

ESPRIT

Interim results for six months ended 31 December 2009

3 February 2010

	Page
1. Achievements in first half	3
2. Financial highlights	5
3. Buy-back China JV	16
4. Second half outlook	19
5. Strategic initiatives	24
6. Q&A	28

- Improving retail performance in 2Q

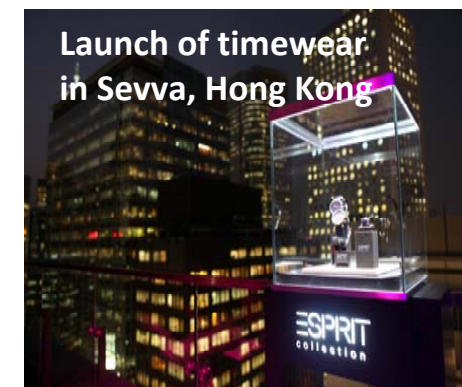
		1Q		2Q		1H
Group turnover HK\$ growth yoy	▼	-8.0%	▲	2.5%	▼	-3.1%
Retail turnover HK\$ growth yoy	▼	-0.7%	▲	18.5%	▲	9.5%
Retail turnover LCY growth yoy	▲	4.5%	▲	6.3%	▲	5.5%
Retail comp store sales growth yoy	▼	-3.5%	▲	0.4%	▼	-1.2%

- Continued strengthening of the wholesale channel mix
- Gross Profit Margin and Operating Profit Margin +2.7%ppt and +0.3%ppt yoy respectively
- Opex increased slightly despite expansion of retail selling space by 10.2% as compared to 31 Dec 2008
- Continued improvement in working capital efficiency, both inventories and trade receivables declined
- Net cash balance increased ~HK\$3bn in the 6 months to HK\$7.9bn

Achievements in first half - operational



- Acquisition of the remaining interest in China JV
- Launched Strategic Initiatives to strengthen platform for growth and profitability
- Differentiated product lines
- Successful introduction of Essentials Program
- New store concepts tested
- New Esprit Collection line for timewear and jewellery launched in Hong Kong
- Opening of first Home Concept Store in Beijing in December 2009. Already 350 POS in China for home textiles and accessories
- Contract signed for new outsourced distribution centre in Europe



2. FINANCIAL HIGHLIGHTS

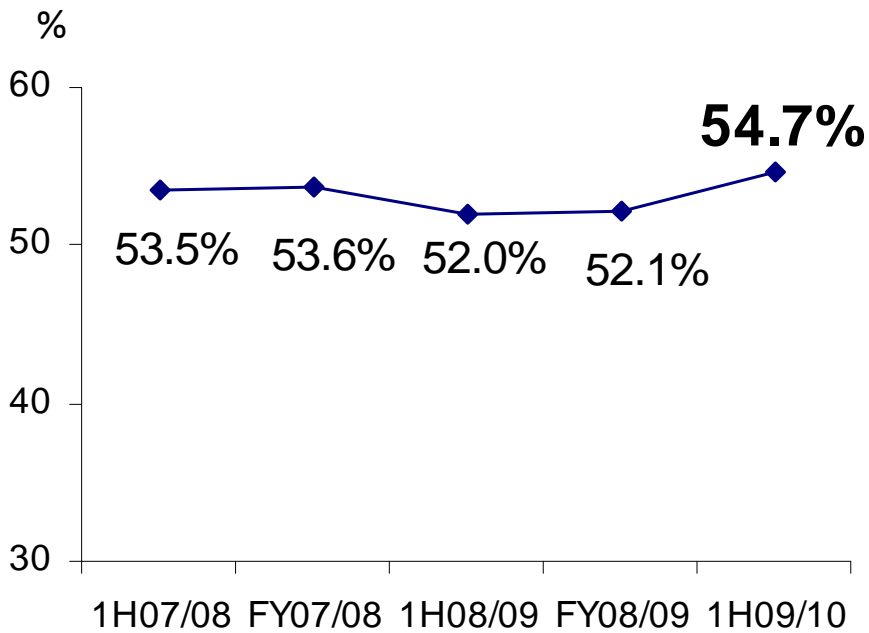
(HK\$)	For the six months ended 31 Dec	
	2009	2008
Turnover	18,475m	19,064m
1Q	9,365m	10,179m
2Q	9,110m	8,885m
Gross Profit	10,098m	9,910m
Operating Profit	3,367m	3,411m
Net Profit	2,705m	2,853m
EPS (Basic)	2.12	2.24
Net Cash Position (31 Dec)	7,863m	3,848m
Interim Dividend Per Share	0.74	0.80

- Interim dividends maintained at a 35% payout ratio

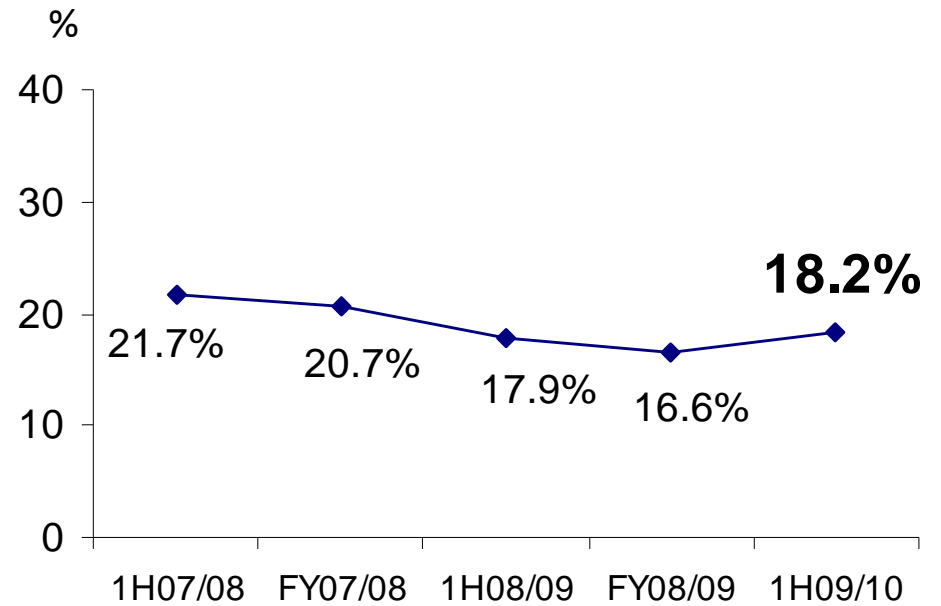
Positive margins trend



Gross Profit margin



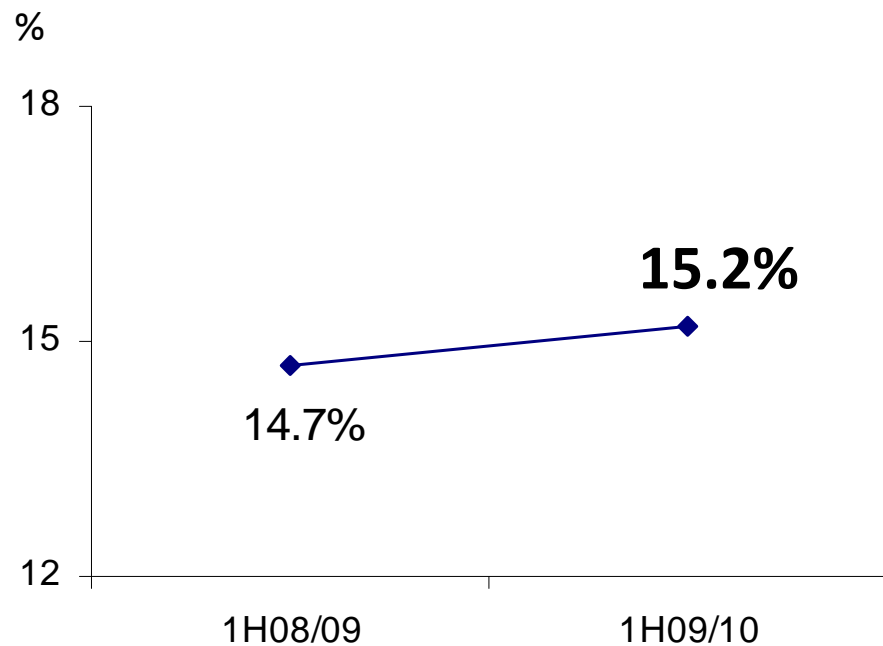
Operating Profit margin



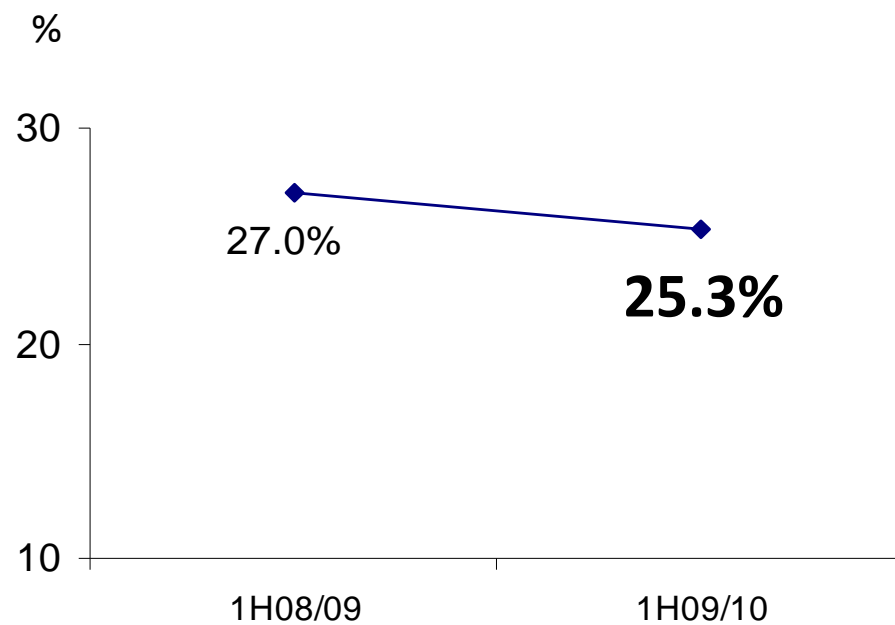
Improved retail EBIT margin



Retail EBIT margin



Wholesale EBIT margin



Strong cash flow generation



(HK\$m)	For the six months ended 31 Dec	
	2009	2008
Beginning balance (1 Jul 2009)	4,840	6,521
Cash flows from operating activities	3,768	2,527
Cash flows used in investing activities [#]	(858)	(879)
Cash flows from (used in) financing activities [*]	61	(4,154)
Net cash flow	2,971	(2,506)
Exchange difference	52	(167)
Ending balance (31 Dec 2009)	7,863	3,848

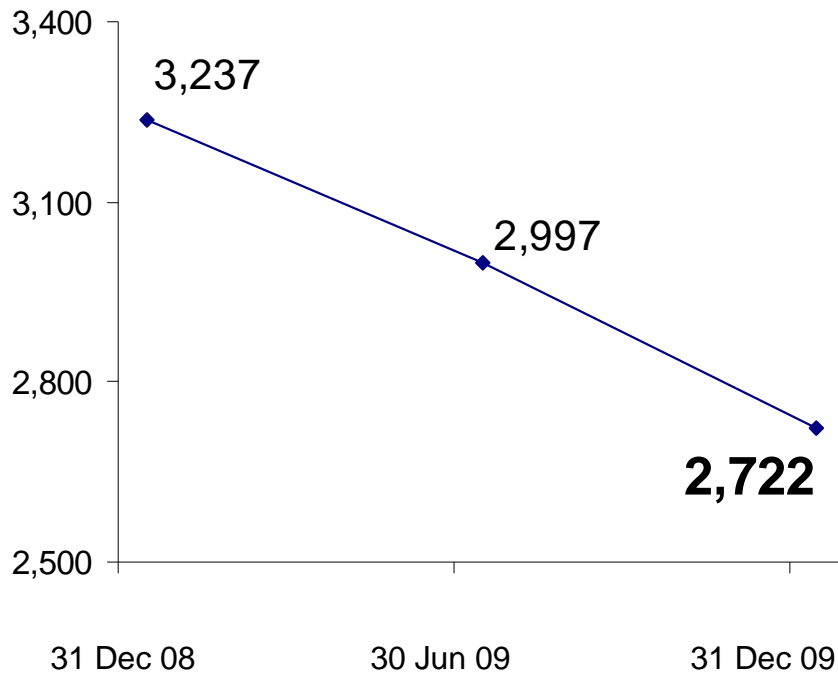
[#] Dec 2009 figure included HK\$388m of down payment for acquisition of the remaining interest in China JV

^{*} Dec 2008 figure included HK\$4bn dividend payment

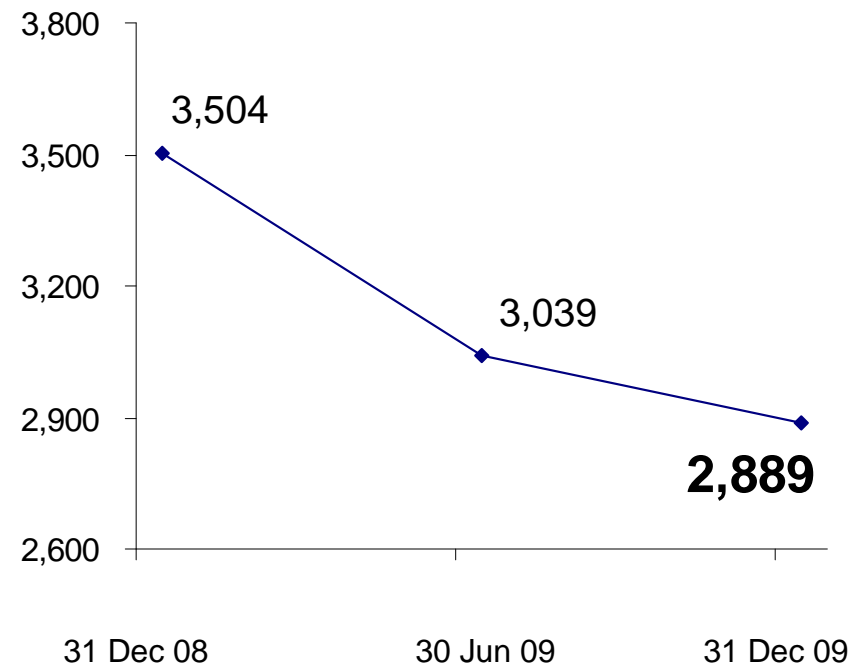
Continued improvement in working capital efficiency



Inventories (HK\$m)



Trade Debtors (HK\$m)



Retail turnover caught up with wholesale



% to Group turnover (Last Year) // turnover in HK\$ // ▲▼ % HK\$ growth

Retail 52% (LY 46%)

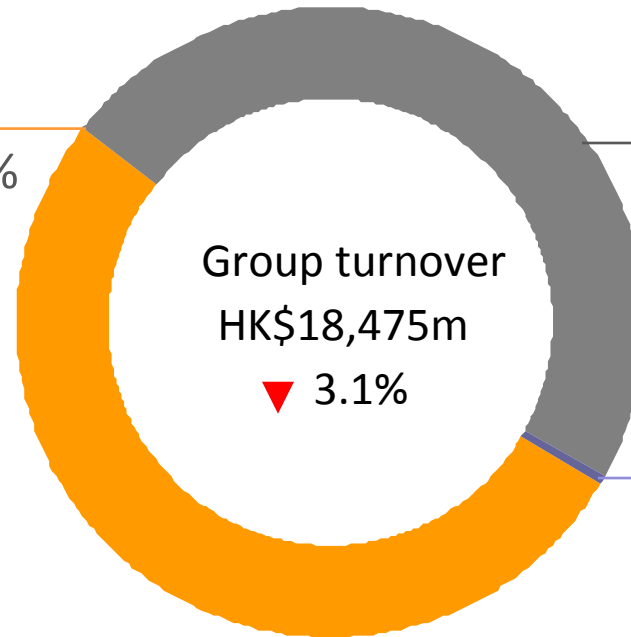
HK\$9,624m ▲ 9.5%

Wholesale 47% (LY 53%)

HK\$8,738m ▼ 13.9%

Licensing & others 1% (LY 1%)

HK\$113m ▼ 8.3%



Europe retail driving the growth



	Retail turnover				
	Six months ended 31 Dec 2009		Change in %		LCY Comp-store sales growth
	HK\$m	% to retail turnover	HK\$	Local currency	
Europe	7,905	82%	10.4%	6.5%	-0.7%
Asia Pacific	1,287	13%	3.4%	-1.3%	-5.4%
North America	432	5%	11.6%	8.5%	0.4%
Total retail	9,624	100%	9.5%	5.5%	-1.2%

Focus on quality of new store openings



Directly managed retail stores					
POS Number				Net sales area (m ²)	
Dec 2009	vs Jun 2009		Dec 2009	vs Jun 2009	
	opened	closed			

Europe	413	+35	-7	236,521	6.9%
Asia Pacific	337	+9	-10	66,616	4.0%
North America	79	+2	-1	28,916	2.5%
Group total	829	+46	-18	332,053	5.9%

Wholesale turnover in line with expectation



	Wholesale turnover			
	Six months ended 31 Dec 2009		Change in %	
	HK\$m	% to wholesale turnover	HK\$	Local currency
Europe	7,783	89%	-13.8%	-15.0%
Asia Pacific	872	10%	-15.0%	-18.6%
North America and others	83	1%	-11.2%	-13.7%
Total wholesale	8,738	100%	-13.9%	-15.4%

Strengthening the wholesale channel mix



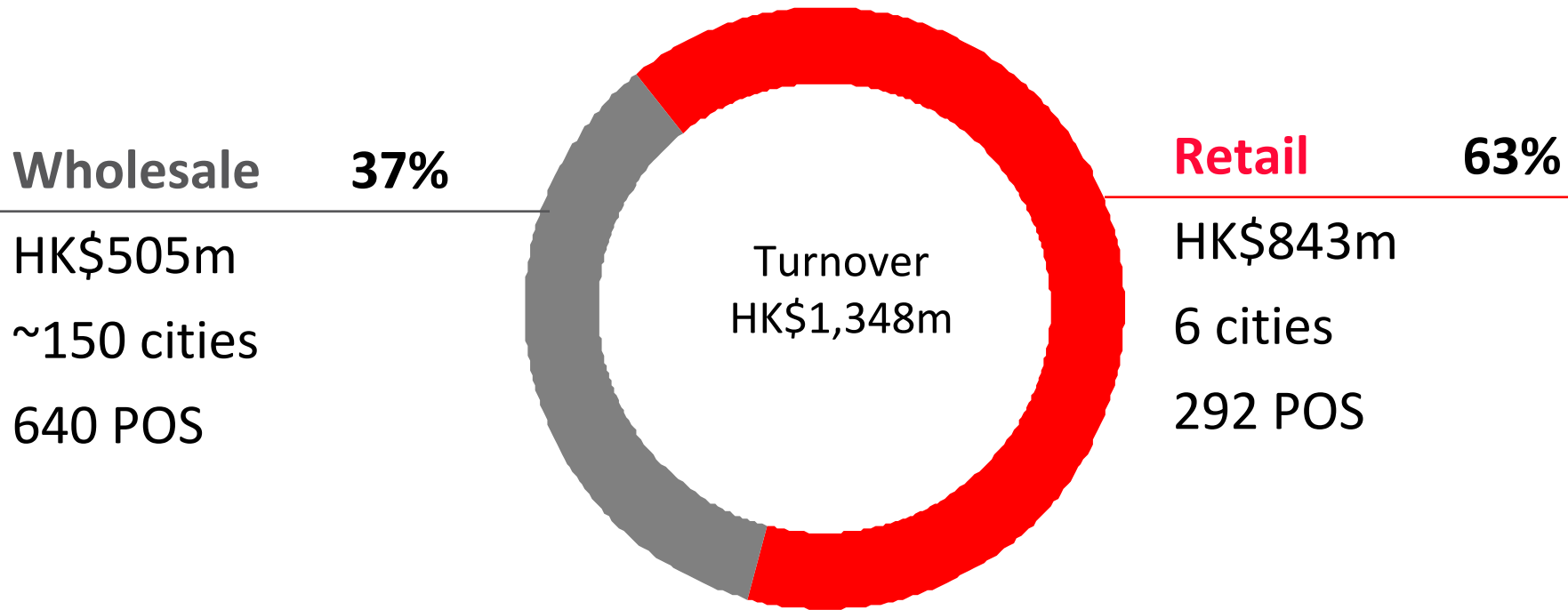
	Controlled wholesale space					
	Franchise stores		Shop-in-stores		Identity corners	
	Net sales area (m ²)	Net change in sales area* (m ²)	Net sales area (m ²)	Net change in sales area* (m ²)	Net sales area (m ²)	Net change in sales area* (m ²)
Europe	302,947	3.7%	204,452	-2.4%	119,163	-8.4%
Asia Pacific	76,905	0.8%	10,084	-2.7%	92,430	8.2%
North America	300	-	177	29.2%	-	-
Red Earth [#]	-	-100.0%	-	-100.0%	-	-100.0%
Group total	380,152	2.9%	214,713	-2.5%	211,593	-3.4%

[#] The decline in Red Earth stores/units was due to the disposal of Red Earth brand and related operation

* Net change from 30 Jun 2009

3. BUY-BACK CHINA JV

Breakdown of China JV turnover for the 6 months ended 31 Dec 2009



% to China JV turnover

Upside from operational excellence:

- Increase in sales productivity
- Improve stock turn
- Lower sourcing cost

Expansion potential:

- Further penetration and increase of market share in existing cities
- Expand the footprint from currently 150 to 450+ cities

4. SECOND HALF OUTLOOK

Wholesale

- Mid-teens % yoy decline in LCY for Jan - Apr 2010
- But month by month improvement of order book trend

Retail

- Maintains the target of 5-10% yoy growth in retail selling space for full financial year FY09/10
- New stores are of larger size to improve efficiency

China

- Full economic benefit of China business on or before end of Feb 2010
- Integration plan being finalized

2H Outlook

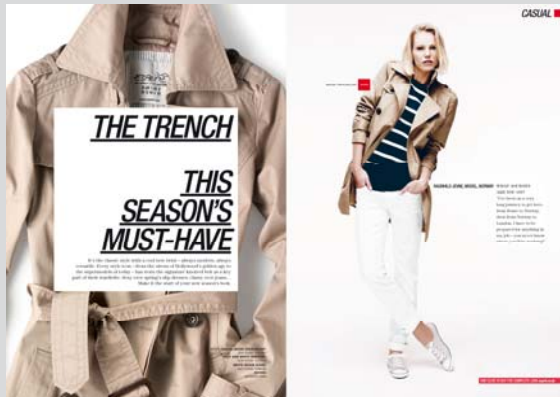
Brand and Marketing Communication

ESPRIT

- Introduction of Magalogue – magazine with the latest fashion trends, tips on mix and match etc.
- Print advertisements and inserts in fashion magazines



Magalogue



Inserts



Print Ads



2H Outlook

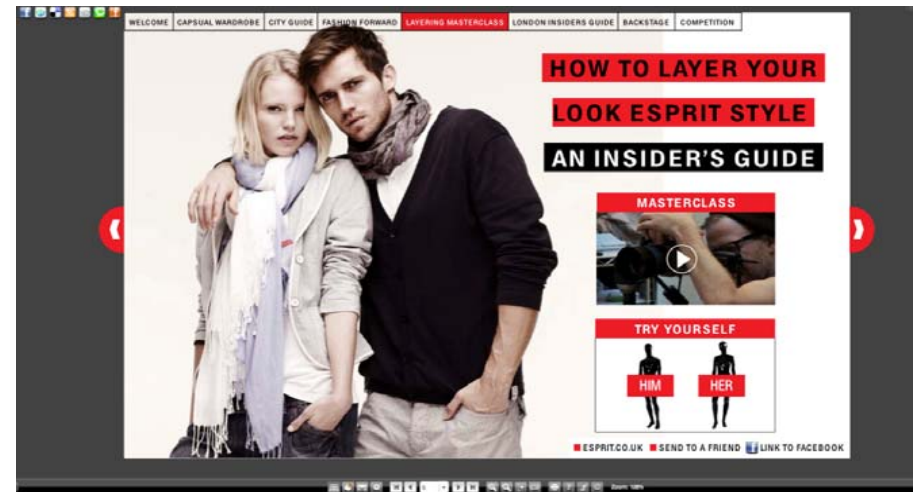
Brand and Marketing Communication

ESPRIT

- City lights and outdoor billboards



- Electronic Magazine on esprit.com
Additional information on styles, models.
Click to buy option.



2H Outlook

Developments in our license business

- Launch of the new Esprit Home Collection in early 2010
- Introduction of a new fragrance 'Imagine' in March 2010
- Introduction of a new travel and business luggage line in March 2010



5. STRATEGIC INITIATIVES

Vision

To become a truly global company and brand

ESPRIT

ESPRIT is an international, youthful lifestyle brand offering smart, affordable luxury and bringing newness and style to life.

There is a global customer for Esprit to be served with a universal value proposition across multi-channels and regions.

This requires a global brand, global mindset and global execution: from product design to marketing to distribution.



6 Strategic Initiatives

Strengthening our Platform for Growth



- 1 Global brand**

Strengthening brand equity and improving shopping experience to drive traffic and customer loyalty
- 2 Products**

Improving product differentiation and newness to grow sales per sqm
- 3 Channel and country**

Ensuring better execution of the multi-channel strategy to fuel growth and profitability
- 4 Costs of goods sold**

Achieving savings in sourcing across divisions
- 5 Support functions**

Establishing best-in-class backbone for growth
- 6 Organization and structure**

Ensuring better alignment and execution across divisions, regions and channels

*ESPRIT is a **global**, youthful lifestyle brand offering smart, affordable luxury and bringing newness and style to life.*

"... strong **collections with high quality products** tailored to the needs of our **target groups** ..."

"... serving our customers with **best-in-class multi-channel distribution** ..."

"... **a superior and consistent brand and shopping** experience at all points of sale ..."

"... an **organization** with leading business processes and support functions that **attracts** and **builds** the **best people** in the industry"

6. Q&A

Interim results FY 2009/10

Q&A

ESPRIT



Corporate Calendar

Last day of trading on a “cum” basis	3 Mar 2010
Ex-dividend date	4 Mar 2010
Fixing of Dividend Reinvestment Price	1 Mar 2010 – 5 Mar 2010 (both days inclusive)
Book close	8 Mar 2010 – 9 Mar 2010 (both days inclusive)
Despatch of Election Form	12 Mar 2010
Election Period	12 Mar 2010 – 26 Mar 2010 (both days inclusive)
Dividend payment	12 Apr 2010