ESPRIT

FY 2004|2005 interim results highlights

- group turnover increased 31% to over HK$10 billion
- net profit exceeded HK$1.6 billion up 76%
- net margin expanded 4.1% pts to 15.8%
- basic earnings per share rose 75% to HK$1.38
- net cash position rose to over HK$2.0 billion
- interim dividend: HK$0.45 per share up 2.4x

ESPRIT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 330)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED DECEMBER 31, 2004

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, 2004 as follows:

Condensed Consolidated Income Statement (Unaudited)

	Notes	For the 6 months ended December 31, **2004** *HK$'000*	2003 *HK$'000*
Turnover	*2*	**10,452,127**	8,006,016
Cost of goods sold		**(4,765,611)**	(3,958,528)
Gross profit		**5,686,516**	4,047,488
Staff costs		**(1,242,911)**	(946,221)
Depreciation		**(199,758)**	(156,757)
Other operating costs		**(2,092,009)**	(1,525,401)
Operating profit	*3*	**2,151,838**	1,419,109
Interest income		**13,249**	15,789
Finance costs	*4*	**(1,206)**	(11,480)
Share of results of associates		**37,939**	33,626
Profit before taxation		**2,201,820**	1,457,044
Taxation	*5*	**(550,360)**	(519,990)
Profit attributable to shareholders		**1,651,460**	937,054
Interim dividend	*6*	**538,985**	226,575
Earnings per share			
– Basic	*7*	**HK$1.38**	HK$0.79
– Diluted	*7*	**HK$1.36**	HK$0.78

Condensed Consolidated Balance Sheet

	Notes	**Unaudited December 31, 2004** *HK$'000*	Audited June 30, 2004 *HK$'000*
Non-current assets			
Intangible assets		**2,053,711**	2,020,416
Property, plant and equipment	*8*	**1,986,334**	1,474,286
Other investments		**7,846**	7,846
Investments in associates		**146,810**	154,984
Prepaid lease payments		**175,395**	20,943
Deferred tax assets		**240,166**	104,340
		4,610,262	3,782,815
Current assets			
Inventories		**1,403,723**	1,137,184
Debtors, deposits and prepayments	*9*	**2,104,024**	1,702,406
Amounts due from associates		**26,671**	18,546
Short-term bank deposits		**137,489**	214,154
Bank balances and cash		**1,878,734**	1,543,554
		5,550,641	4,615,844
Current liabilities			
Creditors and accrued charges	*10*	**2,308,992**	1,883,057
Taxation		**1,095,931**	767,130
Obligations under finance leases – due within one year		**322**	1,315
		3,405,245	2,651,502
Net current assets		**2,145,396**	1,964,342
Total assets less current liabilities		**6,755,658**	5,747,157
Financed by:			
Share capital	*11*	**119,766**	119,340
Reserves		**6,285,904**	5,295,617
Shareholders' funds		**6,405,670**	5,414,957
Deferred tax liabilities		**349,988**	332,200
		6,755,658	5,747,157

Notes to the Interim Financial Statements

1. Basis of preparation

The accounting policies and methods of computation used in the preparation of these interim financial statements are consistent with those used in the annual financial statements for the year ended June 30, 2004.

As detailed in the notes to the annual financial statements for the year ended June 30, 2004, the Company's consolidated financial statements up to June 30, 2003 were prepared in accordance with accounting principles generally accepted in Hong Kong ("HKGAAP"). The Company adopted International Financial Reporting Standards ("IFRS") in preparing its consolidated financial statements for the year ended June 30, 2004 and converted the financial information retrospectively with effect from July 1, 2002. These unaudited condensed consolidated financial statements for the six months ended December 31, 2004 are prepared in accordance with IFRS and the comparative financial information for the six months ended December 31, 2003, previously reported in accordance with HKGAAP, has been adjusted to comply with IFRS. A reconciliation of the Group's equity at December 31, 2003 and net profit for the six months then ended from HKGAAP to IFRS is as follows:

	Profit attributable to shareholders *HK$'M*	**Shareholders' funds** *HK$'M*
Under HKGAAP	**886**	**4,384**
Adjustments:		
Reversal of amortization of trademarks and goodwill *(note a)*	**53**	**291**
Recognition of fair value adjustments for foreign exchange forward contracts *(note b)*	**(6)**	**(21)**
Alignment of associates reporting date *(note c)*	**13**	**34**
Deferred tax effect on the reversal of previously recognized accumulated amortization and the retranslation of trademarks *(note d)*	**(9)**	**(69)**
Under IFRS	**937**	**4,619**

(a) Trademarks which have indefinite useful lives under IFRS are stated at cost less accumulated impairment losses (if any), but were carried at cost less accumulated amortization and impairment losses (if any) under HKGAAP. In addition, trademarks acquired through business combinations are recorded as assets of acquirees under IFRS, but were recorded as assets of acquirers under HKGAAP. The reversal of previously recognized accumulated amortization and the retranslation of trademarks cost based on functional currencies of acquirees at the closing rate resulted in an increase in trademarks by HK$302,192,000 and an increase in net profit for the period then ended of HK$52,532,000 under IFRS.

The goodwill arising on the acquisition of Red Earth International Holdings Limited with a carrying value of HK$13,500,000 at December 31, 2003 under HKGAAP was fully impaired on July 1, 2002 by applying the impairment test under IFRS.

Under IFRS, the retranslation of goodwill arising on the acquisition of Bollag-Guggenheim & Co, AG based on functional currencies of acquirees at the closing rate resulted in an increase in goodwill and translation reserve both by HK$2,791,000.

(b) Foreign exchange forward contracts were recorded as financial liabilities at their fair values at HK$21,420,000 as at December 31, 2003 but were not recognized under HKGAAP.

(c) Equity accounting for investments in associates was previously based on financial statements of the associates made up to June 30 each year. Adjustments have been made to realign the reporting date of the associates to that of the Group. As a result, the share of net assets of associates increased by HK$33,626,000 with a corresponding increase in retained profits.

(d) As a result of the reversal of previously recognized accumulated amortization and the retranslation of trademarks as stated in note 1(a), deferred tax liabilities increased by HK$69,241,000 with a corresponding decrease in retained profits and translation reserve as at December 31, 2003 and a HK$9,208,000 decrease in net profit for the period then ended.

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 and the operation of Salon Esprit.

	For the 6 months ended December 31,	
	2004	2003
	HK$'000	*HK$'000*
Turnover		
Sales of goods	**10,354,551**	7,906,655
Licensing and other income	**97,576**	99,361
	10,452,127	8,006,016

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.

As detailed in the notes to the annual financial statements for the year ended June 30, 2004, the Group has changed the basis of business segments reporting and no longer presents a sourcing segment to conform with the Group's internal financial reporting practice under its global management structure. The segment results previously attributable to the sourcing segment are now reflected within the wholesale and retail segments to reflect the Group's segment revenue and results earned from external customers. Accordingly, prior period comparatives have been adjusted to conform with the current period presentation.

	For the 6 months ended December 31, 2004				
	Wholesale	**Retail**	**Licensing & others**	**Eliminations**	**Group**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Turnover	**5,938,913**	**4,415,638**	**97,576**	**–**	**10,452,127**
Inter-segment revenue	**–**	**–**	**251,556**	**(251,556)**	**–**
Segment revenue	**5,938,913**	**4,415,638**	**349,132**	**(251,556)**	**10,452,127**
Segment results	**1,418,835**	**581,043**	**266,865**	**(30,170)**	**2,236,573**
Unallocated net expenses					**(84,735)**
Interest income					**13,249**
Finance costs					**(1,206)**
Share of results of associates					**37,939**
Profit before taxation					**2,201,820**

	For the 6 months ended December 31, 2003				
	Wholesale	Retail	Licensing & others	Eliminations	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	4,664,639	3,242,016	99,361	–	8,006,016
Inter-segment revenue	–	–	174,539	(174,539)	–
Segment revenue	4,664,639	3,242,016	273,900	(174,539)	8,006,016
Segment results	945,159	379,824	134,785	(14,861)	1,444,907
Unallocated net expenses					(25,798)
Interest income					15,789
Finance costs					(11,480)
Share of results of associates					33,626
Profit before taxation					1,457,044

Secondary reporting format – geographical segments

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

	For the 6 months ended December 31,	
	2004	2003
	HK$'000	*HK$'000*
Turnover		
Europe	**8,892,672**	6,703,782
Asia	**949,053**	726,183
Australasia	**377,141**	367,428
North America and others	**233,261**	208,623
	10,452,127	8,006,016

3. Operating profit

	For the 6 months ended December 31,	
	2004	2003
	HK$'000	*HK$'000*
Operating profit is arrived at after crediting and charging the following:		
Crediting:		
Net exchange gains	**27,003**	2,328
Charging:		
Depreciation		
– Owned assets	**199,722**	156,501
– Assets held under finance leases	**36**	256
Impairment of property, plant and equipment	**–**	1,007
Loss on disposal of property, plant and equipment	**–**	2,794
Provision for obsolete stocks and stock write-offs	**56,849**	32
Provision for doubtful debts	**20,257**	21,711
Provision for retail store exit costs	**–**	14,545

4. Finance costs

	For the 6 months ended December 31,	
	2004	2003
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts wholly repayable within five years	**1,186**	11,433
Interest element of finance leases payments	**20**	47
	1,206	11,480

5. Taxation

	For the 6 months ended December 31, 2004 HK$'000	2003 HK$'000
Current tax		
Hong Kong profits tax	**1,200**	47,319
Overseas taxation	**667,053**	483,400
Overprovision in prior year	**(4,000)**	–
	664,253	530,719
Deferred tax credit		
Current period	**(113,893)**	(9,887)
Change in tax rate	**–**	(842)
	(113,893)	(10,729)
	550,360	519,990

Hong Kong profits tax is calculated at 17.5% (2003/2004: 17.5%) of the estimated assessable profit for the period.

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.

6. Interim dividend

	For the 6 months ended December 31, 2004 HK$'000	2003 HK$'000
Interim dividend declared of HK$0.45 (2003/2004: HK$0.19) per share	**538,985**	226,575

The amount for the 2004/2005 interim dividend is based on 1,197,745,434 shares (2003/2004: 1,192,502,434 shares) in issue at February 23, 2005.

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.

	For the 6 months ended December 31, 2004	2003
Profit attributable to shareholders *(HK$'000)*	**1,651,460**	937,054
Weighted average number of ordinary shares in issue *(thousands)*	**1,194,221**	1,190,435
Basic earnings per share *(HK$ per share)*	**1.38**	0.79

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 schemes.

	For the 6 months ended December 31, 2004	2003
Profit attributable to shareholders *(HK$'000)*	**1,651,460**	937,054
Weighted average number of ordinary shares in issue *(thousands)*	**1,194,221**	1,190,435
Adjustments for share options *(thousands)*	**22,409**	9,635
Weighted average number of ordinary shares for diluted earnings per share *(thousands)*	**1,216,630**	1,200,070
Diluted earnings per share *(HK$ per share)*	**1.36**	0.78

8. Property, plant and equipment

	HK$'000
At July 1, 2004	1,474,286
Exchange translation	158,990
Additions	556,564
Disposals	(3,748)
Depreciation *(Note 3)*	(199,758)
At December 31, 2004	1,986,334

During the period ended December 31, 2004, the Group incurred approximately HK$102.9 million in purchasing new head office buildings, approximately HK$361.9 million in expansion and renovation of retail shops in various locations and approximately HK$53.3 million in office improvements and equipment.

9. Debtors, deposits and prepayments

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

	December 31, 2004	June 30, 2004
	HK$'000	*HK$'000*
0-30 days	**1,289,372**	1,094,794
31-60 days	**67,811**	39,919
61-90 days	**28,403**	14,981
Over 90 days	**77,761**	46,802
	1,463,347	1,196,496

The Group's retail sales to customers are mainly on cash basis. The Group also grants credit 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 ageing analysis is as follows:

	December 31, 2004	June 30, 2004
	HK$'000	*HK$'000*
0-30 days	**811,978**	659,417
31-60 days	**8,720**	41,405
61-90 days	**11,582**	13,676
Over 90 days	**26,969**	30,515
	859,249	745,013

11. Share capital

	December 31, 2004	June 30, 2004
	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, 2004	**1,193,398**	119,340
Exercise of share options *(Note)*	**4,262**	426
At December 31, 2004	**1,197,660**	119,766

Note: During the period, 4,262,000 ordinary shares of HK$0.10 were issued at a premium in the range of HK$14.50 to HK$24.35 each in relation to the share options exercised by Directors and employees under the share option schemes.

INTERIM DIVIDEND

The Board of Directors has declared an interim dividend for the six months ended December 31, 2004 of HK$0.45 per share (FY2003/2004: HK$0.19), representing an increase of 2.4 times over last year and reflecting both our profit growth and our strong cash position. The dividend will be payable on or about Friday, April 8, 2005 to the shareholders whose names appear on the Registers of Members of the Company at close of business on Friday, April 1, 2005 ("Shareholders"). The relevant dividend warrants will be despatched to Shareholders on or about Thursday, April 7, 2005.

OPERATION REVIEW

The Group achieved another record first half results supported by strong turnover growth with solid expansion of margins.

Turnover of the Group reached HK$10,452 million for the six months ended December 31, 2004, up 30.6% from the corresponding period last year. This increase was driven by growth across all key product divisions, distribution channels and geographical regions.

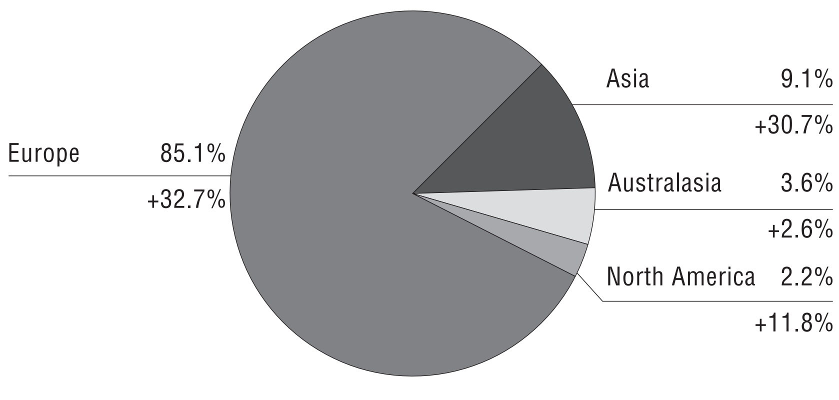
Group EBIT margin grew 2.9% points to 20.6% driven by 3.6% points improvement in wholesale EBIT margin to 23.9% and 1.5% points improvement in retail EBIT margin to 13.2%. These two factors contributed to a 51.6% increase in operating profit (or EBIT) over the comparable period last year to HK$2,152 million.

Net margin expanded 4.1% points to 15.8% and net profit surged 76.2% to HK$1,651 million.

Geographically Diversified Growth

We continued to build on ESPRIT's penetration in core markets while extending our global reach. All regions contributed to the Group's strong growth in the first half.

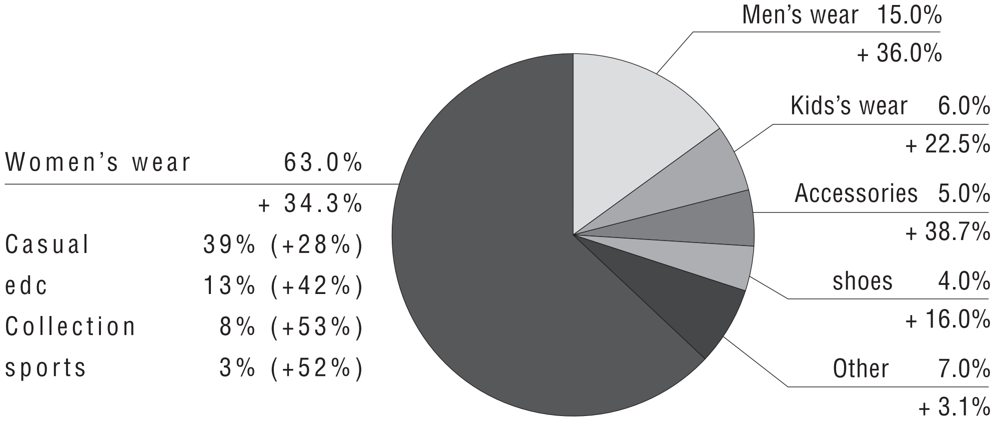
In terms of turnover, Europe recorded 32.7% of growth, Asia achieved 30.7% of growth, while Australasia and North America also grew by 2.6% and 11.8% respectively. Developing new markets including France and Scandinavia achieved remarkable year-on-year growth of 58.5% and 49.4% respectively while we continue to enlarge our foothold in Germany and Benelux. These satisfactory results reflected the success of our balanced growth strategy: steadily nurturing our core markets while seeding and investing in opportunities in new ones.



Extended and Fresh Product Offerings

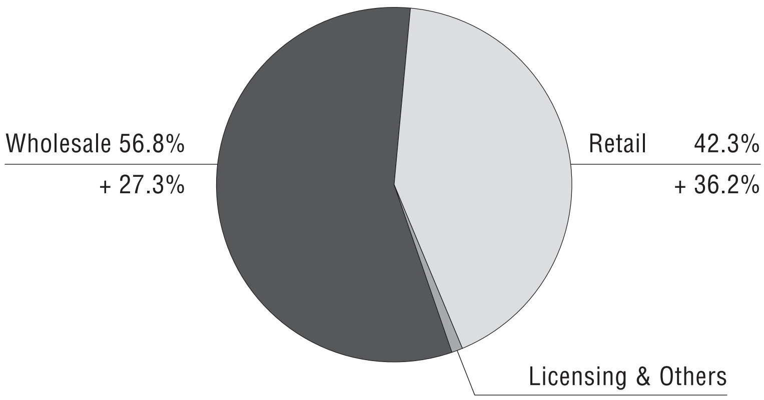
Our performance reflected the strength of the ESPRIT brand and consumers' continued enthusiasm for our fresh and relevant product offerings. Although women's casual continued to be our core product division and achieved 28% year-on-year turnover growth, the newer product divisions such as women's Collection and women's sports continued to gather momentum and recorded noticeable year-on-year turnover growth of 53% and 52% respectively.

New products were being introduced into various markets as the Group continued to gain international foothold across different regions. edc men was launched in Europe while edc women and Collection were introduced to Australia during the first half of the financial year.



Enhanced Profitability Across Distribution Channels

Growth during the period was attributed to our continued strong wholesale and retail performances in Europe, retail improvements in Asia and stable wholesale developments in Asia and Australasia.



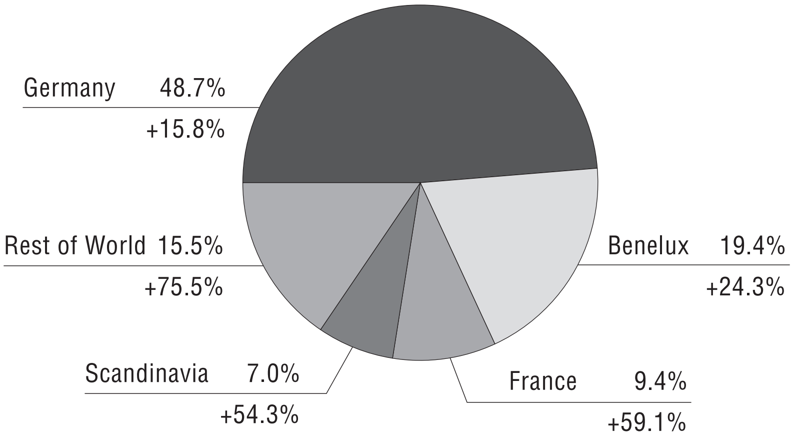
Wholesale sales increased by 27.3% to HK$5,939 million during the first half of the financial year. This increase was primarily driven by growth in the European region, in which sales grew by 27.3% over the comparable period in the prior year.

We continued to see visible results from our initiatives to expand the wholesale business geographically. While our core wholesale market Germany, accounting for 48.7% of the Group's wholesale turnover, continued to deliver 15.8% year-on-year turnover growth when last year wholesale turnover from Germany is adjusted to exclude sales to Switzerland during that period, the rest of Europe achieved 50.3% year-on-year sales growth and now contributes to 45.0% of the Group's wholesale turnover from 38.1% of the comparable period last year.

Our effort to diversify our wholesale business also yielded encouraging result in Asia with the region achieving 28.0% year-on-year turnover growth to over HK$280 million during the first half of the financial year. These results were supported by a healthy wholesale sales growth to China and wholesale developments in new territories including Dubai, Saudi Arabia, Thailand, Philippines and Indonesia. Further developments were the opening of the first ESPRIT franchise store in Lebanon and Iran; the opening of ESPRIT's first showroom in Dubai; and the establishment of a new servicing team that offers comprehensive support to regional wholesale partners including merchandising, visual, architecture and marketing.

Over 1,200 new wholesale point-of-sales were added across the regions during the period as the Group continued to penetrate and expand its wholesale presence geographically. Since the end of June 2004, the number of stand-alone partnership stores, shop-in-stores in department stores and identity corners in multi-label stores increased to over 600, 3,000 and 4,900, totaling over 125,000 m^2, 160,000 m^2 and 106,000 m^2 in controlled selling space respectively. This represents a net increase of 17% compared with the beginning of the financial year.

Continuing strong growth in core markets and favorable developments in newer ones enabled the Group to achieve higher operating leverage leading to further margin expansions. Wholesale EBIT margin expanded to 23.9% from 20.3% in the comparable period last year.



Retail sales increased 36.2% to HK$4,416 million driven by 9.5% growth in comparable-store sales, maturing of over 20,000 m^2 new retail space opened last year and a more than 19,000 m^2 increase in net retail space in the first half of the financial year.

Our focus on retail productivity has started to deliver visible results. Higher store traffic continued to be seen as a result of the increased newness of our products and a wider selection of product offerings. The enhanced focus on in-store merchandize management together with continuous improvement in customer services helped to drive conversion rates and bolster sales. Group average net sales per square meter and operating profit per square meter rose 7% and 21% respectively in local currency terms over the same period last year.

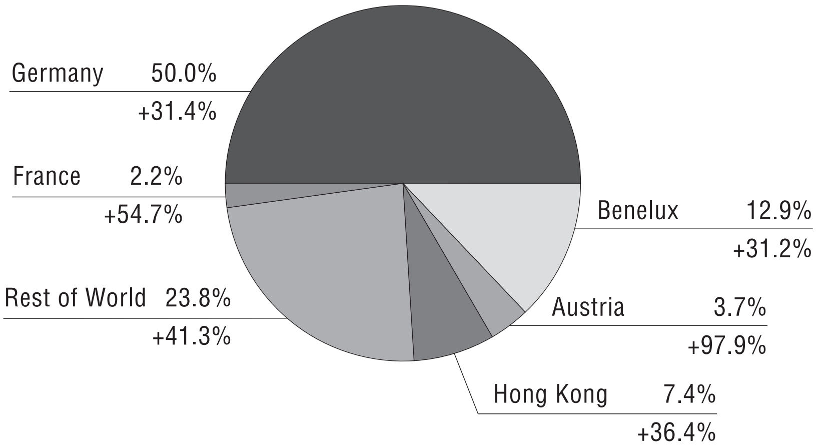
Europe was the best performing retail market registering a 42.9% increase in sales to HK$3.3 billion. Continuing maturity of new stores opened less than 12 months and healthy growth from comparable-stores are the key drivers behind the growth.

The Asian operation recovered favorably during the first half of the financial year and registered 35.9% year-on-year turnover growth. Improved productivity brought the region back to profitability from around break-even last year. These were primarily driven by comparable-store sales growth in the region.

North America and Australasia, together accounted for 11% of total retail turnover, also recorded 4% turnover increase to HK$500 million.

The Group has opened 89 and closed 25 retail stores since June 2004, increasing the total number of directly managed stores to over 620. Net sales area grew by 11% to over 189,000 m^2.

Higher levels of full-price sell-through, stronger gross margins and stringent overhead controls contributed to a 1.5% points improvement in retail EBIT margin to 13.2%. This was despite the higher overhead and depreciation expenses from retail expansion and its associated short-term profit dilution effect.



Licensing income from third parties increased to HK$56.6 million in the first half of the financial year. Excluding licensing income from Bollag-Guggenheim & Co. AG (the previous country distributor for Switzerland and Italy, which was acquired by the Group in December 2003 and therefore no longer treated as a third party), third party licensing income grew by 27.8% year-on-year. This growth was generated across the majority of our license products including Timewear, Home, Bed & Bath, Swimwear, and Umbrella. During the six months ended December 31, 2004, 2 new licensing partners were added and 5 new product categories were launched, increasing our portfolio of product licensees to over 30 and offering around 28 merchandize categories to customers.

New products launched during the reporting period include ESPRIT Home, baby furniture, glassware, stationery, EDC costume jewellery in Europe, bed linen and socks in the U.S., stationery in Asia and shoes, bed linen, towels and stationery in Australasia.

In addition, existing licensed products that were rolled out in other regions included watches and jewellery in China, watches in Canada and baby carriages in Asia and Australia. All these newly introduced license businesses are expected to contribute additional licensing income in the second half of this financial year.

FINANCIAL REVIEW

Turnover

Group turnover grew by 30.6% during the first half of the financial year which also reflected the turnover from the newly acquired territories, Switzerland and Italy, and a higher Euro exchange rate than the same period last year.

Group Geographic Turnover Breakdown

	6 months ended December 31, 2004	2003	yoy Growth
Europe	85.1%	83.7%	32.7%
Germany	*49.0%*	*53.5%*	*19.7%*
Benelux	*16.5%*	*17.0%*	*26.5%*
France	*6.2%*	*5.1%*	*58.5%*
Austria	*4.3%*	*3.8%*	*47.9%*
Others	*9.1%*	*4.3%*	*172.6%*
Asia	9.1%	9.1%	30.7%
Australasia	3.6%	4.6%	2.6%
North America	2.2%	2.6%	11.8%

Gross Profit

Group gross margin grew 3.8% points to 54.4% of turnover in the first half of FY2004/2005 (FY2003/2004: 50.6%). Better merchandize offerings with more full-price sell-through, tighter control on cost of goods and gains from favorable Euro currency effects due to our international sourcing structure contributed to the gross profit margin expansion. As a result of the strong gross margin improvement, Group gross profit rose 40.5% in the first half of FY2004/2005 and reached HK$5,687 million (FY2003/2004: HK$4,047 million).

Operating Profit (EBIT)

Group EBIT for the first half grew 51.6% year-on-year to HK$2,152 million. Group EBIT margin expanded by 2.9% points to 20.6%. This was attributable to strong gross margin improvements, higher operating leverage in wholesale, productivity improvements in retail and profitability improvement in Asia. These were partly offset by an increase in overhead costs mainly associated with the geographical diversification of our retail and wholesale operations.

Operating expenses, including selling, general & administrative expenses (SG&A) and depreciation, as a percentage of turnover increased to 33.8% from 32.9% in the same period last year. Occupancy costs as a percentage of turnover decreased by 0.4% points to 8.1% while personnel costs increased slightly by 0.1% point to 11.9% of turnover despite accelerated retail expansion.

Profit Before Tax

Share of results of associates in China rose 12.8% to HK$38 million (FY2003/2004: HK$34 million). Including interest income of HK$13 million (FY2003/2004: HK$16 million), Group profit before tax was HK$2,202 million, an increase of 51.1% over last year's HK$1,457 million.

Effective Tax Rate

The Group's effective tax rate for the first half was 25.0%, 10.7% points lower than the 35.7% reported rate for the same period last year. Effective international tax planning continues to harmonize our overall tax efficiency globally and lead to a more efficient group effective tax rate.

Net Profit

As a result of higher turnover, expanded margins and an improved effective tax rate, net profit rose 76.2% to HK$1,651 million and net margin grew 4.1% points to 15.8% from the same period last year.

Seasonality of Business

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

Liquidity and Financial Resources

Net cashflow generated from operating activities for the period was HK$1,855 million compared with HK$1,331 million in the comparable period last year. During the period, the Group invested HK$690 million in capital expenditure including HK$362 million for new store openings and upgrading of existing stores, HK$42 million for management information systems and HK$263 million for the new head office and signage space in Hong Kong. HK$1,173 million was also distributed to shareholders as dividend payment in December 2004. The Group ended the period with HK$2,016 million of net cash (cash and cash equivalents net of bank borrowings), an increase of HK$259 million over the balance as at June 30, 2004.

As at December 31, 2004, the Group has no long-term bank borrowings and did not pledge any assets as security for overdraft and/or short-term revolving facility. Our debt to equity ratio, expressed as a percentage of interest bearing external borrowings over shareholders' funds of HK$6,406 million, is 0%. The current ratio (current assets divided by current liabilities) decreased slightly to 1.6 from 1.7 for the same period last year.

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 and reduce credit risks. Outstanding forward contracts amounted to HK$661 million as at December 31, 2004, an increase of HK$294 million over the balance as at June 30, 2004, primarily due to turnover growth of the business.

PROSPECTS

With encouraging first half results, we are confident that FY2004/2005 will be another record year for the Group.

Wholesale

In Europe, wholesale orders booked to June 2005 showed double digits year-on-year growth. Over 85 partnership stores, 240 shop-in-stores and 400 identity corners are planned to open for business in the second half.

The Group will continue to expand its wholesale reach to new markets during the second half of the financial year. Included in the planned openings are over 40 shop-in-stores with El Cortes Ingles in Spain and around 10 shop-in-stores with La Rinacente in Italy. We also anticipate the opening of our first partnership stores in Egypt and Morocco through our local franchise partner during the second half of the financial year.

Partnership stores will continue to be the key driver for wholesale growth in the future. The objective is to leverage on these franchise point-of-sales and penetrate into smaller European cities where it is relatively less economically efficient to open a directly managed retail store.

The continuing strong growth in wholesale should provide the Group with further operating leverage and room for margin expansion.

Retail

Over 40 directly managed stores are anticipated to be opened in the second half of the financial year, further increasing total net selling space by over 10,000 m^2. Selling space expansion, combined with comparable-store sales growth, should continue to support retail turnover growth in the second half of the financial year.

The Group aims to continue store productivity improvements by introducing more starting price point products, creating more newness via better merchandizing and visual displays, as well as further enhancing in-store customer services to attract store traffic and drive conversion rates.

In the U.S. and the U.K., ESPRIT will focus on concentrating its penetration in the metro areas to optimize brand presence and build brand awareness. Outlet stores will be added to capture the high customer traffic in outlet malls and drive sales. More in-store events supported by increased advertising are also planned to drive store traffic and make ESPRIT the shopping destination for target customers.

Elimination of Quota

The phase-out of quota commencing January 2005 will bring about lower sourcing costs for the Group, thereby enhancing its gross margin. Similar to our utilization of the gains generated through Euro appreciation, it is the intention of the Group to pass on some of these savings to consumers either through lowering product price, improving product quality or through a combination of both.

Human Resources

As at December 31, 2004, the Group employed over 7,500 staffs (2003: 6,405), after converted 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 Tuesday, March 29, 2005 to Friday, April 1, 2005, 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 G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on Thursday, March 24, 2005.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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 is comprised of 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, 2004 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, 2004 in accordance with International Standard on Review Engagements. 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 do not give a true and fair view in accordance with IFRS.

CORPORATE GOVERNANCE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 ("Model Code") to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") during the period under review. 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, 2004.

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six-month ended December 31, 2004, in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules which was in force prior to January 1, 2005 and remains applicable for the financial period commencing before January 1, 2005.

PUBLICATION OF INTERIM RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE

The interim result 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:	Michael YING Lee Yuen *(Chairman)* Heinz Jürgen KROGNER-KORNALIK *(Deputy Chairman)* John POON Cho Ming *(Deputy Chairman)* Thomas Johannes GROTE Jerome Squire GRIFFITH
Non-executive Directors:	Jürgen Alfred Rudolf FRIEDRICH Simon LAI Sau Cheong
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 23, 2005

This announcement can also be accessed through our internet site at www.espritholdings.com.

"Please also refer to the published version of this announcement in The Standard"