

ESPRIT

ESPRIT HOLDINGS LIMITED
interim report 2003|2004

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executive directors

Michael YING Lee Yuen
Heinz Jürgen KROGNER-KORNALIK
John POON Cho Ming
Thomas Johannes GROTE
CHHIBBER Surinder
Connie WONG Chin Tzi

non-executive directors

Paul CHENG Ming Fun*
Jürgen Alfred Rudolf FRIEDRICH
Alexander Reid HAMILTON*
Simon LAI Sau Cheong*
Raymond OR Ching Fai*

* Independent Non-Executive Directors

corporate officers

Michael YING Lee Yuen, Chairman of the Board
Heinz Jürgen KROGNER-KORNALIK, Group Chief Executive Officer
John POON Cho Ming, Group Chief Financial Officer

company secretary

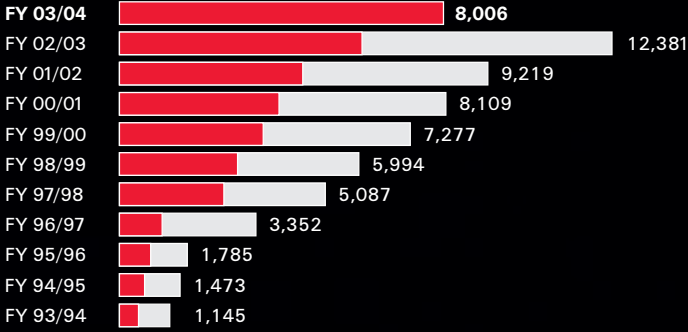
John POON Cho Ming

highlights of interim results fy 03/04

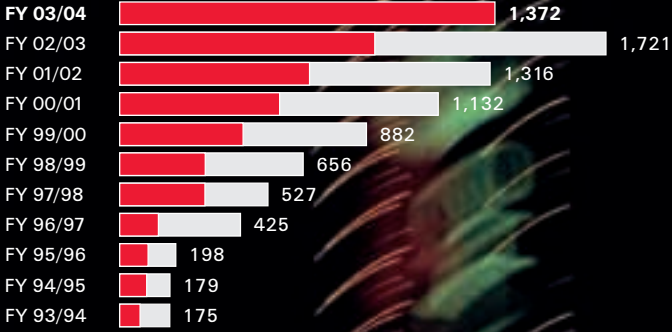
- Group turnover rose 32% to over HK\$8 billion
- Net profit grew 53% to HK\$886 million
- Earnings Per Share: HK74.4 cents
- Interim dividend: HK19 cents per share
- Operating margin expanded 2.2% pts to 17.1%
- Net cash increased to over HK\$1.6 billion

		For the 6 months ended December 31	
	change	2003	2002
			(Restated)
Operating Results (HK\$ mn)			
Turnover	+32.0%	8,006	6,066
Operating profit (EBIT)	+51.5%	1,372	906
Net profit	+53.3%	886	578
Financial Position (HK\$ mn)			
Cash generated from operations	+53.7%	1,331	866
Capital expenditure	+78.2%	321	180
Net cash	+145.1%	1,672	682
Per Share Data (HK cents)			
Earnings per share – basic	+51.8%	74.4	49.0
Dividend per share	+153.3%	19.0	7.5
Key Statistics			
EBITDA margin	+1.9%pts	19.8%	17.9%
Net profit margin	+1.6%pts	11.1%	9.5%
Share Information ('000)			
Number of shares in issue		13,940	1,192,502
			1,178,562

Turnover (HK\$ mn)



Operating Profit (HK\$ mn)



■ 1st Half ■ 2nd Half

Marking our entry into a new decade of growth, the Group continues to deliver record results with strong earnings growth, solid margin expansion and improvement in our overall financial strength. Our success has been driven by product excellence and providing our customers with the quality and high price-value correlation that they have come to associate with Esprit. Though economic conditions were very challenging worldwide, we demonstrated that the ESPRIT brand, led by our talented management, offers high potential for continuous growth.

Turnover

Turnover of the Group was HK\$8,006 million for the six months ended December 31, 2003, an increase of 32% compared to the corresponding period last year. Revenues were driven by increases in sales for all key product divisions and business segments. European sales benefited from lower sourcing costs as the Euro remained strong against the Hong Kong dollar. The appreciation of the Euro created a wider margin for the Group to improve product quality and yet stay competitive in price, allowing the European operation to gain market share in the difficult retail environment.

Group Turnover Breakdown	6 months ended		Year-on-Year Growth
	2003	December 31, 2002	
Geographical Mix			
Europe	83.7%	77.9%	41.8%
<i>Germany</i>	53.4%	50.7%	38.9%
<i>Benelux</i>	17.0%	15.6%	43.5%
<i>France</i>	5.1%	4.0%	71.7%
<i>Scandinavia</i>	3.7%	3.0%	61.8%
<i>Others</i>	4.5%	4.6%	27.9%
Asia	9.1%	14.8%	-19.1%
Australasia	4.6%	4.9%	22.7%
North America & Others	2.6%	2.4%	47.0%
Product Mix			
Women's wear	61%	58%	40%
<i>Casual</i>	40%	41%	29%
<i>edc</i>	12%	10%	67%
<i>Collection</i>	7%	5%	57%
<i>Sports</i>	2%	2%	81%
Men's wear	14%	14%	38%
Kids' wear	7%	8%	11%
Shoes & Accessories	10%	13%	2%
Others	8%	7%	36%

Operating Profit

Gross margin recorded an increase of 0.7% point to 50.6% compared to the same period last year. The improved gross margin was driven by more full-price sales and better sell-through of higher margin products, and was partially offset by costs associated with improvement in product quality and the change in mix between wholesale and retail volumes, with wholesale now accounting for 58.2% of turnover compared to 56.1% in the same period last year.

EBITDA (operating profit before interest, taxation, depreciation and amortization) was HK\$1,582 million for the first half of FY2003/04, an increase of 45.4% compared to the corresponding period last year. EBITDA margin rose 1.9% points to 19.8%. The improvement was primarily driven by greater economies of scale and profitability enhancement in the underperforming retail markets. The two largest operating expenses, occupancy costs and personnel costs, declined 1.0% point and 0.9% point respectively as a percentage of sales. A change in the business mix as a result of higher wholesale growth also contributed to the improvement.

The Group had a total depreciation and amortization expense of HK\$210 million for the reporting period compared to HK\$182 million for the same period last year.

Operating profit was HK\$1,372 million, an increase of 51.5% compared to the corresponding period last year. Operating margin also improved 2.2% points to 17.1%.

Net Profit

Net profit grew 53.3% to HK\$886 million and net profit margin improved from 9.5% to 11.1%. The effective tax rate decreased to 36.9% from 37.9% for the same period last year as a result of the implementation of effective tax strategies in Asia and improved profitability in low tax jurisdictions.

Liquidity and Financial Resources

Cash flow from operations was HK\$1,331 million, augmented 53.7% compared to the same period last year, increasing the Group's total cash and cash equivalents to HK\$2,522 million, an increase of HK\$425 million over the balance as at June 30, 2003.

The Group ended the period with HK\$1,672 million of net cash (i.e. cash and cash equivalents less bank loans payable in 2005), an increase of HK\$352 million over the balance as at June 30, 2003, after having spent HK\$321 million on capital expenditures on new stores openings, stores upgrading and development of new IT systems, HK\$180 million on the acquisition of Bollag Guggenheim & Co. AG, and HK\$745 million on dividend payments in December 2003.

As at December 31, 2003, the Group had total bank borrowings of HK\$867 million. The Group did not pledge any assets as security for overdrafts and our short-term revolving facility. Our debt to equity ratio, expressed as a percentage of interest bearing external borrowings over shareholders' funds, was 19.8%.

To minimize our foreign exchange exposure, the Group entered into foreign exchange forward contracts with large and reputable financial institutions to reduce credit risk. Outstanding contracts amounted to HK\$291 million as at December 31, 2003.

The Group will continue to fund its capital expenditure by internally generated cash flow. About HK\$400 million has been budgeted for capital expenditure for the remainder of this financial year to be spent mainly on continuous expansion and upgrades of our existing distribution network, as well as development of new IT systems.

Products

In terms of products, women's wear and men's wear continued to dominate with 61% and 14% of the Group's total turnover and a year-on-year growth of 39.6% and 37.9% respectively. A major success in the women's division was the expansion in the Sports, edc and Collection lines, each recording 81%, 67% and 57% turnover growth, demonstrating their excellent potential for long-term development. To further extend the breadth and depth of our products, we are focusing on greater differentiation of edc, Casual and Collection lines to cater to three distinct target groups, as well as adding edc youth, men's edc and new york edition to widen our products selection.

Wholesale

The Group achieved a 36.9% year-on-year growth in wholesale turnover, from HK\$3,405 million to HK\$4,662 million, through a combination of continued increases in the volume of goods sold to our existing customers and the expansion of our wholesale network. Operating profit from our wholesale business increased 61.7% to HK\$762 million.

Europe remained as our core wholesale market with Germany and Benelux recording 32.7% and 41.8% year-on-year turnover growth, respectively. With controlled space opened last year starting to contribute, France continues to gather momentum and achieved remarkable 77.6% sales growth. During the reporting period, the women's Casual line again performed well, while men's wear, women's edc and women's Collection achieved particularly strong growth. Contributing to the sales expansion was the increase in the number of partnership stores, shop-in-stores and identity corners from about 410 to over 480 (totaling over 78,800 m²), approximately 1,700 to over 2,450 (totaling over 95,600 m²) and around 3,400 to over 3,900 (totaling over 82,600 m²) respectively (all excluding China Associates) since the beginning of the financial year.

In the first half of this financial year, we made significant progress on extending the international reach and penetration of our wholesale business. The Group expanded its wholesale distribution network to the United Kingdom and Canada; recruited a regional director for wholesale, a newly created position, to develop wholesale opportunities in Asia; and continued to adjust its strategy for the U.S. market.

Breakdown of Wholesale Turnover

Market	Germany	Benelux	France	Scandinavia	Austria	Others
% of wholesale revenue	55.6%	19.9%	7.5%	5.8%	4.8%	6.4%
% point(s) difference (1HFY03/04 vs. 1HFY02/03)	-1.8% pts	+0.7% pt	+1.7% pts	+1.0% pt	-0.4% pt	-1.2% pts
% growth from last year	+32.7%	+41.8%	+77.6%	+64.9%	+25.5%	+15.5%



Retail

Retail turnover increased by 26.6% to HK\$3,242 million through comparable-store-growth of 5.3% and a 7.0% expansion in selling spaces.

We have successfully improved the quality and flow of fresh merchandise to our stores. Our goal has been to create a retail environment that would excite and engage our customers. Notwithstanding the soft economic environment worldwide, the results have been encouraging. Customers were drawn to the steady stream of new offerings and showed less price resistance.

The European retail division was the fastest growing division, recording a 48% increase in sales to HK\$2.3 billion. This was the combined result of a 15.6% increase in comparable-store-sales and a more than 10,000 m² addition in retail space. Germany and Benelux, which represented 51.8% and 13.3% of the Group's total retail turnover, registered 49.7% and 47.2% year-on-year growth respectively.

We are committed to improving the long-term profitability of our other retail markets. To this end, we have reduced markdown activities in Hong Kong and Taiwan, and successfully trimmed loss-making sales in these countries. Although turnover in Asia was down 25.7% due to restructuring, the combined result of an increase in full-price sales and better merchandise planning and inventory management was a significant improvement in profitability in Hong Kong and Taiwan during the reporting period.

As at December 31, 2003, the Group operated about 162,600 m² of directly managed retail sales area, compared to around 152,100 m² at the end of the last financial year. Within the first half of this financial year, 47 stores were added and 50 stores were closed, bringing the total number of directly managed stores to over 560.

Breakdown of Retail Turnover

Market	Germany	Benelux	France	Australasia	Hong Kong (incl. Macau)	Others
% of retail revenue	51.8%	13.3%	1.9%	10.7%	7.4%	14.9%
% point(s) difference (1HFY03/04 vs. 1HFY02/03)	+8.0% pts	+1.9% pts	+0.2% pt	-0.6% pt	-5.0% pts	-4.5% pts
% growth from last year	+49.7%	+47.2%	+44.9%	+20.8%	-24.3%	-3.2%

Our retail performance was further enhanced by e*shop, which achieved HK\$190 million sales in this reporting period, a remarkable 126% increase over the same period last year. The Internet has proven to be an effective distribution channel for **ESPRIT**.

Licensing

Third parties licensing income increased 22.2% year-on-year to HK\$54.6 million as we continued to extend market coverage with existing license partners while working with new ones to launch new ESPRIT licensed products worldwide. During the six months ended December 31, 2003, 6 new partners were added, increasing our portfolio of product licensees to over 25, offering merchandise in around 23 categories. The U.S., which generated 34% of the Group's third parties licensing income, has continued to perform well and showed encouraging market acceptance. ESPRIT is already a leading brand for contemporary swimwear and outerwear in the U.S.

New products launched during the reporting period include *Life by Esprit* fragrance, *ESP esprit sports* eyewear, edc high fashion hosiery, baby carriage, men's jewelry and men's watches. In addition, existing licensed products such as jewelry & watch, duvets, sports eyewear and umbrella were rolled out in China; umbrellas were introduced in Asia; and kids' shoes and swimwear were marketed in Canada. All these newly introduced license businesses are expected to contribute additional licensing income in the second half of this financial year.

We maintained a high level of involvement with the licensees and worked closely with them to ensure the quality of their products, control of distribution and overall development of their businesses. We remain confident that this business will continue to grow strongly and profitably.

China Associates

Operations in China recorded a 5.1% year-on-year increase in turnover to HK\$290 million. With a difference in financial year-end, the adverse impact of the Severe Acute Respiratory Syndrome ("SARS") outbreak on the Chinese market during Spring 2003 was accounted for in this financial period. The Group expects the actual performance of the China associates for the six months ended December 31, 2003 to have recovered from the SARS outbreak and that this will be reflected in the Group's full year results.

Outlook

Looking into the rest of the financial year, we remain confident in achieving double-digit turnover and net profits growth for the full financial year while continuing to grow on all major fronts.

We remain bullish in sustaining the growth in our leading market – Europe. We will continue to deepen our penetration in key countries and extend our foothold to new ones. Our European wholesale orders booked until June 2004 show double-digit year-on-year growth. Over 100 new shop-in-stores and 60 new partnership stores are expected to be opened before the end of this financial year. The approximately 45,000 m² controlled space added in Germany, Benelux and France in the first half of this financial year is expected to begin contributing meaningfully in the second half year. Further retail expansion in Europe continues to proceed with the addition of around 10,000 m² selling spaces. Upon regaining distribution rights in Switzerland and Italy, we expect smooth integration of these countries' operations and their immediate contribution to the Group's turnover and profits. In addition, United Kingdom will be one of our focal points of development in Europe in the upcoming year. We have signed a 550 m² new store on Oxford Street and will further open 5 to 6 stores of similar size concentrating in the London area through financial year 2004/05.

Leveraging on the improved economic conditions in Asia, retail operations in Hong Kong and Taiwan are expected to achieve better results. In Hong Kong, we plan to remodel certain stores and open some smaller ones and in Taiwan, we intend to expand the store network and introduce various smaller product lines under concession arrangements. With better merchandising, more full-price sales, advertising campaigns to upgrade brand image and tighter cost control, we are on track to halve total retail losses from Hong Kong, Taiwan, United Kingdom and Canada.

In North America, we will continue with re-positioning the business for healthy long-term growth. The immediate objective is to get ESPRIT products to U.S. consumers as quickly as possible without incurring any losses. On the wholesale front, we are working with selected partners to re-position the ESPRIT brand and products, targeting not only the junior market but also the better sportswear and contemporary segments. Opinion leaders and better department stores will be approached for further wholesale expansion. Complementing our strategic brand re-positioning will be the opening of our first flagship store on Fifth Avenue, New York. The store, opening this summer, will illustrate ESPRIT's consistent global image and brand position to the U.S. trade. Depending on the availability of suitable locations, we intend to open an additional 3 to 4 retail stores in the New York metro area through financial year 2004/05. The launch of e*shop in order to capture the U.S. online shopping market will commence this summer and the preparations are progressing smoothly. On the licensing front, new products scheduled to be launched in U.S. in the second half of the financial year include timewear, costume jewelry, hosiery and cold weather accessories. In Canada, we will further upgrade our store portfolio by closing two non-performing stores and adding several better located ones. Moreover, we will institute e*club in order to enhance direct communications with customers.

We are confident that with our strong professional management, developed global infrastructure and solid balance sheet, the Group will sustain its growth momentum throughout this financial year and well into the future.

Corporate Governance

In order to further enhance our high standard of corporate governance, 3-member remuneration and nomination committees were formed with 2 independent non-executive directors on each committee.

In December 2003, The Asset magazine ranked Esprit number 3 in Hong Kong for “Best in Corporate Governance”, an outstanding improvement from our 6th ranking last year.

Significant Events

In December 2003, the Group acquired Bollag-Guggenheim & Co. AG in Switzerland and thereby regained full distribution rights of ESPRIT apparel and related products in Switzerland and Italy.

Our efforts in striving for excellence are well recognized. In August 2003, the Group was included in the S&P/HKEx LargeCap Index. We were awarded the title of the “Best Company in Asia Retail Sector” by Global Finance magazine in November 2003. We were also ranked among the top 5 in “Overall Best Managed Company in Hong Kong”, “Best Corporate Strategy in Hong Kong” and “Best Operational Efficiency in Hong Kong” by Asiamoney magazine in December 2003.

Human Resources

As at December 31, 2003, the Group employed a total of 6,405 people (2002: 6,232). The Group offers competitive remuneration packages to its employees in compensation for their contribution. In addition, share options and discretionary bonuses are also granted based on the Group’s and individuals’ performances. All employees from around the world are connected in the Esprit community through the quarterly newsletter and share the Group’s vision and values through the global intranet.

independent review report to the board of directors of

ESPRIT HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

Introduction

We have been instructed by the Company to review the interim financial report set out on pages 15 to 30.

Respective responsibilities of directors and auditors

The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report 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.

Review work performed

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended December 31, 2003.



PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, February 11, 2004



interim results

The Board of Directors of Esprit Holdings Limited (the “Company”) is pleased to announce that the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended December 31, 2003 together with comparative figures for the corresponding period are as follows:

Condensed Consolidated Profit and Loss Account (Unaudited)

		For the 6 months ended December 31,	
		2003	2002
	Notes	HK\$'000	HK\$'000 (Restated)
Turnover			
Company and subsidiary companies		8,006,016	6,066,595
Share of associated companies		142,000	135,065
		8,148,016	6,201,660
Company and subsidiary companies			
Turnover	2	8,006,016	6,066,595
Cost of goods sold		(3,958,528)	(3,040,208)
Gross profit		4,047,488	3,026,387
Staff costs		(946,221)	(768,485)
Depreciation and amortization		(209,913)	(182,421)
Other operating costs		(1,518,982)	(1,169,658)
Operating profit		1,372,372	905,823
Interest income		15,789	11,459
Finance costs		(11,480)	(15,290)
Share of results of associated companies		26,457	28,021
Profit before taxation	3	1,403,138	930,013
Taxation	4	(517,233)	(352,200)
Profit attributable to shareholders		885,905	577,813
Interim dividend	5	226,575	88,411
Earnings per share			
– Basic	6	74.4 cents	49.0 cents
– Fully diluted	6	73.8 cents	48.8 cents
Dividend per share		19.0 cents	7.5 cents

Condensed Consolidated Balance Sheet

		Unaudited As at December 31, 2003 HK\$'000	Audited As at June 30, 2003 HK\$'000 (Restated)
Intangible Assets		1,729,062	1,744,125
Fixed Assets	7	1,402,892	1,077,505
Other Investments		7,846	7,846
Associated Companies		92,174	101,568
Deferred Tax Assets		111,329	93,416
Current Assets			
Stocks		1,149,127	918,268
Debtors, deposits and prepayments	8	1,567,636	1,206,333
Amounts due from associated companies		55,999	26,196
Short-term bank deposits		65,824	167,443
Bank balances and cash		2,473,125	1,944,793
		5,311,711	4,263,033
Current Liabilities			
Creditors and accrued charges	9	2,050,546	1,429,881
Taxation		1,089,148	775,441
Obligations under finance leases			
– due within one year		1,714	219
Bank overdrafts		17,381	15,571
		3,158,789	2,221,112
Net Current Assets		2,152,922	2,041,921
Total Assets Less Current Liabilities		5,496,225	5,066,381
Financed by:			
Share Capital	10	119,250	118,869
Reserves		1,532,274	1,310,881
Retained Profits		2,732,900	2,591,722
Shareholders' Funds		4,384,424	4,021,472
Obligations Under Finance Leases		323	336
Long-term Bank Loan		849,726	776,411
Deferred Tax Liabilities		261,752	268,162
		5,496,225	5,066,381

Condensed Consolidated Cash Flow Statement (Unaudited)

	For the 6 months ended	
	December 31,	
	2003	2002
	HK\$'000	HK\$'000
Cash flows from operating activities		
Cash generated from operations	1,662,622	1,083,752
Interest paid	(1,488)	(1,159)
Interest element of finance leases	(47)	(42)
Hong Kong profits tax paid	(60,704)	(36,210)
Overseas tax refund received	81,167	12,387
Overseas tax paid	(350,515)	(192,853)
Net cash from operating activities	1,331,035	865,875
Cash flows from investing activities		
Purchase of fixed assets	(320,637)	(179,926)
Net cash outflow from acquisition of subsidiaries	(71,865)	–
Dividend received from an associated company	29,400	–
Interest received	15,837	15,337
Proceeds from disposal of fixed assets	4,922	883
Loan repayment from an associated company	–	24,500
Net cash used in investing activities	(342,343)	(139,206)
Cash flows from financing activities		
Dividends paid	(744,727)	(259,284)
Interest paid on long-term bank loan	(9,945)	(10,365)
Repayment of obligations under finance leases	(462)	(465)
Net proceeds on issue of shares for cash	26,303	8,030
Net cash used in financing activities	(728,831)	(262,084)
Net increase in cash and cash equivalents	259,861	464,585
Cash and cash equivalents		
at beginning of period	2,096,665	933,678
Effect of change in exchange rates	165,042	63,789
Cash and cash equivalents at end of period	2,521,568	1,462,052
Analysis of the balances of cash and cash equivalents		
Short-term bank deposits	65,824	166,979
Bank balances and cash	2,473,125	1,327,581
Bank overdrafts	(17,381)	(32,508)
	2,521,568	1,462,052

Condensed Consolidated Statement of Changes in Equity (Unaudited)

	Share capital	Share premium	Contributed surplus	Translation reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At July 1, 2002, as previously reported	117,694	1,207,075	6,602	(100,664)	1,973,012	3,203,719
Effect of adopting SSAP12 (Revised)						
– Goodwill	–	–	–	–	(281,543)	(281,543)
– Others	–	–	–	3,844	41,802	45,646
	–	–	–	3,844	(239,741)	(235,897)
As restated	117,694	1,207,075	6,602	(96,820)	1,733,271	2,967,822
Exchange translation	–	–	–	96,745	–	96,745
Profit attributable to shareholders for the period	–	–	–	–	577,813	577,813
2001/2002 Final dividend paid	–	–	–	–	(259,284)	(259,284)
Issues of shares	162	7,868	–	–	–	8,030
At December 31, 2002	117,856	1,214,943	6,602	(75)	2,051,800	3,391,126
At July 1, 2003, as previously reported	118,869	1,270,243	6,602	31,141	2,810,872	4,237,727
Effect of adopting SSAP12 (Revised)						
– Goodwill	–	–	–	–	(281,543)	(281,543)
– Others	–	–	–	2,895	62,393	65,288
	–	–	–	2,895	(219,150)	(216,255)
As restated	118,869	1,270,243	6,602	34,036	2,591,722	4,021,472
Exchange translation	–	–	–	195,471	–	195,471
Profit attributable to shareholders for the period	–	–	–	–	885,905	885,905
2002/2003 Final and special dividends paid	–	–	–	–	(744,727)	(744,727)
Issues of shares	381	25,922	–	–	–	26,303
At December 31, 2003	119,250	1,296,165	6,602	229,507	2,732,900	4,384,424

Note: Included in retained profits at December 31, 2003 is an amount of HK\$710,254,000 (July 1, 2003 as restated: HK\$710,254,000) attributable to goodwill previously eliminated against reserves.





1. Accounting policies

These unaudited condensed consolidated interim accounts (“interim accounts”) are prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) No. 25, “Interim Financial Reporting”, issued by the Hong Kong Society of Accountants and Appendix 16 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

These interim accounts should be read in conjunction with the annual accounts for the year ended June 30, 2003. The accounting policies and methods of computation used in the preparation of these interim accounts are consistent with those used in the annual accounts for the year ended June 30, 2003 except that the Group has changed its accounting policy following its adoption of SSAP 12 (Revised) “Income Taxes” which is effective for accounting periods commencing on or after January 1, 2003.

The changes to the Group’s accounting policy and the effect of adopting this new policy are set out below:

Deferred taxation

In prior years, deferred tax was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The SSAP 12 (Revised) requires that deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred taxation is provided on temporary differences arising from investments in subsidiaries and associated companies, except where the timing of reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. The adoption of SSAP 12 (Revised) represents a change in accounting policy which has been applied retrospectively so that the comparatives presented have been restated accordingly.

As detailed in the condensed consolidated statement of changes in equity, the opening retained profits at July 1, 2002 and July 1, 2003 have been reduced by HK\$239,741,000 and HK\$219,150,000 respectively. The opening translation reserve at July 1, 2002 and July 1, 2003 have been increased by HK\$3,844,000 and HK\$2,895,000 respectively.

This change has resulted in an increase in deferred tax assets and deferred tax liabilities at June 30, 2003 by HK\$47,651,000 and HK\$263,906,000 respectively. The net profit and the amount charged directly to translation reserve for the six months ended December 31, 2002 have been increased by HK\$22,554,000 and HK\$71,000 respectively.

2. Turnover and segment information

The Group is principally engaged in the wholesale and retail distribution, sourcing and licensing of quality fashion and life-style products under the internationally known ESPRIT brand name, together with Red Earth cosmetics, skin and body care products and the operation of Salon ESPRIT.

	For the 6 months ended December 31,	
	2003	2002
	HK\$'000	HK\$'000
Turnover		
Sales of goods	7,904,394	5,965,211
Commission income	2,261	3,723
Licensing and other income	99,361	97,661
	8,006,016	6,066,595

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.

	For the 6 months ended December 31, 2003					
	Wholesale	Retail	Sourcing	Licensing & others	Eliminations	Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	4,662,378	3,242,016	2,261	99,361	-	8,006,016
Inter-segment revenue	-	-	326,794	174,539	(501,333)	-
Segment revenue	4,662,378	3,242,016	329,055	273,900	(501,333)	8,006,016
Segment results	761,682	341,388	221,913	134,785	(14,861)	1,444,907
Intangible assets amortization						(52,908)
Unallocated net expenses						(19,627)
Operating profit						1,372,372

For the 6 months ended December 31, 2002						
	Wholesale	Retail	Sourcing	Licensing & others	Eliminations	Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	3,405,105	2,560,106	3,723	97,661	–	6,066,595
Inter-segment revenue	–	–	314,789	128,122	(442,911)	–
Segment revenue	3,405,105	2,560,106	318,512	225,783	(442,911)	6,066,595
Segment results	471,095	138,717	263,828	124,549	(230)	997,959
Intangible assets amortization						(52,908)
Unallocated net expenses						(39,228)
Operating profit						905,823

Secondary reporting format – geographical segments

In determining the Group's geographical segments, turnover is attributed to the segments based on the location of customers. An analysis of the Group's turnover by geographical segments is as follows:

	For the 6 months ended December 31,	
	2003 HK\$'000	2002 HK\$'000
Turnover in:		
Europe	6,703,782	4,727,743
Asia	726,183	897,376
Australasia	367,428	299,511
North America and others	208,623	141,965
	8,006,016	6,066,595



3. Profit before taxation

	For the 6 months ended December 31,	
	2003	2002
	HK\$'000	HK\$'000
Profit before taxation is arrived at after crediting and charging the following:		
Crediting:		
Net exchange gain	2,328	4,037
Charging:		
Depreciation		
– Owned assets	156,749	129,090
– Assets held under finance leases	256	423
Intangible assets amortization	52,908	52,908
Interest on overdrafts and long-term bank loans wholly repayable within five years	11,433	15,248
Interest element of finance leases	47	42
Impairment of fixed assets	1,007	–
Loss on disposal of fixed assets	2,794	2,963
Provision for doubtful debts	21,711	15,760
Provision for obsolete stocks	32	45,688
Provision for retail store exit costs	14,545	–

4. Taxation

	For the 6 months ended December 31,	
	2003	2002
	HK\$'000	HK\$'000 (Restated)
Current tax:		
Hong Kong Profits Tax	47,319	30,429
Overseas taxation	483,400	305,772
	530,719	336,201
Deferred tax (credit)/charge:		
Current period	(19,095)	10,221
Change in tax rate	(842)	–
	(19,937)	10,221
Taxation attributable to the Company and its subsidiaries	510,782	346,422
Associated companies – overseas taxation	6,451	5,778
	517,233	352,200

Hong Kong profits tax has been provided at the rate of 17.5% (2002/2003: 16%) on the estimated assessable profit for the period. In June 2003, the Hong Kong profits tax rate was increased to 17.5% with effect from the 2003/2004 year of assessment.

Overseas (outside of Hong Kong) taxation has been calculated at the rates of taxation prevailing in the countries in which the group companies operate.

5. Interim dividend

	For the 6 months ended December 31,	
	2003	2002
	HK\$'000	HK\$'000
Interim dividend declared of Hong Kong 19 cents (2002/2003: Hong Kong 7.5 cents) per share	226,575	88,411

The amount for the 2003/2004 interim dividend is based on 1,192,502,434 shares (2002/2003: 1,178,812,434 shares) in issue as at February 11, 2004.

6. Earnings per share

The calculation of basic earnings per share is based on the unaudited profit attributable to shareholders of HK\$885,905,000 (2002/2003 (as restated): HK\$577,813,000) and the weighted average number of shares in issue during the period of 1,190,434,934 (2002/2003: 1,178,350,477).

The calculation of fully diluted earnings per share is based on the unaudited profit attributable to shareholders of HK\$885,905,000 (2002/2003 (as restated): HK\$577,813,000), and the weighted average number of shares in issue during the period of 1,200,070,296 (2002/2003: 1,183,715,121) after adjusting for the number of dilutive ordinary shares deemed to be issued at no consideration based on the assumption that all outstanding share options granted under the Company's share option scheme had been exercised.

7. Capital expenditure

	Fixed assets
	HK\$'000
Balance at July 1, 2003	1,077,505
Exchange translation	105,292
Acquisition of subsidiaries	63,294
Other additions	322,529
Disposals	(7,716)
Depreciation (note 3)	(157,005)
Impairment (note 3)	(1,007)
Balance at December 31, 2003	1,402,892

During the period ended December 31, 2003, the Group incurred approximately HK\$207 million in expansion and renovation of retail shops in various locations and approximately HK\$114 million in office improvements and equipments.

8. Debtors, deposits and prepayments

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

	As at December 31, 2003 <i>HK\$'000</i>	As at June 30, 2003 <i>HK\$'000</i>
0–30 days	925,423	791,644
31–60 days	48,014	45,828
61–90 days	27,669	10,774
Over 90 days	41,144	27,688
	1,042,250	875,934

The Group's retail sales to customers are mainly on cash basis. The Group also grants credit period which is usually 30 days to certain wholesale and franchise customers.

9. Creditors and accrued charges

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

	As at December 31, 2003 <i>HK\$'000</i>	As at June 30, 2003 <i>HK\$'000</i>
0–30 days	653,521	489,189
31–60 days	131,578	30,048
61–90 days	42,473	8,095
Over 90 days	34,985	15,938
	862,557	543,270



10. Share capital

	As at December 31, 2003 HK\$'000	As at June 30, 2003 HK\$'000
Authorized:		
2,000,000,000 shares of HK\$0.10 each	200,000	200,000
	Number of Shares of HK\$0.10 each '000	Nominal value HK\$'000
Issued and fully paid:		
Balance at July 1, 2002	1,176,937	117,694
Exercise of share options	11,750	1,175
Balance at June 30, 2003	1,188,687	118,869
Balance at July 1, 2003	1,188,687	118,869
Exercise of share options <i>(Note)</i>	3,815	381
Balance at December 31, 2003	1,192,502	119,250

Note:

During the period, 3,815,000 ordinary shares of HK\$0.10 were issued at a premium of the range from HK\$2.54 to HK\$14.50 each in relation to share options exercised by Directors, employees and consultant under the share option schemes.

11. Acquisition of subsidiaries

In December 2003, the Group completed the acquisition of the entire equity of Bollag-Guggenheim & Co. AG ("Bollag") in Switzerland for a cash consideration of CHF 31 million (approximately HK\$180 million). Through the acquisition, the Group has regained full control of the distribution of Esprit apparel and related products in Switzerland and Italy. The fair value of the net identifiable assets of Bollag at the date of acquisition was approximately HK\$150 million. The acquired business made no significant contribution to revenues and operating results to the Group during the period ended December 31, 2003.

12. Operating lease commitments

	As at December 31, 2003 HK\$'000	As at June 30, 2003 HK\$'000
The total future minimum lease payments under non-cancellable operating leases are as follows:		
Land and buildings		
– within one year	1,585,302	1,035,808
– in the second to fifth year inclusive	5,532,807	3,416,932
– after the fifth year	8,095,046	4,666,608
	15,213,155	9,119,348
Other equipment		
– within one year	8,046	9,717
– in the second to fifth year inclusive	6,369	5,947
– after the fifth year	–	47
	15,227,570	9,135,059

13. Commitments

(a) Capital commitments

	As at December 31, 2003 <i>HK\$'000</i>	As at June 30, 2003 <i>HK\$'000</i>
Contracted but not provided for	469,929	316,977
Authorized but not contracted for	49,624	158,448
	519,553	475,425

(b) Foreign exchange contracts

At December 31, the notional amounts of the Group's foreign exchange contracts are as follows:

	As at December 31, 2003 <i>HK\$'000</i>	As at June 30, 2003 <i>HK\$'000</i>
Forward contracts	290,960	375,233

14. Related party transactions

In the ordinary course of business and on normal commercial terms, the Group entered into transactions with related companies during the six months ended December 31, 2003. Details relating to these related party transactions are as follows:

	For the 6 months ended December 31,	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Transactions with Associated Companies:		
Sale of finished goods	151,923	140,467
Royalty received	7,862	6,583
Commission received	1,900	3,099

Interim Dividend

The directors have declared an interim dividend for the six months ended December 31, 2003 of HK19 cents per share (2002/2003: HK7.5 cents), payable on or about Thursday, April 8, 2004 to the shareholders whose names appear on the Register of Members of the Company at close of business on Thursday, April 1, 2004 ("Shareholders"). The relevant dividend warrants will be dispatched to Shareholders on or about Wednesday, April 7, 2004.

Directors' Profile

Executive Directors

Michael YING Lee Yuen, aged 54, is Chairman of the Board. Mr. Ying has over 30 years of experience in the apparel industry. He is primarily responsible for the overall corporate direction and strategy of the Group.

Heinz Jürgen KROGNER-KORNALIK, aged 62, is Deputy Chairman and Chief Executive Officer of the Group. He has been with the Group since January 1995. 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 49, is Group Chief Financial Officer and Company Secretary. Mr. Poon is responsible for managing the Group's financial and legal functions, including accounting and tax, treasury management, investor relations, strategic and corporate planning, as well as company secretarial affairs. Prior to joining the Group in December 1999, he has 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 University of Alberta, Canada with a Bachelor of Arts Degree in Economics and a Bachelor of Laws Degree.

Thomas Johannes GROTE, aged 40, is principally responsible for the Group's wholesale operations. He completed business college in 1983 and thereafter worked at a German textile printing company for six years. He joined the Group in 1990 as key account manager for the accessories division and was later promoted to sales manager. In 1992, he left the Group to work for In-Wear in Germany as sales manager of the men's division and was subsequently promoted to managing director. He returned to the Group in June 1996.

CHHIBBER Surinder, aged 53, is Deputy Chairman of the Board. He joined the Group in 1987 and has over 20 years of experience in the garment industry. He holds a Master of Science Degree in Engineering from The University of Hong Kong and a Master of Science Degree in Operation Research from University of Delhi.

Connie WONG Chin Tzi, aged 55, is responsible for Taiwan operation. Prior to joining the Group in 1979, she worked in the Asian buying office of a major U.S. department store group for over eight years. Ms. Wong received her Bachelor of Arts Degree in Business Administration from National Taiwan University.

Non-executive Directors

Paul CHENG Ming Fun, aged 67, 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 a Steward of the Hong Kong Jockey Club and an Independent Non-executive Director of several listed companies on the Hong Kong Stock Exchange. He is an Adjunct Professor of Management of Organizations of the Hong Kong University of Science and Technology and is also a member of the Council of The Chinese University of Hong Kong.

Jürgen Alfred Rudolf FRIEDRICH, aged 65, founded Esprit's European operation in 1976 and was appointed a Non-executive Director in 1997. He has over 30 years of experience in the apparel distribution and marketing business and is currently retired in the United States.

Alexander Reid HAMILTON, aged 62, has been an Independent Non-executive Director of the Company since August 1995. He is also a director of CITIC Pacific Limited, COSCO Pacific Limited, COSCO International Holdings Limited, Shangri-La Asia Limited and a number of other Hong Kong companies. He was a partner of Price Waterhouse with whom he practised for 16 years.

Simon LAI Sau Cheong, aged 43, was appointed an Independent Non-executive Director of the Company in November 1999. He is admitted to practice as a solicitor in Hong Kong, England and Wales and New South Wales, Australia. Mr. Lai is a partner of the law firm of Deacons and has over 17 years' experience of legal practice.

Raymond OR Ching Fai, aged 54, was appointed an Independent Non-executive Director of the Company in 1996. He is a General Manager of The Hongkong and Shanghai Banking Corporation Limited, and a director of Hang Seng Bank Limited, Cathay Pacific Airways Limited and Hutchison Whampoa Limited. He was Chairman of the Hong Kong Association of Banks for 2003.

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

As at December 31, 2003, the interests or short positions of the directors and chief executives in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("SEHK") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), were as follows:

Name of directors	Capacity	Beneficial interest in shares	Beneficial	Total	Approximate
			interest in unlisted underlying shares (Note 3)		percentage of aggregate interests to total issued share capital
Michael Ying Lee Yuen	Interest of a controlled corporation (Note 1)	402,926,352	-	402,926,352	33.79%
Heinz Jürgen Krogner-Kornalik	Beneficial owner	-	7,000,000	7,000,000	0.59%
John Poon Cho Ming	Beneficial owner	1,000,000	4,200,000	5,200,000	0.44%
Chhibber Surinder	Beneficial owner	25,385	1,200,000	1,225,385	0.10%
Thomas Johannes Grote	Beneficial owner	550,000	2,800,000	3,350,000	0.28%
Connie Wong Chin Tzi	Beneficial owner	2,114,597	620,000	2,734,597	0.23%
Jürgen Alfred Rudolf Friedrich	Beneficial owner	101,251,176	-	101,302,077	8.49%
	Interest of spouse (Note 2)	50,901			

Notes:

1. The shares were held by Great View International Limited, the entire issued share capital of which is owned by Mr. Michael Ying Lee Yuen.
2. The shares were held by Mrs. Anke Beck Friedrich, the wife of Mr. Jürgen Alfred Rudolf Friedrich.
3. The interests of directors and chief executives of the Company in the underlying shares of equity derivatives in respect of options granted to them pursuant to the share options schemes adopted by the Company are detailed in "Share Options" section below.
4. All interests disclosed above represent long position in the shares of the Company.

Save as disclosed above, none of the Directors had any interests or short position (within the meaning of Part XV of the SFO) in the shares, underlying shares or debentures of the Company or any of its associated corporations which are recorded in the register required to be kept by the Company under Section 352 of the SFO or which are notified to the Company and SEHK pursuant to the Model Code.

Share Options

The Company adopted a share option scheme on November 17, 1993 (the “1993 Share Option Scheme”). In view of the changes to Chapter 17 of the Listing Rules which govern the operation of share option schemes, the Company adopted a new share option scheme (“2001 Share Option Scheme”) on November 26, 2001 and the operation of the 1993 Share Option Scheme was terminated on the same day (such that no further options could be offered under the 1993 Share Option Scheme of the Company but the provisions of the 1993 Share Option Scheme continued to govern outstanding options under that scheme).

1993 Share Option Scheme

Details of share options exercised during the period granted to and accepted by the eligible employees of the Group (including executive directors of the Company), under the 1993 Share Option Scheme were as follows:

	Date of grant (mm/dd/yyyy)	Exercise price per share (HK\$)	Vesting period (mm/dd/yyyy) (Note 1)	Exercise period (mm/dd/yyyy)	Number of Share Options		
					As at 7.1.2003	Exercised	As at 12.31.2003
Directors							
John Poon Cho Ming	12/15/1999	6.36	12/15/1999– 11/15/2003	11/16/2003	1,000,000	1,000,000	–
Thomas Johannes Grote	09/22/1999	5.14	09/22/1999– 05/16/2003	05/17/2003– 11/16/2003	500,000	500,000	–
Employees							
In aggregate	12/13/1995	2.64	12/13/1995– 12/12/1998	12/13/1998– 11/16/2003	375,000	375,000	–
	12/13/1995	2.64	12/13/1995– 06/12/1999	06/13/1999– 11/16/2003	375,000	375,000	–
	12/13/1995	2.64	12/13/1995– 12/12/1999	12/13/1999– 11/16/2003	375,000	375,000	–
	07/11/1999	2.72	07/11/1999– 07/10/2003	07/11/2003– 11/16/2003	250,000	250,000	–
					1,375,000	1,375,000	–
TOTAL					2,875,000	2,875,000	–

Notes:

1. Vesting Period under the 1993 Share Option Scheme means, in respect of any particular option, a period of not less than six months and not exceeding four years commencing on the date on which an option is granted in accordance with that scheme.
2. The weighted average closing prices of the shares immediately before the dates of exercise regarding the options exercised by Mr. John Poon Cho Ming, Mr. Thomas Johannes Grote and the employees were HK\$24.70, HK\$19.60 and HK\$20.56 respectively.
3. No share options were granted, cancelled or lapsed under 1993 Share Option Scheme during the interim period under review.

2001 Share Option Scheme

Details of the grant of share options and a summary of the movements of the outstanding share options during the period under the 2001 Share Option Scheme were as follows:

	Date of grant (mm/dd/yyyy)	Exercise price per share (HK\$)	Vesting date (mm/dd/yyyy)	Exercise period per share (mm/dd/yyyy)	Number of Share Options				As at 12.31.2003
					As at 7.1.2003	Granted	Exercised	Lapsed	
Directors									
Heinz Jürgen Krogner-Kornalik	11/26/2002	14.60	11/26/2003	11/26/2003–11/25/2008	800,000	-	-	-	800,000
			11/26/2004	11/26/2004–11/25/2008	800,000	-	-	-	800,000
			11/26/2005	11/26/2005–11/25/2008	800,000	-	-	-	800,000
			11/26/2006	11/26/2006–11/25/2008	800,000	-	-	-	800,000
			11/26/2007	11/26/2007–11/25/2008	800,000	-	-	-	800,000
	11/26/2003	24.20	11/26/2004	11/26/2004–11/25/2009	-	600,000	-	-	600,000
			11/26/2005	11/26/2005–11/25/2009	-	600,000	-	-	600,000
			11/26/2006	11/26/2006–11/25/2009	-	600,000	-	-	600,000
			11/26/2007	11/26/2007–11/25/2009	-	600,000	-	-	600,000
			11/26/2008	11/26/2008–11/25/2009	-	600,000	-	-	600,000
					4,000,000	3,000,000	-	-	7,000,000
John Poon Cho Ming	11/26/2002	14.60	11/26/2003	11/26/2003–11/25/2008	480,000	-	-	-	480,000
			11/26/2004	11/26/2004–11/25/2008	480,000	-	-	-	480,000
			11/26/2005	11/26/2005–11/25/2008	480,000	-	-	-	480,000
			11/26/2006	11/26/2006–11/25/2008	480,000	-	-	-	480,000
			11/26/2007	11/26/2007–11/25/2008	480,000	-	-	-	480,000
	11/26/2003	24.20	11/26/2004	11/26/2004–11/25/2009	-	360,000	-	-	360,000
			11/26/2005	11/26/2005–11/25/2009	-	360,000	-	-	360,000
			11/26/2006	11/26/2006–11/25/2009	-	360,000	-	-	360,000
			11/26/2007	11/26/2007–11/25/2009	-	360,000	-	-	360,000
			11/26/2008	11/26/2008–11/25/2009	-	360,000	-	-	360,000
					2,400,000	1,800,000	-	-	4,200,000

	Date of grant (mm/dd/yyyy)	Exercise price per share (HK\$)	Vesting date (mm/dd/yyyy)	Exercise period per share (mm/dd/yyyy)	Number of Share Options					
									As at	As at
					7.1.2003	Granted	Exercised	Lapsed	12.31.2003	
Chhibber Surinder	11/26/2002	14.60	11/26/2003	11/26/2003– 11/25/2008	240,000	-	-	-	240,000	
			11/26/2004	11/26/2004– 11/25/2008	240,000	-	-	-	240,000	
			11/26/2005	11/26/2005– 11/25/2008	240,000	-	-	-	240,000	
			11/26/2006	11/26/2006– 11/25/2008	240,000	-	-	-	240,000	
			11/26/2007	11/26/2007– 11/25/2008	240,000	-	-	-	240,000	
					1,200,000	-	-	-	1,200,000	
Thomas Johannes Grote	11/26/2002	14.60	11/26/2003	11/26/2003– 11/25/2008	320,000	-	-	-	320,000	
			11/26/2004	11/26/2004– 11/25/2008	320,000	-	-	-	320,000	
			11/26/2005	11/26/2005– 11/25/2008	320,000	-	-	-	320,000	
			11/26/2006	11/26/2006– 11/25/2008	320,000	-	-	-	320,000	
			11/26/2007	11/26/2007– 11/25/2008	320,000	-	-	-	320,000	
	11/26/2003	24.20	11/26/2004	11/26/2004– 11/25/2009	-	240,000	-	-	240,000	
			11/26/2005	11/26/2005– 11/25/2009	-	240,000	-	-	240,000	
			11/26/2006	11/26/2006– 11/25/2009	-	240,000	-	-	240,000	
			11/26/2007	11/26/2007– 11/25/2009	-	240,000	-	-	240,000	
			11/26/2008	11/26/2008– 11/25/2009	-	240,000	-	-	240,000	
					1,600,000	1,200,000	-	-	2,800,000	
Connie Wong Chin Tzi	11/26/2002	14.60	11/26/2003	11/26/2003– 11/25/2008	80,000	-	80,000	-	-	
			11/26/2004	11/26/2004– 11/25/2008	80,000	-	-	-	80,000	
			11/26/2005	11/26/2005– 11/25/2008	80,000	-	-	-	80,000	
			11/26/2006	11/26/2006– 11/25/2008	80,000	-	-	-	80,000	
			11/26/2007	11/26/2007– 11/25/2008	80,000	-	-	-	80,000	
	11/26/2003	24.20	11/26/2004	11/26/2004– 11/25/2009	-	60,000	-	-	60,000	
			11/26/2005	11/26/2005– 11/25/2009	-	60,000	-	-	60,000	
			11/26/2006	11/26/2006– 11/25/2009	-	60,000	-	-	60,000	
			11/26/2007	11/26/2007– 11/25/2009	-	60,000	-	-	60,000	
11/26/2008	11/26/2008– 11/25/2009	-	60,000	-	-	60,000				
					400,000	300,000	80,000	-	620,000	

	Date of grant (mm/dd/yyyy)	Exercise price per share (/HK\$)	Vesting date (mm/dd/yyyy)	Exercise period per share (mm/dd/yyyy)	Number of Share Options				
					As at				As at 12.31.2003
					7.1.2003	Granted	Exercised	Lapsed	
Employees & Consultant									
In aggregate	11/26/2002	14.60	11/26/2003	11/26/2003– 11/25/2008	4,352,000	–	860,000	360,000	3,132,000
			11/26/2004	11/26/2004– 11/25/2008	4,352,000	–	–	360,000	3,992,000
			11/26/2005	11/26/2005– 11/25/2008	4,352,000	–	–	360,000	3,992,000
			11/26/2006	11/26/2006– 11/25/2008	4,352,000	–	–	360,000	3,992,000
			11/26/2007	11/26/2007– 11/25/2008	4,352,000	–	–	360,000	3,992,000
	11/26/2003	24.20	11/26/2004	11/26/2004– 11/25/2009	–	3,444,000	–	–	3,444,000
			11/26/2005	11/26/2005– 11/25/2009	–	3,444,000	–	–	3,444,000
			11/26/2006	11/26/2006– 11/25/2009	–	3,444,000	–	–	3,444,000
			11/26/2007	11/26/2007– 11/25/2009	–	3,444,000	–	–	3,444,000
			11/26/2008	11/26/2008– 11/25/2009	–	3,444,000	–	–	3,444,000
	12/23/2003	24.45	12/23/2004	12/23/2004– 12/22/2009	–	120,000	–	–	120,000
			12/23/2005	12/23/2005– 12/22/2009	–	120,000	–	–	120,000
			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
					21,760,000	17,820,000	860,000	1,800,000	36,920,000
TOTAL					31,360,000	24,120,000	940,000	1,800,000	52,740,000

Notes:

1. The closing prices of the shares of the Company immediately before the options granted on November 26, 2003 and December 23, 2003 were HK\$23.85 and HK\$24.20 respectively.
2. The weighted average closing price of the shares immediately before the dates of exercise regarding the options exercised by Ms. Connie Wong Chin Tzi and the employees and consultant were HK\$25.50 and HK\$24.93 respectively.
3. No share options were cancelled under the 2001 Share Option Scheme during the interim period under review.

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

Accounting Treatment for Share Options

There is currently no accounting standard for share options or share-based remuneration in Hong Kong. The Board will assess the Group's accounting treatment for share options or share based remuneration when relevant Hong Kong accounting standards have been issued. The Company currently intends to value and account for subsisting share options pursuant to the 2001 Share Option Scheme and (if applicable) the 1993 Share Option Scheme in accordance with the requirements of such standards and the Listing Rules.

On that basis, the Board takes the view that it would be inappropriate at this time to state an estimated value of such options as such valuation will be dependent on a large number of assumptions and may not be in accordance with relevant accounting standards that may be issued in the near future.

Substantial Shareholders' Interests

As at December 31, 2003, the following shareholders (other than the directors of the Company whose interests and short positions in the shares and underlying shares of the Company are set out above) had interests or short positions in the shares and underlying shares of the Company ("Shares") which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of shareholders	Capacity	Number of shares	Approximate percentage of aggregate interests to total issued share capital
Great View International Limited	Beneficial owner <i>(Note 1)</i>	402,926,352	33.79%
J.P. Morgan Chase & Co.	Interest of controlled corporations <i>(Notes 2 to 5)</i>	118,753,737	9.96%

Notes:

- Such interests have also been included as corporate interests of Mr. Michael Ying Lee Yuen as disclosed under "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" above.
- The Shares held by J.P. Morgan Chase & Co. are held in the following capacities:

No. of Shares	Capacity
1,674,500	Beneficial Owner
58,424,409	Investment Manager
58,654,828	Custodian corporation/approved lending agent

- The 118,753,737 Shares included unlisted physically settled equity derivatives of 160,000 Shares.

4. Details of the interest in the 118,753,737 Shares held by J.P. Morgan Chase & Co. were as follows:

Name	Direct (D)/ Indirect (I) Interests in the Shares of the Company	Aggregate Long Position in Shares	Approximate percentage
			of Aggregate Interests to Total Issued Share Capital
JPMorgan Chase Bank	D	59,287,958	4.972%
J.P. Morgan Investment Management Limited	D	3,945,040	0.331%
J.P. Morgan Investment Management Inc.	I	3,945,040	0.331%
J.P. Morgan Investment Management Inc.	D	4,981,284	0.418%
J.P. Morgan International Finance Limited	I	2,022,143	0.170%
J.P. Morgan International Inc.	I	2,022,143	0.170%
JPMorgan Chase Bank	I	2,022,143	0.170%
J.P. Morgan Fleming Asset Management (UK) Limited	D	6,883,631	0.577%
Robert Fleming Asset Management Ltd	I	6,883,631	0.577%
Robert Fleming Holdings Ltd	I	6,894,131	0.578%
J.P. Morgan Fleming Asset Management Holdings Inc.	I	48,517,312	4.069%
JF Asset Management (Singapore) Limited	D	2,454,500	0.206%
J.P. Morgan Fleming Asset Management (Asia) Inc.	I	41,623,181	3.490%
JF Asset Management Limited	D	39,001,681	3.271%
JF International Management Inc.	D	150,000	0.013%
J.P. Morgan (Suisse) SA	D	347,643	0.029%
J.P. Morgan Whitefriars Inc.	D	674,500	0.057%
J.P. Morgan Overseas Capital Corporation	I	674,500	0.057%
J.P. Morgan Securities Ltd.	D	1,000,000	0.084%
J.P. Morgan Holdings (UK) Limited	I	1,000,000	0.084%
J.P. Morgan Fleming Asset Management (Europe) S.a.r.l.	D	10,500	0.001%
Robert Fleming (Luxembourg) Sarl	I	10,500	0.001%
J.P. Morgan Fleming Asset Management (Japan) Limited	D	17,000	0.001%

Explanatory Notes:

All the following interests were deemed to be held by the relevant company under SFO. J.P. Morgan Chase & Co. was deemed to be interested in an aggregate of 118,753,737 Shares held or deemed to be held by: (i) JPMorgan Chase Bank (61,310,101 Shares), (ii) J.P. Morgan Investment Management Inc. (8,926,324 Shares) and (iii) J.P. Morgan Fleming Asset Management Holdings Inc. (48,517,312 Shares), all wholly-owned by J.P. Morgan Chase & Co.

- (i) JPMorgan Chase Bank directly held 59,287,958 Shares and was also deemed to be interested in the 2,022,143 Shares held by the following indirect subsidiaries held through J.P. Morgan International Inc. and J.P. Morgan International Finance Limited ("JPFIN"), both wholly-owned by JPMorgan Chase Bank:
- (a) 347,643 Shares were held by J.P. Morgan (Suisse) SA, wholly-owned by JPFIN;
 - (b) 674,500 Shares were held by J.P. Morgan Whitefriars Inc., wholly-owned by JPFIN through J.P. Morgan Overseas Capital Corporation; and
 - (c) 1,000,000 Shares were held by J.P. Morgan Securities Ltd., 90% owned by J.P. Morgan Holdings (UK) Limited, which was in turn wholly-owned by JPFIN.
- (ii) J.P. Morgan Investment Management Inc. ("JPIM") directly held 4,981,284 Shares and was also deemed to be interested in the 3,945,040 Shares held by J.P. Morgan Investment Management Limited, wholly-owned by JPIM.

- (iii) J.P. Morgan Fleming Asset Management Holdings Inc. was deemed to be interested in an aggregate of 48,517,312 Shares deemed to be held by (a) J.P. Morgan Fleming Asset Management (Asia) Inc. ("JPAsia"), a wholly-owned subsidiary (41,623,181 Shares) and (b) Robert Fleming Holdings Ltd. ("RFH"), 96% owned subsidiary (6,894,131 Shares).
- (a) JPAsia was deemed to be interested in an aggregate of 41,623,181 Shares held by the following subsidiaries:
- i. 2,454,500 Shares held by JF Asset Management (Singapore) Limited, wholly-owned by JPAsia;
 - ii. 39,001,681 Shares were held by JF Asset Management Limited, 99.99% owned by JPAsia;
 - iii. 150,000 Shares were held by JF International Management Inc., wholly-owned by JPAsia; and
 - iv. 17,000 Shares were held by J.P. Morgan Fleming Asset Management (Japan) Limited.
- (b) RFH was deemed to be interested in 6,894,131 Shares held by the following indirect subsidiaries held through Robert Fleming Asset Management Limited, 99.96% owned by RFH:
- i. 10,500 Shares were held by J.P. Morgan Fleming Asset Management (Europe) S.a.r.l., wholly-owned by Robert Fleming (Luxembourg) Sarl; and
 - ii. 6,883,631 Shares were held by J.P. Morgan Fleming Asset Management (UK) Limited.
5. All interests disclosed above represent long position in the Shares of the Company in which 58,654,828 Shares represent lending pool.

Save as aforesaid and as disclosed in the Directors' Interests 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, 2003 which are 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.

Closure of Register of Members

The Register of Members of the Company will be closed from Monday, March 29, 2004 to Thursday, April 1, 2004, 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 share registrar in Hong Kong, Secretaries Limited, at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on Friday, March 26, 2004.

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 is comprised of four Non-executive Directors, three of whom are independent. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and has also discussed auditing, internal controls and financial reporting matters including the review of the unaudited interim results for the six months ended December 31, 2003 with management.

Code of Best Practice

In the opinion of the Directors, the Company was in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the period under review.

By Order of the Board

Esprit Holdings Limited

John POON Cho Ming

Executive Director & Group CFO

Hong Kong, February 11, 2004

Financial Calendar

Book close	March 29, 2004–April 1, 2004
Payment of interim dividend	on or about April 8, 2004
Financial year end	June 30, 2004

Shareholders Enquiries

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

Secretaries Limited

G/F., Bank of East Asia Harbour View Centre,
56 Gloucester Road, Wanchai, Hong Kong

Tel: (+852) 2980 1766

Fax: (+852) 2861 1465

For enquiries from investors and securities analysts, please contact:

Investor Relations Department

Esprit Holdings Limited

10/F., 11 Yuk Yat Street

Tokwawan, Kowloon, Hong Kong

Tel: (+852) 2765 4232

Fax: (+852) 2764 1723

E-mail: esprit-ir@esprit.com

Hong Kong Head Office

10/F., 11 Yuk Yat Street,

Tokwawan, Kowloon, Hong Kong

Tel: (+852) 2765 4321

Fax: (+852) 2362 5576

Global Business Headquarter

Esprit-Allee,

40882 Ratingen, Germany

Tel: (+49) 2102 123 0

Fax: (+49) 2102 123 15100

Share Listing

Esprit Holdings Limited's shares are listed on The Stock Exchange of Hong Kong Limited and the London Stock Exchange.

Website

www.espritholdings.com





