

ESPRIT

Final results for the financial year ended 30 June 2010

2 September 2010

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Highlights for the financial year ended 30 June 2010 -- financial



- Retail turnover grew 9.3% yoy in HKD despite tough macro
- Total retail space increased by 7.6% or 23,890 m² yoy (excl. China)
- Esprit wholesale space flat yoy (excl. China)
- Continued strengthening of wholesale channel mix:
 - franchise space + 6.3% yoy (excl. China)
- Gross profit margin up 2.6% pts to 54.7%
- Inventory balance dropped 18.1% yoy; inventory turnover: 63 days (-2 days)
- Net trade debtors balance declined 21.4% yoy
- Cash flow from operating activities grew 2.7% yoy to HK\$5.4 billion
- Cash and bank balance increased from HK\$4.8 billion to HK\$6.7 billion
- New and transparent dividend policy - regular payout ratio: 60% going forward

Highlights for the financial year ended 30 June 2010 -- operational

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- Acquisition of remaining 51% interest in China JV (pro forma APAC turnover 16%)
- China integration on track. Focus shifts towards fast expansion
- Six Strategic Initiatives launched
- Detailed and actionable game plans ready for implementation
- Provision made to restructure key loss-making stores/countries
- New flagship stores in Hong Kong and New York
- Successful T-shirt bundling pilot to reduce COGS
- New organization structure to strengthen multi-channel distribution



2. RESULTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

Results highlights
Impacted by exceptional events

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(HK\$)	FINANCIAL YEAR ENDED	
	30 JUNE 2010	30 JUNE 2009
Turnover	33,734m	34,485m
Gross profit	18,436m	17,962m
Profit before taxation	5,474m	5,977m
Net profit	4,226m	4,745m
EPS (Basic)	3.35	3.72
Net cash balance	4,148m	4,840m

Overall operating and net profits are impacted by exceptional events

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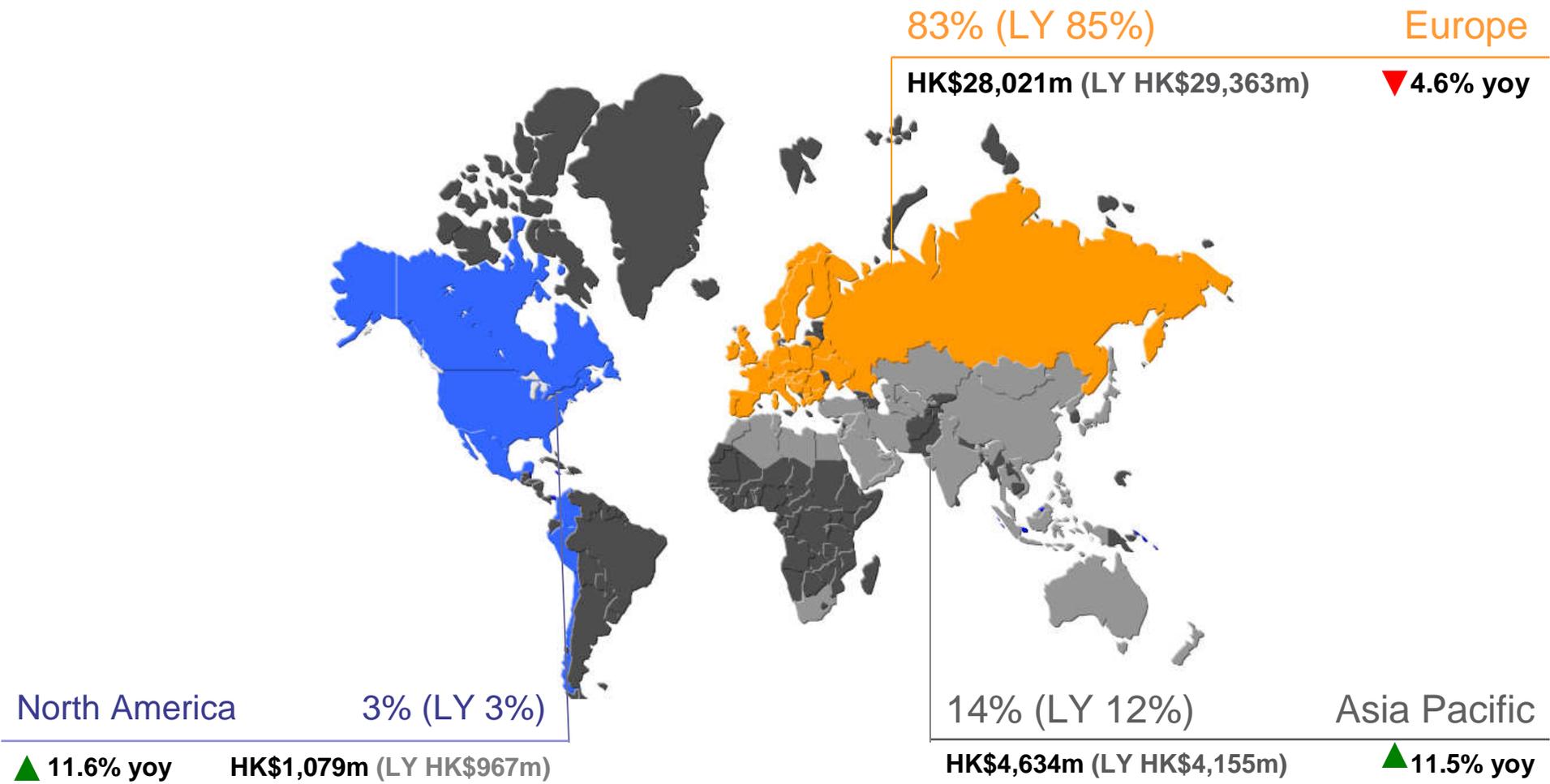
	FINANCIAL YEAR ENDED 30 JUNE 2010					
(HK\$)	Before exceptional events	Impact from acquisition of China JV	Store closure cost *	Impairment of stores/assets	Tax under provision for prior years	Reported
Turnover	33,734m	-	-	-	-	33,734m
Operating profit / EBIT	4,905m	-23m	-793m	-303m	-	3,786m
Profit before taxation	5,007m	1,563m	-793m	-303m	-	5,474m
Profit after taxation	3,691m	1,569m	-719m	-261m	-54m	4,226m

* Store closure cost in relation to the closure of 33 loss making stores

Turnover by Regions



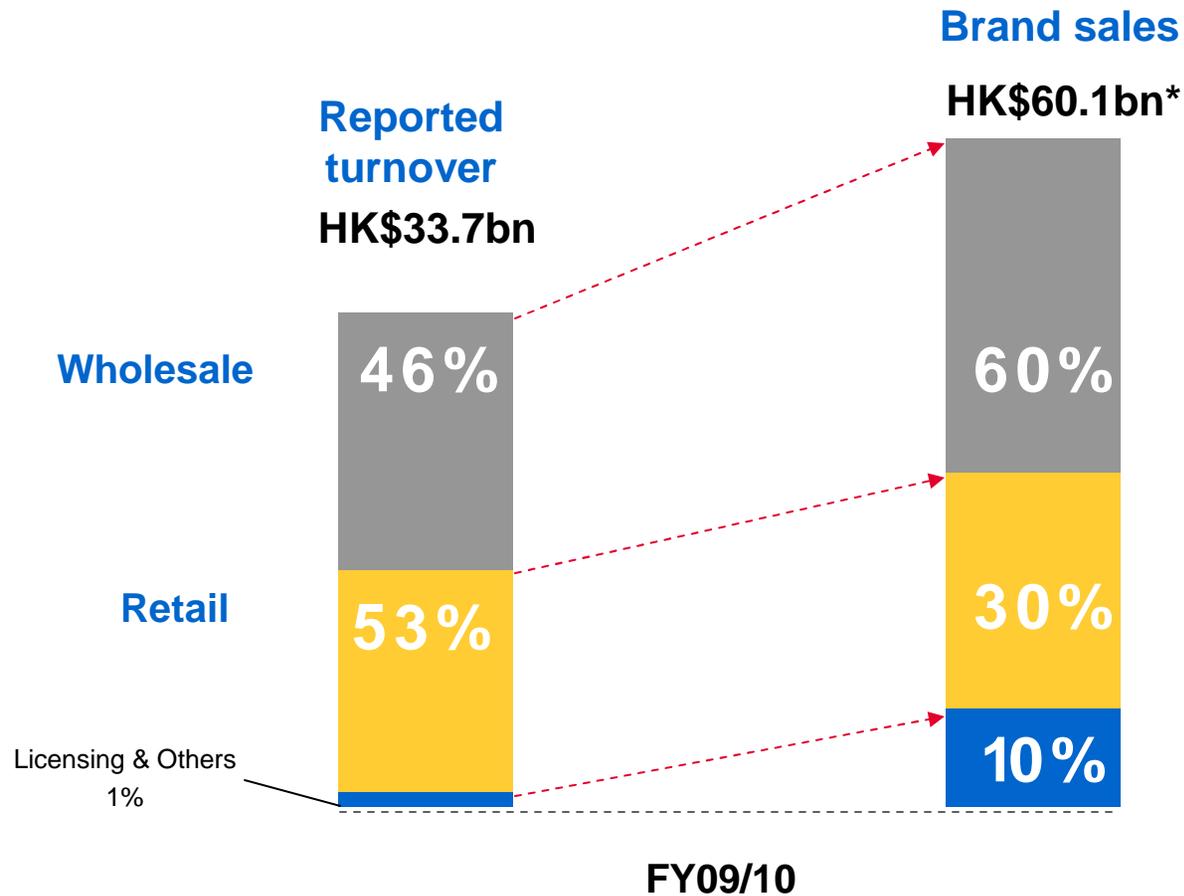
% to Group turnover (Last Year) // turnover in HK\$ // ▲▼ % HK\$ growth



Total estimated Esprit brand sales ~ HK\$60.1bn

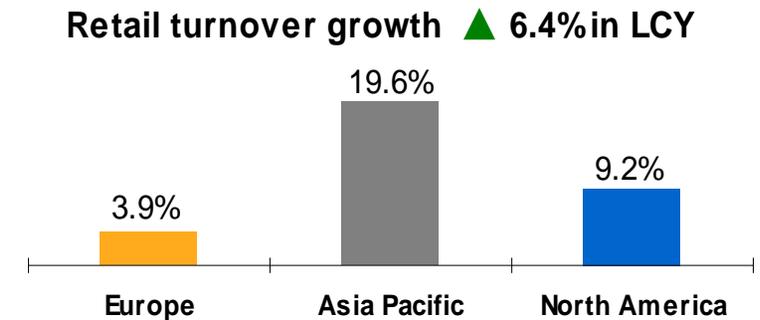
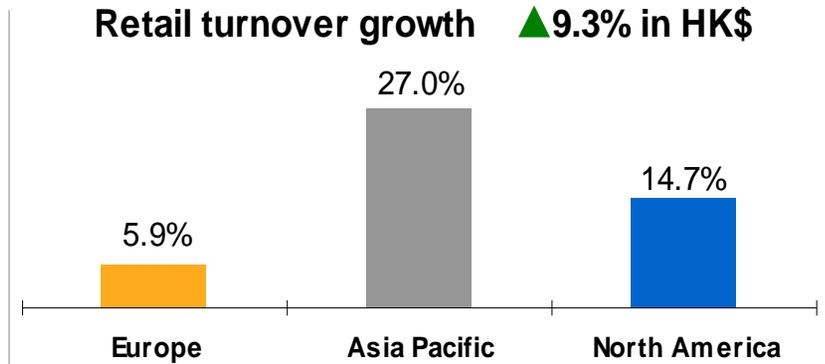
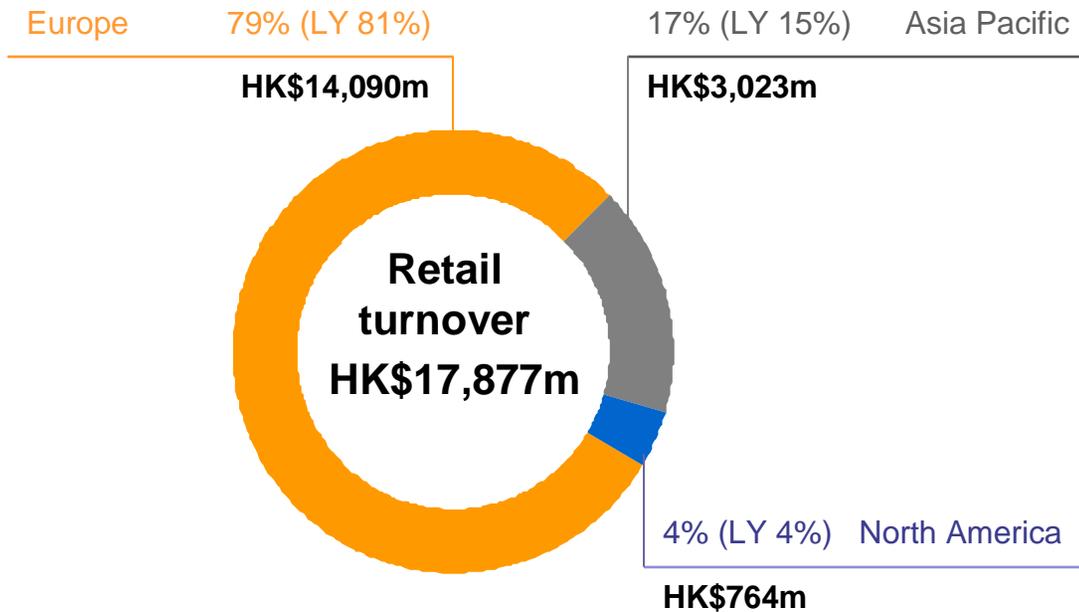


% to Group turnover // turnover in HK\$



* Management estimation - converting wholesale and licensing revenue to retail sales value of the brand Esprit

Retail turnover grew 9.3% - solid growth in all regions



% to Retail turnover (Last Year) // turnover in HK\$

Comp. store sales slightly down 2.4%



	Comp-store sales growth	No of comp store	
		as at 30 June 2010	YoY chg
Europe	-2.2%	258	44
Asia Pacific	-4.2%	379 *	222
North America	0.7%	61	14
Total	-2.4%	698	280

* Included 159 comp stores in China as at 30 June 2010

Key drivers:

- Started with higher base of positive 3.5% comp store sales growth last year
- Economic climate in Europe continues impacting consumer confidence:
 - Decline in footfall traffic
 - Slight decline in average price per transaction
- Significant increase in conversion rate thanks to better products and retail operations
- Q3 impacted by cold weather conditions in Europe

China acquisition enlarged retail portfolio by 23.1%;
Autonomous expansion on target with 7.6%



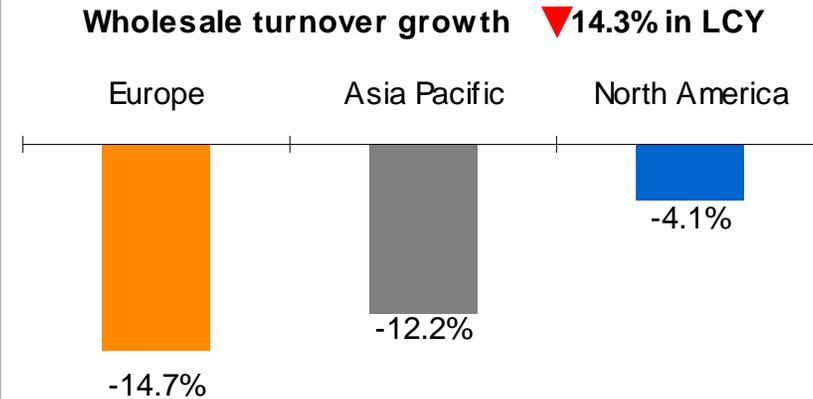
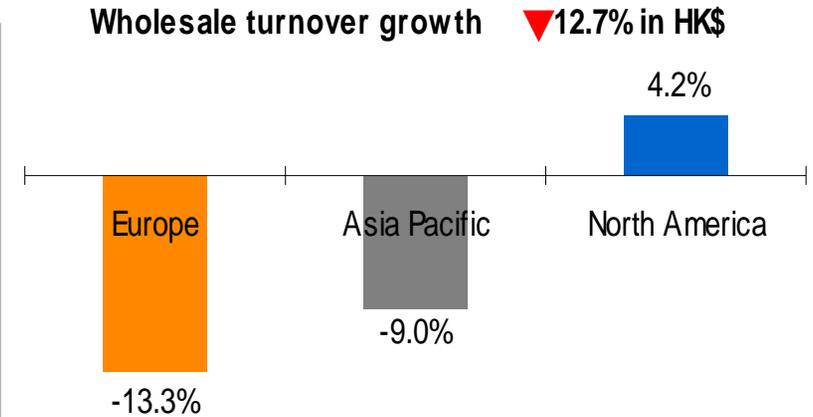
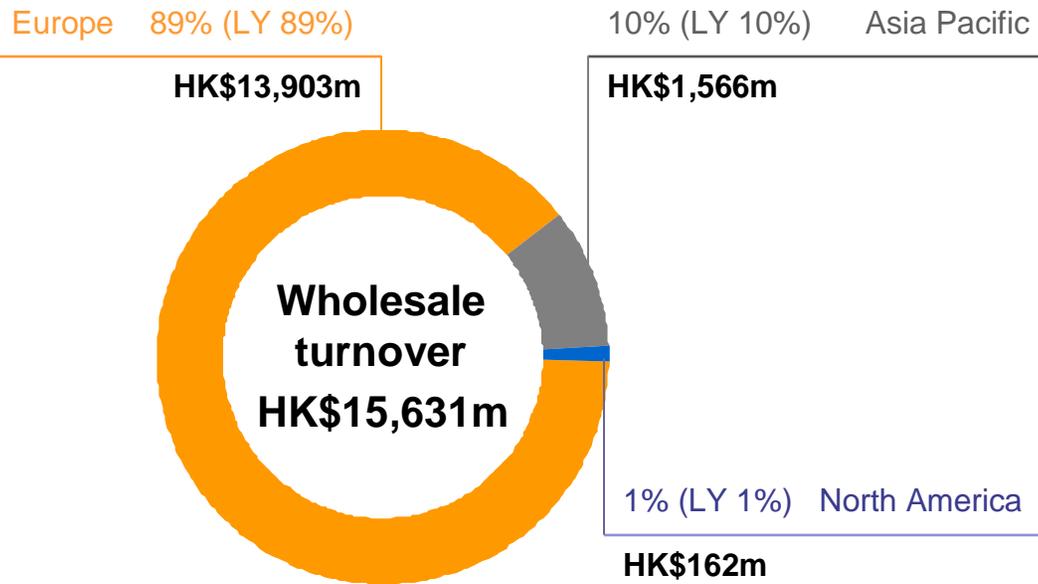
	Directly managed retail stores				
	POS Number			Net sales area (m ²)	
	30 June 2010	vs 30 June 2009		30 June 2010	vs 30 June 2009
		opened	closed		
Europe	419	+49	-15	243,417	10.0%
Asia Pacific (excl. China)	334	+13	-17	63,471	-0.9%
North America	82	+8	-4	30,536	8.3%
Subtotal	835	+70	-36	337,424	7.6%
China [^]	288	+11	-11	48,393	n.a.
Group total	1,123	+81	-47	385,817	23.1%

[^] 288 Esprit franchise stores were reclassified as Esprit directly managed retail stores as a result of the acquisition of the remaining interest in China operation

Wholesale turnover down 12.7%, in-line with expectations



% to Wholesale turnover (Last Year) // turnover in HK\$



Key drivers behind wholesale turnover development

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- Existing customers **ordering less** due to tough macro environment and weak market sentiment
- Change in customer buying behavior led to **shift in order mix** from pre-order **to short lead-time orders**
- **Rationalization** of customer base

+

- **month by month improvement in Order Intake** from July to November 2010

Continued strengthening of the wholesale channel: franchise store area (excl. China) +6.3%

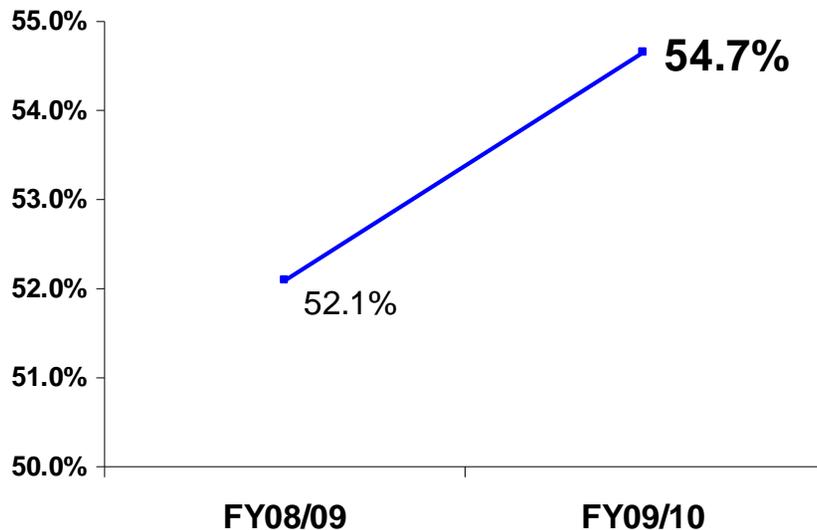
	Controlled wholesale space as at 30 June 2010							As at 30 June 2009	
	Franchise stores		Shop-in-stores		Identity corners		Total		Total
	Net sales area (m ²)	Net change in net sales area* (m ²)	Net sales area (m ²)	Net change in net sales area* (m ²)	Net sales area (m ²)	Net change in net sales area* (m ²)	Net sales area (m ²)	Net change in net sales area* (m ²)	Net sales area (m ²)
Esprit Europe	315,445	8.0%	204,083	-2.6%	113,298	-12.9%	632,826	0.2%	631,646
Esprit Asia Pacific (excl. China)	34,712	-6.3%	9,765	-5.8%	60	n.a.	44,537	-6.0%	47,389
Esprit North America	-		-		-		-		437
Total	350,157	6.3%	213,848	-2.8%	113,358	-12.9%	677,363	-0.3%	679,472

* Net change from 30 June 2009

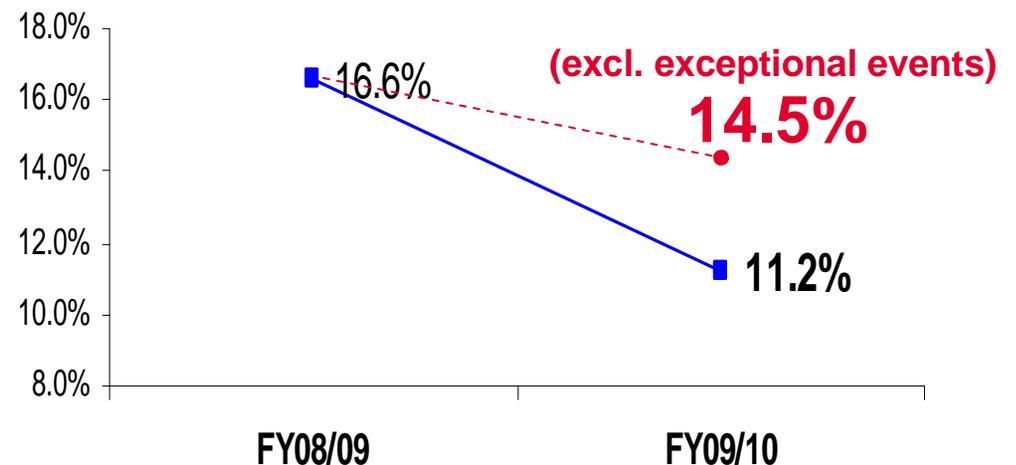
Gross profit margin up 2.6%pts



Gross Profit Margin



Operating Profit Margin



Key drivers:

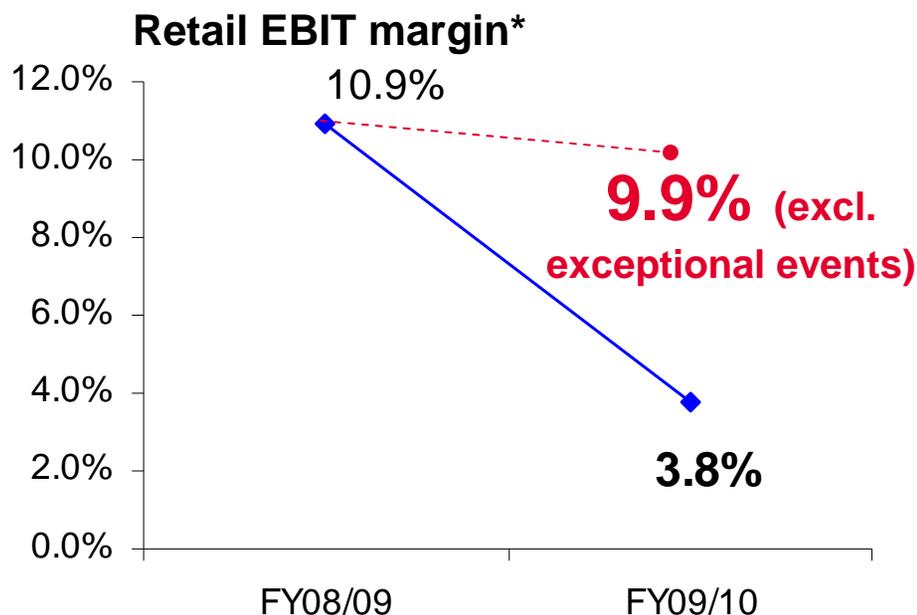
Change in channel mix helped GP margin but diluted operating profit margin

	<u>FY09/10</u>	<u>FY08/09</u>
Turnover split (%)		
Retail : Wholesale	53 : 46	47 : 52

- Increase in wholesale and retail gross profit margins

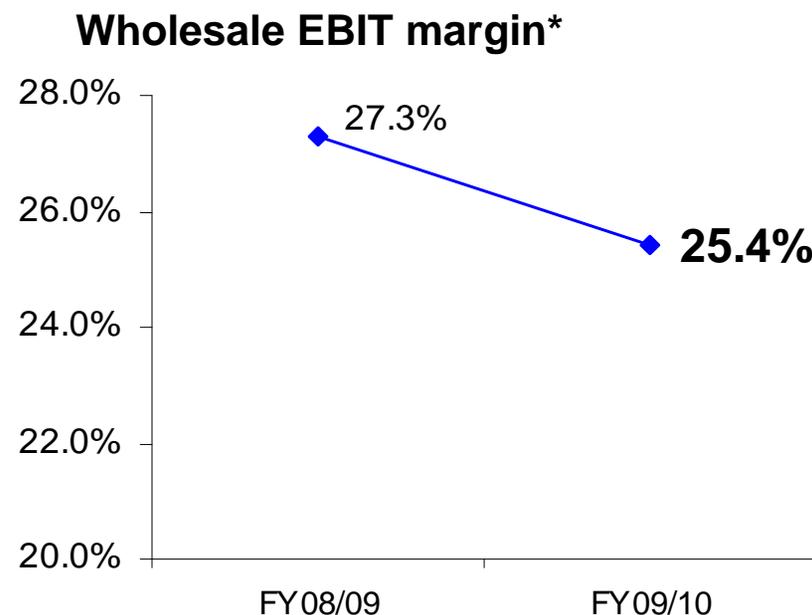
- Provision of closure costs of 33 loss making stores of HK\$793 million and impairment of stores/assets of HK\$303 million

Retail EBIT margin impacted by exceptional events Wholesale EBIT margin constrained by lower sales



Key drivers:

- HK\$793 million provision for the closure costs of 33 loss making retail stores
- HK\$303 million impairment of stores/assets



Key driver:

- Margin pressure due to leveraging effect and bad debt provision

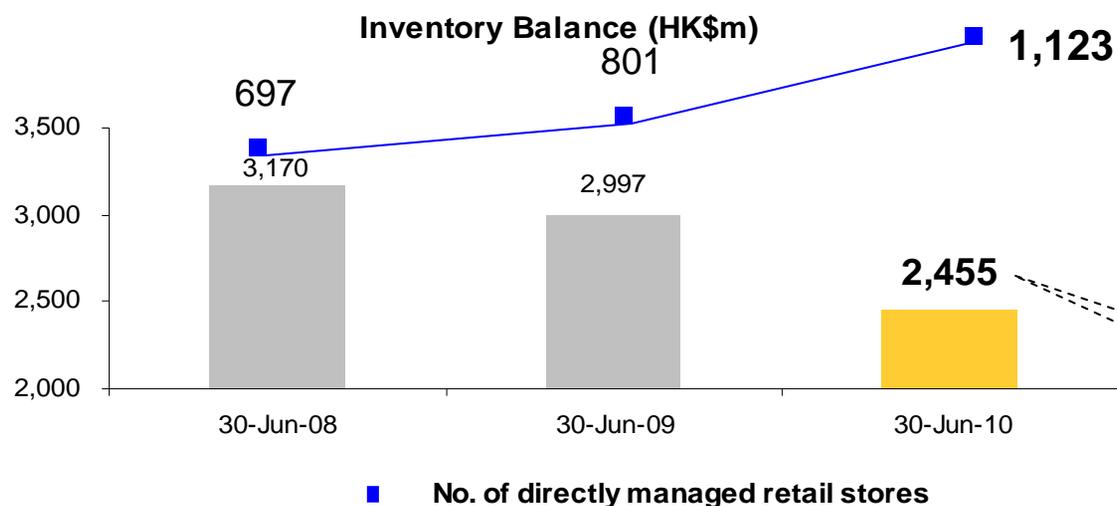
* Retail and wholesale EBIT margins for the financial year ended 30 June 2009 was restated as the basis of EBIT and EBIT margin have been changed as a result of the adoption of the new IFRS 8 "Operating Segments"

Strong growth in cash & bank balance



(HK\$m)	FINANCIAL YEAR ENDED		
	30 JUNE 2010	30 JUNE 2009	
Beginning balance	4,840	6,521	Included HK\$3.6bn of partial payment for acquisition of the remaining interest in China Joint Venture
Net cash inflow from operating activities	5,412	5,272	
Net cash used in investing activities	(4,429)	(1,698)	
Net cash inflow from / (used in) financing activities	1,296	(5,129)	Included HK\$2.6bn of proceeds from bank loans
Net increase / (decrease) in cash and cash equivalents	2,279	(1,555)	
Effect of change in exchange rates	(371)	(126)	
Ending balance	6,748	4,840	

Continued decline in inventory and net trade debtors balance



Inventory turnover days improved

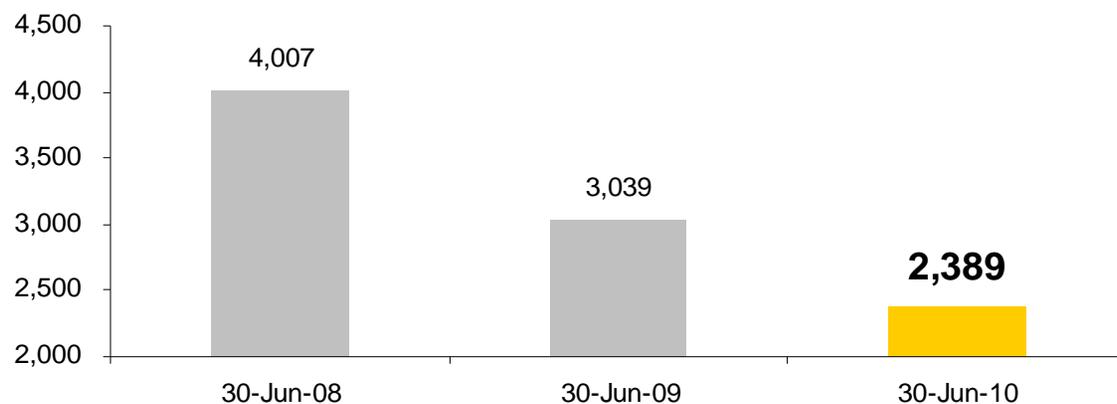
For the financial year ended

30 June 2010: 63 days

30 June 2009: 65 days

Including HK\$166m inventory in China

Net trade debtors balance (HK\$m)

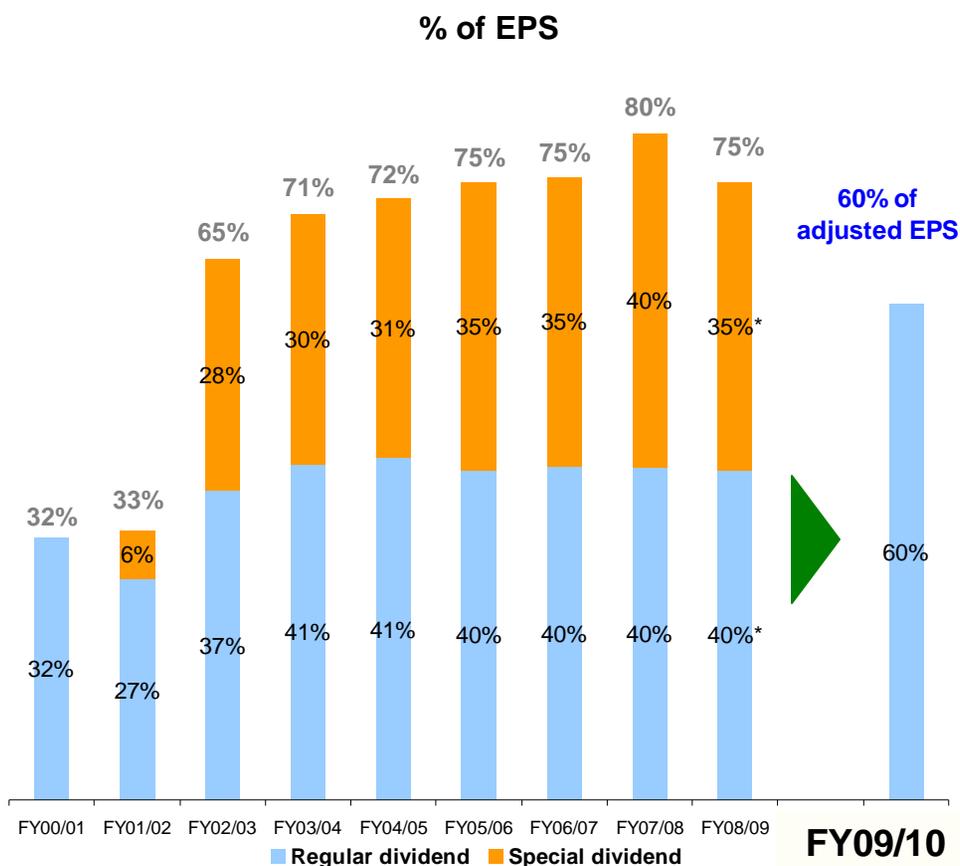


Net trade debtors ageing

As at 30 June	2010	2009
Current	78.4%	79.3%
1 - 30 days	6.9%	8.1%
31 - 60 days	4.1%	4.5%
61 - 90 days	2.4%	2.5%
Over 90 days	8.2%	5.6%
Total	100.0%	100.0%

A new and transparent dividend policy

Higher regular payout ratio: 60% going forward



* % of EPS for the financial year ended 30 June 2009 is calculated based on EPS which exclude the impact of about 31 million scrip shares issued on 15 January 2010 in relation to special dividend of FY08/09

Dividend for the financial year ended 30 June 2010

	HK\$m
Net earnings	4,226
Adjusted for:	
(i) Impact from acquisition of China JV	(1,563)
(ii) Impairment of stores/assets [^]	303
Adjusted net earnings	2,966
Adjusted EPS (HK\$)	2.35
Dividend payout ratio	60%
Regular DPS (HK\$)	1.41
Minus	
Interim DPS paid (HK\$)	0.74
Final DPS proposed (HK\$)	0.67

[^] Represents impairment of stores/assets for stores other than the 33 loss making retail stores under the store closure program

3. Update on Six Strategic Initiatives

Vision – To become a truly global company and brand

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

Achieving our vision requires a global brand and global execution across channels and regions

Six 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 multichannel strategy to fuel growth and profitability
- 4 Cost 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 global execution across product divisions, regions, and channels

4. CHINA: A NEW GROWTH MARKET

Esprit has a leading position in China,
the fastest growing apparel market in the world

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FINANCIAL YEAR ENDED 30 JUNE 2010						
	Proforma Full Year			Actual Consolidated		
	Retail	Wholesale	Total	Retail	Wholesale	Total
Turnover (HK\$m)	1,640	886	2,526	499	285	784
% of total	65%	35%		64%	36%	
No of cities	6	163	169	6	163	169
No of POS*	288	643	931	288	643	931

* Excluding Red Earth and Esprit salons as of 30 June 2010

- Esprit is one of the top apparel brands in China
- Market is very fragmented

Today



Integration phase

Align business KPIs, systems, processes, and reporting with global best practices

- Optimize divisional split
- Align and install operational KPIs
- Identify merchandizing opportunities to gain cost benefit and brand consistency
- Develop detailed expansion plan

Accelerated growth phase

Drive expansion across all channels and levers

- Execute detailed expansion plan
- Improve operational KPIs
- Expansion is to be self-funded, no capital injection required

Targeting to at least double the annual turnover in 5 years

Key drivers

- Further penetration into existing retail cities
- Further penetration into existing franchise cities
- Expand footprint to non-represented regions via retail and franchise
- To expand from an existing base of 169 cities to over 400 cities
- EBIT margins to improve from low-teens to high-teens



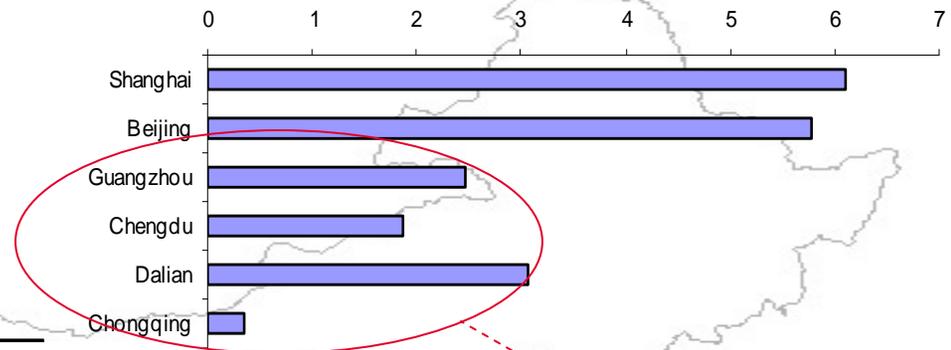
Vast potential to be untapped



1) Retail

	POS	Population*
Shanghai	115	18.88M
Beijing	98	16.95M
Guangzhou	25	10.18M
Chengdu	21	11.30M
Dalian	19	6.20M
Chongqing	10	28.39M
Total	288	91.90M

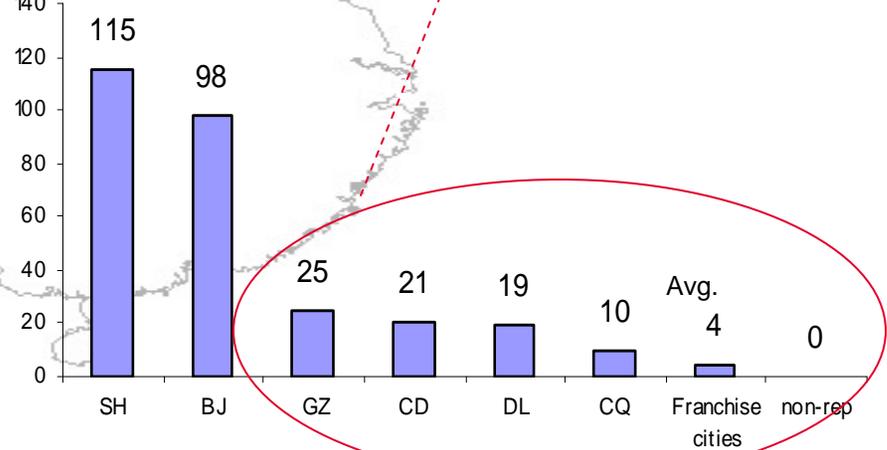
POS per million capita



2) Franchise

163 cities	643	
(avg. 3.95 POS per city)		
e.g. Linyi	1	10.23M
Harbin	9	9.90M

No. of POS per cities



3) Non-represented

242 cities	0	
e.g. Changde	0	6.00M
Xianyang	0	4.80M

Total over 400

*Source: National Bureau of Statistics of China, and Wikipedia

Capture growth opportunities with detailed expansion plan



Retail

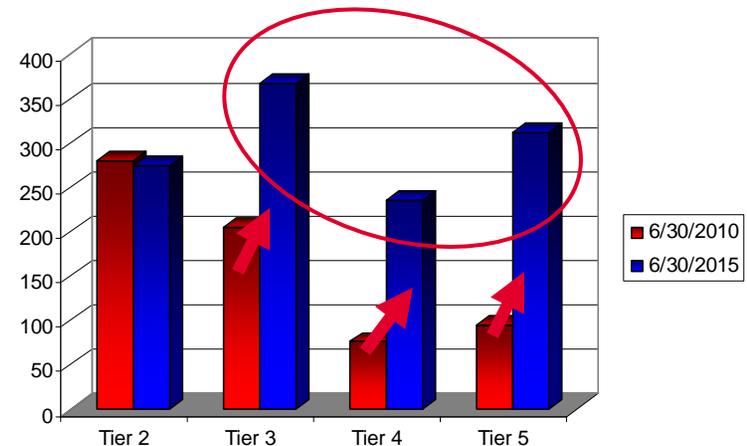
Expand into **at least 4 other major cities**

No of POS and selling space to increase by at least over 70% in the next 5 years

Franchise

- Expand from 163 to **over 400 cities** focusing mainly on tier 3-5 cities with existing franchise model
- No of POS and selling space to increase by at least over 65% in the next 5 years

No of franchise POS



E-commerce to complement other channels

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- Maintain existing business model as clearance of excess inventory through the first half of FY11/12
 - Improve brand image and look & feel
 - Provide additional merchandising and planning support



- Preparing Esprit branded e-Shop similar to European and North American business model
- Launch is scheduled for 2nd half of FY11/12

Exploring further potential for a lower priced, China specific line



- For e-Shop, pricing in the Chinese e-Commerce world is currently lower than in offline retailing
- Enables further franchise penetration into under represented tier 3-5 cities for **further upside and market share growth**

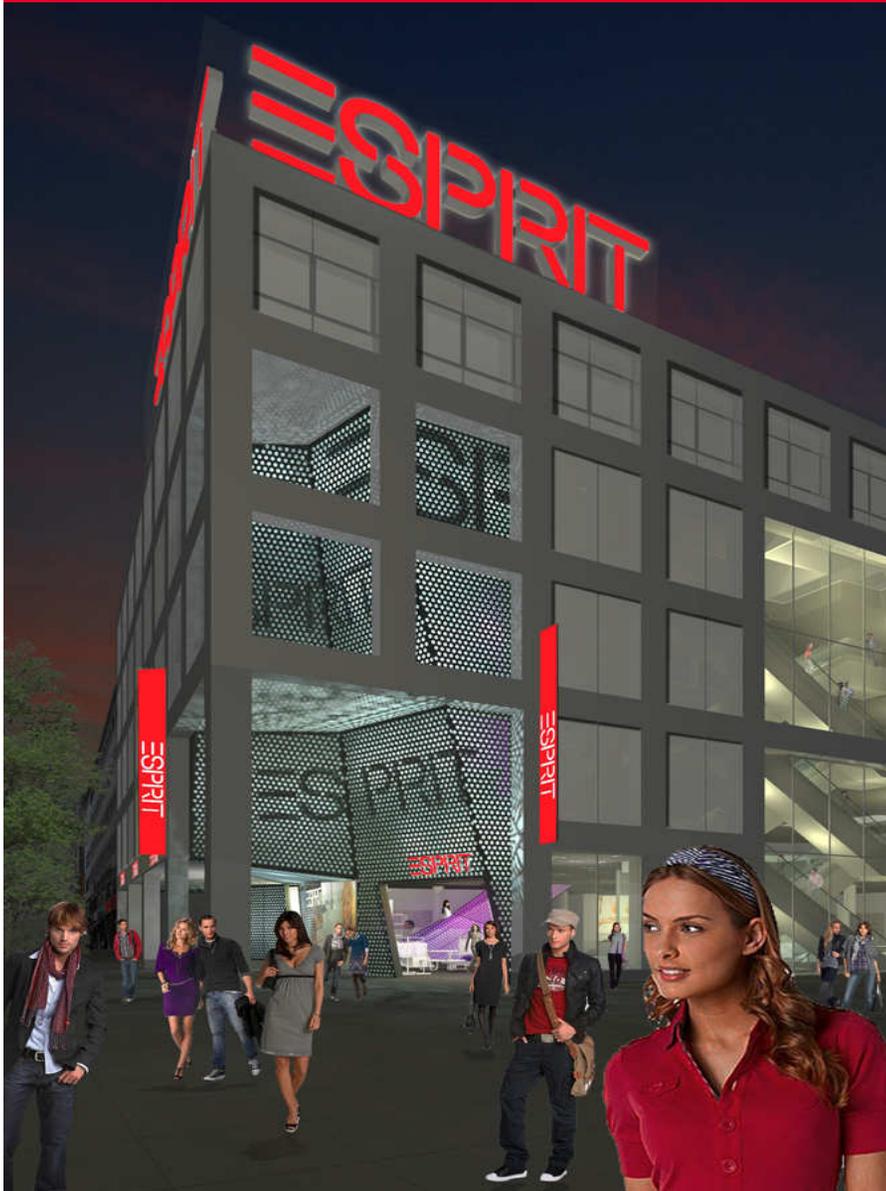


5. OUTLOOK

- **Retail**
 - 5-10% yoy space growth
 - Timing of **closure of 33 stores** depends on final negotiation with landlords
- **Wholesale**
 - Order Intake for Jul – Nov 2010 shows around mid-single digit % decline
 - **Order book is improving** month by month to Nov 2010, particularly strong in **flash and repeats orders**
- **Capital expenditure**
 - ~HK\$2.2 billion including HK\$1.1 billion on **retail expansion** for approximately **100 new stores** and store refurbishment

6. Final results FY2009/10 Q&A

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**Largest ESPRIT store in
the world is coming to
Frankfurt on
15 September 2010**

Appendix - Corporate calendar



Last day of trading on a “cum” basis	15 Nov 2010
Ex-dividend date	16 Nov 2010
Fixing of Dividend Reinvestment Price	11 Nov 2010 – 17 Nov 2010 (both days inclusive)
Book close	18 Nov 2010 – 24 Nov 2010 (both days inclusive)
Despatch of Election Form	On or around 30 Nov 2010
Election Period	30 Nov 2010 – 15 Dec 2010 (both days inclusive)
Dividend payment	On or around 29 Dec 2010