

Executive Directors

Heinz Jürgen KROGNER-KORNALIK, Chairman

John POON Cho Ming, Deputy Chairman

Thomas Johannes GROTE

Jerome Squire GRIFFITH

Non-Executive Directors

Paul CHENG Ming Fun*

Jürgen Alfred Rudolf FRIEDRICH

Alexander Reid HAMILTON*

Raymond OR Ching Fai*

Michael YING Lee Yuen

*Independent Non-executive Directors

Corporate Officers

Heinz Jürgen KROGNER-KORNALIK, Group CEO

John POON Cho Ming, Group CFO

Thomas Johannes GROTE, President - Esprit brand

Jerome Squire GRIFFITH, President - Esprit North America

Company Secretary

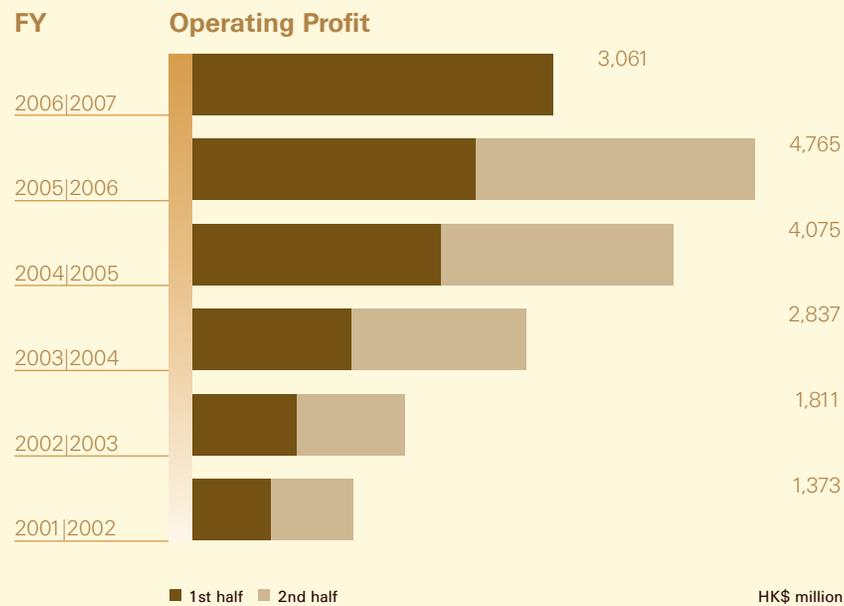
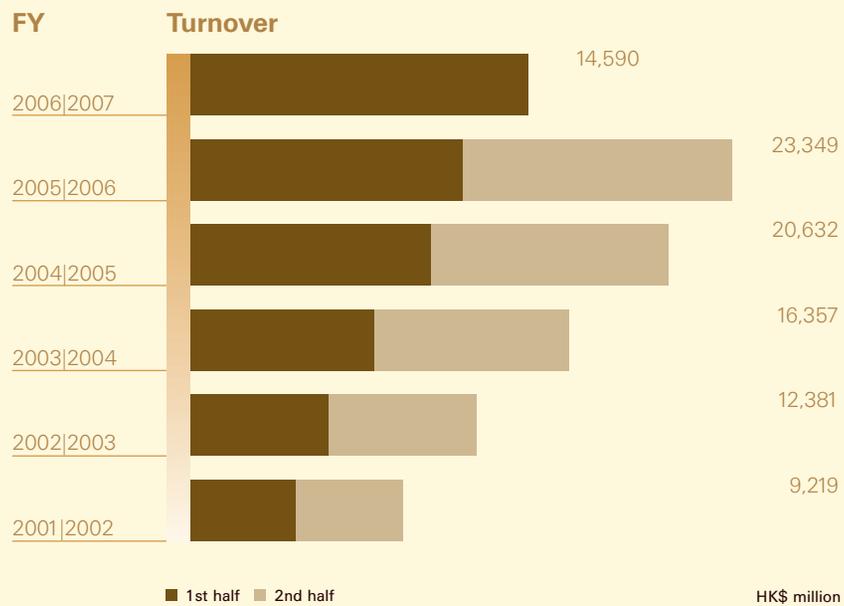
John POON Cho Ming

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Highlights



For the 6 months ended December 31

Operating results (HK\$ million)	Net change	2006	2005
Turnover	+23.4%	14,590	11,826
Earnings before interest and taxation (EBIT)	+27.1%	3,061	2,409
Profit attributable to shareholders	+28.1%	2,400	1,873
Margins / Profitability			
Gross profit margin	-0.1% pt	52.1%	52.2%
EBIT margin	+0.6% pt	21.0%	20.4%
Net profit margin	+0.6% pt	16.4%	15.8%
Financial position (HK\$ million)			
Net cash inflow from operating activities	+71.0%	3,242	1,896
Cash outflow for capital expenditure	-51.2%	254	520
Net cash	+132.1%	3,590	1,547
Per share data (HK\$)			
Earnings per share-basic	+25.6%	1.96	1.56
Dividend per share	+40.0%	0.70	0.50
Share information[#]			
Number of shares in issue (million)	+1.6%	1,230	1,210
Market capitalization (HK\$ million)	+60.2%	106,812	66,676

[#]as at December 31, 2006 and 2005

Financial Highlights

- Group turnover grew 23.4% to HK\$14.6 billion
- Interim profit rose 28.1% to HK\$2.4 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, up 40.0%

Financial review

The Group continued to benefit from double-digit percentage 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 (capex), 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, expressed as a percentage of interest bearing external borrowings over shareholders' funds, 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.

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%.

Group turnover breakdown by products



% of total turnover % growth from last year

*Others include mainly Sports, Bodywear and Red Earth



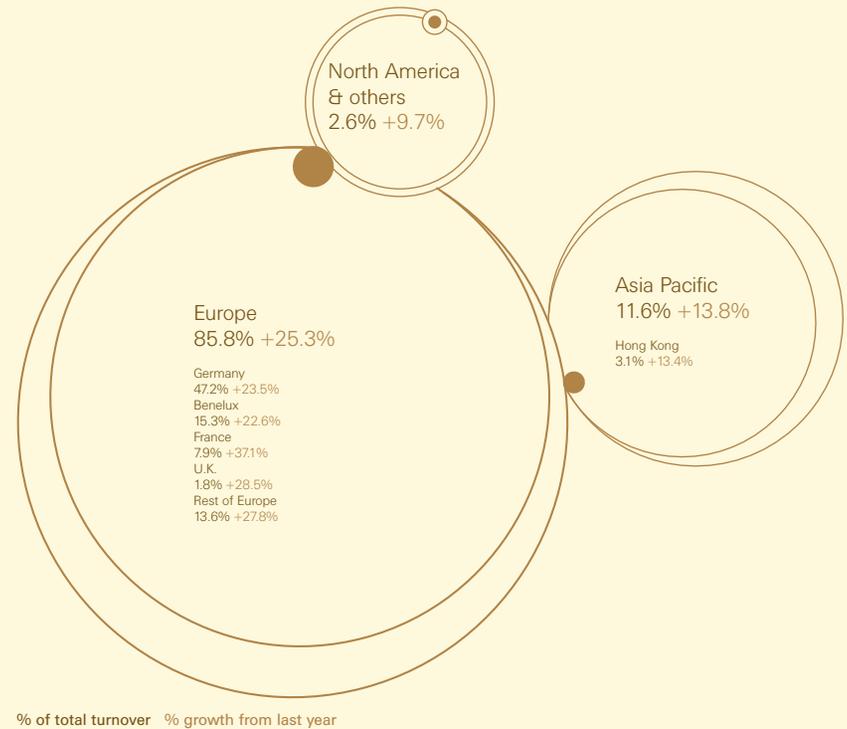
Regions

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.

Group turnover breakdown by regions



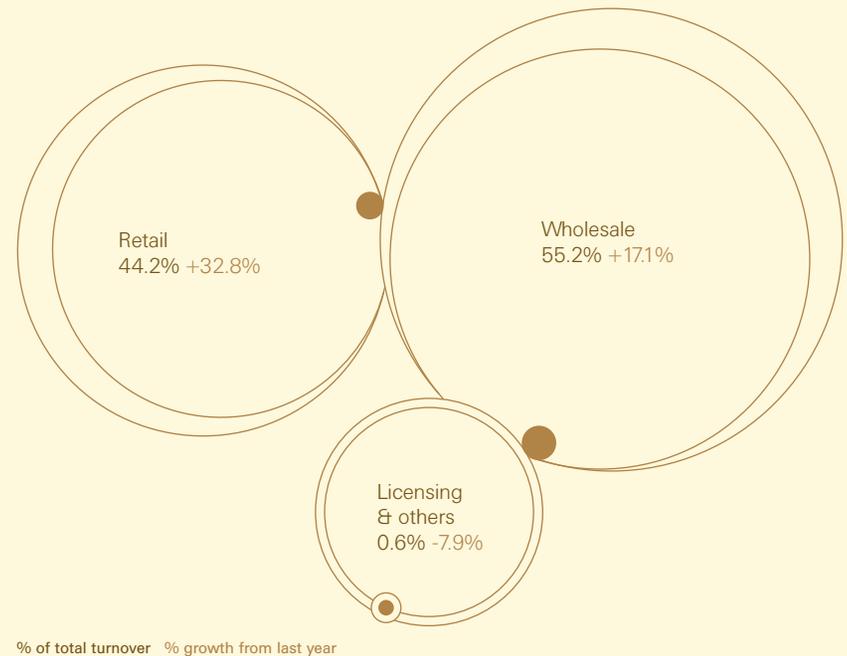


Distribution channels

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.

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%.

Group turnover breakdown by distribution channels



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.

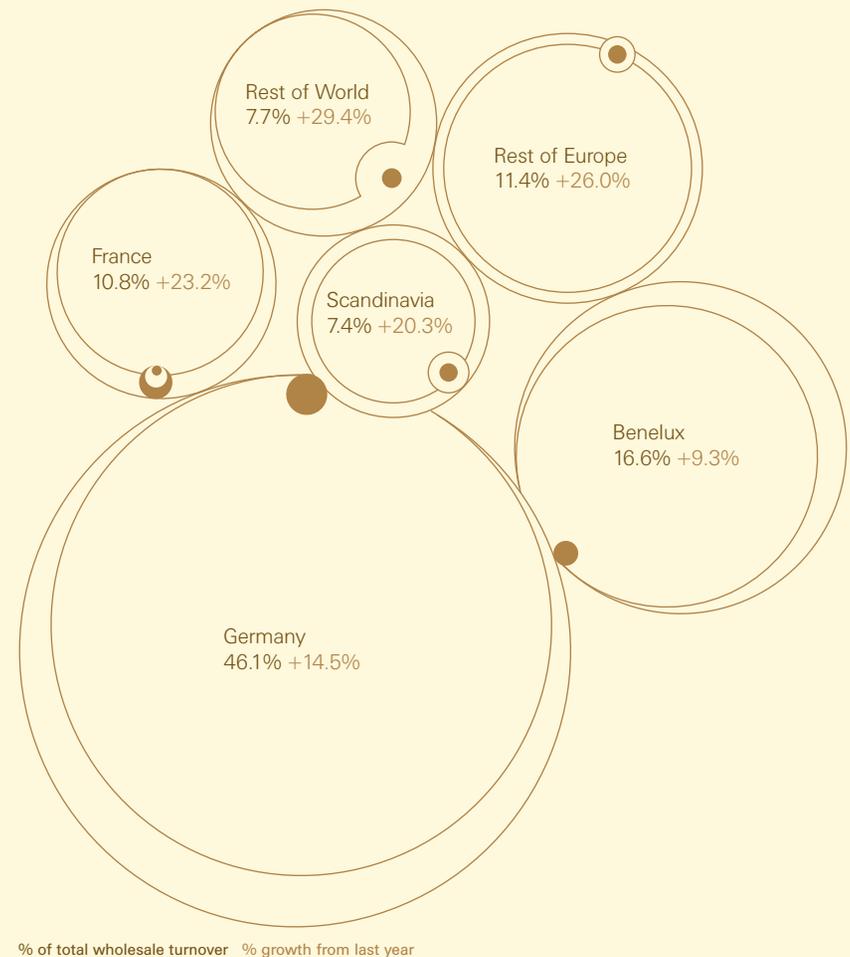
Europe, accounted for 92.3% of the Group's wholesale turnover, grew by 16.2% to HK\$7,440.2 million. The steady turnover growth in Europe was driven by the net addition of 492 Esprit controlled-space wholesale point-of-sales or 36,992m² controlled wholesale space.

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 590,000m² controlled wholesale space, a net increase of over 50,000m² or 9% increase from June 30, 2006. This 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 Esprit controlled-space wholesale point-of-sales additions 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.

Breakdown of group wholesale turnover by markets



Key wholesale distribution channels (controlled-space only)

(as at December 31, 2006)	partnership stores*			shop-in-stores*			identity corners others*		
	no. of stores	sales area sq.m.	net change in sales area**	no. of stores	sales area sq.m.	net change in sales area**	no. of stores	sales area sq.m.	net change in sales area**
Europe ^	829	171,685	15%	3,553	149,245	6%	6,364	142,341	4%
Germany	281	65,528	15%	2,826	123,728	7%	3,836	86,449	6%
France	176	23,162	27%	298	8,285	-1%	354	9,314	11%
Scandinavia	58	18,463	22%	93	3,967	-7%	749	11,708	11%
Austria	92	17,363	5%	52	2,545	27%	145	3,437	15%
The Netherlands	73	16,830	8%	18	687	73%	426	10,317	-4%
Belgium	58	13,587	no change	84	3,825	2%	415	9,895	-3%
Switzerland	41	8,498	19%	21	1,085	4%	96	2,470	-49%
Italy	34	4,920	47%	8	492	8%	265	6,898	15%
Great Britain	12	2,534	38%	39	2,032	4%	63	1,487	3%
Spain	4	800	36%	114	2,599	3%	15	366	no change
Asia Pacific	242	50,274	14%	133	6,505	1%	748	70,019	11%
China***	69	26,201	8%	8	141	-56%	655	69,186	11%
Middle East	62	10,337	34%	6	1,141	15%	8	78	63%
Thailand	30	3,866	8%	85	3,274	-5%	20	279	-3%
Philippines	18	2,658	5%	-	-	-	-	-	-
Japan	2	117	no change	-	-	-	-	-	-
Korea	-	-	-	2	275	n.a.**	26	182	18%
Australia & New Zealand	-	-	-	-	-	-	15	46	n.a.**
Others	61	7,095	16%	32	1,674	1%	24	248	12%
North America	-	-	-	32	-#	-#	189	-#	-#
Canada	-	-	-	32	-#	-#	189	-#	-#
Group Total	1,071	221,959	15%	3,718	155,750	6%	7,301	212,360	6%

* include Esprit & Red Earth stores /units

** net change from June 30, 2006

*** managed by China joint venture or its franchise partners

sales area not available

n.a. means not applicable

^ The net change in Esprit controlled-space wholesale point-of-sales and Esprit controlled-space wholesale sales area for Europe was: 492 and 36,992 m² respectively

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%.

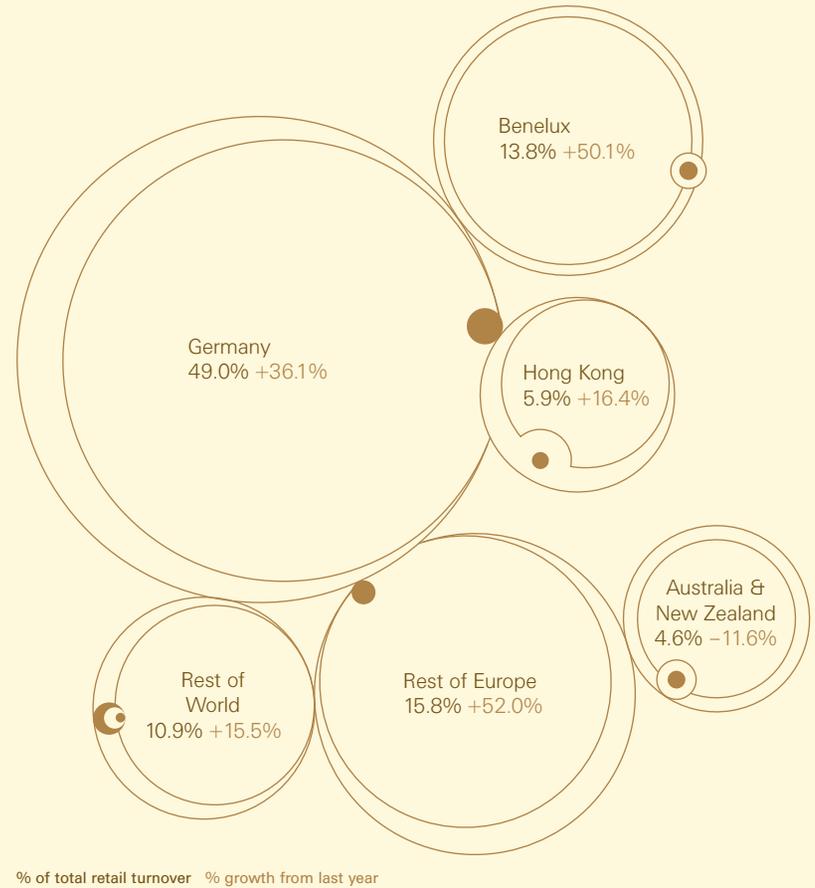
Europe contributed 78.6% of the Group's retail turnover and recorded an impressive turnover growth of 41.4% during the reported period, mainly driven by the strong comparable-store-sales growth of 25.6%. Strong growth momentum was found in almost all European retail markets especially in Germany, Benelux 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 227,000m² 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.

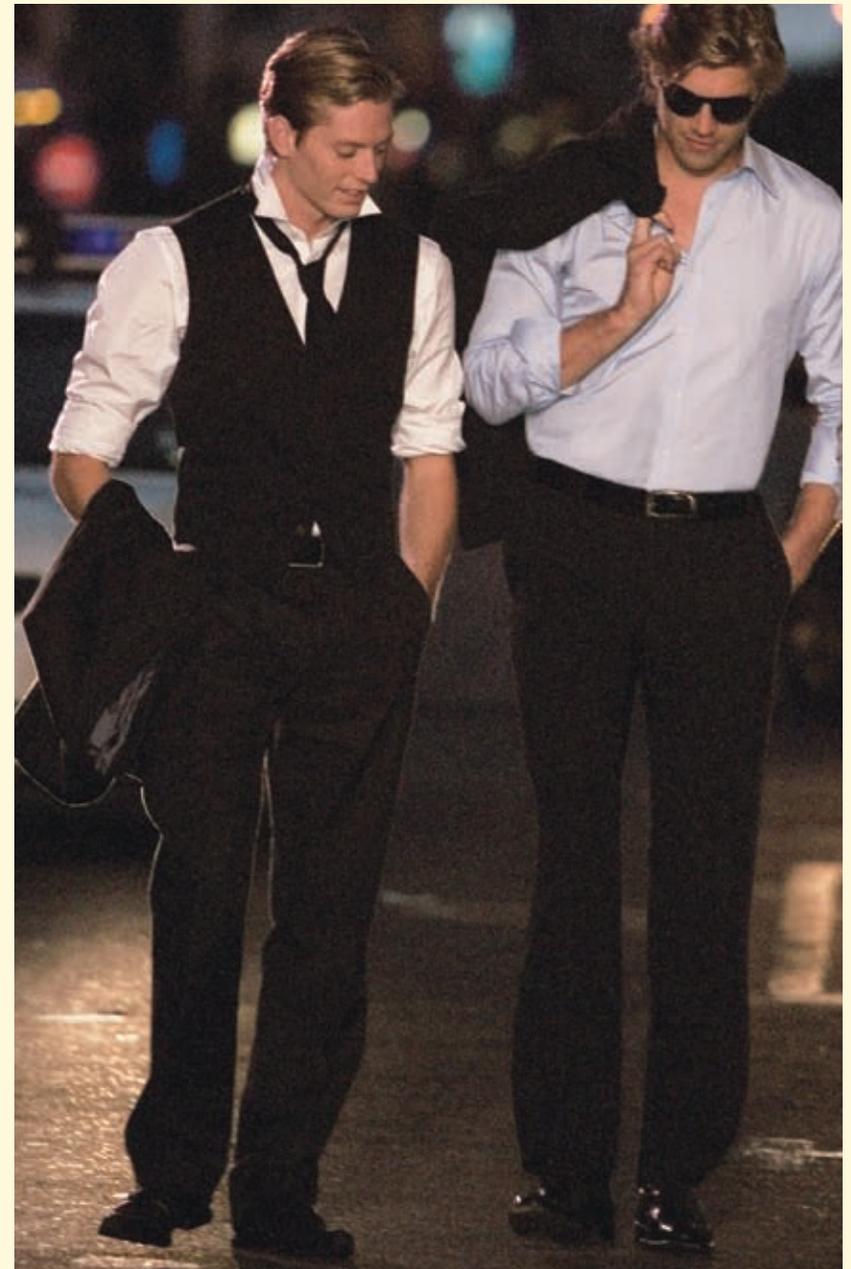
Breakdown of group retail turnover by markets



Retail distribution channels

(as at December 31, 2006)	directly managed stores		
	no. of stores*	sales area sq.m.	net change in sales area**
Europe	251	149,928	4%
Germany	117	85,774	4%
The Netherlands	42	14,840	19%
Belgium	19	14,000	0%
France	25	9,869	4%
Switzerland	27	8,695	-3%
Austria	8	8,358	no change
Great Britain	9	5,962	0%
Denmark	2	1,281	no change
Luxembourg	2	1,149	130%
Asia Pacific	324	54,784	-6%
Australia & New Zealand	113	19,607	-23%
Hong Kong (incl. Macau)	43	14,736	0%
Taiwan	82	7,589	-4%
Singapore	47	7,518	36%
Malaysia	39	5,334	13%
North America	63	22,908	4%
Canada	48	16,483	3%
U.S.	15	6,425	8%
Group Total	638	227,620	2%

* include Esprit & Red Earth stores/units, but exclude Salon
 ** net change from June 30, 2006



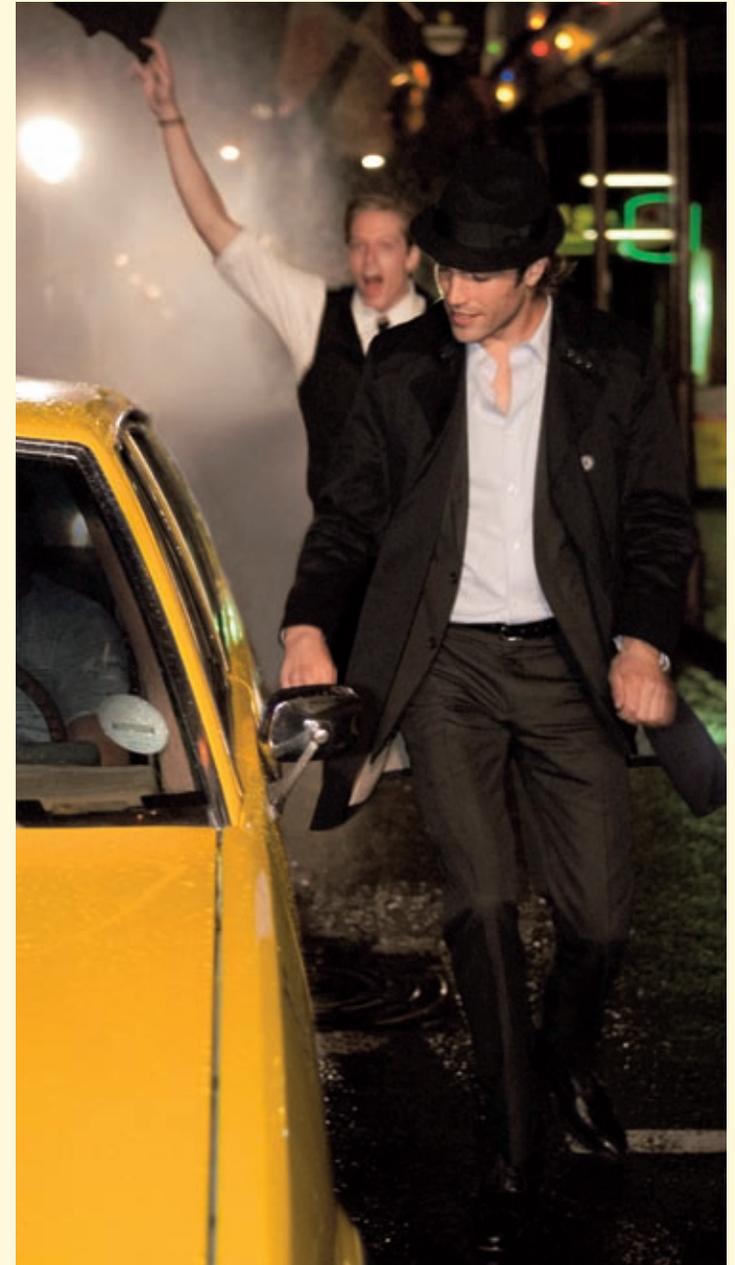


Licensing

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.

Key licensed product categories

(as at December 31, 2006)	Europe Asia Pacific North America		
baby carriages	○	○	
baby furniture	○		
bath textiles	○	○	
bathroom	○		
bed	○	○	○
belts			○
carpets	○		
custom jewelry edc	○		○
down	○	○	
eyewear	○	○	○
fragrance	○	○	○
furniture	○		
glassware	○		
golf		○	
home	○	○	
jewelry	○	○	
kids' accessories			○
kids' bed	○		
kids' shoes		○	○
kids' wear			○
lighting	○		
maternity	○		
outerwear			○
school	○		
shoes		○	
sleepwear/daywear			○
socks + tights edc	○		
socks + tights Esprit	○	○	○
soft toys	○		
stationery	○		
swimwear			○
timewear	○	○	○
towels	○	○	
umbrellas	○	○	
wallpaper	○		



Outlook

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

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

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

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

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

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





ESPRIT

INTERIM FINANCIAL REPORT 06|07

Independent review report

Independent review report to the Board of Directors of Esprit Holdings Limited

(incorporated in Bermuda with limited liability)

Introduction

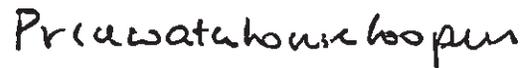
We have reviewed the accompanying condensed consolidated balance sheet of the Company as of December 31, 2006 and the related condensed consolidated statements of income, changes in equity and cash flows for the six-month period then ended. The directors are responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".



PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, February 7, 2007

Interim financial information

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, 2006 as follows:

Condensed consolidated income statements (unaudited)

	Notes	For the 6 months ended	
		December 31, 2006 HK\$'000	2005 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

The notes on pages 30 to 35 form an integral part of this condensed consolidated interim financial information.

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

The notes on pages 30 to 35 form an integral part of this condensed consolidated interim financial information.

Interim financial information

Condensed consolidated cash flow statements (unaudited)

	For the 6 months ended	
	December 31,	
	2006	2005
	HK\$'000	HK\$'000
Cash flows from operating activities		
Cash generated from operations	3,428,455	2,127,688
Interest paid	(147)	(1,043)
Hong Kong profits tax paid	(412)	(4,940)
Overseas tax paid	(186,121)	(225,890)
Net cash inflow from operating activities	3,241,775	1,895,815
Cash flows from investing activities		
Purchase of property, plant and equipment	(253,525)	(520,453)
Proceeds from disposal of property, plant and equipment	2,271	1,831
Interest received	48,692	17,424
Net cash used in investing activities	(202,562)	(501,198)
Cash flows from financing activities		
Net proceeds on issue of shares for cash	278,495	249,136
Dividends paid	(2,224,943)	(1,813,391)
Net cash used in financing activities	(1,946,448)	(1,564,255)
Net increase (decrease) in cash and cash equivalents	1,092,765	(169,638)
Cash and cash equivalents at beginning of period	2,468,594	1,728,651
Effect of change in exchange rates	28,343	(11,960)
Cash and cash equivalents at end of period	3,589,702	1,547,053
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	2,326,233	1,004,725
Short-term bank deposits	1,263,469	542,328
	3,589,702	1,547,053

The notes on pages 30 to 35 form an integral part of this condensed consolidated interim financial information.

Interim financial information

Condensed consolidated statements of changes in equity (unaudited)

For the 6 months ended December 31, 2006

	Share capital HK\$'000	Share premium HK\$'000	Employee share-based payment reserve HK\$'000	Hedging reserve HK\$'000	Contributed surplus HK\$'000	Translation reserve HK\$'000	Capital reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At July 1, 2006	122,039	1,974,926	230,117	(40,919)	6,602	373,316	1,459	6,439,719	9,107,259
Exchange translation recognized directly in equity	-	-	-	-	-	216,077	-	-	216,077
Fair value gain on cash flow hedge	-	-	-	6,921	-	-	-	-	6,921
Profit attributable to shareholders for the period	-	-	-	-	-	-	-	2,399,607	2,399,607
Total recognized income	-	-	-	6,921	-	216,077	-	2,399,607	2,622,605
2005/06 final and special dividends paid	-	-	-	-	-	-	-	(2,224,943)	(2,224,943)
Issues of shares	945	277,550	-	-	-	-	-	-	278,495
Employee share option benefits	-	-	57,526	-	-	-	-	-	57,526
Transfer of reserve	-	65,389	(65,389)	-	-	-	-	-	-
At December 31, 2006	122,984	2,317,865	222,254	(33,998)	6,602	589,393	1,459	6,614,383	9,840,942

Interim financial information

Condensed consolidated statements of changes in equity (unaudited) (continued)

For the 6 months ended December 31, 2005

	Share capital HK\$'000	Share premium HK\$'000	Employee share-based payment reserve HK\$'000	Hedging reserve HK\$'000	Contributed surplus HK\$'000	Translation reserve HK\$'000	Capital reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At July 1, 2005	119,943	1,416,729	174,082	-	6,602	196,811	1,459	5,123,526	7,039,152
Exchange translation recognized directly in equity	-	-	-	-	-	(171,992)	-	-	(171,992)
Profit attributable to shareholders for the period	-	-	-	-	-	-	-	1,872,965	1,872,965
Total recognized income	-	-	-	-	-	(171,992)	-	1,872,965	1,700,973
2004/05 final and special dividends paid	-	-	-	-	-	-	-	(1,813,391)	(1,813,391)
Issues of shares	1,067	248,069	-	-	-	-	-	-	249,136
Employee share option benefits	-	-	70,400	-	-	-	-	-	70,400
Transfer of reserve	-	40,736	(40,736)	-	-	-	-	-	-
At December 31, 2005	121,010	1,705,534	203,746	-	6,602	24,819	1,459	5,183,100	7,246,270

The notes on pages 30 to 35 form an integral part of this condensed consolidated interim financial information.

Interim financial information

Notes to the condensed consolidated interim financial information

1. Basis of preparation

This unaudited condensed consolidated interim financial information ("interim financial information") is 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, 2006. 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, 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		2005
	HK\$'000	HK\$'000	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

Interim financial information

2. Turnover and segment information (continued)

Primary reporting format – business segments (continued)

	Unaudited				
	For the 6 months ended December 31, 2005				
	Wholesale	Retail	Licensing & others	Eliminations	Group
	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					<u>2,465,740</u>
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

Interim financial information

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	2005
	HK\$'000	HK\$'000
Current tax		
Hong Kong profits tax	461	2,300
Overseas taxation	836,040	669,112
	836,501	671,412
Deferred tax credit		
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 condensed consolidated income statements as share of results of associates.

6. Interim dividend

	Unaudited	
	For the 6 months ended	
	December 31,	
	2006	2005
	HK\$'000	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

Interim financial information

7. Earnings per share (continued)

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 HK\$'000	Audited June 30, 2006 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 HK\$'000	Audited June 30, 2006 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

Interim financial information

11. Share capital

	Unaudited December 31, 2006 HK\$'000	Audited June 30, 2006 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 '000	Nominal value 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).

12. Operating lease commitments

	Unaudited December 31, 2006 HK\$'000	Audited June 30, 2006 HK\$'000
The total future minimum lease payments under non-cancelable operating lease are as follows:		
Land and buildings		
– within one year	1,620,622	1,579,103
– in the second to fifth year inclusive	5,501,906	5,354,142
– after the fifth year	6,442,076	6,593,961
	13,564,604	13,527,206
Other equipment		
– within one year	17,484	15,781
– in the second to fifth year inclusive	13,702	13,816
– after the fifth year	173	167
	31,359	29,764
	13,595,963	13,556,970

The total future minimum lease receipts under non-cancelable sublease in respect of land and buildings at **December 31, 2006** are **HK\$120,124,000** (June 30, 2006: HK\$109,076,000).

13. Capital commitments

	Unaudited December 31, 2006 HK\$'000	Audited June 30, 2006 HK\$'000
Contracted but not provided for	54,197	76,969
Authorized but not contracted for	451,886	373,771
	506,083	450,740

Interim financial information

14. Derivative financial instruments

At the balance sheet date, the total notional amount of outstanding forward foreign exchange contracts to which the Group has committed are as follows:

	Unaudited December 31, 2006 HK\$'000	Audited June 30, 2006 HK\$'000
Forward foreign exchange contracts	1,446,415	1,331,700

At **December 31, 2006**, the fair value of the foreign currency forward contracts is estimated to be approximately **HK\$48,693,000** (June 30, 2006: HK\$51,063,000). These amounts are based on market values of equivalent instruments at the balance sheet date and are included in creditors and accrued charges.

15. Related party transactions

In the ordinary course of business, the Group entered into transactions with related companies. Details relating to material related party transactions are as follows:

	Unaudited For the 6 months ended December 31, 2006 HK\$'000	2005 HK\$'000
Transactions with associates		
Sales of finished goods	376,468	268,060
Royalty received	15,201	10,443
Commission received	1,935	733

Other information

Directors' profile

Executive Directors

Heinz Jürgen KROGNER-KORNALIK, aged 65, Executive Director and Group Chief Executive Officer, became Chairman of the Board effective December 5, 2006. He has been with the Group since January 1995. Mr. Krogner is primarily responsible for the overall corporate direction and strategy of the Group, as well as providing leadership for the management in achieving the goals and targets set by the Board. He possesses a degree in business administration and industrial engineering. He was a consultant with Kurt Salmon Associates in a variety of areas, including production, organization, marketing, strategy and brand positioning, as well as with several textile firms, always in executive positions, before joining the Group.

John POON Cho Ming, aged 52, is Deputy Chairman, Group Chief Financial Officer and Company Secretary. Mr. Poon is primarily responsible for managing the Group's financial and legal functions, including strategic planning and corporate finance, investor relations, accounting and tax, treasury management as well as company secretarial affairs. Prior to joining the Group in December 1999, he held executive directorships in other public companies and has extensive experience in corporate management, corporate finance and legal affairs. Mr. Poon is a qualified solicitor in Hong Kong, England and Wales, and a barrister and solicitor in Alberta, Canada. He graduated from the University of Alberta, Canada with a Bachelor of Arts Degree in Economics and a Bachelor of Laws Degree. He is a council member of the Hong Kong Institute of Certified Public Accountants.

Thomas Johannes GROTE, aged 43, is President Esprit brand. Mr. Grote is responsible for all operational matters in relation to the Esprit brand, including wholesale, retail and licensing business. He completed business college in 1983 and then worked in a German textile printing company for six years. He joined the Group in 1990 as key account manager of the accessories division. He left the Group in 1992 and returned to the Group in June 1996.

Jerome Squire GRIFFITH, aged 49, is President of Esprit North America. Before taking up his current position, Mr. Griffith has years of experience at the Global Business Headquarters in Ratingen, Germany where he was responsible for the global retail operation. Before joining the Group in 2002 he held senior positions in major retail companies in the United States and Europe. He received his Bachelor of Science Degree in Marketing from Pennsylvania State University.

Non-executive Directors

Paul CHENG Ming Fun, aged 70, was appointed an Independent Non-executive Director of the Company in November 2002. Mr. Cheng was a former member of the Hong Kong Legislative Council as well as Chairman of Inchcape Pacific Limited, N M Rothschild & Sons (Hong Kong) Ltd., the Hong Kong General Chamber of Commerce, and the American Chamber of Commerce in Hong Kong. He is currently an Honorary Steward of the Hong Kong Jockey Club and Chairman of The Link Management Limited.

Jürgen Alfred Rudolf FRIEDRICH, aged 68, founded Esprit's European operations in 1976 and was appointed a Non-executive Director in 1997. He has over 32 years of experience in the apparel distribution and marketing business and is currently retired in the United States.

Alexander Reid HAMILTON, aged 65, has been an Independent Non-executive Director of the Company since August 1995. He is also a Director of CITIC Pacific Limited, China Cosco Holdings Company Limited, Shangri-La Asia Limited and a number of other Hong Kong companies. He was a partner of Price Waterhouse with whom he practiced for 16 years.

Raymond OR Ching Fai, aged 57, was appointed an Independent Non-executive Director of the Company in 1996. He is the Vice Chairman and Chief Executive of Hang Seng Bank Limited, a director of The Hongkong and Shanghai Banking Corporation Limited, Cathay Pacific Airways Limited, Hutchison Whampoa Limited, 2009 East Asian Games (Hong Kong) Limited and Chairman of Hang Seng Life Limited.

Michael YING Lee Yuen, aged 57, has been re-designated as a Non-executive Director with effect from December 5, 2006, after serving as Chairman of the Board of Directors for 13 years. Mr. Ying has over 30 years of experience in the apparel industry.

Other information

Directors' interests and short positions in shares, underlying shares and debentures

As at December 31, 2006, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("SEHK") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the SEHK (the "Listing Rules"), were as follows:

(1) Shares of the Company

Name of directors	Capacity	Beneficial interest in shares	Beneficial interest in unlisted underlying shares (Note 4)	Total number of shares	Approximate percentage of aggregate interests to total issued share capital
Heinz Jürgen KROGNER-KORNALIK	Beneficial owner	0	3,800,000	3,800,000	0.31%
John POON Cho Ming	Beneficial owner	1,270,000	2,280,000	3,550,000	0.29%
Thomas Johannes GROTE	Beneficial owner	0	3,120,000	3,120,000	0.25%
Jerome Squire GRIFFITH	Beneficial owner	230,000	2,320,000	2,550,000	0.21%
Jürgen Alfred Rudolf FRIEDRICH	Beneficial owner	79,251,176	0	80,802,077	6.57%
	Interest of a controlled corporation (Note 1)	1,500,000	0		
	Interest of spouse (Note 2)	50,901	0		
Michael YING Lee Yuen	Interest of a controlled corporation (Note 3)	106,208,352	0	106,208,352	8.64%

Notes:

- The shares were held by JAF Foundation of which Mr. Jürgen Alfred Rudolf Friedrich controls 100% share interest.
- The shares were held by Mrs. Anke Beck Friedrich, the spouse of Mr. Jürgen Alfred Rudolf Friedrich.
- The shares were held by HSBC International Trustee Limited, being the trustee of the discretionary trust set up by Mr. Michael Ying Lee Yuen on January 9, 2006. Mr. Ying was deemed to be interested in these shares as founder of the discretionary trust. Details of which are set out in Note 8 of "Substantial shareholders' interests".
- The interests of Directors and chief executives of the Company in the underlying shares of equity derivatives in respect of options granted to them pursuant to the 2001 Share Option Scheme are detailed in the "Share options" section below.
- All interests disclosed above represent long position in the shares and underlying shares of the Company.

(2) Share options of the Company

The interests of the Directors and the chief executives of the Company in share options of the Company are detailed in the "Share options" section in the following pages.

Other information

Share options

The Company adopted a share option scheme on November 26, 2001 (the “2001 Share Option Scheme”). Details of the grant of share options and a summary of the movements of the outstanding share options during the period under the 2001 Share Option Scheme were as follows:

	Date of Grant (mm/dd/yyyy)	Exercise Price per share (HK\$)	Vesting Date (mm/dd/yyyy)	Exercise Period (mm/dd/yyyy)	Number of Share Options														
					As at 07/01/2006	Granted	Exercised	Lapsed	As at 12/31/2006										
<i>Directors</i>																			
Heinz Jürgen KROGNER-KORNALIK	11/26/2002	14.60	11/26/2003	11/26/2003 – 11/25/2008	-	-	-	-	-										
			11/26/2004	11/26/2004 – 11/25/2008	-	-	-	-	-										
			11/26/2005	11/26/2005 – 11/25/2008	-	-	-	-	-										
			11/26/2006	11/26/2006 – 11/25/2008	800,000	-	800,000	-	-					480,000	-	480,000	-	-	
			11/26/2007	11/26/2007 – 11/25/2008	800,000	-	-	-	800,000					480,000	-	-	-	-	480,000
	11/26/2003	24.20	11/26/2004	11/26/2004 – 11/25/2009	-	-	-	-	-					-	-	-	-	-	
			11/26/2005	11/26/2005 – 11/25/2009	-	-	-	-	-					-	-	-	-	-	
			11/26/2006	11/26/2006 – 11/25/2009	600,000	-	600,000	-	-					360,000	-	360,000	-	-	
			11/26/2007	11/26/2007 – 11/25/2009	600,000	-	-	-	600,000					360,000	-	-	-	-	360,000
			11/26/2008	11/26/2008 – 11/25/2009	600,000	-	-	-	600,000					360,000	-	-	-	-	360,000
	11/27/2004	42.58	11/27/2005	11/27/2005 – 11/26/2010	-	-	-	-	-					-	-	-	-	-	
			11/27/2006	11/27/2006 – 11/26/2010	600,000	-	600,000	-	-					360,000	-	360,000	-	-	
			11/27/2007	11/27/2007 – 11/26/2010	600,000	-	-	-	600,000					360,000	-	-	-	-	360,000
			11/27/2008	11/27/2008 – 11/26/2010	600,000	-	-	-	600,000					360,000	-	-	-	-	360,000
			11/27/2009	11/27/2009 – 11/26/2010	600,000	-	-	-	600,000					360,000	-	-	-	-	360,000
In aggregate					5,800,000	-	2,000,000	-	3,800,000					3,480,000	-	1,200,000	-	2,280,000	

In aggregate

Other information

Share options (continued)

	Date of Grant (mm/dd/yyyy)	Exercise Price per share (HK\$)	Vesting Date (mm/dd/yyyy)	Exercise Period (mm/dd/yyyy)	Number of Share Options					As at 12/31/2006		Date of Grant (mm/dd/yyyy)	Exercise Price per share (HK\$)	Vesting Date (mm/dd/yyyy)	Exercise Period (mm/dd/yyyy)	Number of Share Options					As at 12/31/2006
					As at 07/01/2006	Granted	Exercised	Lapsed	As at 12/31/2006							As at 07/01/2006	Granted	Exercised	Lapsed	As at 12/31/2006	
Thomas Johannes GROTE	11/26/2002	14.60	11/26/2003	11/26/2003 – 11/25/2008	-	-	-	-	-		Jerome Squire GRIFFITH	11/26/2002	14.60	11/26/2003	11/26/2003 – 11/25/2008	-	-	-	-	-	
			11/26/2004	11/26/2004 – 11/25/2008	-	-	-	-	-					11/26/2004	11/26/2004 – 11/25/2008	-	-	-	-	-	
			11/26/2005	11/26/2005 – 11/25/2008	-	-	-	-	-					11/26/2005	11/26/2005 – 11/25/2008	-	-	-	-	-	
			11/26/2006	11/26/2006 – 11/25/2008	320,000	-	-	-	320,000					11/26/2006	11/26/2006 – 11/25/2008	320,000	-	-	-	320,000	
			11/26/2007	11/26/2007 – 11/25/2008	320,000	-	-	-	320,000					11/26/2007	11/26/2007 – 11/25/2008	320,000	-	-	-	320,000	
	11/26/2003	24.20	11/26/2004	11/26/2004 – 11/25/2009	-	-	-	-	-		11/26/2003	24.20	11/26/2004	11/26/2004 – 11/25/2009	-	-	-	-	-	-	
			11/26/2005	11/26/2005 – 11/25/2009	-	-	-	-	-					11/26/2005	11/26/2005 – 11/25/2009	-	-	-	-	-	
			11/26/2006	11/26/2006 – 11/25/2009	240,000	-	-	-	240,000					11/26/2006	11/26/2006 – 11/25/2009	240,000	-	-	-	240,000	
			11/26/2007	11/26/2007 – 11/25/2009	240,000	-	-	-	240,000					11/26/2007	11/26/2007 – 11/25/2009	240,000	-	-	-	240,000	
			11/26/2008	11/26/2008 – 11/25/2009	240,000	-	-	-	240,000					11/26/2008	11/26/2008 – 11/25/2009	240,000	-	-	-	240,000	
	11/27/2004	42.58	11/27/2005	11/27/2005 – 11/26/2010	-	-	-	-	-		11/27/2004	42.58	11/27/2005	11/27/2005 – 11/26/2010	-	-	-	-	-	-	
			11/27/2006	11/27/2006 – 11/26/2010	240,000	-	-	-	240,000					11/27/2006	11/27/2006 – 11/26/2010	240,000	-	-	-	240,000	
			11/27/2007	11/27/2007 – 11/26/2010	240,000	-	-	-	240,000					11/27/2007	11/27/2007 – 11/26/2010	240,000	-	-	-	240,000	
			11/27/2008	11/27/2008 – 11/26/2010	240,000	-	-	-	240,000					11/27/2008	11/27/2008 – 11/26/2010	240,000	-	-	-	240,000	
			11/27/2009	11/27/2009 – 11/26/2010	240,000	-	-	-	240,000					11/27/2009	11/27/2009 – 11/26/2010	240,000	-	-	-	240,000	
	12/5/2006	80.95	12/5/2007	12/5/2007 – 12/4/2012	-	160,000	-	-	160,000												
			12/5/2008	12/5/2008 – 12/4/2012	-	160,000	-	-	160,000												
			12/5/2009	12/5/2009 – 12/4/2012	-	160,000	-	-	160,000												
			12/5/2010	12/5/2010 – 12/4/2012	-	160,000	-	-	160,000												
			12/5/2011	12/5/2011 – 12/4/2012	-	160,000	-	-	160,000												
In aggregate					2,320,000	800,000	-	-	3,120,000												
											In aggregate					2,320,000	-	-	-	2,320,000	

Other information

Share options (continued)

	Exercise Price				Number of Share Options						Exercise Price				Number of Share Options				
	Date of Grant (mm/dd/yyyy)	per share (HK\$)	Vesting Date (mm/dd/yyyy)	Exercise Period (mm/dd/yyyy)	As at 07/01/2006	Granted	Exercised	Lapsed	As at 12/31/2006		Date of Grant (mm/dd/yyyy)	per share (HK\$)	Vesting Date (mm/dd/yyyy)	Exercise Period (mm/dd/yyyy)	As at 07/01/2006	Granted	Exercised	Lapsed	As at 12/31/2006
Employees & Consultants	11/26/2002	14.60	11/26/2003	11/26/2003 – 11/25/2008	-	-	-	-	-	12/23/2004	47.10	12/23/2005	12/23/2005 – 12/22/2010	90,000	-	-	-	90,000	
			11/26/2004	11/26/2004 – 11/25/2008	-	-	-	-	-			12/23/2006	12/23/2006 – 12/22/2010	90,000	-	-	-	90,000	
			11/26/2005	11/26/2005 – 11/25/2008	120,000	-	-	-	120,000			12/23/2007	12/23/2007 – 12/22/2010	90,000	-	-	-	90,000	
			11/26/2006	11/26/2006 – 11/25/2008	2,880,000	-	1,596,000	544,000	740,000			12/23/2008	12/23/2008 – 12/22/2010	90,000	-	-	-	90,000	
			11/26/2007	11/26/2007 – 11/25/2008	2,880,000	-	-	544,000	2,336,000			12/23/2009	12/23/2009 – 12/22/2010	90,000	-	-	-	90,000	
	11/26/2003	24.20	11/26/2004	11/26/2004 – 11/25/2009	165,000	-	165,000	-	-	01/21/2005	45.60	01/21/2006	01/21/2006 – 01/20/2011	-	-	-	-	-	-
			11/26/2005	11/26/2005 – 11/25/2009	360,000	-	295,000	-	65,000			01/21/2007	01/21/2007 – 01/20/2011	80,000	-	-	-	80,000	
			11/26/2006	11/26/2006 – 11/25/2009	2,620,000	-	1,372,000	408,000	840,000			01/21/2008	01/21/2008 – 01/20/2011	80,000	-	-	-	80,000	
			11/26/2007	11/26/2007 – 11/25/2009	2,620,000	-	-	408,000	2,212,000			01/21/2009	01/21/2009 – 01/20/2011	80,000	-	-	-	80,000	
			11/26/2008	11/26/2008 – 11/25/2009	2,620,000	-	-	408,000	2,212,000			01/21/2010	01/21/2010 – 01/20/2011	80,000	-	-	-	80,000	
	12/23/2003	24.45	12/23/2004	12/23/2004 – 12/22/2009	-	-	-	-	-	11/28/2005	55.11	11/28/2006	11/28/2006 – 11/27/2011	1,080,000	-	435,000	60,000	585,000	
			12/23/2005	12/23/2005 – 12/22/2009	-	-	-	-	-			11/28/2007	11/28/2007 – 11/27/2011	1,080,000	-	-	150,000	930,000	
			12/23/2006	12/23/2006 – 12/22/2009	120,000	-	-	-	120,000			11/28/2008	11/28/2008 – 11/27/2011	1,080,000	-	-	150,000	930,000	
			12/23/2007	12/23/2007 – 12/22/2009	120,000	-	-	-	120,000			11/28/2009	11/28/2009 – 11/27/2011	1,080,000	-	-	150,000	930,000	
			12/23/2008	12/23/2008 – 12/22/2009	120,000	-	-	-	120,000			11/28/2010	11/28/2010 – 11/27/2011	1,080,000	-	-	150,000	930,000	
11/27/2004	42.58	11/27/2005	11/27/2005 – 11/26/2010	1,370,000	-	510,000	-	860,000	12/02/2005	56.20	12/02/2006	12/02/2006 – 12/01/2011	520,000	-	180,000	120,000	220,000		
		11/27/2006	11/27/2006 – 11/26/2010	3,645,000	-	1,697,000	488,000	1,460,000			12/02/2007	12/02/2007 – 12/01/2011	520,000	-	-	120,000	400,000		
		11/27/2007	11/27/2007 – 11/26/2010	3,645,000	-	-	608,000	3,037,000			12/02/2008	12/02/2008 – 12/01/2011	520,000	-	-	120,000	400,000		
		11/27/2008	11/27/2008 – 11/26/2010	3,645,000	-	-	608,000	3,037,000			12/02/2009	12/02/2009 – 12/01/2011	520,000	-	-	120,000	400,000		
		11/27/2009	11/27/2009 – 11/26/2010	3,645,000	-	-	608,000	3,037,000			12/02/2010	12/02/2010 – 12/01/2011	520,000	-	-	120,000	400,000		

Other information

Share options (continued)

	Date of Grant (mm/dd/yyyy)	Exercise Price per share (HK\$)	Vesting Date (mm/dd/yyyy)	Exercise Period (mm/dd/yyyy)	Number of Share Options				
					As at 07/01/2006	Granted	Exercised	Lapsed	As at 12/31/2006
<i>Employees & Consultants (continued)</i>	12/23/2005	56.50	12/23/2006	12/23/2006 – 12/22/2011	90,000	-	-	-	90,000
				12/23/2007 – 12/22/2011	90,000	-	-	-	90,000
				12/23/2008 – 12/22/2011	90,000	-	-	-	90,000
				12/23/2009 – 12/22/2011	90,000	-	-	-	90,000
				12/23/2010 – 12/22/2011	90,000	-	-	-	90,000
	02/23/2006	64.31	02/23/2007	02/23/2007 – 02/22/2012	140,000	-	-	-	140,000
				02/23/2008 – 02/22/2012	140,000	-	-	-	140,000
				02/23/2009 – 02/22/2012	140,000	-	-	-	140,000
				02/23/2010 – 02/22/2012	140,000	-	-	-	140,000
				02/23/2011 – 02/22/2012	140,000	-	-	-	140,000
	11/27/2006	80.60	11/27/2007	11/27/2007 – 11/26/2012	-	525,000	-	90,000	435,000
				11/27/2008 – 11/26/2012	-	525,000	-	90,000	435,000
11/27/2009 – 11/26/2012				-	525,000	-	90,000	435,000	
11/27/2010 – 11/26/2012				-	525,000	-	90,000	435,000	
11/27/2011 – 11/26/2012				-	525,000	-	90,000	435,000	
12/04/2006	79.49	12/04/2007	12/04/2007 – 12/03/2012	-	255,000	-	-	255,000	
			12/04/2008 – 12/03/2012	-	255,000	-	-	255,000	
			12/04/2009 – 12/03/2012	-	255,000	-	-	255,000	
			12/04/2010 – 12/03/2012	-	255,000	-	-	255,000	
			12/04/2011 – 12/03/2012	-	255,000	-	-	255,000	

	Date of Grant (mm/dd/yyyy)	Exercise Price per share (HK\$)	Vesting Date (mm/dd/yyyy)	Exercise Period (mm/dd/yyyy)	Number of Share Options				
					As at 07/01/2006	Granted	Exercised	Lapsed	As at 12/31/2006
<i>Employees & Consultants (continued)</i>	12/05/2006	80.95	12/05/2007	12/05/2007 – 12/04/2012	-	1,136,000	-	-	1,136,000
				12/05/2008 – 12/04/2012	-	1,136,000	-	-	1,136,000
				12/05/2009 – 12/04/2012	-	1,136,000	-	-	1,136,000
				12/05/2010 – 12/04/2012	-	1,136,000	-	-	1,136,000
				12/05/2011 – 12/04/2012	-	1,136,000	-	-	1,136,000
In aggregate					40,495,000	9,580,000	6,250,000	6,334,000	37,491,000
TOTAL					54,415,000	10,380,000	9,450,000	6,334,000	49,011,000

Notes:

- The closing price of the shares of the Company immediately before the options granted on November 27, 2006, December 4, 2006 and December 5, 2006 were HK\$79.65, HK\$79.65 and HK\$78.70 respectively.
- The weighted average closing price of the shares immediately before the date of exercise by Mr. Heinz Jürgen KROGNER-KORNALIK was HK\$79.45.
- The weighted average closing price of the shares immediately before the date of exercise by Mr. John POON Cho Ming was HK\$79.45.
- The weighted average closing price of the shares immediately before the dates of exercise by the employees and consultants was HK\$79.05.
- No share options were cancelled under the 2001 Share Option Scheme during the interim period under review.

Save as disclosed above, at no time during the period under review was the Company or its subsidiaries a party to any arrangement to enable the Directors of the Company or any of their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Other information

Share option expenses

Share option expenses charged are based on valuation determined using the Binomial model. Share options granted during the period were valued based on the following assumptions:

Date of grant	Option value ¹ (HK\$)	Share price at date of grant (HK\$)	Exercisable price (HK\$)	Expected volatility ²	Annual risk-free interest rate ³	Life of option ⁴	Dividend yield ⁵
November 27, 2006	12.57-21.01	80.00	80.60	28.64%	3.66%-3.79%	2-6 years	1.84%
December 4, 2006	12.16-20.36	78.70	79.49	28.26%	3.49%-3.67%	2-6 years	1.84%
December 5, 2006	12.42-20.81	80.95	80.95	28.38%	3.48%-3.68%	2-6 years	1.84%

1. Since option pricing model requires input of highly subjective assumptions, fair values calculated are therefore inherently subjective and the model may not necessarily provide a reliable measure of share option expense.
2. Estimated volatility was based on the historical stock prices over 1 year preceding the grant date, expressed as an annualized rate and based on daily price changes.
3. The risk-free interest rate was based on the market yield of Hong Kong Exchange Fund notes with a remaining life corresponding to the expected option life.
4. The expected option life was determined by reference to historical data of option holders behaviour.
5. Dividend yield was based on the average dividend yield for the three years preceding the year of grant.

As at December 31, 2006, save as disclosed above, none of the Directors, chief executives of the Company or their associates had any interests or short position (within the meaning of Part XV of the SFO), whether beneficial or non-beneficial, in the shares, underlying shares or debentures of the Company or any of its associated corporation which were recorded in the register required to be kept by the Company under Section 352 of the SFO or which were notified to the Company and the SEHK pursuant to the Model Code.

All of the above-mentioned outstanding options are unlisted and represent physically settled equity derivatives.

Other information

Substantial shareholders' interests

As at December 31, 2006, the following shareholders (other than the Directors and chief executives of the Company whose interests and short positions in the shares and underlying shares of the Company as set out above) had interests or short positions in the shares and underlying shares of the Company ("Shares") which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of shareholders	Capacity	Number of Shares	Approximate percentage of aggregate interests to total issued share capital
JPMorgan Chase & Co.	Interest of controlled corporations (Notes 1 to 3)	158,412,242	12.88%
The Capital Group Companies, Inc	Interest of controlled corporation (Notes 4 and 5)	125,422,900	10.20%
State Street Corporation	Interest of controlled corporation (Notes 6 and 7)	107,579,289	8.75%
HSBC International Trustee Limited	Interest of controlled corporation (Notes 8 and 9)	107,106,917	8.71%

Notes:

1. The Shares held by JPMorgan Chase & Co. were held in the following capacities:

No. of Shares	Capacity
2,437,000	Beneficial Owner
92,320,663	Investment Manager
63,654,579	Custodian corporation/approved lending agent

2. Details of the interest in the 158,412,242 Shares held by JPMorgan Chase & Co. were as follows:

Name	Direct (D)/ Indirect (I) Interests in the Shares of the Company	Aggregate Long Position in Shares	Approximate Percentage of Aggregate Interests to Total Issued Share Capital
JPMorgan Chase Bank, N.A.	D	68,659,079	5.583%
JPMorgan Chase Bank, N.A.	I	2,758,643	0.224%
J.P. Morgan International Inc.	I	2,758,643	0.224%
Bank One International Holdings Corporation	I	2,758,643	0.224%
J.P. Morgan International Finance Limited	I	2,758,643	0.224%
J.P. Morgan Overseas Capital Corporation	I	1,089,643	0.089%
J.P. Morgan Whitefriars Inc.	D	768,000	0.062%
J.P. Morgan International Bank Limited	D	321,643	0.026%
JPMorgan Asset Management Holdings Inc.	I	86,994,520	7.074%
JPMorgan Asset Management (Canada) Inc.	D	4,717,500	0.384%
J.P. Morgan Investment Management Inc.	D	20,060,383	1.631%
JPMorgan Asset Management International Limited	I	15,685,000	1.275%
JPMorgan Asset Management Holdings (UK) Limited	I	15,685,000	1.275%
JPMorgan Asset Management (UK) Limited	D	15,555,500	1.265%
JPMorgan Asset Management Holdings (Luxembourg) S.à r.l.	I	129,500	0.011%
JPMorgan Asset Management Societa di Gestione del Risparmio SpA	D	129,500	0.011%
JPMorgan Asset Management (Asia) Inc.	I	46,531,637	3.784%
JF International Management Inc.	D	809,000	0.066%
JF Asset Management (Singapore) Limited - Co Reg #:197601586K	D	951,000	0.077%
JPMorgan Asset Management (Japan) Limited	D	3,865,000	0.314%
JF Asset Management Limited	D	40,124,137	3.263%
JF Asset Management Limited	I	782,500	0.064%
JF Funds Limited	I	782,500	0.064%
JF Asset Management (Taiwan) Limited	D	782,500	0.064%
J.P. Morgan Securities Ltd.	D	1,669,000	0.136%
J.P. Morgan Chase International Holdings Limited	I	1,669,000	0.136%
J.P. Morgan Chase (UK) Holdings Limited	I	1,669,000	0.136%
J.P. Morgan Capital Holdings Limited	I	1,669,000	0.136%

Other information

Substantial shareholders' interests (continued)

Explanatory Notes:

All the following interests were deemed to be held by the relevant company under SFO. JPMorgan Chase & Co. was deemed to be interested in an aggregate of 158,412,242 Shares held or deemed to be held by: (i) JPMorgan Chase Bank, N.A. (71,417,722 Shares) and (ii) JPMorgan Asset Management Holdings Inc. (86,994,520 Shares), all were wholly-owned by JPMorgan Chase & Co.

- (I) JPMorgan Chase Bank, N.A. directly held 68,659,079 Shares and was also deemed to be interested in an aggregate of 2,758,643 Shares held by the following indirect subsidiaries held through J.P. Morgan International Finance Limited ("JPIF"), a direct wholly-owned subsidiary of Bank One International Holdings Corporation, directly wholly-owned by J.P. Morgan International Inc., directly wholly-owned by JPMorgan Chase Bank, N.A.:
- (a) 768,000 Shares were held by J.P. Morgan Whitefriars Inc., wholly-owned by J.P. Morgan Overseas Capital Corporation, a wholly-owned subsidiary of JPIF;
 - (b) 1,669,000 Shares were held by J.P. Morgan Securities Ltd., 98.95% subsidiary of J.P. Morgan Chase International Holdings Limited, wholly-owned by J.P. Morgan Chase (UK) Holdings Limited, wholly-owned by J.P. Morgan Capital Holdings Limited, wholly-owned by JPIF (effective April 15, 2006); and
 - (c) 321,643 Shares were held by J.P. Morgan International Bank Limited, wholly-owned by J.P. Morgan Overseas Capital Corporation, a wholly-owned subsidiary of JPIF.
- (II) JPMorgan Asset Management Holdings Inc. ("JPAMH") was deemed to be interested in an aggregate of 86,994,520 Shares held by the following subsidiaries :
- (a) 4,717,500 Shares were held by JPMorgan Asset Management (Canada) Inc., directly wholly-owned by JPAMH;
 - (b) 20,060,383 Shares were held by J.P. Morgan Investment Management Inc., directly wholly-owned by JPAMH;
 - (c) 46,531,637 Shares were deemed to be held by JPMorgan Asset Management (Asia) Inc. ("JPAsia"), directly wholly-owned by JPAMH, through the following subsidiaries:
 - (i) 809,000 Shares were held by JF International Management Inc., wholly-owned by JPAsia;
 - (ii) 951,000 Shares were held by JF Asset Management (Singapore) Limited – Co Reg #:197601586K, wholly-owned by JPAsia;
 - (iii) 3,865,000 Shares were held by JPMorgan Asset Management (Japan) Limited, wholly-owned by JPAsia;
 - (iv) 40,124,137 Shares were held by JF Asset Management Limited, wholly-owned by JPAsia; and
 - (v) 782,500 Shares were held by JF Asset Management (Taiwan) Limited, 99.90% subsidiary of JF Funds Limited, wholly-owned by JF Asset Management Limited, wholly-owned by JPAsia.

- (d) 15,685,000 Shares were deemed to be held by JPMorgan Asset Management International Limited ("JPAM"), directly wholly-owned by JPAMH, through the following subsidiaries:
 - (i) 15,555,500 Shares were held by JPMorgan Asset Management (UK) Limited, wholly-owned by JPMorgan Asset Management Holdings (UK) Limited, a wholly-owned subsidiary of JPAM;
 - (ii) 129,500 Shares were held by JPMorgan Asset Management Societa di Gestione del Risparmio SpA, 99.90% subsidiary of JPMorgan Asset Management Holdings (Luxembourg) S.à r.l., wholly-owned by JPMorgan Asset Management Holdings (UK) Limited, a wholly-owned subsidiary of JPAM.

3. All interests disclosed in Note 2 above represent long positions in the Shares of the Company of which 63,654,579 Shares represent lending pool.
4. Details of the interest in the 125,422,900 Shares held by The Capital Group Companies, Inc. were as follows:

Name	Direct (D)/ Indirect (I) Interests in the Shares of the Company	Aggregate Long Position in Shares	Approximate Percentage of Aggregate Interests to Total Issued Share Capital
Capital Research and Management Company	D	122,893,000	9.993%
Capital Guardian Trust Company	D	1,642,900	0.134%
Capital International, Inc.	D	782,000	0.064%
Capital International S.A.	D	105,000	0.009%

Explanatory Notes:

All the following interests were deemed to be held by the relevant company under SFO. The Capital Group Companies, Inc. was deemed to be interested in an aggregate of 125,422,900 Shares held or deemed to be held by the following subsidiaries:

- (i) 122,893,000 Shares were held by Capital Research and Management Company, wholly-owned by The Capital Group Companies, Inc.;
- (ii) 1,642,900 Shares were held by Capital Guardian Trust Company, wholly-owned by Capital Group International, Inc., a wholly-owned subsidiary of The Capital Group Companies, Inc.;
- (iii) 782,000 Shares were held by Capital International, Inc., wholly owned by Capital Group International, Inc., a wholly-owned subsidiary of The Capital Group Companies, Inc.; and
- (iv) 105,000 Shares were held by Capital International S.A., wholly-owned by Capital Group International, Inc., a wholly-owned subsidiary of The Capital Group Companies, Inc.

Other information

Substantial shareholders' interests (continued)

5. All interests disclosed in Note 4 above represent long positions in the Shares of the Company.
6. State Street Corporation was deemed to be interested in 107,579,289 Shares through its 100% interest in State Street Bank & Trust Company.
7. All interests disclosed in Note 6 above represent long positions in the Shares of the Company and all 107,579,289 Shares represent lending pool.
8. Details of the interest in the 107,106,917 Shares held by HSBC International Trust Limited were as follows:

Name	Direct (D)/ Indirect (I) Interests in the Shares of the Company	Aggregate Long Position in Shares	Approximate Percentage of Aggregate Interests to Total Issued Share Capital
Yet Holdings Limited	I	106,208,352	8.636%
Great View International Limited	D	106,208,352	8.636%
HSBC Trustee (Hong Kong) Limited	D	565,000	0.046%
HSBC Private Trustee (Hong Kong) Limited	D	24,000	0.002%
HSBC International Trustee Limited	D	309,565	0.025%

Explanatory Notes:

All the following interests were deemed to be held by the relevant company under SFO. HSBC International Trustee Limited ("HITL"), being the trustee of the discretionary trust set up by Mr. Michael Ying Lee Yuen on January 9, 2006 and other discretionary trusts, was directly interested or deemed to be interested in an aggregate of 107,106,917 Shares. HITL was directly interested in 309,565 Shares. HITL was deemed to be interested in 106,797,352 Shares held or deemed to be held by (i) Yet Holdings Limited ("YETHL") (106,208,352 Shares), 100% controlled by HITL, and (ii) HSBC Trustee (Hong Kong) Limited (565,000 Shares), a wholly-owned subsidiary of HITL, and (iii) HSBC Private Trustee (Hong Kong) Limited (24,000 Shares). HSBC Private Trustee (Hong Kong) Limited is customised/obliged to act in accordance with the directions or instructions of HITL.

- (i) YETHL was deemed to be interested in the 106,208,352 Shares held by Great View International Limited, a wholly-owned subsidiary of YETHL; These interests have also been included as trust interest of Mr. Michael Ying Lee Yuen as disclosed under the "Directors' interests" section above;
- (ii) HSBC Trustee (Hong Kong) Limited directly held 565,000 shares;
- (iii) HSBC Private Trustee (Hong Kong) Limited directly held 24,000 Shares.

9. All interests disclosed in Note 8 above represent long positions in the Shares of the Company.

Save as aforesaid and as disclosed in the "Directors' interests and short positions in shares, underlying shares and debentures" section of this report, the Company has not been notified by any person who had interest or short position in the shares or underlying shares of the Company as at December 31, 2006 which were required to be notified to the Company pursuant to Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Other information

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.

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.

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 information 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 information has not been prepared, in all material respect, in accordance with IAS 34 “Interim Financial Reporting”.

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.

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.

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 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 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.

Other information

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.

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.

Terms of reference

The terms of reference of the Audit, Nomination and Remuneration Committees have been formulated with reference to the Code and have been posted on the Company's website (www.espritholdings.com).

By Order of the Board
Esprit Holdings Limited
John POON Cho Ming
Deputy Chairman

Hong Kong, February 7, 2007

Information for investors

Financial calendar

Book close	March 26, 2007 - March 27, 2007
Payment of interim dividend	on or about April 11, 2007
Financial year end	June 30, 2007

Shareholders enquiries

For enquiries about share transfer and registration, please contact the Company's branch share registrar in Hong Kong:

Secretaries Limited
26/F., Tesbury Centre,
28 Queen's Road East, Wanchai, Hong Kong
Tel: (+852) 2980 1333
Fax: (+852) 2810 8185

For enquiries from investors and securities analysts, please contact:

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Fax: (+852) 2362 5576
E-mail: esprit-ir@esprit.com

Hong Kong head office

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Fax: (+852) 2362 5576

Global business headquarters

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40882 Ratingen, Germany
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Fax: (+49) 2102 123 15100

Share listing

The shares of Esprit Holdings Limited are listed on
The Stock Exchange of Hong Kong Limited (stock code: 0330) and
the London Stock Exchange (ticker: EPT LI).

Website

www.espritholdings.com