ESPRIT FY08/09 INTERIM RESULTS HIGHLIGHTS

- **Group turnover of HK$19.1 billion**
- **Retail turnover grew 10.3%, with comp store sales growth of 6.3%**
- **Gross margin holding up at 53.2%**
- **Net cash position amounted to HK$3.8 billion**
- **Retail and controlled wholesale space grew 11% and 7% respectively**
- **Maintain interim dividend payout ratio at 35%**

ESPRIT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 00330)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED DECEMBER 31, 2008

INTERIM RESULTS

The Board of Directors of Esprit Holdings Limited (the "Company") is pleased to present the unaudited condensed consolidated interim financial information, along with selected explanatory notes, of the Company and its subsidiaries (the "Group") for the six months ended December 31, 2008 as follows:

Condensed consolidated income statement

	Notes	Unaudited For the 6 months ended December 31, 2008 HK$ million	2007 HK$ million
Turnover	2	**19,064**	18,527
Cost of goods sold		**(8,916)**	(8,607)
Gross profit		**10,148**	9,920
Staff costs		**(2,110)**	(2,033)
Occupancy costs		**(1,627)**	(1,401)
Depreciation		**(375)**	(341)
Other operating costs		**(2,625)**	(2,125)
Operating profit	3	**3,411**	4,020
Interest income		**64**	102
Share of results of associates		**91**	81
Profit before taxation	2	**3,566**	4,203
Taxation	4	**(713)**	(910)
Profit attributable to shareholders		**2,853**	3,293
Interim dividend	5	**996**	1,181
Earnings per share			
- Basic	6	**HK$2.30**	HK$2.67
- Diluted	6	**HK$2.29**	HK$2.64

Condensed consolidated balance sheet

	Notes	Unaudited December 31, 2008 HK$ million	Audited June 30, 2008 HK$ million
Non-current assets			
Intangible assets		**2,061**	2,121
Property, plant and equipment	7	**3,748**	3,395
Other investments		**7**	7
Investments in associates		**441**	583
Prepaid lease payments		**167**	170
Deferred tax assets		**493**	510
		6,917	6,786
Current assets			
Inventories		**3,237**	3,170
Debtors, deposits and prepayments	8	**4,651**	5,332
Amounts due from associates		**178**	83
Bank balances and cash		**2,364**	2,767
Short-term bank deposits		**1,484**	3,754
		11,914	15,106
Current liabilities			
Creditors and accrued charges	9	**3,875**	4,571
Taxation		**1,132**	989
		5,007	5,560
Net current assets		**6,907**	9,546
Total assets less current liabilities		**13,824**	16,332
Equity			
Share capital	10	**125**	124
Reserves		**13,276**	15,820
Shareholders' funds		**13,401**	15,944
Non-current liabilities			
Deferred tax liabilities		**423**	388
		13,824	16,332

Notes to the condensed consolidated interim financial information

1. Basis of preparation

This unaudited condensed consolidated interim financial information ("interim financial information") on pages 2 to 12 for the six months ended December 31, 2008 has been 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 information should be read in conjunction with the annual financial statements for the year ended June 30, 2008. The accounting policies and methods of computation used in the preparation of this interim financial information are consistent with those used in the annual financial statements for the year ended June 30, 2008. In the current period, the Group has adopted International Financial Reporting Interpretations Committee ("IFRIC") Interpretation 13 "Customer Loyalty Programmes" which is effective for the Group's annual accounting period commencing July 1, 2008. The adoption of IFRIC 13 did not result in any significant change to the Group's accounting policies.

The Group did not early adopt the following IAS, International Financial Reporting Standard ("IFRS") and IFRIC interpretations that have been issued in the period from July 1, 2008 to December 31, 2008. The adoption of such standards is anticipated not to result in substantial changes to the Group's accounting policies.

		Effective for accounting periods beginning on or after
IAS 39 (Amendment)	Eligible Hedged Items	July 1, 2009
IFRS 1 (Revised)	First-time Adoption of International Financial Reporting Standards	July 1, 2009
IFRIC 15	Agreements for the Construction of Real Estate	January 1, 2009
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	October 1, 2008
IFRIC 17	Distributions of Non-cash Assets to Owners	July 1, 2009

2. Turnover and segment information

The Group is principally engaged in wholesale and retail distribution and licensing of quality fashion and life-style products designed 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,	
	2008	2007
	HK$ million	HK$ million
Turnover		
Sales of goods	**18,941**	18,422
Licensing and other income	**123**	105
	19,064	18,527

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, 2008				
	Wholesale HK$ million	Retail HK$ million	Licensing & others HK$ million	Eliminations HK$ million	Group HK$ million
Turnover	**10,150**	**8,791**	**123**	**-**	**19,064**
Inter-segment sales	**-**	**-**	**512**	**(512)**	**-**
	10,150	**8,791**	**635**	**(512)**	**19,064**
Segment results	**2,273**	**1,204**	**225**	**(26)**	**3,676**
Unallocated net expenses					**(265)**
Interest income					**64**
Share of results of associates					**91**
Profit before taxation					**3,566**
Segment EBIT – ex-inter-segment licensing expense/income (note)	**2,389**	**1,247**	**66**	**(26)**	**3,676**

	Unaudited For the 6 months ended December 31, 2007 Wholesale HK$ million	Retail HK$ million	Licensing & others HK$ million	Eliminations HK$ million	Group HK$ million
Turnover	10,450	7,972	105	-	18,527
Inter-segment sales	-	-	478	(478)	-
	10,450	7,972	583	(478)	18,527
Segment results	2,631	1,257	293	(8)	4,173
Unallocated net expenses					(153)
Interest income					102
Share of results of associates					81
Profit before taxation					4,203
Segment EBIT – ex-inter-segment licensing expense/income (note)	2,809	1,319	53	(8)	4,173

Note: The trademark owners receive licensing income based on wholesale and retail turnover. Should the licensing fee not be allocated to the wholesale and retail segments, 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$2,389 million** (2007: HK$2,809 million) and **HK$1,247 million** (2007: HK$1,319 million) respectively, representing wholesale segment EBIT margin ("segment EBIT/segment turnover") of **23.5%** (2007: 26.9%) and retail segment EBIT margin of **14.2%** (2007: 16.5%).

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, **2008** **HK$ million**	2007 HK$ million
Turnover		
Europe	**16,236**	15,994
Asia Pacific	**2,333**	2,054
North America and others	**495**	479
	19,064	18,527

3. Operating profit

	Unaudited For the 6 months ended December 31, 2008 HK$ million	2007 HK$ million
Operating profit is arrived at after charging and (crediting) the following:		
Depreciation	**375**	341
Loss on disposal of property, plant and equipment	**24**	16
Impairment of property, plant and equipment	**13**	-
Net exchange losses/(gains)	**127**	(28)
Net charge/(write back) for provision for obsolete inventories	**14**	(1)
Occupancy costs		
Operating lease charge	**1,234**	1,044
Other occupancy costs	**393**	357
Provision for impairment of trade debtors / bad debts written off	**70**	36

4. Taxation

	Unaudited For the 6 months ended December 31, 2008 HK$ million	2007 HK$ million
Current tax		
Hong Kong profits tax		
Provision for current period	**1**	-
Overseas taxation		
Provision for current period	**756**	866
Underprovision in prior years	**3**	24
	760	890
Deferred tax		
Current period	**(47)**	(57)
Effect of changes in tax rates	**-**	77
Taxation	**713**	910

Hong Kong profits tax is calculated at **16.5%** (2007: 17.5%) on the estimated assessable profit for the period, net of tax losses carried forward, if applicable.

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 applicable.

Share of associates' taxation for the six months ended December 31, 2008 was a net tax charge of **HK$24 million** (2007: a net tax charge of HK$27 million) which has been included in the condensed consolidated income statement as share of results of associates.

5. Interim dividend

	Unaudited For the 6 months ended December 31, 2008 HK$ million	Unaudited For the 6 months ended December 31, 2007 HK$ million
Interim dividend declared of **HK$0.80** (2007: HK$0.95) per share	**996**	1,181

The amount of interim dividend is based on **1,245,049,934** shares in issue on **February 4, 2009** (2007: 1,242,675,434 shares in issue on January 30, 2008).

6. 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, 2008	Unaudited For the 6 months ended December 31, 2007
Profit attributable to shareholders (HK$ million)	**2,853**	3,293
Weighted average number of ordinary shares in issue (million)	**1,243**	1,234
Basic earnings per share (HK$ per share)	**2.30**	2.67

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,	
	2008	2007
Profit attributable to shareholders (HK$ million)	**2,853**	3,293
Weighted average number of ordinary shares in issue (million)	**1,243**	1,234
Adjustments for share options (million)	**4**	16
Weighted average number of ordinary shares for diluted earnings per share (million)	**1,247**	1,250
Diluted earnings per share (HK$ per share)	**2.29**	2.64

7. Property, plant and equipment

	Unaudited HK$ million
Balance at July 1, 2008	**3,395**
Exchange translation	**(398)**
Additions	**1,167**
Disposals	**(28)**
Depreciation (note 3)	**(375)**
Impairment charge (note 3)	**(13)**
Balance at December 31, 2008	**3,748**

During the six months ended December 31, 2008 the Group incurred **HK$845 million** in expansion and refurbishment of retail shops in various locations and **HK$322 million** in office improvements and purchase of office equipment.

8. Debtors, deposits and prepayments

Debtors, deposits and prepayments include trade debtors. The ageing analysis by due date of trade debtors net of provision for impairment is as follows:

	Unaudited December 31, 2008 HK$ million	Audited June 30, 2008 HK$ million
Current	**2,612**	3,268
1-30 days	**427**	366
31-60 days	**151**	151
61-90 days	**87**	63
Over 90 days	**227**	159
Amount past due but not impaired	**892**	739
	3,504	4,007

The Group's sales to retail customers are made in cash, bank transfer or by credit card. The Group also grants credit period, which is usually 30 to 60 days to certain wholesale and franchise customers.

9. Creditors and accrued charges

Creditors and accrued charges include trade creditors and their ageing analysis is as follows:

	Unaudited December 31, 2008 HK$ million	Audited June 30, 2008 HK$ million
0-30 days	**1,134**	1,419
31-60 days	**97**	94
61-90 days	**19**	17
Over 90 days	**24**	42
	1,274	1,572

10. Share capital

	Unaudited December 31, 2008 HK$ million	Audited June 30, 2008 HK$ million
Authorized		
2,000,000,000 shares of HK$0.10 each	**200**	200

	Number of shares of HK$0.10 each Million	**Nominal value HK$ million**
Issued and fully paid		
Balance at July 1, 2008	**1,244**	**124**
Exercise of share options (note (a))	**4**	**1**
Repurchase of shares (note (b))	**(3)**	**-**
Balance at December 31, 2008	**1,245**	**125**

(a) During the period, **3,625,000** 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$42.58** each (representing a premium in the range of **HK$14.50** to **HK$42.48** each).

(b) During the period, the Company repurchased **2,615,500** of its own ordinary shares at a total consideration of **HK$203 million** on The Stock Exchange of Hong Kong Limited.

11. Comparative figures

Certain comparative figures have been reclassified to conform with the current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

Steering steadily in the storm

The impact of the financial turmoil in year 2008 reached far and wide globally into each and every economy and industry.

While we brace ourselves against stronger-than-ever headwind, we believe this storm, together with its rippling effects, will eventually subside. Our goal is to weather the storm and to emerge as a company that is even stronger than before.

During the reporting period, we are particularly encouraged by the 10.3% retail turnover growth, 6.3% retail comparable store sales growth, and the encouraging growth achieved in high potential markets, such as China, Middle East and Russia, which recorded turnover growth rates of 34.5%, 33.4% and 32.6%, representing 7.4%, 0.7% and 1.2% of the Group's wholesale turnover respectively.

We demonstrated our continued commitment to enhance shareholders return by returning more cash to our shareholders. During the reporting period, the Group paid record final and special dividends for FY2007/2008 of HK$4,042 million and repurchased shares with a total value of HK$204 million.

Paving way for long-term growth

Achieving sustainable and profitable long-term growth remains our long-term goal. We see the current market condition as an opportunity to seek higher market share as weaker competitors exit the market.

During the reporting period, we opened a total of 77 directly managed retail stores (net), of which 9 are mega and flagship stores, to our store portfolio with a total of 774 directly managed retail stores as of December 31, 2008. We are particularly excited about the opening of a flagship store in July 2008 on the prestigious Avenue des Champs-Élysées in Paris, the world's fashion capital, carrying all product lines under one roof in a relaxed and spacious atmosphere. Other new premium location openings around the world included Friedrichstrasse in Berlin, Matosinhos Plaza in Porto, Paseo de Gracia in Barcelona, La Gavia in Madrid and Causeway Bay in Hong Kong.

Our strategy for the wholesale business is to aim at gaining more new wholesale customers and thus, potentially increasing point-of-sales for Esprit products in anticipation of the recovery of the economy. Since the beginning of the financial year, we have added 560 controlled space wholesale point-of-sales (net) to a total of 15,150 controlled space wholesale point-of-sales all over the world as of December 31, 2008.

Behind Our Excellence

Our strong brand, competency in consistently delivering the market-right quality products for target group, ongoing improvement of operational efficiency, and efficient financial management are the main drivers behind our excellence.

Esprit as a strong brand
Esprit was made strong as a brand through a combination of careful steps made over the past 40 years. To celebrate this important milestone and to rejuvenate and strengthen our brand, an extensive 40th anniversary celebration campaign was launched with a series of limited edition products and large promotional events.

Ongoing efforts to build the edc brand continue with our second year of partnership with MTV Awards. Driven by the success achieved in the 2007 MTV Europe Music Awards in Munich, this year we continued the sponsorship of the MTV Europe Music Awards 2008, which was held in Liverpool. More excitedly, this year edc is also the official regional partner of the MTV Asia Awards 2008, held in Genting Highlands, Malaysia. Sponsorship with MTV marks the strong connection between fashion and music, offering us the channel to reach out to edc's young fashion-conscious target customers. To leverage off these exciting events, numerous promotional events and limited edition apparel collections were launched in participating locations.

Large loyal customer base – our biggest asset
Over the years, we have not only established a well-known brand, but have also accumulated a large loyal customer following. Today, we have over 4 million Esprit Club members worldwide. These are the customers who continue to return to our stores to find their favourite items. Focused promotional events, such as participation in the Glamour Shopping Week, Family and Friends VIP shopping, €10 Celebration Card to celebrate our 40th anniversary, were organised aiming at reaching out to our target customer groups. As a result, a higher proportion of the traffic was from customers who were interested to buy our products, thus achieving a higher conversion rate amid less traffic in the challenging market condition.

Quality first
We strive to provide best quality products at a reasonable price to our customers. We believe we have found a fine balance between price and quality. To enrich product offerings in specific markets, we began localizing the design of a small part of the product portfolio in Asia.

Under challenging times like today, we anticipated higher demand for our mid to upper priced product categories as consumers trade down from luxury brands. Instead of implementing aggressive pricing strategy to attract these customers – which we strongly believe will do more harm than good to the brand, we have strengthened the quality of our mid to upper priced product categories. The feedback from customers was positive as reflected in the strong comparable store sales growth.

Amid rising raw material cost and foreign exchange fluctuation, we maintained stable pricing without sacrificing quality by leveraging on our competency in sourcing products from our vast pool of over 400 suppliers globally, mainly located in China, Southeast Asia and Southeastern Europe.

Outlook

Given the dramatic change in the operating environment, we believe it is opportune time to fine-tune our priorities with stronger emphasis on long-term rather than short-term and to implement improvements to equip our operations for next growth phase. We will seek opportunities to leverage on the current financial turmoil to gain market share while continuing to expand with a cautious view on capital spending.

To strengthen our foundation for the next phase of growth, we place top priorities on reinforcing our inner strength through, amongst other things, focusing on our target groups, continuing to fine-tune the size of product lines, initiating business projects with the objective of enhancing our IT and logistics systems in order to optimize and unify workflows and achieving long-term savings, planned opening of a new distribution centre and being more cost conscious. On the products front, we will continue to strengthen the mid to upper priced product categories by increasing value for money through improved quality. While we expect the short-term turnover growth to be moderate during this evolution, we believe this is necessary to pave way for long-term growth.

Planned openings in the second half of the financial year include a net addition of over 25 directly managed retail stores and over 500 controlled space wholesale point-of-sales. Approximately HK$600 million will be invested in opening new directly managed retail stores and refurbishing existing stores. New directly managed retail stores are planned to be opened in core markets.

Due to the anticipated continuing challenging operating environment, new directly managed retail stores are expected to take relatively longer to mature, thus resulting in short-term pressure on the retail EBIT margin. To mitigate some of the pressure on EBIT margin, we will continue to tighten cost control and carefully review every aspect of our operation to further enhance efficiency.

While the wholesale order book between January and May 2009 shows a negative single digit percentage year-on-year growth, the actual wholesale turnover growth realized may deteriorate further if market conditions worsen.

In the second half of the financial year, we hope to maintain a similar overall turnover growth in local currency terms to that of the first half of the financial year. Looking ahead, we remain optimistic about our prospect in the long run. With our quality market-right products, fundamentally sound operating model, strong international brand and robust balance sheet, the Group is confident that we will emerge out of this storm well positioned to take full advantage of the upturn when it comes.

FINANCIAL REVIEW

The Group's turnover continued to grow during the first half of the financial year despite the tough market conditions.

Turnover

During the six months ended December 31, 2008, the Group's turnover grew to HK$19,064 million (1H2007/2008: 18,527 million) backed by positive comparable store sales growth and year-on-year increase in total sales area of directly managed retail stores and controlled space wholesale point-of-sales. As of December 31, 2008, the total selling space of directly managed retail stores and controlled space wholesale point-of-sales reached over 1,100,000 m^2 in more than 40 countries.

The financial turmoil has, to certain extent, suppressed the productivity of our wholesale distribution channel and the maturity of new directly managed retail stores was also prolonged. The weak wholesale sales performance was caused by lower average order size due to cautious customer buying and customer orders downsized by the Group due to more stringent credit control to reduce bad debt exposure. In addition, cancellation of wholesale partnership store opening due to difficulties faced by our franchisees to obtain credit led to less than expected sales contribution from new controlled space wholesale point-of-sales.

Turnover by Distribution Channels

	Wholesale	Retail	Licensing & others	Total
1H2008/2009 turnover (HK$ m)	10,150	8,791	123	19,064
% of Group's turnover	53.2%	46.1%	0.7%	100.0%
% growth from same period last financial year	-2.9%	10.3%	17.0%	2.9%

Turnover by Regions

	Europe				
	Germany*	Rest of Europe	Asia Pacific	North America & others	Total
1H2008/2009 turnover (HK$ m)	8,582	7,654	2,333	495	19,064
% of Group's turnover	45.0%	40.2%	12.2%	2.6%	100.0%
% growth from same period last financial year	-1.0%	4.5%	13.6%	3.3%	2.9%

* Turnover of Germany includes wholesale sales orders taken up by Germany and sold to countries out of Germany, mainly Russia, Poland, Greece and Croatia

Retail Turnover by Major Markets

	Europe						
	Germany	Benelux	France	Rest of Europe	Asia Pacific	North America	Total
1H2008/2009 turnover (HK$ m)	4,286	1,197	520	1,155	1,245	388	8,791
% of retail turnover	48.8%	13.6%	5.9%	13.1%	14.2%	4.4%	100.0%
% growth from same period last financial year	8.8%	4.5%	36.6%	23.0%	3.4%	7.0%	10.3%
Retail selling space growth from July 1, 2008	7.9%	2.4%	13.4%	35.5%	8.7%	4.6%	10.9%
Comparable store sales growth from same period last financial year	6.9%				3.5%	1.8%	6.3%

Wholesale Turnover by Major Markets

	Germany*	Benelux	France	Rest of Europe	Asia Pacific	North America	Total
1H2008/2009 turnover (HK$ m)	4,261	1,668	1,198	1,904	1,026	93	10,150
% of wholesale turnover	42.0%	16.4%	11.8%	18.8%	10.1%	0.9%	100.0%
% growth from same period last financial year	-9.4%	-0.3%	-0.1%	-3.8%	29.6%	-9.8%	-2.9%
Controlled wholesale space growth from July 1, 2008	4.3%	6.9%	13.2%	8.8%	10.5%	n.a.	7.3%

n.a. means not applicable

* Wholesale turnover of Germany includes wholesale sales orders taken up by Germany and sold to countries out of Germany, mainly Russia, Poland, Greece and Croatia

Turnover by Key Product Divisions – Esprit brand

	Casual		Collection			
	Women	Men	Women	Men	Others*	Total
1H2008/2009 turnover (HK$ m)	6,426	2,412	1,235	446	3,963	14,482
% of Group's turnover	33.7%	12.7%	6.5%	2.3%	20.8%	76.0%
% growth from same period last financial year	0.3%	6.1%	6.7%	3.3%	3.0%	2.6%

* Others include Esprit's accessories, shoes, kids, sports, bodywear, de.corp, red earth, salon and licensed products

Turnover by Key Product Divisions – edc brand

	Women	Men	Others*	Total
1H2008/2009 turnover (HK$ m)	3,288	736	558	4,582
% of Group's turnover	17.2%	3.9%	2.9%	24.0%
% growth from same period last financial year	-1.8%	27.6%	15.4%	4.0%

* Others include edc kids, edc accessories, edc shoes and edc bodywear

Profitability

As our sales is not driven by aggressive pricing strategy, the gross profit margin of the Group stayed similar to that of the same period last financial year at 53.2% (1H2007/2008: 53.5%).

The Group's operating profit during the six months ended December 31, 2008 was HK$3,411 million (1H2007/2008: HK$4,020 million) with operating profit margin of 17.9% (1H2007/2008: 21.7%). The decrease in operating profit margin was partially due to suppressed productivity of our distribution channels as described in the previous section and the shift in wholesale-to-retail turnover mix. Retail turnover represented 46% of the Group's turnover, up from 43% of the Group's turnover a year ago.

Wholesale EBIT margin was 23.5% (1H2007/2008: 26.9%) for the reporting period. The decline in wholesale EBIT margin was partly due to majority of the wholesale operating costs being fixed and cannot be altered in the short-term to match the weaker wholesale turnover growth. Nevertheless, the wholesale EBIT margin of our core markets, Germany and Benelux, remained higher than the overall wholesale EBIT margin.

Retail EBIT margin was 14.2% (1H2007/2008: 16.5%). Our investment in future growth has affected the retail EBIT margin, such as the high pre-opening costs incurred in the opening of several flagship stores including the additional overheads in connection with the expansion in Spain and Scandinavia.

Our China associated companies' contribution to the Group's earnings before tax (EBT) was HK$91 million (1H2007/2008: HK$81 million) benefiting from the continual strong internal demand in China and increase in earnings.

The Group's EBT was HK$3,566 million (1H2007/2008: HK$4,203 million). Net earnings of the Group was HK$2,853 million (1H2007/2008: HK$3,293 million) while net earnings margin was 15.0% (1H2007/2008: 17.8%).

Seasonality of Business

The Group's business is 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

The Group's persistence in making disciplined capital deployment and managing working capital efficiently has led to a strong balance sheet allowing management to focus on the operation without being preoccupied about potential liquidity issues. As at December 31, 2008, our net cash balance was HK$3,848 million (as at June 30, 2008: HK$6,521 million). The drop in net cash balance was also partially due to the unfavourable currency impact of EUR:USD exchange rate which was 1.4058 for December 2008 closing rate (June 2008 closing rate: 1.5793).

During the reporting period, the net cash inflow from operating activities was HK$2,527 million. Moreover, the Group invested HK$1,167 million in capital expenditure. Among the capital expenditure spent, HK$845 million was spent on the opening of new stores and refurbishment of existing stores. In addition, we also invested HK$266 million in IT projects to optimize and unify workflows to prepare for long-term growth.

As at December 31, 2008, the Group had no long-term bank borrowings and did not pledge any assets as security for overdraft or any short-term revolving facility. The debt-to-equity ratio (interest bearing external borrowings divided by shareholders' funds) was 0%. Working capital remained healthy as the current ratio (current assets divided by current liabilities) was 2.4 times as at December 31, 2008 (as at June 30, 2008: 2.7 times).

Foreign Exchange Risk Management

To minimize our foreign exchange exposure on sourcing costs for merchandise produced for Europe in Asia, most of the suppliers in Asia were asked to quote and settle in Euros. In addition, the Group entered into foreign exchange forward contracts with reputable financial institutions to hedge foreign exchange risk.

INTERIM DIVIDEND

The Board of Directors has declared an interim dividend for the six months ended December 31, 2008 of HK$0.80 per share (FY2007/2008: HK$0.95). The dividend will be payable on or about April 8, 2009 to the shareholders whose names appear on the Registers of Members of the Company at close of business on March 31, 2009 (the "Shareholders"). The relevant dividend warrants will be despatched to the Shareholders on or about April 7, 2009.

CLOSURE OF REGISTERS OF MEMBERS

The Registers of Members of the Company will be closed from April 1, 2009 to April 2, 2009, 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, Tricor Secretaries Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on March 31, 2009.

HUMAN RESOURCES

As at December 31, 2008, the Group employed over 11,100 full-time equivalent staff (December 31, 2007: 10,400) 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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company has purchased a total of 2,615,500 shares on The Stock Exchange of Hong Kong Limited during the six months ended December 31, 2008 and the aggregate consideration paid was HK$203,345,307.50.

Save as disclosed above, 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 five Non-executive Directors, four 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, 2008 with the management.

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, 2008, with the deviations as stated below:

Under the code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Heinz Jürgen KROGNER-KORNALIK, 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 have not been appointed for a specific term. However, under Bye-law 87 of the Company's Bye-laws, all Directors, including Non-executive Directors, of the Company are subject to retirement by rotation and re-election in the annual general meeting of the Company and each Director is effectively appointed under an average term of three 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 (the "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, 2008.

On behalf of the Board
ESPRIT HOLDINGS LIMITED
Bella CHHOA Peck Lim
Company Secretary

Hong Kong, February 4, 2009

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

Executive Directors:	Mr. Heinz Jürgen KROGNER-KORNALIK *(Chairman)* Mr. CHEW Fook Aun Mr. Thomas Johannes GROTE
Non-executive Director:	Mr. Jürgen Alfred Rudolf FRIEDRICH

Independent Non-executive Directors:	Mr. Paul CHENG Ming Fun *(Deputy Chairman)* Mr. Alexander Reid HAMILTON Dr. Hans-Joachim KÖRBER Mr. Raymond OR Ching Fai Mr. Francesco TRAPANI