ESPRIT INTERIM PROFIT ROSE 28.1% TO HK$2.4 BILLION

- **Group turnover grew 23.4% to HK$14.6 billion**
- **Basic EPS increased 25.6% to HK$1.96 per share**
- **Net profit margin expanded 0.6% point to 16.4%**
- **Net cash increased to HK$3.6 billion**
- **Interim dividend: HK$0.70 per share, payable on April 11, 2007**

ESPRIT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 330)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED DECEMBER 31, 2006

INTERIM RESULTS

The Board of Directors of Esprit Holdings Limited (the "Company") is pleased to present the unaudited condensed consolidated financial statements, along with selected explanatory notes, of the Company and its subsidiaries (the "Group") for the six months ended December 31, 2006 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENTS (UNAUDITED)

		For the 6 months ended December 31,	
		2006	2005
	Notes	***HK$'000***	*HK$'000*
Turnover	*2*	**14,589,994**	11,825,576
Cost of goods sold		**(6,985,738)**	(5,654,921)
Gross profit		**7,604,256**	6,170,655
Staff costs		**(1,680,574)**	(1,440,367)
Operating lease charges		**(1,101,563)**	(924,388)
Depreciation		**(288,167)**	(252,684)
Other operating costs		**(1,472,873)**	(1,144,573)
Operating profit	*3*	**3,061,079**	2,408,643
Interest income		**48,692**	17,424
Finance costs	*4*	**(147)**	(1,043)
Share of results of associates		**61,580**	40,716

Profit before taxation	*2*	**3,171,204**	2,465,740
Taxation	*5*	**(771,597)**	(592,775)
Profit attributable to shareholders		**2,399,607**	1,872,965
Interim dividend	*6*	**861,469**	607,139
Earnings per share			
– Basic	*7*	**HK$1.96**	HK$1.56
– Diluted	*7*	**HK$1.94**	HK$1.53

CONDENSED CONSOLIDATED BALANCE SHEETS

	Notes	**Unaudited December 31, 2006** ***HK$'000***	Audited June 30, 2006 *HK$'000*
Non-current assets			
Intangible assets		**2,037,884**	2,027,244
Property, plant and equipment	*8*	**2,438,293**	2,428,720
Other investments		**7,846**	7,846
Investments in associates		**333,007**	268,547
Prepaid lease payments		**177,893**	180,094
Deferred tax assets		**392,616**	315,248
		5,387,539	5,227,699
Current assets			
Inventories		**1,824,837**	2,101,276
Debtors, deposits and prepayments	*9*	**3,268,296**	2,702,040
Amount due from associates		**117,641**	102,280
Bank balances and cash		**2,326,233**	1,393,947
Short-term bank deposits		**1,263,469**	1,324,647
		8,800,476	7,624,190
Current liabilities			
Creditors and accrued charges	*10*	**2,988,965**	2,622,555
Unsecured short-term bank loan		**-**	250,000
Taxation		**986,913**	514,142
		3,975,878	3,386,697
Net current assets		**4,824,598**	4,237,493
Total assets less current liabilities		**10,212,137**	9,465,192

Financed by:			
Share capital	*11*	**122,984**	122,039
Reserves		**9,717,958**	8,985,220
Shareholders' funds		**9,840,942**	9,107,259
Deferred tax liabilities		**371,195**	357,933
		10,212,137	9,465,192

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements ("interim financial report") are prepared in accordance with the International Accounting Standard IAS 34 "Interim Financial Reporting" issued by the International Accounting Standards Board and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

This interim financial report should be read in conjunction with the annual financial statements for the year ended June 30, 2006. The accounting policies and methods of computation used in the preparation of this interim financial report are consistent with those used in the annual financial statements for the year ended June 30, 2006.

The Group did not early adopt the following International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations that have been issued in the period July to December 2006, which will be effective for annual accounting periods commencing on or after March 1, 2007. The adoption of such standards will not result in substantial changes to the Group's accounting policies.

IFRS 8	Operating Segments
IFRIC 11	IFRS 2 – Group and Treasury Share Transactions
IFRIC 12	Service Concession Arrangements

2. TURNOVER AND SEGMENT INFORMATION

The Group is principally engaged in the wholesale and retail distribution, licensing of quality fashion and life-style products under its own internationally-known ESPRIT brand name, together with Red Earth cosmetics, skin and body care products.

	Unaudited For the 6 months ended December 31, 2006 HK$'000	2005 HK$'000
Turnover		
Sales of goods	**14,501,235**	11,729,206
Licensing and other income	**88,759**	96,370
	14,589,994	11,825,576

Primary reporting format – business segments

The Group's businesses are managed according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Inter-segment transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties. Global brand development costs are fully reflected within the licensing segment to reflect the Esprit brand owners' initiative to develop the brand globally both in existing and prospective new markets.

	Unaudited For the 6 months ended December 31, 2006				
	Wholesale *HK$'000*	**Retail** *HK$'000*	**Licensing & others** *HK$'000*	**Eliminations** *HK$'000*	**Group** *HK$'000*
Turnover	**8,059,822**	**6,441,413**	**88,759**	**-**	**14,589,994**
Inter-segment revenue	**-**	**-**	**349,661**	**(349,661)**	**-**
	8,059,822	**6,441,413**	**438,420**	**(349,661)**	**14,589,994**
Segment results	**1,917,776**	**1,108,718**	**254,331**	**(87,623)**	**3,193,202**
Unallocated net expenses					**(132,123)**
Interest income					**48,692**
Finance costs					**(147)**
Share of results of associates					**61,580**
Profit before taxation					**3,171,204**
Segment EBIT – ex-inter-segment licensing expense/income (note)	**2,077,476**	**1,160,818**	**42,531**	**(87,623)**	**3,193,202**

	Wholesale	Retail	Licensing & others	Eliminations	Group
	Unaudited For the 6 months ended December 31, 2005				
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	6,880,420	4,848,786	96,370	–	11,825,576
Inter-segment revenue	–	–	315,330	(315,330)	–
	6,880,420	4,848,786	411,700	(315,330)	11,825,576
Segment results	1,893,796	549,256	210,423	(137,918)	2,515,557
Unallocated net expenses					(106,914)
Interest income					17,424
Finance costs					(1,043)
Share of results of associates					40,716
Profit before taxation					2,465,740
Segment EBIT – ex-inter-segment licensing expense/income (note)	2,008,346	592,659	52,470	(137,918)	2,515,557

note: Wholesale and retail segments pay intra-group licensing fees to the licensing segment. Should the wholesale and retail segments not be required to pay the intra-group licensing fees to the licensing segment, the segment EBIT ("earnings before interest and taxation, finance costs, share of results of associates and unallocated net income/expenses") of the wholesale and retail segments would have been **HK$2,077,476,000** (2005: HK$2,008,346,000) and **HK$1,160,818,000** (2005: HK$592,659,000) respectively, representing wholesale EBIT margin ("segment EBIT/ segment turnover") of **25.8%** (2005: 29.2%) and retail EBIT margin of **18.0%** (2005: 12.2%).

Secondary reporting format – geographical segments

In determining the Group's geographical segments, turnover is attributed to the segments based on the location of customers.

	Unaudited For the 6 months ended December 31,	
	2006	2005
	HK$'000	*HK$'000*
Turnover		
Europe	**12,523,838**	9,997,458
Asia Pacific*	**1,696,948**	1,491,621
North America and others	**369,208**	336,497
	14,589,994	11,825,576

* Asia Pacific includes Asia, Australia and New Zealand

3. OPERATING PROFIT

	Unaudited For the 6 months ended December 31,	
	2006	2005
	HK$'000	*HK$'000*
Operating profit is arrived at after charging (crediting) the following:		
Depreciation	**288,167**	252,684
Loss on disposal of property, plant and equipment	**7,308**	2,231
Net exchange losses (gains)	**2,894**	(57,416)
Provision for obsolete stocks and stock write-offs	**9,706**	62,998
Provision for doubtful debts	**25,120**	8,227

4. FINANCE COSTS

	Unaudited For the 6 months ended December 31,	
	2006	2005
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts wholly repayable within five years	**147**	1,043

5. TAXATION

	Unaudited For the 6 months ended December 31, 2006 HK$'000	2005 HK$'000
Current tax		
Hong Kong profits tax	**461**	2,300
Overseas taxation	**836,040**	669,112
Deferred tax credit	**836,501**	671,412
Current period	**(64,904)**	(78,637)
Taxation	**771,597**	592,775

Hong Kong profits tax is calculated at **17.5%** (2005: 17.5%) of the estimated assessable profit for the period, net of tax losses carried forward, if any.

Overseas (outside of Hong Kong) taxation has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group companies operate, net of tax losses carried forward, if any.

Share of associates' taxation for the six months ended December 31, 2006 was a net tax credit of **HK$1,570,000** (2005: a net tax credit of HK$1,291,000) which has been included in the consolidated income statement as share of results of associates.

6. INTERIM DIVIDEND

	Unaudited For the 6 months ended December 31, 2006 HK$'000	2005 HK$'000
Interim dividend declared of **HK$0.70** (2005: HK$0.50) per share	**861,469**	607,139

The amount of interim dividend is based on **1,230,670,434** shares in issue on **February 7, 2007** (2005: 1,214,278,434 shares in issue on February 22, 2006).

7. EARNINGS PER SHARE

Basic

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

	Unaudited For the 6 months ended December 31,	
	2006	2005
Profit attributable to shareholders *(HK$'000)*	**2,399,607**	1,872,965
Weighted average number of ordinary shares in issue *(thousands)*	**1,222,124**	1,201,418
Basic earnings per share *(HK$ per share)*	**1.96**	1.56

Diluted

Diluted earnings per share is calculated based on the profit attributable to shareholders, and the weighted average number of shares in issue during the period after adjusting for the number of dilutive potential ordinary shares granted under the Company's share option scheme.

	Unaudited For the 6 months ended December 31,	
	2006	2005
Profit attributable to shareholders *(HK$'000)*	**2,399,607**	1,872,965
Weighted average number of ordinary shares in issue *(thousands)*	**1,222,124**	1,201,418
Adjustments for share options *(thousands)*	**16,851**	23,596
Weighted average number of ordinary shares for diluted earnings per share *(thousands)*	**1,238,975**	1,225,014
Diluted earnings per share *(HK$ per share)*	**1.94**	1.53

8. PROPERTY, PLANT AND EQUIPMENT

	Unaudited ***HK$'000***
At July 1, 2006	**2,428,720**
Exchange translation	**53,794**
Additions	**253,525**
Disposals	**(9,579)**
Depreciation *(note 3)*	**(288,167)**
At December 31, 2006	**2,438,293**

During the period ended December 31, 2006, the Group incurred **HK$207.9 million** in expansion and refurbishment of retail shops in various locations and **HK$42.0 million** in office improvements and purchase of office equipment.

9. DEBTORS, DEPOSITS AND PREPAYMENTS

Debtors, deposits and prepayments included trade debtors and their aging analysis is as follows:

	Unaudited December 31, 2006	Audited June 30, 2006
	HK$'000	*HK$'000*
0 – 30 days	**2,162,307**	1,866,727
31 – 60 days	**113,284**	53,356
61 – 90 days	**53,096**	41,159
Over 90 days	**136,941**	95,125
	2,465,628	2,056,367

The Group's retail sales to customers are mainly on cash basis. The Group also grants credit for a period which is usually 30 days to certain wholesale and franchise customers.

10. CREDITORS AND ACCRUED CHARGES

Creditors and accrued charges included trade creditors and their aging analysis is as follows:

	Unaudited December 31, 2006	Audited June 30, 2006
	HK$'000	*HK$'000*
0 – 30 days	**1,014,727**	966,549
31 – 60 days	**71,610**	40,007
61 – 90 days	**39,042**	11,830
Over 90 days	**44,625**	38,425
	1,170,004	1,056,811

11. SHARE CAPITAL

	Unaudited December 31, 2006	Audited June 30, 2006
	HK$'000	*HK$'000*
Authorized		
2,000,000,000 shares of HK$0.10 each	**200,000**	200,000

	Number of shares of HK$0.10 each	**Nominal value**
	'000	***HK$'000***
Issued and fully paid		
At July 1, 2006	**1,220,390**	**122,039**
Exercise of share options *(note)*	**9,450**	**945**
At December 31, 2006	**1,229,840**	**122,984**

note: During the period, **9,450,000** ordinary shares of **HK$0.10** were issued in respect of the share options exercised by Directors and employees under the share option scheme at exercise prices in the range of **HK$14.60** to **HK$56.20** each (representing a premium in the range of **HK$14.50** to **HK$56.10** each).

FINANCIAL REVIEW

The Group continued to benefit from double-digit organic growth. During the six months ended December 31, 2006, the Group recorded turnover and earnings of HK$14,590.0 million and HK$2,399.6 million, achieving growth rates of 23.4% and 28.1% respectively. Strong growth momentum was found in all of our key operating countries and product divisions.

Turnover

During the six months ended December 31, 2006, the Group's turnover increased by 23.4% year-on-year to HK$14,590.0 million, attributable to the continued strong performance in Europe and the positive impact from the appreciation of the average daily EUR/HKD translation rate, which was approximately 6.7%.

Profitability

During the six months ended December 31, 2006, the Group's earnings before interest and taxation (EBIT) increased by 27.1% to HK$3,061.0 million, with EBIT margin moving up modestly by 0.6% point to 21.0%. The EBIT margins of wholesale and retail businesses were 25.8% and 18.0% respectively. Thanks to a stable cost structure and higher turnover, total operating expenses as a percentage of sales improved by 0.7% point to 31.1%.

Our China associated companies also recorded satisfactory results. During the reported period, their profit contribution increased from HK$40.7 million to HK$61.6 million due to strong turnover growth and an improving operating margin.

The Group's earnings before tax (EBT) rose to HK$3,171.2 million, representing an increase of 28.6% over the same period last year. With higher turnover and expanded margins, net earnings of the Group increased by 28.1% to HK$2,399.6 million and net earnings margin expanded by 0.6% point to 16.4%.

Seasonality of Business

The Group's business is inevitably affected by seasonal trends. These trends are primarily attributable to seasonal shipments to wholesale customers and key holiday sales periods, as well as the pricing of seasonal products. Due to the fact that sales and operating income may fluctuate in any reporting period, half year financials may not be indicative of the future trend of business and may not be extrapolated to provide a reliable forecast.

Liquidity and Financial Resources

Our consolidated balance sheet remains healthy. As at December 31, 2006, the Group had a net cash balance of HK$3,589.7 million representing an increase of 45.4% from June 30, 2006. Net cash inflow from operating activities during the reported period, increased by 71.0% from the same period last year to HK$3,241.8 million. These reflect the Group's ability to generate solid earnings.

During the reported period, the Group invested HK$253.5 million in capital expenditure, as compared to HK$520.5 million spent for the same period last year. Among the capex spent, HK$207.9 million was spent on the opening of new stores and refurbishment of existing stores. Free cash flow, defined as net cash from operating activities less capex, grew by 117.3% from the same period last year to HK$2,988.3 million.

As at December 31, 2006, the Group had no long-term bank borrowing or assets pledged for overdraft or any short-term revolving facility. The debt-to-equity ratio was 0%. The current ratio (current assets divided by current liabilities) improved to 2.2x as at December 31, 2006 from 1.8x as at December 31, 2005.

Foreign Exchange Risk Management

To minimize our foreign exchange exposure on sourcing costs for merchandise produced for Europe in Asia, suppliers in Asia were asked to quote and settle in Euros. In addition, the Group entered into foreign exchange forward contracts with major and reputable financial institutions to hedge foreign exchange risk. The notional amount of outstanding forward contracts amounted to HK$1,446.4 million as at December 31, 2006, representing an increase of HK$114.7 million over the balance of HK$1,331.7 million as at June 30, 2006.

OPERATIONS REVIEW

Products

Our strong brand image and ability to offer a variety of high quality products at affordable prices enable us to stay competitive in the international market. Currently, our products are sold under two brands, ESPRIT and RED EARTH. Product lines operated under ESPRIT brand range from casual wear to shoes and accessories while RED EARTH brand mainly offers cosmetic, skin care and body care products. As at December 31, 2006, inventory turnover days for the Group was shortened to 50 days, an improvement of 4 days from 54 days as at June 30, 2006, resulting from the adoption of a careful merchandising strategy and increased popularity of our products.

Turnover by Products

	Women's Casual	edc-Women	edc-Men	Other Divisions	Total
1H2006/2007 turnover(HK$m)	5,348.0	2,507.2	312.3	6,422.5	14,590.0
% of Group's turnover	36.7%	17.2%	2.1%	44.0%	100.0%
% growth from same period last year	22.0%	37.5%	89.7%	17.7%	23.4%

Women's Casual continues to be the largest product division and contributed 36.7% of the Group's turnover. It posted a healthy growth of 22.0%. Outstanding performance was found in edc, our fastest growing product line, which reported 41.8% turnover growth. Within the edc line, edc-Women and edc-Men, representing 17.2% and 2.1% of the Group's turnover, registered growth rates of 37.5% and 89.7% respectively.

Other product divisions also showed strong growth momentum. Men's Casual and Men's Collection collectively accounted for 13.6% of the Group's turnover and recorded a total growth of 25.4%. Women's Collection recorded 14.0% growth representing 6.5% of the Group's turnover. Despite the smaller turnover contribution from Kids & edc youth (6.5%), Shoes (4.6%) and Accessories (5.0%) to the Group's turnover, their turnover growth rates were encouraging at 11.8%, 27.5% and 21.6% respectively. The remaining divisions, mainly Sports, Bodywear and Red Earth, together accounted for 7.8% of the Group's total turnover also grew by 6.9%.

Regions

During the six months ended December 31, 2006, Europe recorded a strong turnover growth of 25.3% to HK$12,523.8 million making up 85.8% of the Group's turnover. Germany and Benelux remained as our key European markets and accounted for 47.2% and 15.3% of the Group's turnover. They recorded turnover growth of 23.5% and 22.6% respectively. Our other focused European markets, namely Spain, Italy and the UK, delivered substantial turnover growth at 66.7%, 56.4% and 28.5% respectively.

During the six months ended December 31, 2006, Asia Pacific's turnover grew by 13.8% to HK$1,697.0 million, representing 11.6% of the Group's turnover. Thanks to the strong economic recovery and the revival of consumer confidence in Hong Kong and Malaysia, these two countries recorded turnover growth rates of 13.4% and 42.5% respectively. Retail operation in Asia also continued to record improving profitability. Our Australia and New Zealand operations recorded a negative turnover growth of 11.4% to HK$317.1 million and the restructuring of their operations is still in progress.

During the six months ended December 31, 2006, North America recorded a turnover growth of 9.7% to HK$369.2 million, making up approximately 2.6% of the Group's turnover. We see our continued effort in improving productivity and strengthening the distribution network is gradually yielding fruitful results with an improving operating margin.

Distribution Channels

We reach our customers via three principal distribution channels, i.e. wholesale, retail and licensing. During the six months ended December 31, 2006, the Group's turnover split between wholesale, retail and licensing was 55.2%, 44.2% and 0.6% respectively.

Turnover by Distribution Channels

	Wholesale	Retail	Licensing & others	Total
1H2006/2007 turnover (HK$m)	8,059.8	6,441.4	88.8	14,590.0
% growth from same period last year	17.1%	32.8%	-7.9%	23.4%

The overall EBIT for the Group grew by 27.1% to HK$3,061.0 million. Improving retail profitability has opened up new strategic dimension for us. While improved productivity led to an increase in retail EBIT margin, the wholesale EBIT margin has been maintained at a healthy level to drive long-term growth. On a combined basis, the Group's EBIT margin remained relatively stable with marginal improvement of 0.6% point to 21.0%.

Wholesale

During the six months ended December 31, 2006, the wholesale segment recorded a turnover growth of 17.1% to HK$8,059.8 million representing 55.2% of the Group's turnover.

Wholesale Turnover by Major Markets

	Germany	Benelux	France	Scandinavia	Rest of Europe	Rest of the World	Total
1H2006/2007 turnover (HK$m)	3,715.6	1,339.8	874.4	592.6	917.8	619.6	8,059.8
% of wholesale turnover	46.1%	16.6%	10.8%	7.4%	11.4%	7.7%	100.0%
% growth from same period last year	14.5%	9.3%	23.2%	20.3%	26.0%	29.4%	17.1%

Europe, accounted for 92.3% of the Group's wholesale turnover, grew by 16.2% to HK$7,440.2 million. The steady turnover growth in Europe was driven by the net addition of 492 controlled-space wholesale point-of-sales or 36,992m^2 controlled wholesale space.

Germany, our core wholesale market, representing 46.1% of the Group's wholesale turnover, reported a healthy turnover growth of 14.5%. Europe ex-Germany accounted for 46.2% of the Group's wholesale turnover and achieved 18.0% wholesale turnover growth. Through partnering with department stores and franchise operation, encouraging results were reported in Italy and Spain which recorded impressive wholesale turnover growth at 56.4% and 66.7% respectively.

During the six months ended December 31, 2006, Asia Pacific recorded a turnover growth of 35.2% to HK$557.9 million, which accounted for 6.9% of the Group's wholesale turnover. The wholesale turnover growth was helped by the continued business growth in China and the Middle East.

As at December 31, 2006, the Group had over 590,000m^2 controlled wholesale space, a net increase of over 50,000m^2 or 9% increase from June 30, 2006. These comprised of a net increase of 631 new controlled-space wholesale point-of-sales, including 126 new partnership stores, 210 new shop-in-stores and 295 new identity corners, bringing the Group's total controlled-space wholesale point-of-sales to 12,090. This is partly due to our successful expansion in new markets. The net controlled-space wholesale point-of-sales added in Italy, the Middle East and Spain were 45, 10 and 4, representing 26%, 35% and 8% net increase in controlled wholesale space respectively from June 30, 2006.

Retail

During the six months ended December 31, 2006, the retail turnover grew by 32.8% to HK$6,441.4 million, representing 44.2% of the Group's turnover. This is supported by strong comparable-store-sales growth of 20.2%. Benefiting from high turnover growth and a stable cost structure, our retail productivity continued to improve and thus, driving the retail EBIT margin to have expanded by 5.8% points to 18.0%.

Retail Turnover by Major Markets

	Germany	Benelux	Hong Kong	Australia and New Zealand	Rest of Europe	Rest of the World	Total
1H2006/2007 turnover (HK$m)	3,156.9	889.1	381.1	294.2	1,018.8	701.3	6,441.4
% of retail turnover	49.0%	13.8%	5.9%	4.6%	15.8%	10.9%	100.0%
% growth from same period last year	36.1%	50.1%	16.4%	-11.6%	52.0%	15.5%	32.8%

Europe contributed 78.6% of the Group's retail turnover and recorded an impressive turnover growth of 41.4% during the reported period, mainly driven by the strong comparable-store-sales growth of 25.6%. Strong growth momentum was found in almost all European retail markets especially in Germany, Benelux and France.

Asia Pacific and North America together accounted for 21.4% of the Group's retail turnover, reported turnover growth of 6.6% and 16.8% respectively. Their comparable-store-sales grew modestly by 1.1% and 8.2% respectively.

During the six months ended December 31, 2006, the Group invested HK$207.9 million in the opening of 56 new stores and refurbishment of existing retail stores. Among these new stores, 40 were opened in Asia Pacific while 12 and 4 new stores were opened in Europe and North America. Separately, 86 retail stores (81 in Asia Pacific, 4 in Europe and 1 in North America) were closed during the period mainly due to the conversion of retail stores into wholesale point-of-sales in Australia and the closure of Red Earth counters in Taiwan. The Group had a total of 638 retail stores, and over 227,000 m^2 retail selling space, representing a modest net growth of 1.6% from June 30, 2006.

The Group believes the online e-shops can provide our customers a new shopping experience. During the reported period, online e-shops were launched in Scandinavia. Going forward, more online e-shops will be rolled out to complement our retail distribution network.

Licensing

During the reported period, the Group registered third party royalty income of HK$50.6 million, representing approximately 0.3% of the Group's total turnover. As at December 31, 2006, we were working with over 35 licensees and collectively offered more than 30 categories of Esprit licensed products to consumers worldwide. In future, we will strengthen our licensed product lines and emphasis will be placed on fragrances, watches, jewelries, sunglasses and home products, which have received good market response.

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. 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 14,000m^2 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 shows 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.

INTERIM DIVIDEND

The Board of Directors has declared an interim dividend for the six months ended December 31, 2006 of HK$0.70 per share (FY2005/2006: HK$0.50). The dividend will be payable on or about Wednesday, April 11, 2007 to the shareholders whose names appear on the Registers of Members of the Company at close of business on Tuesday, March 27, 2007 ("Shareholders"). The relevant dividend warrants will be despatched to Shareholders on or about Tuesday, April 10, 2007.

HUMAN RESOURCES

As at December 31, 2006, the Group employed over 9,000 staff (2005: 8,500), after converting to full-time positions terms, 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.

CLOSURE OF REGISTERS OF MEMBERS

The Registers of Members of the Company will be closed from Monday, March 26, 2007 to Tuesday, March 27, 2007, both days inclusive, during which period no transfer of shares will be effected.

In order to qualify for the interim dividend mentioned above, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Secretaries Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Friday, March 23, 2007.

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 period under review.

AUDIT COMMITTEE

The Audit Committee comprises four Non-executive Directors, three 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 unaudited interim results for the six months ended December 31, 2006 with the management.

In addition, the Group's external auditors, PricewaterhouseCoopers, performed an independent review of the interim financial statements for the six months ended December 31, 2006 in accordance with International Standard on Review Engagements 2410. On the basis of their review which does not constitute an audit, PricewaterhouseCoopers confirmed in writing that nothing has come to their attention that causes them to believe that the interim financial statements have not been properly prepared, in all material respect, in accordance with IAS 34 "Interim Financial Reporting".

CORPORATE GOVERNANCE

The Company has complied with the code provisions of Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended December 31, 2006, with the exceptions as stated below:

Under the code provision A.2.1 of the Code, the role of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Heinz Krogner, Group CEO, was unanimously elected by the Board as Chairman on December 5, 2006. The dual role arrangement is considered to be appropriate by the Board at the current stage of development of the Company and will be reviewed periodically.

Under the code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term, subject to re-election. Non-executive Directors of the Company do not have a specific term of appointment. However, relevant amendment was made to Bye-law 87 of the Company's Bye-laws with the approval of shareholders to the effect that all Directors including Non-executive Directors of the Company are subject to retirement by rotation in the annual general meeting of the Company and each Director is effectively appointed under an average term of 3 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 as contained in Appendix 10 ("Model Code") 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 six months ended December 31, 2006.

PUBLICATION OF INTERIM RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE

The interim results announcement and the interim report will be published on the website of The Stock Exchange of Hong Kong Limited (http://www.hkex.com.hk) in due course.

BOARD OF DIRECTORS

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

Executive Directors:	Heinz Jürgen KROGNER-KORNALIK *(Chairman)* John POON Cho Ming *(Deputy Chairman)* Thomas Johannes GROTE Jerome Squire GRIFFITH
Non-executive Directors:	Jürgen Alfred Rudolf FRIEDRICH Michael YING Lee Yuen
Independent Non-executive Directors:	Paul CHENG Ming Fun Alexander Reid HAMILTON Raymond OR Ching Fai

By Order of the Board
John POON Cho Ming
Deputy Chairman

Hong Kong, February 7, 2007