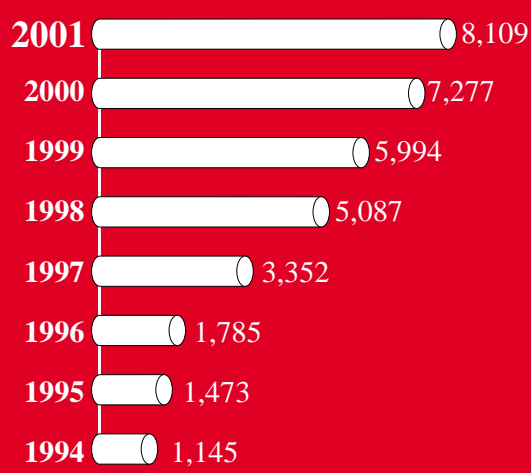


# EIGHT CONSECUTIVE YEARS OF GROWTH IN TURNOVER AND OPERATING PROFIT

## TURNOVER

(HK\$ M)



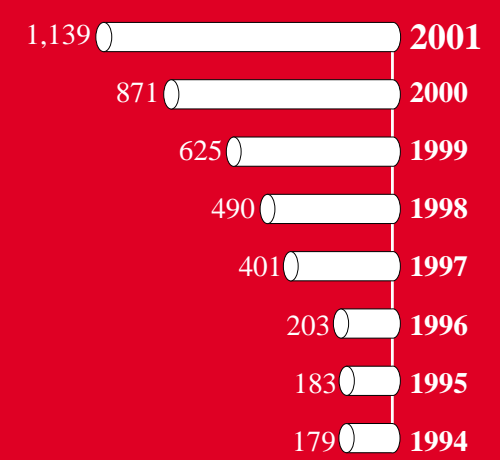
- Group's Turnover HK\$8,109M
- Group's EBITDA (Margin) HK\$1,341M (16.5%)
- Group's Operating Profit after Finance Costs (Margin) HK\$1,139M (14.0%)
- Group's Net Profit (Margin) HK\$575M (7.1%)
- Shareholders' Funds HK\$2,044M
- Net Cash on Hand HK\$388M
- Proposed Final Dividend HK 12 cents per share

## Year on Year Change

- +11.4%
- +25.4%
- +30.7%
- +25.1%
- +18.6%

## OPERATING PROFIT (After Finance Costs)

(HK\$ M)



esprit holdings limited

## ESPRIT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

### FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED JUNE 30, 2001

#### FINAL RESULTS

The Board of Directors of Esprit Holdings Limited (the "Company") is pleased to announce that the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended June 30, 2001 together with comparative figures for the previous year are as follows:

#### Audited Consolidated Profit and Loss Account for the year ended June 30, 2001

	Note	2001 HK\$'000	2000 HK\$'000
Turnover	1	8,109,062	7,277,306
Cost of Goods Sold		(4,110,019)	(3,654,119)
Gross Profit		3,999,043	3,623,187
Other Revenues		67,824	64,422
Staff Costs		(1,149,618)	(1,099,549)
Depreciation and Amortization		(208,825)	(186,939)
Other Operating Costs		(1,530,884)	(1,491,842)
Operating Profit		1,177,540	909,279
Finance Costs		(38,290)	(37,912)
Share of Profits of Associated Companies		20,478	12,730
Profit before Taxation	2	1,159,728	884,097
Taxation	3	(512,459)	(349,225)
Profit after Taxation		647,269	534,872
Minority Interests		(71,940)	(74,811)
Profit Attributable to Shareholders		575,329	460,061
Dividends		(191,094)	(167,877)
Profit for the year retained		384,235	292,184
Earnings per Share			
– basic	4	51.16 cents	41.32 cents
– fully diluted	4	50.12 cents	39.96 cents
Dividend per Share		16.8 cents	15.0 cents

#### Notes to the Financial Statements

##### 1. Turnover

The Group is principally engaged in the design, licensing, sourcing, wholesale and retail distribution of high quality apparel and related products under the internationally known **ESPRIT** brand name in Europe and Asia Pacific, together with Red Earth cosmetics, skin and general body care products.

The turnover and contribution to operating profit after finance costs by principal activities and geographical markets are as follows:

	Turnover		Contribution to Operating Profit after Finance Costs	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Analysis by principal activities:				
Wholesale	4,555,974	3,761,072	986,474	563,093
Retail	3,474,557	3,435,812	119,483	270,769
Others	78,531	80,422	33,293	37,505
	<b>8,109,062</b>	<b>7,277,306</b>	<b>1,139,250</b>	<b>871,367</b>
Analysis by principal geographical markets:				
Germany	3,928,213	3,296,078	788,524	504,533
Hong Kong	1,093,221	1,078,536	71,237	97,951
Belgium and the Netherlands	1,003,370	817,180	163,356	103,020
Other Asia Pacific countries	1,257,031	1,439,486	51,222	115,334
Other European countries	755,550	576,320	31,618	13,024
Others	71,677	69,706	33,293	37,505
	<b>8,109,062</b>	<b>7,277,306</b>	<b>1,139,250</b>	<b>871,367</b>

##### 2. Profit before Taxation

	2001 HK\$'000	2000 HK\$'000
Profit before taxation is arrived at after crediting and charging the following:		
Crediting		
Income from listed investments	3	2
Provision for doubtful debts written back	8,624	–
Provision for obsolete stock written back	25,725	–
Profit on disposal of listed investments	365	–
Exchange gain	–	1,861
Charging		
Auditors' Remuneration	6,084	6,142
Depreciation and Amortization		
– Owned assets	186,824	163,748
– Assets held under finance leases	1,660	2,850
– Trademarks	20,341	20,341
Exchange loss	26,290	–
Interest on short-term bank loans, overdrafts, and other loans wholly repayable within five years	38,035	37,614
Interest element of finance leases	255	298
Loss on disposal of fixed assets	9,478	13,983
Loss on disposal of interest in an associated company	–	2,837
Operating lease rental expenses		
– Land and buildings	621,978	608,181
– Others	5,375	3,514
Provision for doubtful debts	–	34,098
Retirement benefit costs	5,411	–
Provision for an unlisted investment	1,887	5,893
Provision for obsolete stock	–	42,375

##### 3. Taxation

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profit for the year. Overseas taxation has been calculated at the rates of taxation prevailing in the countries in which the Group operates.

	2001 HK\$'000	2000 HK\$'000
Company and its subsidiaries:		
Hong Kong profits tax	32,807	45,459
Overseas taxation	477,243	300,113
Deferred taxation	2,348	(1,019)
	<b>512,398</b>	<b>344,553</b>
Associated companies – overseas taxation	61	4,672
	<b>512,459</b>	<b>349,225</b>

#### 4. Earnings per Share

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK\$575,329,000 (2000: HK\$460,061,000) and the weighted average number of ordinary shares in issue (2000: 1,113,522,594) during the year.

The calculation of fully diluted earnings per share is based on the profit attributable to shareholders of HK\$575,329,000 (2000: HK\$460,061,000) and the weighted average number of shares in issue during the year of 1,124,643,688 (2000: 1,113,522,594) plus the weighted average number of 23,270,717 shares (2000: 37,908,558) deemed to be issued at no consideration on the assumption that all outstanding share options granted under the Company's Employee Share Option Scheme had been exercised at July 1, 2000.

#### PROPOSED FINAL DIVIDEND

The directors have resolved to recommend the payment of a final dividend for the year ended June 30, 2001 of HK12 cents per share (2000: HK11.2 cents), payable on or about Friday, December 21, 2001 to the shareholders whose names appear on the Register of Members of the Company as at the date of the 2001 Annual General Meeting, with a scrip alternative to offer the right to shareholders to elect to receive such final dividend wholly or partly by allotment of new shares credited as fully paid in lieu of cash (the "Scrip Dividend Scheme").

Subject to the approval by shareholders in the 2001 Annual General Meeting, a circular containing details of the Scrip Dividend Scheme together with the relevant election form will be sent to shareholders on or about Wednesday, November 28, 2001. The Scrip Dividend Scheme is conditional upon the granting by the Listing Committee of The Stock Exchange of Hong Kong Limited of the listing of and permission to deal in the new shares to be issued pursuant thereto. The relevant dividend warrants and certificates for the new shares to be issued pursuant to the Scrip Dividend Scheme will be dispatched to the shareholders on or about Friday, December 21, 2001.

#### MANAGEMENT DISCUSSION AND ANALYSIS

##### Review of Operations

###### Turnover

Group turnover increased by 11.4% to HK\$8,109 million during the year. The wholesale and sourcing business grew by 21%. The retail and licensing businesses grew by 1.1% and 2.9% respectively.

We achieved growth in our three largest markets – Germany, Hong Kong and the Benelux (i.e. Belgium and the Netherlands) countries. Turnover in Germany, accounting for 48.4% of the Group's total turnover, recorded a growth of 19.2%. Hong Kong, our second largest market, reported growth of 1.4%. Belgium and the Netherlands, our third largest market grew at 22.8%. France and Austria reported a growth of 42.3% and 36.8% respectively – a result of our efforts to grow our smaller markets in the region.

We reported increases in growth for most of our product lines. Net sales under the **ESPRIT** brand name accounted for 95.2% of the Group's turnover. Women's wear reported 13.1% growth, accounting for 53.9% of our Group's turnover. Men's wear grew by 13.8%, whereas growth in the Kids' wear line was stable at 3.6%. The turnover of Red Earth colour cosmetics declined by 20.9% overall in view of the difficult retail environment in Asia and the repositioning of the business in Australia.

###### Gross Profit

Our gross profit, in absolute dollar terms, increased by 10.4% to HK\$3,999 million. Margins declined by 0.5% point to 49.3% as a result of the increase in turnover from the lower margin wholesale business in Europe. Gross profit was also affected by the depreciation of the Euro and Australian Dollars.

###### Net Operating Expenses (including net interest expenses)

Total net operating expenses dropped from 37.8% to 35.3% when expressed as a percentage of turnover. Building expenses as a percentage of turnover declined 0.4% point to 10.0%, as the Group took advantage of lower rentals to expand retail space in both Europe and Asia Pacific. The net increase in directly managed floor area was 27%, whilst building expenses increased by 7.3% to HK\$810 million.

Staff expenses as a percentage of turnover dropped from 15.1% to 14.2%, due to the operation of more megastores, as well as our various cost control measures. Building and staff expenses accounted for 68.5% of the Group's net operating expenses.

In spite of the turnover growth, other operating expenses (excluding building and staff expenses), including depreciation and amortization, sales and general administration expenses, as well as net interest expenses, stayed relatively flat in comparison to the previous year; primarily due to better economies of scale. Accordingly, other operating expenses as a percentage of turnover dropped from 12.3% to 11.1%.

###### Earnings before Interest, Taxation, Depreciation and Amortization (EBITDA)

Our EBITDA increased by 25.4% to HK\$1,341 million and the EBITDA margin improved 1.8% points to 16.5%. This improvement was attributable to a combination of our greater economies of scale, effective cost controls, and improved efficiencies.

###### Operating Profit (after finance costs)

The Group has achieved eight consecutive years of growth in operating profit. The operating profit in FY2000/2001 increased 30.7% to HK\$1,139 million after finance costs. Germany, Benelux and Hong Kong remained the three largest profit contributors.

###### Taxation

The effective tax rate in FY2000/2001 was 44.2%, 4.7% points higher than the previous financial year. This was mainly due to a higher proportion of profits being generated in Europe, where tax rates are relatively higher.

###### Profit Attributable to Shareholders

Compared with FY1999/2000, profit attributable to shareholders increased by 25.1% to HK\$575 million. The net profit margin improved from 6.3% to 7.1% as a result of a lower percentage in net operating expenses to turnover.

###### Liquidity and Financial Resources

###### A solid financial position

Cash generated from the Group's operating activities remained strong at HK\$1,085 million. Of these funds, HK\$445 million was used in the purchase of fixed assets and HK\$374 million in tax payments. After allocating HK\$382 million to retire all outstanding bank loans, the Group was free of short-term and long-term debt, holding HK\$388 million net cash, as at the balance sheet date. Only utilized overdraft facilities aggregating

the equivalent of HK\$56 million, remained outstanding for our normal trading activities. Our debt to equity ratio, expressed as a percentage of interest bearing borrowings over shareholders' funds of HK\$2,044 million, went down significantly from 24.0% to 2.8%. The Group has assets of HK\$73 million pledged as security for overdraft and short-term revolving facility. The current ratio remains at 1.3: 1.

During the year, as is our policy, the Group entered foreign exchange forward contracts to reduce exposure to foreign currency exchange risk. These agreements were contracted with large and reputable financial institutions, thereby minimizing the credit risk. We were also able to reduce the Euro exchange risk arising from Asian sourcing for our European sales by agreeing with Asian suppliers to quote prices in Euro. As at June 30, 2001, outstanding contracts valued at contracted rates decreased to HK\$170 million, from HK\$189 million last year.

#### Capital Expenditure

##### Investing in the Group's Future

Capital expenditure totaled HK\$512 million in FY2000/2001. HK\$445 million was used primarily to generate a net increase in our directly managed sales footage by over 289,000 square feet, or 27%, to bring the total to approximately 1,364,000 square feet. Approximately HK\$134 million of the HK\$445 million was spent in Asia Pacific with the balance of HK\$311 million invested in Europe, resulting in increases of around 111,000 square feet and 178,000 square feet respectively. The remaining HK\$67 million represented capitalized expenses in connection with the expansion of our global distribution network.

For FY2001/2002, the Group has planned around HK\$400 million for capital expenditure. This is expected to be funded out of operating cash flow, primarily to bolster worldwide retail space further. The Group plans to enter into new markets such as Korea and New Zealand. We expect total sales footage of the Group in June 2002 to reach over 1.6 million square feet.

#### Employment, Training and Development

As at June 30, 2001, the Group had a total of 5,954 employees, an increase of 740 staff over last year, in line with our expansion plans.

Total staff expenses for the year amounted to HK\$1,150 million. We remunerate our employees based on their performance, experience and prevailing industry practices, with remuneration policies and packages being reviewed on a regular basis. Bonuses are linked both to the performance of the Group and to individual performance as recognition to value creation. Aligning individual interests with the Group, share options are granted to senior management. We are also fully committed to staff training and the ongoing development of our people.

#### Outlook

We have experienced a difficult yet rewarding year all in all. We have had to work harder but have not been cowed by the trying market conditions. The challenge now is to stay ahead and sustain our growth as we move into another stormy year ahead.

In Europe, we expect to reap the benefits of the aggressive capital expenditures invested in additional retail footage last year. We will also be extending the "vertical retailer concept" into the wholesale business from January 2002, a move which is expected to further reduce inventory risk for our wholesale partners by shortening lead times for pre-orders as well as increasing capacity for injection orders which should lead to better comparable store performance. Fighting the competition, we are continuing to introduce more quality products at lower pricing points.

In Asia Pacific where we already have stores in most of the major cities, our strategy is to maintain market share while enhancing efficiencies and cutting costs to improve overall margins and our bottom line.

Our philosophy is to "grow old trees while planting new ones". To this end, apart from our move into the United Kingdom, we are commencing our franchise business in Korea where several new retail stores are scheduled to open by the end of 2001. We are also moving into the New Zealand market with the opening of around 10 stores in the next three years. At the same time, plans are being developed with regard to Spain and Japan.

With this focused planning in place, strong financial position with HK\$388 million in net cash and no term loan, and the commitment and hard work of our people, we will not only retain but will continue to grow steadily our markets, products and services. Only by doing so can we remain on track to further global expansion and enhance our international brand recognition.

#### CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, November 21, 2001 to Monday, November 26, 2001, both days inclusive, during which period no transfer of shares will be effected.

In order to qualify for the final 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 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not later than 4:00 p.m. on Tuesday, November 20, 2001.

#### PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended June 30, 2001, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

#### CORPORATE GOVERNANCE

The final results have been reviewed by the audit committee of the Board which includes three Non-executive Directors. During the financial year under review, the Company was in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

#### DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

Information that is required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited (<http://www.hkex.com.hk>) in due course.

By Order of the Board  
Esprit Holdings Limited  
John Poon Cho Ming  
Executive Director & Group CFO

Hong Kong, September 26, 2001

This announcement can also be accessed through our internet site at [www.espritholdings.com](http://www.espritholdings.com).