

Outlook

In the second half of the year, the Group expects the respective growth momentum in the wholesale and retail segments to continue and is targeting to maintain our overall turnover growth similar to that of last financial year. Encouraged by the robust comparable-store-sales growth and continuous retail profitability improvement, we will accelerate our retail network expansion. A new real estate team has been set up to search for suitable store locations globally. Furthermore, we will improve store image with better visual display and strive to offer the right product range and the right assortment in every store to cater for the unique demographics of every location. In addition, we will continue to concentrate on product details and technical fit to further enhance the price-value correlation of our product offering.

Further to the HK\$253.5 million capital expenditure invested in the first half of the financial year, the Group is expected to invest over HK\$750 million in the second half to be funded by internal resources. Among this budgeted capital expenditure, over HK\$400 million will be spent on our retail distribution network, and over HK\$250 million will be spent on our IT systems to cope with longer-term growth. We will open over 30 new retail stores or over 14,000m² new retail selling space in the second half of the financial year with most of the openings in Europe. In the longer term, we target to open over 400 retail stores in the next 3 years.

Wholesale orders booked for January 2007 to May 2007 show a low-teens percentage year-on-year growth in local currency terms. Strengthening our collaboration with wholesale customers will be essential in expanding the wholesale distribution network. More emphasis will be placed on partnership store format and we expect to open over 1,000 partnership stores over the next 3 years. We target the controlled-space wholesale point-of-sales in the second half of the financial year to grow at a pace similar to that of the first half of the financial year.

In the long term, we will give edc a unique identity in the market. To achieve this, the Group will roll out standalone edc stores internationally subject to availability of suitable locations. In addition, the Group will launch a new Esprit denim division to leverage on the high growth denim segment.

The value-added tax (VAT) rate increase in Germany, effective on January 1, 2007, had led to more cautious buying by our wholesale customers. We believe this attitude will be short-lived. In any event, the Group has implemented certain measures to ensure that our core market competitiveness is not negatively affected.

Product development and distribution network expansion remain the top priorities to drive long-term growth. Given our proven strategies and good track record in execution, the Group is confident in continuing to generate good return to the shareholders.



