

Seven Consecutive Years of Sales and Profit Growth

- Operating profit after finance costs surges 40% to HK\$871 million
- Record net profit exceeds HK\$460 million
- Group turnover increases by 21% to HK\$7,277 million
- European sales grow 39% in Euro terms
- Asia Pacific sales increase 16%
- Final dividend proposed: HK11.2 cents per share



ESPRIT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED JUNE 30, 2000

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, 2000 together with comparative figures for the previous year are as follows:

| | 2000 HK\$'000 | 1999 HK\$'000 |
|--|--------------------|------------------|
| Turnover | 7,277,306 | 5,993,820 |
| Cost of sales | (3,654,119) | (2,911,681) |
| Gross profit | 3,623,187 | 3,082,139 |
| Other revenues | 64,422 | 37,457 |
| Staff costs | (1,099,549) | (1,008,897) |
| Depreciation and amortization | (186,939) | (166,454) |
| Other operating costs | (1,491,842) | (1,271,514) |
| Operating profit | 909,279 | 672,731 |
| Finance costs | (37,912) | (48,132) |
| Profit on disposal of listed investment held for long term | — | 77,662 |
| Share of profits of an associated company | 12,730 | 1,146 |
| Profit before taxation | 884,097 | 703,407 |
| Taxation (Note 1) | (349,225) | (228,381) |
| Profit after taxation | 534,872 | 475,026 |
| Minority interests | (74,811) | (44,999) |
| Profit attributable to shareholders | 460,061 | 430,027 |
| Dividends (Note 2) | (167,877) | (160,845) |
| Profit for the year retained | 292,184 | 269,182 |
| Earnings per share (Note 3) | | |
| — Basic | 41.32 cents | 39.15 cents |
| — Diluted | 39.96 cents | 38.90 cents |

Notes:

1. Taxation

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

| | 2000 HK\$'000 | 1999 HK\$'000 |
|--|------------------|------------------|
| Company and its subsidiaries: | | |
| Hong Kong profits tax | 45,459 | 33,774 |
| Overseas taxation | 300,113 | 243,973 |
| Deferred taxation | (1,019) | (49,366) |
| | 344,553 | 228,381 |
| Associated company — overseas taxation | 4,672 | — |
| | 349,225 | 228,381 |

2. Dividends

| | 2000 HK\$'000 | 1999 HK\$'000 |
|--|------------------|------------------|
| Interim dividend paid of 3.8 cents (1999: 3.8 cents) per share | 42,403 | 41,912 |
| Proposed final dividend of 11.2 cents (1999: 10.7 cents) per share | 125,474 | 118,933 |
| | 167,877 | 160,845 |

The amount provided for the 2000 proposed final dividend is based on 1,120,308,836 shares in issue as at September 28, 2000.

3. Earnings Per Share

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK\$460,061,000 (1999: HK\$430,027,000) and on the weighted average number of shares in issue during the year of 1,113,522,594 (1999: 1,098,272,077).

The calculation of fully diluted earnings per share is based on the profit attributable to shareholders of HK\$460,061,000 (1999: HK\$430,027,000), and on the weighted average number of shares in issue during the year of 1,113,522,594 (1999: 1,098,272,077) plus the weighted average number of 37,908,558 shares (1999: 7,092,995 shares) deemed to be issued at no consideration on the assumption that all outstanding share options granted under the Share Option Scheme had been exercised at July 1, 1999.

PROPOSED FINAL DIVIDEND

The directors have resolved to recommend the payment of a final dividend for the year ended June 30, 2000 of HK11.2 cents per share (1999: HK10.7 cents), payable on or about December 22, 2000 to the shareholders whose names appear on the

Register of Members of the Company as at the date of 2000 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").

A circular containing details of the Scrip Dividend Scheme together with the relevant election form will be sent to shareholders on or about November 27, 2000. 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 December 22, 2000.

BUSINESS REVIEW AND OUTLOOK

Group Results

For the year ended June 30, 2000, the Group achieved a turnover of HK\$7,277 million, up 21% on the previous year. Operating profit after finance costs rose 40% to HK\$871 million, while profit attributable to shareholders was HK\$460 million. Earnings per share were HK41.32 cents. This year, the Board of Directors has recommended a final dividend of HK11.2 cents per share. Together with an interim dividend of HK3.8 cents per share, full year dividend per share aggregated to HK15.0 cents.

Another Record Year

An increasing number of people walked in and out of our shops in FY1999/2000, accounting for our seventh consecutive year of improved turnover and operating profit. Net profit and net cash (after bank borrowings) also reached a record high of over HK\$460 million and HK\$325 million respectively. The record net profit was achieved partly by better economy of scale and enhanced operating efficiency which have led to notable improvement on all before tax margins. Our record result was however impacted by the weakness in Euro as our European earnings was translated at a rate which is approximately 10% lower than the previous year. Also appropriate provision has been made for costs associated with the postponed spin-off of Esprit Europe AG due to adverse market conditions.

Despite tough apparel sector conditions in Europe and slowly improving economies in Asia Pacific, the Group has bucked the trend and our prospects remain bright. More customers were able to enjoy the ESPRIT shopping experience last year, through the creation of an additional 150,000 square feet of retail space in Asia Pacific and a further 60,000 square feet of floor area in Europe. We now have more than 470 directly managed stores, over 1,400 franchised outlets and over 8,000 wholesale customers in over 40 countries on 5 continents.

We believe that this is a testimony to the success of our goal, which is to aggressively expand the ESPRIT brand through growth in our product lines and growth in our geographical reach, to make ESPRIT more accessible to more customers in more places at democratic prices.

Europe

One of the most encouraging developments over the past year was the impressive sales growth rates registered by some of our smaller European markets. In local currency, France, Austria and Scandinavia all put in growth at 55%, 62% and 50% respectively. This is what we mean when we say that ESPRIT is a rapidly-growing company. Europe as a whole grew by 39% in Euro terms, with the majority growth achieved in our Germany market where our market share continues to grow.

One of ESPRIT's European strongholds is the Benelux region — Belgium and the Netherlands — which registered gains of close to 29%. Germany continues to be our largest market, being three times the size of our next-biggest market. One in every three women possesses an ESPRIT-branded item in the country, a place where almost everyone knows our name. There is still a huge well of untapped potential and significant room to grow in this market. Our high level of brand recognition in Germany is matched in many of our other existing markets. The next few years will be characterized by continued high growth in our existing markets worldwide, in order to capitalize on this awareness and soak up market share.

ASIA PACIFIC

Sales growth in the Asia Pacific was crowned by a 44% increase in Hong Kong — our second-largest market. This was achieved in spite of the prevailing poor retail sentiment in Hong Kong, which has never really fully recovered from the Asian financial crisis. Having renewed a large number of leases at about the bottom of the property market, reasonable rental costs in Hong Kong also helped. Despite the general recovery of the Asian economies, retail sentiment has still not fully turned around in the region, and the sales of Singapore and Taiwan were relatively flat.

Malaysia, although less than 1% of the group's turnover, surged by almost 25%. Australia's turnover grew 6% and continues to be an important market in the region, accounting for about a quarter of our Asia Pacific traffic. China offers immense potential and we are leading the charge into this market. To date, we have a presence in over 50 cities in the PRC — a market of legendary potential and its oft-cited population of 1.2 billion. Our joint venture with China Resources Enterprise Limited had, as at the end of the year under review, some 240 franchise stores and outlets, and 97 directly managed points of sale. Profit contribution to the Group increased four fold in this financial year to HK\$8 million and we are very excited about the potential of this huge market.

In November 1999, we accomplished one of our chief aims in the Asia Pacific when we took 100% control of Esprit Canada. The Canadian market is a strategic link in our global strategy. Our consolidation of the Canadian network is key to unlocking the potential of the massive North American market.

Products

Women's wear has been and continues to be our traditional strength. Despite making deep inroads into numerous other product lines in recent years, our women's lines continue to grow. Take EDC, turnover in this more-fashionable, young line grew by over 120% last year. We see this as a positive development: these youngsters have adopted the ESPRIT lifestyle concept at a special time in their lives and may stay with us for generations to come.

Women's wear (including EDC) continues to account for over 50% of our turnover and has achieved a growth of over 21%. Our Women's Casual line grew by a further 12%, against growth of almost 27% in our Women's Collection. In addition, some of our other lines are substantially taking off.

With turnover growth in men's wear exceeding 45% in FY1999/2000, we can now dare to imagine a future when ESPRIT sees equilibrium between men's and women's. Men's accounted for 11% of our total turnover last year, and the sizable growth we are seeing in this line is a sign that we are broadening our customer base.

We believe that this stellar performance in the men's range of clothing is a direct result of our highly integrated management approach, in which each product line is overseen by its own team, responsible for product development, design, sourcing and overall management.

Kids' line accounts for almost 10% of total turnover, and experienced only a marginal increase last year. This line still has plenty of room to grow.

Shoes and accessories walked out of the stores faster than we could have wished, with turnover in shoes growing by over 35%. Competition in quality footwear is extremely fierce as we are competing not just with our comparable competitors but also the whole specialist shoe wear industry.

With just 18 months on the shelves, bodywear has got off to a good start. Benefiting from our large volume of female customers, this line grew by over 300% — which bodes well for the future of this fresh line.

Red Earth enjoyed its best year yet. Sales growth hit almost 30% which led Red Earth into profitability for the first time. Cosmetics is a volume business, by which we mean that a profitable business is contingent on a large volume of sales. Red Earth saw turnover of HK\$400 million in the year under review.

Last year we introduced hair salons in some of our Hong Kong stores, primarily to enhance ESPRIT's lifestyle focus and add to the overall ESPRIT shopping experience.

Outlook

Today, we distributed in over two million square feet of controlled retail space globally. But there is huge scope for further expansion. As we embark upon another year of aggressive expansion, we have set aside capital expenditure of over HK\$450 million, primarily to bolster our directly managed retail space. Due to the passage of the German Tax Reform legislation reducing general corporate tax rate from 40% to 25%, European contribution to the Group's net profit is expected to improve significantly commencing the financial year ending June 2002.

Our goal is to continue expanding in all areas of our business: in retail space, in established and new product lines, in existing and potential markets, and to enhance profitability and shareholder value. We believe we have a proven business model comprising a strong international brand name, quality products at democratic prices, powerful wholesale and retail distribution network and last, but not least, a dynamic management team that is responsive to constant changes in the global market. The Group will remain on the fast track towards global expansion.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, November 20, 2000 to Thursday, November 23, 2000, both days inclusive, during which period no transfer of shares will be effected.

In order to qualify for the proposed 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 Friday, November 17, 2000.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended June 30, 2000, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

CORPORATE GOVERNANCE

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.

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

Hong Kong, September 28, 2000