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, 1998 together with comparative figures for the previous year are as follows:

	1998	1997
	HK$million	HK$million
Turnover	5,087.2	3,351.7
Operating Profit	489.6	400.9
Exceptional Item (Note 1)	(125.3)	0.0
Share of Results of Associated Companies	(17.6)	1.0
Profit before Taxation	346.7	401.9
Taxation (Note 2)	(153.9)	(144.0)
Profit before Minority Interests	192.8	257.9
Minority Interests	(37.7)	(22.4)
Profit Attributable to Shareholders	155.1	235.5
Dividends (Note 3)	(41.5)	(125.3)
Retained Profit for the Year	113.6	110.2
Earnings per Share (Note 4)	14.20¢	26.11¢

Notes:

1. Exceptional Item

   It represents the provision for diminution in value of listed investment held for long term.

2. Taxation

   Hong Kong profits tax has been provided at the rate of 16.0% (1997: 16.5%) on the estimated assessable profit for the year. Taxation on profits assessable elsewhere has been calculated at the rates of taxation prevailing in the countries in which the Group operates. The taxation is made up as follows:

		1998	1997
		HK$million	HK$million
The Company and its subsidiaries:			
	Hong Kong profits tax	25.1	23.6
	Overseas taxation net of over provision in prior years of HK$55,619,000 (1997: HK$8,073,000)	131.1	103.1
	Deferred taxation	(2.3)	17.0
		153.9	143.7
Associated Company:			
	Overseas taxation	0.0	0.3
		153.9	144.0

3. Dividends

	1998	1997
	HK$million	HK$million
Interim dividend paid of 3.80¢ (1997: 3.65¢) per share	41.5	33.0
Proposed final dividend of nil cent (1997: 7.85¢) per share	0.0	85.7
	41.5	118.7
Alignment of 1997 interim dividend on 180,410,000 new shares issued	0.0	6.6
	41.5	125.3

4. Earnings per Share

   The calculation of the earnings per share is based on the profit attributable to shareholders of HK$155,099,000 (1997: HK$235,531,000) and the weighted average number of shares in issue of 1,092,379,912 during the year (1997: 902,005,456).

   Fully diluted earnings per share is not presented as the exercise of the outstanding share options of the Company would not have a significant diluting effect on the 1997/98 earnings per share.

PROPOSED FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended June 30, 1998 (1997: HK7.85 cents per share).

BUSINESS REVIEW AND OUTLOOK

group results
For the year ended June 30, 1998, the Company achieved turnover of HK$5.09 billion, an increase of 51.8% over the previous year. Profit before exceptional item amounted to HK$280.4 million. The exceptional item of HK$125.3 million represents the provision for diminution in value of listed investments held for long term. Profit attributable to shareholders was HK$155.1 million. Earnings per share were HK14.2 cents. To conserve the Group's financial strength for business consolidation and expansion in strategic markets, the Board of Directors has not recommended a final dividend.

being global has its advantages
Our decision to go global in early 1997 could not have been better timed. Europe prospered and we saw two-thirds of our global business enjoy good growth. While the remaining one-third from Asia produced mixed results, we were definitely cushioned from the Asian downturn and our regional turnover actually grew.
Prudent steps were taken to capitalize on the opportunities in this difficult time in Asia. We locked in lower rentals, grew our market share as others pulled out and streamlined our operations. The centralized corporate treasury operation established in May 1997 allowed us to effectively manage the Group's overall foreign exchange and hedging needs, as well as funding and liquidity issues.
There is also an important constant about Asia - as in our operations worldwide - and that is the power of the Esprit brand. Across the globe, its youthful, upbeat and energetic identity remains clear and of tremendous appeal. We have the will and the wherewithal to tough it out in Asia. By staying focused on what we do best, we will be among the first off the starting block when the turnaround comes.

europe
We continued to expand in Europe, enjoying double-digit growth in local currency terms in FY1997/98. Both our retail and wholesale businesses thrived and turnover reached a record HK$3.2 billion. Germany accounted for approximately 69% while 18% came from the Netherlands and Belgium.
And Europe offers attractive untapped potential. Consider Germany, where our turnover rose 13% in Detuche Mark in FY1997/98; where brand awareness is more than 80%, and where some 30% of German ladies own at least one Esprit garment. We believe there are easily 20 other German cities that could do with an Esprit store each. At present, our revenues come mainly from women's wear, shoes and accessories, leaving the door wide open for men's wear, kids' wear and other new lines.
We plan spirited expansion in the year to come. Our focus in markets such as Germany and the Benelux region will be on boosting growth, while we simultaneously build markets like France,

Austria, Scandinavia and Eastern Europe. Our first Esprit mega-store in Paris, France has been very well received and a second mega-store is planned for October 1998.

In Britain, where rentals remain prohibitive, we have re-examined our strategies and started a mail order service (out of Germany). We closed our retail stores but we intend to open one or two mega-stories in due course.

In Scandinavia, we have adjusted our pricing strategy to suit market conditions and to build volume. And we have laid the groundwork for the future with new franchisees in Croatia, Hungary, Ireland, Slovenia and Turkey.

FY1997/98 was also marked by our product extension strategy. We launched a well-received wholesale-driven teenage line called "esprit de corps" for 15 to 25-year-olds.

Another exciting development was our new alliance with Triumph to develop Esprit body-wear. Esprit will design and distribute the body-wear products through retail and wholesale channels, while Triumph will handle the production. Product launch is expected in early 1999.

Our Esprit Kids business received a boost from our new central sourcing strategy. Sales volume has gone up by 20% and Esprit Kids is set to become Europe's leader in casual children's wear.

Because of our unified structure, Esprit is well positioned to capitalize on the new operating environment of Europe and the Euro currency, which will result in greater cross-market clarity and much more price transparency, wider choices and manufacturing and distribution options. We plan an annual sales footage increase of 45,000 to 50,000 sq ft in the coming years.

asia pacific and canada

Asia is a mixed bag. Its contribution to Group turnover is now around one-third and we have strategically right-sized throughout the region, for example scaling back operations in South Korea and Japan, where the combined turnover accounts for less than 3% of Group turnover.

Aggressive pricing and market-share strategies have been implemented in Hong Kong and Singapore, where tough conditions demand tough decisions. Our emphasis is on brand building, expanding market share through reduced margins, effective cost-containment and greater market penetration.

Taiwan and Australia, whose combined turnover accounts for close to 40% of the region's turnover, and which experienced revenue growth of more than 20% each in local currency terms, were bright spots. Our total sales footage in Taiwan grew 29% in FY1997/98. We will further reinforce our established brand through strong marketing, increased sales footage and effective merchandising. In Australia, we plan to expand the wholesale business and open another 20 to 30 specialty retail stores over the next two years.

In China, we effected a comfortable settling-in phase with our joint venture partner, China Resources Enterprise, Ltd. (CRE). Our joint venture was only incorporated at the beginning of 1998, so the full impact will not be felt until FY1998/99. We consolidated the number of franchise stores to 87 while the number of directly managed stores increased to 34.

We look to, with much enthusiasm, the introduction of Esprit Kids in Asia. There is so far no dominant kids' wear brand in Asia, and we believe Esprit has settled into pole position with our 10 to15 mega-stores in Taiwan, Hong Kong and Singapore. In Hong Kong alone, we are targeting five shops.

Esprit Canada, in which the Group owns a 75% stake, should make a positive contribution in FY1998/99 from its women's and men's wear. We will emphasize retail over wholesale in this market.

red earth

Esprit now also controls a second brand, Red Earth, which has created a niche with its price appeal, high quality product and image. Sales of Red Earth products in Hong Kong alone rose over 90% in FY1997/98, an extremely encouraging customer response.

The same successful formula has been applied in FY1998/99 to relatively new markets such as Germany, Canada, Taiwan, China and Singapore. We will further capitalize on Esprit's established distribution infrastructure and global market knowledge to produce accelerated growth for Red Earth.

The Red Earth story gained momentum when the Group became the majority shareholder of Red Earth International (REI) in May 1998. REI, in turn, owns Red Earth Holdings Pty. Ltd. (REA),

which means that Esprit now effectively controls a distribution network of 98 outlets in Australia and New Zealand.
In FY1997/98, Red Earth accounted for only 1% of Group turnover, so the brand's contribution is likely to become more substantial.

esprit international – licensing
The Group owns 63% of Esprit International, which is now managing 10 product licenses, with an estimated retail value of HK$13 billion. The royalty income for the Group was HK$58 million in FY1997/98.
Our exclusive licensing arrangement with Egana International (Holdings) Ltd saw the release of a new line of fashion and costume jewelry that was a sold-out success on its European launch in spring 1998. A global joint licensing agreement was also signed with Coty Inc, for the development and marketing of Esprit fragrances and cosmetics.
Product licensing business provides a highly bottom-line positive income stream. Globally, we will expand the licensing business at accelerated speed to include product lines such as bone china and table linen. We will establish new product licenses through strategic alliances and partnerships.

mis-Y2K
We are ahead of the curve in terms of the Y2K problem. Our compliance program should be completed by 2Q 1999. To-date, 70% of the work has already been done.

outlook
Of course the future is hard to predict and recent events in Asia have cast a pall over economic growth. Given the size and growth potential of our European operations, which account for two thirds of the Group's turnover; our licensing business with revenues that flow largely into the bottom-line; and our strong foothold in Asian markets; management views the future of the Group with much enthusiasm. However, there appears to be a mismatch in the way the Group is currently being valued, as some analysts have suggested.
Esprit's stock has been valued like other Hong Kong fashion retail stocks caught in the turmoil of Asia. The Group's stock has been trading on a prospective PER multiple of below 10 times over the past several months. On the other hand, other fashion retail businesses in Europe that are comparable to our European operations in size have been averaging 16 times and more. It seems our well-diversified business is not well recognized for what it is. If we were to list our operations separately (say, in Europe), we should be able to expect a better valuation, higher multiple, and consequently, achieve a higher price level. Valuation is sometimes a question of perspective.
Today, we see our business firmly anchored in multiple markets across the world and many of them offer upward curves. We are a global, vertically integrated company that controls not just one but two potent brands – Esprit and Red Earth. We believe we have created a strong and compelling foundation on which to enter the new millenium.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

By Order of the Board
Alva Chan Wai Mo
Director
Hong Kong, October 16, 1998

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Esprit Holdings Limited ("the Company") will be held at the Annapurna Room, Pacific Place Conference Centre, One Pacific Place, 88 Queensway, Hong Kong on Friday, December 18, 1998 at 4:30 p.m. for the following purposes:-

1. To receive and consider the audited Financial Statements and the Report of the Directors and of the Auditors of the Group for the year ended June 30, 1998.

2. To elect Directors and to authorise the Board of Directors to fix their remuneration.

3. To appoint Auditors and to authorize the Board of Directors to fix their remuneration.

4. As special business, to consider and, if thought fit, pass the following resolution as an Ordinary Resolution:-

   "THAT:-

   a. subject to paragraph (c), the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be and it is generally and unconditionally approved;
   b. the approval in paragraph (a) shall authorize the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;
   c. the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (a), otherwise than pursuant to (i) a Rights Issue; (ii) the exercise of options granted under any share option scheme adopted by the Company or (iii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Bye-laws of the Company, shall not exceed the aggregate of (aa) 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of this Resolution and (bb) (if Directors of the Company are so authorized by a separate Ordinary Resolution of the shareholders of the Company) the nominal amount of share capital of the Company repurchased by the Company subsequent to the passing of resolution 5 as set out below (up to a maximum equivalent to 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of this Resolution), and the said approval shall be limited accordingly; and
   d. for the purpose of this Resolution:

      "Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:

      i. the conclusion of the next Annual General Meeting of the Company;
      ii. the expiration of the period within which the next Annual General Meeting of the Company is required by the Companies Act 1981 of Bermuda (as amended) to be held; and

iii. the revocation or variation of the authority given under this Resolution by Ordinary Resolution of the shareholders in general meeting.

"Rights Issue" means an offer of shares open for a period fixed by the Directors of the Company to holders of ordinary shares on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in any territory outside Hong Kong)."

5. As special business, to consider and, if thought fit, passing the following resolution as an Ordinary Resolution:-

"THAT:

a. subject to paragraph (b) below, the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to purchase shares of the Company be generally and unconditionally approved;
b. the aggregate nominal amount of shares which may be purchased on The Stock Exchange of Hong Kong Limited or any other stock exchange be recognized for this purpose by the Securities and Futures Commission of Hong Kong and The Stock Exchange of Hong Kong Limited under the Hong Kong Code on Share Repurchases pursuant to the approval in paragraph (a) above shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of this Resolution, and the said approval shall be limited accordingly; and
c. for the purpose of this Resolution:

"Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:

aa. the conclusion of the next Annual General Meeting of the Company;
bb. the expiration of the period within which the next Annual General Meeting of the Company is required by the Companies Act 1981 of Bermuda (as amended) to be held; and
cc. the revocation or variation of the authority given under this Resolution by Ordinary Resolution of the shareholders in general meeting."

2. As special business, to consider and, if thought fit, pass the following resolution as an Ordinary Resolution:

"THAT conditional upon resolution numbered 5 in the notice convening this meeting being passed, the aggregate nominal amount of shares in the issued share capital of the Company which are repurchased by the Company under the authority granted to the Directors as mentioned in the said resolution numbered 5 above shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted and issued by the Directors of the Company pursuant to the resolution numbered 4 in the notice convening this meeting."

3. To transact any other ordinary business.

By Order of the Board
Alva Chan Wai Mo
Director
Hong Kong, October 16, 1998

Notes:

1. Any member entitled to attend and vote at the meeting is entitled to appoint one proxy to attend, and in the event of a poll, vote in his stead. A proxy need not be a member of the Company.
2. In order to be valid, a proxy form, together with the power of attorney (if any) or other authority (if any) under which it is signed or a notarially certified copy of such power or authority, must be lodged with the head office of the Company at 10th Floor, 11 Yuk Yat Street, Tokwawan, Kowloon, Hong Kong not less than 48 hours before the time fixed for holding the Meeting.