Esprit Interim Results for the six months ended 31 December 2009

- Group turnover down 3.1% yoy while retail turnover up 9.5% yoy
- Retail comp-store-growth +0.4% in 2nd quarter vs -3.5% in 1st quarter
- Continued strengthening of wholesale channel mix
- Gross profit margin and operating profit margin increased by 2.7ppt and 0.3ppt yoy respectively
- Operating expense increased slightly despite expansion of retail selling space by 10.2% as compared to 31 December 2008
- Continued improvement in working capital efficiency, both inventories and trade receivables declined
- Net cash balance increased HK$3.0 billion in the 6 months to HK$7.9 billion
- Launched strategic initiatives to strengthen platform for growth and profitability


The Group recorded a turnover of HK$18.5 billion and net income amounted to HK$2,705 million. Gross profit margin increased by 2.7ppt to 54.7% and operating profit margin increased by 0.3ppt to 18.2%. With strong cash flow from operations and improvement in working capital efficiency, the net cash balance increased HK$3.0 billion to HK$7.9 billion as at 31 December 2009. The Board has declared an interim dividend of HK$0.74 per share, representing a 35 % dividend payout ratio.

“During the reporting period, we announced the acquisition of the remaining interest in the China joint venture. This is an important development for the Group as China is one of the biggest and fastest growing apparel markets in the world. China represents a new growth engine for Esprit. In addition, it is also an important step for Esprit in becoming a truly global company as our presence in Asia Pacific will be strengthened significantly and hence it will balance our geographical spread further,” said Mr. Van der Vis, Group CEO.

During the reporting period, the Group has opened two new pilot store concepts in Tsim Sha Tsui, Hong Kong and Oldenburg, Germany. Good progress was also made
with respect to our product strategy. The successful introduction of brand books and half year concepts for each division resulted in more differentiated collections and newness for our customers. In Europe, the contract for a new, outsourced distribution centre was signed, which will enable the Group to further streamline its supply chain.

“The Group cash flow position continued to be very strong, with a 49% year-on-year increase in net cash inflow from operations. The 9.5% year-on-year growth in retail turnover is encouraging while the wholesale environment remained challenging. The wholesale order book for the period between January and April 2010 shows a mid-teens percentage year-on-year decline in local currency, but the trend has been improving month by month,” said Mr. Chew Fook Aun, Group CFO.

“Our expansion in the retail network has continued, with a clear focus on the quality of our expansion. During the 6 months in the reporting period, we have added 5.9% sales area to our retail network (net change from 31 December 2008: +10.2%). Franchise stores sales area increased by 2.9% during the period and we will continue focusing on strengthening the mix of our wholesale channel,” added Mr. Chew.

“I firmly believe there is a vast potential for the Esprit brand, both in existing and new markets. In order to achieve this, we have launched specific strategic initiatives. These initiatives are focusing on strengthening our global brand, products, distribution channels, cost of goods sold, support functions and organization. The initiatives will strengthen Esprit’s platform for growth and profitability and enable us to capitalize on the many opportunities for the brand,” concluded Mr. Van der Vis, Group CEO.

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Esprit Holdings Limited (www.espritholdings.com) is a constituent stock of the Hang Seng Index, MSCI Hong Kong Index, FTSE All-World Index for Hong Kong, S&P/HKEx LargeCap Index and S&P Asia 50 Index. Its subsidiaries are engaged in the retail and wholesale distribution of quality lifestyle products designed under its globally recognized Esprit and edc brands. The Group operates around 830 directly managed retail stores worldwide and distribute through over 12,900 controlled space wholesale point-of-sales internationally, occupying total selling space of over 1,100,000 m$^2$ in more than 40 countries.

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