

HIGHLIGHTS OF INTERIM RESULTS FY 00/01

- Impressive operating and net profit growth of 30%
- Profitable in all country operations worldwide
- Over 50% growth in sales for shoes and bodywear with steady growth for core product lines
- EBITDA margin improved by about 2 percentage points to 16.4%
- European sales recorded stellar growth of 33% in euro terms
- Cash on hand close to HK\$800 million as at December 31, 2000 even after aggressive capital expenditure
- Group turnover increased by 10% against tough apparel market conditions and lower currency translation rates
- Asia Pacific revenue registered an overall 6% increase in local currency terms (net of currency impact)
- Interim dividend increased by 26% to HK4.80 cents per share



ESPRIT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED DECEMBER 31, 2000

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, 2000 together with comparative figures for the corresponding period are as follows:

Condensed Consolidated Profit and Loss Account

	Note	For the six months ended December 31,	
		Unaudited 2000 HK\$'000	Unaudited 1999 HK\$'000
Turnover	2	3,994,242	3,647,755
Cost of Goods sold		(2,035,993)	(1,798,796)
Gross Profit		1,958,249	1,848,959
Other Revenues		30,932	30,868
Staff Costs		(557,495)	(544,526)
Depreciation and Amortization		(97,365)	(94,695)
Other Operating Costs		(757,464)	(790,852)
Operating Profit		576,857	449,754
Finance Costs		(17,944)	(20,532)
Share of Profits of an Associated Company		10,360	5,859
Profit before Taxation	3	569,273	435,081
Taxation	4	(258,735)	(185,190)
Profit after Taxation		310,538	249,891
Minority Interests		(37,334)	(38,916)
Profit Attributable to Shareholders		273,204	210,975
Less: Interim Dividend		(53,902)	(42,292)
Profit for the period retained		219,302	168,683
Earnings per Share			
– basic	5	24.4 cents	19.0 cents
– fully diluted	5	23.7 cents	18.3 cents
Dividend per Share		4.8 cents	3.8 cents

Condensed Consolidated Balance Sheet

	Note	Unaudited		Audited	
		As at December 31, 2000 HK\$'000	As at June 30, 2000 HK\$'000	As at December 31, 2000 HK\$'000	As at June 30, 2000 HK\$'000
Trademarks		732,281	742,451	742,451	742,451
Fixed Assets		688,240	596,953	596,953	596,953
Other Investments		29,327	29,327	29,327	29,327
Associated Companies		67,514	58,563	58,563	58,563
Current Assets					
Stocks and work in progress		906,974	735,767	735,767	735,767
Debtors, deposits and prepayments	6	546,711	656,993	656,993	656,993
Amounts due from associated companies		4,478	20,623	20,623	20,623
Short-term bank deposits		91,093	160,538	160,538	160,538
Bank balances and cash		720,796	574,334	574,334	574,334
		2,270,052	2,148,255	2,148,255	2,148,255
Current Liabilities					
Creditors and accrued charges	7	845,179	829,537	829,537	829,537
Proposed dividend		53,874	125,474	125,474	125,474
Taxation		612,233	464,937	464,937	464,937
Obligations under finance leases					
– due within one year		1,858	1,835	1,835	1,835
Long-term bank loan					
– due within one year		155,988	155,906	155,906	155,906
Unsecured short-term bank loans		8,730	13,223	13,223	13,223
Unsecured bank overdrafts		10,713	14,523	14,523	14,523
		1,688,575	1,605,435	1,605,435	1,605,435
Net Current Assets		581,477	542,820	542,820	542,820
Total Assets less Current Liabilities		2,098,839	1,970,114	1,970,114	1,970,114
Financed by:					
Share Capital	8	112,087	111,656	111,656	111,656
Reserves		1,813,631	1,612,722	1,612,722	1,612,722
Shareholder's Funds		1,925,718	1,724,378	1,724,378	1,724,378
Minority Interests		23,892	17,659	17,659	17,659
Non-Current Liabilities					
Obligations under finance leases		959	1,931	1,931	1,931
Long-term bank loan		148,188	226,064	226,064	226,064
Deferred taxation		82	82	82	82
		2,098,839	1,970,114	1,970,114	1,970,114

Notes to the Financial Statements

- Accounting policies**
 These unaudited condensed consolidated interim accounts ("Interim Accounts") are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25, "Interim Financial Reporting", issued by the Hong Kong Society of Accountants, and Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited.
- Turnover**
 The Group is principally engaged in the design, licensing, sourcing, manufacturing, wholesale and retail distribution of high quality apparel and related products under the internationally known ESPRIT brand name in Europe and the Asia Pacific, together with Red Earth cosmetics, skin and general body care products.

1. Accounting policies

The accounting policies and methods of computation used in the preparation of Interim Accounts are consistent with those used in the annual accounts for the year ended June 30, 2000.

2. Turnover

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

	Turnover 6 months ended December 31,		Operating profit after finance costs 6 months ended December 31,	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Analysis by principal activities:				
Wholesale	2,151,793	1,857,153	387,338	261,120
Retail	1,800,332	1,749,602	147,388	144,982
Others	42,117	41,000	24,187	23,120
	3,994,242	3,647,755	558,913	429,222
Analysis by principal geographical markets:				
Germany	1,916,713	1,700,078	325,459	262,896
Hong Kong	560,054	488,278	49,074	35,408
Belgium and the Netherlands	458,866	406,363	66,399	49,622
Australia and New Zealand	277,193	357,068	13,574	34,647
Taiwan	198,159	179,802	25,213	8,599
Others*	583,257	516,166	79,194	38,050
	3,994,242	3,647,755	558,913	429,222

* Other markets include Austria, Canada, Denmark, Finland, France, Malaysia, Singapore and Sweden.

3. Profit before taxation

	6 months ended December 31,	
	2000 HK\$'000	1999 HK\$'000
Profit before taxation is arrived at after charging the following:		
Depreciation and amortization		
– Owned assets	86,329	83,061
– Assets held under finance leases	866	1,464
– Trademarks	10,170	10,170
Exchange loss	6,379	5,928
Interest on short-term bank loans, overdrafts, and other loans wholly repayable within five years	17,811	20,395
Interest element of finance leases	133	137
Loss on disposal of fixed assets	2,822	3,763

4. Taxation

Hong Kong profits tax has been provided at the rate of 16% (1999/2000: 16%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

	6 months ended December 31,	
	2000 HK\$'000	1999 HK\$'000
Company and its subsidiaries:		
Hong Kong Profits Tax	27,040	23,586
Overseas Taxation	230,285	161,255
	257,325	184,841
Associated company – Overseas Taxation	1,410	349
	258,735	185,190

5. Earnings per share

The calculation of the basic earnings per share is based on the unaudited profit attributable to shareholders of HK\$273,204,000 (1999/2000: HK\$210,975,000) and the weighted average of 1,120,443,088 ordinary shares in issue (1999/2000: 1,111,716,760) during the period.

The calculation of fully diluted earnings per share is based on the profit attributable to shareholders of HK\$273,204,000 (1999/2000: HK\$210,975,000) and on the weighted average number of shares in issue during the period of 1,120,443,088 (1999/2000: 1,111,716,760) plus the weighted average number of 32,898,227 shares (1999/2000: 39,029,304) 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.

6. Debtors, deposits and prepayments

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

	As at December 31, 2000 HK\$'000		As at June 30, 2000 HK\$'000	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
0-30 days	273,035	345,960	273,035	345,960
31-60 days	45,217	42,030	45,217	42,030
61-90 days	7,377	15,982	7,377	15,982
Over 90 days	22,401	31,786	22,401	31,786
Total balance	348,030	435,758	348,030	435,758

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

7. Creditors and accrued charges

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

	As at December 31, 2000 HK\$'000		As at June 30, 2000 HK\$'000	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
0-30 days	264,348	293,864	264,348	293,864
31-60 days	21,986	26,618	21,986	26,618
61-90 days	8,478	6,850	8,478	6,850
Over 90 days	41,849	31,103	41,849	31,103
Total balance	337,662	358,435	337,662	358,435

8. Share capital

Authorized: 2,000,000,000 shares of HK\$0.10 each

	As at December 31, 2000 HK\$'000		As at June 30, 2000 HK\$'000	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Authorized	200,000	200,000	200,000	200,000
Number of HK\$0.10 each	2,000,000,000	2,000,000,000	2,000,000,000	2,000,000,000
Nominal value	200,000	200,000	200,000	200,000

Issued and fully paid:

	At July 1, 1999		At July 1, 2000	
	1999 HK\$'000	2000 HK\$'000	2000 HK\$'000	1999 HK\$'000
At July 1, 1999	1,108,622	1,108,622	1,108,622	1,108,622
Issues of scrip dividend shares	1,771	1,771	1,771	1,771
Exercise of share options	6,166	6,166	6,166	6,166
	1,116,559	1,116,559	1,116,559	1,116,559
At June 30, 2000	1,116,559	1,116,559	1,116,559	1,116,559
At July 1, 2000	1,116,559	1,116,559	1,116,559	1,116,559
Issues of scrip dividend shares	310	310	310	310
Exercise of share options	3,998	3,998	3,998	3,998
	1,120,867	1,120,867	1,120,867	1,120,867
At December 31, 2000	1,120,867	1,120,867	1,120,867	1,120,867

INTERIM DIVIDEND

The directors have declared an interim dividend for the six months ended December 31, 2000 of HK4.80 cents per share (1999/2000: HK3.80 cents), payable on or about Friday, May 18, 2001 to the shareholders whose names appear on the Register of Members of the Company at close of business on Tuesday, March 27, 2001 ("Shareholders") with a scrip alternative to offer Shareholders the right to elect to receive fully paid new shares in lieu of cash (the "Scrip Dividend Scheme").

A circular containing details of the Scrip Dividend Scheme together with the relevant election form will be despatched to Shareholders on or about Wednesday, March 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 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, May 18, 2001.

MANAGEMENT DISCUSSION AND ANALYSIS

Esprit has managed to do in 30 years what many would consider highly challenging: develop a widely recognized global lifestyle brand. A management team committed to our visionary strategic initiatives built this business into the worldwide phenomenon it is today.

Our management has kept the Group growing despite the economic climate. Since listing in Hong Kong in 1993, Esprit has maintained continuous growth even though our two key regions, Asia-Pacific and Europe, were hit by economic turmoil. This enviable record resulted from our strong brand equity, our good quality products and our highly integrated business expansion approach. These advantages will continue to allow us to strengthen our business and stay ahead of the competition.

With our focus on lifestyle products rather than simply fashion, we add value to our customers' everyday life. Esprit's global distribution network, covering over 40 countries on five continents, has generated healthy results.

Impressive Interim Growth

For the six months ended December 31, 2000, the Group achieved a turnover of HK\$3,994 million, up 10% on the previous year. Operating profit after finance costs rose 30% to HK\$559 million, while profit attributable to shareholders was HK\$273 million. Earnings per share were HK24.4 cents, an increase of 28% compared to same period last year.

The Group's well-defined diversification strategy, which is applied to geographical distribution, product line expansion and business scope, proved to be very effective in further improving first-half results. Our strong European operations remained the major impetus for our growth. In addition, continual enhancements in operating efficiency have produced a notable margin improvement through economy of scale and effective cost control. Group operating expenses compared to same period last year, as a percentage of sales, reduced by approximately 4 percentage points, including significant reduction in building and staff costs. EBITDA margin, therefore, increased to 16.4%, representing an increase of roughly 2 percentage points over same period last year.

Overall Performance

All country operations worldwide contributed to the Group's operating profit. Wholesale, retail and licensing business all recorded increases in the first half of this financial year. Wholesale, retail operation remained the driving force registering 16% growth over the previous year. The strong growth was largely attributed to the success of our well-developed product lines which are complementary to the growth of our retail business.

Geographical Breakdown

Europe (In euro terms)	Year-on-year Change	
	2000	1999
Germany	+32%	+10%
Benelux	+32%	+10%
France	+52%	+22%
Scandinavia	+31%	+4%
Austria	+42%	+4%
Overall growth	+33%	+6%

Once again, Europe achieved phenomenal growth in the first half, with an overall 33% increase in sales in euro terms despite tough apparel market conditions. In euro terms, wholesale business continued to demonstrate an outstanding performance with an increase of 36% while retail business also bucked the trend by showing an increase of 24% over previous year. One of the most encouraging developments in the first half was the impressive sales growth rates registered by some of our smaller European markets as shown above.

Sales performance of our European e-shop was particularly stunning, with an increase of 578% on the previous year. We expect the number of visits will further increase and reach our target of 150,000 visitors on average per month by the end of the fiscal year in June 2001, who are potential customers of our wide range of products. We believe this new channel offers a good alternative that helps connect us to our existing as well as potential customers in the cyberspace.

Asia Pacific (In local currency terms)	Year-on-year Change
Hong Kong	+15%
Australia	-10%
Taiwan	+9%
Singapore	+2%
Malaysia	+22%
Canada	+4%
Overall growth (net of currency impact)	+6%

The Asia-Pacific region recorded modest overall growth of 6% (net of currency impact) for the first half, amidst such setbacks as the weak economies in Taiwan and Australia. Hong Kong, our biggest market in this region, sustained its growth momentum with bigger stores and better locations. Canada is in the