ESPRIT ANNOUNCES DOUBLE-DIGIT % TURNOVER & PROFIT GROWTH

- Group turnover rose 13.1% to around HK$11.8 billion
- Net profit increased 15.7% to about HK$1.9 billion
- Interim dividend: HK$0.5 per share, payable on April 7, 2006

ESPRIT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 330)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED DECEMBER 31, 2005

INTERIM RESULTS

The Board of Directors of Esprit Holdings Limited (the "Company") is pleased to present the unaudited condensed consolidated financial statements, along with selected explanatory notes, of the Company and its subsidiaries (the "Group") for the six months ended December 31, 2005 as follows:

Condensed Consolidated Income Statement (Unaudited)

	Notes	For the 6 months ended December 31, 2005 HK$'000	2004 HK$'000 As restated
Turnover	2	**11,825,576**	10,452,127
Cost of goods sold		**(5,654,921)**	(4,765,611)
Gross profit		**6,170,655**	5,686,516
Staff costs		**(1,440,367)**	(1,275,032)
Depreciation		**(252,684)**	(199,758)
Other operating costs		**(2,068,961)**	(2,092,009)
Operating profit	3	**2,408,643**	2,119,717
Interest income		**17,424**	13,249
Finance costs	4	**(1,043)**	(1,206)
Share of results of associates		**40,716**	37,939
Profit before taxation		**2,465,740**	2,169,699
Taxation	5	**(592,775)**	(550,360)
Profit attributable to shareholders		**1,872,965**	1,619,339
Interim dividend	6	**607,139**	538,985
Earnings per share			
– Basic	7	**HK$1.56**	HK$1.35
– Diluted	7	**HK$1.53**	HK$1.33

Condensed Consolidated Balance Sheet

	Notes	Unaudited December 31, 2005 HK$'000	Audited June 30, 2005 HK$'000
Non-current assets			
Intangible assets		**1,997,911**	2,009,028
Property, plant and equipment	8	**2,274,981**	2,052,993
Other investments		**7,846**	7,846
Investments in associates		**224,107**	181,781
Prepaid lease payments		**182,120**	184,419
Deferred tax assets		**272,968**	204,982
		4,959,933	4,641,049
Current assets			
Inventories		**1,569,435**	1,386,788
Debtors, deposits and prepayments	9	**2,653,013**	2,238,316
Amounts due from associates		**52,961**	39,033
Short-term bank deposits		**542,328**	124,688
Bank balances and cash		**1,004,725**	1,603,963
		5,822,462	5,392,788
Current liabilities			
Creditors and accrued charges	10	**2,279,023**	2,162,682
Taxation		**934,704**	501,714
		3,213,727	2,664,396
Net current assets		**2,608,735**	2,728,392
Total assets less current liabilities		**7,568,668**	7,369,441
Financed by:			
Share capital	11	**121,010**	119,943
Reserves		**7,125,260**	6,919,209
Shareholders' funds		**7,246,270**	7,039,152
Deferred tax liabilities		**322,398**	330,289
		7,568,668	7,369,441

Notes to the Financial Statements

1. Basis of preparation

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

This interim financial report should be read in conjunction with the annual financial statements for the year ended June 30, 2005. The accounting policies and methods of computation used in the preparation of these interim financial report are consistent with those used in the annual financial statements for the year ended June 30, 2005, except for the change in accounting policy made thereafter in adopting International Financial Reporting Standard ("IFRS") 2 "Share-based Payment", which is effective for the Group's annual accounting period commencing July 1, 2005.

In prior years, no employee benefit cost or obligation was recognized when employees (which term includes directors) were granted share options by the Group over shares in the Company. When the share options were exercised, equity was increased by the amount of the proceeds received. IFRS 2 requires the Group to measure the fair value of the share options at the date of grant and recognize the amount as an expense over the relevant period of service (normally the vesting period of the options). The fair value of the options granted is estimated by applying an option pricing model, taking into account a number of factors, including the exercise price of the option, the life of the option, the market price of the underlying shares, the expected volatility of the share price and the risk-free interest rate for the life of the option. Following the adoption of IFRS 2, the Group recognizes the fair value of share options granted to employees as an expense in the consolidated income statement and a corresponding increase in an employee share-based compensation reserve within equity. Pursuant to the transitional provisions of IFRS 2, expenses relating to share options granted after November 7, 2002 which were not vested on July 1, 2005 were charged retrospectively to the consolidated income statements of the respective financial period. If an employee chooses to exercise the options, the employee share-based compensation reserve together with the exercise price paid by the employee are transferred to share capital and share premium. If the option lapses unexercised, the employee share-based compensation reserve is transferred directly to retained profits.

The effect of the adoption of IFRS 2 on the consolidated income statement for the period is as follows:

	For the 6 months ended December 31,	
	2005	2004
Decrease in profit and earnings per share	***HK$'000***	*HK$'000*
Profit attributable to shareholders	70,400	32,121
Earnings per share		
– basic and diluted *(HK$ per share)*	0.06	0.03

The effect of the adoption of IFRS 2 on the equity as at December 31, 2005 and June 30, 2005 is as follows:

Increase/(decrease) in equity	**December 31, 2005** *HK$'000*	June 30, 2005 *HK$'000*
Employee share-based compensation reserve	**203,746**	174,082
Share premium	**40,736**	–
Retained profits	**(244,482)**	(174,082)

The Group did not early adopt the following amendments to IFRS and International Accounting Standards ("IAS") that have been issued in August and December 2005, which will be effective for annual accounting periods beginning on or after January 1, 2006. The adoption of such amendments will not result in substantial changes to the Group's accounting policies.

IFRS 4 (Amendment)	Insurance Contracts – Financial Guarantee Contracts
IAS 21 (Amendment)	The Effect of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation
IAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Financial Guarantee Contracts

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.

	For the 6 months ended December 31,	
	2005	2004
	HK$'000	*HK$'000*
Turnover		
Sales of goods	**11,729,206**	10,354,551
Licensing and other income	**96,370**	97,576
	11,825,576	10,452,127

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. The Group has modified its current global internal management reporting to reflect its updated global brand development cost structure. Accordingly, the Group has revised the basis of business segment reporting. Global brand development costs are now 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. Prior year comparatives have been adjusted to conform with the current period presentation.

	For the 6 months ended December 31, 2005				
	Wholesale	**Retail**	**Licensing and 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					2,465,740
Segment EBIT – ex-inter-segment licensing expense/income *(note)*	2,008,346	592,659	52,470	(137,918)	2,515,557

	For the 6 months ended December 31, 2004 *(As restated)*				
	Wholesale	Retail	Licensing & others	Eliminations	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	5,938,913	4,415,638	97,576	–	10,452,127
Inter-segment revenue	–	–	251,556	(251,556)	–
	5,938,913	4,415,638	349,132	(251,556)	10,452,127
Segment results	1,418,835	646,763	201,145	(30,170)	2,236,573
Unallocated net expenses					(116,856)
Interest income					13,249
Finance costs					(1,206)
Share of results of associates					37,939
Profit before taxation					2,169,699
Segment EBIT – ex-inter-segment licensing expense/income *(note)*	1,533,453	684,085	49,205	(30,170)	2,236,573

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$2,008,346,000 (2004: HK$1,533,453,000) and HK$592,659,000 (2004: HK$684,085,000) respectively, representing wholesale EBIT margin ("segment EBIT/segment turnover") of 29.2% (2004: 25.8%) and retail EBIT margin of 12.2% (2004: 15.5%).

Secondary reporting format – geographical segments

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

	For the 6 months ended December 31,	
	2005	2004
	HK$'000	*HK$'000*
Turnover		
Europe	**9,997,458**	8,892,672
Asia	**1,133,686**	949,053
Australasia	**357,935**	377,141
North America and others	**336,497**	233,261
	11,825,576	10,452,127

3. Operating profit

	For the 6 months ended December 31,	
	2005	2004
	HK$'000	*HK$'000*
Operating profit is arrived at after crediting and charging the following:		
Crediting:		
Net exchange gains	**57,416**	27,003
Charging:		
Depreciation	**252,684**	199,758
Loss on disposal of property, plant and equipment	**2,231**	–
Provision for obsolete stocks and stock write-offs	**62,998**	56,849
Provision for doubtful debts	**8,227**	20,257

4. Finance costs

	For the 6 months ended December 31,	
	2005	2004
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts wholly repayable within five years	**1,043**	1,186
Interest element of finance leases payments	**–**	20
	1,043	1,206

5. Taxation

	For the 6 months ended December 31, 2005 HK$'000	2004 HK$'000
Current tax		
Hong Kong profits tax	**2,300**	1,200
Overseas taxation	**669,112**	667,053
Overprovision in prior year	**–**	(4,000)
	671,412	664,253
Deferred tax credit		
Current period	**(78,637)**	(113,893)
	592,775	550,360

Hong Kong profits tax is calculated at 17.5% (2004/2005: 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, 2005 of a net tax credit of HK$1,291,000 (2004: a net tax charge of HK$200,000) are included in the consolidated income statement as share of results of associates.

6. Interim dividend

	For the 6 months ended December 31, 2005 HK$'000	2004 HK$'000
Interim dividend declared of HK$0.50 (2004/2005: HK$0.45) per share	**607,139**	538,985

The amount for the 2005/2006 interim dividend is based on 1,214,278,434 shares (2004/2005: 1,197,745,434 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.

	For the 6 months ended December 31,	
	2005	2004 *As restated*
Profit attributable to shareholders *(HK$'000)*	**1,872,965**	1,619,339
Weighted average number of ordinary shares in issue *(thousands)*	**1,201,418**	1,194,221
Basic earnings per share *(HK$ per share)*	**1.56**	1.35

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.

	For the 6 months ended December 31,	
	2005	2004 *As restated*
Profit attributable to shareholders *(HK$'000)*	1,872,965	1,619,339
Weighted average number of ordinary shares in issue *(thousands)*	1,201,418	1,194,221
Adjustments for share options *(thousands)*	23,596	19,376
Weighted average number of ordinary shares for diluted earnings per share *(thousands)*	1,225,014	1,213,597
Diluted earnings per share *(HK$ per share)*	1.53	1.33

8. Property, plant and equipment

	HK$'000
At July 1, 2005	2,052,993
Exchange translation	(38,772)
Additions	520,453
Disposals	(7,009)
Depreciation *(note 3)*	(252,684)
At December 31, 2005	2,274,981

During the period ended December 31, 2005, the Group incurred approximately HK$432.7 million in expansion and renovation of retail shops in various locations and approximately HK$33.3 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:

	December 31, 2005	June 30, 2005
	HK$'000	*HK$'000*
0 – 30 days	**1,660,025**	1,341,249
31 – 60 days	**72,134**	69,204
61 – 90 days	**59,662**	61,304
Over 90 days	**112,125**	57,021
	1,903,946	1,528,778

The Group's retail sales to customers are mainly on cash basis. The Group also grants credit to most of its wholesale and franchise customers normally for a period of 30 days.

10. Creditors and accrued charges

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

	December 31, 2005	June 30, 2005
	HK$'000	*HK$'000*
0 – 30 days	**728,347**	863,871
31 – 60 days	**21,662**	25,265
61 – 90 days	**11,534**	18,107
Over 90 days	**43,802**	10,941
	805,345	918,184

11. Share capital

	December 31, 2005	June 30, 2005
	HK$'000	*HK$'000*
Authorized		
2,000,000,000 shares of HK$0.10 each	**200,000**	200,000

	Number of shares of HK$0.10 each	Nominal value
	'000	*HK$'000*
Issued and fully paid		
At July 1, 2005	**1,199,425**	119,943
Exercise of share options *(note)*	**10,672**	1,067
At December 31, 2005	**1,210,097**	121,010

note: During the period, 10,672,000 ordinary shares of HK$0.10 were issued at a premium in the range of HK$14.60 to HK$42.58 each in relation to the share options exercised by Directors and employees under the share option scheme.

INTERIM DIVIDEND

The Board of Directors has declared an interim dividend for the six months ended December 31, 2005 of HK$0.50 per share (FY2004/2005: HK$0.45). The dividend will be payable on or about Friday, April 7, 2006 to the shareholders whose names appear on the Registers of Members of the Company at close of business on Friday, March 31, 2006 ("Shareholders"). The relevant dividend warrants will be despatched to Shareholders on or about Thursday, April 6, 2006.

FINANCIAL REVIEW

The Group continued to deliver double-digit percentage turnover and earnings growth for the six months ended December 31, 2005. This result was driven by diversified growth across key geographical regions, product segments, and distribution channels.

Our financial achievement is attributable to our continual effort to provide excellent customer service through offering high quality of products at affordable price. Notwithstanding weakness of the Euro and an adverse operating environment in the first half of the financial year, we demonstrated that the ESPRIT brand offers high potential for continuous growth.

Turnover

During the six months ended December 31, 2005, the Group's turnover grew 18% in local currency terms. Due to an approximately 5% decline of the average daily Euro versus Hong Kong dollars exchange rate ("Euro/HKD translation rate") as compared to the same period last year, the Group's turnover translated into 13.1% growth in Hong Kong dollar terms of HK$11,825.6 million.

Operating Profit (EBIT)

The Group's EBIT increased 13.6% to HK$2,408.6 million, representing 20.4% of Group turnover. Profitability improvement due to economies of scale and stringent cost control was partially offset by the new share option expenses following the first year adoption of IFRS 2. Operating expenses, including the share option expense of HK$70.4 million, decreased by 2.3% points to 31.8% of the Group's turnover or HK$3,762.0 million, compared to 34.1% in the same period last year.

Profit before Tax

Net interest income was HK$16.4 million, representing an increase of 36.0% over the same period of last year. Share of results of associates rose 7.3% to HK$40.7 million, as compared to HK$37.9 million in the same period last year, mainly driven by turnover growth of our China Joint Venture. Group earnings before tax were HK$2,465.7 million, an increase of 13.6% over last year.

Effective Tax Rate

The Group's effective tax rate for the six months ended December 31, 2005 decreased by 1.4% points to 24.0%. Total tax charge increased by 7.7% to HK$592.8 million.

Net Profit

Higher turnover at stable profit margin drove net earnings up by 15.7% to HK$1,872.9 million. Net profit margin increased to 15.8% as compared to 15.5% in the same period last year.

Seasonality of Business

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

Liquidity and Financial Resources

The Group continued to enjoy stable net cash inflow from operating activities for the period of HK$1,895.8 million as compared to HK$1,854.8 million in the comparable period last year.

The Group invested HK$520.5 million during the six months ended December 31, 2005 in capital expenditure and HK$432.7 million was spent in the opening of new stores and refurbishment of old stores, as compared to HK$361.9 million in the same period last year.

Notwithstanding that HK$1,813.4 million was distributed to shareholders as dividend payment in December 2005, the Group ended the period with HK$1,547.1 million of net cash (cash and cash equivalents).

As at December 31, 2005, the Group had no long-term bank borrowings and did not pledge any assets as security for overdraft and/or short-term revolving facility. Our debt to equity ratio, expressed as a percentage of interest bearing external borrowings over shareholders' funds of HK$7,246.3 million, was 0%. The current ratio (current assets divided by current liabilities) decreased slightly to 1.8 from 2.0 for the same period of last year.

Foreign Exchange Risk Management

To minimize our foreign exchange exposure on sourcing costs for merchandise produced for Europe in Asia, suppliers in Asia were asked to quote and settle in Euros. In addition, the Group entered into foreign exchange forward contracts with major and reputable financial institutions to hedge foreign exchange risk. The notional amount of outstanding forward contracts amounted to HK$688.1 million as at December 31, 2005, representing a decrease of HK$12.0 million over the balance as at June 30, 2005.

Geographic Regions

Europe, representing 84.5% of the Group's total turnover, grew by 12.4% to HK$9,997.5 million. Germany continued to be Esprit's largest market, accounting for 47.7% of the Group's total turnover and reported a 10.5% turnover growth. Europe ex-Germany, representing 36.8% of Group's turnover, grew by 15.5%. Three European markets recorded substantial turnover growth. France grew by 28.7% to HK$840.7 million, Switzerland increased by 22.3% to HK$353.1 million, and Scandinavia rose by 16.8% to HK$514.2 million. While Benelux did not perform to our expectations during the six months ended December 31, 2005, we consider this to be a temporary setback caused primarily by poor local product offerings. On the other hand, our newer European markets have shown encouraging turnover growth. For example, Italy achieved 58.6% growth and is already profitable while the U.K. market, despite having a slight operating loss, recorded a 36.4% growth.

Although contributions from other regions remain relatively less significant compared with those from Europe, they present attractive growth opportunities for Esprit over the long term. Overall sales in Asia grew by 19.5% to HK$1,133.7 million, representing 9.6% of the Group's turnover, with ESPRIT brand's sales in Hong Kong and Taiwan both increasing by approximately 9%. All Asian markets were profitable except Taiwan which recorded a slight operating loss. Our focus on a better assortment of products should enable us to continue to rebuild customers' loyalty in Asia.

North America accounted for 2.9% of the Group's turnover, grew by 44.3%. The turnover growth was the result of the Group's commitment to continue to invest in this region through retail and wholesale expansion. Although both markets have not achieved breakeven, Canada recorded a turnover growth of 29.6% while the U.S. market achieved a turnover growth of 82.7%.

While Europe, Asia and North America have shown satisfactory growth rate, Australasia was the only region that recorded a negative turnover growth of 5.1% year-on-year, with a total turnover of HK$357.9 million. We are in the process of realigning our product offering and management's focus in Australasia in order to bring its performance back on track.

Group Turnover Breakdown by Geographic Region (about 5% drop in Euro/HKD translation rate included)

	6 months ended December 31		
	2005	2004	yoy Growth
Europe	**84.5%**	85.1%	12.4%
Germany	**47.7%**	49.0%	10.5%
Benelux	**15.0%**	16.5%	3.2%
France	**7.1%**	6.2%	28.7%
Scandinavia	**4.3%**	4.2%	16.8%
Others	**10.4%**	9.2%	28.0%
Asia	**9.6%**	9.1%	19.5%
Australasia	**3.0%**	3.6%	-5.1%
North America	**2.9%**	2.2%	44.3%

Products

Our diversified product offering under 12 product divisions with most running at 12 collections a year has enabled us to cater to distinct target groups and to better serve the ever-changing taste of our customers.

Women's wear, which continued to dominate the Group's total turnover, accounted for 62.4% of the Group's turnover and grew by 12.0%. edc Women saw the fastest growth among all product lines. It reported 29.3% year-on-year growth, contributing HK$1,823.5 million or 15.4% of total sales. Women's Casual and Women's Collection achieved a lower than expected growth rate, 7.2% and 4.8% respectively, mainly due to product offering issues which are being rectified. Women's Sports, representing 2.9% of the Group's turnover, increased by 15.5%.

Among other product divisions, Kids & edc Youth saw the fastest growth. Like edc Women, Kids & edc Youth also reported 29.3% growth, contributing HK$843.5 million or 7.1% of total sales. Men's wear, contributing 14.8% of the Group's total sales, registered 11.6% growth to HK$1,745.4 million.

Growth in the shoes and accessories divisions, each representing 4.4% and 5.1% of total turnover, continued to be robust and recorded 11.3% and 16.0% growth respectively. The Group sees huge growth potentials in these divisions and is placing more emphasis to distinguish the brand through the offering of Esprit accessories.

Group Turnover Breakdown by Key Products
(about 5% drop in Euro/HKD translation rate included)

Key Product Division	% Group Turnover	yoy Growth
Women's Wear	62.4%	12.0%
Casual	37.1%	7.2%
edc	15.4%	29.3%
Collection	7.0%	4.8%
Sports	2.9%	15.5%
Men's Wear	14.8%	11.6%
Kids & edc Youth	7.1%	29.3%
Shoes	4.4%	11.3%
Others*	11.3%	13.3%

** Others include accessories, bodywear, Red Earth, and others*

Wholesale

Wholesale turnover underpinned 58.2% of Esprit's total turnover. The Group's wholesale turnover increased by 15.9% to HK$6,880.4 million during the six months ended December 31, 2005.

This increase was primarily driven by growth in the European region, where sales rose 14.9% to HK$6,401.4 million and accounted for 93.0% of the Group's wholesale turnover. While our core wholesale market Germany, accounting for 47.2% of the Group's wholesale turnover, continued to deliver 12.4% turnover growth, the rest of Europe achieved 17.7% turnover growth and contributed to 45.9% of the Group's wholesale turnover. Countries that marked the highest year-on-year wholesale turnover growth in the Europe region were France, Switzerland and Scandinavia. Each grew 27.5%, 19.0% and 18.7%, accounting for 10.3%, 2.2%, and 7.2% of the Group's wholesale turnover respectively.

Our continuing efforts to develop the newer European markets including Italy, U.K. and Spain have demonstrated encouraging results. Number of point-of-sales in Italy, U.K. and Spain reached 234, 130 and 99 respectively with Spain commencing operations in the second half of last financial year. Italy's turnover grew by 58.6% while U.K. achieved 30.4% year-on-year turnover growth.

Wholesale operations in Asia continued to see rapid development and recorded 32.4% turnover growth to HK$389.3 million. Strong growth was seen particularly in China after the wholesale partner agreed to speed up local expansion. Wholesale to China grew by 40% in the reporting period. In India, the wholesale partnership is progressing smoothly. Four franchised stores have been opened in India in the first half and more openings are planned for the second half. Our wholesale development has also expanded into Korea where we have recently entered into a new distribution partnership.

As of December 31, 2005, the Group had over 10,000 wholesale point-of-sales. Contributing to the turnover growth was the addition of 925 new wholesale point-of-sales since the beginning of the financial year, comprising an increase in the number of partnership stores, shop-in-stores and identity corners by 92, 336 and 497 respectively.

Group Wholesale Turnover Breakdown

Wholesale Country	% Group Wholesale Turnover	yoy Growth
Germany	47.2%	12.4%
Benelux	17.8%	6.5%
France	10.3%	27.5%
Scandinavia	7.2%	18.7%
Rest of World	17.5%	28.3%

Retail

We continued to expand our retail business through choosing the right store locations and through better visual merchandising presentations that reflected our brand positioning. In addition, we continued to make significant improvements in service levels in terms of customer service, replenishments, and sell-through.

Retail turnover increased 9.8% to HK$4,848.8 million, partly driven by approximately 5% growth in comparable-store-sales. The growth was largely attributable to the success of our well-defined product lines which were complementary to the growth of our retail business.

Our biggest retail region, Europe, registered 8.7% increase in turnover and contributed 73.9% to the Group's retail turnover. This was the combined result of a 5.9% increase in comparable-store-sales and a more than 16,000 m^2 net addition in retail space.

Asian retail sales grew by 12.0% to HK$681.7 million, helped by a 10.4% increase in comparable-store-sales. North America and Australasia, which together accounted for 12.1% of total retail turnover, recorded a 17.4% turnover increase to HK$585.5 million. Australasia recorded a 10.7% decrease in comparable-store-sales while North America (Canada only) comparable-store-sales grew by 8.5%.

Our e*shop has performed well during the six months ended December 31, 2005. We believe that this channel offers a great alternative that enables us to connect to our customers. We have extended our e-commerce business to Netherlands, France, and Belgium, bringing us closer to our existing and potential customers.

The Group opened 70 directly-managed retail stores and closed 31 bringing the total number of directly-managed stores worldwide to 670 since July 2005. Sales area increased by 13% to over 210,000 m^2.

Group Retail Turnover Breakdown

Retail Country	% Group Retail Turnover	yoy Growth
Germany	49.2%	8.1%
Benelux	11.3%	-3.5%
Hong Kong	6.8%	3.8%
France	2.6%	33.5%
Rest of World	30.1%	20.0%

Licensing

Licensed products sold under the ESPRIT brand name continue to enhance the brand's penetration in various markets and contributed a third party's royalty income of HK$58.1 million, representing an increase of 2.8% over the same period last year.

Licensing income generated by markets outside the U.S. grew by 27.5%. This growth is the result of our strategy of focusing on strong product categories and key licensees to maximize synergies. This increase was partly offset by a 36.5% decline in licensing income from third party licensees in the U.S. market.

While our core licensed product categories of timewear and eyewear continue to develop rapidly, the newer categories such as bed & bath, towels, cosmetics & fragrance, and umbrellas are gathering momentum and each of these categories of products have achieved strong double-digit growth. We have added new licensing contracts including furniture & carpets and soft toys for Europe during the six months ended December 31, 2005. As at December 31, 2005, our product licensees collectively offer 26 categories of ESPRIT licensed products to consumers worldwide.

OUTLOOK

Looking ahead into the second half of this financial year, we expect the current growth to continue. We will strive to improve Women's Casual and Women's Collection offerings to rejuvenate a stronger growth.

Wholesale orders booked to June 2006 showed an approximately 18% year-on-year increase in local currency. We will continue to expand our wholesale reach through opening over 500 shop-in-stores, partnership stores, and identity corners in core markets in the second half of the financial year. Partnership stores and controlled space development will remain our priority in wholesale development. Our ongoing efforts to enhance brand positioning are unremitting. These involve careful selection of our wholesale customers in order to increase quality of distribution, as well as tightened control over visual quality within department stores. In addition, Spain, Italy, Middle East and India have emerged as attractive growth market for Esprit.

On the retail front, we will continue to expand our retail network by adding new stores primarily in Europe. Around 40 stores are scheduled to be opened in the second half of the financial year, representing an increase of selling space by over 12,000 m^2. Our focus on an enhanced local assortment of products that encompasses quality and newness should enable us to drive traffic and conversion in our stores worldwide. In North America, with a focus on women's Casual and edc offerings, we are awaiting market validation on product acceptance and are optimistic that the ESPRIT brand will gradually rebuild its brand relevance in that market.

In preparation for future growth, the Group has implemented certain organizational changes. Mr. Thomas Grote has been appointed President of the ESPRIT brand; while Mr. Jerome Griffith has been appointed President of Esprit North America. Australasia has been integrated into a newly created Asia Pacific region to strengthen our merchandise management and Headquarter support.

The Group aims to continue to improve the overall performance through focusing on profitability as well as market share expansion. We are further enhancing our global brand identity and offering absolute commitment to quality standards worldwide.

HUMAN RESOURCES

As at December 31, 2005, the Group employed over 8,500 staff (2004: 7,500), after converting to full-time positions terms, around the globe. Competitive remuneration packages that take into account business performance, market practices and competitive market conditions are offered to employees in compensation for their contribution. In addition, share options and discretionary bonuses are also granted based on the Group's and individual's performances. All employees around the world are connected through the Group's quarterly newsletters and global intranet.

CLOSURE OF REGISTERS OF MEMBERS

The Registers of Members of the Company will be closed from Tuesday, March 28, 2006 to Friday, March 31, 2006, 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 Monday, March 27, 2006.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's shares during the period under review.

AUDIT COMMITTEE

The Audit Committee comprises four non-executive Directors, three of whom are independent. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and has also discussed auditing, internal controls and financial reporting matters including the review of the unaudited interim results for the six months ended December 31, 2005 with the management.

In addition, the Group's external auditors, PricewaterhouseCoopers, performed an independent review of the interim financial statements for the six months ended December 31, 2005 in accordance with International Standard on Review Engagements 2400. On the basis of their review which does not constitute an audit, PricewaterhouseCoopers confirmed in writing that nothing has come to their attention that causes them to believe that the interim financial statements have not been properly prepared, in all material respect, in accordance with IAS34 "Interim Financial Reporting".

CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended December 31, 2005, only with deviation from code provision A.4.1 of the Code in respect of specific term of appointment of non-executive directors.

Under the code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term, subject to re-election. However, non-executive Directors of the Company do not have a specific term of appointment.

To comply with the code provision A.4.1 of the Code, relevant amendment was made to Bye-law 87 of the Company's Bye-laws with the approval of shareholders to the effect that all Directors including Non-executive Directors of the Company are subject to retirement by rotation in the annual general meeting of the Company and each Director is effectively appointed under an average term of 3 years.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 ("Model Code") to the Listing Rules.

The Company has made specific enquiry with all Directors and all of them confirmed that they have complied with the required standard set out in the Model Code for the six months ended December 31, 2005.

PUBLICATION OF INTERIM RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE

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

BOARD OF DIRECTORS

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

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

By Order of the Board
John POON Cho Ming
Deputy Chairman

Hong Kong, February 22, 2006

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

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