

A photograph of two women standing on a beach, holding hands. They are both wearing white, long-sleeved, ribbed sweaters and white knit hats. They are smiling and looking towards each other. The background is a bright, sunny beach with a clear blue sky and a sandy shore.

Esprit Holdings Limited

Morgan Stanley Asia Pacific Summit
October 22, 2002

www.espritholdings.com

Forward-looking Statements

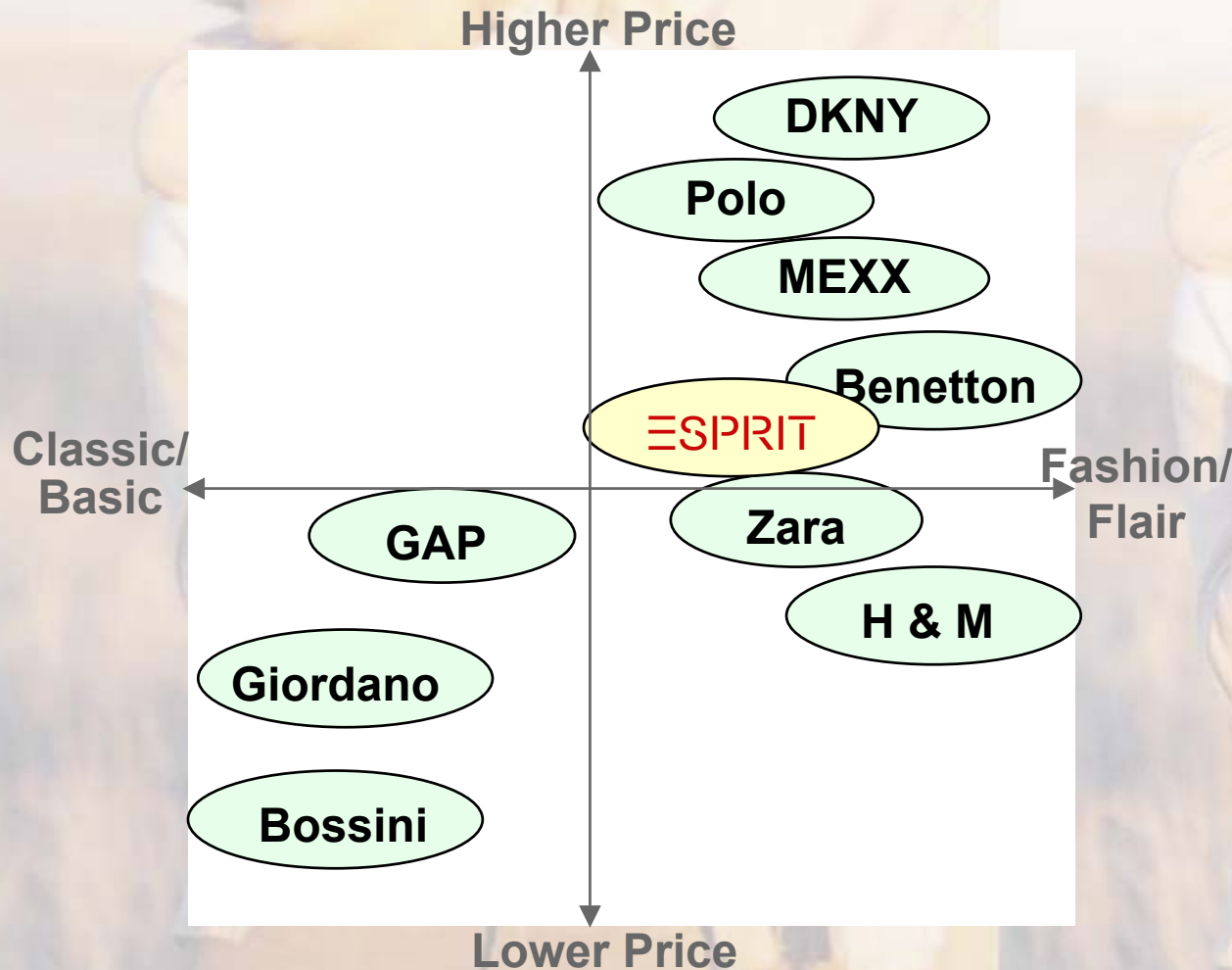
This presentation and subsequent discussion may contain certain forward-looking statements with respect to the financial condition, results of operations and business of Esprit. These forward-looking statements represent Esprit's expectations or beliefs concerning future events and involve known and unknown risks and uncertainties which could cause actual results, performance or events to differ materially from those expressed or implied in such statements.

One World, One ESPRIT

- ◆ **Global brand with high awareness**
- ◆ **Wide range of products sold in over 40 countries**
- ◆ **Huge consumer franchise worldwide, controlling over 3 million square feet in retail space**
- ◆ **Over US\$1 billion in annual turnover**
- ◆ **Around US\$2 billion market capitalization ***

As of October 18, 2002.

An International Contemporary Lifestyle Brand



ESPRIT is...

- High quality lifestyle products at affordable prices
- About attitude not age
- Tasteful and clean
- A youthful brand for all ages

FY01/02 in a Snapshot

Turnover	HK\$9.2 billion	↑ 13.7%
EBITDA Margin	17.3%	↑ 0.8 % pt
Net Profit	HK\$927 million	↑ 61.2%
ROE	34.4%	↑ 5.9% pts
Cash Generated from Operations	HK\$1.6 billion	↑ 51.4%
EPS	HK 80.5 cents	↑ 57.2%
Proposed Final Dividend	HK 17.0 cents	↑ 41.7%
Proposed Special Dividend	HK 5.0 cents	First Time
Book Value per Share	HK\$2.72	↑ 42.6%

**We also acquired 100% ownership of
ESPRIT and Red Earth worldwide and
ended the year with HK\$154 million of Net Cash**

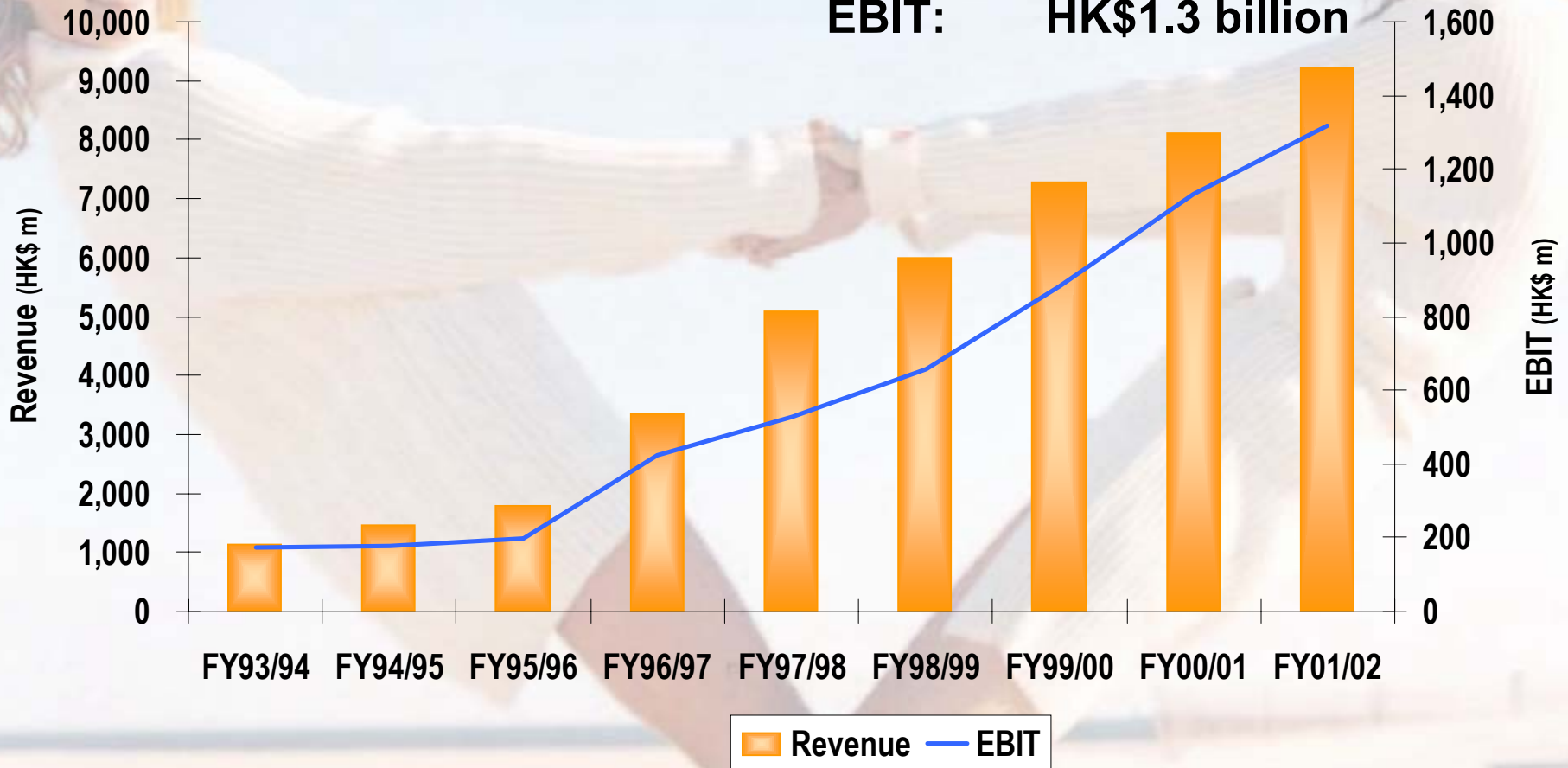
HK\$121 million One-time Tax Credit ≅ HK 10 cents per share

	Final Results	Exclude One-time Tax Credit
Effective Tax Rate	28% (-17% pts)	37% (-8% pts)
Net Profit	HK\$927 million (+61% YoY)	HK\$806 million (+40% YoY)
Net margin	10.1% (+3% pts)	8.7% (+1.6% pts)
EPS	HK 80.5 cents (+57% YoY)	HK 70.0 cents (+37% YoY)

- **Maintain a stable annual dividend pay-out ratio of about 33%**
- **Pay out 50% of one-time tax credit as Special Dividend**

Ninth Consecutive Year of Revenue and Earnings Growth

Revenue: HK\$9.2 billion
EBIT: HK\$1.3 billion



Profitable Lines of Business with Double-digit Turnover Growth

(in HK\$ m)	Wholesale	Retail	Sourcing	Licensing & Others
Turnover* (YoY Growth)	5,220 (+15%)	3,841 (+12%)	542 (+16%)	336 (+17%)
EBIT	845	4	430	196

Retail

Europe 22%

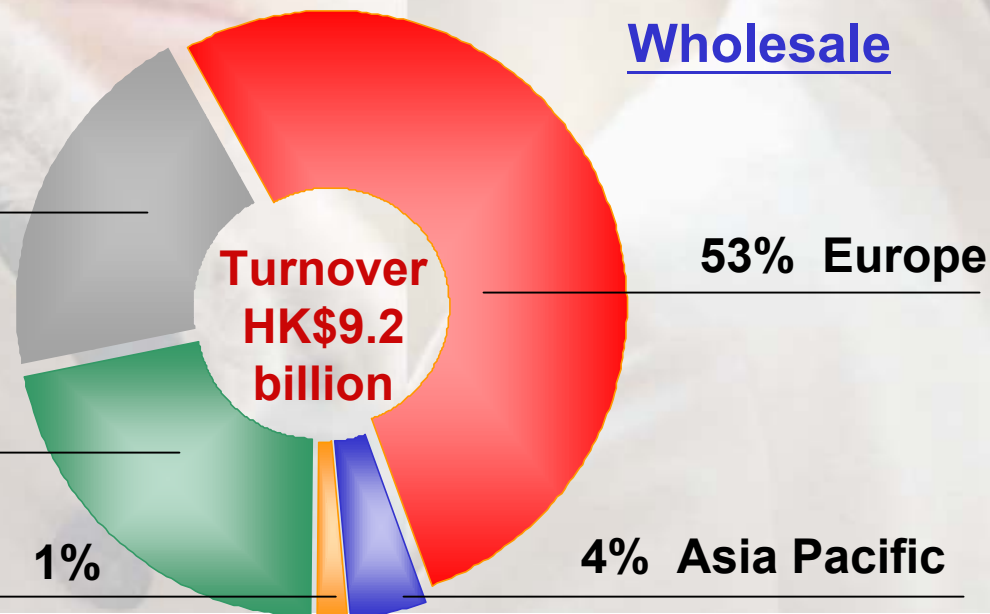
Asia Pacific 22%

Licensing & Others 1%

Wholesale

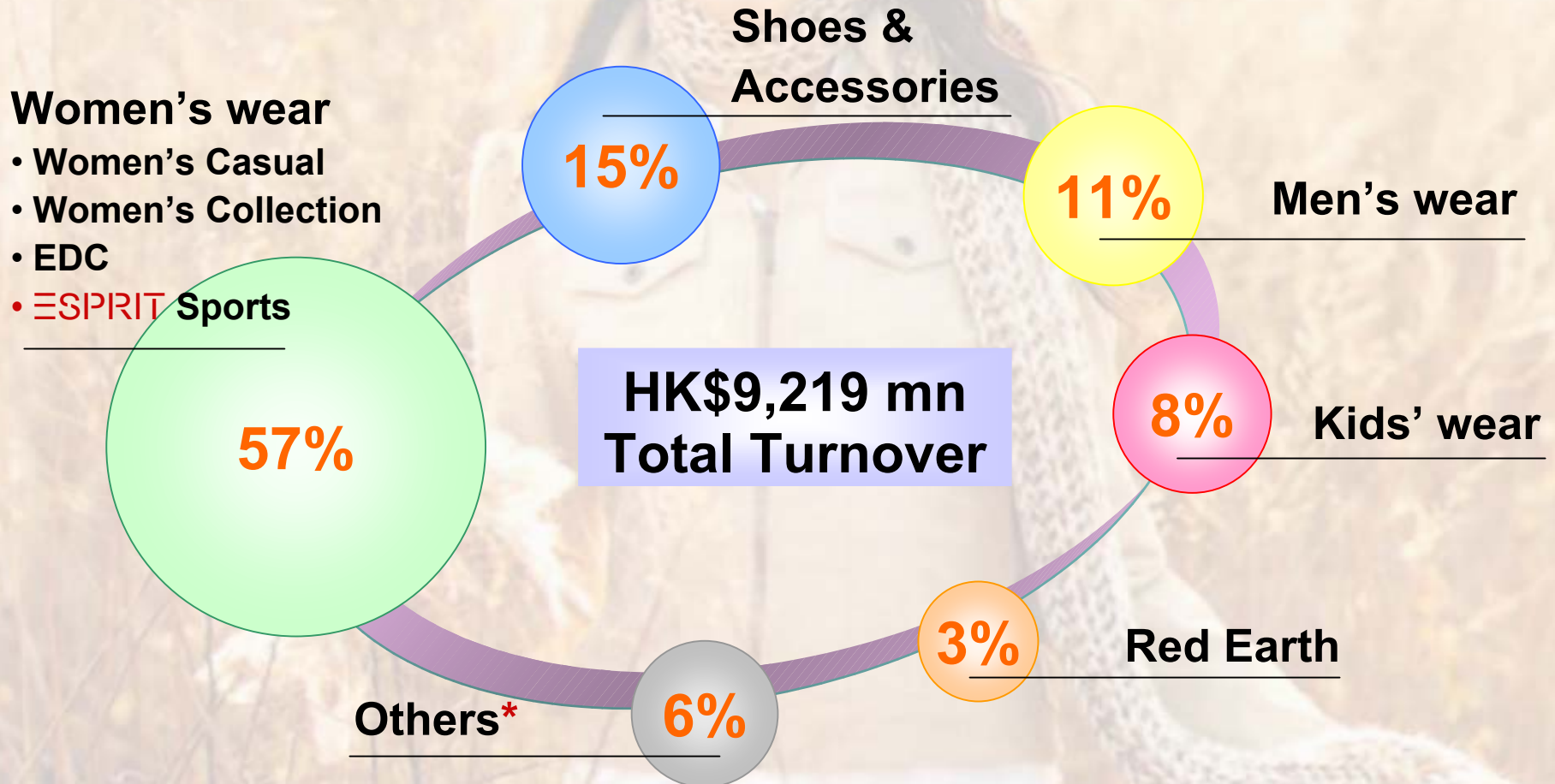
53% Europe

4% Asia Pacific



* Turnover includes inter-segment revenue.

8,000+ Designs/Styles in 12 Collections a Year



As of June 30, 2002

*Others include salon, café, bodywear, bed & bath, homeware & licensed products like timewear, eyewear, jewelry, etc.

17.3% EBITDA Margin - Exceeded our Target Range of 15 - 17%

	FY01/02	Change
Total Operating Expenses / Sales (%)	34.8%	↓ 0.6% pt
Staff Expenses / Sales (%)	13.0%	↓1.2% pts
Building Expenses / Sales (%)	10.2%	↑0.2% pt
Inventory Turnover (days) *	64	No Change

- **Better economies of scale as wholesale turnover growth continued**
- **Minimal currency translation impact for the period**
- **EBIT margin remains around 14% after strict compliance with new HK Accounting Standards for trademark amortization**

** Inventory turnover (days) is defined as average inventory / average daily cost of goods sold.*

Our Profitable China Joint Venture

- ◆ **Turnover growth momentum continues**
 - **Over 30% annual growth in 2001 to over HK\$500 million**
 - **Approximately 20% growth YoY in first six months of 2002**
- ◆ **Added 12 directly managed retail stores and 130 franchised shops, totaling to approximately 600 points-of-sales**
- ◆ **Working to improve services and upgrading shop image to meet the expectations of the rising middle class**
- ◆ **Maintain target to reach HK\$1 billion retail sales in 2003**

Latest Developments in North America – Initially Capitalize on Brand Awareness with Minimal Capital Commitment

- ◆ **Leverage on existing global infrastructure to minimize costs**
- ◆ **Wholesale strategy to achieve a meaningful nationwide rollout by forming partnerships with leading department stores**
 - **Encouraging response from Macy's 17-store test run**
 - **“Thrilled... #1 in sell through and #1 in punctual delivery.” – *Letter from Macy's***
 - **Macy's and Dillard's signed up 270 shop-in-stores to be opened next spring**
- ◆ **Teaming up with local market leaders with multi-channel distribution capabilities as our product licensees**
 - **Nine West pre-sold over 200,000 pairs of shoes since signing of the license**
- ◆ **Integrate Canadian operations into the North American management structure and to commence wholesale distribution in Canada**
- ◆ **Gradually build up experience in the North American market and target for approximately US\$60 million of turnover from the U.S. in FY03/04, US\$120 million in FY04/05 and US\$200 million in FY 05/06**
- ◆ **For FY02/03, the US\$150 million asset acquisition has eliminated the 37% minority interest in Esprit International, thereby capturing approximately HK\$80 million profit before tax based on FY01/02 results**

Looking Forward to Achieving a Decade of Continual Growth

- ◆ **Increase our women's wear collections from 6 to 12 per year to cut product development lead time and to offer more trend-right merchandise, thus more full-price sales**
- ◆ **Expand retail space, budgeted HK\$400 million in capex to add over 200,000 sq. ft.**
- ◆ **Continue to win market share in Europe with additional retail space and without sacrificing margins**
- ◆ **Asia Pacific revenue is expected to be stable, but we are working to improve margins and profitability**
- ◆ **Focus on further growth in North America, Benelux, U.K. and China**

Corporate Governance – Substance over Form

- ◆ **Esprit has been ranked in 2002 by:**
 - **Finance Asia magazine: one of the “Best Managed Company,” “Company most dedicated to Corporate Governance,” and “Strongest Commitment to Enhancing Shareholder Value” in Hong Kong**
 - **The Asset: one of Hong Kong’s “Best in Corporate Governance”**
 - **CFO Asia: one of Asia’s “Best Annual Report”**
 - **e.com: one of “Global Top 200 Annual Reports”**
- ◆ **Rotated audit partners (including Hong Kong and Germany)**
- ◆ **Restricted our firm of auditors from undertaking major consultancy work to avoid potential conflicts of interest**
- ◆ **Early adoption of HK accounting standards as a matter of best practice**
- ◆ **Proactively promote investor relations for better transparency**
- ◆ **In FY02/03, we will:**
 - **Commence formal quarterly meetings of the Board and the Audit Committee**
 - **Appoint an external firm to handle the internal audit functions**

2001 Share Option Scheme

- ◆ Will continue to use share options as incentive for key personnel to enhance shareholder value, and for recruitment and retention of talents; no options have been issued so far
- ◆ Support expensing share options but will await uniform standards for Hong Kong listed companies
- ◆ 14.6 million outstanding stock options (approximately 1% of the issued capital*) expiring on or before November 2003 – orderly disposal will continue

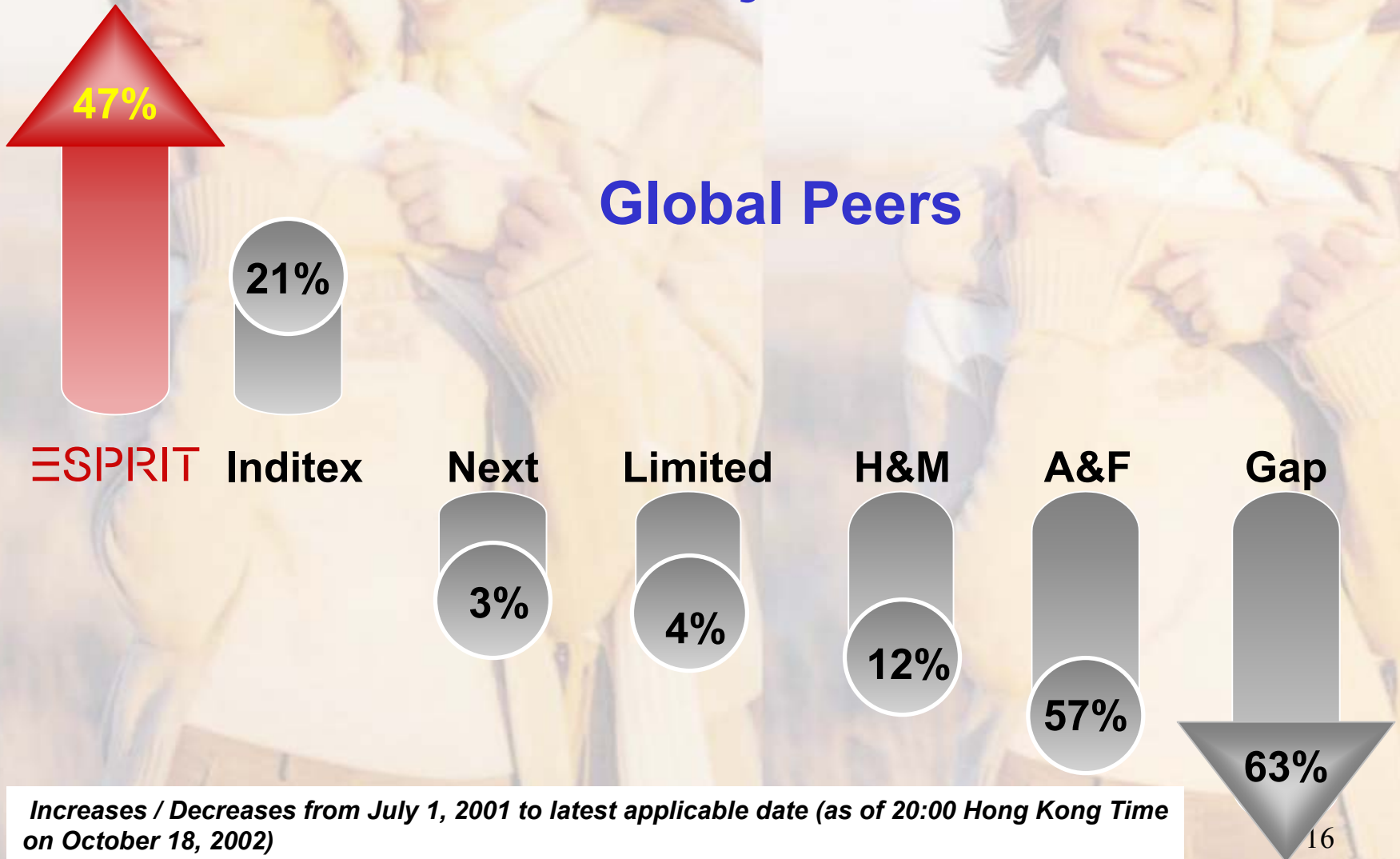
Broaden Shareholder Base

- ◆ Reduce board lot size from 2,000 to 500 shares effective September 23, 2002
- ◆ Lower barrier of participation for retail investors

* 1,177 million shares issued as of June 30, 2002

Relative Share Price Performance since July 2001

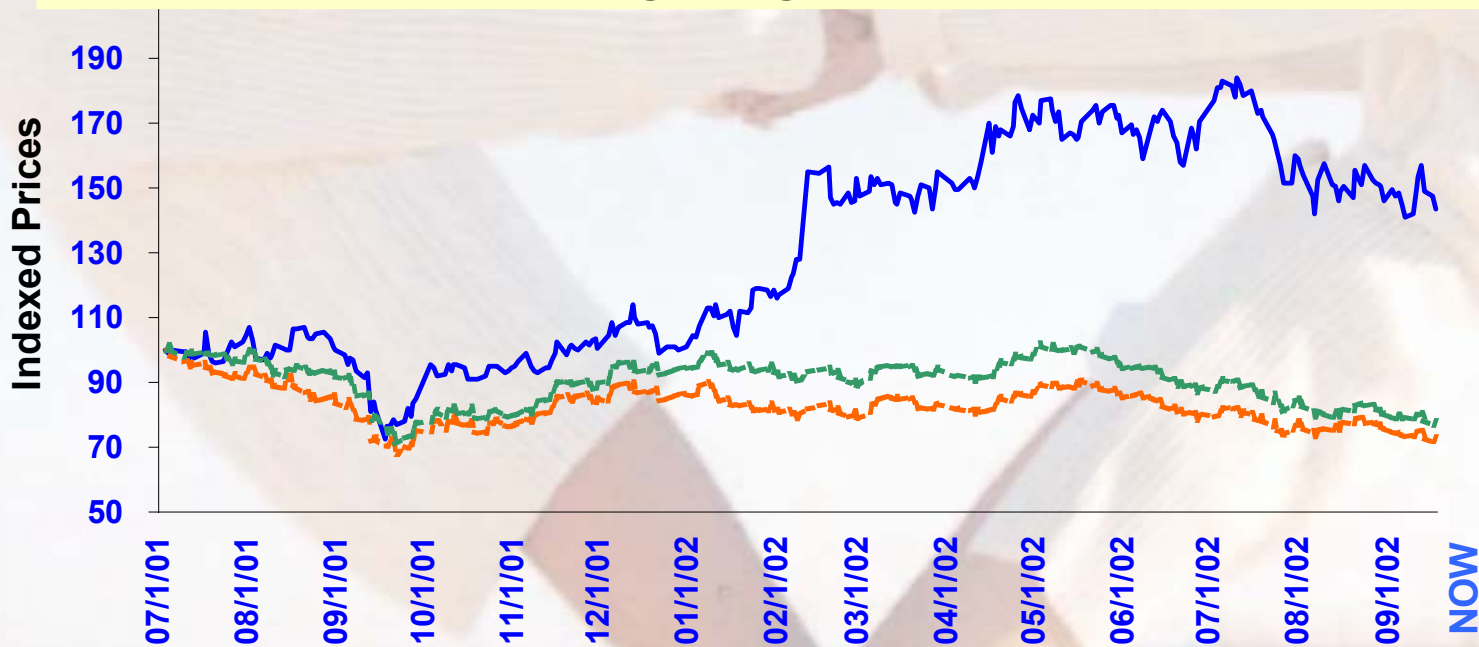
Global Peers



Increases / Decreases from July 1, 2001 to latest applicable date (as of 20:00 Hong Kong Time on October 18, 2002)

Outperformance

- The only Hong Kong listed company amongst the 30 finalists worldwide nominated by The Economist for the “Global Corporate Achievement Awards 2002”
- Relative to Hang Seng Index : **↑ 102%***
- Relative to MSCI Hong Kong Index: **↑ 91%***



* Since July 1, 2001

— Esprit - - - Hang Seng Index - - - MSCI Hong Kong

Valuation Compares Favorably with Global Leaders

	ESPRIT	LEADERS		OTHERS			
		H&M	Inditex	Next	A&F	Limited	Gap
ROE (%)	34.36 [#]	27.94	25.66	36.27	33.13	20.51	-0.26
Est. P/E (x)	14.94 [*]	26.30	32.82	13.59	10.71	14.52	43.11
Est. PEG	0.90 [*]	1.94	1.99	0.94	0.61	1.07	2.70
Price / Book	4.37 [^]	8.88	9.66	5.44	2.93	1.77	2.89

As of 18:00 Hong Kong time on October 18, 2002

All data sources from Bloomberg

[#] Based on FY01/02 final results

^{*} Based on closing price on October 18, 2002 and FY02/03 consensus estimate (mean)

[^] Based on closing price on October 18, 2002 and FY01/02 published book value per share

A photograph of two women on a beach, both wearing white knit sweaters and matching knit hats. They are holding hands and smiling, with their bodies slightly arched away from each other. The background is a bright, clear sky and a sandy beach.

ESPRIT

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