ESPRIT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 00330)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2014

ANNUAL RESULTS

The board of directors (the "Board") of Esprit Holdings Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group" or "Esprit") for the year ended 30 June 2014 together with comparative figures for the year ended 30 June 2013. The following financial information, including the comparative figures, has been prepared in accordance with International Financial Reporting Standards ("IFRS").

Consolidated income statement

	Notes	For the year ended 30 June **2014** **HK$ million**	2013 HK$ million
Turnover	2	**24,227**	25,902
Cost of goods sold		**(12,071)**	(13,065)
Gross profit		**12,156**	12,837
Staff costs		**(3,851)**	(4,216)
Occupancy costs		**(3,585)**	(3,726)
Logistics expenses		**(1,317)**	(1,453)
Depreciation		**(833)**	(866)
Marketing and advertising expenses		**(792)**	(1,027)
Impairment of property, plant and equipment		**(80)**	(346)
Impairment of goodwill	2	**-**	(1,996)
Additional provision for store closures and leases	10	**(106)**	(426)
Other operating costs		**(1,231)**	(2,951)
Operating profit/(loss) (EBIT/(LBIT))	3	**361**	(4,170)
Interest income		**55**	51
Finance costs	4	**(37)**	(30)
Profit/(loss) before taxation		**379**	(4,149)
Taxation	5	**(169)**	(239)
Profit/(loss) attributable to shareholders of the Company		**210**	(4,388)
Earnings/(loss) per share			
- Basic and diluted	7	**HK$0.11**	HK$(2.50)

Consolidated statement of comprehensive income

	For the year ended 30 June	
	2014	2013
	HK$ million	HK$ million
Profit/(loss) attributable to shareholders of the Company	**210**	(4,388)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Fair value (loss)/gain on cash flow hedge	**(123)**	1
Exchange translation	**207**	603
	84	604
Total comprehensive income/(loss) for the year attributable to shareholders of the Company	**294**	(3,784)

Consolidated statement of financial position

	Notes	2014 HK$ million	2013 HK$ million
		As at 30 June	
Non-current assets			
Intangible assets		**5,670**	5,763
Property, plant and equipment		**3,972**	4,363
Investment properties		**16**	15
Other investments		**7**	7
Debtors, deposits and prepayments		**312**	384
Deferred tax assets		**615**	697
		10,592	11,229
Current assets			
Inventories		**3,254**	3,209
Debtors, deposits and prepayments	8	**2,723**	3,375
Tax receivable		**559**	264
Cash, bank balances and deposits		**6,031**	5,171
		12,567	12,019
Current liabilities			
Creditors and accrued charges	9	**4,120**	3,951
Provision for store closures and leases	10	**508**	591
Tax payable		**700**	799
Bank loans	11	**260**	520
		5,588	5,861
Net current assets		**6,979**	6,158
Total assets less current liabilities		**17,571**	17,387
Equity			
Share capital		**194**	194
Reserves		**16,717**	16,402
Total equity		**16,911**	16,596
Non-current liabilities			
Deferred tax liabilities		**660**	791
		17,571	17,387

Notes to the consolidated financial statements

1. Basis of preparation

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

In the current year, the Group has adopted the following International Accounting Standards ("IAS"), IFRS and International Financial Reporting Interpretations Committee ("IFRIC") interpretation effective for the Group's financial year beginning 1 July 2013:

IAS 19 (Revised)	Employee Benefits – Amended Standard Resulting from the Post-Employment Benefits and Termination Benefits Projects
IAS 27 (Revised)	Consolidated and Separate Financial Statements – Reissued as IAS 27 Separate Financial Statements
IAS 28 (Revised)	Investments in Associates – Reissued as IAS 28 Investments in Associates and Joint Ventures
IFRS 1 (Amendments)	Government Loans
IFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IFRS 10, 11, 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine
IFRSs (Amendments)	Annual Improvements to IFRSs 2009-2011 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 except for below:

IFRS 13 establishes a single source of guidance for all fair value measurements required or permitted by IFRS. It clarifies the definition of fair value as an exit price, which is defined as a price at which an orderly transaction to sell the asset or transfer the liability would take place between market participants at the measurement date under market conditions, and enhances disclosures about fair value measurement.

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

1. **Basis of preparation (continued)**

		Effective for accounting periods beginning on or after
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 19 (Amendments)	Defined Benefit Plans – Employee Contributions	1 July 2014
IAS 27 (Amendments)	Equity Method in Separate Financial Statements	1 January 2016
IAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities	1 January 2014
IAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
IAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IFRS 9 and 7 (Amendments)	Mandatory Effective Date of IFRS 9 and Transition Disclosures	1 January 2018
IFRS 9	Financial Instruments	1 January 2018
IFRS 9, 7 and IAS 39 (Amendments)	Financial Instruments – Hedge Accounting	1 January 2018
IFRS 10, 12 and IAS 27 (Amendments)	Investment Entities	1 January 2014
IFRS 10 and IAS 28 (Amendments)	Sale 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
IFRIC 21	Levies	1 January 2014
IFRSs (Amendments)	Annual Improvements to IFRSs 2010-2012 Cycle	1 July 2014
IFRSs (Amendments)	Annual Improvements to IFRSs 2011-2013 Cycle	1 July 2014

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

2. Turnover and segment information

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

	2014 **HK$ million**	2013 HK$ million
Revenue		
Wholesale	**8,835**	10,062
Retail	**15,220**	15,652
Licensing and other income	**172**	188
	24,227	25,902

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

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

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

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

2. Turnover and segment information (continued)

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

2. Turnover and segment information (continued)

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

Note: Based on the goodwill impairment assessment, an impairment charge of HK$1,996 million for the China goodwill was recognized for the year ended 30 June 2013.

2. Turnover and segment information (continued)

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

	2014 HK$ million	2013 HK$ million
Europe		
Germany (Note 1)	**11,342**	11,270
Rest of Europe		
Benelux	**3,084**	3,236
France	**1,583**	1,619
Switzerland	**1,158**	1,149
Austria	**1,127**	1,174
Scandinavia	**910**	1,106
United Kingdom	**287**	307
Spain	**229**	218
Italy	**149**	132
Portugal	**10**	12
Ireland	**9**	21
Others (Notes 1,2 and 3)	**505**	686
	9,051	9,660
	20,393	20,930
Asia Pacific		
China	**1,764**	2,416
Australia and New Zealand	**466**	688
Hong Kong	**401**	456
Singapore	**348**	420
Malaysia	**251**	285
Taiwan	**201**	232
Macau	**123**	118
Others (Note 3)	**140**	156
	3,694	4,771
North America		
United States	**140**	143
Canada	**-**	58
	140	201
	24,227	25,902

2. Turnover and segment information (continued)

Note 1: For the year ended 30 June 2014, Germany wholesale sales to other European countries mainly Russia, Poland and Bulgaria have been re-grouped to others under Rest of Europe. Comparative figures have been restated accordingly.

Note 2: Others sales include wholesale sales to other countries mainly Russia, Chile, Colombia, the Middle East, Poland and Bulgaria.

Note 3: For the year ended 30 June 2014, Macau wholesale sales to Chile, Colombia and the Middle East have been re-grouped to others under Rest of Europe while Macau wholesale sales to other countries mainly Thailand, the Philippines and Indonesia have been re-grouped to others under Asia Pacific. Comparative figures have been restated accordingly.

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

	2014 **HK$ million**	2013 HK$ million
EBIT/(LBIT) is arrived at after charging and (crediting) the following:		
Auditor's remuneration	**14**	15
Depreciation	**833**	866
Amortization of customer relationships	**66**	64
Impairment of goodwill	**-**	1,996
Impairment of property, plant and equipment		
- store closures and leases	**-**	102
- others	**80**	244
Additional provision for store closures and leases	**106**	426
Loss on disposal of property, plant and equipment	**5**	24
Occupancy costs		
- operating lease charge (including variable rental of **HK$395 million** (2013: HK$450 million))	**2,841**	2,946
- other occupancy costs	**744**	780
Cash flow hedges:		
- ineffective portion transferred from equity to exchange losses on forward foreign exchange contracts	**4**	-
- ineffective portion recognized in exchange gains on forward foreign exchange contracts not qualifying for hedge accounting	**(46)**	(1)
Fair value hedges:		
- exchange loss on forward foreign exchange contracts	**1**	-
Other net exchange gains	**(107)**	(72)
(Write-back of)/provision for obsolete inventories, net	**(67)**	527
Provision for impairment of trade debtors, net	**176**	312

4. Finance costs

	2014 HK$ million	2013 HK$ million
Interest on bank loans wholly repayable within five years	**4**	23
Imputed interest on financial assets and financial liabilities	**33**	7
	37	30

5. Taxation

	2014 HK$ million	2013 HK$ million
Current tax		
Hong Kong profits tax		
Provision for current year	**4**	3
Overseas taxation		
Provision for current year	**160**	328
Under-provision for prior years	**34**	33
	198	364
Deferred tax		
Current year net credit	**(33)**	(131)
Effect of changes in tax rates	**4**	6
Taxation	**169**	239

5. Taxation (continued)

Hong Kong profits tax is calculated at **16.5%** (2013: 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.

During the last financial year, the Inland Revenue Department of Hong Kong ("IRD") had initiated tax inquiries and issued notices of tax assessment for additional tax in an aggregate sum of approximately HK$449 million for the year of assessment 2006/2007 concerning taxability of income generated by a subsidiary engaged in the distribution operation of the Group. Objections and holdover applications against the additional tax assessment had been lodged. The IRD agreed to hold over the additional tax subject to the purchase of a tax reserve certificate ("TRC") of HK$99 million. The TRC was purchased in the last financial year. During this financial year, the IRD issued notices of tax assessment for additional tax in an aggregate sum of approximately HK$550 million for the year of assessment 2007/2008. Objections and holdover applications against the additional tax assessment had been lodged. The IRD agreed to hold over the additional tax subject to the purchase of a TRC of HK$118 million. The TRC was purchased in this financial year. 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.

6. Dividends

	2014 **HK$ million**	2013 HK$ million
Paid interim dividend of **HK$0.03** (2013: Nil) per share	**58***	-
Proposed final dividend of **HK$0.04** (2013: Nil) per share	**78**	-
	136	-

The amount of the 2014 proposed final dividend is based on **1,942,665,480** shares in issue as at **23 September 2014**. The proposed final dividend for 2014 will not be reflected as dividend payable in the statement of financial position until it is approved at the forthcoming annual general meeting by the shareholders of the Company. The Board of Directors has recommended to provide the shareholders with an option to receive the final dividend in form of new fully paid shares in lieu of cash.

* The actual interim dividend paid in cash for the year ended 30 June 2014 was HK$56 million. Part of the interim dividend for the year ended 30 June 2014 amounting to HK$2 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 was HK$14.37, which was 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 4 March 2014.

7. Earnings/(loss) per share

Basic

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

	2014	2013
Profit/(loss) attributable to shareholders of the Company (HK$ million)	**210**	(4,388)
Weighted average number of ordinary shares in issue (million)	**1,940**	1,754
Basic earnings/(loss) per share (HK$ per share)	**0.11**	(2.50)

7. Earnings/(loss) per share (continued)

Diluted

Diluted earnings or loss per share is calculated based on the profit or loss 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.

	2014	2013
Profit/(loss) attributable to shareholders of the Company (HK$ million)	**210**	(4,388)
Weighted average number of ordinary shares in issue (million)	**1,940**	1,754
Adjustments for share options (million)	**5**	-
Weighted average number of ordinary shares for diluted earnings per share (million)	**1,945**	1,754
Diluted earnings/(loss) per share (HK$ per share)	**0.11**	(2.50)

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

8. Debtors, deposits and prepayments

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

	2014 **HK$ million**	2013 HK$ million
Current portion	**1,488**	1,666
1-30 days	**139**	171
31-60 days	**78**	114
61-90 days	**58**	62
Over 90 days	**291**	302
Amount past due but not impaired	**566**	649
	2,054	2,315

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

9. Creditors and accrued charges

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

	2014 **HK$ million**	2013 HK$ million
0-30 days	**1,424**	1,084
31-60 days	**31**	12
61-90 days	**7**	7
Over 90 days	**18**	19
	1,480	1,122

10. Provision for store closures and leases

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

	2014	2013
	HK$ million	HK$ million
At 1 July	**591**	446
Additional provision for store closures and leases	**106**	426
Amounts used during the year	**(215)**	(294)
Exchange translation	**26**	13
At 30 June	**508**	591

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 2014, the provision expected to be settled within twelve months after the date of the statement of financial position is **HK$203 million** (2013: HK$298 million) and the provision expected to be settled more than twelve months after the date of the statement of financial position is **HK$305 million** (2013: HK$293 million).

11. Bank loans

At 30 June 2014, the Group's bank loans were payable as follows:

	2014	2013
	HK$ million	HK$ million
Unsecured long-term bank loans repayable within one year	**260**	520

At 30 June 2014, the carrying amount of the total borrowings of **HK$260 million** (2013: HK$520 million) is denominated in Hong Kong dollar at floating rate.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is pleased to report that we are beginning to see some encouraging results, both in terms of profitability improvements and good progress made in implementing strategic initiatives to fundamentally change the way we manage our business. In many senses, the financial year ended 30 June 2014 ("FY13/14") marked a turning point for us. We achieved our objective of stabilizing the business and establishing a solid foundation from which to carry out our Transformation. The positive results achieved during the past financial year are moving us closer to our objective of restoring Esprit back to success.

Financial Review

Highlights for FY13/14

Short term stabilization completed in line with guidance

- **Returned to profitability** with positive EBIT of HK$361 million (2013: EBIT loss of HK$4,170 million) and net profit of HK$210 million (2013: net loss of HK$4,388 million) on the basis of improved performance in key business levers

- **Strategic downsizing on track,** turnover decline of -6.5% in Hong Kong dollar terms and -9.9% in local currency, in line with reduction of controlled space of -10.7% (retail and wholesale combined)

- **Stabilized sales per sqm in Europe (84.2% of Group turnover),** our largest region, where turnover decline excluding store closures and stores with onerous leases was -1.8% in Hong Kong dollar terms and -6.3% in local currency, lower than the corresponding decline in controlled space of -7.9%

- **Stabilized gross profit margin** amidst continued efforts to enhance product quality, with a slight improvement in gross profit margin of +0.6% point to 50.2%

- **Returned cost base to a healthy level** bringing OPEX-to-sales ratio down to 48.7% (2013: 65.7%), in line with our guidance of below 50%, after a year-on-year reduction of -32.9% in local currency

- **Returned to positive cash generation**, with net cash balance increasing by HK$1,120 million as compared to a year ago, to HK$5,771 million

- **Proposed final dividend of HK4 cents per share** with scrip alternative

Medium term Transformation is on track

- **Created a more vertically integrated business model, implemented in July 2014,** that allows to serve both retail and wholesale channels with a much enhanced ability to produce outstanding value for money products for our consumers and partners

Revenue Analysis

Following our strategic decision to close unprofitable retail stores and rationalize our wholesale customer base, the Group's total controlled space (retail and wholesale combined) declined by -10.7% to over 818,000 m^2 as at 30 June 2014. This decline in controlled space led to a corresponding decline in Group turnover of -9.9% in local currency to HK$24,227 million (2013: HK$25,902 million). Benefiting from a favorable currency impact, the decline in the Group's turnover narrowed to -6.5% in Hong Kong dollar terms. The close correlation between the development of the Group's top line with its total controlled space is largely in line with our guidance.

Turnover by product division

The Group markets its products under two brands, namely the Esprit brand and the edc brand. In FY13/14, the share of turnover from Esprit and edc branded products represented 76.8% (2013: 76.0%) and 23.2% (2013: 24.0%) of Group turnover respectively. Both brands and all our product divisions have obviously been affected by the downsizing of our controlled space.

Turnover by product division

	For the year ended 30 June				Change in %	
	2014		2013			
Product divisions	**HK$ million**	**% to Group Turnover**	HK$ million	% to Group Turnover	HK$	Local currency
women	**10,186**	**42.0%**	10,325	39.8%	-1.3%	-4.9%
women casual #	**6,952**	**28.7%**	7,214	27.8%	-3.6%	-7.0%
women collection	**2,799**	**11.5%**	2,871	11.1%	-2.5%	-6.2%
trend	**435**	**1.8%**	240	0.9%	81.3%	73.8%
men	**3,601**	**14.9%**	4,108	15.9%	-12.3%	-15.3%
men casual #	**2,852**	**11.8%**	3,207	12.4%	-11.1%	-14.1%
men collection	**749**	**3.1%**	901	3.5%	-16.9%	-19.9%
others	**4,815**	**19.9%**	5,254	20.3%	-8.4%	-12.0%
bodywear	**1,078**	**4.5%**	1,055	4.1%	2.1%	-2.5%
accessories	**1,060**	**4.4%**	1,153	4.5%	-8.1%	-11.3%
shoes	**1,005**	**4.1%**	1,097	4.2%	-8.3%	-12.4%
kids	**801**	**3.3%**	894	3.5%	-10.4%	-13.9%
sports	**253**	**1.0%**	317	1.2%	-20.3%	-23.3%
de. corp	**18**	**0.1%**	115	0.4%	-84.2%	-84.4%
others*	**600**	**2.5%**	623	2.4%	-3.7%	-6.7%
Esprit total	**18,602**	**76.8%**	19,687	76.0%	-5.5%	-9.0%
edc women	**4,337**	**17.9%**	4,744	18.3%	-8.6%	-12.1%
edc men	**1,022**	**4.2%**	1,177	4.6%	-13.1%	-16.3%
edc others^	**266**	**1.1%**	294	1.1%	-9.9%	-13.8%
edc total	**5,625**	**23.2%**	6,215	24.0%	-9.5%	-13.0%
Group Total	**24,227**	**100.0%**	25,902	100.0%	-6.5%	-9.9%

Turnover of denim has been re-grouped into women casual and men casual in FY13/14 and FY12/13
* Others include mainly licensing income & licensed products like timewear, eyewear, jewelery, bed & bath, houseware, etc.
^ edc others include edc shoes, edc accessories and edc bodywear

Turnover of **Esprit** branded products recorded a decline of -5.5% in Hong Kong dollar terms and of -9.0% in local currency but we would highlight that the turnover decline in Hong Kong dollar terms and local currency were -1.3% and -4.9% respectively for our Esprit women divisions. This is specially relevant for us because most of the new measures introduced in FY13/14 were only implemented in those divisions. During the financial year, the Group put in place a series of initiatives aimed at improving the value-for-money proposition of our products. As an example, product quality has been enhanced in many aspects including fabric, fitting and manufacturing; products were re-priced to a more competitive level in the market; and "Hero" products were introduced to driving additional traffic and sales. The men's divisions, which did not benefit from such initiatives, had a turnover decline of -12.3% in Hong Kong dollar terms and -15.3% year-on-year decline in local currency.

Turnover of other product divisions under the Esprit brand, including bodywear, accessories, shoes, kids and sports, recorded an aggregate decline of -8.4% in Hong Kong dollar terms and -12.0% in local currency. As mentioned in the Group's interim results FY13/14, there are divisions that the Group is deliberately scaling back, such as kids, sports and de. corp and this explains for the larger decline of these product divisions.

The Group's **edc** branded products recorded a -9.5% decline in turnover in Hong Kong dollar terms (-13.0% year-on-year in local currency). The decline is relatively higher than that of Esprit branded products, due to a greater reduction in controlled space that was the outcome of our previous decision to separate the two brands. Such decision has been revised in light of the actual impact on stores performance and we no longer intend to position edc as a separate brand operating independently from Esprit. That being said, the plan to diversify our brand portfolio in the long term is intact and this will be accomplished through the potential introduction of new brands.

In relation to our product divisions, an important milestone achieved by the Group during the financial year was the implementation of the high performance product engine ("the New Engine"), which establishes faster and more efficient product development and supply chain processes. This is fundamental to a successful turnaround and regaining long-term competitiveness for Esprit. After months of focused efforts across the Group, the New Engine was activated effective July 2014. The implementation was executed according to our expectations and whilst there are initial findings of the first execution, which is normal in the implementation of such major changes, overall, feedback from wholesale partners have been positive, both in relation to the products and to the new way of working (i.e. new calendar and flow of collections).

Turnover by distribution channel

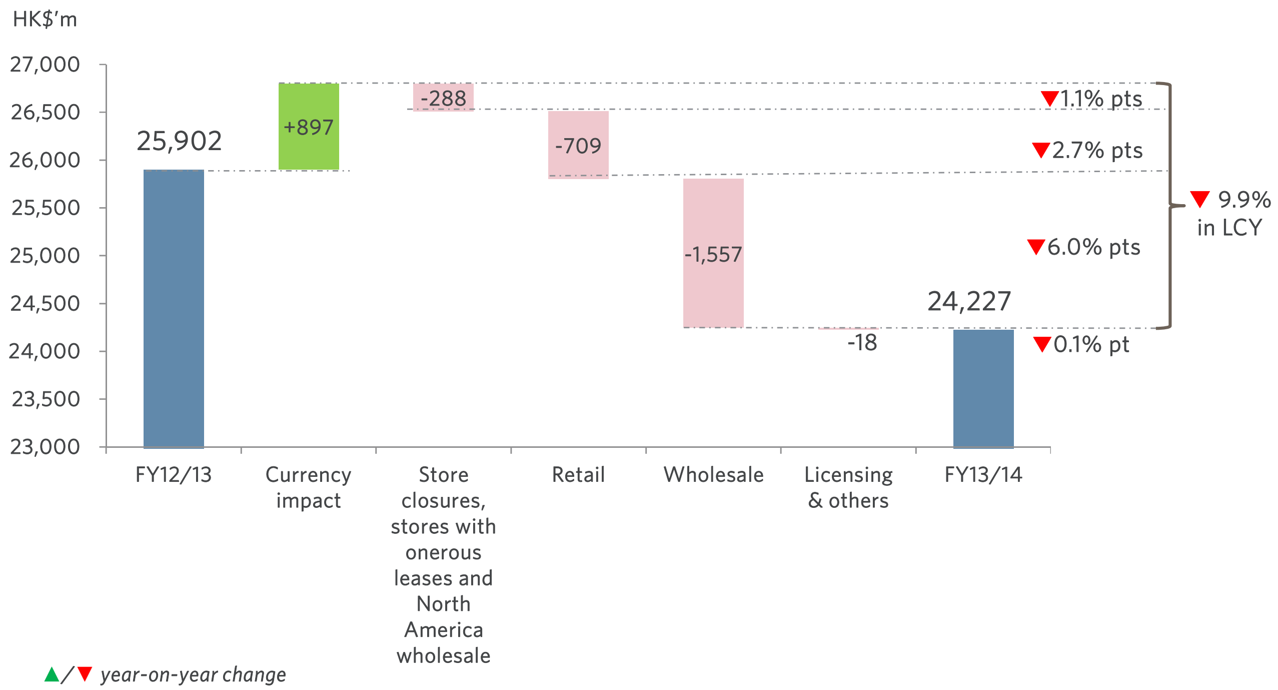
The Group's operating activities are primarily retail, wholesale and licensing businesses. As a result of the different development of our retail and our wholesale businesses over the last few years, the retail channel is gaining relative weight over the total revenue of the Group. In FY13/14, turnover from our retail, wholesale and licensing businesses contributed 62.8% (2013: 60.4%), 36.5% (2013: 38.9%) and 0.7% (2013: 0.7%) of Group turnover respectively.

Turnover by distribution channel

Key Distribution Channels	For the year ended 30 June 2014 HK$ million	2014 % to Group Turnover	2013 HK$ million	2013 % to Group Turnover	Turnover change in % HK$	Turnover change in % Local currency	Net change in net sales area^
Retail #	**15,220**	**62.8%**	15,652	60.4%	-2.8%	-6.0%	-5.7%
Europe	**11,359**	**46.9%**	11,006	42.4%	3.2%	-1.5%	-0.9%
Asia Pacific	**3,159**	**13.0%**	3,742	14.5%	-15.6%	-14.4%	-11.0%
Subtotal	**14,518**	**59.9%**	14,748	56.9%	-1.6%	-4.8%	-4.5%
Store closures and stores with onerous leases *	**702**	**2.9%**	904	3.5%	-22.4%	-25.5%	-16.5%
Wholesale	**8,835**	**36.5%**	10,062	38.9%	-12.2%	-16.1%	-13.8%
Europe **	**8,311**	**34.3%**	9,024	34.8%	-7.9%	-12.0%	-10.9%
Asia Pacific	**524**	**2.2%**	980	3.8%	-46.5%	-48.0%	-30.0%
North America	**-**	**-**	58	0.3%	-100.0%	-100.0%	n.a.
Licensing and others	**172**	**0.7%**	188	0.7%	-8.5%	-9.3%	n.a.
Licensing	**170**	**0.7%**	172	0.7%	-1.3%	-2.1%	n.a.
Others	**2**	**0.0%**	16	0.0%	-86.3%	-86.9%	n.a.
Total	**24,227**	**100.0%**	25,902	100.0%	-6.5%	-9.9%	-10.7%

^ Net change since 1 July 2013
# Retail sales include sales from e-shops in countries where available
* Represent store closures and stores with onerous leases announced in prior financial year(s)
** For the year ended 30 June 2014, wholesale sales to Chile, Colombia and the Middle East have been re-grouped from Asia Pacific to Europe. Comparative figures have been restated accordingly
n.a. Not applicable

The diagram below sets forth the development of the Group turnover in FY13/14.



The Group's retail operation delivered a turnover of HK$15,220 million (2013: HK$15,652 million), which represents a -2.8% decline in Hong Kong dollar terms. Excluding foreign currency impact, retail turnover declined by -6.0%, broadly in line with the -5.7% reduction in retail net sales area. Excluding store closures and stores with onerous leases ("Core Retail"), the turnover decline narrowed to -1.6% in Hong Kong dollar terms and -4.8% in local currency.

Retail turnover by country

Countries	2014 HK$ million	2014 % of Retail Turnover	2013 HK$ million	2013 % of Retail Turnover	Turnover change in % HK$	Turnover change in % Local currency	Net change in net sales area^	Comp-store sales growth
Core Europe	**11,359**	**74.6%**	11,006	70.3%	3.2%	-1.5%	-0.9%	-3.8%
Germany	**6,844**	**45.0%**	6,695	42.8%	2.2%	-2.4%	-1.9%	-4.1%
Rest of Europe	**4,515**	**29.6%**	4,311	27.5%	4.7%	0.0%	0.3%	-3.4%
Benelux	**1,854**	**12.2%**	1,715	11.0%	8.1%	3.1%	3.4%	-1.5%
Switzerland	**935**	**6.1%**	913	5.8%	2.5%	-1.8%	3.0%	-4.5%
Austria	**747**	**4.9%**	764	4.9%	-2.3%	-6.8%	-3.6%	-6.8%
France	**723**	**4.7%**	664	4.2%	8.9%	4.0%	10.4%	-4.2%
Finland	**80**	**0.5%**	87	0.6%	-8.6%	-12.7%	-47.7%	-9.7%
United Kingdom	**68**	**0.5%**	72	0.5%	-4.6%	-8.1%	-100.0%	5.7%
Denmark	**50**	**0.4%**	55	0.4%	-9.2%	-13.4%	n.a. **	-13.4%
Sweden	**16**	**0.1%**	6	0.0%	163.5%	151.2%	-	150.9%
Spain	**7**	**0.0%**	5	0.0%	50.3%	43.1%	-	43.1%
Italy	**5**	**0.0%**	4	0.0%	28.9%	22.8%	-	22.8%
Ireland	**3**	**0.0%**	2	0.0%	8.1%	2.7%	n.a. **	6.5%
Portugal	**1**	**0.0%**	1	0.0%	21.8%	16.2%	-	16.2%
Others*	**26**	**0.2%**	23	0.1%	13.9%	8.6%	-	8.6%
Core Asia Pacific	**3,159**	**20.8%**	3,742	23.9%	-15.6%	-14.4%	-11.0%	-5.0%
China	**1,383**	**9.1%**	1,613	10.3%	-14.3%	-15.8%	-13.3%	-3.4%
Australia and New Zealand	**452**	**3.0%**	640	4.1%	-29.4%	-22.3%	-26.2%	-2.2%
Hong Kong	**401**	**2.6%**	456	2.9%	-12.0%	-12.0%	-9.7%	-2.3%
Singapore	**348**	**2.3%**	398	2.5%	-12.7%	-11.2%	-5.4%	-14.0%
Malaysia	**251**	**1.7%**	285	1.8%	-11.9%	-7.2%	3.3%	-7.8%
Taiwan	**201**	**1.3%**	232	1.5%	-13.6%	-12.4%	-3.9%	-1.7%
Macau	**123**	**0.8%**	118	0.8%	4.9%	4.9%	36.7%	-1.8%
Core Retail	**14,518**	**95.4%**	14,748	94.2%	-1.6%	-4.8%	-4.5%	-4.1%
Store closures and stores with onerous leases #	**702**	**4.6%**	904	5.8%	-22.4%	-25.5%	-16.5%	n.a.
Total	**15,220**	**100.0%**	15,652	100.0%	-2.8%	-6.0%	-5.7%	-4.1%

For the year ended 30 June

^ Net change since 1 July 2013
* Others' retail turnover represents retail turnover from e-shops in Czech Republic, Poland, Slovakia, Hungary, Slovenia, Latvia, Greece, Malta and Estonia
** POS grouped under store closures announced in prior financial year(s)
# Represent store closures and stores with onerous leases announced in prior financial year(s)
n.a. Not applicable

From a regional perspective, we are particularly encouraged by the stabilization of **Core Retail in Europe**, which was the result of improved sales and inventory management, and strategic expansion of the outlet channel. As a consequence, turnover of Core Retail in Europe grew +3.2% in Hong Kong dollar terms and dropped moderately by -1.5% in local currency, which was largely in line with the corresponding -0.9% reduction in retail net sales area. In general, we saw stable development across our European retail markets. It is also worth noting that in Sweden, Spain, Italy, Ireland and Portugal, where the Group no longer has a physical store presence, we managed to maintain and even grow retail turnover by leveraging our well-established e-commerce platform.

In contrast, **Core Retail in Asia Pacific** continued to be under pressure. In addition to the rationalization of unprofitable retail space, which affected mostly China (-13.3% year-on-year decrease in sqm) and Australia and New Zealand (-26.2% year-on-year decrease in sqm), performances of Core Retail in Asia Pacific including Hong Kong, Singapore, Malaysia and Taiwan, were further weighed down by lower traffic, stock availability issues and the unfavorable shift in product mix towards more basic items of lower average selling price. Consequently, Core Retail in Asia Pacific recorded a turnover decline of -15.6% in Hong Kong dollar terms and -14.4% in local currency, larger than the corresponding decrease in retail net sales area of -11.0%.

Directly managed retail stores by country – movement since 1 July 2013

	As at 30 June 2014				
Countries	**No. of stores**	**Net opened stores***	**Net sales area (m^2)**	**Net change in net sales area***	**No. of comp stores**
Core Europe	**302**	**(22)**	**200,521**	**-0.9%**	**220**
Germany**	139	(4)	112,510	-1.9%	102
Netherlands	52	1	20,350	2.3%	38
Switzerland	36	-	16,241	3.0%	30
Belgium	28	(1)	18,568	5.0%	20
France	23	2	13,502	10.4%	15
Austria	19	1	16,574	-3.6%	11
Luxembourg	3	-	1,866	-	2
Finland	2	(1)	910	-47.7%	2
United Kingdom	-	(20)	-	-100.0%	-
Core Asia Pacific	**553**	**(86)**	**100,520**	**-11.0%**	**253**
China **	319	(45)	50,052	-13.3%	110
Australia	78	(36)	10,419	-29.5%	49
Taiwan	72	(7)	7,231	-3.9%	48
Malaysia	35	3	12,426	3.3%	18
Singapore	22	(1)	8,487	-5.4%	14
Hong Kong	14	(1)	7,090	-9.7%	7
New Zealand	8	-	1,826	-	4
Macau	5	1	2,989	36.7%	3
Subtotal	**855**	**(108)**	**301,041**	**-4.5%**	**473**
Store closures and stores with onerous leases #	50	(11)	29,192	-16.5%	n.a.
Total	**905**	**(119)**	**330,233**	**-5.7%**	**473**

* Net change since 1 July 2013
** 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
\# Represent store closures and stores with onerous leases announced in prior financial year(s)
n.a. Not applicable

During the financial year, the Group made good headway in closing stores under previously announced "store closures and stores with onerous leases", with 11 such stores closed. As mentioned in the Group's interim results FY13/14, we are looking at package deals which may result in giving up some stores not previously earmarked for closures in order to resolve issues arising from closing those stores with serious loss-making situations.

As at 30 June 2014, Core Retail had 855 point-of-sales ("POS") with total retail net sales area of 301,041 m^2. During the financial year, as a result of the rationalization of unprofitable retail space, store and concession counter space decreased by -6.2%, with the decline coming mostly from China and Australia. On the other hand, we strategically expanded the outlet channel with a net addition of 4 POS, representing a +8.2% increase in net retail sales area, as part of our initiative to establish a sustainable channel for the clearance of aged inventory.

Directly managed retail stores by store type – movement since 1 July 2013

	No. of POS					Net sales area (m^2)				
	As at	vs 1 July 2013		As at	Net	As at	vs 1 July 2013		As at	Net
Store types	**30 June 2014**	**Opened**	**Closed**	**1 July 2013**	**change**	**30 June 2014**	**Opened**	**Closed**	**1 July 2013**	**change**
Stores/Concession counters	**773**	**40**	**(152)**	**885**	**(112)**	**261,653**	**11,521**	**(28,788)**	**278,920**	**-6.2%**
- Europe	283	8	(33)	308	(25)	181,039	4,983	(8,232)	184,288	-1.8%
- Asia Pacific	490	32	(119)	577	(87)	80,614	6,538	(20,556)	94,632	-14.8%
Outlets	**82**	**12**	**(8)**	**78**	**4**	**39,388**	**3,955**	**(978)**	**36,411**	**8.2%**
- Europe	19	3	-	16	3	19,482	1,350	-	18,132	7.4%
- Asia Pacific	63	9	(8)	62	1	19,906	2,605	(978)	18,279	8.9%
Sub-total	**855**	**52**	**(160)**	**963**	**(108)**	**301,041**	**15,476**	**(29,766)**	**315,331**	**-4.5%**
Store closures and stores with onerous leases #	50	-	(11)	61	(11)	29,192	-	(5,780)	34,972	-16.5%
Total	**905**	**52**	**(171)**	**1,024**	**(119)**	**330,233**	**15,476**	**(35,546)**	**350,303**	**-5.7%**

Represent store closures and stores with onerous leases announced in prior financial year(s)

Due to the closures and openings as mentioned above and the refurbishing of other spaces, our comparable store base represented 56.7% (2013: 39.9%) of total retail net sales area, or 52.1% (2013: 41.0%) of total retail POS as at 30 June 2014. The comparable store base recorded a sales decline of -4.1% year-on-year in local currency which was partially offset by the increase in turnover contribution from the refurbished stores and the new stores and outlets opened in the course of the last two financial years i.e. FY12/13 and FY13/14.

Retail performance scorecard

	For the year ended 30 June	
	2014	2013
No. of Esprit POS	**905**	1,024
Esprit net sales area (m^2)	**330,233**	350,303
Year-on-year change in Esprit net sales area	**-5.7%**	-3.0%
Year-on-year local currency turnover growth	**-6.0%**	-9.9%
Segment EBIT margin	**4.0%**	-7.1%
Comparable store sales growth	**-4.1%**	-3.3%

The Group's wholesale operation delivered a turnover of HK$8,835 million (2013: HK$10,062 million), representing a -12.2% decline in Hong Kong dollar terms. Excluding foreign currency impact, wholesale turnover declined by -16.1%, mainly attributable to a -13.8% year-on-year reduction in controlled wholesale space as well as the continued weakness in the business performance of the wholesale channel in general.

In the financial year under review, our efforts in the wholesale channel focused on rationalizing our customer base and actively clearing aged inventory for our wholesale partners. While these initiatives aggravated the decline in wholesale turnover, we believe that both were necessary to re-establish a healthier platform for the channel in the future.

Wholesale turnover by country

	For the year ended 30 June						
	2014		2013		Turnover change in %		Net change in net sales area^
Countries	HK$ million	% of Wholesale Turnover	HK$ million	% of Wholesale Turnover	HK$	Local currency	
Europe	**8,311**	**94.1%**	9,024	89.7%	-7.9%	-12.0%	-10.9%
Germany	**4,170**	**47.2%**	4,173	41.5%	-0.1%	-4.7%	-5.6%
Rest of Europe	**4,141**	**46.9%**	4,851	48.2%	-14.6%	-18.3%	-15.8%
Benelux	**1,205**	**13.6%**	1,489	14.8%	-19.1%	-22.8%	-7.3%
France	**755**	**8.6%**	813	8.1%	-7.2%	-11.5%	-7.5%
Scandinavia	**678**	**7.7%**	863	8.6%	-21.4%	-23.6%	-15.7%
Austria	**348**	**4.0%**	381	3.8%	-8.6%	-12.8%	-12.1%
Spain	**222**	**2.5%**	213	2.1%	4.2%	-0.7%	-3.4%
Switzerland	**189**	**2.1%**	203	2.0%	-7.0%	-10.6%	-13.5%
Italy	**144**	**1.6%**	129	1.3%	12.3%	6.8%	-28.1%
United Kingdom	**107**	**1.2%**	80	0.8%	33.2%	28.7%	-3.2%
Portugal	**9**	**0.1%**	11	0.1%	-23.2%	-26.5%	-
Ireland	**5**	**0.1%**	7	0.0%	-26.8%	-30.0%	-18.6%
Others *	**479**	**5.4%**	662	6.6%	-27.7%	-30.9%	-36.0%
Asia Pacific	**524**	**5.9%**	980	9.7%	-46.5%	-48.0%	-30.0%
China	**379**	**4.3%**	787	7.8%	-51.7%	-52.7%	-33.7%
Australia	**5**	**0.0%**	37	0.4%	-86.5%	-84.8%	-100.0%
Others #	**140**	**1.6%**	156	1.5%	-10.4%	-14.6%	-12.4%
North America	**-**	**-**	58	0.6%	-100.0%	-100.0%	n.a.
Canada	**-**	**-**	58	0.6%	-100.0%	-100.0%	n.a.
Total	**8,835**	**100.0%**	10,062	100.0%	-12.2%	-16.1%	-13.8%

^ Net change since 1 July 2013

* For the year ended 30 June 2014, wholesale sales to other European countries mainly Russia, Poland and Bulgaria have been re-grouped from Germany to others under Rest of Europe. In addition, wholesale sales to Chile, Colombia and the Middle East have also been re-grouped from Macau to others under Rest of Europe. Comparative figures have been restated accordingly

\# For the year ended 30 June 2014, wholesale sales to other countries mainly Thailand, the Philippines and Indonesia have been re-grouped from Macau to others under Asia Pacific. Comparative figures have been restated accordingly

n.a. Not applicable

For **Europe** as a whole, our wholesale business recorded a turnover decline of -7.9% in Hong Kong dollar terms and -12.0% in local currency, in line with a controlled space decline of -10.9%. On a positive note, we were particularly pleased by the stabilization of wholesale space productivity in Germany, where the wholesale turnover decline in local currency of -4.7% was less than the corresponding -5.6% year-on-year reduction in controlled space. This positive result, however, was offset by weaker wholesale performance in Rest of Europe, where wholesale turnover declined by -18.3% in local currency, larger than the corresponding -15.8% decline in controlled space, primarily due to lower demand from customers in Benelux and Scandinavia regions.

For **Asia Pacific**, our wholesale business remained under pressure and reported turnover decline of -46.5% in Hong Kong dollar terms and -48.0% in local currency, considerably greater than the corresponding -30.0% reduction in controlled space. The region's weak performance was mainly due to China, the Group's largest wholesale market in Asia Pacific, where we saw wholesale turnover decline by -52.7% in local currency, which was significantly higher than the -33.7% reduction in controlled space. The larger decline in turnover as compared to controlled space is due to the special return agreements to solve our long time problems with aged inventory in the country's wholesale channel. This special return initiative is now completed with the last return taken place in July 2014. Additionally, our strategic decision to close the wholesale operation in Australia, leading to closure of all wholesale POS, also adversely impacted the region's wholesale turnover.

Wholesale performance scorecard

	For the year ended 30 June	
	2014	2013
No. of Esprit controlled space POS	**8,130**	9,248
Esprit controlled space area (m^2)	**488,270**	566,176
Year-on-year change in Esprit controlled space area	**-13.8%**	-13.4%
Year-on-year local currency turnover growth	**-16.1%**	-13.7%
Segment EBIT margin	**11.0%**	9.7%

Wholesale distribution channel by country (controlled space only) – movement since 1 July 2013

As at 30 June 2014

	Franchise stores**				Shop-in-stores**				Identity corners**				Total**			
Countries	No. of stores	Net sales area (m^2)	Net opened stores	Net change in net sales area*	No. of stores	Net sales area (m^2)	Net opened stores	Net change in net sales area*	No. of stores	Net sales area (m^2)	Net opened stores	Net change in net sales area*	No. of stores	Net sales area (m^2)	Net opened stores	Net change in net sales area*
Europe	**931**	**222,150**	**(111)**	**-11.7%**	**4,105**	**151,132**	**(284)**	**-7.3%**	**2,638**	**55,455**	**(497)**	**-16.4%**	**7,674**	**428,737**	**(892)**	**-10.9%**
Germany	291	73,345	7	4.6%	3,070	118,819	(193)	-7.2%	1,496	27,436	(354)	-20.5%	4,857	219,600	(540)	-5.6%
Rest of Europe	640	148,805	(118)	-18.0%	1,035	32,313	(91)	-7.7%	1,142	28,019	(143)	-12.0%	2,817	209,137	(352)	-15.8%
Benelux	139	44,291	(11)	-7.6%	148	6,093	(5)	-3.5%	327	7,833	(22)	-8.6%	614	58,217	(38)	-7.3%
France	134	25,006	(11)	-6.1%	320	7,293	(24)	-5.7%	164	5,026	(38)	-16.5%	618	37,325	(73)	-7.5%
Sweden	51	17,712	(12)	-15.9%	-	-	-	-	46	1,265	1	2.0%	97	18,977	(11)	-14.9%
Austria	65	10,806	(8)	-14.7%	90	3,150	(3)	-1.1%	50	1,297	(8)	-13.9%	205	15,253	(19)	-12.1%
Finland	23	6,135	(5)	-18.9%	89	3,888	(2)	-4.0%	181	4,720	(68)	-26.3%	293	14,743	(75)	-18.2%
Switzerland	27	4,497	1	-4.1%	55	2,430	(8)	-24.7%	25	459	(7)	-27.0%	107	7,386	(14)	-13.5%
Denmark	15	4,149	(2)	-9.1%	-	-	(1)	-100.0%	32	817	(6)	-18.3%	47	4,966	(9)	-11.1%
Italy	22	3,912	(12)	-42.2%	32	1,142	(1)	3.3%	150	2,472	(6)	-4.4%	204	7,526	(19)	-28.1%
Spain	15	2,034	-	-0.9%	185	5,422	(29)	-9.3%	85	2,365	11	11.0%	285	9,821	(18)	-3.4%
Portugal	2	576	-	-	-	-	-	-	5	85	-	-	7	661	-	-
United Kingdom	3	214	-	-40.1%	14	524	2	10.8%	68	1,544	-	1.1%	85	2,282	2	-3.2%
Norway	1	242	-	-	-	-	-	-	-	-	-	-	1	242	-	-
Ireland	-	-	-	-	5	234	(3)	-25.9%	8	126	-	-	13	360	(3)	-18.6%
Others ^	143	29,231	(58)	-37.0%	97	2,137	(17)	-18.5%	1	10	-	-	241	31,378	(75)	-36.0%
Asia Pacific	**456**	**59,533**	**(208)**	**-29.5%**	**-**	**-**	**(18)**	**-100.0%**	**-**	**-**	**-**	**-**	**456**	**59,533**	**(226)**	**-30.0%**
China	305	44,877	(203)	-33.7%	-	-	-	-	-	-	-	-	305	44,877	(203)	-33.7%
Thailand	99	6,442	1	-12.0%	-	-	-	-	-	-	-	-	99	6,442	1	-12.0%
Philippines	27	3,651	(1)	-13.5%	-	-	-	-	-	-	-	-	27	3,651	(1)	-13.5%
Australia	-	-	-	-	-	-	(18)	-100.0%	-	-	-	-	-	-	(18)	-100.0%
Others	25	4,563	(5)	-12.1%	-	-	-	-	-	-	-	-	25	4,563	(5)	-12.1%
Total	**1,387**	**281,683**	**(319)**	**-16.2%**	**4,105**	**151,132**	**(302)**	**-7.7%**	**2,638**	**55,455**	**(497)**	**-16.4%**	**8,130**	**488,270**	**(1,118)**	**-13.8%**

* Net change since 1 July 2013

** Excludes salon

^ As at 30 June 2014, controlled wholesale POS and space in other European countries mainly Russia, Poland and Bulgaria have been re-grouped from Germany to others under Rest of Europe. In addition, controlled wholesale POS and space in Chile and Colombia have been re-grouped from others under Asia Pacific to others under Rest of Europe whereas controlled wholesale POS and space in the Middle East have been re-grouped from Asia Pacific to others under Rest of Europe. Comparative figures have been restated accordingly

Licensing, although a small segment contributing 0.7% of Group turnover, continues to be an important part of the business, highlighting the strength of the Esprit brand. In FY13/14, licensing turnover amounted to HK$170 million (2013: HK$172 million), representing a slight decline of -1.3% in Hong Kong dollar terms (-2.1% in local currency). This slight decline was a result of the combined effect of the continued growth of existing licensed products and our decision to terminate certain brand-dilutive licenses, primarily those under Home World and Babies & Kids World, in favor of core licensed product categories to bring the licensed product portfolio in line with our brand positioning. As at 30 June 2014, the number of licensed product categories decreased to 18.

Key licensed products categories

As at 30 June 2014	Europe	Asia Pacific	North America	Latin America
Accessories World				
costume jewelery	■	■		
eyewear	■	■	■	■
fragrance	■	■		■
jewelery	■	■		■
luggage	■	■		
outerwear			■	
shoes			■	■
socks + tights	■	■	■	■
stationery	■			
timewear	■	■	■	■
umbrellas	■	■	■	■
Home World				
bathroom	■	■		
bedding	■	■	■	■
carpets	■	■		
decoration	■	■		■
wallpaper	■	■		
Babies & Kids World				
kids' shoes			■	
maternity	■			

Turnover by geography

The majority of the Group's businesses are located in Europe and Asia Pacific. As our top line performance continued to be impacted by store closures and stores with onerous leases announced in previous financial year(s), it is important that we assess the actual top line performance of both regions excluding store closures and stores with onerous leases and North America wholesale ("Core Operations"). Turnover from our Core Operations in Europe and Germany accounted for 81.3% (2013: 77.4%) and 45.5% (2013: 42.0%) of Group turnover respectively.

Turnover by country

Countries#	2014 HK$ million	2014 % to Group Turnover	2013 HK$ million	2013 % to Group Turnover	Turnover change in % HK$	Turnover change in % Local currency	Net change in net sales area^
Europe	**19,700**	**81.3%**	20,059	77.4%	-1.8%	-6.3%	-7.9%
Germany *	**11,034**	**45.5%**	10,884	42.0%	1.4%	-3.3%	-4.4%
Rest of Europe	**8,666**	**35.8%**	9,175	35.4%	-5.5%	-9.7%	-11.6%
Benelux*	**3,069**	**12.7%**	3,217	12.4%	-4.6%	-9.0%	-3.2%
France	**1,478**	**6.1%**	1,477	5.7%	0.1%	-4.6%	-3.4%
Switzerland	**1,124**	**4.7%**	1,116	4.3%	0.8%	-3.4%	-2.8%
Austria	**1,095**	**4.5%**	1,145	4.4%	-4.4%	-8.8%	-7.9%
Scandinavia	**824**	**3.4%**	1,011	3.9%	-18.5%	-21.1%	-16.8%
Spain	**229**	**1.0%**	218	0.8%	5.2%	0.3%	-3.4%
United Kingdom	**175**	**0.7%**	152	0.6%	15.3%	11.4%	-38.9%
Italy	**149**	**0.6%**	132	0.5%	12.8%	7.3%	-28.1%
Portugal	**10**	**0.0%**	12	0.1%	-20.9%	-24.3%	-
Ireland	**8**	**0.0%**	9	0.0%	-18.4%	-22.1%	-18.6%
Others ##	**505**	**2.1%**	686	2.7%	-26.2%	-29.5%	-36.0%
Asia Pacific	**3,685**	**15.2%**	4,738	18.3%	-22.2%	-21.6%	-19.2%
China **	**1,764**	**7.3%**	2,416	9.3%	-26.9%	-28.3%	-24.3%
Australia and New Zealand	**457**	**1.9%**	677	2.6%	-32.6%	-25.7%	-29.1%
Hong Kong	**401**	**1.7%**	456	1.8%	-12.0%	-12.0%	-9.7%
Singapore	**348**	**1.4%**	398	1.5%	-12.7%	-11.2%	-5.4%
Malaysia	**251**	**1.0%**	285	1.1%	-11.9%	-7.2%	3.3%
Taiwan	**201**	**0.8%**	232	0.9%	-13.6%	-12.4%	-3.9%
Macau	**123**	**0.5%**	118	0.5%	4.9%	4.9%	36.7%
Others @	**140**	**0.6%**	156	0.6%	-10.4%	-14.6%	-12.4%
North America	**140**	**0.6%**	143	0.6%	-2.2%	-2.2%	n.a.
United States*	**140**	**0.6%**	143	0.6%	-2.2%	-2.2%	n.a.
Core Operations	**23,525**	**97.1%**	24,940	96.3%	-5.7%	-9.2%	-10.5%
Store closures and stores with onerous leases * and North America wholesale**	**702**	**2.9%**	962	3.7%	-27.1%	-30.0%	-16.5%
Total	**24,227**	**100.0%**	25,902	100.0%	-6.5%	-9.9%	-10.7%

For the year ended 30 June

^ Net change since 1 July 2013

\# Country as a whole includes retail, wholesale and licensing operations

\## For the year ended 30 June 2014, wholesale sales to other European countries mainly Russia, Poland and Bulgaria have been re-grouped from Germany to others under Rest of Europe. In addition, wholesale sales to Chile, Colombia and the Middle East have also been re-grouped from Macau to others under Rest of Europe. Comparative figures have been restated accordingly

@ For the year ended 30 June 2014, wholesale sales to other countries mainly Thailand, the Philippines and Indonesia have been re-grouped from Macau to others under Asia Pacific. Comparative figures have been restated accordingly

* Includes licensing

** Includes salon

*** Represent store closures and stores with onerous leases announced in prior financial year(s)

n.a. Not applicable

In **Europe**, we observed a continued stabilization of space productivity of Esprit's Core Operations in the region, where our initiatives on sales activation (including improved promotional calendar, better management of markdowns, and enhanced value-for-money proposition of our products) effectively supported controlled space productivity. As a consequence, turnover from Core Operations in Europe declined by -1.8% in Hong Kong dollar terms, and the corresponding decline in local currency of -6.3% was lower than the decline in its total controlled space of -7.9%. Specifically, in **Germany**, turnover from Core Operations recorded growth of +1.4% in Hong Kong dollar terms, and a decline of -3.3% in local currency, which was lower than the corresponding decline in total controlled space of -4.4%. And in **Rest of Europe**, turnover of Core Operations registered a decline of -5.5% in Hong Kong dollar terms and -9.7% in local currency, also lower than the corresponding decline of -11.6% in total controlled space.

In **Asia Pacific**, turnover of Core Operations registered a decline of -22.2% in Hong Kong dollar terms and -21.6% in local currency, with a corresponding decline in controlled space of -19.2%, due to certain developments in both the retail and wholesale channels as explained in the previous sections. China remained the largest market for the Group in the region and the third largest market overall in terms of turnover. Performance of the Core Operations in China was far from satisfactory, recording turnover decline of -28.3% in local currency with a corresponding decline in controlled space of -24.3%. A number of factors, both external and internal, have led to this weak performance in China: i) softer domestic economic growth; ii) closure of unprofitable retail stores upon expiry of leases; iii) rationalization of wholesale customer base; iv) the special return agreements to solve our long time problems with aged inventory in the wholesale channel (completed with the last return taken place in July 2014); and v) a higher proportion of merchandise shifting to imports resulting in initial stock availability issues. Under the leadership of the new management team in China, we will refocus our strategy on improving operations and product performance as we develop a more sustainable expansion plan for our retail and wholesale in coming years.

Profitability Analysis

Gross profit amounted to HK$12,156 million (2013: HK$12,837 million) with a corresponding **gross profit margin** of 50.2% (2013: 49.6%). We have been able to largely offset our continued spending in improving product quality with savings achieved from sourcing initiatives, resulting in a stable gross profit margin. The slight improvement in overall gross profit margin (+0.6% point) was mainly attributable to fewer markdowns as a result of improved inventory management, as well as a larger share of retail turnover to Group turnover (2014: 62.8%; 2013: 60.4%).

Operating expenses ("OPEX") – As a result of our team's intensive efforts on our cost reduction program, we achieved OPEX savings of HK$5,212 million, representing a year-on-year reduction of -32.9% in local currency (-30.6% in Hong Kong dollar terms). With the exclusion of the non-recurring OPEX items in FY12/13 (impairments and provisions on China goodwill, store closure and onerous leases totaling HK$2,494 million), OPEX declined by HK$2,718 million, representing a year-on-year reduction of -21.4% in local currency (-18.7% in Hong Kong dollar terms). This decline in operating expenses brings down the OPEX-to-sales ratio to 48.7%, which is in line with our guidance of below 50%. The table below sets forth the breakdown of OPEX by major OPEX items.

	For the year ended 30 June			Change in %	
	2014	2013			
	HK$ million	HK$ million		HK$	Local currency
Staff costs	3,851	4,216		-8.7%	-11.5%
Occupancy costs	3,585	3,726		-3.8%	-6.5%
Logistics expenses	1,317	1,453		-9.3%	-13.4%
Depreciation	833	866		-3.7%	-7.1%
Marketing & advertising expenses	792	1,027		-22.9%	-26.0%
Impairment of property, plant and equipment	80	346	*	-76.9%	-77.6%
Impairment of goodwill	-	1,996	^	-100.0%	-100.0%
Additional provision for store closures and leases	106	426	#	-75.1%	-75.5%
Other operating costs	1,231	2,951		-58.3%	-60.0%
Total OPEX	**11,795**	17,007		-30.6%	-32.9%

* FY12/13 figure includes impairment of property, plant and equipment for store closures and stores with onerous leases totaling HK$102 million
^ FY12/13 figure represents impairment of China goodwill
\# FY12/13 figure includes provision for store closures and stores with onerous leases announced in FY12/13 totaling HK$396 million

Savings were achieved across all expense lines, with most noticeable declines in the following OPEX items.

- **Staff costs** – Staff costs of HK$3,851 million registered a decline of -11.5% in local currency, which was largely in line with a -10.3% reduction in the number of employees to 9,626 (2013: 10,732) due to our efforts to streamline the Group's organizational structure and our decision to close highly unprofitable retail space.

- **Occupancy costs** – Approximately 92% of occupancy costs were attributable to our retail operations (2013: 92%). In FY13/14, occupancy costs amounted to HK$3,585 million, representing a decline of -6.5% in local currency, which exceeded a -5.7% decrease in retail net sales area.

- **Logistics expenses** – Logistics expenses of HK$1,317 million registered a decline of -13.4% in local currency, mainly driven by the reduction of business volumes and a revised structure of the costs of our e-commerce logistic operations.

- **Marketing & advertising expenses** – Overall marketing and advertising expenses decreased considerably by -26.0% in local currency to HK$792 million. While investment in operational marketing expenses increased by +10.4% in Hong Kong dollar terms to HK$680 million (2013: HK$616 million), we substantially reduced centralized marketing expenses, primarily for branding campaigns, by -72.7% in Hong Kong dollar terms to HK$112 million (2013: HK$411 million). Once we begin to see a sound and sustainable improvement in the performance of our products and stores, we will push to drive retail space productivity through more intensive marketing and advertising efforts.

- **Other operating costs** – Other operating costs, which mainly includes IT expenses, sampling costs, legal and professional fees, traveling expenses, provisions for inventory and provisions for doubtful debt, registered a year-on-year decline of -60.0% in local currency to HK$1,231 million. This is the result of concerted efforts by employees across the entire organization to address every single expense item in the businesses. In addition, our active clearance of aged inventories and tightening of credit control resulted in a net write-back of inventory provision of HK$67 million (2013: net provision of HK$527 million) and a decrease in net provision for impairment of trade debtors of HK$136 million.

EBIT of the Group improved considerably to HK$361 million as compared to last year's EBIT loss of HK$4,170 million, with a corresponding **EBIT margin** of 1.5%. By radically reducing costs, normalizing inventory levels and overhauling operations, the Group has returned to profitability despite the decline in turnover. As we leverage the reduced cost base, the Group's EBIT margin should continue to improve when the top line is expected to recover over coming years.

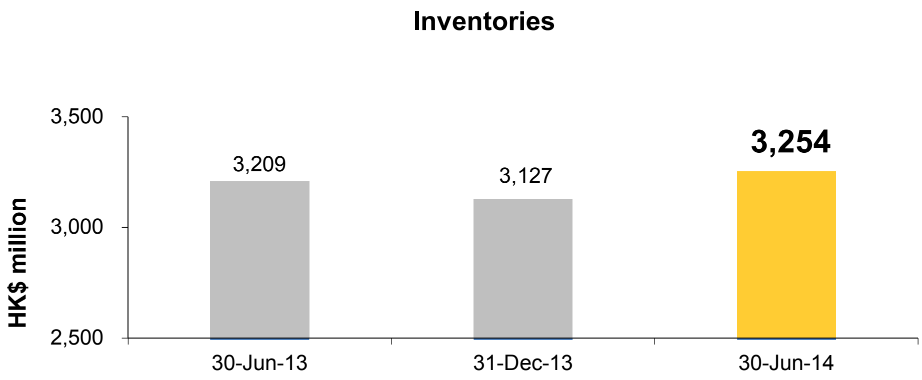
Profit before taxation was HK$379 million (2013: loss before taxation of HK$4,149 million). After deducting **taxation** of HK$169 million (2013: HK$239 million), the Group recorded a **net profit** of HK$210 million as compared to a net loss of HK$4,388 million for the last financial year.

Liquidity and Financial Resources Analysis

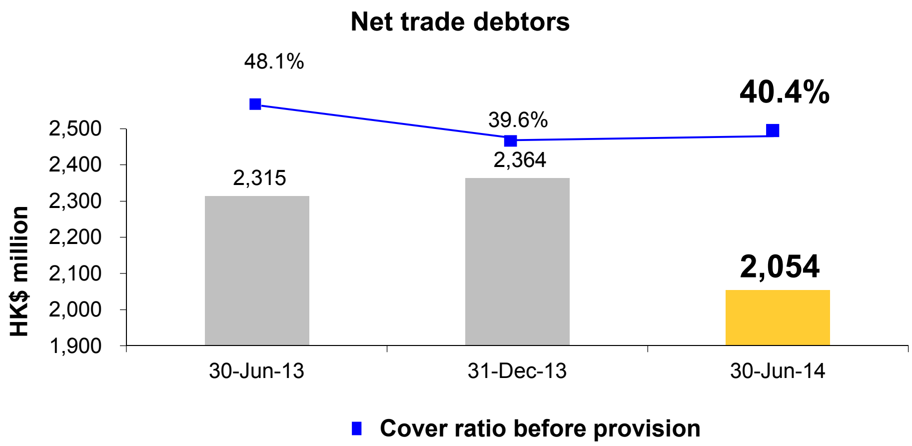
The Group's balance sheet was further strengthened as we continued to improve our working capital management as well as cash flow generation ability.

Cash – After two consecutive years of net cash consumption (FY12/13: HK$1,594 million; FY11/12: HK$899 million excluding net proceeds from rights issue and dividend payment for respective financial years), the Group stabilized and returned to positive cash inflow generation by focusing our efforts on improving business performance and working capital management. We were able to consistently generate positive cash flow throughout the entire financial year under review. During the financial year, net cash generated from operating activities amounted to HK$1,418 million (2013: net cash outflow of HK$757 million). This positive cash generation, together with selective investment in capital expenditure for store refurbishment and new store openings, resulted in an overall increase of HK$1,120 million in the Group's **net cash position** to HK$5,771 million (30 June 2013: HK$4,651 million) as at 30 June 2014, the highest level since the end of FY07/08.

Inventories – During the financial year, the Group was able to normalize inventory levels by taking bold measures to clear aged inventories in our distribution channels and tightening control of the season's inventory through closely aligning purchases with sales levels. These initiatives have enabled the Group to successfully reduce the number of inventory units by -17.0% year-on-year. Correspondingly, inventory turnover days were also shortened to 90 days from 100 days a year ago. The Group reported a slight year-on-year increase of +1.4% in the nominal value of inventory balance to HK$3,254 million as the positive developments mentioned above were offset by a +4.4% year-on-year appreciation of the EUR/HKD closing rate to 10.580 (30 June 2013: 10.134) and decrease in provision driven by improved inventory aging.



Net trade debtors decreased by -11.3% to HK$2,054 million (30 June 2013: HK$2,315 million) mainly attributable to our efforts to tighten credit control as well as declining sales in wholesale, which was partially offset by the +4.4% appreciation of the EUR/HKD closing rate as mentioned above. The cover ratio before provision (the amount of insured and secured gross trade debtors including VAT over total gross trade debtors including VAT) of 40.4% remained similar as compared to 39.6% as at 31 December 2013, but was lower than the level a year ago (30 June 2013: 48.1%) due to declining sales leading to a corresponding decline in number of customers eligible for credit insurance as compared to a year ago.



Capital expenditure ("CAPEX") – While our strong balance sheet can facilitate investments in store openings and store refurbishments, each of such CAPEX proposals were vigorously reviewed with a strong focus on return on investment. Until we see a sound and sustainable improvement in the performance of our products and stores, we will continue to deploy CAPEX for retail store expansion and refurbishment in a very selective manner, limited only to projects with a meaningful return on investment. As a consequence, our investment in CAPEX recorded a year-on-year decrease of -HK$544 million or -59.2% to HK$375 million (2013: HK$919 million) in FY13/14. Additionally, following the successful completion of two major infrastructure projects at the end of FY12/13, namely the SAP system and the new European distribution center, there was also a noticeable year-on-year decline in CAPEX for IT projects, office and others.

	For the year ended 30 June	
HK$ million	**2014**	2013
Retail stores	**194**	557
IT projects	**78**	203
Office & others	**103**	159
Purchase of property, plant and equipment	**375**	919

Total interest bearing external borrowings amounted to HK$260 million (30 June 2013: HK$520 million) which represented the last instalment of the bank loan used to finance the acquisition of the remaining interest in the China Joint Venture in 2009. The loan is denominated in Hong Kong dollars, unsecured and subject to floating interest rates, and due for repayment in February 2015. None of the Group's assets were pledged as security for overdraft or any short-term revolving facility.

FOREIGN EXCHANGE RISK MANAGEMENT

The Group uses foreign currency contracts to mitigate risk, hedge transactions and manage the Group's asset and liabilities.

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

HUMAN RESOURCES

As at 30 June 2014, the Group employed over 9,600 full-time equivalent staff (30 June 2013: over 10,700) around the globe. Competitive remuneration packages that take into account business performance, market practices and competitive market conditions are offered to employees in compensation for their contribution. In addition, share options and discretionary bonuses are also granted based on the Group's and individual's performances. All employees around the world are connected through the Group's quarterly newsletters and global intranet.

DIVIDEND

The Board maintains the dividend payout ratio of 60% of basic earnings per share. The Board is pleased to recommend the distribution of a final dividend of HK$0.04 per share (FY12/13: nil) for the year ended 30 June 2014 to the shareholders of the Company (the "Shareholders") whose names appear on the registers of members of the Company at 4:00 pm on Thursday, 11 December 2014. Shareholders will be provided with an option to receive the final dividend wholly or partly in form of new fully paid shares of the Company in lieu of cash ("Scrip Dividend Reinvestment Scheme"). Such new shares so issue will rank *pari passu* in all respect with the existing issued shares in the capital of the Company.

The dividend reinvestment price shall be determined by the average closing price of the shares of the Company as quoted on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the five consecutive trading days immediately preceding Tuesday, 9 December 2014. The Scrip Dividend Reinvestment Scheme is conditional upon the passing of the relevant resolution at the forthcoming annual general meeting of the Company (the "Annual General Meeting") and the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the new shares of the Company to be issued under the Scrip Dividend Reinvestment Scheme.

In the event that the resolution in relation to the final dividend is approved by the Shareholders at the Annual General Meeting, a circular containing details of the Scrip Dividend Reinvestment Scheme and an election form (where applicable) will be despatched to the Shareholders on or around Friday, 19 December 2014.

Subject to the approval of Shareholders at the Annual General Meeting and the Listing Committee's granting the listing of, and permission to deal in, the new shares of the Company, dividend warrants and shares certificates for the new shares will be despatched to the Shareholders by ordinary mail at their own risk on or around Tuesday, 27 January 2015.

FOCUS AND PRIORITIES IN FY14/15

With the relevant progress made in FY13/14, we begin the new financial year in a stronger position. In parallel with the short term stabilization initiatives, we also made good progress in the Transformation of our business in order to recover Esprit's competitiveness. After twelve months of collective efforts and intense training on new processes, the Group is pleased to report that the new vertically integrated business model, which is the basis of our strategy to significantly enhance our ability to produce outstanding value for money products, has been activated effective July 2014. Hopefully, our customers are beginning to see and feel the tangible benefits of the changes we have made and will continue to make. The Group is confident that such improvements will, in time, be evident in our financial results.

Looking ahead to FY14/15, we expect to stabilize the controlled space development in our retail channel, while reducing the rate of decline of controlled space in our wholesale channel. In terms of stores' space productivity (sales per sqm), we aim to maintain it at a stable level during the Transformation phase. As a consequence, the Group's top line is expected to decline in accordance with the decline in controlled space. Nonetheless, volatility is expected during the year due to the multiple changes in the Transformation phase.

Gross profit margin is expected to increase slightly as the Group will actively protect the profitability of its product lines by continually implementing improvements in our supply chain management.

While it will likely be necessary to increase spending in certain areas in order to secure the successful implementation of the changes associated with the Company's Transformation (e.g. IT), we aim to maintain total OPEX at a similar level to last year. In the longer run, the healthier cost base achieved in the past year will enable us to generate further leverage when the top line recovers.

Investment in capital expenditure will remain selective but will increase compared to last year as we accelerate our store refurbishing plans.

CLOSURE OF REGISTERS OF MEMBERS

Annual General Meeting

The registers of members of the Company will be closed from Monday, 1 December 2014 to Wednesday, 3 December 2014 (both dates inclusive) for the purpose of determining the eligibility of Shareholders attend and vote at the Annual General Meeting. During such period, no transfer of shares of the Company will be effected. In order to be entitled to attend and vote at the Annual General Meeting, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 pm on Friday, 28 November 2014.

Proposed Final Dividend

In the event that the proposed final dividend is approved by Shareholders at the Annual General Meeting, the registers of members of the Company will be closed from Tuesday, 9 December 2014 to Thursday, 11 December 2014 (both dates inclusive) for the purpose of determining the Shareholders who qualify for the proposed final dividend. During such period, no transfer of shares of the Company will be effected. In order to qualify for the proposed final dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 pm on Monday, 8 December 2014.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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

AUDIT COMMITTEE

As required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the Company has an Audit Committee comprising three Non-executive Directors, two of whom are independent. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and has also discussed auditing, internal controls, and financial reporting matters including the review of the quarterly updates, interim results and annual results of the Group. The consolidated results of the Group for the year ended 30 June 2014 have been reviewed by the Audit Committee and audited by the independent auditor of the Company, PricewaterhouseCoopers.

CORPORATE GOVERNANCE

The Company has applied the principles and complied with the Corporate Governance Code and Corporate Governance Report (the "Code") as set out in Appendix 14 of the Listing Rules throughout the year ended 30 June 2014, except that Non-executive Directors of the Company do not have specific term of appointment (code provision A.4.1 of the Code). 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 and each Director is effectively appointed under an average term of three years.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

The Company has made specific enquiry with all Directors and all of them confirmed that they have complied with the required standard set out in the Model Code for the year ended 30 June 2014.

BOARD OF DIRECTORS

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

Executive Directors:	Mr Jose Manuel MARTINEZ GUTIERREZ *(Group CEO)* Mr Thomas TANG Wing Yung *(Group CFO)*
Non-executive Director:	Mr Jürgen Alfred Rudolf FRIEDRICH
Independent Non-executive Directors:	Mr Raymond OR Ching Fai *(Chairman)* Mr Paul CHENG Ming Fun *(Deputy Chairman)* Mr Alexander Reid HAMILTON Mr Carmelo LEE Ka Sze Mr Norbert Adolf PLATT

By Order of the Board
Florence NG Wai Yin
Company Secretary

Hong Kong, 23 September 2014

Forward-Looking Statements

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