STOCK CODE 00330

ANNUAL REPORT

ESPRIT HOLDINGS LIMITED
YEAR ENDED 30 JUNE 2015

ESPRIT

ANNUAL REPORT FY 14/15

ESPRIT HOLDINGS LIMITED

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
· Thomas TANG Wing Yung
Group CFO

Non-executive Director
· Jürgen Alfred Rudolf FRIEDRICH

Independent Non-executive Directors
· José María CASTELLANO RIOS
(appointed with effect from
4 December 2014)
· Alexander Reid HAMILTON
· Carmelo LEE Ka Sze
· Norbert Adolf PLATT

Company Secretary
· Florence NG Wai Yin

Principal bankers
· The Hongkong and Shanghai Banking
Corporation Limited
· Deutsche Bank AG
· The Bank of East Asia, Limited
· BNP Paribas
· Hang Seng Bank Limited
· Industrial and Commercial Bank of China
· ANZ Bank
· China Merchants Bank
· Mizuho 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 Receipt (ADR) program.

Stock code
· SEHK : 00330
· ADR : ESPGY

Principal share registrar
MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

Hong Kong branch share registrar
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Hong Kong

Registered office
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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 make consumers "feel good to look good". The Company's "esprit de corps" reflects a positive and caring attitude towards life that embraces community, family and friends – in that casual, laid-back California style. The Esprit style.

Esprit's collections are available in around 40 countries worldwide, in 890 directly managed retail stores and through over 7,500 wholesale points of sales including franchise stores 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 Hong Kong Stock Exchange since 1993, Esprit has headquarters in Germany and Hong Kong.

Content

01
TO OUR SHAREHOLDERS

Raymond OR Ching Fai

"The intense efforts of the past year have laid the foundation of our future business model and have resulted in positive progress.... our commitment to move forward with our strategic plan remains intact."

01.1 Letter from Chairman

Dear Shareholders,

Over the past twelve months, the Group maintained its clear focus to execute the most complex and critical phase of our strategic plan to restore the long term competitiveness of Esprit. We implemented a Vertical Model to reduce product development lead-time and simplify our supply chain so that it is leaner and more cost effective. The ultimate goal of all of the initiatives behind our Vertical Model is to enable the Group to consistently deliver outstanding value for money products to our customers. Additionally, we started to introduce the necessary changes to develop an ambitious Omnichannel Model for our distribution, which aims to maximize sales performance across all our channels (offline and online).

While more work is still needed in both the Vertical and Omnichannel areas, the intense efforts of the past year have laid the foundation of our future business model and have resulted in positive progress, giving us confidence that we are on the right track to building a sound platform for growth. Our commitment to move forward with our strategic plan remains intact as we firmly believe that this plan is vital to creating long term shareholder value.

During the financial year (FY14/15), the overall challenging market conditions adversely affected the Group's performance. In Europe, our largest region, the unusually warm winter put pressure on the sales of our Autumn/Winter collections and resulted in a highly promotional and discount driven market environment during the entire season. In Asia Pacific, deceleration of growth in China's economy broadly impacted consumer spending in the region. The significant depreciation of the Euro against our reporting currency, the Hong Kong dollar, also placed considerable pressure on the Group's financial results.

Against the backdrop of this difficult operating environment, the Group's turnover decreased to HK$19,421 million, representing a year-on-year decline of -11.5% in local currency (-19.8% in Hong Kong dollar terms) and resulting in an operating loss of HK$3,683 million. This included non-recurring provisions and impairments, majority of which are non-cash, totaling HK$2,965 million (comprised of an impairment of China goodwill of HK$2,512 million and a provision and impairment for underperforming stores of HK$453 million as highlighted in the profit warning announcement in May 2015). As the Group recorded a loss for the full financial year, the Board has not recommended the payment of a final dividend.

In parallel to the challenging business performance, the Board has been closely monitoring the implementation of the strategic plan and we have seen first-hand good progress achieved in such a huge undertaking. While the results of FY14/15 were certainly not what we all hoped for, we are encouraged by the improved trend of sales performance since the arrival of the new Spring/Summer 2015 collections, the first ones produced under the Vertical Model. As these new collections only arrived in our stores towards the later part of the financial year, the Group's FY14/15 results do not reflect as much positive impact from the collections as we expect to see in the coming financial year and beyond.

Meanwhile, the Group's balance sheet remains healthy with a net cash position of HK$5,017 million and zero debt. Now that Esprit is on a firmer footing, and in anticipation of improving product performance, we are ready to deploy some of this cash reserve to fund the final phase of our turnaround strategy, which will focus on driving sustainable top line growth. In gearing up for this new phase, the Board has approved a plan that is expected to complement our improved products by accelerating our marketing efforts and aggressively pushing forward our omnichannel strategy. We are confident that our continued focus and determined execution of the strategic priorities will gradually be reflected in the Group's financial results.

On a different note, this year, we were fortunate to be able to expand the Board's membership to bring further skill, insight and value to Esprit. I am delighted to inform you that the Board appointed Dr José María Castellano Ríos as an Independent Non-executive Director in December 2014. Dr Castellano is a veteran of the international fashion and apparel industry, with over 30 years' experience. The Board believes that his wealth of industry knowledge and expertise will bring invaluable insight to the Group. Furthermore, the Board has taken a step forward by establishing a Risk Management Committee, effective on 1 July 2015. While the full Board retains overall responsibility for risk oversight, it is hoped that the formation of this committee will enhance the Group's effectiveness and efficiency in identifying and managing potential critical risks, thereby mitigating our overall risk exposure. I am also pleased to report that this year we expanded our reporting on corporate social responsibility by publishing our first ever Sustainability Report. As a responsible corporate citizen, Esprit has always been focused on social, environmental and ethical matters as a core part of our DNA. We believe that this approach will greatly contribute to the long-term success of our business.

In closing, on behalf of the Board, I would like to thank our shareholders for their continued support and patience as we progress through our turnaround journey. Special thanks go also to all of our employees for their hard work and commitment during this difficult time of significant change for Esprit. The Growth phase that we are now embarking upon is not without challenge, but there is much hope and excitement across all levels of our organization as we leverage the strong foundation that we have laid over the last two years. Every successful journey takes time, and we believe that we are nearing our final destination – which is to restore the long term competitiveness of our Group.

Dr Raymond OR Ching Fai//Independent Non-executive Chairman
23 September 2015

Jose Manuel MARTINEZ GUTIERREZ

"We have gone through the most demanding phase of our strategic plan.....we are also encouraged by the initial sales performance of the first products developed under the Vertical Model."

01.2 Letter from Group CEO

Dear Shareholders,

In my first letter to you, dated 10th September 2013, I presented the strategic plan for the turnaround of Esprit as a project articulated along three distinct phases: Stabilization, Transformation and Growth. Following the completion of the "Stabilization" phase in June 2014, we have devoted the past financial year to the most challenging part of our strategic plan: the "Transformation" phase.

During these months of internal changes within Esprit, we have seen two parallel but contrasting developments: negative financial performance for the period under review, yet positive progress made in relation to our strategic plan.

On the one hand, **financial performance has proven extremely challenging**. The financial year ended 30 June 2015 ("FY14/15") was impacted by a decline in turnover of -11.5% in local currency, driven by a combination of both internal and external factors. Gross profit margin and recurring operating expenses ("Operational OPEX") remained in line with previous year figures but the lower top line led to an operational loss, which was further aggravated by relevant non-recurring impairments and provisions.

We thus recorded a negative result below our expectations. Having said that, I would highlight that our cautious cash management over the last two years, including special efforts to reduce Operational OPEX and working capital in FY13/14, has helped Esprit to better overcome the difficulties of FY14/15, which we had anticipated due to the complexity and operational risk of our Transformation phase. As a result, the Group remains debt free with a net cash position of HK$5.0 billion as at 30 June 2015.

On the other hand, from a strategic perspective, FY14/15 has been a year of **decisive progress in the implementation of the fundamentals that are crucial for the immediate future of Esprit**:

- **Product enhancement by introducing our new "Vertical Model":** In July 2014, we activated a more vertically integrated model within Esprit. This means that we started to implement faster and more cost efficient product development and supply chain processes, in order to significantly enhance the design and value for money of our products. We are certain that such product improvement is imperative in order to make Esprit successful again.

  Introducing a whole new way of working for the entire organization and for our business partners (e.g. suppliers and wholesale partners) was the biggest and riskiest step in our turnaround plan. In this respect, I am truly grateful and impressed by the great teamwork that has permitted us to successfully roll out the new model with minimal disruptions to our operations.

  We are also very encouraged by the initial sales performance of the first products developed under the Vertical Model ("Vertical Products").

- **Improvement of Sales Channels effectiveness by developing our "Omnichannel Model":** We are complementing the improvement of our products with an ambitious approach to sales that aims to optimize the performance of all our channels: offline and online, retail and wholesale. This approach is based on two major principles: focusing on our most loyal customers ("Esprit Friends") and fully aligning and integrating the commercial activity of all channels in order to maximize sales potential and synergies in every market.

  This Omnichannel Model leverages key competitive advantages of Esprit (i.e. loyal customers, CRM, e-commerce and multi-channel operations) and we are also starting to see positive results from this front.

All in all, we have gone through the most demanding phase of our strategic plan. The Transformation is certainly not completed, as there are still pending aspects and room for improvement in many areas of the operation. However, the foundations of our Vertical and Omnichannel Models are engrained in the organization and this leads us to much confidence in our product and sales capabilities. With this confidence, we enter the "Growth" phase of our plan.

Growth will happen progressively but we are already triggering the most important initiatives that shall drive top line growth in the coming years. Sales growth will mostly depend on our ability to excel in product and channels performance; therefore, the main focus still remains on finalizing the Vertical and Omnichannel projects. Additionally, we will push with two main initiatives: the deployment of broader Brand Marketing campaigns and the implementation of an Expansion plan to orderly grow our presence in current and new strategic markets. We know that the impact of marketing campaigns and new openings is never immediate, but they are key to extending our growth potential over the coming years.

Consequently, we expect in the short term (12-18 months) a phase of sales productivity gains accompanied by increased "investments" (OPEX and CAPEX) in our strategic initiatives, mostly related to Omnichannel and Brand Marketing. Such "investments" may put pressure on our short term profitability. This will be followed by a second phase of more rapid growth, fueled by the combination of continued productivity gains and expansion of controlled space, together with continuous profitability improvements driven by an aggressive leverage of our cost base. Our outlook in the medium term is therefore to have Esprit running on winning product and sales models (Vertical & Omnichannel), and on a path of fast growth of both its top and bottom lines.

After the Stabilization and Transformation phases of the last two years, everyone in Esprit is looking forward to embarking on this phase of our turnaround plan.

The main aspects highlighted above (i.e. Financial Performance, Vertical Model, Omnichannel Model and Growth Phase) are the key elements of our recent past and future plans, and deserve a more detailed explanation.

Financial Performance in FY14/15

FY14/15 was a year of challenges. As mentioned, the Group's turnover recorded a year-on-year decline of -11.5% in local currency. Due to the significant depreciation of the Euro against our reporting currency, our turnover reached HK$19,421 million, a -19.8% decline in Hong Kong dollar terms.

I do regret that the results have missed the mark. We observed the following internal and external factors that adversely affected turnover: (i) the reduction in total controlled space of -8.8% year-on-year; (ii) the exceptionally warm winter in Europe, which placed pressure on sales and prices during the entire Autumn/Winter 2014 season; (iii) the continuation of negative market development during the second half (e.g. Germany's apparel market recorded negative growth in 9 out of the 12 months of the financial year under review – as published by TextilWirtschaft); and (iv) our weak collections performance until the introduction of the Vertical Products.

Gross profit margin faced pressure from the promotions and markdowns that were necessary to respond to the discount-driven marketplace during the financial year. We were able to offset much of that pressure by continuing the measures to make our supply chain leaner, enabling us to maintain a relatively stable gross profit margin as compared to last year (2015: 49.9%; 2014: 50.2%). Gross profit margin in FY14/15 was not visibly impacted by the sharp decline of the Euro/US Dollar exchange rate because of our anticipated currency hedging at more favorable rates.

Esprit's management team continued to look for further cost cutting measures in FY14/15, although the savings potential was more limited after the Operational OPEX was reduced in the previous financial year by -21.4% on a like for like basis and in light of the complex transition of our internal operations this year. Savings were achieved in most cost lines of our regular operations, reaching a reduction of -1.2% in local currency terms, which represents a -10.3% reduction in Hong Kong dollar terms.

However, we had a large impact on our expenses coming from non-recurring impairments and provisions associated with the contraction of our businesses in the past years ("Exceptional Expenses"). These totaled HK$2,965 million, the majority of which are non-cash, and included HK$2,512 million for the impairment of goodwill related to the China business. This most significant drag to our results was the consequence of the closure of retail and wholesale spaces in China over the last two years. While business in China remains challenging, we consider that the majority of the restructuring is already completed.

The Exceptional Expenses are primarily accounting adjustments with no material impact on the Group's cash flow and operations but they have severely impacted our year-end figures. At Group level, Esprit recorded an EBIT loss of HK$3,683 million in FY14/15 (FY13/14: positive EBIT of HK$361 million).

Product enhancement by introducing our new "Vertical Model"

Much has been presented about the key components of our new Vertical Model. I would hence refer to my last year's letter to shareholders, dated 23rd September 2014, simply to indicate that most of the projects listed at that time have already been finalized or are well on track. More specifically, the following:

- Lean supply chain management (from over 350 to below 230 suppliers)
- Category management teams (all Product Divisions transformed)
- New merchandising model (Buying and Merchandising fully centralized)
- Reduction in product range (30% to 40% reduction of options)
- Seasonal product calendar (from 12 monthly collections to 4 seasons)
- Fast-to-market product development (2-3 months lead time in the Trend Division and the fast-reaction capsules in all other Divisions)
- Stock management optimization (pending additional stock replenishment capacity and capabilities in our central Distribution Center)

While we continue to work on improving our solutions in all the above areas, one "vertical" initiative is still in its development phase, namely the implementation of a Vertical Wholesale Model that enables Esprit to undertake full responsibility of merchandise and stock management on behalf of our wholesale partners, when they so prefer. This is an important step towards a fully vertical model for both retail and wholesale, which still requires internal solutions (e.g. adaptation of Esprit IT systems) and external acceptance by our partners.

The implementation of our Vertical Model is well on schedule. More importantly, we begin to see positive trends in the performance of the Vertical Products. We make such an assessment in terms of retail sales because retail stores are the best indication of product performance with respect to end consumers. In this sense, since the introduction in February 2015 of the Spring/Summer 2015 collections, the first ones developed under the Vertical Model, we are observing progressively positive developments:

- **Retail turnover decline narrowed consistently** – The year-on-year retail turnover decline of the Group in local currency smoothed down over the four quarters (Q1=-15.0%; Q2=-10.3%; Q3=-8.3%; Q4=-6.8%), especially in terms of comparable stores performance (Q1=-11.6%; Q2=-5.9%; Q3=-7.7%; Q4=-3.3%). The impact of the Spring/Summer 2015 collections is more visible in the period since they reached the stores (February to June 2015), where we recorded a turnover decline in comparable stores of -2.4% compared to -10.0% in the previous seven months (July 2014 to January 2015).

- **Sales of comparable retail stores recorded positive year-on-year growth in the last three months** – retail comparable store sales for the three months of June, July and August 2015[1] have increased by +4.1%.

- **Sales performance of our stores in Germany (our largest country) outperformed the market in each of the last three months** – sales of our brick and mortar full price retail stores in Germany have consistently outperformed the comparable market data according to TextilWirtschaft by +6.3% pts, +10.1% pts and +12.7% pts in June, July and August 2015 respectively.

[1] July and August 2015 figures are based on latest unaudited management information

- **Retail sales of Esprit Women divisions are consolidating stable positive year-on-year growth since February 2015** – the general positive development of retail sales in recent months has been mostly driven by the performance of the Women divisions (our core business), which have accumulated positive growth since February 2015 and have recorded +5.3% year-on-year growth for the period of June, July and August 2015. We expect the rest of the Group's divisions to also contribute positively in the near term.

- **Turnover of fast reaction products introduced under the Vertical Model continued to grow and outperform that of the long lead-time products.** The Trend Division, established to develop fast reaction products in Esprit, reported turnover growth of +29.7% in local currency in FY14/15. Other fast reaction capsules are also growing in sales volume and systematically achieving better sell-through ratios than our regular mainline products.

These initial results, achieved during the early stages of the new Vertical Model, give us confidence that we are on the right track to restoring the attractiveness of our products. They also reinforce our confidence about the upside potential of the Esprit brand. As the benefits of the new model are consolidated and optimized over time, we expect to see more visible top line improvement.

Improvement of Sales Channels effectiveness by developing our "Omnichannel Model"

The ultimate goal of our Vertical Model is to secure a continuous flow of competitive products. This must be complemented by an aggressive strategy to optimize the selling of those products. Management at Esprit began to work almost two years ago on such a plan, which soon resulted in the design of our Omnichannel Model, in other words, in a strategy to maximize the joint performance of all our sales channels.

We know that "Omnichannel" is a buzzword in our industry, referring to a vast myriad of things, but during FY14/15 we have been introducing solutions in Esprit (e.g. organization, processes, technology, infrastructures, incentives, etc.) to enable the execution of very specific initiatives to improve our sales. These initiatives are structured along two major goals:

- **Growing and optimizing management of our loyal customer base "Esprit Friends"** – Esprit's business is largely driven by our loyal customers in the "Esprit Friends" program, which is the center of a successful direct to consumer approach (DTC). We have 5 million Esprit Friends who purchased Esprit products over the last 12 months, representing more than 60% of our retail sales. It is therefore vital for us to actively grow our loyal customer base and to perfectly serve these customers. In this respect, the following is a sample of progress made in FY14/15:

  - Strengthening of recruitment, retention and reactivation programs led to +13% growth of active "Esprit Friends" members, effectively turning around the decline in previous years

  - Improvement in both the program, by adding new features and benefits, and our internal capabilities, by investing in the CRM and Big Data platform

  - Accessibility of "Esprit Friends" from mobile devices, with the inclusion into the Esprit App and the WeChat account in China

  - Introduction of personalized features across all touch points (e.g. eshop, website, mobile, social media, newsletters, digital marketing, etc.)

- **Fully integrating the commercial activity of all sales channels (online and offline, retail and wholesale) for maximized impact** – Esprit's business is markedly multichannel, with relevant presence in all possible combinations between retail and wholesale, offline and online. We have sound evidence that, both from a brand and a sales perspective, we get the best results when our customers purchase across these different channels. Therefore, we are working to facilitate this by better coordinating the sales activities and sales operations of our retail stores, our e-commerce and also our wholesale partners. A sample of progress made in FY14/15 is:

  - Creation of dedicated teams to develop the integration of the channels' activities both in Europe and Asia

  - Alignment of one single Commercial Plan (e.g. communication, promotions, product initiatives, etc.) for all the channels

  - Introduction of unique incentive systems to fully integrate our wholesale franchise partners into the "Esprit Friends" program, our Commercial Plan and the business of our eshop esprit.com (more than 70% of all potential partners already signed up)

  - Installation of a system architecture that enables Omnichannel operations (e.g. real time inventory, POS system linked to CRM, connection of offline and online system frontends, etc.)

  - Development of solutions to drive online sales from the stores, e.g. *In-store Communication, In-store Wi-Fi, Scan & Shop*

  - Development of solutions to drive offline traffic and sales from the e-shop, e.g. *Click & Collect, Click & Reserve, Return-At-Store, online store information, online store stock availability check*

  - Development of a mobile first strategy (e.g. new mobile e-shops in 11 European countries and in China, launch of merged Brand+Friends+e-commerce app, adaptation of digital content to mobile, etc.) driving +63% growth in smartphone sales and pushing the share of mobile traffic to 47% of total eshops' traffic by the end of FY14/15

Most of these are not new things in the market but they are valuable for Esprit to build a customer-centric Omnichannel Model that effectively leverages some of our major competitive advantages, namely our large loyal customer base, our best-in-class CRM solution ("Esprit Friends" program ranked top three best loyalty program for consumer satisfaction across all industries in Germany by Deutsches Institut für Services – Qualität in November 2014), our very well established e-commerce platform (recognized as the "Best Fashion Online Shop 2015" in Germany by ServiceValue in May 2015) and our ability to operate multiple channels to optimize reach, distribution and service in every market. Logically, these Omnichannel initiatives are key for our growth plans in coming years.

Growth Phase – Brand Building and Expansion

Growth will obviously depend on our success in the above described product and sales channels models but, as mentioned, we plan to support performance with more intensive Brand Marketing and Expansion efforts. We thus foresee a growth pattern resulting from three parallel dynamics with different timing:

- **Productivity gains in our controlled spaces (sales per square meter)** – As we consolidate the benefits of our Vertical and Omnichannel models, productivity becomes our top priority in the near term. This is key to offset the impact of the ongoing reduction of unprofitable spaces and to quickly recover positive results from our regular operations.

- **New Brand Marketing campaigns to regain relevance** – Now that we are confident of our products, we will raise the ambition of our campaigns. From a direction point of view, we will build on our brand heritage and continue to communicate the values that make Esprit distinctive (e.g. fun and relaxed brand, real people, social values, etc.) but taking a louder and younger approach in order to attract new customers to the brand. The first step is our Autumn/Winter 2015 campaign "#ImPerfect" (read as either "Imperfect" or "I am perfect"). From an intensity point of view, we will now increase marketing spend in our core markets, with other regions to follow, and will reduce expenditure after the initial push.

- **Increasingly pursue opportunities for Expansion** – In the medium term, we will selectively expand our distribution footprint. We see growth potential in European countries, where our brand awareness is high but our penetration is limited, so the teams in each market have developed detailed opening plans for both our retail and wholesale networks. In Asia Pacific, our emphasis is on China as the key market for growth. Despite the current economic and competitive challenges in China, we are putting a plan in place to further develop our business in the country. Finally, even if it is still not an imminent move, we will keep our eyes on some of the most attractive apparel markets in the world, where we feel that our brand and our products have a realistic opportunity to succeed, i.e. North America, Eastern Europe and some of the largest Asian countries.

The combination of these three dynamics pictures a short-term scenario of productivity improvement, accompanied by larger spending in our Omnichannel and Brand Marketing, which as mentioned before may impact short term bottom line; and a medium-term scenario of faster sales growth, accelerated by expansion, with progressively improved profitability, as we can start leveraging our cost and invested capital.

Outlook for FY15/16

As we look ahead into FY15/16, retail selling space (retail net sales area) may decline slightly due to announced closures or downsizing of unprofitable stores. More likely, controlled space in wholesale will decline due to the continuous market pressure on this channel but we expect this to happen to a smaller degree than in the last financial year.

Differently, as explained before, we expect improved sales per square meter, both in retail and wholesale, arising from enhanced products, channel operations and marketing. The momentum of top line improvement driven by our products has continued into July and August of 2015. Such productivity gains should help to largely offset or even to overcome the reduction of selling space compared to FY14/15.

We anticipate a stable or slight increase in gross profit margin in FY15/16. We will be impacted by the continued weakness of the Euro, in spite of our early currency hedging for purchases of finished goods, but we have taken preventive measures and would be able to compensate the negative currency impact with reduced levels of markdowns if improved product performance persists throughout the year.

In terms of OPEX, two notable trends must be explained separately. Most recurring cost lines will continue to be adjusted downwards in line with the declines in our directly managed retail space and wholesale business volumes. However, the potential savings in all areas will be more than offset by the increase in Omnichannel-related and Brand Marketing expenses. We consider these expenses to be necessary "investments" to support future growth.

Similarly, we anticipate an increase in CAPEX in the coming financial year due to the Omnichannel initiatives, the acceleration of retail store refurbishments and the upgrading of our warehouses to improve replenishment capabilities.

This development of increased OPEX and CAPEX is exactly as planned in our strategic plan. After we made cash preservation a priority during the first two years, this is the time to put the proceeds of our rights issues (November 2012) to work, because entering the Growth phase of our turnaround plan implies using our funds to decisively execute the strategies to drive top line growth.

As described in the opening of this letter, if successful in our strategy and execution, Esprit will be soon operating what we consider the winning product and channels models in our industry -Vertical and Omnichannel- allowing us to be competitive over the long term.

In closing, I would like to thank the Board of Directors, the management team and all of Esprit's employees around the world for the great commitment, endurance and energy that you have contributed to make this ambitious plan happen. I must also take this opportunity to express my sincere gratitude to our shareholders for your patience and continued support during a very challenging journey. The operating environment may remain uncertain, yet, for me, one thing is most definite: we are heading in the right direction, with the appropriate strategies, to establish a strong foundation for Esprit's long term growth and profitability.

Jose Manuel MARTINEZ GUTIERREZ//Executive Director and Group CEO
23 September 2015

02
HIGHLIGHTS OF FY14/15

02 Highlights of FY14/15

From a financial point of view, FY14/15 was an exceptionally challenging year

- Decline in turnover (-11.5% in local currency) mostly due to reduction in total controlled space (-8.8%) and the unusually negative market development in Europe
- Gross profit margin and recurring OPEX remained stable
- EBIT Loss (HK$3,683 million) due to lower sales aggravated by HK$2,965 million in non-recurring provisions and impairments related to the contraction of the business over the past two years; these provisions and impairments are mostly non-cash
- Healthy balance sheet with net cash of HK$5.0 billion and debt free, thanks to cautious cash management, with special efforts to reduce OPEX and working capital in previous years

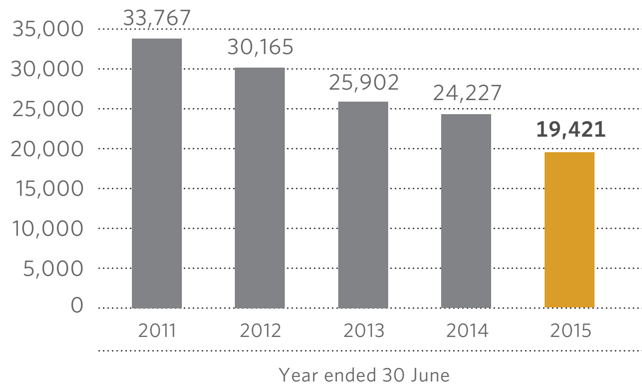
From a strategic point of view, FY14/15 was a year of significant achievement

- Successfully installed the foundation (Vertical Model to enhance product performance and Omnichannel Model to improve channels performance) that is crucial for our turnaround plan
- Observed encouraging sales trend for the first "vertical" collections from February 2015
    - Retail turnover decline consistently narrowed
    - Positive development of retail comparable store sales since the arrival of Vertical Products
    - Sales of Esprit stores in Germany (our largest country) also outperformed the market in each of June, July and August 2015 ("the Last Three Months")
    - Growth driven by Esprit Women divisions, which recorded the largest positive year-on-year retail sales growth for the Last Three Months
    - Turnover of fast reaction products introduced under the Vertical Model continued to grow and outperform that of long lead-time products

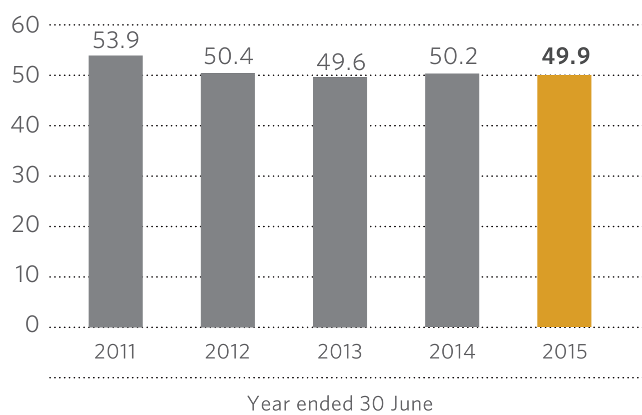
The Company is now entering the "Growth" phase of our strategic plan

- Excel in product and channel performance to drive sales productivity increase (by completing the implementation of Vertical and Omnichannel Models)
- Support with Brand Marketing campaigns to attract new customers and traffic to the brand
- Complement with Expansion plans to grow presence in current and new markets
- Leverage on cost structure to grow profitability in parallel with top line

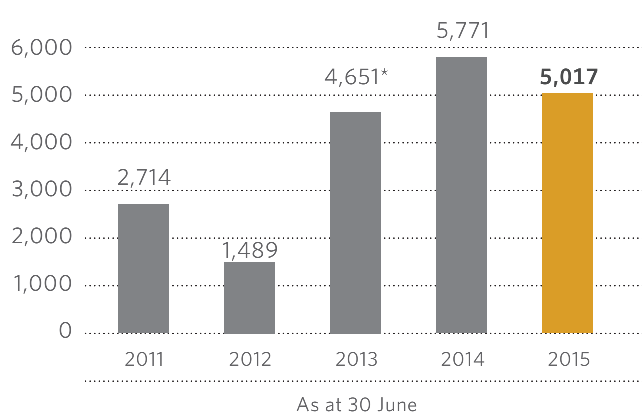
Turnover (HK$ million)



Gross profit margin (%)



Net cash (HK$ million)



* Include the proceeds from rights issue (November 2012) of approximately HK$5 billion

Turnover

Group turnover (HK$ million)
19,421
▼ 19.8% in HKD terms
▼ 11.5% in LCY

Retail turnover (HK$ million)
12,425
▼ 18.4% in HKD terms
▼ 10.1% in LCY

Wholesale turnover (HK$ million)
6,845
▼ 22.5% in HKD terms
▼ 13.9% in LCY

Total controlled space (Sqm) (retail & wholesale combined)
746,370
▼ 8.8%

Retail controlled space (Sqm)
327,345
▼ 0.9%

Wholesale controlled space (Sqm)
419,025
▼ 14.2%

Gross profit (HK$ million)

9,695
▼ 20.3% in HKD terms

Gross profit margin (%)
49.9%
▼ 0.3% pt in HKD terms

LBIT (HK$ million)

3,683
(2014: EBIT of HK$361 million)

(LBIT)/EBIT margin (%)
-19.0%
(2014: 1.5%)

Net loss (HK$ million)

3,696
(2014: net profit of HK$210 million)

Net (loss)/profit margin (%)
-19.0%
(2014: 0.9%)

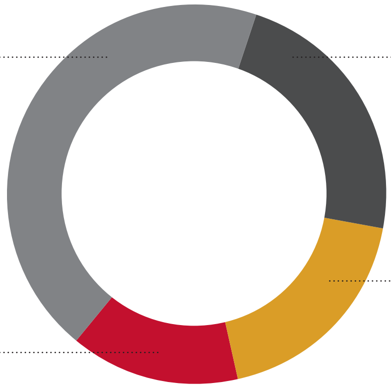
Basic loss per share (HK$)
1.90

Dividend per share (HK$)
0.015

▲/▼ year-on-year change

Turnover by product division

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



WOMEN

women casual #
5,754 // 29.6% // -11.6%
women collection
2,323 // 12.0% // -7.8%
trend
507 // 2.6% // 29.7%

MEN

men casual
2,235 // 11.5% // -14.8%
men collection
538 // 2.8% // -21.6%

edc

edc women
3,359 // 17.3% // -14.2%
edc men
878 // 4.5% // -5.8%
edc others ^
231 // 1.2% // -3.9%

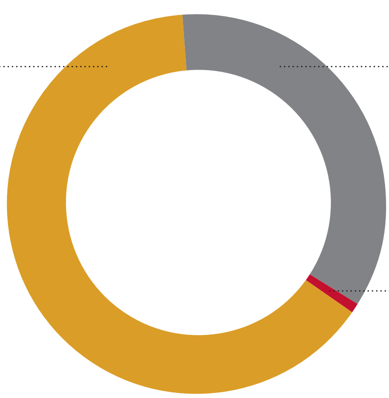
OTHERS

accessories
870 // 4.5% // -9.7%
bodywear
832 // 4.3% // -13.0%
shoes
746 // 3.8% // -16.8%
kids
622 // 3.2% // -14.2%
others *
526 // 2.7% // -8.2%

Turnover of sports has been re-grouped into women casual since FY14/15. Comparative figures have been restated accordingly
* Turnover of de. corp has been re-grouped into others under "OTHERS". Comparative figures have been restated accordingly. Others include mainly licensing income & licensed products like timewear, eyewear, jewelry, bed & bath, houseware, etc.
^ edc others include edc shoes, edc accessories and edc bodywear

Turnover by distribution channel

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



RETAIL #
12,425 // 64.0% // -10.1%

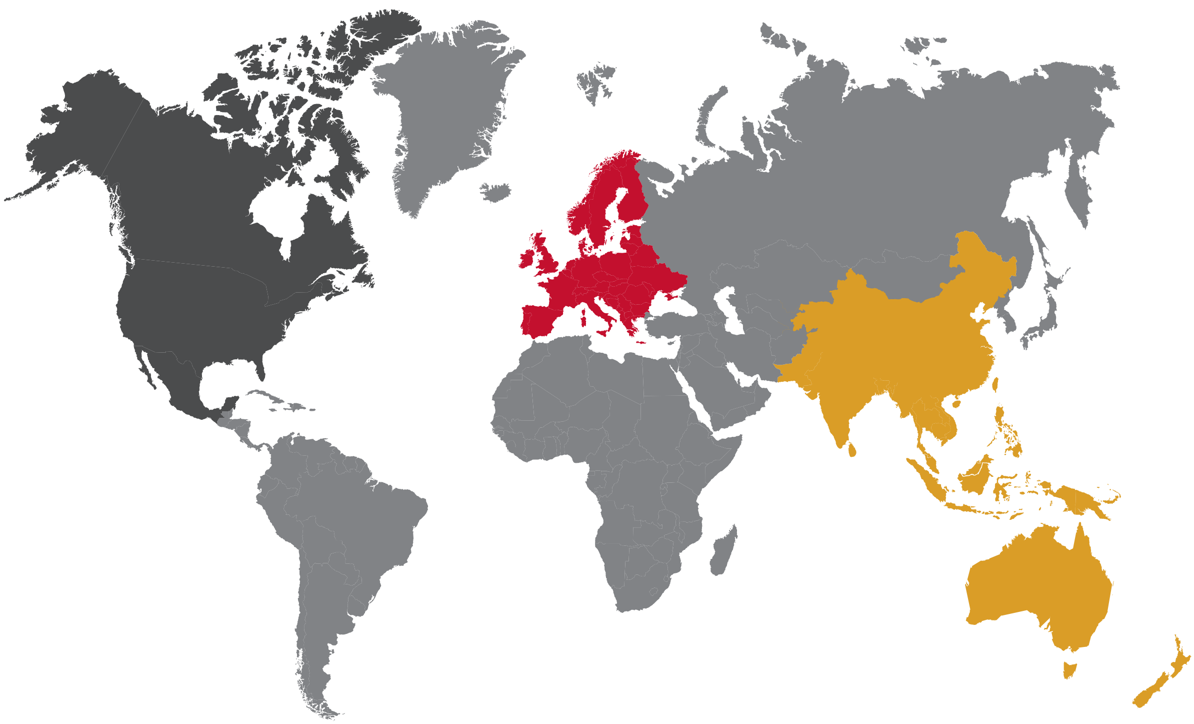
WHOLESALE
6,845 // 35.2% // -13.9%

LICENSING AND OTHERS
151 // 0.8% // -10.0%

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

Turnover by country

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



NORTH AMERICA

United States **
126 // 0.7% // -9.4%

EUROPE

Germany *
8,961 // 46.2% // -11.1%
Rest of Europe
7,118 // 36.6% // -12.4%
- **Benelux ***
  2,410 // 12.4% // -12.4%
- **France**
  1,221 // 6.3% // -13.7%
- **Switzerland**
  1,010 // 5.2% // -6.9%
- **Austria**
  864 // 4.5% // -13.8%
- **Scandinavia**
  692 // 3.6% // -13.2%
- **Spain**
  223 // 1.1% // 10.0%
- **United Kingdom**
  203 // 1.0% // -26.2%
- **Italy**
  137 // 0.7% // 2.4%
- **Ireland**
  6 // 0.0% // -20.0%
- **Portugal**
  5 // 0.0% // -47.7%
- **Others ##**
  347 // 1.8% // -22.7%

ASIA PACIFIC

China @
1,500 // 7.7% // -14.2%
Hong Kong
386 // 2.0% // -3.7%
Australia and New Zealand
375 // 1.9% // -11.5%
Singapore
301 // 1.6% // -9.8%
Malaysia
239 // 1.2% // 1.5%
Taiwan
200 // 1.0% // 2.9%
Macau
132 // 0.7% // 7.3%
Others @@
83 // 0.4% // -33.6%

Country as a whole includes retail, wholesale and licensing operations
Others under Rest of Europe include wholesale sales to other countries mainly Chile, Colombia, Bosnia-Herzegovina, the Middle East, Russia and Romania
@ Includes salon
@@ Others under Asia Pacific include wholesale sales to other countries mainly Thailand, the Philippines and Indonesia
* Includes licensing
** Turnover from the United States represents third party licensing income that mainly comes from Asia Pacific and the Rest of Europe

Breakdown of group turnover

	For the year ended 30 June				
	2015	2014	2013	2012	2011
Operation mix (%)					
Retail	**64**	63	60	59	56
Wholesale	**35**	36	39	40	43
Licensing and others	**1**	1	1	1	1
Geographical mix (%)					
Europe	**83**	84	79	79	79
Asia Pacific	**16**	15	20	18	17
North America and others	**1**	1	1	3	4
Product mix (%)					
women casual #	**29**	30	29	30	35
men casual	**12**	12	12	13	12
edc women	**17**	18	18	18	18
edc men	**5**	4	5	4	4
women collection	**12**	11	11	10	8
men collection	**3**	3	4	3	3
accessories ˆ	**5**	5	5	5	5
kids ˆ	**3**	3	3	4	4
shoes ˆ	**4**	4	4	4	4
bodywear ˆ	**4**	5	5	4	4
trend	**3**	2	1	n.a.	n.a.
others*	**3**	3	3	5	3

Turnover of sports has been re-grouped into women casual since FY14/15. Comparative figures have been restated accordingly
ˆ Include sales from edc product category
* Turnover of de. corp has been re-grouped into others. Comparative figures have been restated accordingly. Others include mainly licensing income & licensed products like timewear, eyewear, jewelry, bed & bath, houseware, etc.
n.a. Not applicable

03
AT A GLANCE

Spring/Summer 2015 Campaign

California dreamin' – stories inspired by friendship

Esprit returned to its birthplace for Spring/Summer 2015 to celebrate the California spirit that has shaped Esprit's DNA from the start over 40 years ago. That spirit was brought to life in a new campaign inspired by the people and values of the Golden State. Seen through the engaging lens of world-renowned fashion photographer Pamela Hanson, the campaign starred a group of very close friends and highly creative individuals. While each of them passionately pursue their personal and professional goals, they also take time away from their working lives to be in the moment – and to be together. It's all about sharing, enjoying, and embracing community, family and friends – in that casual, laid back California style. The Esprit style.

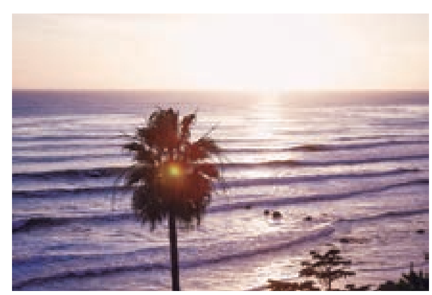
SPRING 2015

Real people – real inspiration

Esprit continued its exciting real life muses approach, tapping a line-up of both women and men who energize themselves – and all of us – by doing what they love, and loving what they do. Their stomping ground: the Venice Beach area of Los Angeles. And more specifically, Abbot Kinney Boulevard, an eclectic and authentic hub of creativity.

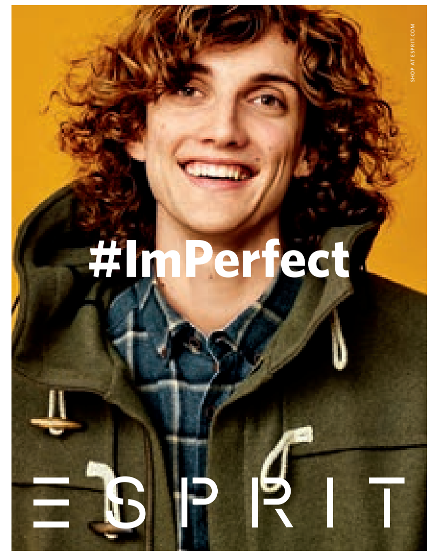
MAGAZINE ADVERTISING

SUMMER 2015



ONLINE MEDIA

Fall 2015 Campaign



#ImPerfect – Celebrating the perfect "You"

Who's perfect? In fact, it is those little imperfections that render an individual memorable, standing out from the crowd. This was the simple message behind Esprit's Fall/Winter 2015 #ImPerfect campaign, and the brand's core philosophy. Let's celebrate and embrace who we are, rather than striving to be like everyone else.

#ImPerfect is a message that aims to empower the individual to love all those little imperfections and different ways of being, qualities which render each of us perfect in our own right, an invitation to experiment with fashion. With its simplicity and double meaning, the campaign allowed viewers to make up their own minds concerning what #ImPerfect means to them.

TV COMMERCIALS

"With the campaign, we are reconnected to the roots of Esprit communication and the early days of the brand, reinstating the empowerment, the passion for a cause and the human spirit that has always been in our DNA", comments Arnd Müller, Senior Vice President – Head of Global Marketing and Member of the Executive Management Team. "We believe the campaign will resonate with today's younger generation in a distinctive and authentic way."

Esprit revealed the theme of the Fall/Winter 2015 campaign, which featured the #ImPerfect hashtag through a lively and diverse cast of unique-looking characters in TV commercials, print, online and out-of-home formats from September through December 2015. Esprit was thus, once again, intensifying its marketing efforts.

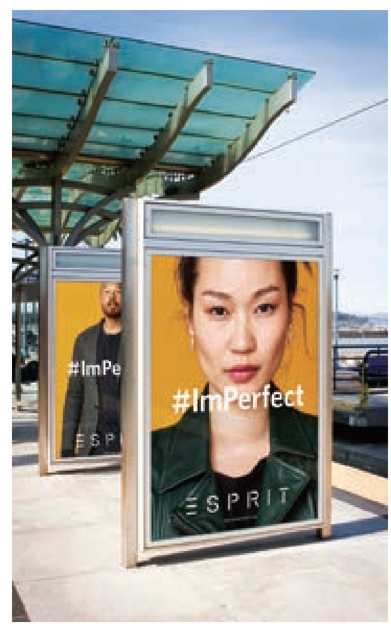
SELFIE TOOL AT ESPRIT.COM

MAGAZINE ADVERTISING

Esprit Stores and Out of Home Media

Store takeover and strong inner-city presence

In line with the bold campaign statement, we set an impactful statement by leveraging our own out-of-home space of 24 stores in key European cities and covering the facades and windows with campaign imagery. The out-of-home activation of the campaign was further complemented by large format advertising on billboards, hoardings and digital screens in key German cities.



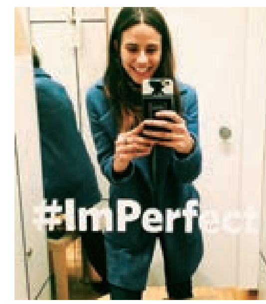
FACADES, BILLBOARDS , POSTERS & HOARDINGS

Social Media

#ImPerfect

Esprit embraces all the little things that make you, you! The answer to perfect style, much like beauty and life itself, lies in the eye of the beholder. So, when it comes to fashion, as long as you choose a look that makes you feel good, you can't get it wrong. True to this message, we created the "#ImPerfect" movement. A selfie tool on esprit.com, implemented to push the movement in various social media channels. Almost 2,000 selfies (by October 2015) have been uploaded and are shown on esprit.com. The User Generated Content shows an authentic movement and further more pushes the viral communication in all relevant social media channels. Esprit's fan base on both Facebook and Instagram has doubled in size, with a growing number of new, high quality followers.

#ImPerfect MOVEMENT AT VOGUE FASHION NIGHT OUT



Instagram

PRODUCT PRESENTATION

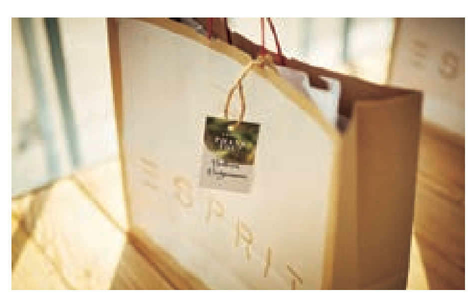
Fashion PR

Esprit international fashion lunch

In March 2015, Esprit hosted an intimate press lunch for key international and national media. The event took place in Munich where all key German media is located (e.g. Condé Nast, Burda publishing houses). Hamburg-based media, as well as international press, were flown in to join the event.

The guest list was handpicked to ensure an intimate and personal atmosphere. Journalists had the opportunity to meet & greet Rafa Pastor, Chief Product Officer, in person and obtain an exclusive introduction to the highlights of the Fall/Winter 2015 collection. The Esprit PR team organized interviews with international and national key media which took place before and after the event.

LUNCH

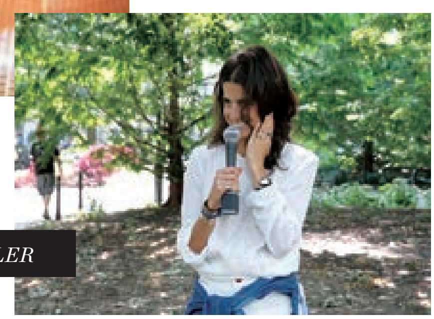


Social influencer collaborations

Esprit continues to deepen the successful relationships with top social influencers including but not limited to bloggers. Social editorials are created every season with focus on platforms such as blogs or instagram accounts that represent Esprit women and meet the brand's spirit using key PR styles. Coverage on social platforms increased brand and product exposure thus enlarging awareness of Esprit as a lifestyle brand. Social influencers shared the content on all of their social media channels. In turn, Esprit featured key content on its own social media platforms.

MAJA WYH

THIS IS JANE WAYNE



MANREPELLER

Esprit and international fashion media

Esprit's international PR and social media network ensures continuous exposure of our collections' key styles in international fashion editorials - both print and online - throughout the seasons. Here are just a few examples of the high quality media coverage that we were able to generate in FY14/15.


ESPRIT

04
MANAGEMENT DISCUSSION AND ANALYSIS

04 Management discussion and analysis

04.1 Revenue analysis

The financial year ended 30 June 2015 ("FY14/15") has proven to be very challenging. Turnover of the Group amounted to HK$19,421 million, representing a year-on-year decline of -11.5% in local currency. Due to the unfavorable currency impact resulting from the year-on-year depreciation of the EUR/HKD average rate of -11.4%, the turnover decline was -19.8% year-on-year in Hong Kong Dollar terms.

This performance was disappointing and below our expectation. As disclosed in the Profit Warning issued in May 2015 and the FY14/15 Third Quarter Update, the financial year was adversely impacted by a combination of both internal and external factors:

- **Reduction in total controlled space (retail and wholesale combined).** The reduction in total controlled space of -8.8% year-on-year was a result of (i) the closure of non-performing locations by wholesale partners; and (ii) our strategic decision to close unprofitable retail stores to improve space profitability and to re-establish a healthier platform for our distribution in the future.

- **Unusually warm weather in Europe ("Unfavorable Weather Conditions in Europe").** The prolonged unusually warm weather conditions in most parts of Europe had a very significant impact on the sales of Autumn/Winter 2014 products. This situation also triggered a highly promotional and discount driven market environment that further impacted prices and sales, which in turn led to a very weak performance for the end of season sale during the month of January 2015.

- **The continuation of negative market development during the second half.** (e.g. Germany's apparel market recorded negative growth in 9 out of the 12 months of the financial year under review – as published by TextilWirtschaft.)

- **Our weak collections performance** until the introduction of the first collections developed under our Vertical Model ("Vertical Products").

- **Significant unfavorable exchange rate movements.** Currency headwinds in the form of the depreciating Euro (-11.4% against the Hong Kong Dollar in FY14/15) had a significant impact on the Group's financial performance during FY14/15, given that this currency represents close to 80% of our total revenue.

On a positive note, we consider that the Vertical Products have improved considerably in terms of design, quality and value-for-money, and we see positive signs of sales development since the introduction of these products. While more fine-tuning is still needed to optimize the considerable potential of the Vertical Model, Esprit is now in a better position to bring stronger collections to our stores and to our wholesale partners. This is the crucial basis for a successful turnaround of our business. As the Vertical Products developed entirely under the Vertical Model only arrived in stores in the latter part of the financial year FY14/15, their contribution to our performance in FY14/15 was limited.

Turnover by product division

The Group markets its products under two brands, namely the Esprit brand and the edc brand. In FY14/15, turnover of Esprit and edc branded products accounted for 77.0% (2014: 76.8%) and 23.0% (2014: 23.2%) of Group turnover respectively. The sales performance of both brands was affected by the reduction in controlled space.

Turnover by product division

	For the year ended 30 June					
	2015		2014		Change in %	
Product divisions	**HK$ million**	**% to Group Turnover**	HK$ million	% to Group Turnover	HK$	Local currency
women	**8,584**	**44.2%**	10,439	43.0%	-17.8%	-8.9%
women casual #	**5,754**	**29.6%**	7,205	29.7%	-20.1%	-11.6%
women collection	**2,323**	**12.0%**	2,799	11.5%	-17.0%	-7.8%
trend	**507**	**2.6%**	435	1.8%	16.5%	29.7%
men	**2,773**	**14.3%**	3,601	14.9%	-23.0%	-16.2%
men casual	**2,235**	**11.5%**	2,852	11.8%	-21.6%	-14.8%
men collection	**538**	**2.8%**	749	3.1%	-28.1%	-21.6%
others	**3,596**	**18.5%**	4,562	18.9%	-21.2%	-12.6%
accessories	**870**	**4.5%**	1,060	4.4%	-17.8%	-9.7%
bodywear	**832**	**4.3%**	1,078	4.5%	-22.8%	-13.0%
shoes	**746**	**3.8%**	1,005	4.1%	-25.8%	-16.8%
kids	**622**	**3.2%**	801	3.3%	-22.3%	-14.2%
others *	**526**	**2.7%**	618	2.6%	-14.9%	-8.2%
Esprit total	**14,953**	**77.0%**	18,602	76.8%	-19.6%	-11.2%
edc women	**3,359**	**17.3%**	4,337	17.9%	-22.6%	-14.2%
edc men	**878**	**4.5%**	1,022	4.2%	-14.1%	-5.8%
edc others ^	**231**	**1.2%**	266	1.1%	-13.3%	-3.9%
edc total	**4,468**	**23.0%**	5,625	23.2%	-20.6%	-12.2%
Group Total	**19,421**	**100.0%**	24,227	100.0%	-19.8%	-11.5%

Turnover of sports has been re-grouped into women casual since FY14/15. Comparative figures have been restated accordingly
* Turnover of de. corp has been re-grouped into others under Esprit brand. Comparative figures have been restated accordingly. Others include mainly licensing income & licensed products like timewear, eyewear, jewelry, bed & bath, houseware, etc.
^ edc others include edc shoes, edc accessories and edc bodywear

Since the introduction of our first Vertical Products in February 2015, we have observed more positive sales developments, which have been mostly driven by the improvement of women divisions under the Esprit brand ("**Women Divisions**"). This is the largest product division of the Group and, due to its size and strategic importance, it has been our initial focus since the beginning of the transformation and activation of the Vertical Model. The year-on-year decline in turnover of the Women Divisions has tapered down over the four quarters (Q1: -15.0%; Q2: -6.4%; Q3: -11.8%; Q4: -1.2%), as compared to -8.9% for the full financial year in local currency.

Also worth mentioning is that the fast reaction products developed by the Trend Division have contributed positively (+29.7%) to our Women Divisions.

The Men divisions under the Esprit brand ("**Men Divisions**") and edc branded products ("**edc**") have yet to benefit from the Vertical Model, and saw a year-on-year turnover change of -16.2% and -12.2% in local currency respectively. We have rolled out the Vertical Model to these product divisions at a later stage and we anticipate that their sales performance will improve in subsequent financial periods.

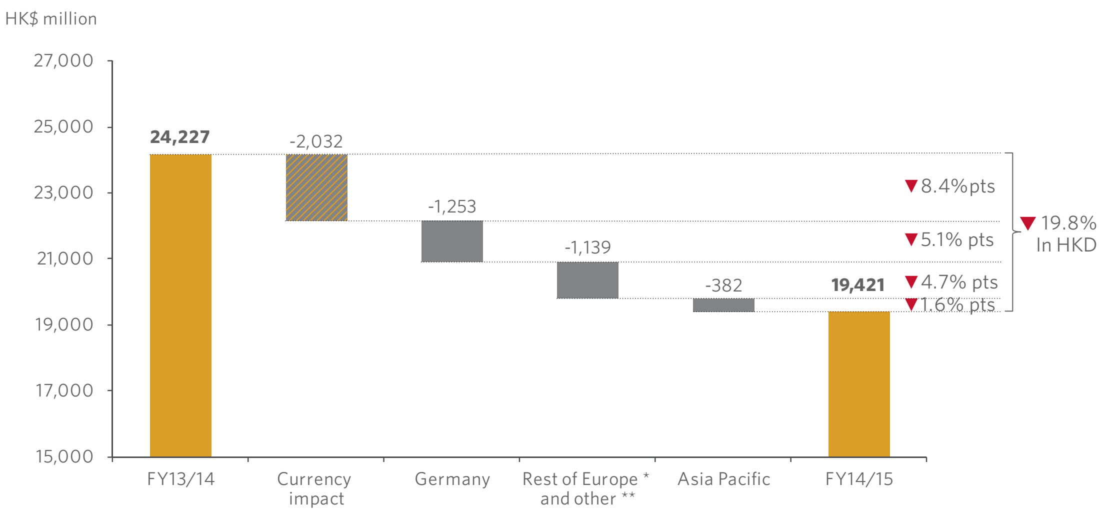
Others product groups under the Esprit brand mainly include accessories, bodywear, shoes and kids, which collectively accounted for 18.5% of the Group turnover and reported a turnover decline of -12.6% in local currency for FY14/15. Due to the different nature of the business of these product groups, the Vertical Model has not been implemented in these divisions. With respect to Kids, the recently announced partnership with Groupe Zannier, under a license agreement, is designed to re-build a relevant scale of this product group in the European and the Middle East markets. This alliance of two strong international players provides Esprit Kids with the opportunity to effectively expand its quality distribution network, drive top line growth and capture cost efficiencies. In addition, Esprit customers will also benefit from improved products leveraging on Groupe Zannier's strong product, supply and distribution capabilities. The full implementation of Esprit Kids by Groupe Zannier is expected to begin in January 2016. The first collection developed under this partnership will be for Autumn/Winter 2016.

While we acknowledge that the above performance is below our expectations for all divisions, we also consider that the changes introduced in our product organization and way of working during FY14/15 (Vertical Model) will positively contribute to our product performance in the immediate future.

Turnover by region

The majority of the Group's businesses are located in Europe and Asia Pacific. Countries in which we operate are grouped along three major regions: "Germany", "Rest of Europe" and "Asia Pacific". In FY14/15, turnover from Germany, Rest of Europe and Asia Pacific represented 46.2% (2014: 46.8%), 36.6% (2014: 37.4%) and 16.5% (2014: 15.2%) of the Group's turnover respectively. The remaining 0.7% (2014: 0.6%) of Group turnover represents primarily third party licensing income, the majority of which comes from Asia Pacific and Rest of Europe.

The diagram below sets forth the development of Group turnover in FY14/15.



▲/▼ year-on-year change

* Rest of Europe includes (i) all European countries except Germany; (ii) Latin America; and (iii) the Middle East
** Other represents North America

Turnover by country

	For the year ended 30 June						
	2015		2014		Turnover change in %		Net change in net sales area ^
Countries #	**HK$ million**	**% to Group Turnover**	HK$ million	% to Group Turnover	HK$	Local currency	
Germany *	**8,961**	**46.2%**	11,342	46.8%	-21.0%	-11.1%	-5.0%
Rest of Europe	**7,118**	**36.6%**	9,051	37.4%	-21.4%	-12.4%	-9.8%
Benelux *	**2,410**	**12.4%**	3,084	12.7%	-21.9%	-12.4%	-5.8%
France	**1,221**	**6.3%**	1,583	6.5%	-22.9%	-13.7%	-8.2%
Switzerland	**1,010**	**5.2%**	1,158	4.8%	-12.8%	-6.9%	-0.8%
Austria	**864**	**4.5%**	1,127	4.7%	-23.3%	-13.8%	-5.3%
Scandinavia	**692**	**3.6%**	910	3.8%	-24.0%	-13.2%	-14.1%
Spain	**223**	**1.1%**	229	1.0%	-2.9%	10.0%	9.1%
United Kingdom	**203**	**1.0%**	287	1.2%	-29.4%	-26.2%	-52.4%
Italy	**137**	**0.7%**	149	0.6%	-8.0%	2.4%	7.3%
Ireland	**6**	**0.0%**	9	0.0%	-28.3%	-20.0%	-28.3%
Portugal	**5**	**0.0%**	10	0.0%	-51.4%	-47.7%	-94.7%
Others ##	**347**	**1.8%**	505	2.1%	-31.3%	-22.7%	-32.1%
Asia Pacific	**3,216**	**16.5%**	3,694	15.2%	-13.0%	-10.3%	-15.2%
China @	**1,500**	**7.7%**	1,764	7.3%	-15.0%	-14.2%	-22.5%
Hong Kong	**386**	**2.0%**	401	1.7%	-3.7%	-3.7%	1.4%
Australia and New Zealand	**375**	**1.9%**	466	1.9%	-19.5%	-11.5%	-13.1%
Singapore	**301**	**1.6%**	348	1.4%	-13.6%	-9.8%	-6.5%
Malaysia	**239**	**1.2%**	251	1.0%	-4.8%	1.5%	9.1%
Taiwan	**200**	**1.0%**	201	0.8%	-0.2%	2.9%	5.4%
Macau	**132**	**0.7%**	123	0.5%	7.3%	7.3%	–
Others @@	**83**	**0.4%**	140	0.6%	-40.9%	-33.6%	-16.7%
North America	**126**	**0.7%**	140	0.6%	-9.4%	-9.4%	n.a.
United States **	**126**	**0.7%**	140	0.6%	-9.4%	-9.4%	n.a.
Total	**19,421**	**100.0%**	24,227	100.0%	-19.8%	-11.5%	-8.8%

^ Net change since 1 July 2014
\# Country as a whole includes retail, wholesale and licensing operations
\## Others under Rest of Europe include wholesale sales to other countries mainly Chile, Colombia, Bosnia-Herzegovina, the Middle East, Russia and Romania
@ Includes salon
@@ Others under Asia Pacific include wholesale sales to other countries mainly Thailand, the Philippines and Indonesia
* Includes licensing
** Turnover from the United States represents third party licensing income that mainly comes from Asia Pacific and the Rest of Europe
n.a. Not applicable

Germany

As the largest market of the Group, Germany recorded turnover of HK$8,961 million (2014: HK$11,342 million), representing a year-on-year turnover decline of -11.1% in local currency. In terms of distribution channels, retail, wholesale and licensing businesses contributed 62.3%, 37.5% and 0.2% of Germany's turnover respectively.

The table below sets forth the breakdown of turnover from Germany by distribution channels.

	For the year ended 30 June						
	2015		2014		Turnover change in %		Net change in net sales area ^
Distribution channels	**HK$ million**	**% to Total Turnover**	HK$ million	% to Total Turnover	HK$	Local currency	
Retail #	**5,586**	**62.3%**	7,152	63.0%	-21.9%	-11.8%	-2.8%
Wholesale	**3,361**	**37.5%**	4,170	36.8%	-19.4%	-9.7%	-6.3%
Licensing and others	**14**	**0.2%**	20	0.2%	-29.6%	-20.4%	n.a.
Total	**8,961**	**100.0%**	11,342	100.0%	-21.0%	-11.1%	-5.0%

^ Net change since 1 July 2014
\# Retail sales include sales from e-shop
n.a. Not applicable

Germany Retail recorded year-on-year turnover decline of -11.8% in local currency, as compared to a corresponding -2.8% year-on-year reduction in net sales area. The decline in retail net sales area was mainly due to the closure of seven stores under store closure and stores with onerous leases announced in previous financial years. The larger decline in turnover versus the drop in retail net sales area was largely a result of the Unfavorable Weather Conditions in Europe and the continued negative market development, as described in the previous section. **Germany Wholesale** recorded year-on-year turnover decline of -9.7% in local currency, with a corresponding -6.3% reduction in controlled space. The higher decline in turnover versus the decline in controlled space was in line with the development in Retail and also partly attributable to one-off special discounts and returns granted to wholesale partners. This is a support measure implemented in view of the weak sales performance in the first half of the financial year.

Since the arrival of the Vertical Products in the Third Quarter, both the Germany Retail and Germany Wholesale operations showed noticeable reduction in the rate of turnover decline. In terms of Germany Retail, the year-on-year decline in comparable store sales narrowed to -3.2% in the Fourth Quarter, in line with the -2.8% reduction in net sales area. In terms of Germany Wholesale, the turnover decline in local currency narrowed to -5.6% in the Fourth Quarter, which compares favorably against the corresponding -6.3% year-on-year reduction in controlled wholesale space.

Rest of Europe

The Rest of Europe includes (i) all European countries except Germany; (ii) Latin America; and (iii) the Middle East. The region recorded turnover of HK$7,118 million (2014: HK$9,051 million), representing a -12.4% year-on-year decline in local currency terms. In terms of distribution channels, retail, wholesale and licensing businesses contributed 55.3%, 44.5% and 0.2% of the region's turnover respectively.

The table below sets forth the breakdown of turnover from Rest of Europe by distribution channels and by countries.

	For the year ended 30 June						
	2015		2014		Turnover change in %		Net change in net sales area ^
Distribution channels	**HK$ million**	**% to Total Turnover**	HK$ million	% to Total Turnover	HK$	Local currency	
Retail #	**3,936**	**55.3%**	4,900	54.1%	-19.7%	-10.4%	1.1%
Benelux	**1,490**	**21.0%**	1,869	20.7%	-20.3%	-10.2%	-1.4%
Switzerland	**843**	**11.9%**	969	10.7%	-13.0%	-6.7%	-0.7%
France	**625**	**8.8%**	828	9.1%	-24.5%	-14.9%	-16.4%
Austria	**595**	**8.3%**	779	8.6%	-23.6%	-13.8%	-6.6%
Finland	**96**	**1.4%**	133	1.4%	-27.7%	-18.7%	–
United Kingdom	**95**	**1.3%**	180	2.0%	-47.5%	-43.5%	-89.2%
Sweden	**70**	**1.0%**	16	0.2%	357.5%	457.1%	n.a.
Denmark	**53**	**0.7%**	66	0.7%	-20.6%	-10.1%	–
Norway	**10**	**0.1%**	17	0.2%	-40.7%	-33.7%	-100.0%
Spain	**10**	**0.1%**	7	0.1%	31.1%	49.9%	n.a.
Italy	**6**	**0.1%**	5	0.1%	18.6%	35.0%	n.a.
Ireland	**2**	**0.0%**	4	0.0%	-40.1%	-32.3%	n.a.
Portugal	**1**	**0.0%**	1	0.0%	-11.3%	-0.3%	n.a.
Others *	**40**	**0.6%**	26	0.3%	55.0%	79.6%	n.a.
Wholesale	**3,171**	**44.5%**	4,141	45.8%	-23.4%	-15.0%	-15.1%
Benelux	**909**	**12.7%**	1,205	13.3%	-24.6%	-16.1%	-8.9%
France	**596**	**8.4%**	755	8.4%	-21.1%	-12.3%	-4.4%
Scandinavia	**463**	**6.5%**	678	7.5%	-31.7%	-22.5%	-29.1%
Austria	**269**	**3.8%**	348	3.8%	-22.8%	-13.7%	-3.7%
Spain	**213**	**3.0%**	222	2.4%	-4.0%	8.7%	9.1%
Switzerland	**167**	**2.3%**	189	2.1%	-11.7%	-8.5%	-1.0%
Italy	**131**	**1.8%**	144	1.6%	-9.0%	1.3%	7.3%
United Kingdom	**108**	**1.5%**	107	1.2%	1.2%	3.1%	-5.0%
Portugal	**4**	**0.1%**	9	0.1%	-54.9%	-51.8%	-94.7%
Ireland	**4**	**0.1%**	5	0.1%	-19.7%	-11.1%	-28.3%
Others **	**307**	**4.3%**	479	5.3%	-36.0%	-28.4%	-42.5%
Licensing and others * **	**11**	**0.2%**	10	0.1%	0.9%	15.6%	n.a.
Total	**7,118**	**100.0%**	9,051	100.0%	-21.4%	-12.4%	-9.8%

^ Net change since 1 July 2014
# Retail sales include sales from e-shops in countries where available
* Others' retail turnover includes retail turnover from Poland, Czech Republic, Hungary, Slovakia, Latvia, Malta, Slovenia, Greece and Estonia
** Others' wholesale turnover represents wholesale sales to other countries mainly Chile, Colombia, Bosnia-Herzegovina, the Middle East, Russia and Romania
*** Majority represents third party licensing income that comes from the United States
n.a. Not applicable

Rest of Europe Retail operation recorded a year-on-year turnover decline of -10.4% in local currency, as compared to a +1.1% year-on-year increase in retail net sales area. Similar to Germany, the space productivity of retail net sales area was adversely impacted by the Unfavorable Weather Conditions in Europe. As a consequence, retail comparable store sales of the region recorded a year-on-year decline of -8.1%, adding pressure to the region's retail performance. The exceptional turnover growth in Sweden (+457.1% in local currency) and Poland (included in "Others") were attributable to the conversion of wholesale franchise stores into retail format. During the Financial Year Under Review, 10 and 11 wholesale franchise stores, in Sweden and Poland respectively, were converted into retail format ("Store Conversion in Sweden and Poland"), involving a total controlled space of 9,551 m^2. Excluding these 21 stores, the retail net sales area of the region would have seen a decline of -8.2%, attributable to the closure of 8 stores under store closure and stores with onerous leases announced in prior financial years. This explains the large decline of retail turnover in the United Kingdom (-43.5% in local currency) due to the closure of our store in London.

In terms of **Rest of Europe Wholesale**, the operation recorded a year-on-year turnover decline of -15.0% in local currency. This is in line with the -15.1% year-on-year decline in wholesale controlled space, despite the special discounts and returns granted to our wholesale partners as a support measure in view of weak sales performance in the first half of the financial year. The reduction in wholesale controlled space in the region was mainly attributable to the Store Conversion in Sweden and Poland; the exit of our wholesale partner in Russia; as well as the closure of non-performing locations by our wholesale partners, primarily in Benelux and the Middle East. Excluding the impact of the Store Conversion in Sweden and Poland, the region's wholesale controlled space would have recorded a year-on-year decline of -10.5%.

Also in the Rest of Europe, since the arrival of the Vertical Products, we have observed marked improvement in sales performance, particularly in the Fourth Quarter. In terms of retail, the year-on-year decline in comparable store sales narrowed in the Fourth Quarter to -4.2% in local currency. In terms of wholesale, the turnover decline in local currency narrowed substantially in the Fourth Quarter to -6.1%, which compares favorably against the corresponding -15.1% year-on-year reduction in wholesale controlled space.

Asia Pacific

Asia Pacific recorded turnover of HK$3,216 million (2014: HK$3,694 million), representing a -10.3% year-on-year decline in local currency terms. In terms of distribution channels, the retail and wholesale businesses contributed 90.3% and 9.7% of the region's turnover respectively.

The table below sets forth the breakdown of turnover from Asia Pacific by distribution channels and by countries.

	For the year ended 30 June						
	2015		2014		Turnover change in %		Net change in net sales area ^
Distribution channels	**HK$ million**	**% to Total Turnover**	HK$ million	% to Total Turnover	HK$	Local currency	
Retail #	**2,903**	**90.3%**	3,168	85.8%	-8.4%	-5.7%	-0.4%
China	**1,270**	**39.5%**	1,383	37.5%	-8.2%	-7.3%	0.4%
Hong Kong	**386**	**12.0%**	401	10.9%	-3.7%	-3.7%	1.4%
Australia and New Zealand	**375**	**11.7%**	461	12.5%	-18.6%	-10.5%	-13.1%
Singapore	**301**	**9.4%**	348	9.4%	-13.6%	-9.8%	-6.5%
Malaysia	**239**	**7.4%**	251	6.8%	-4.8%	1.5%	9.1%
Taiwan	**200**	**6.2%**	201	5.4%	-0.2%	2.9%	5.4%
Macau	**132**	**4.1%**	123	3.3%	7.3%	7.3%	–
Wholesale	**313**	**9.7%**	524	14.2%	-40.4%	-38.1%	-40.2%
China	**230**	**7.1%**	379	10.3%	-39.4%	-39.0%	-47.9%
Australia	**–**	**–**	5	0.1%	-100.0%	-100.0%	–
Others *	**83**	**2.6%**	140	3.8%	-40.9%	-33.6%	-16.7%
Others	**–**	**–**	2	0.0%	-100.0%	-100.0%	n.a.
Total	**3,216**	**100.0%**	3,694	100.0%	-13.0%	-10.3%	-15.2%

^ Net change since 1 July 2014
# Retail sales include sales from e-shops in countries where available
* Others represent wholesale sales to other countries mainly Thailand, the Philippines and Indonesia
n.a. Not applicable

Asia Pacific Retail and **Wholesale** operations recorded year-on-year turnover decline of -5.7% and -38.1% in local currency, as compared to the corresponding -0.4% and -40.2% year-on-year reduction in controlled space respectively.

China is the largest country in the Asia Pacific region, accounting for 46.6% of the region's turnover in FY14/15. The Group recorded a year-on-year turnover decline of -14.2% in local currency in China as compared to a -22.5% reduction in controlled space. **China Retail** recorded a year-on-year turnover decline of -7.3% in local currency (versus a +0.4% year-on-year increase in retail net sales area). We were able to stabilize the retail net sales area in the country by adding new space to compensate for the closure of unprofitable retail stores. Nevertheless, this new space was progressively added over the financial year, hence the retail net sales area reduction was still a drag on turnover development for the full financial year. Comparable retail stores in China recorded positive sales growth of +1.8% (2014: -3.4%), mainly driven by the improved sales performance of stand-alone stores and outlets. However, the comparable stores only represent 50.4% of total retail net sales area in the country. The remaining retail net sales area is mainly comprised of concession counters in department stores that are subject to frequent relocation. In FY14/15, these non-comparable stores recorded a turnover decline of -16.1% in local currency primarily due to reduced customer traffic and weak performance of department stores in the country in general.

China Wholesale recorded a year-on-year decline of -39.0% in local currency attributable to a -47.9% year-on-year reduction in wholesale controlled space resulting from (i) closures of non-performing stores by our wholesale partners earlier in the financial year and (ii) the special return agreements to address the aged inventory problem in the channel which were finalized in the First Quarter. It is encouraging that our wholesale partners have started to re-stock Esprit products subsequent to the aforementioned finalization of the special return agreements. This has translated into an improved order intake level and better top line performance in the second half of the financial year, where the year-on-year decline in wholesale turnover narrowed considerably to -8.1% in local currency, a significant improvement from -51.5% in the first half.

In **Asia Pacific excluding China** ("Rest of APAC"), **retail** turnover recorded a year-on-year decline of -4.4% in local currency (versus a -1.2% year-on-year reduction in retail net sales area) because, similar to China, most of the new store openings took place progressively over the financial year. The slight decline in comparable store sales of -0.8% was mainly due to (i) the Occupy Central Movement in Hong Kong; and (ii) the introduction of a new consumption tax in Malaysia in April 2015, which dampened consumer spending and hit store traffic. **Wholesale** turnover in Rest of APAC recorded a year-on-year decline of -35.9% in local currency (versus a -16.7% year-on-year reduction in controlled wholesale space). Given that this represented 2.6% of the region's turnover, its real impact was limited.

Turnover by distribution channel

Turnover by distribution channel

	For the year ended 30 June						
	2015		2014		Turnover change in %		Net change in net sales area ^
Key distribution channels	**HK$ million**	**% to Group Turnover**	HK$ million	% to Group Turnover	HK$	Local currency	
Retail #	**12,425**	**64.0%**	15,220	62.8%	-18.4%	-10.1%	-0.9%
Wholesale	**6,845**	**35.2%**	8,835	36.5%	-22.5%	-13.9%	-14.2%
Licensing and others	**151**	**0.8%**	172	0.7%	-12.0%	-10.0%	n.a.
Total	**19,421**	**100.0%**	24,227	100.0%	-19.8%	-11.5%	-8.8%

^ Net change since 1 July 2014
\# Retail sales include sales from e-shops in countries where available
n.a. Not applicable

The Group distributes its products primarily through directly managed retail stores, as well as points of sales managed by third parties. Directly managed retail stores include standalone stores, concession counters in department stores, the online shop ("e-shop") and outlets, which together are reported under the retail channel. Points of sales managed by third parties include franchise stores, shop-in-stores and identity corners in multi-labels, which together are reported under the wholesale channel. In FY14/15, turnover from the retail and wholesale channels represented 64.0% (2014: 62.8%) and 35.2% (2014: 36.5%) of Group turnover respectively.

The Group's **retail turnover** amounted to HK$12,425 million (2014: HK$15,220 million), representing a year-on-year decline of -10.1% in local currency.

As at 30 June 2015, total retail net sales area of the Group amounted to 327,345 m^2 and represents a slight reduction of -0.9% year-on-year. The space loss due to store closures (including closures of 15 stores under store closures and stores with onerous leases) was offset by new store openings and the Store Conversion in Sweden and Poland. Unfortunately, the combination of factors described in the earlier "Revenue Analysis" section adversely impacted the productivity of our retail net sales area, as reflected by the year-on-year decline in retail comparable store sales of -7.0% in local currency.

On the positive side, retail comparable store sales have shown a positive development for the recent months since the arrival of the Vertical Products. The aggregate retail comparable store sales for the three months of June 2015, July 2015 and August 2015 increased by +4.1%. This positive development was more prominent in our largest regional market, Europe, and particularly in Germany, where sales of brick and mortar full price retail stores have consistently outperformed the comparable market data according to TextilWirtschaft by +6.3% pts, +10.1% pts and +12.7% pts for each of the three months of June, July and August 2015 respectively.

Retail turnover by region

	For the year ended 30 June							
	2015		2014		Turnover change in %		Net change in net sales area ^	Comp-store sales growth
Region #	**HK$ million**	**% of Retail Turnover**	HK$ million	% of Retail Turnover	HK$	Local currency		
Germany	**5,586**	**44.9%**	7,152	47.0%	-21.9%	-11.8%	-2.8%	-8.4%
Rest of Europe	**3,936**	**31.7%**	4,900	32.2%	-19.7%	-10.4%	1.1%	-8.1%
Asia Pacific	**2,903**	**23.4%**	3,168	20.8%	-8.4%	-5.7%	-0.4%	0.4%
Total	**12,425**	**100.0%**	15,220	100.0%	-18.4%	-10.1%	-0.9%	-7.0%

^ Net change since 1 July 2014
# Retail sales include sales from e-shops in countries where available

Directly managed retail stores by country – movement since 1 July 2014

	As at 30 June 2015					
Countries	**No. of stores**	**Net opened stores ***	**Net sales area (m^2)**	**Net change in net sales area ***	**No. of comp stores**	**Comp-store sales growth**
Germany **	**150**	**(12)**	**122,744**	**-2.8%**	**121**	**-8.4%**
Rest of Europe	**197**	**9**	**103,973**	**1.1%**	**121**	**-8.1%**
Netherlands	55	1	21,129	-1.3%	33	-9.5%
Switzerland	39	(1)	18,081	-0.7%	32	-6.4%
Belgium	26	(2)	18,259	-1.7%	25	-10.7%
France	26	(7)	14,370	-16.4%	16	-6.6%
Austria	20	–	16,752	-6.6%	10	-11.7%
Poland	11	11	3,265	n.a.	–	-16.3%
Sweden	10	10	6,286	n.a.	–	29.2%
Finland	5	–	3,020	–	2	-11.1%
Luxembourg	3	–	1,869	0.2%	3	-6.7%
United Kingdom	1	(2)	317	-89.2%	–	1.8%
Denmark	1	–	625	–	–	-13.0%
Norway	–	(1)	–	-100.0%	–	n.a.
Asia Pacific	**543**	**(12)**	**100,628**	**-0.4%**	**281**	**0.4%**
China **	308	(11)	50,245	0.4%	138	1.8%
Taiwan	74	2	7,623	5.4%	34	1.4%
Australia	70	(9)	9,121	-15.3%	58	5.5%
Malaysia	39	4	13,555	9.1%	21	-2.5%
Singapore	23	1	7,932	-6.5%	15	-6.8%
Hong Kong	15	1	7,186	1.4%	6	-2.8%
New Zealand	9	–	1,977	-1.3%	6	6.3%
Macau	5	–	2,989	–	3	0.4%
Total	**890**	**(15)**	**327,345**	**-0.9%**	**523**	**-7.0%**

* Net change since 1 July 2014
** All e-shops within Europe and the e-shop in China are shown as one comparable store in Germany and one comparable store in China respectively
n.a. Not applicable

Directly managed retail stores by store type – movement since 1 July 2014

	No. of POS					Net sales area (m^2)				
		vs 1 July 2014					vs 1 July 2014			
Store types	As at 30 June 2015	Opened	Closed	As at 1 July 2014	Net change	As at 30 June 2015	Opened	Closed	As at 1 July 2014	Net change
Stores/Concession counters	**804**	84	(103)	823	(19)	**286,636**	22,284	(26,493)	290,845	-1.4%
– Germany	**140**	2	(15)	153	(13)	**110,500**	1,279	(5,614)	114,835	-3.8%
– Rest of Europe	**186**	25	(17)	178	8	**95,564**	11,127	(10,433)	94,870	0.7%
– Asia Pacific	**478**	57	(71)	492	(14)	**80,572**	9,878	(10,446)	81,140	-0.7%
Outlets	**86**	9	(5)	82	4	**40,709**	2,890	(1,569)	39,388	3.4%
– Germany	**10**	1	–	9	1	**12,244**	791	(38)	11,491	6.6%
– Rest of Europe	**11**	1	–	10	1	**8,409**	615	(197)	7,991	5.2%
– Asia Pacific	**65**	7	(5)	63	2	**20,056**	1,484	(1,334)	19,906	0.8%
Total	**890**	93	(108)	905	(15)	**327,345**	25,174	(28,062)	330,233	-0.9%

Retail performance scorecard

	For the year ended 30 June	
	2015	2014
No. of POS	**890**	905
Net sales area (m^2)	**327,345**	330,233
Year-on-year change in net sales area	**-0.9%**	-5.7%
Year-on-year local currency turnover growth	**-10.1%**	-6.0%
Comparable store sales growth	**-7.0%**	-4.1%

The Group's **wholesale turnover** was HK$6,845 million (2014: HK$8,835 million), representing a year-on-year decrease of -13.9% in local currency (-22.5% in Hong Kong dollar terms). This decline is broadly in line with the corresponding -14.2% year-on-year reduction in wholesale controlled space, which is the main factor affecting our wholesale business. The reduction in wholesale controlled space was the result of a combination of factors including: (i) the closure of non-performing locations by our wholesale partners due to the general market pressure on the wholesale channel; (ii) the conversion of 21 franchise stores (10 in Sweden and 11 in Poland) to retail format; and (iii) the exit of our wholesale partner in Russia.

Wholesale turnover by region

	For the year ended 30 June						
	2015		2014		Turnover change in %		
Region	**HK$ million**	**% of Wholesale Turnover**	HK$ million	% of Wholesale Turnover	HK$	Local currency	Net change in net sales area ^
Germany	**3,361**	**49.1%**	4,170	47.2%	-19.4%	-9.7%	-6.3%
Rest of Europe	**3,171**	**46.3%**	4,141	46.9%	-23.4%	-15.0%	-15.1%
Asia Pacific	**313**	**4.6%**	524	5.9%	-40.4%	-38.1%	-40.2%
Total	**6,845**	**100.0%**	8,835	100.0%	-22.5%	-13.9%	-14.2%

^ Net change since 1 July 2014

Wholesale distribution channel by country (controlled space only) – movement since 1 July 2014

As at 30 June 2015

	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 *
Germany	**264**	**66,958**	**(27)**	**-8.7%**	**2,949**	**111,747**	**(121)**	**-6.0%**	**1,432**	**27,155**	**(64)**	**-1.0%**	**4,645**	**205,860**	**(212)**	**-6.3%**
Rest of Europe	**556**	**118,084**	**(84)**	**-20.6%**	**1,018**	**31,647**	**(17)**	**-2.1%**	**1,163**	**27,858**	**21**	**-0.6%**	**2,737**	**177,589**	**(80)**	**-15.1%**
Benelux	132	39,157	(7)	-11.6%	150	6,150	2	0.9%	327	7,734	-	-1.3%	609	53,041	(5)	-8.9%
France	129	24,307	(5)	-2.8%	316	7,086	(4)	-2.8%	144	4,281	(20)	-14.8%	589	35,674	(29)	-4.4%
Austria	63	10,523	(2)	-2.6%	83	2,871	(7)	-8.9%	51	1,298	1	0.1%	197	14,692	(8)	-3.7%
Sweden	31	9,007	(20)	-49.1%	-	-	-	-	51	1,227	5	-3.0%	82	10,234	(15)	-46.1%
Finland	21	5,081	(2)	-17.2%	87	3,845	(2)	-1.1%	154	4,146	(27)	-12.2%	262	13,072	(31)	-11.3%
Switzerland	26	4,299	(1)	-4.4%	56	2,543	1	4.7%	24	472	(1)	2.8%	106	7,314	(1)	-1.0%
Italy	19	3,635	(3)	-7.1%	38	1,216	6	6.5%	192	3,223	42	30.4%	249	8,074	45	7.3%
Denmark	12	3,208	(3)	-22.7%	-	-	-	-	33	828	1	1.3%	45	4,036	(2)	-18.7%
Spain	19	2,908	4	43.0%	174	5,039	(11)	-7.1%	101	2,769	16	17.1%	294	10,716	9	9.1%
Norway	1	242	-	-	-	-	-	-	-	-	-	-	1	242	-	-
United Kingdom	2	143	(1)	-33.2%	14	607	-	15.8%	61	1,419	(7)	-8.1%	77	2,169	(8)	-5.0%
Portugal	-	-	(2)	-100.0%	-	-	-	-	2	35	(3)	-58.8%	2	35	(5)	-94.7%
Ireland	-	-	-	-	3	152	(2)	-35.0%	7	106	(1)	-15.9%	10	258	(3)	-28.3%
Others ^	101	15,574	(42)	-46.7%	97	2,138	-	0.0%	16	320	15	3,100.0%	214	18,032	(27)	-42.5%
Asia Pacific	**297**	**35,576**	**(159)**	**-40.2%**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**297**	**35,576**	**(159)**	**-40.2%**
China	165	23,364	(140)	-47.9%	-	-	-	-	-	-	-	-	165	23,364	(140)	-47.9%
Thailand	92	6,234	(7)	-3.2%	-	-	-	-	-	-	-	-	92	6,234	(7)	-3.2%
Philippines	21	2,867	(6)	-21.5%	-	-	-	-	-	-	-	-	21	2,867	(6)	-21.5%
Others	19	3,111	(6)	-31.8%	-	-	-	-	-	-	-	-	19	3,111	(6)	-31.8%
Total	**1,117**	**220,618**	**(270)**	**-21.7%**	**3,967**	**143,394**	**(138)**	**-5.1%**	**2,595**	**55,013**	**(43)**	**-0.8%**	**7,679**	**419,025**	**(451)**	**-14.2%**

* Net change since 1 July 2014
** Excludes salon
^ Controlled wholesale POS and space in Others under Rest of Europe included controlled wholesale POS and space in countries, mainly Colombia, Chile, the Middle East and Bulgaria

Wholesale performance scorecard

	For the year ended 30 June	
	2015	2014
No. of Esprit controlled space POS	**7,679**	8,130
Esprit controlled space area (m²)	**419,025**	488,270
Year-on-year change in Esprit controlled space area	**-14.2%**	-13.8%
Year-on-year local currency turnover growth	**-13.9%**	-16.1%

04.2 Profitability analysis

Gross profit was HK$9,695 million (2014: HK$12,156 million) with a corresponding gross profit margin of 49.9% (2014: 50.2%). During the financial year, the discount-driven marketplace necessitated more promotions and markdowns, and this placed considerable pressure on our gross profit margin. Fortunately, the continued savings we achieved from our leaner supply chain allowed us to offset much of this pressure. As a result, we were able to maintain a relatively stable gross profit margin. We also had to contend with the significant depreciation of the Euro currency against the US Dollar in FY14/15. This, however, had no visible impact on our gross profit margin because our purchase of finished goods for the calendar year 2015 was hedged earlier in the year and at rates that were better than the prevailing market rate.

Operating expenses ("OPEX") continued to be tightly managed during the financial year. The management team continued to look for further cost cutting measures in the financial year. This exercise was particularly challenging though, given that Operational OPEX had already been significantly reduced in the previous financial year (-21.4% in local currency on a comparable basis) and in light of this year's complex transition of our internal operations. The table below sets forth the breakdown of operating expenses by key cost lines.

	For the year ended 30 June			
	2015	2014	Change in %	
	HK$ million	HK$ million	HK$	Local currency
Operational OPEX	**10,413**	11,609	-10.3%	-1.2%
Staff costs	**3,562**	3,851	-7.5%	1.3%
Occupancy costs	**3,160**	3,585	-11.9%	-4.0%
Logistics expenses	**1,048**	1,317	-20.5%	-10.4%
Marketing and advertising expenses	**820**	792	3.6%	17.3%
Depreciation	**713**	833	-14.5%	-5.2%
Other operating costs	**1,110**	1,231	-9.9%	-0.4%
Exceptional Expenses	**2,965**	186		
Impairment of China goodwill	**2,512**	-		
Provision for store closures and onerous leases	**282**	106		
Impairment of fixed assets	**171**	80		
Total OPEX	**13,378**	11,795	13.4%	23.1%

While we were able to achieve savings in most cost lines of our underlying operations (i.e. total operating expenses excluding impairments and provisions as highlighted in the Profit Warning in May 2015 or "Operational OPEX"), the Operational OPEX was only reduced by -1.2% in local currency (or -10.3% in Hong Kong Dollar terms) to HK$10,413 million (2014: HK$11,609 million) mainly due to the increase in certain expenses as listed below:

(i) Staff costs increased year-on-year by +1.3% in local currency mainly due to the mandatory wage increases in different retail markets;

(ii) Marketing and advertising expenses grew by +17.3% in local currency as we increased our marketing efforts to drive sales and traffic in response to the challenging market scenario;

(iii) Net currency exchange loss of HK$26 million in FY14/15 as compared to a net exchange gain of HK$148 million in FY13/14 due to the revaluation of intercompany loans. Excluding these net exchange gain or loss, "Other operating costs" recorded a decline of -13.3% in local currency.

As disclosed in the Profit Warning issued in May 2015, there were non-recurring impairments and provisions associated with the contraction of our businesses in the past years. These expenses totaled HK$2,965 million, the majority of which were non-cash, and were comprised of:

- HK$171 million in impairment of fixed assets, the majority of which was in relation to directly managed retail stores;
- HK$282 million in provision for store closures and onerous leases; and
- HK$2,512 million in non-cash impairment of goodwill arising from the acquisition of the remaining interests of associated companies in China, the most significant drag to the Group's FY14/15 financial results.

This impairment was a reflection of what had happened in the past two years in China, where we lost part of our wholesale customer base, closed non-profitable locations with little chance of a turnaround, and cleaned up aged inventories in the country's wholesale channel through special return agreements. We consider the restructuring in China to be mostly completed and the management team there is working on growth development in the country.

Although the aforementioned provisions and impairments are substantial, they are primarily accounting adjustments and the majority are non-cash. As such, they will not have a material impact on our cash flow or operations.

EBIT was a loss of HK$3,683 million (2014: positive EBIT of HK$361 million). Excluding the Exceptional Expenses, the EBIT loss of our underlying operation would be HK$718 million. **Loss before taxation** was HK$3,667 million (2014: Profit before taxation of HK$379 million).

Taxation amounted to HK$29 million (2014: HK$169 million), which included a non-recurring tax credit of approximately HK$155 million as a result of a successful claim on the deductibility of certain expense items in the United States of America.

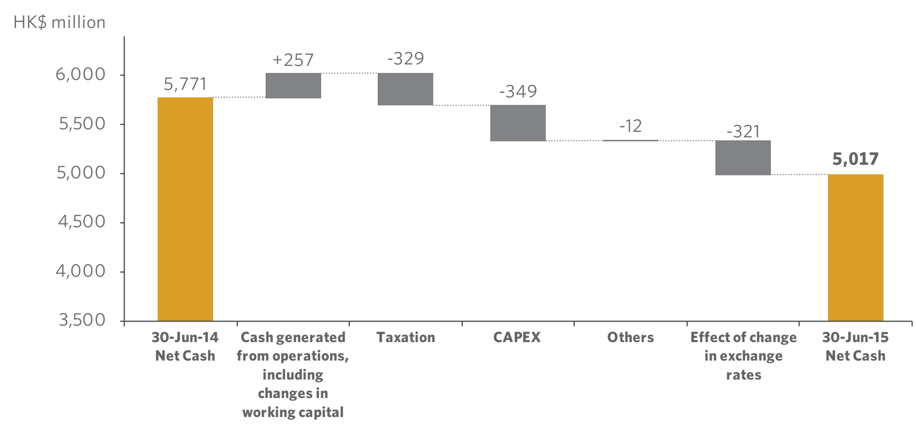
Net loss was HK$3,696 million, as compared to a net profit of HK$210 million last year.

04.3 Liquidity and financial resources analysis

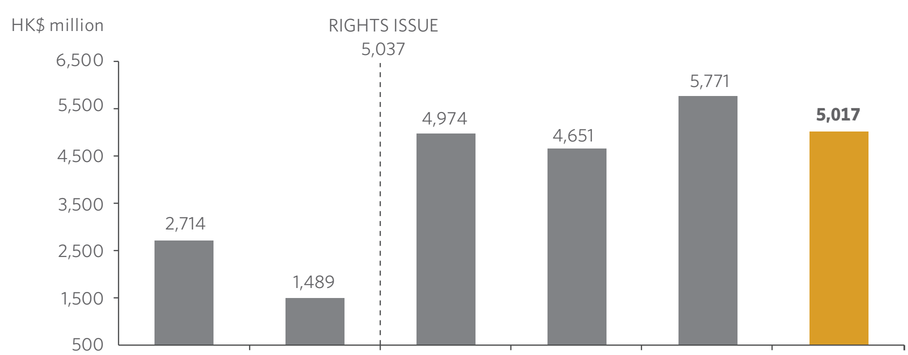
Notwithstanding the negative results, the financial position of the Group remains healthy. Our efforts to reduce OPEX and working capital, and our careful cash management over the past years have helped us cope with the anticipated challenges in connection with the complexity and operational risk of our Transformation phase during the financial year.

The Group's **cash, bank balances and deposits** as at 30 June 2015 amounted to HK$5,017 million (30 June 2014: HK$6,031 million) with zero debt. **Net cash** amounted to HK$5,017 million (30 June 2014: HK$5,771 million), similar to the level following our rights issue in November 2012 (31 December 2012: HK$4,974 million). The unfavorable movement of the Euro currency exchange rate (-17.7% year-on-year depreciation of the Euro closing rate against the HK Dollar, our reporting currency) largely accounted for -HK$321 million, or almost half of the -HK$754 million, decline in net cash during the financial year.

Fund flow and net cash position

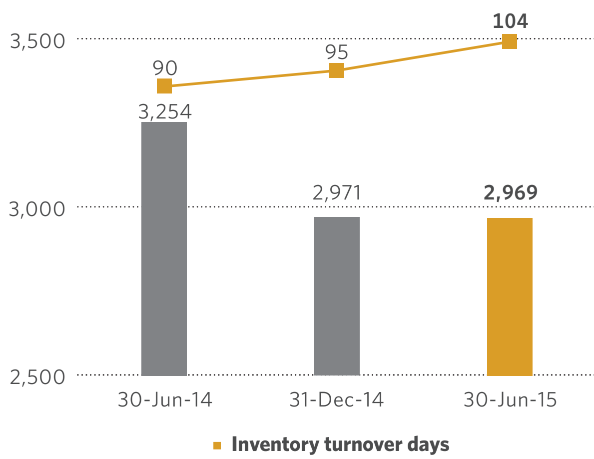


Recent development of net cash position



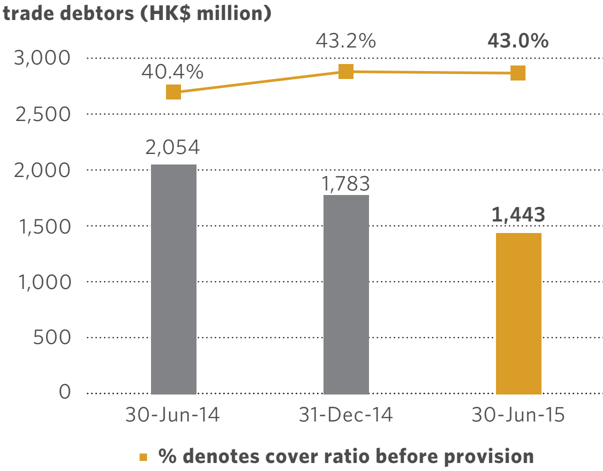
Inventories as at 30 June 2015 amounted to HK$2,969 million (30 June 2014: HK$3,254 million), representing a year-on-year decline of -8.8%. The drop was mainly attributable to the combined effect of (i) a slight year-on-year decline in finished goods units of -0.2%; (ii) the -17.7% year-on-year depreciation of the EUR/HKD closing rate; partially offset by (iii) a decrease in inventory provision, resulting largely from an improved inventory aging profile as we cleared away old stock. The proportion of finished goods inventory (in terms of units) aged over six months decreased to 18.3% as at end of June 2015 (30 June 2014: 22.6%). Inventory turnover days for FY14/15 were 104 days (FY13/14: 90 days), and the increase in number of inventory turnover days is mostly due to the decline in turnover.

Inventories (HK$ million)



Net trade debtors was HK$1,443 million (30 June 2014: HK$2,054 million), representing a decrease of -29.8% year-on-year mainly due to the lower wholesale sales level and the year-on-year depreciation of the EUR/HKD closing rate as mentioned above. The amount of net trade debtors aged over 90 days fell to HK$162 million (30 June 2014: HK$291 million). The cover ratio before provision (the amount of insured and secured gross trade debtors including VAT over total gross trade debtors including VAT) increased to 43.0% (30 June 2014: 40.4%).

Net trade debtors (HK$ million)



Capital expenditure (CAPEX): The Group continued to remain selective with its expansion and moderately deployed CAPEX to align with business development. CAPEX for FY14/15 amounted to HK$349 million (2014: HK$375 million), representing a year-on-year decrease of -7.0%. The increase in the CAPEX of new stores was mainly due to the opening of our flagship stores in Hong Kong.

	For the year ended 30 June	
HK$ million	**2015**	2014
New stores	**96**	92
Refurbishment	**92**	102
IT projects	**77**	78
Office & others	**84**	103
Purchase of property, plant and equipment	**349**	375

Total interest bearing external borrowings: As at 30 June 2015, the Group had no interest bearing external borrowings (30 June 2014: HK$260 million) as the Group repaid the last instalment of the bank loan used to finance the acquisition of the remaining interest in the China Joint Venture in February 2015.

Foreign exchange risk management

The Group faces foreign exchange risk arising from various currency exposures, primarily with respect to the Euro.

While the majority of the Group's revenue is denominated in Euro, we report our financial results in Hong Kong dollars. As a result, fluctuations in the value of the Euro against the Hong Kong dollar could adversely affect our turnover which is reported in Hong Kong dollar. In addition, the purchases of finished goods in Euro only accounts for a small portion of our total purchases of finished goods while our net sales which are generated primarily in Euro may pose severe pressure on our gross margin. Although we currently use foreign currency forward contracts to hedge exposure to the foreign exchange risk related to our purchases, fluctuations in the value of the Euro against other currencies, mostly against the US dollar, could affect our margins and profitability.

The Euro currency weakened further against the US Dollar in the second half of FY14/15 (the average EUR/HKD rate depreciated by -18.5% year-on-year). In response to this downward trend in the Euro, the Group has taken measures to proactively manage its Euro exposure by (i) fully hedging all purchases of finished goods for FY15/16 at rates slightly better than the prevailing market rate; and (ii) converting surplus Euro cash into US Dollars to reduce our risk from Euro cash holdings. Although purchases of finished goods for FY15/16 are fully hedged at rates better than the prevailing market rate, the contracted rates are worse than last year's rates and will put pressure on our FY15/16 gross profit margin. The Group is under continuous review for purchases of finished goods as well as potential price adjustment, depending on the movements in relevant exchange rates.

Human resources

As at 30 June 2015, the Group employed over 9,100 full-time equivalent staff (30 June 2014: over 9,600) 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 newsletters and global intranet.

Dividend

The Board maintains the dividend payout ratio of 60% of basic earnings per share. An interim dividend of HK$0.015 per share (1H FY13/14: HK$0.03 per share) for the six months ended 31 December 2014 was paid in April 2015. As the Group recorded a loss for the year ended 30 June 2015, the Board does not recommend the distribution of a final dividend for the year ended 30 June 2015 (FY13/14: HK$0.04 per share).

04.4 Focus and priorities in FY15/16

The past financial year FY14/15 has been a year of achievement as the Group successfully installed the foundation (Vertical and Omnichannel Models) to allow us to significantly improve our products and optimize sales performance across all channels (online, offline, retail and wholesale), which is vital for our turnaround plan. What is more encouraging is that we are seeing signs of a positive sales trend for our new Vertical Products which gives us confidence that we are on the right track to restoring the competitiveness of Esprit. With this confidence, in the new financial year, we enter the "Growth" phase of our plan.

Looking ahead to FY15/16, the year is off to a good start as the momentum of top line improvement driven by our Vertical Products has continued into July and August 2015. We expect gains in our sales per square meter performance, both in retail and wholesale, on the basis of better product performance, improved channel operations and intensified marketing efforts. Such gains should help offset the impact of the reduction in selling space i) on the retail channel, due to announced closures or downsizing of unprofitable stores and ii) on the wholesale channel, due to the continuous pressure on this channel.

It is anticipated that gross margin will remain stable or slightly increase in FY15/16. Notwithstanding our early currency hedging for purchases of finished goods, the continued weakness of the Euro will put pressure on gross profit margin as compared to last year. However, this impact is expected to be compensated with reduced levels of markdowns if improved product performance persists throughout the year.

In anticipation of improving product performance and, given our net cash position, the Group is ready to deploy some of its cash reserves to fund the Growth phase of our turnaround strategy. In terms of OPEX, most recurring cost lines will continue to decrease in line with the reduction in retail net sales area and wholesale business volumes. However, the potential savings will be more than offset by the expected increase in Brand Marketing and Omnichannel-related expenses, which the Group believes are necessary to support key future growth initiatives. Similarly, CAPEX is expected to increase in the new financial year. As we step up investments in the Omnichannel initiatives, the acceleration of retail store refurbishments and the upgrading of warehouses to improve replenishment capabilities, CAPEX is expected to increase to around HK$500 million in the coming financial year.

The Growth phase that we are now embarking upon is not without its challenges, but there is much hope and excitement across all levels of our organization as we leverage the strong foundation that we have laid over the last two years. Every successful journey takes time, and we believe that we are nearing our final destination – which is to restore the long term competitiveness of the Group.

05
SUSTAINABILITY

05 Sustainability

Our approach

Esprit's heritage is about embracing fashion and style in a casual and natural way while maintaining high quality standards. Doing business with particular attention to social and environmental consciousness has been part of our journey since Esprit's foundation in 1968.

Within recent years, consumers and society at large have become increasingly conscious of sustainability. As the fashion industry continues to deal with terrible accidents in garment factories, workers fighting for fair wages and an increasing awareness of pollution and other environmental problems, practicing sustainable business, can no longer be sidelined. Esprit is taking responsibility across the globe with the appropriate actions initiated to be as sustainable as possible. This is for the good of our employees, our customers and our planet. To achieve the big, systemic changes that are needed, the entire industry must work together. We are aware of the enormity of this task, but have set clear objectives of how Esprit can contribute to a sustainable fashion industry.

In this section of our FY14/15 Annual Report we would like to give an overview of our sustainable achievements and objectives. To do justice to the important topic of sustainability, a standalone Sustainability Report, in accordance with the Global Reporting Initiative (GRI) G4 'Core' level, is being published this year for the first time. The Sustainability Report gives a more detailed insight into our achievements and projects. Please find the Sustainability Report on our website: http://www.esprit.com/company/sustainability.

We welcome readers' feedback. Please send your thoughts to sustainability@esprit.com.

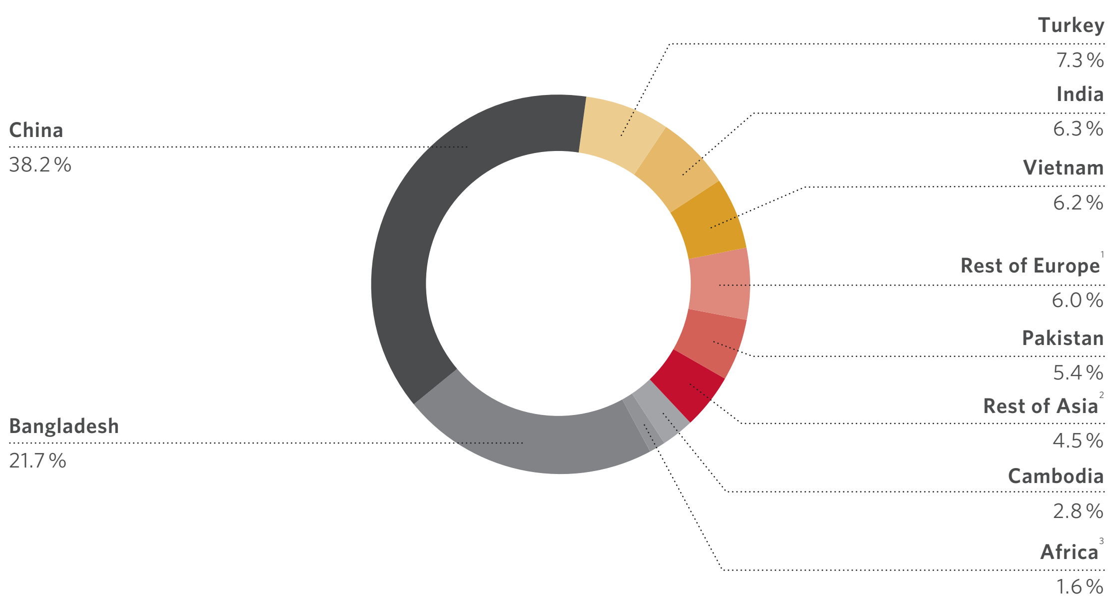
Supply chain management & working conditions

Esprit strives to operate in accordance with the highest ethical, social and environmental standards; we are aware of our responsibility towards our suppliers, their employees and society. Esprit products are made under conditions in which workers are treated fairly and with respect. We are also addressing the requirement that all factories operate in accordance with local laws, as well as international standards. These laws and standards cover working hours, wages, health and safety, overall treatment of workers and environmental standards.

In FY14/15, we produced more than 105 million garments, 7 million accessories and 3.5 million shoes from a variety of sources spanning 27 different countries across Asia, Africa and Europe. The main sourcing countries for finished garments are China, Bangladesh, Turkey, India, Vietnam and Pakistan.

The textile industry is exceptionally labor intensive and creates millions of jobs in developing countries. By focusing on strong partnerships with selected suppliers, Espritakes an important step in achieving a more sustainable supply chain.

Countries of origin for Esprit products in FY 14/15 based on ordered quantity



[1] Including Belarus, Bulgaria, Georgia, Italy, Lithuania, Macedonia, Moldova, Netherlands, Poland, Portugal, Romania, Serbia, Spain, Ukraine

[2] Including Indonesia, Philippines, Sri Lanka

[3] Including Madagascar, Morocco, Tunisia

In FY14/15, Esprit products came from 226 suppliers who used 526 factories. 55% of our garments were made by our key suppliers which share, in total, approximately 20% of all Esprit production. Combined, these factories employ about 400,000 people.

To ensure that all employees have working conditions that meet local and international standards, Esprit requires each factory and supplier to follow our Supplier Code of Conduct. Before we start any business collaboration, our Supplier Code of Conduct is shared with the potential supplier and has to be signed prior to the engagement. Esprit expects all suppliers and all participants within its supply chain to respect the key values and principles that are set out.

The Supplier Code of Conduct references the Core Conventions of the International Labor Organization[4] and the ILO Declaration on Fundamental Principles and Rights at Work.

Esprit's main principles of the Supplier Code of Conduct

1. *Ethics: anti-corruption & fair business practices*
2. *Legal compliance*
3. *No child labor*
4. *No forced, bonded, indentured and prison labor*
5. *Freedom of association and collective bargaining*
6. *No discrimination harassment and abuse*
7. *Wages, benefits and terms of employment: fair and legal compensation*
8. *Working hours: no involuntary and excessive overtime*
9. *Safe and healthy working conditions*
10. *Responsible animal treatment, use of chemical substances and environment*
11. *Implementation of management systems*

Before we place an order at a new supplier facility, we take care that all the requirements from our Supplier Code of Conduct are met. Esprit takes on the responsibility not merely to choose factories that are already in full compliance with our standards, but also to ensure a steady improvement in the factories that we use. In FY14/15, 100% of our new suppliers were inspected for labor practices and human rights standards before placing an order. Our goal is to maintain this level of monitoring.

Auditing factories to assess how working conditions meet local law and international standards does not ensure factory improvements by itself. Nevertheless, comprehensive, rigorous audits are fundamental to improve factory working conditions. "Audit fatigue" has been recognized as a problem for factories, as each of the suppliers' many customers require different audits to be conducted, by different groups, using slightly different audit criteria and benchmarks. The challenge to brands and auditors is to ensure that good, useful audit reports are produced, while avoiding excess audits where possible. Multi-stakeholder initiatives are therefore vital to these goals, and they also help to increase the impact of our program.

To support our suppliers in achieving the required standards, Esprit works with credible third parties, complemented by our in-house Social Compliance team of eleven employees. The team assesses social compliance in our supplier factories through formal audits and informal visits, by both Esprit staff and third parties, both announced and unannounced.

To ensure our compliance with labor and human rights standards, as well as safe working conditions, the goal is to assess each factory at least once a year, or more often where warranted.

Unannounced auditing is an important part of our process to determine how well suppliers meet the standards laid out in our Supplier Code of Conduct. Furthermore, the unannounced audits serve as systems checks, providing the opportunity to interview factory managers and workers, and to ensure modern management systems. These are important as they establish clear chains of responsibility to meet and maintain compliance including legal standards. Each Esprit supplier factory, at some point in time, is working on a corrective action plan to improve their performance. During the period from July 2014 to June 2015, the Esprit Social Compliance team conducted 531 audits.

[4] For further information please visit: http://www.ilo.org/

Non-compliance with the Esprit Code of Conduct and legal requirements can lead to the termination of the business collaboration with immediate effect, depending on the seriousness of the violation. In FY14/15, three factories (0.5% of all factories) had to be dropped because of falsified pay-roll, production and work hour records.

As described in our purchasing strategy, it is our aim to establish fair, stable and long-term relationships with our suppliers and, as we see it, pulling out of factories does not solve problems. We prefer to develop solutions for compliance violations along with our suppliers wherever possible. Working conditions in Esprit's supplier factories are not yet at the point where we want them to be, but we believe that they are improving. In FY14/15, significant issues were addressed through corrective action plans in 74% of our factories. Continuous efforts allow us to make a real difference in the lives of the people who make Esprit clothes.

Environmental management

In order to produce fashionable products, various manufacturing processes are often necessary, such as dying, printing, washing, different fabric finishes, and even occasional work by hand. Many of these processes can have a negative impact on the environment if not managed correctly, so it is important to carry out these processes in the most responsible and sustainable way possible. In times of climate change, heavy pollution and water scarcity, it is important to re-think operations and find solutions to help preserve our planet.

Chemical management

Ensuring a sustainable business also means ensuring a safe product range. Therefore, a high priority and constant focus at Esprit is the use of chemicals in the manufacture of our products. We work with external agencies to identify chemicals of concern and apply the precautionary principles in our evaluation.

After our Detox Commitment in 2012 and an intensive benchmarking wastewater study in 2013, Esprit achieved one of our first targets in FY14/15: the elimination of poly- and per-fluorinated chemicals (PFCs) in our supply chain, four months ahead of schedule. These chemicals are mostly used in high performance outerwear to achieve a water repellent surface and to protect customers from inclement weather. Once PFCs have entered the environment they are nearly impossible to decompose and can affect the health of both people and animals. With the chemical management program, Esprit has stopped the use of PFC-based technology in our manufacturing processes. This equates to the removal of 54.3 tons/year of PFC-based chemicals from our supply chain and hence any being released into the environment.

During FY14/15, we continued to target the elimination of priority chemical groups, adopting the ZDHC Manufacturing Restricted Substance List (MRSL)[5]. To assist with the adoption and extension of the MRSL, we have also been working with our ZDHC peers on a data platform to drive future operating and reporting systems. This platform will enable suppliers to control and report on chemical inventories. With our attention on the use of compliant chemicals in processing, we are able to reduce our frequency of effluent testing to a level that demonstrates due diligence and provides an indicator of progress.

[5] For further information please visit: http://www.roadmaptozero.com/pdf/MRSL.pdf

Energy & water management

Denim is a type of garment that has great impact on the environment during manufacturing, mainly due to the chemical dyes used and the high water consumption. Since denim is one of our most popular products, there is great potential to improve the production of this large product group with a manageable number of suppliers.

In April 2014, we started a program in collaboration with service provider Reset Carbon[6] that focuses on water and energy usage in textile production. Starting with our denim ranges, we selected four production sites in Pakistan: two garment manufacturers, one laundry and one dye-house. Each joined the project at the beginning of 2015. At each of these facilities, we conducted comprehensive studies on their water, energy and chemical usage in order to develop a strategy. We started with a site-assessment to establish base-line data and to determine the potential improvements, such as saving energy, more water efficiency, better chemical management and also any opportunities to use recycled fabrics. In the long-term, this project will help suppliers to reduce costs, due to a reduction of water and energy consumption during the manufacturing process. The project is designed to have minimum impact on facility cash flow to encourage suppliers to make future investments in sustainability.

Animal welfare

All creatures should be treated with dignity and respect. Therefore, Esprit has implemented an Animal Welfare Policy related to the use of animal products in our supply chain. Any kind of cruel treatment of animals in our supply chain is strictly prohibited. This applies to all unkind methods such as live-plucking of down and mulesing of sheep.

All products derived from animals must be in accordance with our Code of Conduct and the Farm Animal Welfare Council's (FAWC) "Five Freedoms"[7]. They include:

1. Freedom from hunger and thirst
2. Freedom from discomfort
3. Freedom from pain, injury or disease
4. Freedom to express normal behavior
5. Freedom from fear and distress

Since 2012 the use of wool from surgical mulesed sheep is banned in all Esprit products. Furthermore, as a direct response to reports of live-plucking of angora (rabbit) wool, Esprit immediately discontinued the sourcing of angora wool in November 2013. This ban will remain in place until proper controls and transparency can be established within this field.

In accordance with our Animal Welfare Policy, we strongly condemn the removal of feather or down from live birds, and the forced feeding of birds. To ensure a high level of transparency, the entire Esprit supply chain is going to be certified for down supplies according to the Responsible Down Standard (RDS)[8]. We have begun the process of certifying our supply chain and expect to complete certification by Autumn 2016. The standard we use has been developed by Textile Exchange, a non-profit organization that was founded in 2002 to work on a more sustainable textile industry. In the RDS certification process all stakeholders in the supply chain – from duck and goose farms to Esprit itself – are audited to ensure that no live-plucked downs are used in Esprit garments. It also ensures that all downs used are by-products of the food industry.

Esprit is a fur free company and member of the Fur Free Retailer Program[9]. The program is an international initiative designed to provide consumers with accurate information about a retailer's fur policy.

Esprit is not a vegan brand and does not claim to be. However, we serve our vegan customers with a range of vegan collections, certified by animal rights organization People for Ethical Treatment of Animals (PETA). Regarding our leather styles, our suppliers must have the ability to trace raw hides and skins back to their country of origin. Additionally, we do not source any leather from endangered or threatened species that appears on either list from the International Union for the Conservation of Nature (IUCN)[10] or the Convention of International Trade in Endangered Species of Wild Fauna and Flora (CITES)[11].

6 For further information please visit: http://resetcarbon.com/
7 For further information please visit: https://www.gov.uk/government/groups/farm-animal-welfare-committee-fawc
8 For further information please visit: http://textileexchange.org/RDS
9 For further information please visit: http://www.furfreeretailer.com
10 For further information please visit: http://www.iucn.org/
11 For further information please visit: http://www.cites.org/

06
CORPORATE GOVERNANCE

06.1 Corporate governance report

Esprit is committed to achieving high standards of corporate governance. The Esprit Corporate Governance Code was adopted by the board of directors (the "Board" or the "Director(s)") of the Company aiming at providing greater transparency, quality of disclosure as well as more effective risk management 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 maximizing returns to shareholders. Management pledge to building long-term interests for shareholders via, for example, conducting business in a socially responsible and professional manner.

Ownership structure

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

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.

Composition of the Board

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)
Thomas TANG Wing Yung (Group Chief Financial Officer)

Non-executive Director

Jürgen Alfred Rudolf FRIEDRICH

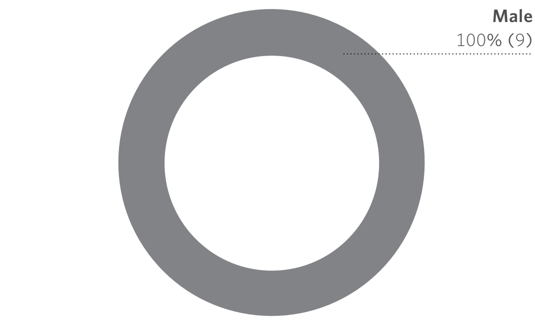
Independent Non-executive Directors

Dr Raymond OR Ching Fai (Chairman)
Paul CHENG Ming Fun (Deputy Chairman)
Dr José María CASTELLANO RIOS
(appointed with effect from 4 December 2014)
Alexander Reid HAMILTON
Carmelo LEE Ka Sze
Norbert Adolf PLATT

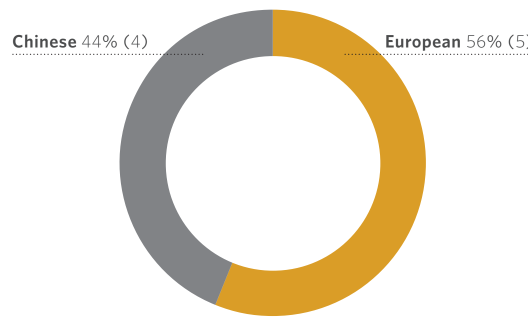
Board diversity

The Board has adopted a board diversity policy ("Board Diversity Policy") setting out the approach to achieve diversity on the Board with the aims of enhancing the quality of its performance and ensuring orderly succession for appointments. The Company considers aspects of board diversity including but not limited to gender, age, ethnicity, professional experience, skills and knowledge. The ultimate decision will be based on merit and contribution that the individual will bring to the Board.

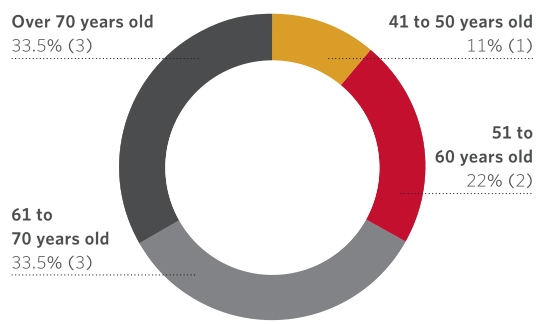
Gender



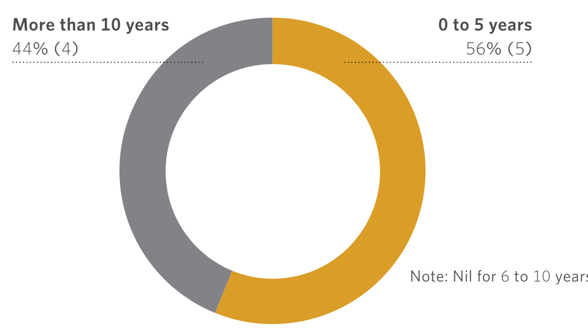
Ethnicity



Age



Length of service



Note: () denotes number of Directors

The Directors come from diverse business and professional backgrounds appropriate to the requirement of the business 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.

Meetings attended/held

The attendance of individual members of the Board at the Board meetings, Board Committees meetings and general meetings of the Company during the financial year ended 30 June 2015 is set out in the table below:

	Board	Non-executive Directors	Audit Committee	Nomination Committee	Remuneration Committee	General Committee	Annual general meeting
Executive Directors							
Jose Manuel MARTINEZ GUTIERREZ	9/9				4/4	8/8	1/1
Thomas TANG Wing Yung	9/9					8/8	1/1
Non-executive Director							
Jürgen Alfred Rudolf FRIEDRICH	7/9	1/1	1/2		3/4		0/1
Independent Non-executive Directors							
Raymond OR Ching Fai (Chairman)	9/9	1/1		2/2			1/1
Paul CHENG Ming Fun (Deputy Chairman)	9/9	1/1		2/2	4/4		0/1
José María CASTELLANO RIOS *(appointed with effect from 4 December 2014)*	5/5		2/2				
Alexander Reid HAMILTON	9/9	1/1	4/4	2/2			1/1
Carmelo LEE Ka Sze	9/9	1/1		2/2	4/4		1/1
Norbert Adolf PLATT	9/9	1/1	4/4		4/4		1/1

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 2015, 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 2015, the Directors are satisfied that management have selected appropriate accounting policies, applied them consistently in accordance with the International Financial Reporting Standards and made judgments and estimates that are prudent and reasonable, and have prepared the consolidated financial statements on the going concern basis.

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

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 appropriate and effective risk management and internal control systems are established and maintained 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, approved the adoption of a risk management policy (the "Risk Management Policy") and the establishment of the Risk Management Committee and its term of reference, 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.

Chairman and Group Chief Executive Officer

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.

Board independence and effectiveness

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

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. Further appointment of an Independent Non-executive Director who serves more than nine years shall be subject to a separate resolution to be approved by the shareholders.

Non-executive Directors

Non-executive Directors of the Company have not been appointed for a specific term. Under code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term, subject to re-election. Nevertheless, 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.

Directors' securities transactions

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 they have complied with the required standard set out in the Model Code for the financial year ended 30 June 2015.

Furthermore, the Company has established written guidelines in respect to securities transactions by the Directors and relevant employees to ensure there are no improper dealings.

Continuous professional development

Each newly appointed Director receives comprehensive, formal and tailored induction program 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 program was given to Dr José María CASTELLANO RIOS who was appointed as Director with effect from 4 December 2014.

Continuous professional development programs 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 and industry 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 for 2015 legal and regulatory update on 10 June 2015.

Participation in Director's continuous professional development program during the financial year is summarized as follows:

	Reading regulatory updates and directors' duties	Reading materials relating to business and industry	Attending professional briefings/ seminars/ conferences relevant to regulatory updates, directors' duties 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	✓	✓	✓
José María CASTELLANO RIOS *(appointed with effect from 4 December 2014)*	✓	✓	✓
Alexander Reid HAMILTON	✓	✓	✓
Carmelo LEE Ka Sze	✓	✓	✓
Norbert Adolf PLATT	✓	✓	✓
Company Secretary			
Florence NG Wai Yin	✓	✓	✓

Board committees

To oversee particular aspects of the Company's affairs and to assist in the execution of its responsibilities, the Board has established five Board Committees, namely the Audit Committee, the Nomination Committee, the Remuneration Committee, the Risk Management 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 and duties of each committee performed during the year is included below.

Audit Committee

Members
Alexander Reid HAMILTON (Chairman)
Dr José María CASTELLANO RIOS
(appointed with effect from 4 December 2014)
Norbert Adolf PLATT
Jürgen Alfred Rudolf FRIEDRICH
(resigned with effect from 4 December 2014)

Responsibilities include, amongst other things, the following:

- 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 programs and budget;
- Review of the internal control system, including the whistleblowing arrangements, and risk management system;
- Review of financial information of the Company;
- Oversee the audit process and the Company's relations with the external auditors; and
- Perform other duties as assigned by the Board.

The Audit Committee currently comprising three Independent Non-executive Directors. The Audit Committee met four times during the year. The attendance record of the Audit Committee members is recorded in the "Meetings attended/held" section above. 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. The Audit Committee also has established a whistleblowing policy and system. Our Group Chief Financial Officer, external auditors, internal auditors and senior management are invited to attend the meetings to answer questions raised by the Audit Committee.

Duties performed during the year include, amongst other things, the following:

- Reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control, and financial reporting matters including the review of the quarterly trading updates, interim results and annual results of the Group for the year ended 30 June 2015;
- Reviewed the nature, scope and findings of internal and external audits, and the Company's treasury activities, tax issue and liquidity; and
- Reviewed the Risk Management Policy and made recommendation to the Board for the establishment of Risk Management Committee.

Audit Committee (continued)

Internal audit function

The Company's internal audit function ("Internal Audit") reports directly to the Audit Committee. Internal Audit is responsible for performing regular and systematic reviews of the 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. Moreover, Internal Audit shall appraise the risk management system. Where specialist skills are required, Internal Audit engages an outside professional firm to assist them in their reviews. The attainment of such objectives involves the following activities being carried out by Internal Audit:

- Reviewing and appraising the soundness, adequacy and application of operational, financial, compliance and other controls and promoting effective internal 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, managed, 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 Board.

Auditors' remuneration

The Audit Committee has reviewed the fees for audit and non-audit services to the external auditors for the financial years ended 30 June 2015 and 2014. A summary of which is as follows:

	2015 HK$ million	2014 HK$ million
Nature of the services		
Audit services	**14**	14
Other services	**3**	2
	17	16

Nomination Committee

Members
Dr Raymond OR Ching Fai (Chairman)
Paul CHENG Ming Fun
Alexander Reid HAMILTON
Carmelo LEE Ka Sze

Responsibilities include, amongst other things, the following:

- Review and recommend the structure, size and composition of the Board;
- Review and monitor the implementation of the Board Diversity Policy to ensure its effectiveness;
- Identify and recommend individuals suitably qualified to become Board member(s), selection of candidates for nomination to the Board will be based on the aforesaid aspects of diversity;
- 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 organization 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, the Risk Management Committee and the General Committee.

The Nomination Committee currently comprises four Independent Non-executive Directors. The Nomination Committee met twice during the year. The attendance record of the Nomination Committee members is set out in the "Meetings attended/held" section above.

Duties performed during the year:

- Recommended Dr José María CASTELLANO RIOS to the Board for appointment as Independent Non-executive Director of the Company;
- Reviewed the structure, size and composition of the Board;
- Assessed the independence of the Independent Non-executive Directors; and
- Reviewed the implementation of the Board Diversity Policy. More information on the diversity of the Board is set out in the "Board diversity" section above.

Remuneration Committee

Members
Paul CHENG Ming Fun (Chairman)
Jose Manuel MARTINEZ GUTIERREZ
Jürgen Alfred Rudolf FRIEDRICH
Carmelo LEE Ka Sze
Norbert Adolf PLATT

Responsibilities include, amongst other things, the following:

- 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.

The Remuneration Committee currently comprises four Non-executive Directors, three of whom are independent, and one Executive Director. The Remuneration Committee met four times during the year. The attendance record of the Remuneration Committee members is set out in the "Meetings attended/held" section above.

Duties performed during the year:

- Reviewed and determined the remuneration packages of the Executive Directors and senior management;
- Reviewed and approved key performance indicators for the bonus opportunity of the Executive Directors and senior management for the financial year ending 30 June 2016;
- Reviewed the proposal for grant of share options to eligible persons of the Company pursuant to the share option scheme of the Company;
- Reviewed current job grading system and overall compensation and incentive policies;
- Reviewed and approved the global mobility policy;
- Reviewed the existing global travel insurance policy and practices of the Group; and
- Determined and recommended to the Board the director's fee entitled by the chairman and members of the Risk Management Committee.

Remuneration policy

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 Group Chief Executive Officer about the remuneration proposals for other Executive Directors. The recommended remuneration package comprises salaries, bonus opportunity 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 Board committee matters and reference is made to the level of remuneration for non-executive directors of listed companies with global operation. The recommended remuneration package comprises annual directorship fee, fee for representation on Board committees, where appropriate, chairmanship fee and share options.

With effect from 1 July 2015, Mr Carmelo LEE Ka Sze and Dr José María CASTELLANO RIOS have been appointed as the chairman and a member of the Risk Management Committee of the Board respectively. Accordingly, Mr LEE is further entitled to a chairman fee of HK$150,000 per annum and Dr CASTELLANO is further entitled to a membership fee of HK$75,000 per annum.

Risk Management Committee

Members
Carmelo LEE Ka Sze (Chairman)
Thomas TANG Wing Yung
Dr José María CASTELLANO RIOS

Responsibilities include, amongst other things, the following:

- Review the effectiveness of the Group's risk management function;
- Review and assess the Group's risk appetite annually;
- Review and monitor the Group's risk profiles and ensure an appropriate risk control environment is enforced and maintained;
- Review and assess the methodologies employed by management to identify, measure, manage and/or control risks that may have an impact on the business in accordance with the Group's risk appetite and Risk Management Policy;
- Review half-yearly risk management report, which shall include, amongst other things, a confirmation from management on the effectiveness of the risk management system; and
- Review and assess the Group's Risk Management Policy.

The Risk Management Committee has been established with effect from 1 July 2015. It currently comprises two Independent Non-executive Directors and one Executive Director. The Chairman of the Board, Group Chief Executive Officer, Group Chief Financial Officer, senior management, the heads of risk, compliance and internal audit and external advisors may be invited to attend the meetings as and when appropriate.

Risk Management Committee (continued)

The Board has adopted the Risk Management Policy with key objective of ensuring a consistent basis for measuring, controlling, monitoring and reporting risks across the Group at all levels to support the achievement of the organization's strategic objective. It ensures the implementation of a structured risk management framework across the Group, where the responsibilities for identifying, assessing, and managing risks will be shared with frontline staff or business unit owners on an ongoing basis.

General Committee

Members
Jose Manuel MARTINEZ GUTIERREZ
Thomas TANG Wing Yung

Responsibilities include, amongst other things, the following:

Discuss, consider and approve routine corporate administrative matters of the Company such as:
- 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;
- Respond to routine enquiries from The Stock Exchange of Hong Kong Limited relating to the continuing obligations of the Company under the Listing Rules;
- Issue statements regarding unusual movements in price and/or trading volume of the shares of the Company; and
- Other administrative matters.

The General Committee currently comprises two Executive Directors. The General Committee met eight times during the year. The attendance record of the General Committee members is set out in the "Meetings attended/held" section above.

Duties performed during the year:

- Issuance of shares of the Company upon exercise of share options by eligible persons pursuant to the share option scheme of the Company;
- Approved the allotment of scrip shares pursuant to the scrip dividend reinvestment schemes for final dividend for the year ended 30 June 2014 and for interim dividend for the six months ended 31 December 2014;
- Approved the change of the depositary bank for the Company's sponsored American Depositary Receipt programme in the United States of America; and
- Approved the opening of securities account.

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 and Board Committees are kept by the Company Secretary, which are open for inspection following reasonable notice by any Director.

Audit, risk management and internal control

Sound risk management and internal control systems minimize the Group's risk exposure while facilitating the effectiveness and efficiency of its operations. The systems are independently reviewed on an on-going basis so that practical and effective systems are implemented.

Such systems 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 risk management and internal control systems including:

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

The Company has a set of 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 set of code of conduct is made available to every employee of the Group to ensure a unified and consistent practice.

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

The Company recognizes the importance of timely 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 the first and the third quarter trading updates through email alerts. In addition, a results briefing is organized 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 briefing 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 trading 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 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.

Shareholders engagement (continued)

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 2014 AGM, the Chairman of the meeting demanded voting by poll on all resolutions put forth at the meeting. The detailed procedures for conducting a poll were explained to the shareholders on commencement of the 2014 AGM. Tricor Secretaries Limited, the Company's branch share registrar in Hong Kong, was appointed as the scrutineer for voting by poll at the 2014 AGM to ensure the votes were properly counted.

While it was only since 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 program. 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, participate in international non-deal roadshows ("NDRs"), and host Investor Relations Day and Analysts Day to communicate the Company's financial performance and strategic priorities.

Conferences and NDRs attended in FY14/15

Date	Event	Organizer	Location
September – October 2014	FY13/14 Post Final Results Roadshow	UBS	Hong Kong Singapore
		HSBC	New York Boston
		Deutsche Bank	London
November 2014	Morgan Stanley Thirteenth Asia Pacific Summit	Morgan Stanley	Singapore
January 2015	UBS Greater China Conference 2015	UBS	Shanghai
February – March 2015	FY14/15 Post Interim Results Roadshow	UBS Deutsche Bank	Hong Kong Singapore
		BNP Paribas	London
June 2015	UBS Asian Consumer Conference 2015	UBS	Hong Kong

American depositary receipt program

The Company has established a Level 1 sponsored American Depositary Receipt program 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	Deutsche Bank Trust Company Americas

Other stakeholders

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, a summary of Sustainability Report of the Company has been incorporated into this Annual Report in the section headed "Sustainability". The Sustainability Report is available on the Company's website at http://www.esprit.com/company/sustainability.

06.2 Report of the Directors

The Directors present their annual report and the audited consolidated financial statements of the Group for the year ended 30 June 2015.

Principal activities

The Company is an investment holding company. The activities of the principal subsidiaries are shown in note 32 to the consolidated financial statements. The Group is principally engaged in retail and wholesale 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 of this report and in the accompanying notes to the consolidated financial statements.

The Directors maintain the dividend payout ratio of 60% of basic earnings per share. On 28 April 2015, an interim dividend of HK$0.015 per share for the six months ended 31 December 2014 ("Interim Dividend") totaling approximately HK$29 million was paid. Of which, approximately HK$23 million was paid in cash and approximately HK$6 million was paid in form of new fully paid shares of the Company at a dividend reinvestment price of HK$7.922 per share pursuant to the dividend reinvestment scheme for Interim Dividend.

As the Group recorded a loss for the year ended 30 June 2015, the Directors do not recommend the distribution of a final dividend for the year ended 30 June 2015 (FY13/14: HK$0.04 per share). 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 of this report and in note 31 to the consolidated financial statements respectively.

Share capital

During the year, the Company issued 1,699,082 shares of the Company, comprising:

(1) 669,872 shares at a dividend reinvestment price of HK$9.582 per share pursuant to the dividend reinvestment scheme for final dividend for the year ended 30 June 2014;

(2) 714,210 shares at a dividend reinvestment price of HK$7.922 per share pursuant to the dividend reinvestment scheme for Interim Dividend; and

(3) 315,000 shares pursuant to the share option scheme of the Company adopted on 10 December 2009 (the "2009 Share Option Scheme"). The exercise price of the share options exercised pursuant to the 2009 Share Option Scheme is HK$8.76 per share, representing share premium HK$8.66 per share.

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 134 and 135 of this report 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 2015 are set out in note 32 to the consolidated financial statements.

Charitable donations

During the year, the Group made charitable donations totaling HK$0.8 million.

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)
Thomas TANG Wing Yung (Group Chief Financial Officer)

Non-executive Director

Jürgen Alfred Rudolf FRIEDRICH

Independent Non-executive Directors

Dr Raymond OR Ching Fai (Chairman)
Paul CHENG Ming Fun (Deputy Chairman)
Dr José María CASTELLANO RIOS
(appointed with effect from 4 December 2014)
Alexander Reid HAMILTON
Carmelo LEE Ka Sze
Norbert Adolf PLATT

Under bye-law 87(1) 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 Jose Manuel MARTINEZ GUTIERREZ and Mr Paul CHENG Ming Fun will retire at the forthcoming AGM and both 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 appointment. Accordingly, Dr José María CASTELLANO RIOS will also retire at the forthcoming AGM and being eligible, offer himself for re-election. The biographical details of the retiring Directors will be set out in the circular to shareholders of the Company to assist shareholders in making an informed decision on their re-elections. None of the Directors standing for re-election at the forthcoming AGM has a service contract with any member of the Group which is not determinable by the relevant employer within one year without payment of compensation (other than statutory compensation). They have no fixed term of service with the Company and are subject to retirement by rotation and re-election in accordance with the Company's Bye-laws.

Directors and senior management profile

Executive Directors

Jose Manuel MARTINEZ GUTIERREZ, aged 46, 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 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") based in Spain. 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 60, has been an Executive Director of the Company and Group Chief Financial Officer since May 2012. He is a member of the Risk Management Committee and 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 35 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 (the "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

Dr Raymond OR Ching Fai, aged 65, 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. He was conferred an Honorary Doctor of Social Science by the City University of Hong Kong in November 2014. Dr 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 Limited 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 is a non-executive director and deputy chairman of Aquis Entertainment Limited, a company listed on the Australian Securities 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.

Directors and senior management profile (continued)

Non-executive Directors (continued)

Paul CHENG Ming Fun, aged 78, 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 director of Pacific Alliance China Land Ltd., a company 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.

Jürgen Alfred Rudolf FRIEDRICH, aged 77, 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 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.

Dr José María CASTELLANO RIOS, aged 68, has been an Independent Non-executive Director of the Company since December 2014. He is a member of the Audit Committee and the Risk Management Committee of the Board. He was the deputy chairman, chief executive officer and director of Inditex, the Spanish listed company owner of Zara and several other fashion apparel brands, which he served from 1985 to 2005. After being in the industry of international fashion and apparel for around 30 years, Dr CASTELLANO became the president, chief executive officer and director of Grupo Corporativo ONO, S.A. and Cableuropa S.A.U. from 2006 to 2009. He was also the vice-chairman of N M Rothschild in Spain for a number of years starting from 2007. Most recently, Dr CASTELLANO was the chairman and president of Nova Caixa Bank between 2011 and 2014.

Dr CASTELLANO obtained a Bachelor of Art degree in Economics from the University of Santiago de Compostela in Spain and a Doctor of Philosophy degree in Economics from the University of Madrid in Spain. He was a professor of financial economics and accounting at the University of A Coruña in Spain until 2013.

Alexander Reid HAMILTON, aged 73, 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 COSCO International Holdings Limited and Shangri-La Asia Limited. Both companies are listed on the Stock Exchange. He is also an independent non-executive director of JPMorgan 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 CITIC Limited and China COSCO Holdings Company Limited. He was a partner of Price Waterhouse with whom he practiced for 16 years.

Carmelo LEE Ka Sze, aged 55, has been an Independent Non-executive Director of the Company since July 2013. He is the Chairman of the Risk Management Committee and 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. 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. He served as the chairman of the Listing Committee of the Stock Exchange from 2012 to 2015 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 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, 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 and an independent non-executive director of Ping An Insurance (Group) Company of China, Ltd. from June 2009 to June 2015.

Norbert Adolf PLATT, aged 68, 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.

Directors and senior management profile (continued)

Non-executive Directors (continued)

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 programs at Harvard Business School of Harvard University and INSEAD.

Senior management

Arndt BROCKMANN, aged 41, 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.

Juan Antonio CHAPARRO VAZQUEZ, aged 46, 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 and inbound logistics. 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.

Simon HECKSCHER, aged 34, is Senior Vice President – Head of Corporate Strategy of the Group. In his role, Mr HECKSCHER reports directly to the Group Chief Executive Officer and is responsible for strategic initiatives including the implementation of a vertical business model. Prior to joining Esprit in September 2013, Mr HECKSCHER has spent almost seven years at The Boston Consulting Group (BCG). He has worked on various strategic projects in the apparel industry, banking and industrial goods sector across Europe and the Middle East, including the support of the Group's transformation plan from 2011 to 2013. Mr HECKSCHER obtained a Master of Business Administration degree with Dean's Honors and Distinction from Columbia University in the City of New York, US, a Master of Business Administration degree (Diplom-Kaufmann) from the University of Mannheim, Germany, and a Master of International Business degree from the University of Sydney, Australia.

Elena LAZCANOTEGUI LARRARTE, aged 41, is Senior Vice President – Product Strategy 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.

Dieter MESSNER, aged 44, is General Manager Europe, Americas & Middle East. He has overall profit and loss responsibility for the retail and wholesale businesses in these three regions. Prior to joining the Group in June 2015, he spent the last 10 years in the DIY retail industry as board member responsible for the international business of OBI. Between 1995 and 2004, Mr MESSNER worked for McKinsey & Company leading and managing various retail projects across Europe. He has more than 15 years of non-food retail experience and has a profound knowledge of many Central, Western, and Eastern European markets. Mr MESSNER graduated from the Vienna University of Economics and Business Administration and obtained a Master of Business Administration degree from the Kellogg School of Management.

Jürgen MICHELBERGER, aged 50, is Chief Digital Officer of the Group. He manages the implementation of the Omnichannel strategy and is responsible for the profit and loss of the Group's e-commerce business. Mr MICHELBERGER joined Esprit in 1993 as Shop-in-Store Manager Germany and was promoted to Retail Partnership Manager Europe in 1996, where he successfully rolled out the shop-in-store and franchise expansion in Europe. In 2000, he was assigned to build up the Group's European e-commerce business and introduced the Esprit Friends customer loyalty scheme in 2001. In 2012, he was appointed as Senior Vice President – Head of Global e-commerce, followed by promotion to Chief Digital Officer in 2014. Prior to joining Esprit, he worked in retail operations management at Hugo Boss and later managed his family's retail business. He is a trained trade merchant and obtained a Master's degree in Textile Business Management from LDT Nagold Academy of Fashion Management in Germany.

Directors and senior management profile (continued)

Senior management (continued)

Arnd MUELLER, aged 48, 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 Dennision in their apparel and retail branding and information solution business. He obtained a Business Administration and Marketing degree from the University of Duesseldorf.

Rafael PASTOR ESPUCH, aged 45, is the Chief Product Officer of the Group. He is responsible for managing the product creation and design of all product divisions of the Esprit brand. Prior to joining the Group in November 2013, Mr PASTOR's extensive experience spans commercial strategy, product design, production, planning and distribution during his almost 18 years in Inditex. For twelve years, February 2001 to January 2013, he has been executive director of "Zara Basic", a woman product division of Zara, where he managed over two billion euro sales, reaching over 80 countries and 5 continents, with consistent like-for-like sales growth over the past recent years. Prior to this role, between 1995 and 2001, he served as product manager for Zara shoes, as the international clothing product manager for the United States, Greece and the Middle East market, and as controller of another woman division. Mr PASTOR obtained a Bachelor degree in Economic and Business Studies from the University of Madrid, Spain.

José Antonio RAMOS CALAMONTE, aged 43, 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 centralized 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.

Ernst-Peter VOGEL, aged 50, is Chief Financial Operations Officer 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 architecture and non-merchandising procurement functions. 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, including the introduction of SAP to replace the former European ERP system. 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 (Wirtschaftsprüfer) and tax advisor. He obtained a Master of Business Administration degree (Diplom-Kaufmann) from the University of Frankfurt.

Dr Marion WELP, aged 44, is Chief HR & Legal Affairs Officer of the Group. Dr WELP is responsible for leading the Global HR, Legal and Compliance teams. Her prime focus is on global organizational effectiveness achieved by optimizing the Esprit resources and driving operational excellence and capability. She joined Esprit in 2007, and has built up the European legal department and later taking on responsibility for Group legal & compliance function globally. Prior to joining the Group, Dr WELP was a corporate attorney at Ecolab GmbH & Co. KG from 2000 to 2007. She obtained her juris doctorate degree from the University of Münster, Germany and the Master of Laws degree from the Dickinson School of Law, Pennsylvania, USA. Dr WELP is an admitted member of the German as well as the New York Bar Association, is a nominated executive board member of the German In-house Counsel Association (Bundesverbands der Unternehmensjuristen) and was recognized in 2015 as one of Germany's leading in-house counsels by "Legal 500".

Directors' emoluments

Particulars of the remuneration of the Director and senior management for the financial year disclosed pursuant to section 383 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and Appendix 16 of the Listing Rules are set out in note 13 to the consolidated financial statements. The interests of the Directors in share options, including the share options granted to them during the year, are set out in the "Share options" section below. Information about the remuneration policy of the Group is set out in the section headed "Corporate governance report" on pages 68 to 75 of this report.

Share options

2001 share option scheme

The Company adopted a share option scheme on 26 November 2001 (the "2001 Share Option Scheme") and the scheme was terminated on 10 December 2009. Notwithstanding its termination, 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 under the 2001 Share Option Scheme during the year is as follows:

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 01/07/2014	Granted	Exercised	Lapsed	As at 30/06/2015
09/12/2008	44.25	09/12/2009	09/12/2009 - 08/12/2014	45,000	-	-	45,000	-
		09/12/2010	09/12/2010 - 08/12/2014	45,000	-	-	45,000	-
		09/12/2011	09/12/2011 - 08/12/2014	45,000	-	-	45,000	-
		09/12/2012	09/12/2012 - 08/12/2014	45,000	-	-	45,000	-
		09/12/2013	09/12/2013 - 08/12/2014	45,000	-	-	45,000	-
11/12/2008	45.95	11/12/2009	11/12/2009 - 10/12/2014	188,000	-	-	188,000	-
		11/12/2010	11/12/2010 - 10/12/2014	188,000	-	-	188,000	-
		11/12/2011	11/12/2011 - 10/12/2014	188,000	-	-	188,000	-
		11/12/2012	11/12/2012 - 10/12/2014	188,000	-	-	188,000	-
		11/12/2013	11/12/2013 - 10/12/2014	188,000	-	-	188,000	-
05/02/2009	39.76	05/02/2010	05/02/2010 - 04/02/2015	170,000	-	-	170,000	-
		05/02/2011	05/02/2011 - 04/02/2015	200,000	-	-	200,000	-
		05/02/2012	05/02/2012 - 04/02/2015	200,000	-	-	200,000	-
		05/02/2013	05/02/2013 - 04/02/2015	200,000	-	-	200,000	-
		05/02/2014	05/02/2014 - 04/02/2015	200,000	-	-	200,000	-
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	184,000	-	-	-	184,000
		09/12/2011	09/12/2011 - 08/12/2015	184,000	-	-	-	184,000
		09/12/2012	09/12/2012 - 08/12/2015	184,000	-	-	-	184,000
		09/12/2013	09/12/2013 - 08/12/2015	184,000	-	-	-	184,000
		09/12/2014	09/12/2014 - 08/12/2015	184,000	-	-	-	184,000
11/12/2009	53.90	11/12/2010	11/12/2010 - 10/12/2015	141,000	-	-	30,000	111,000
		11/12/2011	11/12/2011 - 10/12/2015	141,000	-	-	30,000	111,000
		11/12/2012	11/12/2012 - 10/12/2015	141,000	-	-	30,000	111,000
		11/12/2013	11/12/2013 - 10/12/2015	141,000	-	-	30,000	111,000
		11/12/2014	11/12/2014 - 10/12/2015	141,000	-	-	30,000	111,000
04/02/2010	57.70	04/02/2011	04/02/2011 - 03/02/2016	120,000	-	-	-	120,000
		04/02/2012	04/02/2012 - 03/02/2016	120,000	-	-	-	120,000
		04/02/2013	04/02/2013 - 03/02/2016	120,000	-	-	-	120,000
		04/02/2014	04/02/2014 - 03/02/2016	120,000	-	-	-	120,000
		04/02/2015	04/02/2015 - 03/02/2016	120,000	-	-	-	120,000
05/02/2010	55.46	05/02/2011	05/02/2011 - 04/02/2016	60,000	-	-	-	60,000
		05/02/2012	05/02/2012 - 04/02/2016	60,000	-	-	-	60,000
		05/02/2013	05/02/2013 - 04/02/2016	60,000	-	-	-	60,000
		05/02/2014	05/02/2014 - 04/02/2016	60,000	-	-	-	60,000
		05/02/2015	05/02/2015 - 04/02/2016	60,000	-	-	-	60,000

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 01/07/2014	Granted	Exercised	Lapsed	As at 30/06/2015
09/12/2010	37.92	09/12/2011	09/12/2011 – 08/12/2016	138,000	–	–	–	138,000
		09/12/2012	09/12/2012 – 08/12/2016	138,000	–	–	–	138,000
		09/12/2013	09/12/2013 – 08/12/2016	138,000	–	–	–	138,000
		09/12/2014	09/12/2014 – 08/12/2016	138,000	–	–	–	138,000
		09/12/2015	09/12/2015 – 08/12/2016	138,000	–	–	–	138,000
13/12/2010	38.10	13/12/2011	13/12/2011 – 12/12/2016	141,000	–	–	30,000	111,000
		13/12/2012	13/12/2012 – 12/12/2016	141,000	–	–	30,000	111,000
		13/12/2013	13/12/2013 – 12/12/2016	141,000	–	–	30,000	111,000
		13/12/2014	13/12/2014 – 12/12/2016	141,000	–	–	30,000	111,000
		13/12/2015	13/12/2015 – 12/12/2016	141,000	–	–	30,000	111,000
11/02/2011	40.40	11/02/2012	11/02/2012 – 10/02/2017	60,000	–	–	–	60,000
		11/02/2013	11/02/2013 – 10/02/2017	60,000	–	–	–	60,000
		11/02/2014	11/02/2014 – 10/02/2017	60,000	–	–	–	60,000
		11/02/2015	11/02/2015 – 10/02/2017	60,000	–	–	–	60,000
		11/02/2016	11/02/2016 – 10/02/2017	60,000	–	–	–	60,000
09/12/2011	11.09	09/12/2012	09/12/2012 – 08/12/2017	138,000	–	–	–	138,000
		09/12/2013	09/12/2013 – 08/12/2017	138,000	–	–	–	138,000
		09/12/2014	09/12/2014 – 08/12/2017	138,000	–	–	–	138,000
		09/12/2015	09/12/2015 – 08/12/2017	138,000	–	–	–	138,000
		09/12/2016	09/12/2016 – 08/12/2017	138,000	–	–	–	138,000
In aggregate				**7,195,000**	**–**	**–**	**2,585,000**	**4,610,000**

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 01/07/2014	Granted	Exercised	Lapsed	As at 30/06/2015
09/02/2009	41.70	09/02/2010	09/02/2010 – 08/02/2015	120,000	–	–	120,000	–
		09/02/2011	09/02/2011 – 08/02/2015	120,000	–	–	120,000	–
		09/02/2012	09/02/2012 – 08/02/2015	120,000	–	–	120,000	–
		09/02/2013	09/02/2013 – 08/02/2015	120,000	–	–	120,000	–
		09/02/2014	09/02/2014 – 08/02/2015	120,000	–	–	120,000	–
In aggregate				**600,000**	**–**	**–**	**600,000**	**–**
Total				**7,795,000**	**–**	**–**	**3,185,000**	**4,610,000**

Note:
No share options were canceled under the 2001 Share Option Scheme during the year.

2009 share option scheme

The Company adopted the 2009 Share Option Scheme on 10 December 2009. Particulars of the 2009 Share Option Scheme are set out in note 20 to the consolidated financial statements. A summary of the movements of the outstanding share options under the 2009 Share Option Scheme, including the share options granted during the year is as follows:

Directors

Jose Manuel MARTINEZ GUTIERREZ

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 01/07/2014	Granted	Exercised	Lapsed	As at 30/06/2015
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
04/11/2013	14.18	04/11/2016	04/11/2016 – 03/11/2023	400,000	–	–	–	400,000
31/10/2014	10.124	31/10/2017	31/10/2017 – 30/10/2024	–	400,000	–	–	400,000
In aggregate				**5,400,000**	**400,000**	**–**	**–**	**5,800,000**

Thomas TANG Wing Yung

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 01/07/2014	Granted	Exercised	Lapsed	As at 30/06/2015
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
04/11/2013	14.18	04/11/2016	04/11/2016 – 03/11/2023	300,000	–	–	–	300,000
31/10/2014	10.124	31/10/2017	31/10/2017 – 30/10/2024	–	300,000	–	–	300,000
In aggregate				**2,600,000**	**300,000**	**–**	**–**	**2,900,000**

Raymond OR Ching Fai

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 01/07/2014	Granted	Exercised	Lapsed	As at 30/06/2015
30/06/2014	11.00	30/06/2015	30/06/2015 – 29/06/2024	450,000	–	–	–	450,000
In aggregate				**450,000**	**–**	**–**	**–**	**450,000**

Paul CHENG Ming Fun

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 01/07/2014	Granted	Exercised	Lapsed	As at 30/06/2015
30/06/2014	11.00	30/06/2015	30/06/2015 – 29/06/2024	280,000	–	–	–	280,000
In aggregate				**280,000**	**–**	**–**	**–**	**280,000**

Jürgen Alfred Rudolf FRIEDRICH

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 01/07/2014	Granted	Exercised	Lapsed	As at 30/06/2015
30/06/2014	11.00	30/06/2015	30/06/2015 – 29/06/2024	110,000	–	–	–	110,000
In aggregate				**110,000**	**–**	**–**	**–**	**110,000**

2009 share option scheme (continued)

Directors (continued)

Alexander Reid HAMILTON

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 01/07/2014	Granted	Exercised	Lapsed	As at 30/06/2015
30/06/2014	11.00	30/06/2015	30/06/2015 – 29/06/2024	110,000	–	–	–	110,000
In aggregate				**110,000**	**–**	**–**	**–**	**110,000**

Carmelo LEE Ka Sze

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 01/07/2014	Granted	Exercised	Lapsed	As at 30/06/2015
30/06/2014	11.00	30/06/2015	30/06/2015 – 29/06/2024	100,000	–	–	–	100,000
In aggregate				**100,000**	**–**	**–**	**–**	**100,000**

Norbert Adolf PLATT

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 01/07/2014	Granted	Exercised	Lapsed	As at 30/06/2015
30/06/2014	11.00	30/06/2015	30/06/2015 – 29/06/2024	110,000	–	–	–	110,000
In aggregate				**110,000**	**–**	**–**	**–**	**110,000**

Employees & consultants

Date of grant (dd/mm/yyyy)	Exercise price (HK$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	Number of share options As at 01/07/2014	Granted	Exercised	Lapsed	As at 30/06/2015
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
27/09/2010	43.00	27/09/2013	27/09/2013 – 26/09/2020	3,230,000	–	–	400,000	2,830,000
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	16/09/2014	16/09/2014 – 15/09/2021	600,000	–	–	–	600,000
		16/09/2015	16/09/2015 – 15/09/2021	200,000	–	–	–	200,000
		16/09/2016	16/09/2016 – 15/09/2021	200,000	–	–	–	200,000
27/09/2011	8.76	01/05/2014 (Note 3)	01/05/2014 – 31/07/2014 (Note 3)	190,000	–	190,000	–	–
		27/09/2014 (Note 4)	27/09/2014 – 31/01/2015 (Note 4)	400,000	–	–	400,000	–
		27/09/2014	27/09/2014 – 26/09/2021	8,625,000	–	125,000	800,000	7,700,000

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 01/07/2014	Granted	Exercised	Lapsed	As at 30/06/2015
18/01/2012	11.40	31/10/2013 (Note 5)	31/10/2013 – 30/06/2014 (Note 5)	720,000	–	–	720,000	–
		31/10/2013 (Note 6)	31/10/2013 – 30/06/2014 (Note 6)	240,000	–	–	240,000	–
		31/10/2013 (Note 7)	31/10/2013 – 30/06/2014 (Note 7)	240,000	–	–	240,000	–
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
12/12/2012	12.32	31/10/2013 (Note 8)	31/10/2013 – 30/06/2014 (Note 8)	250,000	–	–	250,000	–
		12/12/2015	12/12/2015 – 11/12/2022	5,990,000	–	–	1,150,000	4,840,000
11/03/2013	10.04	01/12/2014 (Note 9)	01/12/2014 – 28/02/2015 (Note 9)	60,000	–	–	60,000	–
		01/12/2014 (Note 10)	01/12/2014 – 28/02/2015 (Note 10)	20,000	–	–	20,000	–
		01/12/2014 (Note 11)	01/12/2014 – 28/02/2015 (Note 11)	20,000	–	–	20,000	–
		11/03/2016	11/03/2016 – 10/03/2023	6,984,000	–	–	240,000	6,744,000
		11/03/2017	11/03/2017 – 10/03/2023	2,428,000	–	–	180,000	2,248,000
		11/03/2018	11/03/2018 – 10/03/2023	2,428,000	–	–	180,000	2,248,000
04/11/2013	14.18	04/11/2016	04/11/2016 – 03/11/2023	10,505,000	–	–	1,150,000	9,355,000
		04/11/2017	04/11/2017 – 03/11/2023	660,000	–	–	–	660,000
		04/11/2018	04/11/2018 – 03/11/2023	660,000	–	–	–	660,000
21/03/2014	13.592	21/03/2017	21/03/2017 – 20/03/2024	510,000	–	–	–	510,000
		21/03/2018	21/03/2018 – 20/03/2024	170,000	–	–	–	170,000
		21/03/2019	21/03/2019 – 20/03/2024	170,000	–	–	–	170,000
30/06/2014	11.00	30/06/2017	30/06/2017 – 29/06/2024	210,000	–	–	–	210,000
		30/06/2018	30/06/2018 – 29/06/2024	70,000	–	–	–	70,000
		30/06/2019	30/06/2019 – 29/06/2024	70,000	–	–	–	70,000
31/10/2014	10.124	23/03/2015 (Note 12)	23/03/2015 – 30/10/2024 (Note 12)	–	60,000	–	–	60,000
		23/03/2015 (Note 13)	23/03/2015 – 30/10/2024 (Note 13)	–	20,000	–	–	20,000
		23/03/2015 (Note 14)	23/03/2015 – 30/10/2024 (Note 14)	–	20,000	–	–	20,000
		31/10/2017	31/10/2017 – 30/10/2024	–	10,945,000	–	450,000	10,495,000
		31/10/2018	31/10/2018 – 30/10/2024	–	40,000	–	–	40,000
		31/10/2019	31/10/2019 – 30/10/2024	–	40,000	–	–	40,000
In aggregate				**48,850,000**	**11,125,000**	**315,000**	**6,500,000**	**53,160,000**
Total				**58,010,000**	**11,825,000**	**315,000**	**6,500,000**	**63,020,000**

2009 share option scheme (continued)

Employees & consultants (continued)

Notes:
1. The closing price of the shares of the Company immediately before the share options granted on 31 October 2014 was HK$10.08.
2. The weighted average closing price of the shares immediately before the dates of exercise by the employees and consultants was approximately HK$11.31.
3. With effect from 7 April 2014, the vesting date of 190,000 share options at exercise price of HK$8.76 was accelerated from 27 September 2014 to 1 May 2014 and the exercise period was changed from the period of 27 September 2014 to 26 September 2021 to the period of 1 May 2014 to 31 July 2014.
4. With effect from 30 July 2014, the exercise period of 400,000 share options at exercise price of HK$8.76 was changed from the period of 27 September 2014 to 26 September 2021 to the period of 27 September 2014 to 31 January 2015.
5. With effect from 22 October 2013, the vesting date of 720,000 share options at exercise price of HK$11.40 was accelerated from 18 January 2015 to 31 October 2013 and the exercise period was changed from the period of 18 January 2015 to 17 January 2022 to the period of 31 October 2013 to 30 April 2014. Subsequently in March 2014, the exercise period was extended by two months to 30 June 2014.
6. With effect from 22 October 2013, the vesting date of 240,000 share options at exercise price of HK$11.40 was accelerated from 18 January 2016 to 31 October 2013 and the exercise period was changed from the period of 18 January 2016 to 17 January 2022 to the period of 31 October 2013 to 30 April 2014. Subsequently in March 2014, the exercise period was extended by two months to 30 June 2014.
7. With effect from 22 October 2013, the vesting date of 240,000 share options at exercise price of HK$11.40 was accelerated from 18 January 2017 to 31 October 2013 and the exercise period was changed from the period of 18 January 2017 to 17 January 2022 to the period of 31 October 2013 to 30 April 2014. Subsequently in March 2014, the exercise period was extended by two months to 30 June 2014.
8. With effect from 22 October 2013, the vesting date of 250,000 share options at exercise price of HK$12.32 was accelerated from 12 December 2015 to 31 October 2013 and the exercise period was changed from the period of 12 December 2015 to 11 December 2022 to the period of 31 October 2013 to 30 April 2014. Subsequently in March 2014, the exercise period was extended by two months to 30 June 2014.
9. With effect from 28 November 2014, the vesting date of 60,000 share options at exercise price of HK$10.04 was accelerated from 11 March 2016 to 1 December 2014 and the exercise period was changed from the period of 11 March 2016 to 10 March 2023 to the period of 1 December 2014 to 28 February 2015.
10. With effect from 28 November 2014, the vesting date of 20,000 share options at exercise price of HK$10.04 was accelerated from 11 March 2017 to 1 December 2014 and the exercise period was changed from the period of 11 March 2017 to 10 March 2023 to the period of 1 December 2014 to 28 February 2015.
11. With effect from 28 November 2014, the vesting date of 20,000 share options at exercise price of HK$10.04 was accelerated from 11 March 2018 to 1 December 2014 and the exercise period was changed from the period of 11 March 2018 to 10 March 2023 to the period of 1 December 2014 to 28 February 2015.
12. With effect from 10 April 2015, the vesting date of 60,000 share options at exercise price of HK$10.124 was accelerated from 31 October 2017 to 23 March 2015 and the exercise period was changed from the period of 31 October 2017 to 30 October 2024 to the period of 23 March 2015 to 30 October 2024.
13. With effect from 10 April 2015, the vesting date of 20,000 share options at exercise price of HK$10.124 was accelerated from 31 October 2018 to 23 March 2015 and the exercise period was changed from the period of 31 October 2018 to 30 October 2024 to the period of 23 March 2015 to 30 October 2024.
14. With effect from 10 April 2015, the vesting date of 20,000 share options at exercise price of HK$10.124 was accelerated from 31 October 2019 to 23 March 2015 and the exercise period was changed from the period of 31 October 2019 to 30 October 2024 to the period of 23 March 2015 to 30 October 2024.
15. No share options were canceled under the 2009 Share Option Scheme during the year.

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

Accounting treatment for share options

Details of accounting treatment for share options are set out in note 20 to the consolidated financial statements.

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

As at 30 June 2015, 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 contained in the Listing Rules, were as follows:

Name of Directors	Capacity	Beneficial interest in shares	Beneficial interest in unlisted underlying shares (Note 5)	Total number of shares	Approximate percentage of aggregate interest to total issued share capital
Jose Manuel MARTINEZ GUTIERREZ	Beneficial owner	1,000,000	5,800,000	6,800,000	0.34%
Thomas TANG Wing Yung	Beneficial owner	100,000	2,900,000	3,000,000	0.15%
Raymond OR Ching Fai	Beneficial owner	2,000,000	450,000	2,450,000	0.12%
Paul CHENG Ming Fun	Beneficial owner (Note 1)	881,836	280,000	2,043,778	0.10%
	Interest of spouse (Note 2)	881,942	-		
Jürgen Alfred Rudolf FRIEDRICH	Beneficial owner (Note 3)	45,500,000	110,000	45,663,669	2.34%
	Interest of spouse (Note 4)	53,669	-		
Alexander Reid HAMILTON	Beneficial owner	-	110,000	110,000	0.00%
Carmelo LEE Ka Sze	Beneficial owner	-	100,000	100,000	0.00%
Norbert Adolf PLATT	Beneficial owner	-	110,000	110,000	0.00%

Notes:
1. The interests of the 881,836 shares were held jointly by Mr Paul CHENG Ming Fun and his spouse, Mrs Janet Mary CHENG.
2. The shares were deemed to be held by the spouse of Mr Paul CHENG Ming Fun, 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 the spouse of Mr Jürgen Alfred Rudolf FRIEDRICH, Mrs Anke Beck FRIEDRICH.
5. The interests of the Directors and chief executives of the Company in the underlying shares of equity derivatives in respect of share options of the Company are detailed in "Share options" section above.
6. All interests disclosed above represent long position in the shares and underlying shares of the Company.

Save as disclosed above, as at 30 June 2015, none of the Directors and chief executives of the Company or their respective 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 2015, 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 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)	Approximate percentage of aggregate interest to total issued share capital	Number of shares (Short position)	Approximate percentage of aggregate interest to total issued share capital
Massachusetts Financial Services Company (Note 1)	Investment manager	252,781,974	13.00%	-	-
Sun Life Financial, Inc. (Note 1)	Investment manager	252,781,974	13.00%	-	-
Lone Pine Capital LLC	Investment manager	244,006,205	12.55%	-	-
HSBC International Trustee Limited (Notes 2 and 3)	Trustee	212,159,156	10.91%	-	-
Total Market Limited (Notes 2 and 3)	Beneficial owner	211,822,656	10.89%	-	-
Spring Forest International Limited (Notes 2 and 3)	Interest in a controlled corporation	211,822,656	10.89%	-	-
YFT Group Limited (Notes 2 and 3)	Interest in a controlled corporation	211,822,656	10.89%	-	-
YFT Holdings Limited (Notes 2 and 3)	Interest in a controlled corporation	211,822,656	10.89%	-	-
Michael YING Lee Yuen (Notes 2 to 4)	Interest in a controlled corporation	211,822,656	10.89%	-	-
Marathon Asset Management LLP (Note 5)	Investment manager	125,148,115	6.43%	-	-
Sanderson Asset Management LLP	Investment manager	100,458,048	5.16%	-	-

Substantial shareholders' interests (continued)

Notes:
1. Massachusetts Financial Services Company ("MFS") is a subsidiary of Sun Life Financial, Inc. ("SLF"). Accordingly, SLF was deemed to be interested in the shares held by MFS and its direct and indirect subsidiaries.
2. 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.
3. HITL, in its capacity as trustee of the discretionary trust set up by Mr Michael YING Lee Yuen ("Mr YING") as settlor and other trusts, was directly interested or deemed to be interested in the shares held by Total Market and in the remaining 336,500 shares respectively pursuant to Part XV of the SFO.
4. Mr YING was deemed to be interested in the shares held by Total Market pursuant to Part XV of the SFO.
5. 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.

Save as disclosed hereinabove and in the "Directors' interests and short positions in shares, underlying shares and debentures" section above, 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 2015 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 8% of the Group's sales were attributable to the five largest customers and less than 17% of the Group's purchases were attributable to the Group's 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 30 to the consolidated financial statements. None of these related party transactions constitutes a connected transaction as defined in the Listing Rules.

Corporate governance

Particulars of the Company's corporate governance practices are set out on pages 68 to 75 of this report.

Auditor

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

On behalf of the Board
ESPRIT HOLDINGS LIMITED

Dr Raymond OR Ching Fai
Chairman

Hong Kong, 23 September 2015

07
FINANCIAL SECTION

07.1 Independent auditor's report

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

We have audited the consolidated financial statements of Esprit Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 95 to 131, which comprise the consolidated and company statement of financial position as at 30 June 2015, 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 predecessor Hong Kong Companies Ordinance (Cap. 32), 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 judgment, 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 2015, 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 predecessor Hong Kong Companies Ordinance (Cap. 32).

Other matters

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

PricewaterhouseCoopers

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 September 2015

07.2 Consolidated income statement

	Notes	2015 HK$ million	2014 HK$ million
		For the year ended 30 June	
Turnover	5	**19,421**	24,227
Cost of goods sold		**(9,726)**	(12,071)
Gross profit		**9,695**	12,156
Staff costs	12	**(3,562)**	(3,851)
Occupancy costs		**(3,160)**	(3,585)
Logistics expenses		**(1,048)**	(1,317)
Marketing and advertising expenses		**(820)**	(792)
Depreciation		**(713)**	(833)
Impairment of property, plant and equipment		**(171)**	(80)
Impairment of goodwill	14	**(2,512)**	–
Additional provision for store closures and leases, net	22	**(282)**	(106)
Other operating costs		**(1,110)**	(1,231)
Operating (loss)/profit ((LBIT)/EBIT)	6	**(3,683)**	361
Interest income		**45**	55
Finance costs	7	**(29)**	(37)
(Loss)/profit before taxation		**(3,667)**	379
Taxation	8	**(29)**	(169)
(Loss)/profit attributable to shareholders of the Company		**(3,696)**	210
(Loss)/earnings per share			
– Basic and diluted	11	**HK$(1.90)**	HK$0.11

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

The notes on pages 102 to 131 form an integral part of these consolidated financial statements.

07.3 Consolidated statement of comprehensive income

	For the year ended 30 June	
	2015 HK$ million	2014 HK$ million
(Loss)/profit attributable to shareholders of the Company	**(3,696)**	210
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Fair value gain/(loss) on cash flow hedge	**164**	(123)
Exchange translation	**(1,452)**	207
	(1,288)	84
Total comprehensive income for the year attributable to shareholders of the Company	**(4,984)**	294

The notes on pages 102 to 131 form an integral part of these consolidated financial statements.

07.4 Consolidated statement of financial position

		As at 30 June	
	Notes	**2015 HK$ million**	2014 HK$ million
Non-current assets			
Intangible assets	14	**3,031**	5,670
Property, plant and equipment	15	**2,835**	3,972
Investment properties	16	**17**	16
Other investments		**7**	7
Debtors, deposits and prepayments	18	**240**	312
Deferred tax assets	24	**649**	615
		6,779	10,592
Current assets			
Inventories	17	**2,969**	3,254
Debtors, deposits and prepayments	18	**2,008**	2,723
Tax receivable		**640**	559
Cash, bank balances and deposits	19	**5,017**	6,031
		10,634	12,567
Current liabilities			
Creditors and accrued charges	21	**3,672**	4,120
Provision for store closures and leases	22	**557**	508
Tax payable		**687**	700
Bank loan	23	**–**	260
		4,916	5,588
Net current assets		**5,718**	6,979
Total assets less current liabilities		**12,497**	17,571
Equity			
Share capital	20	**194**	194
Reserves		**11,704**	16,717
Total equity		**11,898**	16,911
Non-current liabilities			
Deferred tax liabilities	24	**599**	660
		12,497	17,571

Approved by the Board of Directors on 23 September 2015.

JOSE MANUEL **MARTINEZ GUTIERREZ**
Executive Director

THOMAS **TANG** WING YUNG
Executive Director

The notes on pages 102 to 131 form an integral part of these consolidated financial statements.

07.5 Statement of financial position

	Notes	As at 30 June 2015 HK$ million	2014 HK$ million
Non-current assets			
Investments in subsidiaries, unlisted and at cost	32	**1,263**	1,214
Current assets			
Amounts due from subsidiaries	31(a)	**10,459**	10,589
Tax receivable		**1**	1
Cash, bank balances and deposits		**4**	4
		10,464	10,594
Current liabilities			
Amounts due to subsidiaries	31(a)	**18**	10
Accrued charges		**8**	14
		26	24
Net current assets		**10,438**	10,570
Total assets less current liabilities		**11,701**	11,784
Equity			
Share capital	20	**194**	194
Reserves	31(b)	**11,507**	11,590
Total equity		**11,701**	11,784

Approved by the Board of Directors on 23 September 2015.

JOSE MANUEL **MARTINEZ GUTIERREZ**
Executive Director

THOMAS **TANG** WING YUNG
Executive Director

The notes on pages 102 to 131 form an integral part of these consolidated financial statements.

07.6 Consolidated statement of cash flows

	Notes	For the year ended 30 June 2015 HK$ million	2014 HK$ million
Cash flows from operating activities			
Cash generated from operations	25	**257**	2,006
Hong Kong profits tax paid		**(105)**	(119)
Overseas tax paid, net		**(224)**	(469)
Net cash (used in)/generated from operating activities		**(72)**	1,418
Cash flows from investing activities			
Purchase of property, plant and equipment		**(349)**	(375)
Proceeds from disposal of property, plant and equipment	25	**35**	16
Interest received		**45**	55
Net cash inflow for acquisition of businesses	29	**1**	-
Net decrease in bank deposits with maturities of more than three months		**1,041**	617
Net cash generated from investing activities		**773**	313
Cash flows from financing activities			
Net proceeds on issue of shares for cash		**3**	31
Dividends paid		**(95)**	(56)
Repayment of bank loan		**(260)**	(260)
Interest paid on bank loan		**(1)**	(4)
Net cash used in financing activities		**(353)**	(289)
Net increase in cash and cash equivalents		**348**	1,442
Cash and cash equivalents at beginning of year		**3,661**	2,182
Effect of change in exchange rates		**(321)**	37
Cash and cash equivalents at end of year		**3,688**	3,661
Analysis of balances of cash and cash equivalents			
Bank balances and cash		**2,602**	2,930
Bank deposits		**2,415**	3,101
Cash, bank balances and deposits	19	**5,017**	6,031
Less: bank deposits with maturities of more than three months		**(1,329)**	(2,370)
		3,688	3,661

The notes on pages 102 to 131 form an integral part of these consolidated financial statements.

07.7 Consolidated statement of changes in equity

For the year ended 30 June 2015

	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 2014	194	8,204	774	(38)	7	654	1	7,115	16,911
Exchange translation	–	–	–	–	–	(1,452)	–	–	(1,452)
Fair value gain on cash flow hedge									
– net fair value gain	–	–	–	494	–	–	–	–	494
– transferred to income statement – exchange difference	–	–	–	(19)	–	–	–	–	(19)
– transferred to inventories	–	–	–	(311)	–	–	–	–	(311)
Loss attributable to shareholders of the Company	–	–	–	–	–	–	–	(3,696)	(3,696)
Total comprehensive income	–	–	–	164	–	(1,452)	–	(3,696)	(4,984)
Transactions with owners									
Issue of shares	–	3	–	–	–	–	–	–	3
Employee share option benefits	–	–	63	–	–	–	–	–	63
2013/14 final dividend paid	–	6	–	–	–	–	–	(78)	(72)
2014/15 interim dividend paid (Note 10)	–	6	–	–	–	–	–	(29)	(23)
Transfer of reserve upon exercise of share options	–	1	(1)	–	–	–	–	–	–
Total transactions with owners	–	16	62	–	–	–	–	(107)	(29)
At 30 June 2015	194	8,220	836	126	7	(798)	1	3,312	11,898
Representing:									
Proposed final dividend									–
Balance after proposed final dividend									11,898
At 30 June 2015									11,898

The notes on pages 102 to 131 form an integral part of these consolidated financial statements.

07.7 Consolidated statement of changes in equity

For the year ended 30 June 2014

	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 2013	194	8,160	739	85	7	447	1	6,963	16,596
Exchange translation	–	–	–	–	–	207	–	–	207
Fair value loss on cash flow hedge									
– net fair value loss	–	–	–	(196)	–	–	–	–	(196)
– transferred to income statement – exchange difference	–	–	–	4	–	–	–	–	4
– transferred to inventories	–	–	–	69	–	–	–	–	69
Profit attributable to shareholders of the Company	–	–	–	–	–	–	–	210	210
Total comprehensive income	–	–	–	(123)	–	207	–	210	294
Transactions with owners									
Issue of shares	–	31	–	–	–	–	–	–	31
Employee share option benefits	–	–	46	–	–	–	–	–	46
2013/14 interim dividend paid	–	2	–	–	–	–	–	(58)	(56)
Transfer of reserve upon exercise of share options	–	11	(11)	–	–	–	–	–	–
Total transactions with owners	–	44	35	–	–	–	–	(58)	21
At 30 June 2014	194	8,204	774	(38)	7	654	1	7,115	16,911
Representing:									
Proposed final dividend									78
Balance after proposed final dividend									16,833
At 30 June 2014									16,911

The contributed surplus of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Group reorganization 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 131 form an integral part of these consolidated financial statements.

07.8 Notes to the consolidated financial statements

For the year ended 30 June 2015

1. General information

Esprit Holdings Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in retail and wholesale 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 23 September 2015.

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.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

In the current year, the Group has adopted the following International Accounting Standards ("IAS"), IFRS and International Financial Reporting Interpretations Committee ("IFRIC") interpretation effective for the Group's financial year beginning 1 July 2014:

IAS 19 (Amendments)	Defined Benefit Plans – Employee Contributions
IAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities
IAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets
IAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting
IFRS 10, 12 and IAS 27 (Amendments)	Investment Entities
IFRIC 21	Levies
IFRSs (Amendments)	Annual Improvements to IFRSs 2010-2012 Cycle
IFRSs (Amendments)	Annual Improvements to IFRSs 2011-2013 Cycle

The adoption of these new standards, amendments to standards and interpretation has not had any significant impact on the Group's consolidated financial statements.

The Group has not early adopted the following IAS and IFRS that have been issued but are not yet effective.

		Effective for accounting periods beginning on or after
IAS 1 (Amendments)	Disclosure Initiative	1 January 2016
IAS 16 and 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortization	1 January 2016
IAS 16 and 41 (Amendments)	Agriculture: Bearer Plants	1 January 2016
IAS 27 (Amendments)	Equity Method in Separate Financial Statements	1 January 2016
IFRS 9	Financial Instruments	1 January 2018
IFRS 10, 12 and IAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception	1 January 2016
IFRS 10 and IAS 28 (Amendments)	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
IFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
IFRS 14	Regulatory Deferral Accounts	1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2017
IFRSs (Amendments)	Annual Improvements to IFRSs 2012-2014 Cycle	1 January 2016

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

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 judgment in the process of applying the accounting policies. The areas involving a higher degree of judgment and complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4 "Critical accounting estimates and judgments".

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.

2. Summary of significant accounting policies (continued)

(b) Consolidation

(i) Subsidiaries
Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group applies 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 recognizes 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 recognized 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 recognized directly in the income statement.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized 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 recognized in the income statement.

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

(a) assets and liabilities for each 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 recognized 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 recognized in equity.

2. Summary of significant accounting policies (continued)

(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 recognized 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	3¹/₃% – 5%
Plant and machinery	30%
Furniture and office equipment	10% – 33¹/₃%
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 recognized 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 amortized but are tested for impairment (Note 2(h)).

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

(h) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization 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 amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized 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 of disposal 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 recognized 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 recognized. Any goodwill impairment is recognized immediately as an expense and is not subsequently reversed.

(i) Inventories

Inventories are stated at the lower of cost and net realizable 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 realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2. Summary of significant accounting policies (continued)

(j) Receivables

Receivables are recognized initially at fair value and subsequently measured at amortized 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 reorganization, 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 recognized 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 recognized initially at fair value and subsequently measured at amortized 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.

(m) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized 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 recognized 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 recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized 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 realized or the deferred tax liability is settled.

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

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.

2. Summary of significant accounting policies (continued)

(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 recognized 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 recognized 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 recognizes 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 recognized 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 recognized 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.

(iv) Bonus plans
The Group recognizes 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 recognized 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 recognized 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 recognized 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 recognized as follows:

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

(ii) Sales of goods – wholesale
Sales of goods are recognized 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.

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

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

(s) Accounting for derivative financial instruments

Derivatives are initially recognized 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 recognized immediately in the income statement.

The method of recognizing 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 recognized 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 recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the income statement.

2. Summary of significant accounting policies (continued)

(s) Accounting for derivative financial instruments (continued)

(ii) Cash flow hedge (continued)
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 recognized when the forecast transaction is ultimately recognized 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 capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

(u) Dividend distributions

Dividend distributions to the Company's shareholders are recognized 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 recognized 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 judgment 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 program focuses on minimizing 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, US Dollar and Renminbi. Foreign exchange risk primarily arises from future commercial transactions and recognized monetary assets and liabilities that are denominated in currencies that are not the functional currencies of the Group's entities.

To minimize 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 impact on the Group's profit or loss and total comprehensive income in response to a 1% strengthening in Euro and Renminbi against US Dollar in relation to monetary items and derivative financial instruments in existence at the date of the statement of financial position, with all other variables held constant, would have been:

	2015 HK$ million	2014 HK$ million
Euro against US Dollar		
Impact on profit or loss: gain	**3**	2
Impact on total comprehensive income: (loss)	**(48)**	(17)
Renminbi against US Dollar		
Impact on profit or loss: gain	**7**	1
Impact on total comprehensive income: gain	**7**	1

(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 utilization of credit limits is regularly monitored.

3. Financial risk management and fair value (continued)

(a) Financial risk factors (continued)

(ii) Credit risk (continued)
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 analyzes 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 2015			
Creditors and accrued charges (Note)	**3,672**	**–**	**–**
Bank loan	**–**	**–**	**–**
	3,672	**–**	**–**
At 30 June 2014			
Creditors and accrued charges (Note)	4,120	–	–
Bank loan	261	–	–
	4,381	–	–

Note: Included in creditors and accrued charges with a maturity less than 1 year are derivative financial instruments of **HK$23 million** (2014: HK$10 million).

(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.

(b) Capital 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 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 2015, the Group maintained a net cash position of **HK$5,017 million** (2014: HK$5,771 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 maximize 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 judgments

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

Critical accounting estimates and assumptions

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

(a) Useful life and impairment of trademarks

(i) Indefinite useful life
The Group's acquired Esprit trademarks are classified as an indefinite-lived intangible asset in accordance with IAS 38 "Intangible Assets". This conclusion is supported by the fact that Esprit trademark legal rights are capable of being renewed indefinitely at insignificant cost and therefore are perpetual in duration, relate to a well-known and long established fashion brand since 1968, and based on 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 2015. The Group appointed an independent professional valuer to conduct an external valuation of the Esprit trademarks as one corporate asset based on a fair value less costs of disposal calculation as of 30 June 2015. This valuation uses cash flow projections based on financial estimates covering a two-year period, expected royalty rates deriving from the Esprit trademarks in the range of **3% to 5%** (2014: 3% to 4%) and a post-tax discount rate of **14%** (2014: 14%). The cash flows beyond the two-year period are extrapolated using a steady **3%** (2014: 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 costs of disposal calculations.

An impairment charge of HK$1,996 million was recognized for goodwill relating to China for the year ended 30 June 2013 based on a management impairment assessment. Management has been continuously monitoring the development of the operation and the business plan in China. The operating environment in China is considered increasingly challenging with intense competition and the domestic economic growth in China becomes softer. The Group's operation in China was underperformed in the past two years. Given these external and internal factors, a revised projection on the business operation in future is considered appropriate. Based on the current year assessment of the recoverable amount of the China business, an additional impairment charge of **HK$2,512 million** was recognized for the goodwill relating to China for the year ended 30 June 2015. The assessment was based on management's cash flow projections derived from the latest expected revenue growth and profitability of the China business and the China economy.

In the current year, the calculation of the recoverable amount of the China business uses cash flow projections based on financial budgets approved by management covering a five-year period and a post-tax discount rate of **13%** (2014: 11%). Cash flows beyond the five-year period are extrapolated using a steady growth rate of **3%** (2014: 3%) which does not exceed the long term average growth rate in China market. The estimated recoverable amount of the China business equals its carrying value after impairment, consequently any adverse change in key assumptions would, in isolation, cause a further impairment loss to be recognized. If the budgeted sales growth in the financial budget covering the five-year period used in the calculation had been lower by 1% point, the Group would have recognized a further impairment against goodwill of **HK$128 million**. If the post-tax discount rate used in the calculation had been higher by 1% point, the Group would have recognized a further impairment against goodwill of **HK$167 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 costs of disposal 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 judgments and estimates.

4. Critical accounting estimates and judgments (continued)

(d) Net realizable value of inventories

In accordance with IAS 2 "Inventories", the Group estimates annually the net realizable value of inventories. Net realizable 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 judgment 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 recognizes, 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.

(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 recognizes 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 recognizes 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 recognizes 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 recognizes 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 retail and wholesale distribution and licensing of quality fashion and non-apparel products designed under its own internationally-known Esprit brand name.

	2015 HK$ million	2014 HK$ million
Revenue from external customers		
Retail	**12,425**	15,220
Wholesale	**6,845**	8,835
Licensing and other income	**151**	172
	19,421	24,227

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 retail and wholesale 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 2015				
	Retail HK$ million	**Wholesale HK$ million**	**Licensing HK$ million**	**Corporate services, sourcing and others HK$ million**	**Group HK$ million**
Total revenue	**12,425**	**6,845**	**151**	**17,502**	**36,923**
Inter-segment revenue	**–**	**–**	**–**	**(17,502)**	**(17,502)**
Revenue from external customers	**12,425**	**6,845**	**151**	**–**	**19,421**
Segment results	**(575)**	**608**	**120**	**(1,324)**	**(1,171)**
Impairment of goodwill (Note)	**(1,324)**	**(1,188)**	**–**	**–**	**(2,512)**
LBIT					**(3,683)**
Interest income					**45**
Finance costs					**(29)**
Loss before taxation					**(3,667)**
Capital expenditure	**189**	**45**	**–**	**115**	**349**
Depreciation	**342**	**53**	**–**	**318**	**713**
Impairment of property, plant and equipment	**169**	**2**	**–**	**–**	**171**
Additional provision for store closures and leases, net	**282**	**–**	**–**	**–**	**282**

Note: An impairment charge of **HK$2,512 million** for the China goodwill was recognized in the current financial year (Note 4(b)).

	For the year ended 30 June 2014				
	Retail HK$ million	Wholesale HK$ million	Licensing HK$ million	Corporate services, sourcing and others HK$ million	Group HK$ million
Total revenue	15,220	8,835	170	20,736	44,961
Inter-segment revenue	–	–	–	(20,734)	(20,734)
Revenue from external customers	15,220	8,835	170	2	24,227
Segment results	610	968	137	(1,354)	361
Impairment of goodwill	–	–	–	–	–
EBIT					361
Interest income					55
Finance costs					(37)
Profit before taxation					379
Capital expenditure	199	57	–	119	375
Depreciation	418	57	–	358	833
Impairment of property, plant and equipment	79	1	–	–	80
Additional provision for store closures and leases, net	106	–	–	–	106

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:

	2015 HK$ million	2014 HK$ million
Europe		
Germany	**8,961**	11,342
Rest of Europe		
Benelux	**2,410**	3,084
France	**1,221**	1,583
Switzerland	**1,010**	1,158
Austria	**864**	1,127
Scandinavia	**692**	910
Spain	**223**	229
United Kingdom	**203**	287
Italy	**137**	149
Ireland	**6**	9
Portugal	**5**	10
Others (Note 1)	**347**	505
	7,118	9,051
	16,079	20,393
Asia Pacific		
China	**1,500**	1,764
Hong Kong	**386**	401
Australia and New Zealand	**375**	466
Singapore	**301**	348
Malaysia	**239**	251
Taiwan	**200**	201
Macau	**132**	123
Others (Note 2)	**83**	140
	3,216	3,694
North America		
United States	**126**	140
	126	140
	19,421	24,227

Note 1: Others under Rest of Europe include wholesale sales to other countries mainly Chile, Colombia, Bosnia-Herzegovina, the Middle East, Russia and Romania.

Note 2: Others under Asia Pacific include wholesale sales to other countries mainly Thailand, the Philippines and Indonesia.

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

	2015 HK$ million	2014 HK$ million
Hong Kong	**248**	251
Germany	**2,052**	2,873
Other countries (Note)	**3,583**	6,534
	5,883	9,658

Note: Non-current assets located in other countries include intangible assets of **HK$3,031 million** (2014: HK$5,670 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 (2014: less than 10%).

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

	2015 HK$ million	2014 HK$ million
(LBIT)/EBIT is arrived at after charging and (crediting) the following:		
Auditor's remuneration	**14**	14
Depreciation	**713**	833
Amortization of customer relationships	**65**	66
Impairment of goodwill	**2,512**	–
Impairment of property, plant and equipment	**171**	80
Additional provision for store closures and leases, net	**282**	106
(Gain)/loss on disposal of property, plant and equipment	**(15)**	5
Occupancy costs		
– operating lease charge (including variable rental of **HK$340 million** (2014: HK$395 million))	**2,516**	2,841
– other occupancy costs	**644**	744
Cash flow hedges:		
– ineffective portion transferred from equity to exchange (gains)/losses on forward foreign exchange contracts	**(19)**	4
– ineffective portion recognized in exchange gains on forward foreign exchange contracts not qualifying for hedge accounting	**(5)**	(46)
Fair value hedges:		
– exchange loss on forward foreign exchange contracts	**–**	1
– exchange loss on hedged items	**1**	–
Other net exchange losses/(gains)	**49**	(107)
Write-back of provision for obsolete inventories, net	**(266)**	(67)
Provision for impairment of trade debtors, net	**134**	176

7. Finance costs

	2015 HK$ million	2014 HK$ million
Interest on bank loan wholly repayable within five years	1	4
Imputed interest on financial assets and financial liabilities	28	33
	29	37

8. Taxation

	2015 HK$ million	2014 HK$ million
Current tax		
Hong Kong profits tax		
Provision for current year	2	4
Overseas taxation		
Provision for current year	127	160
Under-provision for prior years	49	34
	178	198
Deferred tax (Note 24)		
Current year net credit	(150)	(33)
Effect of changes in tax rates	1	4
Taxation	29	169

Hong Kong profits tax is calculated at **16.5%** (2014: 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 **-0.8%** (2014: 44.7%).

	2015 HK$ million	2014 HK$ million
(Loss)/profit before taxation	(3,667)	379
Tax calculated at applicable tax rates	20	221
Expenses not deductible for tax purposes	40	61
Non-taxable income	(13)	(10)
Utilization of previously unrecognized tax losses	(1)	–
Tax effect of tax losses not recognized	59	31
Under-provision for prior years, net	49	34
Tax effect on deferred tax balances due to changes in income tax rates	1	4
Temporary differences not recognized	(8)	(14)
Tax on undistributed earnings	(45)	(158)
Recognition of previously unrecognized tax losses	(73)	–
Taxation	29	169

The Inland Revenue Department of Hong Kong ("IRD") had initiated tax inquiries concerning taxability of income generated by a subsidiary engaged in the distribution operation of the Group. During the financial years 2012/2013, 2013/2014 and 2014/2015, the IRD issued notices of tax assessment for additional tax in aggregate sums of approximately HK$449 million, HK$550 million and HK$665 million for the years of assessment 2006/2007, 2007/2008 and 2008/2009 respectively. Objections and holdover applications against the additional tax assessments had been lodged. The IRD agreed to hold over the additional tax subject to the purchase of tax reserve certificates ("TRC") of HK$99 million, HK$118 million and HK$102 million for the years of assessment 2006/2007, 2007/2008 and 2008/2009 respectively. The Group purchased these TRC. While the ultimate outcome of these tax inquiries cannot presently be determined, after considering the advice from the Group's 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.

In June 2014, a subsidiary of the Group in Germany received a letter from the tax authority in relation to a dispute on a value-added-tax ("VAT") matter involving payment of interests totaling approximately HK$780 million, to which the company had lodged objection. Based on the advice from the Group's tax advisor, the Board of Directors considers that the payment of interests is unlikely, and therefore no additional provision has been made.

9. Loss 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$54 million** (2014: HK$46 million) (Note 31).

10. Dividends

	2015 HK$ million	2014 HK$ million
Paid interim dividend of **HK$0.015** (2014: HK$0.03) per share	29*	58
No proposed final dividend (2014: HK$0.04 per share)	–	78**
	29	136

10. Dividends (continued)

* The actual interim dividend paid in cash for the year ended 30 June 2015 was HK$23 million. Part of the interim dividend for the year ended 30 June 2015 amounting to HK$6 million was paid in form of new fully paid shares out of the retained profits during the year. For the purpose of calculating the number of scrip shares allotted in respect of the interim dividend, the market value of the scrip shares is HK$7.922, which is the average closing price of the Company's shares as quoted on The Stock Exchange of Hong Kong Limited for the five consecutive trading days immediately preceding 6 March 2015.

** The actual final dividend paid in cash for the year ended 30 June 2014 was HK$72 million. The amount of the actual final dividend paid for the year ended 30 June 2014 had taken into account the additional shares issued during the period from 24 September 2014 to 11 December 2014, the date of closure of the register of members, and part of the final dividend amounting to HK$6 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$9.582, which is the average closing price of the Company's shares as quoted on The Stock Exchange of Hong Kong Limited for the five consecutive trading days immediately preceding 9 December 2014.

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.

	2015	2014
(Loss)/profit attributable to shareholders of the Company (HK$ million)	**(3,696)**	210
Weighted average number of ordinary shares in issue (million)	**1,943**	1,940
Basic (loss)/earnings per share (HK$ per share)	**(1.90)**	0.11

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.

	2015	2014
(Loss)/profit attributable to shareholders of the Company (HK$ million)	**(3,696)**	210
Weighted average number of ordinary shares in issue (million)	**1,943**	1,940
Adjustments for share options (million)	**1**	5
Weighted average number of ordinary shares for diluted earnings per share (million)	**1,944**	1,945
Diluted (loss)/earnings per share (HK$ per share)	**(1.90)**	0.11

Diluted loss per share for the year ended 30 June 2015 was the same as the basic loss per share since the share options had anti-dilutive effect.

12. Staff costs (including directors' emoluments)

	2015 HK$ million	2014 HK$ million
Salaries and wages	**2,754**	3,010
Social security costs and other staff costs	**656**	702
Pensions costs of defined contribution plans	**89**	93
Employee share option benefits	**63**	46
	3,562	3,851

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$30,000 per employee on or after 1 June 2014, and HK$25,000 per employee before 1 June 2014, 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 (2014: 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$'000	Share option benefits HK$'000	Provident fund contributions/ retirement benefit costs HK$'000	2015 Total emoluments HK$'000	2014 Total emoluments HK$'000
Jose Manuel **MARTINEZ GUTIERREZ**[5]	-	14,371 (EUR1,541,324)	13,986 (EUR1,500,000)	6,631 (EUR711,174)	100 (EUR10,723)	35,088 (EUR3,763,221)	35,583 (EUR3,380,775)
Thomas **TANG** Wing Yung	-	8,087	1,739	3,368	18	13,212	13,700
Raymond **OR** Ching Fai[2,4]	2,150	-	-	1,097	-	3,247	2,150
Paul **CHENG** Ming Fun[2,4,5]	1,465	-	-	683	-	2,148	1,465
Jürgen Alfred Rudolf **FRIEDRICH**[1,3,5]	608	-	-	268	-	876	665
José María **CASTELLANO RIOS**[2,3,8]	332	-	-	-	-	332	-
Alexander Reid **HAMILTON**[2,3,4]	735	-	-	268	-	1,003	735
Carmelo **LEE** Ka Sze[2,4,5,7]	650	-	-	244	-	894	585
Norbert Adolf **PLATT**[2,3,5]	665	-	-	268	-	933	665
Eva **CHENG LI** Kam Fun[2,3,5,9]	-	-	-	-	-	-	665
Total for the year 2015	**6,605**	**22,458**	**15,725**	**12,827**	**118**	**57,733**	
Total for the year 2014	6,930	24,393	15,812	9,057	21		56,213

1 Non-executive Director
2 Independent Non-executive Director
3 Members of the Audit Committee
- (a) From 1 July 2013 to 30 June 2014 – Mr Alexander Reid HAMILTON (Chairman), Mr Jürgen Alfred Rudolf FRIEDRICH, Mrs Eva CHENG LI Kam Fun and Mr Norbert Adolf PLATT
- (b) From 1 July 2014 to 3 December 2014 – Mr Alexander Reid HAMILTON (Chairman), Mr Jürgen Alfred Rudolf FRIEDRICH and Mr Norbert Adolf PLATT
- (c) From 4 December 2014 to 30 June 2015 – Mr Alexander Reid HAMILTON (Chairman), Dr José María CASTELLANO RIOS and Mr Norbert Adolf PLATT

4 Members of the Nomination Committee
- (a) From 1 July 2013 to 9 September 2013 – Dr Raymond OR Ching Fai (Chairman), Mr Paul CHENG Ming Fun and Mr Alexander Reid HAMILTON
- (b) From 10 September 2013 to 30 June 2015 – Dr Raymond OR Ching Fai (Chairman), Mr Paul CHENG Ming Fun, Mr Alexander Reid HAMILTON and Mr Carmelo LEE Ka Sze

5 Members of the Remuneration Committee
- (a) From 1 July 2013 to 9 September 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
- (b) From 10 September 2013 to 30 June 2014 – Mr Paul CHENG Ming Fun (Chairman), Mr Jose Manuel MARTINEZ GUTIERREZ, Mr Jürgen Alfred Rudolf FRIEDRICH, Mrs Eva CHENG LI Kam Fun, Mr Norbert Adolf PLATT and Mr Carmelo LEE Ka Sze
- (c) From 1 July 2014 to 30 June 2015 – Mr Paul CHENG Ming Fun (Chairman), Mr Jose Manuel MARTINEZ GUTIERREZ, Mr Jürgen Alfred Rudolf FRIEDRICH, Mr Norbert Adolf PLATT and Mr Carmelo LEE Ka Sze

6 The amount includes directors' fees of **HK$6.0 million** (2014: HK$6.3 million) paid to Independent Non-executive Directors
7 Mr Carmelo LEE Ka Sze was appointed as Independent Non-executive Director with effect from 25 July 2013
8 Dr José María CASTELLANO RIOS was appointed as Independent Non-executive Director with effect from 4 December 2014
9 Mrs Eva CHENG LI Kam Fun resigned as Independent Non-executive Director with effect from 30 June 2014

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included **two** (2014: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining **three** (2014: three) individuals during the year are as follow:

	2015 HK$'000	2014 HK$'000
Salaries, housing and other allowances and benefits in kind	**35,683**	23,906
Bonuses	**12,060**	11,043
Share option benefits	**10,654**	13,594
Pensions costs of defined contribution plans	**1,284**	24
	59,681	48,567

The emoluments fell within the following bands:

	Number of individuals	
Emoluments band	**2015**	2014
HK$15,000,001 – HK$ 15,500,000	**-**	1
HK$15,500,001 – HK$ 16,000,000	**-**	1
HK$16,000,001 – HK$ 16,500,000	**1**	-
HK$17,500,001 – HK$ 18,000,000	**-**	1
HK$19,500,001 – HK$ 20,000,000	**1**	-
HK$23,500,001 – HK$ 24,000,000	**1**	-

14. Intangible assets

	Trademarks HK$ million	Goodwill HK$ million	Customer relationships HK$ million	Total HK$ million
Cost				
At 1 July 2014	**2,003**	**5,273**	**646**	**7,922**
Exchange translation	**(60)**	**(1)**	**-**	**(61)**
At 30 June 2015	**1,943**	**5,272**	**646**	**7,861**
Amortization and impairment				
At 1 July 2014	**-**	**1,969**	**283**	**2,252**
Exchange translation	**-**	**1**	**-**	**1**
Amortization charge	**-**	**-**	**65**	**65**
Impairment charge (Note 4(b))	**-**	**2,512**	**-**	**2,512**
At 30 June 2015	**-**	**4,482**	**348**	**4,830**
Net book value At 30 June 2015	**1,943**	**790**	**298**	**3,031**
Cost				
At 1 July 2013	1,990	5,334	654	7,978
Exchange translation	13	(61)	(8)	(56)
At 30 June 2014	2,003	5,273	646	7,922
Amortization and impairment				
At 1 July 2013	-	1,994	221	2,215
Exchange translation	-	(25)	(4)	(29)
Amortization charge	-	-	66	66
At 30 June 2014	-	1,969	283	2,252
Net book value At 30 June 2014	2,003	3,304	363	5,670

Trademarks

The trademarks are considered to have an indefinite useful life and were tested for impairment at 30 June 2015, as described in note 4(a). The recoverable amount of the Esprit trademarks as at 30 June 2015 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 2015 is presented below:

	2015			2014		
	Retail HK$ million	**Wholesale HK$ million**	**Total HK$ million**	Retail HK$ million	Wholesale HK$ million	Total HK$ million
China (Note)	**577**	**123**	**700**	1,898	1,307	3,205
Finland	**-**	**34**	**34**	-	42	42
Total	**577**	**157**	**734**	1,898	1,349	3,247

Note: Based on the goodwill impairment assessment, an impairment charge of **HK$2,512 million** for the China goodwill was recognized for the year ended 30 June 2015 (2014: Nil).

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 2014	**25**	**196**	**393**	**4,454**	**523**	**4,306**	**54**	**49**	**10,000**
Exchange translation	**(1)**	**-**	**(38)**	**(640)**	**(92)**	**(690)**	**(9)**	**(10)**	**(1,480)**
Additions	**-**	**-**	**-**	**189**	**-**	**138**	**6**	**16**	**349**
Transfer	**-**	**-**	**-**	**6**	**-**	**25**	**-**	**(31)**	**-**
Acquisition of businesses (Note 29)	**-**	**-**	**-**	**9**	**-**	**8**	**-**	**-**	**17**
Disposals	**-**	**-**	**(33)**	**(387)**	**(1)**	**(120)**	**(8)**	**(5)**	**(554)**
At 30 June 2015	**24**	**196**	**322**	**3,631**	**430**	**3,667**	**43**	**19**	**8,332**
Depreciation and impairment									
At 1 July 2014	**-**	**48**	**146**	**3,221**	**86**	**2,492**	**35**	**-**	**6,028**
Exchange translation	**-**	**-**	**(9)**	**(455)**	**(18)**	**(393)**	**(6)**	**-**	**(881)**
Depreciation charge for the year	**-**	**5**	**15**	**282**	**37**	**365**	**9**	**-**	**713**
Disposals	**-**	**-**	**(32)**	**(377)**	**(1)**	**(117)**	**(7)**	**-**	**(534)**
Impairment charge	**-**	**-**	**-**	**147**	**-**	**24**	**-**	**-**	**171**
At 30 June 2015	**-**	**53**	**120**	**2,818**	**104**	**2,371**	**31**	**-**	**5,497**
Net book value									
At 30 June 2015	**24**	**143**	**202**	**813**	**326**	**1,296**	**12**	**19**	**2,835**

	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 2013	25	196	385	4,833	490	4,061	56	191	10,237
Exchange translation	-	-	10	207	22	173	2	9	423
Additions	-	-	1	206	18	115	9	26	375
Transfer	-	-	-	10	-	165	-	(175)	-
Disposals	-	-	(3)	(802)	(7)	(208)	(13)	(2)	(1,035)
At 30 June 2014	25	196	393	4,454	523	4,306	54	49	10,000
Depreciation and impairment									
At 1 July 2013	-	44	133	3,433	48	2,181	35	-	5,874
Exchange translation	-	-	3	154	3	94	1	-	255
Depreciation charge for the year	-	4	12	353	42	411	11	-	833
Disposals	-	-	(2)	(788)	(7)	(205)	(12)	-	(1,014)
Impairment charge	-	-	-	69	-	11	-	-	80
At 30 June 2014	-	48	146	3,221	86	2,492	35	-	6,028
Net book value									
At 30 June 2014	25	148	247	1,233	437	1,814	19	49	3,972

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

	2015 HK$ million	2014 HK$ million
At 1 July	**16**	15
Change in fair value of investment properties	**1**	1
At 30 June	**17**	16

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 2015 on an open market value basis at **HK$17 million** (2014: HK$16 million).

The fair values of the investment properties have been generally derived using the sales comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square meter.

The following table presents the carrying value of investment properties measured at fair value according to the levels of the fair value hierarchy defined in IFRS 13 "Fair Value Measurement", with the fair value of each asset and liability categorized based on the lowest level of input that is significant to that fair value measurement.

	Level 1 HK$ million	Level 2 HK$ million	Level 3 HK$ million	Total HK$ million
Recurring fair value measurements:				
Assets				
Investment properties in PRC				
For the year ended 30 June 2015	**-**	**17**	**-**	**17**
For the year ended 30 June 2014	-	16	-	16

During the year, there were no transfers between Level 1 and Level 2.

The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

17. Inventories

	2015 HK$ million	2014 HK$ million
Finished goods	**2,864**	3,126
Consumables	**105**	128
	2,969	3,254

18. Debtors, deposits and prepayments

	2015 HK$ million	2014 HK$ million
Trade debtors	**1,741**	2,490
Less: provision for impairment of trade debtors	**(298)**	(436)
	1,443	2,054
Deposits	**188**	196
Prepayments	**221**	295
Other debtors and receivables	**396**	490
	2,248	3,035
Non-current portion of deposits	**(150)**	(144)
Non-current portion of prepayments	**(74)**	(150)
Non-current portion of other debtors and receivables	**(16)**	(18)
Current portion	**2,008**	2,723
Maximum exposure to credit risk	**2,027**	2,740

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

	2015 HK$ million	2014 HK$ million
Current portion	**1,117**	1,488
1-30 days	**93**	139
31-60 days	**46**	78
61-90 days	**25**	58
Over 90 days	**162**	291
Amount past due but not impaired	**326**	566
	1,443	2,054

The carrying amounts of debtors, deposits and prepayments approximate their fair values.

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:

	2015 HK$ million	2014 HK$ million
At 1 July	**436**	511
Provision for impairment of trade debtors	**185**	216
Bad debts written off	**(199)**	(270)
Unused amounts reversed	**(51)**	(40)
Exchange translation	**(73)**	19
At 30 June	**298**	436

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:

	2015 HK$ million	2014 HK$ million
Bank balances and cash	**2,602**	2,930
Bank deposits with maturities within three months	**1,086**	731
Bank deposits with maturities of more than three months	**1,329**	2,370
	5,017	6,031

The maximum exposure to credit risk as at 30 June 2015 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 **0.6%** (2014: 0.9%) per annum.

20. Share capital

	Number of shares of HK$0.10 each million	HK$ million
Authorized:		
At 30 June 2014 and 30 June 2015	**3,000**	**300**

	Number of shares of HK$0.10 each million	Nominal value HK$ million
Issued and fully paid:		
At 1 July 2014	**1,942**	**194**
Exercise of share options (Note (a))	**–**	**–**
Issue of scrip shares (Note (b))	**2**	**–**
At 30 June 2015	**1,944**	**194**
At 1 July 2013	1,939	194
Exercise of share options (Note (a))	3	–
Issue of scrip shares	–	–
At 30 June 2014	1,942	194

Notes:

(a) Exercise of share options

During the year, **315,000** (2014: 3,260,000) ordinary shares of HK$0.10 each were issued in respect of the share options exercised under the 2009 Share Option Scheme (defined in note (c) below) at exercise price of **HK$8.76** (2014: in the range of HK$8.76 to HK$12.32) each (representing a premium of **HK$8.66** (2014: in the range of HK$8.66 to HK$12.22) each).

(b) Issue of scrip shares

On 3 December 2014, the shareholders approved a final dividend of HK$0.04 per share for the year ended 30 June 2014. The shareholders were provided with an option to receive the final dividend in form of new fully paid shares in lieu of cash. On 27 January 2015, 669,872 ordinary shares were issued in respect of the final dividend.

On 25 February 2015, the Board of Directors declared an interim dividend of HK$0.015 per share for the six months ended 31 December 2014. The shareholders were provided with an option to receive the interim dividend in form of new fully paid shares in lieu of cash. On 28 April 2015, 714,210 ordinary shares were issued in respect of the interim dividend.

(c) Share options

The Company adopted a share option scheme on 26 November 2001 (the "2001 Share Option Scheme"). 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 recognize 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 optimize 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.

20. Share capital (continued)

Participants of the Schemes

The Board of Directors 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.

Total number of shares available for issue under the Schemes and percentage of issued share capital as at 30 June 2015

The total number of shares available for issue upon exercise of all outstanding share options already granted under the Schemes is 67,630,000 shares (2001 Share Option Scheme: 4,610,000 shares and 2009 Share Option Scheme: 63,020,000 shares), representing 3.48% of the issued share capital of the Company as at 30 June 2015.

The maximum number of shares available for issue upon exercise of share options not yet granted under the Schemes is 40,187,693 shares (2001 Share Option Scheme: Nil and 2009 Share Option Scheme: 40,187,693 shares), representing 2.07% of the issued share capital of the Company as at 30 June 2015.

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, canceled 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 of Directors 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 of Directors 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 of Directors 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 of Directors 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 2015 under the 2001 Share Option Scheme are as follows:

	Number of share options	
	2015	2014
At 1 July	**7,795,000**	12,957,000
Lapsed during the year	**(2,885,000)**	(2,050,000)
Forfeited during the year	**(300,000)**	(3,112,000)
At 30 June (Note (i))	**4,610,000**	7,795,000

20. Share capital (continued)

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

Notes:

(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 2015	2014
Employees and consultants			
9 December 2014 *	44.25	–	225,000
11 December 2014 *	45.95	–	940,000
5 February 2015 *	39.76	–	970,000
9 February 2015 *	41.70	–	150,000
9 December 2015 *	53.74	**920,000**	736,000
9 December 2015 **	53.74	–	184,000
11 December 2015 *	53.90	**555,000**	564,000
11 December 2015 **	53.90	–	141,000
4 February 2016 *	57.70	**600,000**	480,000
4 February 2016 **	57.70	–	120,000
5 February 2016 *	55.46	**300,000**	240,000
5 February 2016 **	55.46	–	60,000
9 December 2016 *	37.92	**552,000**	414,000
9 December 2016 **	37.92	**138,000**	276,000
13 December 2016 *	38.10	**444,000**	423,000
13 December 2016 **	38.10	**111,000**	282,000
11 February 2017 *	40.40	**240,000**	180,000
11 February 2017 **	40.40	**60,000**	120,000
9 December 2017 *	11.09	**414,000**	276,000
9 December 2017 **	11.09	**276,000**	414,000
Others			
9 February 2015 *	41.70	–	600,000
		4,610,000	7,795,000

* 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 2015 under the 2009 Share Option Scheme are as follows:

	Number of share options 2015	2014
At 1 July	**58,010,000**	58,535,000
Granted during the year (Note (i))	**11,825,000**	15,360,000
Exercised during the year (Note (ii))	**(315,000)**	(3,260,000)
Lapsed during the year	**(2,000,000)**	(500,000)
Forfeited during the year	**(4,500,000)**	(12,125,000)
At 30 June (Note (iii))	**63,020,000**	58,010,000

Notes:

(i) Details of share options granted during the year ended 30 June 2015 are as follows:

Exercise period	Exercise price HK$	Number of share options
23/03/2015 – 30/10/2024 (Note 1)	**10.124**	**60,000**
23/03/2015 – 30/10/2024 (Note 2)	**10.124**	**20,000**
23/03/2015 – 30/10/2024 (Note 3)	**10.124**	**20,000**
31/10/2017 – 30/10/2024	**10.124**	**11,645,000**
31/10/2018 – 30/10/2024	**10.124**	**40,000**
31/10/2019 – 30/10/2024	**10.124**	**40,000**
		11,825,000

Note 1: With effect from 10 April 2015, the vesting date of 60,000 share options at exercise price of HK$10.124 was accelerated from 31 October 2017 to 23 March 2015 and the exercise period was changed from the period of 31 October 2017 to 30 October 2024 to the period of 23 March 2015 to 30 October 2024.

Note 2: With effect from 10 April 2015, the vesting date of 20,000 share options at exercise price of HK$10.124 was accelerated from 31 October 2018 to 23 March 2015 and the exercise period was changed from the period of 31 October 2018 to 30 October 2024 to the period of 23 March 2015 to 30 October 2024.

Note 3: With effect from 10 April 2015, the vesting date of 20,000 share options at exercise price of HK$10.124 was accelerated from 31 October 2019 to 23 March 2015 and the exercise period was changed from the period of 31 October 2019 to 30 October 2024 to the period of 23 March 2015 to 30 October 2024.

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 2015 are as follows:

			Proceeds received		Market value*
Exercise date	Exercise price HK$	Number of share options	Share capital HK$'000	Share premium HK$'000	per share at exercise date HK$
23 July 2014	**8.76**	**190,000**	**19.0**	**1,645.4**	**11.68**
7 October 2014	**8.76**	**125,000**	**12.5**	**1,082.5**	**10.82**
		315,000	**31.5**	**2,727.9**	

* "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:

	Exercise price	Number of share options outstanding as at 30 June	
Expiry date	HK$	2015	2014
Directors			
11 March 2023 **	10.04	**7,300,000**	7,300,000
4 November 2023 **	14.18	**700,000**	700,000
30 June 2024 *	11.00	**1,160,000**	–
30 June 2024 **	11.00	**–**	1,160,000
31 October 2024 **	10.124	**700,000**	–
Employees and consultants			
1 July 2014 *	11.40	**–**	1,200,000
1 July 2014 *	12.32	**–**	250,000
1 August 2014 *	8.76	**–**	190,000
19 April 2016 *	62.21	**800,000**	640,000
19 April 2016 **	62.21	**–**	160,000
19 April 2017 *	34.71	**480,000**	360,000
19 April 2017 **	34.71	**120,000**	240,000
10 May 2018 *	14.78	**360,000**	240,000
10 May 2018 **	14.78	**240,000**	360,000
27 September 2020 *	43.00	**2,830,000**	3,230,000
17 May 2021 *	30.90	**800,000**	600,000
17 May 2021 **	30.90	**200,000**	400,000
16 September 2021 *	18.17	**600,000**	–
16 September 2021 **	18.17	**400,000**	1,000,000
27 September 2021 *	8.76	**7,700,000**	–
27 September 2021 **	8.76	**–**	9,025,000
12 December 2022 **	12.32	**4,840,000**	5,990,000
11 March 2023 **	10.04	**11,240,000**	11,940,000
4 November 2023 **	14.18	**10,675,000**	11,825,000
21 March 2024 **	13.592	**850,000**	850,000
30 June 2024 **	11.00	**350,000**	350,000
31 October 2024 *	10.124	**100,000**	–
31 October 2024 **	10.124	**10,575,000**	–
		63,020,000	58,010,000

* 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.

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$	Exercise price HK$	Expected volatility[3]	Annual risk-free interest rate[4]	Life of share option[5]	Dividend yield[6]
The 2009 Share Option Scheme							
31 October 2014	3.45 – 4.10	9.71	10.124	49.36% – 51.61%	1.08% – 1.46%	4 – 6 years	1.76%

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

	2015 HK$ million	2014 HK$ million
Trade creditors	**1,501**	1,480
Accruals	**1,496**	1,798
Other creditors and payables	**675**	842
	3,672	4,120

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

	2015 HK$ million	2014 HK$ million
0-30 days	**1,461**	1,424
31-60 days	**14**	31
61-90 days	**6**	7
Over 90 days	**20**	18
	1,501	1,480

The carrying amounts of creditors and accrued charges approximate their fair values.

22. Provision for store closures and leases

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

	2015 HK$ million	2014 HK$ million
At 1 July	**508**	591
Additional provision for store closures and leases, net	**282**	106
Amounts used during the year	**(169)**	(215)
Exchange translation	**(64)**	26
At 30 June	**557**	508

The provision for store closures and leases was made in connection with store closures and provision for onerous lease contracts for loss-making stores.

As at 30 June 2015, the provision expected to be settled within twelve months after the date of the statement of financial position is **HK$98 million** (2014: HK$203 million) and the provision expected to be settled more than twelve months after the date of the statement of financial position is **HK$459 million** (2014: HK$305 million).

23. Bank loan

At 30 June 2015, the Group's bank loan was payable as follows:

	2015 HK$ million	2014 HK$ million
Unsecured bank loan repayable within one year	**–**	260

The bank loan was fully repaid in February 2015.

The effective interest rate on bank loan for the year was determined to be **0.9%** (2014: 1.0%) per annum.

24. Deferred taxation

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

The Group:

	Accelerated Accounting/ tax depreciation HK$ million	Elimination of unrealized 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 2013	141	80	(362)	214	(394)	263	(36)	(94)
(Charged)/credited to income statement	(26)	(52)	15	1	158	(22)	(41)	33
Changes in tax rates	(2)	-	-	(1)	-	(1)	-	(4)
Exchange difference recognized in equity	6	(1)	(3)	13	-	7	(2)	20
At 30 June 2014	**119**	**27**	**(350)**	**227**	**(236)**	**247**	**(79)**	**(45)**
(Charged)/credited to income statement	**21**	**23**	**15**	**45**	**45**	**32**	**(31)**	**150**
Changes in tax rates	**-**	**-**	**-**	**(1)**	**-**	**-**	**-**	**(1)**
Exchange difference recognized in equity	**(16)**	**(6)**	**18**	**(32)**	**-**	**(32)**	**14**	**(54)**
At 30 June 2015	**124**	**44**	**(317)**	**239**	**(191)**	**247**	**(96)**	**50**

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:

	2015 HK$ million	2014 HK$ million
Deferred tax assets	**649**	615
Deferred tax liabilities	**599**	660

At 30 June 2015, the Group had unused tax losses of approximately **HK$2,234 million** (2014: HK$1,937 million) available for offset against future taxable profits. A deferred tax asset has been recognized in respect of approximately **HK$918 million** (2014: HK$893 million) of such losses. No deferred tax asset has been recognized in respect of the remaining losses of approximately **HK$1,316 million** (2014: HK1,044 million). Included in unrecognized tax losses are losses of approximately **HK$72 million** (2014: HK$160 million) that will expire in the next one to twenty years. Other losses may be carried forward indefinitely.

Deferred income tax liabilities of **HK$17 million** (2014: HK$28 million) have not been recognized 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 generated from operations:

	2015 HK$ million	2014 HK$ million
(Loss)/profit before taxation	**(3,667)**	379
Adjustments for:		
Interest income	**(45)**	(55)
Finance costs	**29**	37
Depreciation	**713**	833
Impairment of property, plant and equipment	**171**	80
Impairment of goodwill	**2,512**	-
(Gain)/loss on disposal of property, plant and equipment	**(15)**	5
Additional provision for store closures and leases, net	**282**	106
Increase in fair value of investment properties	**(1)**	(1)
Employee share option benefits	**63**	46
Amortization of customer relationships	**65**	66
	107	1,496
Changes in working capital:		
Decrease/(increase) in inventories	**294**	(45)
Decrease in debtors, deposits and prepayments	**954**	567
Decrease in creditors and accrued charges	**(675)**	(46)
Effect of foreign exchange rate changes	**(423)**	34
Cash generated from operations	**257**	2,006

25. Notes to consolidated statement of cash flows (continued)

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

	2015 HK$ million	2014 HK$ million
Net book value	20	21
Gain/(loss) on disposal of property, plant and equipment	15	(5)
Proceeds from disposal of property, plant and equipment	35	16

26. Operating lease commitments

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

	2015 HK$ million	2014 HK$ million
Land and buildings		
– within one year	2,082	2,408
– in the second to fifth year inclusive	5,379	6,843
– after the fifth year	1,927	2,827
	9,388	12,078
Other equipment		
– within one year	13	17
– in the second to fifth year inclusive	15	14
	28	31
	9,416	12,109

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

The total future minimum lease receipts under non-cancelable subleases in respect of land and buildings at 30 June 2015 are **HK$159 million** (2014: HK$173 million).

27. Capital commitments

	2015 HK$ million	2014 HK$ million
Property, plant and equipment		
– Contracted but not provided for	49	68
– Authorized but not contracted for	421	453
	470	521

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 2015, the fair values of the forward foreign exchange contracts included in other receivables and other payables are as follows:

	2015		2014	
	Assets HK$ million	Liabilities HK$ million	Assets HK$ million	Liabilities HK$ million
Forward foreign exchange contracts Cash flow hedges	189	23	1	10

The fair values of the forward foreign exchange contracts have been determined by using observable forward exchange rates from market for equivalent instruments at the date of the statement of financial position.

The following table presents the carrying value of derivative financial instruments measured at fair value according to the levels of the fair value hierarchy defined in IFRS 13 "Fair Value Measurement", with the fair value of each asset and liability categorized based on the lowest level of input that is significant to that fair value measurement.

	For the year ended 30 June 2015			
	Level 1 HK$ million	Level 2 HK$ million	Level 3 HK$ million	Total HK$ million
Recurring fair value measurements: Assets				
Derivative financial instruments: – Forward foreign exchange contracts	-	189	-	189
Recurring fair value measurements: Liabilities				
Derivative financial instruments: – Forward foreign exchange contracts	-	23	-	23

28. Derivative financial instruments (continued)

	For the year ended 30 June 2014			
	Level 1 HK$ million	Level 2 HK$ million	Level 3 HK$ million	Total HK$ million
Recurring fair value measurements:				
Assets				
Derivative financial instruments:				
– Forward foreign exchange contracts	–	1	–	1
Recurring fair value measurements:				
Liabilities				
Derivative financial instruments:				
– Forward foreign exchange contracts	–	10	–	10

During the year, there were no transfers between Level 1 and Level 2.

The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

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 follows:

	2015 HK$ million	2014 HK$ million
Forward foreign exchange contracts	**5,165**	1,934

Gains and losses in equity on forward foreign exchange contracts as of 30 June 2015 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 recognized in the consolidated income statement that arises from cash flow hedges amounts to a gain of **HK$24 million** (2014: gain of HK$42 million).

29. Business combinations

During the year, the Group acquired the retail operations in Sweden and Poland from the Group's wholesale partners. The aggregate consideration for the acquisitions amounted to approximately HK$44 million. The fair value of the net assets of the businesses acquired was approximately HK$44 million. Accordingly, the Group did not recognize any goodwill.

The revenues and results contributed by these acquired businesses for the period since respective acquisition dates were insignificant to the Group.

30. 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.

31. 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 2014	**8,204**	**474**	**774**	**2,138**	**11,590**
Loss attributable to shareholders	**–**	**–**	**–**	**(54)**	**(54)**
Issue of shares	**3**	**–**	**–**	**–**	**3**
Employee share option benefits	**–**	**–**	**63**	**–**	**63**
2013/14 final dividend paid	**6**	**–**	**–**	**(78)**	**(72)**
2014/15 interim dividend paid (Note 10)	**6**	**–**	**–**	**(29)**	**(23)**
Transfer of reserve upon exercise of share options	**1**	**–**	**(1)**	**–**	**–**
At 30 June 2015	**8,220**	**474**	**836**	**1,977**	**11,507**
Representing:					
Proposed final dividend					**–**
Balance after proposed final dividend					**11,507**
At 30 June 2015					**11,507**
At 1 July 2013	8,160	474	739	2,242	11,615
Loss attributable to shareholders	–	–	–	(46)	(46)
Issue of shares	31	–	–	–	31
Employee share option benefits	–	–	46	–	46
2013/14 interim dividend paid	2	–	–	(58)	(56)
Transfer of reserve upon exercise of share options	11	–	(11)	–	–
At 30 June 2014	8,204	474	774	2,138	11,590
Representing:					
Proposed final dividend					78
Balance after proposed final dividend					11,512
At 30 June 2014					11,590

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 reorganization 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 2015 amounted to **HK$3,287 million** (2014: HK$3,386 million).

(c) All of the Company's financial liabilities as at 30 June 2015 and 30 June 2014 have a maturity less than 1 year.

(d) The Company did not have any operating lease commitment at 30 June 2015 (2014: nil).

(e) The Company did not have any significant capital commitment at 30 June 2015 (2014: nil).

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

(g) The Company has provided a corporate guarantee of **HK$1,700 million** (2014: HK$1,700 million) in favor of a bank to support the banking facilities granted to its subsidiaries.

32. Principal subsidiaries

The following are the principal subsidiaries as at 30 June 2015 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 to certain European group subsidiaries 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 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

32. 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; conceptualization and development of global uniform image; conceptualization and development 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 distribution of apparel and accessories
Esprit Italy Distribution S.R.L.	Italy	100%	EUR12,750	Wholesale 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

32. 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
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
ESP Fashion PL SP. Z O.O.	Poland	100%	PLN5,142,200	Retail distribution of apparel and accessories
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

32. Principal subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operation	Attributable equity interest to the Group (Note a)	Issued and fully paid share capital/ registered capital (Note b)	Principal activities
思環貿易（上海）有限公司	The People's Republic of China (Note c)	100%	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
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
捷煦電子商務（上海）有限公司	The People's Republic of China (Note c)	100%	USD1,500,000	Retail distribution of apparel and accessories via e-commerce

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.

08
TEN-YEAR FINANCIAL SUMMARY

Consolidated statement of financial position items

	As at 30 June 2015 HK$ million	As at 30 June 2014 HK$ million	As at 30 June 2013 HK$ million	As at 30 June 2012 HK$ million
Intangible assets	**3,031**	5,670	5,763	7,613
Property, plant and equipment	**2,835**	3,972	4,363	4,489
Investment properties	**17**	16	15	13
Other investments	**7**	7	7	7
Investments in associates	**–**	–	–	–
Debtors, deposits and prepayments	**240**	312	384	402
Deferred tax assets	**649**	615	697	549
Net current assets	**5,718**	6,979	6,158	4,348
	12,497	17,571	17,387	17,421
Equity				
Share capital	**194**	194	194	129
Reserves	**11,704**	16,717	16,402	15,477
Total equity	**11,898**	16,911	16,596	15,606
Non-current liabilities				
Bank loans	**–**	–	–	1,040
Deferred tax liabilities	**599**	660	791	775
	599	660	791	1,815
	12,497	17,571	17,387	17,421

Consolidated income statement items

	Year ended 30 June 2015 HK$ million	Year ended 30 June 2014 HK$ million	Year ended 30 June 2013 HK$ million	Year ended 30 June 2012 HK$ million
Turnover	**19,421**	24,227	25,902	30,165
Operating (loss)/profit ((LBIT)/EBIT)	**(3,683)**	361	(4,170)	1,171
Interest income	**45**	55	51	28
Finance costs	**(29)**	(37)	(30)	(37)
Share of results of associates	**–**	–	–	–
Gain on measuring equity interest in the associated companies held before the business combination	**–**	–	–	–
(Loss)/profit before taxation	**(3,667)**	379	(4,149)	1,162
Taxation	**(29)**	(169)	(239)	(289)
(Loss)/profit attributable to shareholders of the Company	**(3,696)**	210	(4,388)	873

As at 30 June 2011 HK$ million	As at 30 June 2010 HK$ million	As at 30 June 2009 HK$ million	As at 30 June 2008 HK$ million	As at 30 June 2007 HK$ million	As at 30 June 2006 HK$ million
7,672	7,345	2,061	2,121	2,057	2,027
4,415	3,976	4,398	3,570	2,705	2,614
13	12	–	–	–	–
8	7	7	7	7	8
–	–	522	583	406	269
502	440	559	569	–	–
808	532	408	510	396	315
5,225	6,662	6,745	8,972	6,888	4,232
18,643	18,974	14,700	16,332	12,459	9,465
129	129	125	124	123	122
16,104	15,943	14,284	15,820	11,958	8,985
16,233	16,072	14,409	15,944	12,081	9,107
1,560	2,080	–	–	–	–
850	822	291	388	378	358
2,410	2,902	291	388	378	358
18,643	18,974	14,700	16,332	12,459	9,465

Year ended 30 June 2011 HK$ million	Year ended 30 June 2010 HK$ million	Year ended 30 June 2009 HK$ million	Year ended 30 June 2008 HK$ million	Year ended 30 June 2007 HK$ million	Year ended 30 June 2006 HK$ million
33,767	33,734	34,485	37,227	29,640	23,349
692	3,786	5,729	7,721	6,259	4,765
45	33	87	190	149	37
(27)	(12)	–	–	–	(1)
–	81	161	145	130	84
–	1,586	–	–	–	–
710	5,474	5,977	8,056	6,538	4,885
(631)	(1,248)	(1,232)	(1,606)	(1,358)	(1,148)
79	4,226	4,745	6,450	5,180	3,737

Financial summary

Year ended 30 June	2015	2014	2013	2012
Per share data (HK$)				
(Loss)/earnings per share – basic ^^	**(1.90)**	0.11	(2.50)	0.60
Dividend per share				
– Regular dividend	**0.015**	0.07	–	0.41
– Special dividend	**–**	–	–	–
Total	**0.015**	0.07	–	0.41
Key statistics (HK$ million)				
Total equity	**11,898**	16,911	16,596	15,606
Net current assets ^	**5,718**	6,979	6,158	4,348
Cash position (net of overdraft)	**5,017**	6,031	5,171	3,171
Net cash (outflow)/inflow from operating activities	**(72)**	1,418	(757)	730
Term loans	**–**	260	520	1,682
Retail data				
Number of directly managed stores #	**890**	905	1,026	1,069
Directly managed selling space # (sqm)	**327,345**	330,233	351,473	363,295
Comparable store sales growth	**-7.0%**	-4.1%	-3.3%	-4.1%
Wholesale data				
Number of controlled-space POS # ^^^	**7,680**	8,131	9,249	10,827
Controlled-space sales area # ^^^ (sqm)	**419,359**	488,870	566,776	654,093
Other data				
Capital expenditure (HK$ million)	**349**	375	919	1,420
Number of employees ##	**9,179**	9,626	10,732	12,455
Key ratios				
Return on shareholders' equity (ROE) ###	**-25.7%**	1.3%	-27.3%	5.5%
Return on total assets (ROA) *	**-18.2%**	0.9%	-18.7%	3.4%
Net debt to equity **	**net cash**	net cash	net cash	net cash
Current ratio ^ (times)	**2.2**	2.2	2.1	1.7
Inventory turnover *** (days)	**104**	90	100	100
Operating (loss)/profit before depreciation and amortization margin	**-14.9%**	5.2%	-12.5%	6.4%
Operating (loss)/profit margin	**-19.0%**	1.5%	-16.1%	3.9%
(Loss)/profit before taxation margin	**-18.9%**	1.6%	-16.0%	3.9%
Net (loss)/profit margin	**-19.0%**	0.9%	-16.9%	2.9%

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

2011	2010	2009	2008	2007	2006
0.06	3.35	3.72	5.21	4.22	3.09
1.00	1.41	1.52	2.10	1.70	1.23
–	–	1.33	2.10	1.48	1.08
1.00	1.41	2.85	4.20	3.18	2.31
16,233	16,072	14,409	15,944	12,081	9,107
5,225	6,662	6,745	8,972	6,888	4,232
4,794	6,748	4,840	6,521	5,232	2,469
1,835	5,412	5,272	5,970	5,881	3,428
2,080	2,600	–	–	–	250
1,146	1,128	804	700	607	671
398,829	388,291	314,966	273,801	239,400	225,693
-1.1%	-2.4%	3.5%	6.9%	19.8%	9.0%
11,706	12,289	14,067	14,590	13,369	11,459
704,393	722,825	808,605	746,655	629,967	525,090
1,436	1,509	2,011	1,352	615	838
14,192	14,172	10,766	10,541	9,617	8,400
0.5%	27.7%	31.3%	46.0%	48.9%	46.3%
0.3%	19.1%	22.8%	33.1%	34.7%	32.7%
net cash	net cash	net cash	net cash	net cash	net cash
1.6	2.2	2.4	2.6	2.5	2.2
76	63	65	54	55	54
4.7%	14.0%	18.9%	22.8%	23.1%	22.7%
2.0%	11.2%	16.6%	20.7%	21.1%	20.4%
2.1%	16.2%	17.3%	21.6%	22.1%	20.9%
0.2%	12.5%	13.8%	17.3%	17.5%	16.0%

09
GLOSSARY OF TERMS

09 Glossary of terms

A

ADR
American Depositary Receipt

C

Capex
Capital expenditure

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 financial 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

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 franchise stores, shop-in-stores and identity corners with wholesale partners

D

Directly managed retail stores
Stand-alone stores, concession counters and outlets fully managed by Esprit

E

e-shop
On-line store

EBIT/LBIT
Earnings before interest and tax/loss before interest and tax

EPS
Earnings per share

F

Franchise stores
Stand-alone stores or concession counters managed by wholesale partners 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

I

Identity corners
Controlled wholesale space mainly in multi-label retailers offering a limited range of Esprit products. Esprit has limited involvement in store appearance

L

LCY
Local currency

O

Outlet stores
Situated in the vicinity of major markets. Offer prior season products at a more competitive price and product collection exclusively made for outlets

P

POS
Point-of-sales

R

Retail sales
Direct sale of merchandise to end consumers via directly managed retail stores or e-shops

S

Shop-in-stores
Controlled wholesale space in department stores managed by wholesale partners. Esprit provides initial setup support and a wide range of on-going support services to ensure consistency with directly managed retail stores

Sqm
Square meters

V

Vertical products
Products developed under the Vertical Model

W

Wholesale sales
Sales of merchandise to third party wholesale partners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