

INTERIM REPORT FY 07|08

ESPRIT

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IR FY 07|08

ESPRIT
IS AN INTERNATIONAL
YOUTHFUL
LIFESTYLE BRAND
OFFERING SMART,
AFFORDABLE LUXURY
AND BRINGING
NEWNESS AND STYLE
TO LIFE

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Heinz Jürgen KROGNER-KORNALIK (Chairman)

John POON Cho Ming (Deputy Chairman)

Thomas Johannes GROTE

Jerome Squire GRIFFITH

NON-EXECUTIVE DIRECTORS

Jürgen Alfred Rudolf FRIEDRICH

Michael YING Lee Yuen

INDEPENDENT NON-EXECUTIVE DIRECTORS

Paul CHENG Ming Fun

Alexander Reid HAMILTON

Raymond OR Ching Fai

COMPANY SECRETARY

John POON Cho Ming



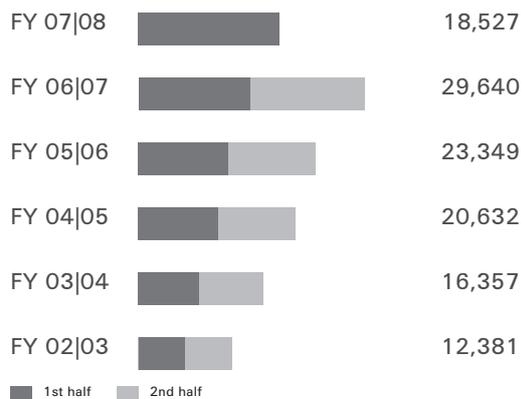
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ESPIRIT

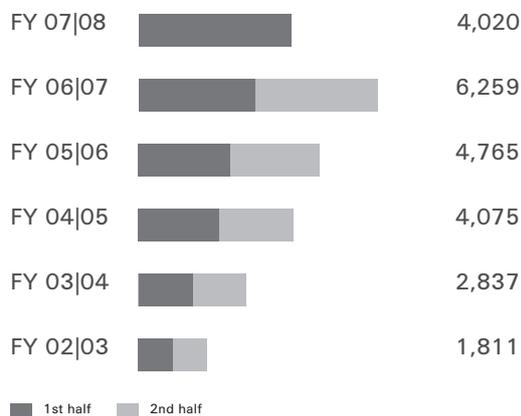
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FINANCIAL HIGHLIGHTS

TURNOVER (HK\$ MILLION)



OPERATING PROFIT (HK\$ MILLION)



FOR THE 6 MONTHS ENDED DECEMBER 31

Operating results (HK\$ million)	Net change	2007	2006
Turnover	27.0%	18,527	14,590
Operating profit	31.3%	4,020	3,061
Profit attributable to shareholders	37.2%	3,293	2,400

Margins / Profitability

Gross profit margin	1.4% pts	53.5%	52.1%
Operating profit margin	0.7% pt	21.7%	21.0%
Net profit margin	1.4% pts	17.8%	16.4%

Financial position (HK\$ million)

Net cash inflow from operating activities	2.5%	3,324	3,242
Cash outflow for capital expenditure	163.0%	668	254
Net cash*	53.3%	5,502	3,590

Per share data (HK\$)

Earnings per share-basic	36.2%	2.67	1.96
Dividend per share	35.7%	0.95	0.70

Share information*

Number of shares in issue (million)	1.0%	1,242	1,230
Market capitalization (HK\$ million)	35.0%	144,150	106,812

as at December 31, 2007 and 2006

* cash and cash equivalents less short-term bank loan

FINANCIAL HIGHLIGHTS

INTERIM PROFIT GREW OVER 37% TO HK\$3.3 BILLION
GROUP TURNOVER ROSE 27% TO HK\$18.5 BILLION
BASIC EPS INCREASED 36.2% TO HK\$2.67 PER SHARE
NET PROFIT MARGIN EXPANDED 1.4% POINTS TO 17.8%
NET CASH AUGMENTED TO HK\$5.5 BILLION
INTERIM DIVIDEND: HK\$0.95 PER SHARE, UP 35.7%

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FINANCIAL REVIEW

The Group has kicked off with another good start to the financial year, and recorded year-on-year turnover growth rate and net earnings growth rate of 27% and 37.2% respectively. Strong year-on-year turnover growth of over 20% was recorded in all our key markets and product divisions.

TURNOVER

During the six months ended December 31, 2007, the Group's turnover increased to HK\$18,527 million, mainly due to the continued strong performance in all major operating markets and partly benefited from the appreciation in Euro.

PROFITABILITY

During the six months ended December 31, 2007, the Group's operating profit increased by 31.3% on a year-on-year basis to HK\$4,020 million with operating profit margin improving by 0.7% point year-on-year to 21.7%. This was mainly due to improved operating efficiency and economies of scale. Wholesale and retail segments recorded respective segment EBIT margin of 26.9% and 16.5% as compared to 25.8% and 18% in the same period last financial year, or 26.4% and 15.1% in the full financial year ended June 30, 2007.

During the reporting period, our China associated companies' contribution to the Group's earnings before tax (EBT) also increased by 30.5% on a year-on-year basis to HK\$81 million due to both strong turnover growth and operating margin improvement.

The Group's EBT rose to HK\$4,203 million, representing an increase of 32.5% over the same period last financial year. With higher turnover, expanded operating margins as well as lowered Group effective tax rate due to the recent German tax reform, net earnings of the Group increased by 37.2% on a year-on-year basis to HK\$3,293 million and net earnings margin expanded by 1.4% points year-on-year to 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

Our consolidated balance sheet remains solid. Net cash inflow from operating activities was more than sufficient to fund the capital expenditure incurred and the payment of special and final dividend of HK\$3,075 million during the reporting period. Free cash flow, defined as net cash flow from operating activities less capital expenditure, amounted to HK\$2,656 million. Net cash balance reached HK\$5,502 million as at December 31, 2007, representing an increase of 5.2% from June 30, 2007.

During the reporting period, the Group invested HK\$668 million in capital expenditure, as compared to HK\$254 million spent for the same period last financial year. Among the capital expenditure spent, HK\$566 million was spent on the opening of new stores and refurbishment of existing stores.

As at December 31, 2007, 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%. The current ratio (current assets divided by current liabilities) improved to 2.5 times as at December 31, 2007 from 2.2 times as at December 31, 2006.

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.





**DOUBLE-DIGIT %
TURNOVER GROWTH
WAS RECORDED IN ALL
OF OUR KEY OPERATING
MARKETS AND
PRODUCT DIVISIONS.**

PRODUCTS

Currently, our products are sold under two key brands, Esprit and edc. As at December 31, 2007, inventory turnover was shortened by 7 days to 48 days, an improvement from 55 days as at June 30, 2007. This is attributable to improved inventory control and increased popularity of our products.

Esprit

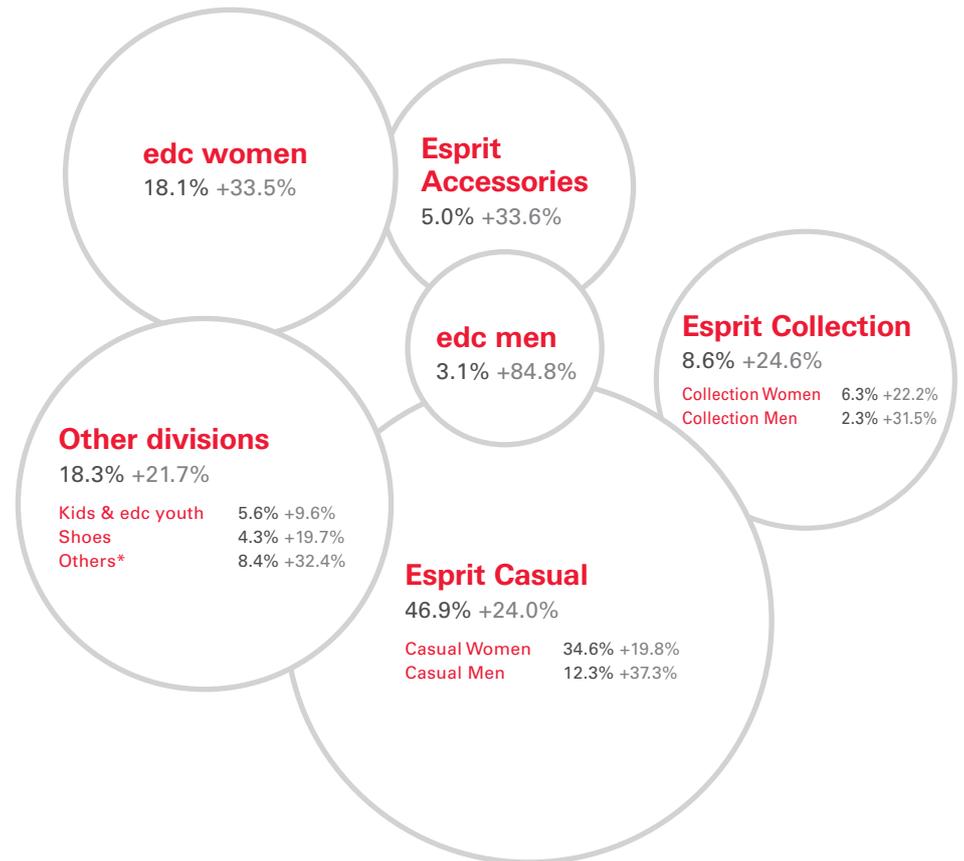
Esprit Casual continued to be the key contributor to the Group’s turnover within which, Casual Women accounted for 34.6% of the Group’s turnover, recording year-on-year growth of 19.8%. Casual Men contributed 12.3% of the Group’s turnover and grew by 37.3% on a year-on-year basis.

Esprit Collection contributed to around 8.6% of the Group’s turnover. Collection Women posted year-on-year growth rate of 22.2% while Collection Men reported strong year-on-year growth rate of 31.5%.

edc

The separation of edc from Esprit is progressing smoothly. To enhance its brand image in its target market segments, edc sponsored the MTV Europe Music Award that was launched in Europe and Asia Pacific regions during the reporting period. We believe the edc brand will remain as one of the Group’s key growth drivers in future.

TURNOVER BY KEY PRODUCT DIVISIONS



% of total turnover % growth from same period last financial year
 * Others include mainly sports, bodywear, edc accessories, red earth, salon and licensed products

REGIONS

Europe

During the six months ended December 31, 2007, Europe recorded a strong year-on-year turnover growth of 27.7% to HK\$15,994 million, making up 86.3% of the Group's turnover. Germany and Benelux were the two largest contributors to the region with respective year-on-year turnover growth rates of 25.8% and 26.5%. Other high potential European markets, such as Spain, France and Scandinavia experienced stronger growth momentum with year-on-year sales growth rates of 53.1%, 37.1% and 36.6% respectively.

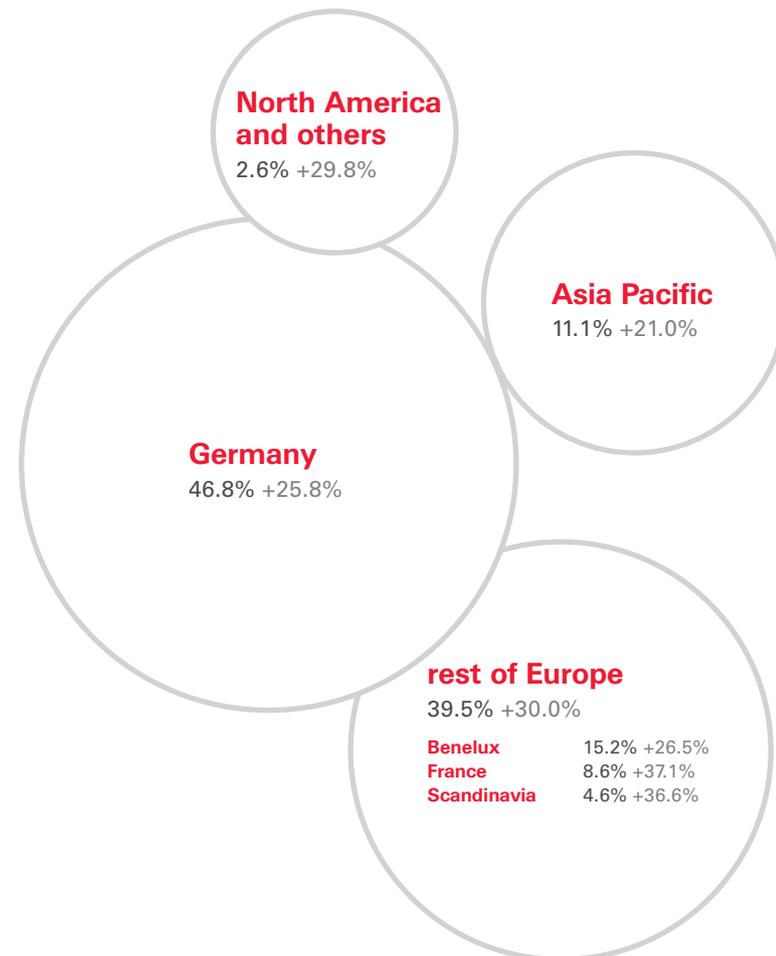
Asia Pacific

During the reporting period, Asia Pacific recorded year-on-year turnover growth of 21%. Australia & New Zealand in particular recorded strong year-on-year turnover growth of 27.8% as well as significant improvement in operating results as compared to the same period last financial year.

North America and others

Encouraging results continued in North America recording year-on-year growth rate of 29.8%. The U.S. posted year-on-year turnover growth of 35.5%. The opening of the new flagship store at Rockefeller Centre on Fifth Avenue New York, confirmed our determination and commitment to grow the business in the U.S.

TURNOVER BY REGIONS

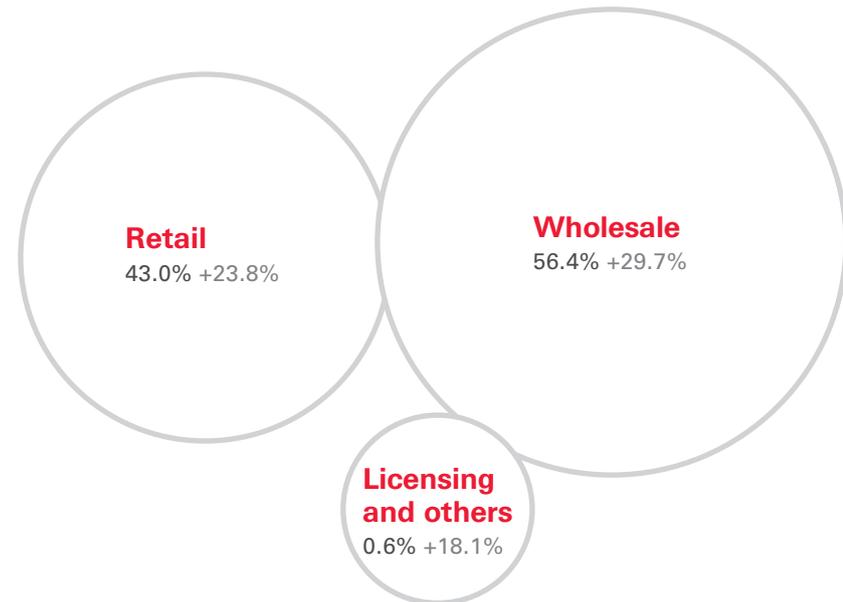


% of total turnover % growth from same period last financial year

DISTRIBUTION CHANNELS

Establishing multi-distribution channels across geographical regions is one of the keys to our success. We believe the wholesale and retail distribution channels are complementary to each other and both are equally important to our expansion strategy.

TURNOVER BY DISTRIBUTION CHANNELS



% of total turnover % growth from same period last financial year







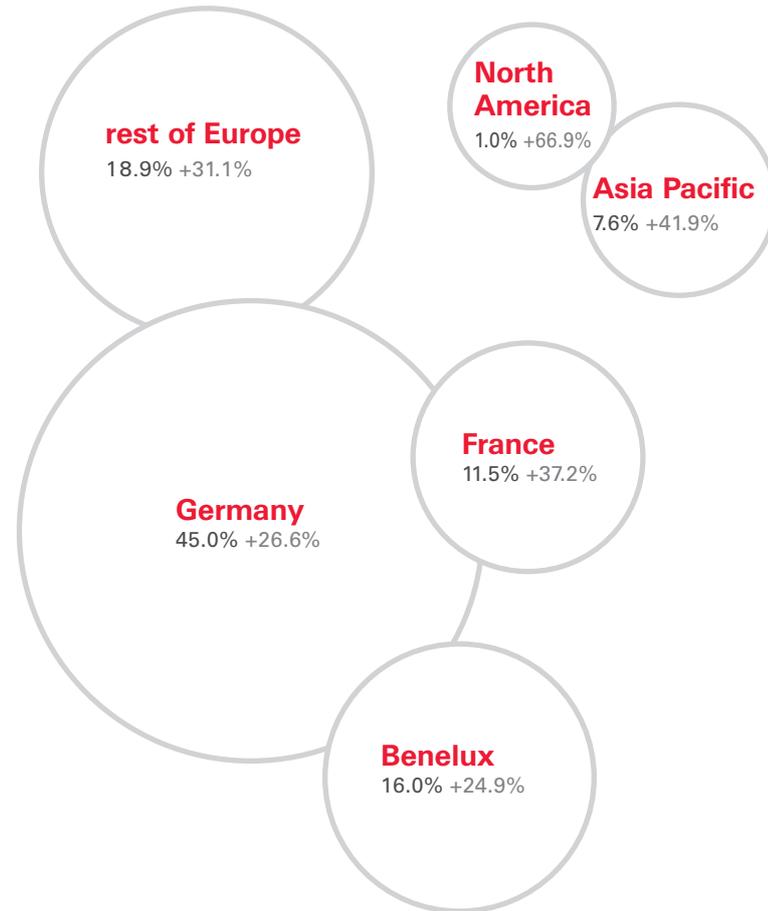
WHOLESALE

As at December 31, 2007, controlled wholesale space was approximately 695,000m², representing a net increase of over 65,000m² or about 10% as compared to June 30, 2007. During the reporting period, the controlled-space wholesale point-of-sales reported a net increase of about 650, bringing the total to over 14,000, comprising of 1,318 partnership stores, 4,480 shop-in-stores and 8,223 identity corners as at December 31, 2007.

Europe wholesale turnover grew by 28.4% as compared to the same period last financial year. While we continue to penetrate and achieve double-digit percentage growth in key markets, more impressive growth were seen in high potential markets such as France and Spain, each achieving year-on-year wholesale turnover growth rates of 37.2% and 50.7% respectively. U.K. and Ireland recorded wholesale turnover growth of 24.9% and an increase in controlled wholesale space, primarily partnership stores, of over 20%. Eastern Europe as a whole also recorded solid growth of 75.1% on a year-on-year basis as a result of rapid expansion in Russia and Poland.

Asia Pacific achieved year-on-year wholesale turnover growth rate of 41.9% reaching HK\$791 million, mainly driven by the higher wholesale sales to China and other emerging markets. Sales to China recorded strong turnover growth of 49.2% on a year-on-year basis. Emerging markets in the region, such as India and Vietnam, posted respective year-on-year wholesale turnover growth of 211.6% and 206.2%. The Group believes China, India and other emerging markets in Asia Pacific possess huge market potential and therefore we will continue to focus on these markets to realize their long term growth potential.

WHOLESALE TURNOVER BY MARKETS



% of total wholesale turnover % growth from same period last financial year

KEY WHOLESALE DISTRIBUTION CHANNELS (CONTROLLED-SPACE ONLY)

as at December 31, 2007	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	1,044	230,218	16%	4,285	177,558	10%	6,661	148,372	-1%
Germany	357	92,934	22%	3,372	145,281	9%	3,784	84,210	-6%
France	228	31,351	19%	348	9,807	5%	434	11,367	5%
Scandinavia	79	24,473	15%	107	4,512	7%	817	13,594	7%
The Netherlands	86	20,729	9%	27	967	8%	448	10,883	0%
Austria	107	20,406	5%	89	3,679	33%	193	4,682	19%
Belgium	68	17,116	8%	101	4,545	13%	439	10,520	1%
Switzerland	49	10,425	8%	35	1,950	25%	112	2,875	9%
Italy	47	7,572	18%	14	974	69%	313	8,083	5%
U.K. & Ireland	18	4,142	42%	42	2,163	3%	69	1,637	7%
Spain	5	1,070	0%	150	3,680	21%	52	521	10%
Asia Pacific	274	57,876	24%	164	8,305	6%	1,073	72,682	13%
China**	89	26,310	29%	8	173	7%	750	71,487	13%
The Middle East	61	12,729	21%	5	1,118	0%	-	-	-100%
Thailand	30	4,087	4%	74	2,875	-14%	21	237	0%
India	12	3,461	70%	13	1,105	83%	-	-	-
Philippines	17	2,178	5%	-	-	-	5	4	33%
Korea	-	-	-	7	573	42%	26	182	0%
Japan	-	-	-100%	-	-	-	4	8	n.a.
Others	65	9,111	22%	57	2,461	10%	267	764	38%
North America	-	-	-	31	n.a.	n.a.	489 [#]	n.a.	n.a.
U.S.	-	-	-	-	-	-	232 [#]	n.a.	n.a.
Canada	-	-	-	31	n.a.	n.a.	257	n.a.	n.a.
Group Total	1,318	288,094	18%	4,480	185,863	9%	8,223	221,054	3%

[^] include Esprit and Red Earth stores/units

* net change from June 30, 2007

** managed by China joint venture or its franchise partners

n.a. means not applicable or stores/identity corners opened in FY2007/2008

[#] the number of identity corners in U.S. (all under Red Earth brand) as at June 30, 2007, as shown in the FY2006/2007 annual report, has been restated to 221

OUR PERFORMANCE
IS A TESTIMONY OF
THE STRENGTH OF OUR
BUSINESS MODEL
AND OUR CAPABILITY
TO SUSTAIN GROWTH.





RETAIL

The Group's retail turnover grew by 23.8% on a year-on-year basis and was primarily driven by a healthy year-on-year comparable-store-sales growth, including e-shop, of 7.9% and an increase in retail selling space of 8% as compared to June 30, 2007. On a regional basis, Europe, Asia Pacific and North America recorded 26.5%, 11.3% and 22.6% year-on-year retail turnover growth, and 8.7%, 5% and 1.7% year-on-year comparable-store-sales growth respectively during the reporting period.

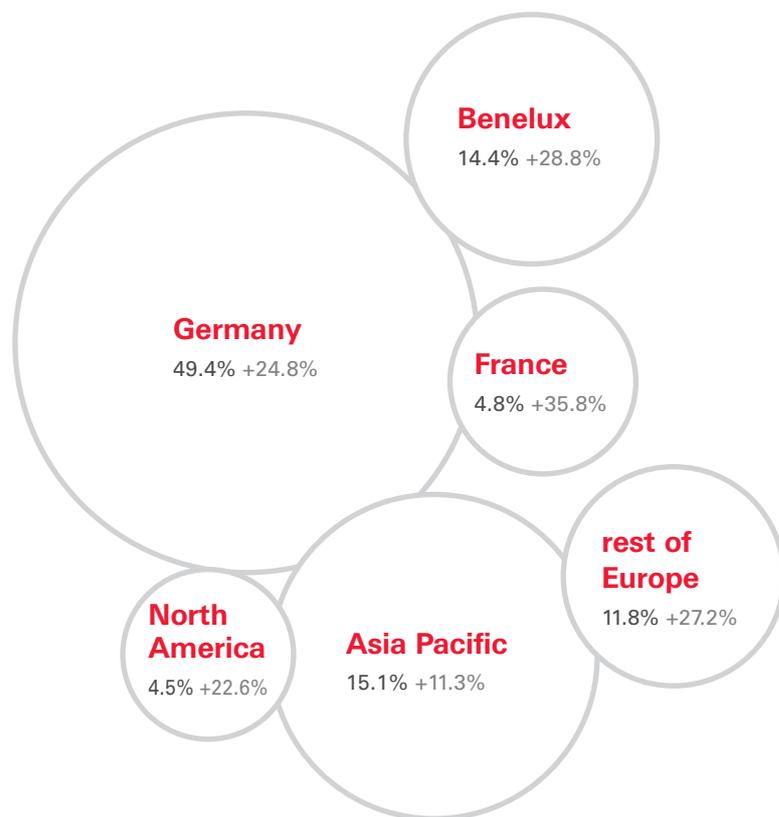
As part of our 3-year retail expansion plan, the number of directly managed retail stores was increased by 54 (net) during the reporting period bringing the total number of directly managed retail stores to 658 as at December 31, 2007. This represented a net increase of retail selling space of over 19,000m² during the reporting period, bringing the total retail selling space to around 256,700m² as at December 31, 2007. We expect the sales contribution from these new stores to steadily build up in the following reporting periods. Geographically, 29, 47 and 11 new directly managed retail stores were set up, and 5, 25 and 3 stores were closed, in Europe, Asia Pacific and North America respectively in the first half of the financial year. Among the newly opened directly managed retail stores, 12 were edc standalone stores representing an increase in edc's retail selling space of over 60% as compared to June 30, 2007.

Other than our core markets, France, U.S. and Australia were the key focus for retail expansion in the reporting period, each recorded 35.8%, 30.5% and 25.3% year-on-year sales growth with 36.9%, 34.3% and 10.8% increase in retail selling space since the beginning of the financial year respectively. Hong Kong is under-going a restructuring of store portfolios with focus on opening more new stores in prime locations.

While we continue to expand our retail distribution in existing markets, we have extended our retail reach to Spain and Finland during the reporting period. Leveraging on the strong brand recognition established by our wholesale distribution in Spain and Finland, the Group commenced the roll-out of our directly managed retail distribution in these markets. Three new directly managed retail stores were opened in Madrid and Helsinki during the first half of the financial year.

Internet sales are part of our retail distribution channel. During the reporting period, the Group launched e-shops in Denmark and Switzerland, following which the reach of our e-shop has extended to all our major European retail markets.

RETAIL TURNOVER BY MARKETS



% of total retail turnover % growth from same period last financial year

KEY RETAIL DISTRIBUTION CHANNELS

as at December 31, 2007	directly managed stores [^]		
	no. of stores	sales area sq.m.	net change in sales area*
Europe	287	172,414	8%
Germany	133	96,740	6%
The Netherlands	46	16,495	12%
France	35	15,173	37%
Belgium	20	14,300	0%
Switzerland	26	9,800	-1%
Austria	9	9,005	0%
U.K.	10	6,489	0%
Denmark	3	2,073	0%
Luxembourg	2	1,149	0%
Spain	2	716	n.a.
Finland	1	474	n.a.
Asia Pacific	299	57,265	6%
Australia & New Zealand	134	21,482	10%
Hong Kong	24	11,075	-8%
Malaysia	30	7,843	34%
Taiwan	84	7,825	1%
Singapore	23	7,175	-4%
Macau	4	1,865	48%
North America	72	27,063	15%
Canada	48	16,678	6%
U.S.	24	10,385	34%
Group Total	658	256,742	8%

[^] include Esprit and Red Earth stores, but exclude Salon
^{*} net change from June 30, 2007
n.a. means stores opened in FY2007/2008

IR FY 07|08

OPERATIONS REVIEW

LICENSING

During the reporting period, third party royalty income increased by 40.8% as compared to the same period last financial year, to HK\$71 million, representing approximately 0.4% of the Group's total turnover. The strong turnover growth was mainly attributable to the high growth in home category. We are currently working with around 30 licensees and collectively offer more than 30 categories of Esprit licensed products to consumers worldwide. Major licensed product categories included Fragrance, Eyewear, Timewear and Jewelry.

We successfully launched a maternity line in September 2007 followed by the new trio fragrance Esprit connect, "One for Her – One for Him – One for Us", the first unisex fragrance from Esprit. To extend the distribution reach of Esprit home products, they are now made available in our e-shops in Europe since the end of August 2007.

KEY LICENSED PRODUCT CATEGORIES

as at December 31, 2007	Europe	Asia Pacific	North America	Latin America
baby carriages	●	●	●	
baby furniture	●	●		
bathroom	●			
bedding	●	●	●	●
carpets	●	●		
costume jewelry edc	●			
down	●	●		
eyewear	●	●	●	●
fragrance	●	●	●	●
furniture	●			
glassware	●	●		●
golf		●		
home	●	●		●
jewelry	●	●		
kids' apparel			●	
kids' bedding	●	●		
kids' shoes		●	●	
lighting	●	●		

	Europe	Asia Pacific	North America	Latin America
maternity	●			
outerwear			●	
school	●			
shoes		●		
sleepwear/daywear			●	
socks + tights Esprit	●	●	●	●
soft toys	●			
stationery	●	●		
swimwear			●	
timewear	●	●	●	●
towels	●	●	●	
umbrellas	●	●		
wallpaper	●	●		

OUTLOOK

With the strength of our brands, our proven business model and our track records of delivering healthy growth rates, we are confident in sustaining the growth momentum of the Group in the second half of the financial year.

We see the potential weakening of global economic conditions as an opportunity to gain market share, particularly through retail expansion. In the second half of the financial year, the Group will continue to expand its global retail network by investing over HK\$500 million to open over 60 directly managed retail stores, representing around 17,000m² gross retail space growth, as we steadily progress towards our target of opening 400 stores in 3 years. As a result of the recent store openings in the first half of the financial year, we expect sales contribution to steadily build up through the second half of the financial year. In addition, the Group will aim to maintain a stable year-on-year retail comparable-stores-sales growth.

Wholesale orders booked between January 2008 and April 2008 show a low double-digit percentage year-on-year growth in local currency terms as compared to high base of second half of last financial year. In addition, the Group expects to add over 500 new controlled-space wholesale point-of-sales in the second half of the financial year. Going forward, the Group will continue to expand the wholesale distribution network in Eastern Europe and Asia Pacific. We foresee the sales contribution from Eastern Europe will become increasingly significant leveraging on their continual growth of consumption power, particularly Russia and Poland. Whereas in China, India and Vietnam, over 40 new controlled-space wholesale point-of-sales are planned to be opened in the second half of the financial year bringing their expected collective growth in controlled wholesale space to reach over 30% for the full year.

The new product line, de.corp Esprit Urban Casual, will be introduced to the markets through both wholesale and retail distribution channels in March 2008. The products will be firstly showcased in over 40 directly managed retail stores and around 150 controlled-space wholesale point-of-sales in Europe including Munich, Berlin, Amsterdam, Zurich, Vienna, London and Oslo.

During the first half of the financial year, the Group has stepped up its commitment to being a socially responsible corporate citizen by establishing the Esprit Global Vendor Compliance Program which forms the basic compliance framework for social compliance. Increasing concern over environmental protection has prompted us to introduce the paper Esprit shopping bags in Europe since July 2007. All these demonstrated the Group's continued efforts in being a socially responsible corporate citizen.

This financial year marks the 40th anniversary of the Group. A series of promotional events are planned in the second half of the financial year to celebrate this important milestone. While there are macroeconomic uncertainties and challenges ahead of us, our growth strategies remain intact. We will continue to focus on further penetrating core markets, maintaining comparable-stores sales growth, adding retail space, as well as developing under-utilized markets like Eastern Europe, China, India and Korea to drive sustainable and profitable growth. Potential margin improvements from economies of scale and turning around underperforming markets will further support our investment in initiatives which will drive the long-term growth of our global business. We will strive to deliver another set of record results and further enhance shareholders' return by leveraging on the solid foundation established in the first half of the financial year.

**REPORT ON REVIEW OF INTERIM FINANCIAL
INFORMATION TO THE BOARD OF DIRECTORS OF
ESPRIT HOLDINGS LIMITED**

(incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated interim financial information set out on pages 27 to 36, which comprises the condensed consolidated balance sheet of Esprit Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at December 31, 2007 and the related condensed consolidated statements of income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company 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 condensed consolidated 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 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, January 30, 2008

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, 2007 as follows:

Condensed consolidated income statement

	Notes	Unaudited For the 6 months ended December 31,	
		2007 HK\$ million	2006 HK\$ million
Turnover	2	18,527	14,590
Cost of goods sold		(8,607)	(6,986)
Gross profit		9,920	7,604
Staff costs		(2,156)	(1,681)
Operating lease charge		(1,360)	(1,101)
Depreciation		(341)	(288)
Other operating costs		(2,043)	(1,473)
Operating profit	3	4,020	3,061
Interest income		102	49
Share of results of associates		81	62
Profit before taxation	2	4,203	3,172
Taxation	4	(910)	(772)
Profit attributable to shareholders		3,293	2,400
Interim dividend	5	1,181	861
Earnings per share			
– Basic	6	HK\$2.67	HK\$1.96
– Diluted	6	HK\$2.64	HK\$1.94

Condensed consolidated balance sheet

	Notes	Unaudited December 31, 2007 HK\$ million	Audited June 30, 2007 HK\$ million
Non-current assets			
Intangible assets		2,090	2,057
Property, plant and equipment	7	2,999	2,525
Other investments		7	7
Investments in associates		497	406
Prepaid lease payments		172	175
Deferred tax assets		404	396
		6,169	5,566
Current assets			
Inventories		2,512	2,192
Debtors, deposits and prepayments	8	4,393	3,991
Amounts due from associates		110	48
Bank balances and cash		2,409	1,829
Short-term bank deposits		3,093	3,403
		12,517	11,463
Current liabilities			
Creditors and accrued charges	9	3,778	3,637
Taxation		1,154	933
		4,932	4,570
Net current assets		7,585	6,893
Total assets less current liabilities		13,754	12,459
Financed by:			
Share capital	10	124	123
Reserves		13,238	11,958
Shareholders' funds		13,362	12,081
Deferred tax liabilities		392	378
		13,754	12,459

The notes on pages 31 to 36 form an integral part of this condensed consolidated interim financial information.

Condensed consolidated cash flow statement

	Unaudited For the 6 months ended December 31,	
	2007 HK\$ million	2006 HK\$ million
Cash flows from operating activities		
Cash generated from operations	4,012	3,429
Hong Kong profits tax paid	–	(1)
Overseas tax paid	(688)	(186)
Net cash inflow from operating activities	3,324	3,242
Cash flows from investing activities		
Purchase of property, plant and equipment	(668)	(254)
Proceeds from disposal of property, plant and equipment	3	2
Interest received	102	49
Net cash used in investing activities	(563)	(203)
Cash flows from financing activities		
Net proceeds on issue of shares for cash	349	279
Dividends paid	(3,075)	(2,225)
Net cash used in financing activities	(2,726)	(1,946)
Net increase in cash and cash equivalents	35	1,093
Cash and cash equivalents at beginning of period	5,232	2,469
Effect of change in exchange rates	235	28
Cash and cash equivalents at end of period	5,502	3,590
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	2,409	2,326
Short-term bank deposits	3,093	1,264
	5,502	3,590

The notes on pages 31 to 36 form an integral part of this condensed consolidated interim financial information.

Condensed consolidated statement of changes in equity

	Unaudited								
	For the 6 months ended December 31, 2007								
	Share capital	Share premium	Employee share-based payment reserve	Hedging reserve	Contributed surplus	Translation reserve	Capital reserve	Retained profits	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
At July 1, 2007	123	2,391	282	(12)	7	755	1	8,534	12,081
Exchange translation recognized directly in equity	-	-	-	-	-	643	-	-	643
Fair value gain on cash flow hedge	-	-	-	8	-	-	-	-	8
Profit attributable to shareholders	-	-	-	-	-	-	-	3,293	3,293
Total recognized income	-	-	-	8	-	643	-	3,293	3,944
2006/07 final and special dividends paid	-	-	-	-	-	-	-	(3,075)	(3,075)
Issues of shares	1	348	-	-	-	-	-	-	349
Employee share option benefits	-	-	63	-	-	-	-	-	63
Transfer of reserve	-	89	(89)	-	-	-	-	-	-
At December 31, 2007	124	2,828	256	(4)	7	1,398	1	8,752	13,362

The notes on pages 31 to 36 form an integral part of this condensed consolidated interim financial information.

Condensed consolidated statement of changes in equity (continued)

	Unaudited For the 6 months ended December 31, 2006								
	Share capital HK\$ million	Share premium HK\$ million	Employee share-based payment reserve HK\$ million	Hedging reserve HK\$ million	Contributed surplus HK\$ million	Translation reserve HK\$ million	Capital reserve HK\$ million	Retained profits HK\$ million	Total HK\$ million
At July 1, 2006	122	1,975	230	(41)	7	373	1	6,440	9,107
Exchange translation recognized directly in equity	-	-	-	-	-	216	-	-	216
Fair value gain on cash flow hedge	-	-	-	7	-	-	-	-	7
Profit attributable to shareholders	-	-	-	-	-	-	-	2,400	2,400
Total recognized income	-	-	-	7	-	216	-	2,400	2,623
2005/06 final and special dividends paid	-	-	-	-	-	-	-	(2,225)	(2,225)
Issues of shares	1	278	-	-	-	-	-	-	279
Employee share option benefits	-	-	57	-	-	-	-	-	57
Transfer of reserve	-	65	(65)	-	-	-	-	-	-
At December 31, 2006	123	2,318	222	(34)	7	589	1	6,615	9,841

The notes on pages 31 to 36 form an integral part of this condensed consolidated 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”) on pages 27 to 36 has been extracted from the unaudited interim financial statements for the six months ended December 31, 2007, which are prepared in accordance with the International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

This interim financial information should be read in conjunction with the annual financial statements for the year ended June 30, 2007. 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, 2007.

The Group did not early adopt the following IAS and International Financial Reporting Interpretations Committee (“IFRIC”) interpretation that have been issued in the period from July 1, 2007 to December 31, 2007. The adoption of such standards will not result in substantial changes to the Group’s accounting policies.

		Effective for accounting periods beginning on or after
IAS 1 (Revised)	Presentation of Financial Statements	January 1, 2009
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	January 1, 2008

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,	
	2007	2006
	HK\$ million	HK\$ million
Turnover		
Sales of goods	18,422	14,501
Licensing and other income	105	89
	18,527	14,590

2. Turnover and segment information (continued)

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, 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

	Unaudited For the 6 months ended December 31, 2006				
	Wholesale HK\$ million	Retail HK\$ million	Licensing & others HK\$ million	Eliminations HK\$ million	Group HK\$ million
Turnover	8,060	6,441	89	-	14,590
Inter-segment sales	-	-	350	(350)	-
	8,060	6,441	439	(350)	14,590
Segment results	1,918	1,109	254	(88)	3,193
Unallocated net expenses					(132)
Interest income					49
Share of results of associates					62
Profit before taxation					3,172
Segment EBIT – ex-inter-segment licensing expense/ income (note)	2,077	1,161	43	(88)	3,193

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\$2,809 million** (2006: HK\$2,077 million) and **HK\$1,319 million** (2006: HK\$1,161 million) respectively, representing wholesale segment EBIT margin ("segment EBIT/segment turnover") of **26.9%** (2006: 25.8%) and retail segment EBIT margin of **16.5%** (2006: 18.0%).

2. Turnover and segment information (continued)

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,	
	2007	2006
	HK\$ million	HK\$ million
Turnover		
Europe	15,994	12,524
Asia Pacific	2,054	1,697
North America and others	479	369
	18,527	14,590

3. Operating profit

	Unaudited	
	For the 6 months ended	
	December 31,	
	2007	2006
	HK\$ million	HK\$ million
Operating profit is arrived at after charging and (crediting) the following:		
Depreciation	341	288
Loss on disposal of property, plant and equipment	16	7
Net exchange (gains)/losses	(28)	3
Net (write back)/charge for provision for obsolete inventories	(1)	10
Provision for impairment of trade debtors/bad debts written off	36	25

4. Taxation

	Unaudited	
	For the 6 months ended	
	December 31,	
	2007	2006
	HK\$ million	HK\$ million
Current tax		
Hong Kong profits tax		
Provision for current period	-	-
Overseas taxation		
Provision for current period	866	837
Underprovision in prior years	24	-
	890	837
Deferred tax		
Current period	20	(65)
Taxation	910	772

Hong Kong profits tax is calculated at **17.5%** (2006: 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 associate's taxation for the six months ended December 31, 2007 was a net tax charge of **HK\$27 million** (2006: a net tax credit of HK\$2 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,	
	2007	2006
	HK\$ million	HK\$ million
Interim dividend declared of HK\$0.95 (2006: HK\$0.70) per share	1,181	861

The amount of interim dividend is based on **1,242,675,434** shares in issue on **January 30, 2008** (2006: 1,230,670,434 shares in issue on February 7, 2007).

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,	
	2007	2006
Profit attributable to shareholders (HK\$ million)	3,293	2,400
Weighted average number of ordinary shares in issue (million)	1,234	1,222
Basic earnings per share (HK\$ per share)	2.67	1.96

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,	
	2007	2006
Profit attributable to shareholders (HK\$ million)	3,293	2,400
Weighted average number of ordinary shares in issue (million)	1,234	1,222
Adjustments for share options (million)	16	17
Weighted average number of ordinary shares for diluted earnings per share (million)	1,250	1,239
Diluted earnings per share (HK\$ per share)	2.64	1.94

7. Property, plant and equipment

	Unaudited HK\$ million
Balance at July 1, 2007	2,525
Exchange translation	166
Additions	668
Disposals	(19)
Depreciation (note 3)	(341)
Balance at December 31, 2007	2,999

During the six months ended December 31, 2007, the Group incurred **HK\$566 million** in expansion and refurbishment of retail shops in various locations and **HK\$102 million** in office improvements and purchase of office equipment.

8. Debtors, deposits and prepayments

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

	Unaudited December 31, 2007 HK\$ million	Audited June 30, 2007 HK\$ million
0-30 days	3,130	2,717
31-60 days	155	84
61-90 days	78	76
Over 90 days	121	91
	3,484	2,968

The Group's sales to retail customers are made mainly in cash or by credit card. The Group also grants credit for a period which is usually 30 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, 2007 HK\$ million	Audited June 30, 2007 HK\$ million
0-30 days	1,103	1,347
31-60 days	68	55
61-90 days	37	7
Over 90 days	46	29
	1,254	1,438

10. Share capital

	Unaudited December 31, 2007 HK\$ million	Audited June 30, 2007 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, 2007	1,231	123
Exercise of share options (note)	11	1
Balance at December 31, 2007	1,242	124

note: During the period, **11,335,000** 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\$80.95** each (representing a premium in the range of **HK\$14.50** to **HK\$80.85** each).

11. Operating lease commitments

The total future minimum lease payments under non-cancelable operating leases are as follows:

	Unaudited December 31, 2007 HK\$ million	Audited June 30, 2007 HK\$ million
Land and buildings		
– within one year	2,123	1,810
– in the second to fifth year inclusive	7,910	6,521
– after the fifth year	8,280	7,346
	18,313	15,677
Other equipment		
– within one year	22	23
– in the second to fifth year inclusive	19	15
	41	38
	18,354	15,715

The total future minimum lease receipts under non-cancelable subleases in respect of land and buildings at December 31, 2007 are **HK\$101 million** (June 30, 2007: HK\$110 million).

12. Capital commitments

	Unaudited December 31, 2007 HK\$ million	Audited June 30, 2007 HK\$ million
Contracted but not provided for	272	186
Authorized but not contracted for	1,015	770
	1,287	956

13. Derivative financial instruments

At the balance sheet date, the total notional amount of outstanding foreign currency forward contracts to which the Group has committed is as below:

	Unaudited December 31, 2007 HK\$ million	Audited June 30, 2007 HK\$ million
Foreign currency forward contracts		
– cash flow hedges	316	948

At December 31, 2007, the fair value of the foreign currency forward contracts is estimated to be approximately **HK\$5 million** (June 30, 2007: HK\$22 million). These amounts are based on market values of equivalent instruments at the balance sheet date and are included in creditors and accrued charges.

14. Related party transactions

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

	Unaudited For the 6 months ended December 31, 2007 HK\$ million	2006 HK\$ million
Transactions with associates		
Sales of finished goods	562	376
Royalty and accrued interest receivable/received	24	15
Commission receivable/received	3	2

Directors' Profile

Executive Directors

Heinz Jürgen KROGNER-KORNALIK, aged 66, is Executive Director and Group Chief Executive Officer, became Chairman of the Board effective from 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 53, 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 44, is President of the 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 50, 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 71, 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.

Jürgen Alfred Rudolf FRIEDRICH, aged 69, 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 Switzerland.

Alexander Reid HAMILTON, aged 66, 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, China Central Properties 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 58, 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 58, was 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. Mr. Ying has resigned as Non-executive Director with effect from January 30, 2008.

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at December 31, 2007, 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 (Chapter 571 of the laws of Hong Kong) ("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 Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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	-	2,600,000	2,600,000	0.21%
John POON Cho Ming	Beneficial owner	1,470,000	1,880,000	3,350,000	0.27%
Thomas Johannes GROTE	Beneficial owner	-	3,080,000	3,080,000	0.25%
Jerome Squire GRIFFITH	Beneficial owner	983,000	720,000	1,703,000	0.14%
Jürgen Alfred Rudolf FRIEDRICH	Beneficial owner	79,101,176	-	80,693,777	6.49%
	Interest of a controlled corporation (Note 1)	1,541,700	-		
	Interest of spouse (Note 2)	50,901	-		
Michael YING Lee Yuen	Interest of a controlled corporation (Note 3)	106,208,352	-	106,208,352	8.55%

Notes:

- The shares were held by JAF Foundation of which Mr. Jürgen Alfred Rudolf Friedrich controlled 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 6 of "Substantial Shareholders' Interests" section below.
- The interests of Directors and chief executives of the Company in the underlying shares of equity derivatives in respect of share options granted to them pursuant to the 2001 Share Option Scheme are detailed in "Share Options" section below.
- All interests disclosed above represent long position in the shares and underlying shares of the Company.

(2) Shares Options of the Company

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

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:

Share Options (continued)

Directors

Heinz Jürgen KROGNER-KORNALIK

Date of Grant (mm/dd/yyyy)	Exercise Price (HK\$)	Vesting Date (mm/dd/yyyy)	Exercise Period (mm/dd/yyyy)	Number of Share Options				
				As at 07/01/2007	Granted	Exercised	Lapsed	As at 12/31/2007
11/26/2002	14.60	11/26/2007	11/26/2007 – 11/25/2008	800,000	–	800,000	–	–
11/26/2003	24.20	11/26/2007 11/26/2008	11/26/2007 – 11/25/2009 11/26/2008 – 11/25/2009	600,000 600,000	– –	600,000 –	– –	– 600,000
11/27/2004	42.58	11/27/2007 11/27/2008 11/27/2009	11/27/2007 – 11/26/2010 11/27/2008 – 11/26/2010 11/27/2009 – 11/26/2010	600,000 600,000 600,000	– – –	600,000 – –	– – –	– 600,000 600,000
02/07/2007	83.00	02/07/2008 02/07/2009 02/07/2010 02/07/2011 02/07/2012	02/07/2008 – 02/06/2013 02/07/2009 – 02/06/2013 02/07/2010 – 02/06/2013 02/07/2011 – 02/06/2013 02/07/2012 – 02/06/2013	160,000 160,000 160,000 160,000 160,000	– – – – –	– – – – –	– – – – –	160,000 160,000 160,000 160,000 160,000
In aggregate				4,600,000	–	2,000,000	–	2,600,000

John POON Cho Ming

Date of Grant (mm/dd/yyyy)	Exercise Price (HK\$)	Vesting Date (mm/dd/yyyy)	Exercise Period (mm/dd/yyyy)	Number of Share Options				
				As at 07/01/2007	Granted	Exercised	Lapsed	As at 12/31/2007
11/26/2002	14.60	11/26/2007	11/26/2007 – 11/25/2008	480,000	–	480,000	–	–
11/26/2003	24.20	11/26/2007 11/26/2008	11/26/2007 – 11/25/2009 11/26/2008 – 11/25/2009	360,000 360,000	– –	360,000 –	– –	– 360,000
11/27/2004	42.58	11/27/2007 11/27/2008 11/27/2009	11/27/2007 – 11/26/2010 11/27/2008 – 11/26/2010 11/27/2009 – 11/26/2010	360,000 360,000 360,000	– – –	360,000 – –	– – –	– 360,000 360,000
02/07/2007	83.00	02/07/2008 02/07/2009 02/07/2010 02/07/2011 02/07/2012	02/07/2008 – 02/06/2013 02/07/2009 – 02/06/2013 02/07/2010 – 02/06/2013 02/07/2011 – 02/06/2013 02/07/2012 – 02/06/2013	160,000 160,000 160,000 160,000 160,000	– – – – –	– – – – –	– – – – –	160,000 160,000 160,000 160,000 160,000
In aggregate				3,080,000	–	1,200,000	–	1,880,000

Share Options (continued)

Thomas Johannes GROTE

Date of Grant (mm/dd/yyyy)	Exercise Price (HK\$)	Vesting Date (mm/dd/yyyy)	Exercise Period (mm/dd/yyyy)	Number of Share Options				As at 12/31/2007
				As at 07/01/2007	Granted	Exercised	Lapsed	
11/26/2002	14.60	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	–	–
11/26/2003	24.20	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
		11/26/2008	11/26/2008 – 11/25/2009	240,000	–	–	–	240,000
11/27/2004	42.58	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
		11/27/2008	11/27/2008 – 11/26/2010	240,000	–	–	–	240,000
		11/27/2009	11/27/2009 – 11/26/2010	240,000	–	–	–	240,000
12/05/2006	80.95	12/05/2007	12/05/2007 – 12/04/2012	160,000	–	–	–	160,000
		12/05/2008	12/05/2008 – 12/04/2012	160,000	–	–	–	160,000
		12/05/2009	12/05/2009 – 12/04/2012	160,000	–	–	–	160,000
		12/05/2010	12/05/2010 – 12/04/2012	160,000	–	–	–	160,000
		12/05/2011	12/05/2011 – 12/04/2012	160,000	–	–	–	160,000
12/05/2007	118.70	12/05/2008	12/05/2008 – 12/04/2013	–	120,000	–	–	120,000
		12/05/2009	12/05/2009 – 12/04/2013	–	120,000	–	–	120,000
		12/05/2010	12/05/2010 – 12/04/2013	–	120,000	–	–	120,000
		12/05/2011	12/05/2011 – 12/04/2013	–	120,000	–	–	120,000
		12/05/2012	12/05/2012 – 12/04/2013	–	120,000	–	–	120,000
In aggregate				3,120,000	600,000	640,000	–	3,080,000

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Share Options (continued)

Jerome Squire GRIFFITH

Date of Grant (mm/dd/yyyy)	Exercise Price (HK\$)	Vesting Date (mm/dd/yyyy)	Exercise Period (mm/dd/yyyy)	Number of Share Options				
				As at 07/01/2007	Granted	Exercised	Lapsed	As at 12/31/2007
11/26/2002	14.60	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	–	–
11/26/2003	24.20	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	–	–
		11/26/2008	11/26/2008 – 11/25/2009	240,000	–	–	–	240,000
11/27/2004	42.58	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	–	–
		11/27/2008	11/27/2008 – 11/26/2010	240,000	–	–	–	240,000
		11/27/2009	11/27/2009 – 11/26/2010	240,000	–	–	–	240,000
In aggregate				2,320,000	–	1,600,000	–	720,000

Employees and Consultants

Date of Grant (mm/dd/yyyy)	Exercise Price (HK\$)	Vesting Date (mm/dd/yyyy)	Exercise Period (mm/dd/yyyy)	Number of Share Options				
				As at 07/01/2007	Granted	Exercised	Lapsed	As at 12/31/2007
11/26/2002	14.60	11/26/2005	11/26/2005 – 11/25/2008	120,000	–	–	–	120,000
		11/26/2006	11/26/2006 – 11/25/2008	580,000	–	160,000	–	420,000
		11/26/2007	11/26/2007 – 11/25/2008	2,296,000	–	1,216,000	60,000	1,020,000
11/26/2003	24.20	11/26/2005	11/26/2005 – 11/25/2009	65,000	–	–	–	65,000
		11/26/2006	11/26/2006 – 11/25/2009	600,000	–	185,000	–	415,000
		11/26/2007	11/26/2007 – 11/25/2009	2,102,000 (Note 8)	–	1,112,000	40,000	950,000
		11/26/2008	11/26/2008 – 11/25/2009	2,102,000 (Note 8)	–	–	40,000	2,062,000

Share Options (continued)

Employees and Consultants (continued)

Date of Grant (mm/dd/yyyy)	Exercise Price (HK\$)	Vesting Date (mm/dd/yyyy)	Exercise Period (mm/dd/yyyy)	Number of Share Options				As at 12/31/2007
				As at 07/01/2007	Granted	Exercised	Lapsed	
12/23/2003	24.45	12/23/2006	12/23/2006 – 12/22/2009	120,000	–	–	–	120,000
		12/23/2007	12/23/2007 – 12/22/2009	120,000	–	–	–	120,000
		12/23/2008	12/23/2008 – 12/22/2009	120,000	–	–	–	120,000
11/27/2004	42.58	11/27/2005	11/27/2005 – 11/26/2010	580,000 (Note 8)	–	240,000	–	340,000
		11/27/2006	11/27/2006 – 11/26/2010	1,000,000 (Note 8)	–	390,000	160,000	450,000
		11/27/2007	11/27/2007 – 11/26/2010	2,707,000 (Note 8)	–	1,462,000	270,000	975,000
		11/27/2008	11/27/2008 – 11/26/2010	2,707,000 (Note 8)	–	–	270,000	2,437,000
		11/27/2009	11/27/2009 – 11/26/2010	2,707,000 (Note 8)	–	–	270,000	2,437,000
12/23/2004	47.10	12/23/2005	12/23/2005 – 12/22/2010	90,000	–	–	–	90,000
		12/23/2006	12/23/2006 – 12/22/2010	90,000	–	–	–	90,000
		12/23/2007	12/23/2007 – 12/22/2010	90,000	–	–	–	90,000
		12/23/2008	12/23/2008 – 12/22/2010	90,000	–	–	–	90,000
		12/23/2009	12/23/2009 – 12/22/2010	90,000	–	–	–	90,000
01/21/2005	45.60	01/21/2008	01/21/2008 – 01/20/2011	80,000	–	–	–	80,000
		01/21/2009	01/21/2009 – 01/20/2011	80,000	–	–	–	80,000
		01/21/2010	01/21/2010 – 01/20/2011	80,000	–	–	–	80,000
11/28/2005	55.11	11/28/2006	11/28/2006 – 11/27/2011	345,000	–	90,000	120,000	135,000
		11/28/2007	11/28/2007 – 11/27/2011	810,000	–	420,000	180,000	210,000
		11/28/2008	11/28/2008 – 11/27/2011	810,000	–	–	180,000	630,000
		11/28/2009	11/28/2009 – 11/27/2011	810,000	–	–	180,000	630,000
		11/28/2010	11/28/2010 – 11/27/2011	810,000	–	–	180,000	630,000

Share Options (continued)

Employees and Consultants (continued)

Date of Grant (mm/dd/yyyy)	Exercise Price (HK\$)	Vesting Date (mm/dd/yyyy)	Exercise Period (mm/dd/yyyy)	Number of Share Options				
				As at 07/01/2007	Granted	Exercised	Lapsed	As at 12/31/2007
12/02/2005	56.20	12/02/2006	12/02/2006 – 12/01/2011	100,000	–	–	–	100,000
		12/02/2007	12/02/2007 – 12/01/2011	280,000 (Note 8)	–	80,000	–	200,000
		12/02/2008	12/02/2008 – 12/01/2011	280,000 (Note 8)	–	–	–	280,000
		12/02/2009	12/02/2009 – 12/01/2011	280,000 (Note 8)	–	–	–	280,000
		12/02/2010	12/02/2010 – 12/01/2011	280,000 (Note 8)	–	–	–	280,000
12/23/2005	56.50	12/23/2006	12/23/2006 – 12/22/2011	90,000	–	–	–	90,000
		12/23/2007	12/23/2007 – 12/22/2011	90,000	–	–	–	90,000
		12/23/2008	12/23/2008 – 12/22/2011	90,000	–	–	–	90,000
		12/23/2009	12/23/2009 – 12/22/2011	90,000	–	–	–	90,000
		12/23/2010	12/23/2010 – 12/22/2011	90,000	–	–	–	90,000
02/23/2006	64.31	02/23/2007	02/23/2007 – 02/22/2012	60,000	–	60,000	–	–
		02/23/2008	02/23/2008 – 02/22/2012	140,000	–	–	–	140,000
		02/23/2009	02/23/2009 – 02/22/2012	140,000	–	–	–	140,000
		02/23/2010	02/23/2010 – 02/22/2012	140,000	–	–	–	140,000
		02/23/2011	02/23/2011 – 02/22/2012	140,000	–	–	–	140,000
11/27/2006	80.60	11/27/2007	11/27/2007 – 11/26/2012	405,000	–	300,000	60,000	45,000
		11/27/2008	11/27/2008 – 11/26/2012	405,000	–	–	60,000	345,000
		11/27/2009	11/27/2009 – 11/26/2012	405,000	–	–	60,000	345,000
		11/27/2010	11/27/2010 – 11/26/2012	405,000	–	–	60,000	345,000
		11/27/2011	11/27/2011 – 11/26/2012	405,000	–	–	60,000	345,000

Share Options (continued)

Employees and Consultants (continued)

Date of Grant (mm/dd/yyyy)	Exercise Price (HK\$)	Vesting Date (mm/dd/yyyy)	Exercise Period (mm/dd/yyyy)	Number of Share Options				As at 12/31/2007
				As at 07/01/2007	Granted	Exercised	Lapsed	
12/04/2006	79.49	12/04/2007	12/04/2007 – 12/03/2012	210,000 (Note 8)	–	60,000	–	150,000
		12/04/2008	12/04/2008 – 12/03/2012	210,000 (Note 8)	–	–	–	210,000
		12/04/2009	12/04/2009 – 12/03/2012	210,000 (Note 8)	–	–	–	210,000
		12/04/2010	12/04/2010 – 12/03/2012	210,000 (Note 8)	–	–	–	210,000
		12/04/2011	12/04/2011 – 12/03/2012	210,000 (Note 8)	–	–	–	210,000
12/05/2006	80.95	12/05/2007	12/05/2007 – 12/04/2012	976,000 (Note 8)	–	120,000	120,000	736,000
		12/05/2008	12/05/2008 – 12/04/2012	976,000 (Note 8)	–	–	120,000	856,000
		12/05/2009	12/05/2009 – 12/04/2012	976,000 (Note 8)	–	–	120,000	856,000
		12/05/2010	12/05/2010 – 12/04/2012	976,000 (Note 8)	–	–	120,000	856,000
		12/05/2011	12/05/2011 – 12/04/2012	976,000 (Note 8)	–	–	120,000	856,000
02/07/2007	83.00	02/07/2008	02/07/2008 – 02/06/2013	80,000	–	–	–	80,000
		02/07/2009	02/07/2009 – 02/06/2013	80,000	–	–	–	80,000
		02/07/2010	02/07/2010 – 02/06/2013	80,000	–	–	–	80,000
		02/07/2011	02/07/2011 – 02/06/2013	80,000	–	–	–	80,000
		02/07/2012	02/07/2012 – 02/06/2013	80,000	–	–	–	80,000
02/28/2007	86.85	02/28/2008	02/28/2008 – 02/27/2013	120,000	–	–	–	120,000
		02/28/2009	02/28/2009 – 02/27/2013	120,000	–	–	–	120,000
		02/28/2010	02/28/2010 – 02/27/2013	120,000	–	–	–	120,000
		02/28/2011	02/28/2011 – 02/27/2013	120,000	–	–	–	120,000
		02/28/2012	02/28/2012 – 02/27/2013	120,000	–	–	–	120,000

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Share Options (continued)

Employees and Consultants (continued)

Date of Grant (mm/dd/yyyy)	Exercise Price (HK\$)	Vesting Date (mm/dd/yyyy)	Exercise Period (mm/dd/yyyy)	Number of Share Options				
				As at 07/01/2007	Granted	Exercised	Lapsed	As at 12/31/2007
12/04/2007	119.00	12/04/2008	12/04/2008 – 12/03/2013	–	210,000	–	–	210,000
		12/04/2009	12/04/2009 – 12/03/2013	–	210,000	–	–	210,000
		12/04/2010	12/04/2010 – 12/03/2013	–	210,000	–	–	210,000
		12/04/2011	12/04/2011 – 12/03/2013	–	210,000	–	–	210,000
		12/04/2012	12/04/2012 – 12/03/2013	–	210,000	–	–	210,000
12/05/2007	118.70	12/05/2008	12/05/2008 – 12/04/2013	–	642,000	–	–	642,000
		12/05/2009	12/05/2009 – 12/04/2013	–	642,000	–	–	642,000
		12/05/2010	12/05/2010 – 12/04/2013	–	642,000	–	–	642,000
		12/05/2011	12/05/2011 – 12/04/2013	–	642,000	–	–	642,000
		12/05/2012	12/05/2012 – 12/04/2013	–	642,000	–	–	642,000
In aggregate				33,446,000	4,260,000	5,895,000	2,850,000	28,961,000
TOTAL				46,566,000	4,860,000	11,335,000	2,850,000	37,241,000

Notes:

1. The closing prices of the shares of the Company immediately before the options granted on December 4, 2007 and December 5, 2007 were HK\$118.80 and HK\$119.00 respectively.
2. The weighted average closing price of the shares immediately before the date of exercise by Mr. Heinz Jürgen Krogner-Kornalik was HK\$112.11.
3. The weighted average closing price of the shares immediately before the date of exercise by Mr. John Poon Cho Ming was HK\$112.11.
4. The weighted average closing price of the shares immediately before the date of exercise by Mr. Thomas Johannes Grote was HK\$118.80.
5. The weighted average closing price of the shares immediately before the date of exercise by Mr. Jerome Squire Griffith was HK\$117.70.
6. The weighted average closing price of the shares immediately before the dates of exercise by the employees and consultants was HK\$112.66.
7. No share options were cancelled under the 2001 Share Option Scheme during the period under review.
8. Adjustment to the opening balance as at July 1, 2007 was due to certain share options lapsed before July 1, 2007 but reported during the period under review.

Share Options (continued)

Save as disclosed above, at no time during the period under review was the Company or its subsidiaries a party to any arrangement that enabled 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.

Share Options 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 the date of grant HK\$	Exercisable price HK\$	Expected volatility ²	Annual risk-free interest rate ³	Life of option ⁴	Dividend yield ⁵
December 4, 2007	21.66-35.73	119.00	119.00	37.87%	1.86%-2.75%	2-6 years	1.81%
December 5, 2007	21.37-35.46	118.70	118.70	37.74%	1.65%-2.71%	2-6 years	1.81%

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 (excluding special dividend) for the three years preceding the year of grant.

As at December 31, 2007, 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, 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.

Substantial Shareholders' Interests

As at December 31, 2007, the following shareholders (other than the Directors and chief executives of the Company whose interests or short positions in the shares and underlying shares of the Company as disclosed above) had interests or short positions in the shares and underlying shares of the Company 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 (Long position)	Number of shares (Short position)	Approximate percentage of aggregate interests to total issued share capital
JPMorgan Chase & Co.	Interest of controlled corporations (Notes 1 to 4)	122,920,259	4,834,600	10.28%
Capital Research and Management Company	Investment Manager (Note 5)	135,877,000	Nil	10.93%
HSBC International Trustee Limited	Trustee (Note 6)	106,710,975	Nil	8.59%

Substantial Shareholders' Interests (continued)

Notes:

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

Capacity	Number of shares (Long position)	Number of shares (Short position)
Beneficial owner	2,346,490	4,834,600
Investment manager	70,275,668	Nil
Custodian corporation/approved lending agent	50,298,101	Nil

2. Details of the interest in long position of the 122,920,259 shares held by JPMorgan Chase & Co. were as follows:

Name	Direct (D)/ Indirect (I) interests in the shares	Aggregate long position in the shares	Approximate percentage of aggregate interests to total issued share capital
JPMorgan Chase Bank, N.A.	D	53,745,944	4.33%
JPMorgan Chase Bank, N.A.	I	2,349,248	0.19%
J.P. Morgan International Inc.	I	2,349,248	0.19%
Bank One International Holdings Corporation	I	2,349,248	0.19%
J.P. Morgan International Finance Limited	I	2,349,248	0.19%
J.P. Morgan Overseas Capital Corporation	I	670,848	0.05%
J.P. Morgan Whitefriars Inc.	D	668,090	0.05%
J.P. Morgan International Bank Limited	D	2,758	0.00%
JPMorgan Asset Management Holdings Inc.	I	66,825,067	5.38%
JPMorgan Asset Management (Canada) Inc.	D	2,688,100	0.22%

Name	Direct (D)/ Indirect (I) interests in the shares	Aggregate long position in the shares	Approximate percentage of aggregate interests to total issued share capital
J.P. Morgan Investment Management Inc.	D	12,601,903	1.01%
JPMorgan Asset Management (Asia) Inc.	I	34,142,129	2.75%
JF International Management Inc. JF Asset Management (Singapore)	D	275,600	0.02%
JF Asset Management (Singapore) Limited - Co Reg #: 197601586K	D	3,109,500	0.25%
JF Asset Management Limited	D	27,239,029	2.19%
JF Asset Management Limited	I	1,611,200	0.13%
JF Funds Limited	I	1,611,200	0.13%
JF Asset Management (Taiwan) Limited	D	1,611,200	0.13%
JPMorgan Asset Management (Japan) Limited	D	1,906,800	0.15%
JPMorgan Asset Management International Limited	I	17,392,935	1.40%
JPMorgan Asset Management Holdings (UK) Limited	I	17,392,935	1.40%
JPMorgan Asset Management (UK) Limited	D	14,669,435	1.18%
JPMorgan Asset Management (UK) Limited	I	2,723,500	0.22%
China International Fund Management Ltd	D	2,709,400	0.22%
JP Morgan Asset Management (London) Limited	D	14,100	0.00%
J.P. Morgan Capital Holdings Limited	I	1,678,400	0.14%
J.P. Morgan Chase (UK) Holdings Limited	I	1,678,400	0.14%
J.P. Morgan Chase International Holdings Limited	I	1,678,400	0.14%
J.P. Morgan Securities Ltd.	D	1,678,400	0.14%

Substantial Shareholders' Interests (continued)

Explanatory Notes:

All the following interests were deemed to be held by the relevant company under the SFO. JPMorgan Chase & Co. was deemed to be interested in an aggregate of 122,920,259 shares held or deemed to be held by: (I) JPMorgan Chase Bank, N.A. (56,095,192 shares); and (II) JPMorgan Asset Management Holdings Inc. (66,825,067 shares), all were wholly-owned subsidiaries of JPMorgan Chase & Co.

- (I) JPMorgan Chase Bank, N.A. directly held 53,745,944 shares and was also deemed to be interested in an aggregate of 2,349,248 shares held by the following indirect subsidiaries held through J.P. Morgan International Finance Limited ("JPIF"):
- (a) 668,090 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) 1,678,400 shares were held by J.P. Morgan Securities Ltd., 98.95% subsidiary of J.P. Morgan Chase International Holdings Limited, 97.58% subsidiary of J.P. Morgan Chase (UK) Holdings Limited, wholly-owned by J.P. Morgan Capital Holdings Limited, wholly-owned by JPIF; and
 - (c) 2,758 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 66,825,067 shares held by the following subsidiaries:
- (a) 2,688,100 shares were held by JPMorgan Asset Management (Canada) Inc., directly wholly-owned by JPAMH;
 - (b) 12,601,903 shares were held by J.P. Morgan Investment Management Inc., directly wholly-owned by JPAMH;
 - (c) 34,142,129 shares were deemed to be held by JPMorgan Asset Management (Asia) Inc. ("JPAsia"), directly wholly-owned by JPAMH, through the following subsidiaries:
 - (i) 275,600 shares were held by JF International Management Inc., wholly-owned by JPAsia;
 - (ii) 3,109,500 shares were held by JF Asset Management (Singapore) Limited - Co Reg #:197601586K, wholly-owned by JPAsia;
 - (iii) 27,239,029 shares were held by JF Asset Management Limited, wholly-owned by JPAsia;
 - (iv) 1,611,200 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; and
 - (v) 1,906,800 shares were held by JPMorgan Asset Management (Japan) Limited, wholly-owned by JPAsia; and
 - (d) 17,392,935 shares were deemed to be held by JPMorgan Asset Management International Limited ("JPAMI"), directly wholly-owned by JPAMH, through the following subsidiaries:
 - (i) 14,669,435 shares were held by JP Morgan Asset Management (UK) Limited, wholly-owned by JPMorgan Asset Management Holdings (UK) Limited, a wholly-owned subsidiary of JPAMI;
 - (ii) 2,709,400 shares were held by China International Fund Management Ltd, 49.00% owned by JP Morgan Asset Management (UK) Limited, a wholly-owned subsidiary of JPAMI; and
 - (iii) 14,100 shares were held by JP Morgan Asset Management (London) Limited, wholly-owned subsidiary of JP Morgan Asset Management (UK) Limited, a wholly-owned subsidiary of JPAMI.

Substantial Shareholders' Interests (continued)

3. 50,298,101 shares of the interests disclosed in Note 2 above represent shares of the Company in the lending pool.
4. Details of the interest in short position of the 4,834,600 shares held by JPMorgan Chase & Co. were as follows:

Name	Direct (D)/ Indirect (I) interests in the shares	Aggregate short position in the shares	Approximate percentage of aggregate interests to total issued share capital
JPMorgan Chase Bank, N.A.	I	4,834,600	0.39%
J.P. Morgan International Inc. Bank One International Holdings Corporation	I	4,834,600	0.39%
J.P. Morgan International Finance Limited	I	4,834,600	0.39%
J.P. Morgan Overseas Capital Corporation	I	3,156,200	0.25%
J.P. Morgan Whitefriars Inc.	D	3,156,200	0.25%
J.P. Morgan Capital Holdings Limited	I	1,678,400	0.14%
J.P. Morgan Chase (UK) Holdings Limited	I	1,678,400	0.14%
J.P. Morgan Chase International Holdings Limited	I	1,678,400	0.14%
J.P. Morgan Securities Ltd.	D	1,678,400	0.14%

Explanatory Notes:

All the following interests were deemed to be held by the relevant company under the SFO. JPMorgan Chase & Co. was deemed to have a short position in an aggregate of 4,834,600 shares held by the following indirect subsidiaries:

- (a) 3,156,200 shares held by J.P. Morgan Whitefriars Inc., indirect wholly-owned subsidiary of JPMorgan Chase & Co.; and
- (b) 1,678,400 shares held by J.P. Morgan Securities Ltd., 98.95% subsidiary of J.P. Morgan Chase International Holdings Limited, 97.58% subsidiary of J.P. Morgan Chase (UK) Holdings Limited, indirect wholly-owned subsidiary of JPMorgan Chase & Co.

5. All interests disclosed herein represent long positions in the shares of the Company.
6. Details of the interest in the 106,710,975 shares held by HSBC International Trustee Limited were as follows:

Name	Direct (D)/ Indirect (I) interests in the shares	Aggregate Long position in the shares	Approximate percentage of aggregate interests to total issued share capital
YET Holdings Limited	I	106,208,352	8.55%
Great View International Limited	D	106,208,352	8.55%
HSBC International Trustee Limited	D	502,623	0.04%

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 106,710,975 shares. HITL was directly interested in 502,623 shares. HITL was also deemed to be interested in 106,208,352 shares held by Great View International Limited, a wholly-owned subsidiary of YET Holdings Limited, 100% controlled by HITL. These interests have also been included as trust interest of Mr. Michael Ying Lee Yuen as disclosed under the "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" section above. All interests disclosed herein 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, 2007 which were required to be notified to the Company pursuant to Part XV of the SFO or which are recorded in the register required to be kept by the Company under Section 336 of the SFO.

Interim Dividend

The Board of Directors has declared an interim dividend for the six months ended December 31, 2007 of HK\$0.95 per share (FY2006/2007: HK\$0.70) representing a year-on-year growth of 35.7%. The dividend will be payable on or about Thursday, April 3, 2008 to the shareholders whose names appear on the Registers of Members of the Company at close of business on Wednesday, March 26, 2008 (“Shareholders”). The relevant dividend warrants will be despatched to Shareholders on or about Wednesday, April 2, 2008.

Closure of Registers of Members

The Registers of Members of the Company will be closed from Thursday, March 27, 2008 to Friday, March 28, 2008, 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 Wednesday, March 26, 2008.

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, 2007 with the management.

This unaudited condensed consolidated interim financial information on pages 27 to 36 has been extracted from the interim financial statements for the six months ended December 31, 2007. The Group’s external auditors, PricewaterhouseCoopers, performed an independent review of the interim financial statements for the six months ended December 31, 2007 in accordance with International Standard on Review Engagements 2410. On the basis of their review which is substantially less in scope than an audit, PricewaterhouseCoopers confirmed in writing that nothing has come to their attention that causes them to believe that the interim financial statements have not been prepared, in all material respect, in accordance with IAS 34 “Interim Financial Reporting”.

Human Resources

As at December 31, 2007, the Group employed over 10,400 full-time equivalent staff (2006: 9,000) 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 applied the principles and 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, 2007, except that:

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 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.

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, 2007.

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, January 30, 2008

FINANCIAL CALENDAR

Book close	March 27, 2008 - March 28, 2008
Payment of interim dividend	on or about April 3, 2008
Financial year end	June 30, 2008

SHAREHOLDERS ENQUIRIES

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

Tricor Secretaries Limited
26/F., Tesbury Centre
28 Queen's Road East, Wanchai, Hong Kong
t +852 2980 1333
f +852 2810 8185

For enquiries from investors and securities analysts, please contact:

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43/F, Enterprise Square Three
39 Wang Chiu Road, Kowloon Bay
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e esprit-ir@esprit.com

HONG KONG HEAD OFFICE

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GLOBAL BUSINESS HEADQUARTERS

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SHARE LISTING

The shares of Esprit Holdings Limited are listed on
The Stock Exchange of Hong Kong Limited (stock code: 0330).

WEBSITE

www.espritholdings.com

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