will expire in the next one to twenty years. Other losses may be carried forward indefinitely.

Deferred income tax liabilities of **HK$9 million** (2012: HK$10 million) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Such amounts are permanently reinvested.

25. Notes to consolidated statement of cash flows

Reconciliation of (loss)/profit before taxation to cash (used in)/ generated from operations:

	2013 HK$ million	2012 HK$ million
(Loss)/profit before taxation	(4,149)	1,162
Adjustments for:		
Interest income	(51)	(28)
Finance costs	30	37
Depreciation	866	684
Impairment of property, plant and equipment	346	64
Impairment of goodwill	1,996	–
Loss on disposal of property, plant and equipment	24	25
Additional/(write-back of) provision for store closures and leases	426	(696)
Increase in fair value of investment properties	(2)	–
Employee share option benefits	7	65
Amortisation of customer relationships	64	59
	(443)	1,372
Changes in working capital:		
Decrease in inventories	384	625
Decrease in debtors, deposits and prepayments	131	353
Decrease in creditors and accrued charges	(645)	(1,136)
Effect of foreign exchange rate changes	156	(631)
Cash (used in)/generated from operations	(417)	583

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

	2013 HK$ million	2012 HK$ million
Net book value	29	33
Loss on disposal of property, plant and equipment	(24)	(25)
Proceeds from disposal of property, plant and equipment	5	8

26. Operating lease commitments

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

	2013 HK$ million	2012 HK$ million
Land and buildings		
– within one year	**2,396**	2,504
– in the second to fifth year inclusive	**7,005**	7,432
– after the fifth year	**3,604**	4,568
	13,005	14,504
Other equipment		
– within one year	**21**	27
– in the second to fifth year inclusive	**15**	13
	36	40
	13,041	14,544

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

The total future minimum lease receipts under non-cancellable subleases in respect of land and buildings at 30 June 2013 are **HK$195 million** (2012: HK$188 million).

27. Capital commitments

	2013 HK$ million	2012 HK$ million
Property, plant and equipment		
- Contracted but not provided for	**121**	150
- Authorised but not contracted for	**749**	1,289
	870	1,439

28. Derivative financial instruments

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

At 30 June 2013, the fair values of the forward foreign exchange contracts included in other receivables and other payables are as below:

	2013		2012	
	Assets HK$ million	Liabilities HK$ million	Assets HK$ million	Liabilities HK$ million
Forward foreign exchange contracts				
Cash flow hedges	**157**	**48**	127	1

These amounts are based on market values of equivalent instruments at the date of the statement of financial position.

At the date of the statement of financial position, the total notional amount of outstanding forward foreign exchange contracts to which the Group has committed is as below:

	2013 HK$ million	2012 HK$ million
Forward foreign exchange contracts	**4,190**	3,741

Gains and losses in equity on forward foreign exchange contracts as of 30 June 2013 will be released to the consolidated income statement at various dates between one month to one year from the date of the statement of financial position, to match the recognition of the hedged items in the consolidated income statement.

The ineffective portion recognised in the consolidated income statement that arises from cash flow hedges amounts to a gain of **HK$1 million** (2012: gain of HK$87 million).

29. Related party transactions

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

30. Notes to the statement of financial position of the Company

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

(b) Movements of reserves are as follows:

	Share premium HK$ million	Contributed surplus HK$ million	Employee share-based payment reserve HK$ million	Retained profits HK$ million	Total HK$ million
At 1 July 2012	**3,167**	**474**	**732**	**2,593**	**6,966**
Loss attributable to shareholders	**–**	**–**	**–**	**(60)**	**(60)**
Issue of rights shares	**4,972**	**–**	**–**	**–**	**4,972**
Issue of shares	**11**	**–**	**–**	**–**	**11**
Employee share option benefits	**–**	**–**	**7**	**–**	**7**
2011/12 final dividend paid (Note 10)	**10**	**–**	**–**	**(291)**	**(281)**
At 30 June 2013	**8,160**	**474**	**739**	**2,242**	**11,615**
Representing:					
Proposed final dividend					**–**
Balance after proposed final dividend					**11,615**
At 30 June 2013					**11,615**
At 1 July 2011	3,157	474	667	2,368	6,666
Profit attributable to shareholders	–	–	–	561	561
2011/12 interim dividend paid (Note 10)	10	–	–	(336)	(326)
Employee share option benefits	–	–	65	–	65
At 30 June 2012	3,167	474	732	2,593	6,966
Representing:					
Proposed final dividend					194
Balance after proposed final dividend					6,772
At 30 June 2012					6,966

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

Contributed surplus is available for distribution to shareholders under the laws of Bermuda. Distributable reserves of the Company at 30 June 2013 amounted to **HK$3,455 million** (2012: HK$3,799 million).

(c) All of the Company's financial liabilities as at 30 June 2013 and 2012 have a maturity less than 1 year.

(d) The Company did not have any operating lease commitment at 30 June 2013 (2012: nil).

(e) The Company did not have any significant capital commitment at 30 June 2013 (2012: nil).

(f) The Company provided a guarantee of **HK$520 million** (2012: HK$1,560 million) in respect of bank loans to a subsidiary at 30 June 2013. The guarantee is callable upon the subsidiary's defaults in repayment of the bank loans.

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

(h) The Company has provided a corporate guarantee of **HK$1,700 million** (2012: HK$1,700 million) in favour of a bank to support the banking facilities granted to its subsidiaries.

31. Principal subsidiaries

The following are the principal subsidiaries as at 30 June 2013 which, in the opinion of the Directors, principally affect the results and net operating assets of the Group. To give details of other subsidiaries would in the opinion of the Directors result in particulars of excessive length. None of the subsidiaries had issued any debt securities at the end of the year.

Name of subsidiary	Place of incorporation/ operation	Attributable equity interest to the Group (Note a)	Issued and fully paid share capital/ registered capital (Note b)	Principal activities
Esprit Belgie Retail N.V.	Belgium	100%	EUR1,200,000	Retail distribution of apparel and accessories
Esprit Belgie Wholesale N.V.	Belgium	100%	EUR100,000	Wholesale distribution of apparel and accessories
Esprit Capital Limited	British Virgin Islands/ Hong Kong	100%	USD1	Investment
Esprit Card Services GmbH	Germany	100%	EUR25,000	Issuance, accounting of and service in connection with GiftCard, as provided for Esprit group and distribution partners in Europe
Esprit China Distribution Limited	British Virgin Islands/ Hong Kong	100%	USD100	Investment holding
Esprit Corporate Services Limited	British Virgin Islands/ Hong Kong	100%	USD100	Financial services
Esprit de Corp Danmark A/S	Denmark	100%	DKK12,000,000	Wholesale and retail distribution of apparel and accessories
Esprit de Corp (Far East) Limited	Hong Kong	100%	HKD1,200,000	Sourcing of apparel and accessories
Esprit de Corp. France SAS	France	100%	EUR63,373,350	Wholesale and retail distribution of apparel and accessories
Esprit de Corp (Malaysia) Sdn. Bhd.	Malaysia	100%	MYR5,000,000	Retail distribution of apparel and accessories
Esprit de Corp. (Spain) S.L.	Spain	100%	EUR10,000	Wholesale and retail distribution of apparel and accessories
Esprit Design & Product Development GmbH	Germany	100%	EUR100,000	Provision of services to the worldwide Esprit group in relation to the development of designs, styles and prototypes for the sales line of Esprit products
Esprit Europe B.V.	The Netherlands	100%	EUR1,500,000	Investment holding, wholesale and retail distribution of apparel and accessories, and licensing of trademarks
Esprit Europe GmbH	Germany	100%	EUR5,112,919	Management and control function; render of services to Esprit group

31. Principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operation	Attributable equity interest to the Group (Note a)	Issued and fully paid share capital/ registered capital (Note b)	Principal activities
Esprit Europe Services GmbH	Germany	100%	EUR2,700,000	Sourcing, purchase and sale of merchandise, distribution of merchandise and other logistic functions, including customs dealing and quality control
Esprit GB Limited	United Kingdom	100%	GBP150,001	Wholesale and retail distribution of apparel and accessories
Esprit Global Image GmbH	Germany	100%	EUR25,000	Design and image directions; conceptualisation and development of global uniform image; development and conceptualisation of global image direction within product development
Esprit Global Limited	British Virgin Islands/ Hong Kong	100%	USD500	Investment holding
Esprit Handelsgesellschaft mbH	Austria	100%	EUR100,000	Wholesale and retail distribution of apparel and accessories
Esprit (Hong Kong) Limited	Hong Kong	100%	HKD1	Management and control function; render of services to Esprit group
Esprit International (limited partnership)	United States	100%	N/A	Holding and licensing of trademarks
Esprit International (GP) Inc.	United States	100%	USD1,000	General partner of Esprit International (limited partnership)
Esprit IP Limited	British Virgin Islands/ Hong Kong	100%	USD1	Holding and licensing of trademarks
Esprit Ireland Distribution Ltd.	Republic of Ireland	100%	EUR1	Wholesale and retail distribution of apparel and accessories
Esprit Italy Distribution S.R.L.	Italy	100%	EUR12,750	Wholesale distribution of apparel and accessories
Esprit Italy Retail S.R.L.	Italy	100%	EUR10,000	Retail distribution of apparel and accessories
Esprit Luxembourg S.à r.l.	Luxembourg	100%	EUR250,000	Retail distribution of apparel and accessories
Esprit Macao Commercial Offshore Limited	Macau	100%	MOP3,000,000	Wholesale distribution of apparel and accessories
Esprit (Norway) A/S	Norway	100%	NOK16,000,000	Wholesale and retail distribution of apparel and accessories
Esprit Property Limited	Hong Kong	100%	HKD2	Investment holding
Esprit Regional Services Limited	British Virgin Islands/ Hong Kong	100%	USD1	Provision of services

31. Principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operation	Attributable equity interest to the Group (Note a)	Issued and fully paid share capital/ registered capital (Note b)	Principal activities
Esprit Retail B.V. & Co. KG (limited partnership)	Germany	100%	EUR5,000,000	Retail distribution of apparel and accessories, operation of Esprit Café
Esprit Retail (Hong Kong) Limited	Hong Kong	100%	HKD10,000	Retail distribution of apparel and accessories
Esprit (Retail) Proprietary Limited	Australia	100%	AUD200,000	Wholesale and retail distribution of apparel and accessories
Esprit Retail Pte Ltd	Singapore	100%	SGD3,000,000	Retail distribution of apparel and accessories
Esprit Retail (Taiwan) Limited	Hong Kong/Taiwan	100%	HKD9,000	Retail distribution of apparel and accessories
Esprit Sweden AB	Sweden	100%	SEK500,000	Wholesale and retail distribution of apparel and accessories
Esprit Swiss Treasury Limited	British Virgin Islands/ Hong Kong	100%	USD1	Financial services
Esprit Switzerland Distribution AG	Switzerland	100%	CHF100,000	Wholesale distribution of apparel and accessories
Esprit Switzerland Retail AG	Switzerland	100%	CHF500,000	Retail distribution of apparel and accessories
Esprit Wholesale GmbH	Germany	100%	EUR5,000,000	Wholesale distribution of apparel and accessories
EFE (Investments-II) S.à r.l.	Luxembourg	100%	EUR16,101	Management of European group subsidiaries and investment holding
ESP Clothing Finland OY	Finland	100%	EUR2,500	Agency services
Garment, Acessories and Cosmetics Esprit Retail (Macau) Limited	Macau	100%	MOP100,000	Retail distribution of apparel and accessories
Glory Raise Limited	British Virgin Islands	100%	USD1	Investment holding
Million Success Resources Limited	Hong Kong	100%	HKD2	Investment holding
Sijun Fashion (Shenzhen) Co., Ltd.	The People's Republic of China (Note c)	100%	USD1,600,000	Sample development
Solution Services Limited	British Virgin Islands	100%	USD1	Property investment
思環貿易(上海)有限公司	The People's Republic of China (Note c)	100%	USD28,000,000	Wholesale distribution of apparel and accessories
普思埃商業(上海)有限公司	The People's Republic of China (Note c)	100%	USD7,900,000	Retail distribution of apparel and accessories
創捷商業(上海)有限公司	The People's Republic of China (Note c)	100%	USD1,800,000	Retail distribution of apparel and accessories

31. Principal subsidiaries (continued)

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

Notes:

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

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

(c) Wholly foreign owned enterprise.

07

TEN-YEAR FINANCIAL SUMMARY

Consolidated statement of financial position items

	As at 30 June 2013 HK$ million	As at 30 June 2012 HK$ million	As at 30 June 2011 HK$ million	As at 30 June 2010 HK$ million
Intangible assets	**5,763**	7,613	7,672	7,345
Property, plant and equipment	**4,363**	4,489	4,415	3,976
Investment properties	**15**	13	13	12
Other investments	**7**	7	8	7
Investments in associates	**-**	-	-	-
Debtors, deposits and prepayments	**384**	402	502	440
Deferred tax assets	**697**	549	808	532
Net current assets	**6,158**	4,348	5,225	6,662
	17,387	17,421	18,643	18,974
Equity				
Share capital	**194**	129	129	129
Reserves	**16,402**	15,477	16,104	15,943
Total equity	**16,596**	15,606	16,233	16,072
Non-current liabilities				
Bank loans	**-**	1,040	1,560	2,080
Deferred tax liabilities	**791**	775	850	822
	791	1,815	2,410	2,902
	17,387	17,421	18,643	18,974

Consolidated income statement items

	Year ended 30 June 2013 HK$ million	Year ended 30 June 2012 HK$ million	Year ended 30 June 2011 HK$ million	Year ended 30 June 2010 HK$ million
Turnover	**25,902**	30,165	33,767	33,734
Operating (loss)/profit ((LBIT)/EBIT)	**(4,170)**	1,171	692	3,786
Interest income	**51**	28	45	33
Finance costs	**(30)**	(37)	(27)	(12)
Share of results of associates	**-**	-	-	81
Gain on measuring equity interest in the associated companies held before the business combination	**-**	-	-	1,586
(Loss)/profit before taxation	**(4,149)**	1,162	710	5,474
Taxation	**(239)**	(289)	(631)	(1,248)
(Loss)/profit attributable to shareholders of the Company	**(4,388)**	873	79	4,226

	As at 30 June 2009 HK$ million	As at 30 June 2008 HK$ million	As at 30 June 2007 HK$ million	As at 30 June 2006 HK$ million	As at 30 June 2005 HK$ million	As at 30 June 2004 HK$ million
	2,061	2,121	2,057	2,027	2,009	2,021
	4,398	3,570	2,705	2,614	2,242	1,495
	-	-	-	-	-	-
	7	7	7	8	8	8
	522	583	406	269	182	155
	559	569	-	-	-	-
	408	510	396	315	205	104
	6,745	8,972	6,888	4,232	2,723	1,964
	14,700	16,332	12,459	9,465	7,369	5,747
	125	124	123	122	120	119
	14,284	15,820	11,958	8,985	6,919	5,296
	14,409	15,944	12,081	9,107	7,039	5,415
	-	-	-	-	-	-
	291	388	378	358	330	332
	291	388	378	358	330	332
	14,700	16,332	12,459	9,465	7,369	5,747

	Year ended 30 June 2009 HK$ million	Year ended 30 June 2008 HK$ million	Year ended 30 June 2007 HK$ million	Year ended 30 June 2006 HK$ million	Year ended 30 June 2005 HK$ million	Year ended 30 June 2004 HK$ million
	34,485	37,227	29,640	23,349	20,632	16,357
	5,729	7,721	6,259	4,765	4,075	2,837
	87	190	149	37	22	40
	-	-	-	(1)	(2)	(22)
	161	145	130	84	73	63
	-	-	-	-	-	-
	5,977	8,056	6,538	4,885	4,168	2,918
	(1,232)	(1,606)	(1,358)	(1,148)	(957)	(949)
	4,745	6,450	5,180	3,737	3,211	1,969

Financial Summary

Year ended 30 June	2013	2012	2011	2010
Per share data (HK$)				
(Loss)/earnings per share – basic^^	**(2.50)**	0.60	0.06	3.35
Dividend per share				
– Regular dividend	**-**	0.41	1.00	1.41
– Special dividend	**-**	–	–	–
Total	**-**	0.41	1.00	1.41
Key statistics (HK$ million)				
Total equity	**16,596**	15,606	16,233	16,072
Net current assets^	**6,158**	4,348	5,225	6,662
Cash position (net of overdraft)	**5,171**	3,171	4,794	6,748
Net cash (outflow)/inflow from operating activities	**(757)**	730	1,835	5,412
Term loans	**520**	1,682	2,080	2,600
Retail data				
Number of directly managed stores#	**1,026**	1,069	1,146	1,128
Directly managed selling space#(sqm)	**351,473**	363,295	398,829	388,291
Comparable store sales growth	**-3.3%**	-4.1%	-1.1%	-2.4%
Wholesale data				
Number of controlled-space POS#^^^	**9,249**	10,827	11,706	12,289
Controlled-space sales area#^^^(sqm)	**566,776**	654,093	704,393	722,825
Other data				
Capital expenditure (HK$ million)	**919**	1,420	1,436	1,509
Number of employees##	**10,732**	12,455	14,192	14,172
Key ratios				
Return on shareholders' equity (ROE)###	**-27.3%**	5.5%	0.5%	27.7%
Return on total assets (ROA)*	**-18.7%**	3.4%	0.3%	19.1%
Net debt to equity**	**net cash**	net cash	net cash	net cash
Current ratio^ (times)	**2.1**	1.7	1.6	2.2
Inventory turnover***(days)	**100**	100	76	63
Operating (loss)/profit before depreciation and amortization margin	**-12.5%**	6.4%	4.7%	14.0%
Operating (loss)/profit margin	**-16.1%**	3.9%	2.0%	11.2%
(Loss)/earnings before taxation margin	**-16.0%**	3.9%	2.1%	16.2%
Net (loss)/profit margin	**-16.9%**	2.9%	0.2%	12.5%

Include Esprit, Red Earth stores and salon
After converting the part-time positions into full-time positions based on working hours
Calculated based on net earnings as a percentage of average shareholders' equity
* Calculated based on net earnings as a percentage of average total assets
** Net debt refers to all interest bearing borrowings less cash and cash equivalents
*** Calculated as average inventory (excluding consumables) over cost of goods sold for the year
^ Comparative figures relating to net current assets in respect of financial years prior to FY09/10 were restated as a result of the adoption of IAS 17 (Amendments) and due to the reclassification of deposits and prepayments in FY09/10
^^ Earnings per share – basic for the year ended 30 June 2012 was adjusted in FY12/13 to reflect the effect of a rights issue of the Company
Earnings per share – basic for the year ended 30 June 2009 was restated in FY09/10 to account for approximately 31 million scrip shares issued on 15 January 2010. The basic earnings per share was restated as the scrip shares were treated as if the issue had occurred as at 1 July 2008
^^^ With the roll out of the SAP program for the wholesale business, the Group has tightened the definitions of inactive accounts, resulting in the restatement of wholesale POS and controlled space as at 30 June 2010 in FY10/11

2009	2008	2007	2006	2005	2004
3.72	5.21	4.22	3.09	2.68	1.65
1.52	2.10	1.70	1.23	1.11	0.67
1.33	2.10	1.48	1.08	0.84	0.50
2.85	4.20	3.18	2.31	1.95	1.17
14,409	15,944	12,081	9,107	7,039	5,415
6,745	8,972	6,888	4,232	2,723	1,964
4,840	6,521	5,232	2,469	1,729	1,758
5,272	5,970	5,881	3,428	2,718	1,983
–	–	–	250	–	–
804	700	607	671	634	562
314,966	273,801	239,400	225,693	195,042	172,343
3.5%	6.9%	19.8%	9.0%	8.5%	5.3%
14,067	14,590	13,369	11,459	9,751	7,970
808,605	746,655	629,967	525,090	443,321	337,230
2,011	1,352	615	838	1,236	662
10,766	10,541	9,617	8,400	7,720	6,796
31.3%	46.0%	48.9%	46.3%	51.6%	41.0%
22.8%	33.1%	34.7%	32.7%	34.8%	24.7%
net cash	net cash	net cash	net cash	net cash	net cash
2.4	2.6	2.5	2.2	2.0	1.7
65	54	55	54	47	45
18.9%	22.8%	23.1%	22.7%	21.9%	19.4%
16.6%	20.7%	21.1%	20.4%	19.8%	17.3%
17.3%	21.6%	22.1%	20.9%	20.2%	17.8%
13.8%	17.3%	17.5%	16.0%	15.6%	12.0%

08
GLOSSARY OF TERMS

08 Glossary of terms

Retail

Term	Definition
APT	Average price per transaction
Comparable store (comp-store)	A directly managed retail store in existence on 1 July of the previous financial year and is still in operation at the reporting period end date and a. its net sales area has been changed by 10% or less within that period; or b. its cumulative renovated area within the same fiscal year is 20% or less (regardless of any net sales area change)
Comp-store sales growth	Local currency year-on-year change in sales generated by comparable stores
Concession stores	Retail stores situated in big department stores. Offer selective range of product divisions
Conversion rate	Measures the portion of traffic which is translated into actual purchase
Directly managed retail stores	Stores, concessions and outlets fully managed by Esprit
e-shop	On-line store
Outlet stores	Situated in the vicinity of major markets. Offer product collection exclusively made for outlets and prior season products at a more competitive price
Retail sales	Direct sale of merchandise to end consumers via directly managed retail stores or e-shop
Traffic	Footfall recorded in a store during a period of time

Wholesale

Term	Definition
Controlled wholesale space	POS which Esprit wholesale management team has control over the look and feel such as Esprit brand name logo, merchandising display, etc. Includes partnership stores, shop-in-stores and identity corners with wholesale customers
Country distributors	Exclusive distributors for Esprit products in certain countries
Franchise stores	Stand-alone stores or concession stores located in department stores managed by wholesale customers which closely resemble our own directly managed retail stores. Esprit provides initial setup support and a wide range of on-going support services to ensure consistency with directly managed retail stores
Identity corners	Controlled wholesale space mainly in multi-label retailers offering a limited range of Esprit products. Esprit has limited involvement in store appearance
Partnership stores	Same as Franchise stores
Shop-in-stores	Controlled wholesale space in department stores managed by wholesale customers. Esprit provides initial setup support and a wide range of on-going support services to ensure consistency with directly managed retail stores
Wholesale sales	Sale of merchandise to third party wholesale customers

Others

Term	Definition
ADR	American Depositary Receipt
Capex	Capital expenditure
DPS	Dividend per share
EPS	Earnings per share
EBIT/LBIT	Earnings before interest and tax/loss before interest and tax
Esprit Club (e-club)	Esprit customer loyalty programme where members can enjoy benefits such as collect points or apply discounts, receive updates on latest news about Esprit, enjoy exclusive offers and more. Benefits vary across different regions
Inventory turnover days	Calculated by dividing average inventory excluding consumables by average daily cost of goods sold for the reporting period
NOOS	Never-Out-Of-Stock
Opex	Operating expenditure
POS	Point-of-sales
Segment EBIT margin	Segment earnings before interest income, finance costs and taxation divided by the segment turnover
Sqm	Square metre
Yoy	Year-on-year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