
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Esprit Holdings Limited, you should at once hand this circular and the accompanying proxy form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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ESPRIT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

**PROPOSALS INVOLVING
ADOPTION OF 2001 SHARE OPTION SCHEME
AND
TERMINATION OF THE OPERATION OF
THE EXISTING SHARE OPTION SCHEME**

A notice convening a special general meeting of Esprit Holdings Limited to be held at Victoriana Room, 4th Floor, Furama Hotel, One Connaught Road Central, Hong Kong on Monday, November 26, 2001 at 10:00 a.m. (or as soon as possible after conclusion or adjournment of the Annual General Meeting of the Company convened at 9:45 a.m. on the same day and at the same place) or any adjournment thereof to approve the matters referred to in this circular is set out on page 20 of this circular. Whether or not you are able to attend the meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's Share Registrar in Hong Kong, Secretaries Limited at 5/F., Wing On Centre, 111 Connaught Road Central, Hong Kong not less than 48 hours before the time appointed for holding of the meeting or any adjournment thereof.

Hong Kong, November 9, 2001

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DEFINITIONS

In this circular, the following expressions shall have the following meanings unless the context requires otherwise:

“2001 Share Option Scheme”	the new share option scheme to be adopted by the Company pursuant to Ordinary Resolution No. 1 as set out in the Notice of Special General Meeting in its present or any amended form
“Associate”	shall have the meaning ascribed to it under the Listing Rules
“Auditors”	the auditors for the time being of the Company
“Board”	the board of Directors of the Company or a duly authorised committee thereof
“Business Day”	shall have the meaning ascribed to it under the Listing Rules
“Chief Executive”	shall have the meaning ascribed to it under the Listing Rules
“Commencement Date”	in respect of any particular Option, the Business Day on which that Option is deemed to have been granted in accordance with the terms of the 2001 Share Option Scheme
“Companies Act”	the Companies Act 1981 of Bermuda
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company”	Esprit Holdings Limited, a company incorporated in Bermuda with limited liability
“Connected Person”	shall have the meaning ascribed to it under the Listing Rules
“Director”	include any person who occupies the position of a director, by whatever name called, of the Company or otherwise as the context may require
“Eligible Person”	any person who satisfies the eligibility criteria under the 2001 Share Option Scheme

DEFINITIONS

“Employee”	any employee or officer of any company in the Group who is employed by any company in the Group (whether full time or part time) at the time when the Option is granted to such employee
“Existing Share Option Scheme”	the existing share option scheme for the employees (including executive directors) of the Group adopted by the Company at its special general meeting on November 17, 1993
“Grantee”	any Eligible Person who accepts the Offer or (where the context permits) the legal personal representative(s) entitled to any such Option in consequence of the death of the Eligible Person (being an individual)
“Group”	the Company and its Subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong Special Administrative Region of The People’s Republic of China for the time being
“Latest Practicable Date”	November 2, 2001, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as amended, supplemented or otherwise modified from time to time
“Notice of Special General Meeting”	the notice convening the Special General Meeting as set out on page 20 of this circular
“Offer”	an offer by the Company to an Eligible Person to accept an Option in accordance with the 2001 Share Option Scheme
“Option(s)”	a right to subscribe for Shares granted pursuant to the 2001 Share Option Scheme, including both Vested Option(s) and Unvested Option(s)
“Option Period”	in respect of any particular Option, the period to be notified by the Board to each Grantee which the Board may in its absolute discretion determine, save that such period shall not be more than 10 years from the Commencement Date

DEFINITIONS

“Ordinary Resolutions”	the proposed ordinary resolutions as referred to in the Notice of Special General Meeting
“Share(s)”	fully paid shares of HK\$0.10 each of the Company (or such other nominal amount prevailing from time to time)
“Special General Meeting”	a special general meeting of the Company to be held at Victoriana Room, 4th Floor, Furama Hotel, One Connaught Road Central, Hong Kong on Monday, November 26, 2001, at 10:00 a.m. (or as soon as possible after conclusion or adjournment of the Annual General Meeting of the Company convened at 9:45 a.m. on the same day and at the same place) or any adjournment thereof
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the price per share at which a Grantee may subscribe for Shares upon the exercise of an Option pursuant to the terms and conditions of the 2001 Share Option Scheme
“Subsidiary”	a subsidiary (within the meaning of the Companies Ordinance or section 86 of the Companies Act) for the time being and from time to time of the Company
“Unvested Option”	an Option which is not exercisable pursuant to the terms of the 2001 Share Option Scheme and the terms on which the Option is granted
“Vested Option”	an Option which is exercisable pursuant to the terms of the 2001 Share Option Scheme and the terms on which the Option is granted
“Vesting Period”	such period of time, as may be determined by the Board in its absolute discretion and set out in the terms of the grant of an Option, during which the right to exercise the Option in respect of all or some of the Shares to which the Option relates will vest subject to and in accordance with the terms and conditions of the grant of the Option

LETTER FROM THE BOARD OF DIRECTORS



ESPRIT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Executive Directors:

Mr. Michael YING Lee Yuen (*Chairman*)
Mr. CHHIBBER Surinder (*Deputy Chairman*)
Mr. Heinz Jürgen KROGNER-KORNALIK
Mr. John POON Cho Ming
Ms. Connie WONG Chin Tzi

Registered Office:

Clarendon House
Church Street
Hamilton HM11
Bermuda

Non-executive Director:

Mr. Jürgen Alfred Rudolf FRIEDRICH

Principal Place of Business:

10/F, 11 Yuk Yat Street
Tokwawan
Kowloon
Hong Kong

Independent Non-executive Directors:

Mr. Alexander Reid HAMILTON
Mr. Simon LAI Sau Cheong
Mr. Raymond OR Ching Fai

November 9, 2001

To the shareholders of the Company,

Dear Sir or Madam,

**PROPOSALS INVOLVING
ADOPTION OF THE 2001 SHARE OPTION SCHEME AND
TERMINATION OF THE OPERATION OF
THE EXISTING SHARE OPTION SCHEME**

1. INTRODUCTION

This circular constitutes a summary of the principal terms of the 2001 Share Option Scheme sent to the shareholders of the Company in compliance with the Listing Rules to give all information reasonably necessary to enable them to make an informed decision on whether to vote for or against the Ordinary Resolutions to approve the adoption of the 2001 Share Option Scheme and termination of the operation of the Existing Share Option Scheme.

LETTER FROM THE BOARD OF DIRECTORS

2. ADOPTION OF THE 2001 SHARE OPTION SCHEME AND TERMINATION OF THE OPERATION OF THE EXISTING SHARE OPTION SCHEME

The Existing Share Option Scheme was adopted by the Company on November 17, 1993 and will expire on November 16, 2003. In view of the recent changes to Chapter 17 of the Listing Rules which governs the operation of share option schemes, the Directors propose to recommend to shareholders of the Company at the Special General Meeting to approve the adoption of the 2001 Share Option Scheme and simultaneously terminate the operation of the Existing Share Option Scheme. As at the Latest Practicable Date, the Company has not adopted any share option scheme other than the Existing Share Option Scheme.

It is proposed that, subject to the approval of the shareholders of the Company for the adoption of the 2001 Share Option Scheme at the Special General Meeting, the operation of the Existing Share Option Scheme shall be terminated with effect from the conclusion of the Special General Meeting (such that no further options could thereafter be offered under the Existing Share Option Scheme but in all other respects the provisions of the Existing Share Option Scheme shall remain in full force and effect) and the 2001 Share Option Scheme will take effect, subject to the approvals of the Stock Exchange and of the Bermuda Monetary Authority (if necessary), on the date of its adoption at the Special General Meeting. Operation of the 2001 Share Option Scheme will commence after all conditions precedent have been fulfilled.

The Directors consider that in order to enable the Group to attract and retain Employees of appropriate qualifications and with the necessary experience to work for the Group, it is important that the Group should continue to provide such Employees with an additional incentive by offering them an opportunity to obtain an ownership interest in the Company and to reward them for contributing to the long term success of the business of the Group.

The Directors further consider that in order to enable the Group to motivate Eligible Persons (other than the Employees) to optimise their performance and efficiency for the benefit of the Group and to attract and retain or otherwise maintain on-going business relationship with such Eligible Persons whose contributions are or will be beneficial to the long term growth of the Group, it is important that the Group should be permitted to provide them, where appropriate, with an additional incentive by also offering them an opportunity to obtain an ownership interest in the Company and to reward them for contributing to the long term success of the business of the Group. By offering the Options to the Eligible Persons upon such terms as may be permitted under the 2001 Share Option Scheme, such Eligible Persons may exercise their Options at any time within the Option Period (where applicable, subject to any terms of the grant of such Options) to acquire a monetary gain or ownership interest in the Company which may in turn provide a further incentive to them for advancing their performance.

LETTER FROM THE BOARD OF DIRECTORS

It is therefore proposed that the 2001 Share Option Scheme for the benefit of the Eligible Persons be adopted at the Special General Meeting. A summary of the principal terms of the 2001 Share Option Scheme is set out in Appendix I hereto.

The Directors had granted options pursuant to the Existing Share Option Scheme to employees for subscription of a total of 146,800,000 Shares representing approximately 12.83 per cent. of the issued share capital of the Company as at the Latest Practicable Date. Save as aforesaid and up to the Latest Practicable Date, no other options have been granted under the Existing Share Option Scheme. Up to the Latest Practicable Date, the Company has allotted 60,436,000 Shares to employees pursuant to the exercise of options granted under the Existing Share Option Scheme representing approximately 5.28 per cent. of the issued share capital of the Company as at the Latest Practicable Date. Options granted for the subscription of a total of 36,678,000 Shares and 4,000,000 Shares have lapsed and have been cancelled, respectively, under the Existing Share Option Scheme. 45,686,000 options remain outstanding under the Existing Share Option Scheme, representing approximately 3.99 per cent. of the issued share capital of the Company as at the Latest Practicable Date. The Directors confirm that between the date of this circular and the Special General Meeting, they will not grant any further option under the Existing Share Option Scheme.

Assuming that there is no change in the issued share capital between the period from the Latest Practicable Date and the date of the adoption of the 2001 Share Option Scheme, the number of Shares that may be issued pursuant to the 2001 Share Option Scheme will be 114,383,717 Shares, being 10 per cent. of the Company's issued share capital as at the Latest Practicable Date.

In respect of the operation of the 2001 Share Option Scheme, the Company will comply with all relevant requirements under Chapter 17 of the Listing Rules.

3. VALUE OF THE OPTIONS

The Directors consider it inappropriate to value all the Options that can be granted under the 2001 Share Option Scheme on the assumption that they were granted on the Latest Practicable Date. There are a number of factors critical for determining such a valuation which cannot be reasonably determined at this stage as no Options have actually been granted. These factors include, without limitation, the Option Period or the Vesting Period (if any) as well as the other terms and conditions of the grant, particularly those conditions which may be contingent in nature, such as performance targets or other continuing eligibility criteria which the Board may prescribe on a case by case basis upon the grant of an Option. The Directors have decided not to provide a valuation of the Options based on a large number of speculated assumptions, as this would not be meaningful and may be misleading to shareholders. However, shareholders should note that, in compliance with the Listing Rules, estimated valuations of options granted during any financial period will be provided based on the Black-Scholes option pricing model, the binomial model or a comparable generally accepted methodology as at the end of the relevant financial period for any interim or final results of the Company.

LETTER FROM THE BOARD OF DIRECTORS

4. CONDITIONS PRECEDENT OF THE 2001 SHARE OPTION SCHEME

The adoption of the 2001 Share Option Scheme is subject to the following conditions:

- (i) the approval of the shareholders of the Company for the adoption of the 2001 Share Option Scheme;
- (ii) the Stock Exchange granting approval for the 2001 Share Option Scheme and the subsequent granting of Options thereunder, the listing of and permission to deal in the Shares in the Company to be issued and allotted pursuant to the exercise of the Options in accordance with the terms and conditions of the 2001 Share Option Scheme; and
- (iii) if necessary, the Bermuda Monetary Authority granting permission for the issue and free transfer of any Shares to be issued by the Company pursuant to the exercise of the Options in accordance with the terms and conditions of the 2001 Share Option Scheme.

Subject to satisfaction of the above conditions, the total number of Shares which may be issued upon exercise of all Options to be granted under the 2001 Share Option Scheme and options to be granted under any other schemes of the Company shall not, in aggregate, exceed 10 per cent. of the Shares in issue as at the date of approval of the 2001 Share Option Scheme. Pursuant to the Listing Rules, the Company may obtain approval from its shareholders to refresh the 10 per cent. limit. However, the maximum number of Shares which may be issued upon exercise of all options outstanding and yet to be exercised under the 2001 Share Option Scheme and any other schemes shall, pursuant to the Listing Rules, not exceed 30 per cent. of the issued share capital of the Company from time to time.

Applications have been made to the Stock Exchange and the Bermuda Monetary Authority respectively for obtaining the approvals abovementioned.

The 2001 Share Option Scheme may be altered in any respect by resolution of the Board except that the terms referred to in Rule 17.03 of the Listing Rules shall not be altered to the advantage of Grantees or prospective Grantees except with the prior approval of the shareholders of the Company in general meeting. Once the 2001 Share Option Scheme is adopted, any alterations to the terms and conditions thereof, which are of a material nature, must be approved by the shareholders of the Company in general meeting, except where the alterations take effect automatically under the existing terms of the 2001 Share Option Scheme. The amended terms of the 2001 Share Option Scheme and all Options must continue to comply with the relevant requirements of Chapter 17 of the Listing Rules.

LETTER FROM THE BOARD OF DIRECTORS

5. SPECIAL GENERAL MEETING

Notice of the Special General Meeting is set out on page 20 of this circular. A form of proxy for use at the Special General Meeting is also enclosed therewith.

The Ordinary Resolutions to approve the adoption of the 2001 Share Option Scheme and the termination of the operation of the Existing Share Option Scheme with effect from the conclusion of the Special General Meeting will be proposed at such meeting.

6. ACTION TO BE TAKEN

Whether or not you intend to attend the Special General Meeting, you are requested to complete the proxy form and return it to the Company's share registrar in Hong Kong, Secretaries Limited at 5/F., Wing On Centre, 111 Connaught Road Central, Hong Kong not less than 48 hours before the time appointed for holding the Special General Meeting or any adjournment thereof. Completion and return of the proxy form will not preclude shareholders of the Company from attending and voting in person at the Special General Meeting if they so wish. A copy of the 2001 Share Option Scheme will be available for inspection during normal business hours at the principal place of business of the Company at 10/F., 11 Yuk Yat Street, Tokwawan, Kowloon, Hong Kong during the 14 day period immediately preceding the Special General Meeting and at the Special General Meeting itself.

7. RECOMMENDATION

The Directors believe that adoption of the 2001 Share Option Scheme and termination of the operation of Existing Share Option Scheme are in the best interests of the Company and its shareholders and so recommend you to vote in favour of the Ordinary Resolutions at the Special General Meeting. The 2001 Share Option Scheme has also been reviewed by a committee of the Board comprising Mr. Alexander Reid Hamilton and Mr. Simon Lai Sau Cheong, being two independent non-executive directors of the Company, who unanimously support the adoption of the 2001 Share Option Scheme.

Yours faithfully,
For and on behalf of the Board
Esprit Holdings Limited
John Poon Cho Ming
Executive Director

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other material facts not contained herein the omission of which would make any statement contained in this circular misleading.

SUMMARY OF THE 2001 SHARE OPTION SCHEME

The following is a summary of the principal terms of the 2001 Share Option Scheme to be submitted to the shareholders of the Company for adoption at the Special General Meeting:

(a) Purpose of the 2001 Share Option Scheme

- (i) The 2001 Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions that Eligible Persons (as defined below) had made or may make to the Group.
- (ii) The 2001 Share Option Scheme will provide the Eligible Persons with an opportunity to have a personal stake in the Company with the view to achieving the following objectives:
 - (1) motivate the Eligible Persons to optimise their performance and efficiency for the benefit of the Group; and
 - (2) attract and retain or otherwise maintain ongoing business relationship with the Eligible Persons whose contributions are or will be beneficial to the long term growth of the Group.
- (iii) For the purpose of the 2001 Share Option Scheme, “**Eligible Person**” means any person who satisfies the eligibility criteria in paragraph (b) below.

(b) Who may join and basis for determining eligibility

- (i) The Board may at its discretion grant Options to: (1) any Director, Employee, consultant, customer, supplier, agent, partner or adviser of or contractor to the Group or a company in which the Group holds an interest or a subsidiary of such company (“**Affiliate**”); or (2) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any Director, Employee, consultant, customer, supplier, agent, partner or

adviser of or contractor to the Group or an Affiliate; or (3) a company beneficially owned by any Director, Employee, consultant, customer, supplier, agent, partner, adviser of or contractor to the Group or an Affiliate.

- (ii) In order for a person to satisfy the Board that he/she/it is qualified to be (or, where applicable, continues to qualify to be) an Eligible Person, such person shall provide all such information as the Board may request for the purpose of assessing his/her/its eligibility (or continuing eligibility).
- (iii) Each grant of Options to a Director, Chief Executive or substantial shareholder or any of their respective Associates must be approved in accordance with the requirements of the Listing Rules.

(c) Grant of Options

- (i) The Board shall fully comply with the relevant provisions of the Listing Rules from time to time in force when granting Options, and in particular, when granting Options to Connected Persons.
- (ii) Subject to the provisions of the 2001 Share Option Scheme, the Listing Rules and other applicable rules and regulations, the Board may, on a case by case basis and at its discretion when offering the grant of an Option, impose any conditions, restrictions or limitations in relation thereto additional to those expressly set forth in the 2001 Share Option Scheme as it may think fit (which shall be stated in the letter containing the Offer of the grant of the Option) including (without prejudice to the generality of the foregoing):
 - (a) the continuing eligibility of the Grantee under the 2001 Share Option Scheme, and in particular, where the Board resolves that the Grantee has failed or otherwise is or has been unable to meet the continuing eligibility criteria, the Option (whether or not it is subject to a Vesting Period and to the extent it has not already been exercised) shall lapse;
 - (b) the continuing compliance of any such terms and conditions that may be attached to the grant of the Option, failing which the Option (whether or not it is subject to a Vesting Period and to the extent it has not already been exercised) will lapse unless otherwise resolved to the contrary by the Board;

- (c) in the event that the Eligible Person is a corporation, that any material change of the management and/or shareholding of the Eligible Person shall constitute a failure to meet the continuing eligibility criteria under the 2001 Share Option Scheme;
- (d) in the event that the Eligible Person is a trust, that any material change of the beneficiary of the Eligible Person shall constitute a failure to meet the continuing eligibility criteria under the 2001 Share Option Scheme;
- (e) in the event that the Eligible Person is a discretionary trust, that any material change of the discretionary objects of the Eligible Person shall constitute a failure to meet the continuing eligibility criteria under the 2001 Share Option Scheme;
- (f) conditions, restrictions or limitations relating to the achievement of operating or financial targets;
- (g) the satisfactory performance of certain obligations by the Grantee; or
- (h) the Vesting Period.

(d) Subscription Price of Shares

The Subscription Price for any Share under the 2001 Share Option Scheme will be a price determined by the Board and notified to each Grantee and will be not less than the highest of (i) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the date of grant of the relevant Option, which must be a Business Day, (ii) an amount equivalent to the average closing price of a Share as stated in the Stock Exchange's daily quotation sheets for the five Business Days immediately preceding the date of grant of the relevant Option and (iii) the nominal value of a Share. The Subscription Price shall also be subject to any adjustments made in a situation contemplated under paragraph (j).

(e) Maximum number of Shares

- (i) The maximum number of Shares in respect of which Options may be granted under the 2001 Share Option Scheme (including the total number of the Shares issued and to be issued upon exercise of the Options granted and to be granted to any Eligible Person) shall not exceed any limits that may be imposed under the Listing Rules from time to time as amended and in force.

Note: Shareholders of the Company should note that the current Listing Rules provide that:

- (1) The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2001 Share Option Scheme and any other schemes must not, in aggregate, exceed 30 per cent. of the Shares of the Company in issue from time to time. No options may be granted under any scheme of the Company (including the 2001 Share Option Scheme) if this will result in the said 30 per cent. limit being exceeded.
 - (2) The total number of Shares available for issue under options which may be granted under the 2001 Share Option Scheme and any other share option schemes must not, in aggregate, exceed 10 per cent. of the issued share capital of the Company as at the date of approval of the 2001 Share Option Scheme by the shareholders of the Company (the “**Scheme Mandate Limit**”) unless shareholders’ approval has been obtained pursuant to sub-paragraph (4) below.
 - (3) The Scheme Mandate Limit may be refreshed by shareholders of the Company in general meeting from time to time provided that the Scheme Mandate Limit so refreshed must not exceed 10 per cent. of the issued share capital of the Company at the date of the approval of the refreshment by the shareholders of the Company. Upon any such refreshment, all options granted under the 2001 Share Option Scheme and any other share option schemes of the Company (including those outstanding, cancelled, lapsed in accordance with the 2001 Share Option Scheme or any other share option scheme of the Company and exercised options) prior to the approval of such refreshment shall not be counted for the purpose of calculating whether the refreshed Scheme Mandate Limit has been exceeded. A circular must also be sent to the shareholders of the Company containing such information from time to time required by the Stock Exchange.
 - (4) The Board may seek separate shareholders’ approval in general meeting to grant Options beyond the Scheme Mandate Limit provided that the Options in excess of the Scheme Mandate Limit are granted only to the Eligible Persons specified by the Company before such approval is sought and the Company must issue a circular to the shareholders of the Company containing such information from time to time required by the Stock Exchange in relation to any such proposed grant to such Eligible Persons.
 - (5) No Options may be granted to any Eligible Person which, if exercised in full, would result in the total number of Shares issued and to be issued upon exercise of the share options already granted or to be granted to such Eligible Person under the 2001 Share Option Scheme (including exercised, cancelled and outstanding share options) in the 12-month period up to and including the date of such new grant exceeding 1 per cent. of the issued share capital of the Company as at the date of such new grant. Any grant of further share options above this limit shall be subject to certain requirements provided under the Listing Rules.
- (ii) The maximum number of Shares referred to in sub-paragraph (i) shall be adjusted, in such manner as the Auditors or the independent financial adviser of the Company shall certify as fair and reasonable in accordance with paragraph (j).

(f) Time of exercise of Option

- (i) Subject to certain restrictions contained in the 2001 Share Option Scheme, a Vested Option may be exercised in accordance with the terms of the 2001 Share Option Scheme and the terms of grant thereof at any time during the applicable Option Period.
- (ii) There is no general requirement on the minimum period for which an Option must be held or the performance targets which must be achieved before an Option can be exercised under the terms of the 2001 Share Option Scheme. However, at the time of granting any Option, the Board may, on a case by case basis, make such grant subject to such conditions, restrictions or limitations in relation to the minimum period of the Options to be held and/or the performance targets to be achieved as the Board may determine in its absolute discretion.

(g) Rights are personal to Grantee

An Option shall be personal to the Grantee and shall not be assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any Option, failing which the Option (whether or not it is subject to a Vesting Period and to the extent it has not already been exercised) shall lapse.

(h) Rights on ceasing to be an Eligible Person

Where an Option was granted subject to certain continuing conditions, restrictions or limitations on the Grantee's eligibility and the Board resolves that the Grantee has failed or otherwise is or has been unable to meet such continuing eligibility criteria, the Option (whether or not it is subject to a Vesting Period and to the extent it has not already been exercised) shall lapse.

(i) Rights on death/ceasing employment

- (i) If the Grantee (being an individual) dies before exercising the Option in full, his or her legal personal representative(s) may exercise the Vested Option up to the Grantee's entitlement (to the extent exercisable as at the date of his death and not exercised) within a period of 12 months following his death or such longer period as the Board may determine.

(ii) Subject to sub-paragraphs (iii) and (iv), if the Grantee who is an Employee ceases to be an Employee for any reason other than his death or the termination of his employment on one or more of the following grounds that:

- (1) he/she has been guilty of serious misconduct; or
- (2) he/she becomes insolvent or is unable or has no reasonable prospects of being able to pay his debts within the meaning of the Bankruptcy Ordinance (Chapter 6 of the Laws of Hong Kong) or has made any arrangements or composition with his/her creditors generally; or
- (3) he/she has been convicted of any criminal offence involving his/her integrity or honesty,

the Grantee may exercise the Vested Option (to the extent exercisable as at the date of the relevant event and not exercised) within 3 months following the date of such cessation.

(iii) If the Grantee is an Employee at the time of the grant of the relevant Option(s) and his employment is terminated on the ground of disability due to physical injury (i) in the case of an Unvested Option, the Board shall have absolute discretion in determining whether the Unvested Option shall continue to be in full force and effect notwithstanding the cessation of the employment; and (ii) in the case of a Vested Option, the Grantee may exercise the Vested Option (to the extent exercisable as at the date on which such Grantee ceases to be an Employee and not exercised) within 3 months following the date of such cessation or such longer period as the Board may determine.

(iv) If the Grantee who is an Employee at the time of the grant of the relevant Option(s) ceases to be an Employee but becomes or, where the Grantee continues to be, a Director, consultant, customer, supplier, agent, partner or adviser of or contractor to the Group or an Affiliate (as defined in paragraph (b)), then (i) in the case of an Unvested Option, the Board shall have absolute discretion in determining whether the Unvested Option shall continue to be in full force and effect; and (ii) in the case of a Vested Option, the Vested Option (to the extent exercisable as at the date on which such Grantee ceases to be an Employee and not exercised) shall be exercised within 3 months following the date of such cessation or such longer period as the Board may determine.

- (v) If the Grantee, who is a Director, consultant, customer, supplier, agent, partner or adviser of or contractor of the Group or an Affiliate (as defined in paragraph (b)) but not an Employee, ceases to be a Director, consultant, customer, supplier, agent, partner or adviser of or contractor of the Group or an Affiliate (as the case may be) for any reason other than his/her death (in the case of a Grantee being an individual), the Vested Option (to the extent exercisable as at the date of such cessation and not exercised) shall be exercised within 3 months following the date of such cessation.

(j) Effects of alterations to capital

In the event of an alteration in the capital structure of the Company, excluding any alteration in the capital structure of the Company as a result of an issue of securities as consideration in a transaction to which the Company is a party, whilst an Option is exercisable, such corresponding alterations will be made to the number or nominal amount of Shares which are the subject of unexercised Options, the subscription price or the maximum number of Shares subject to the 2001 Share Option Scheme or in respect of which any Eligible Person shall be entitled. Any such alteration shall be certified by the Auditors or the independent financial adviser of the Company as being fair and reasonable (except where an adjustment arises by way of a capitalisation of profits or reserves unless otherwise expressly required by the Board), and as giving Eligible Persons the same proportion of equity capital as that to which they were previously entitled and as not requiring any Share to be issued following such adjustment at less than its nominal value as a result thereof. Alteration shall be made on the basis that the relevant total Subscription Price payable by a Grantee on the full exercise of any Option shall remain as nearly as possible the same as it was before such event. No alteration shall be made if such alteration would result in the increase of the proportion of the issued share capital of the Company for which any Grantee is entitled to subscribe pursuant to the Options held by him/her/it.

(k) Rights on a Takeover

If a general offer by way of takeover is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror) and such offer becomes or is declared unconditional (within the meaning of the Hong Kong Code on Takeovers and Mergers), the Grantee may at any time within one month after the date on which the offer becomes or is declared unconditional (within the meaning of the Hong Kong Code on Takeovers and Mergers) exercise the Vested Option (to the extent exercisable as at the date on which the general offer becomes or is declared unconditional and not exercised) in full or in part.

(l) Rights on a Scheme of Arrangement

If a compromise or arrangement between the Company and its members or creditors is proposed in connection with a scheme for the reconstruction or amalgamation of the Company (other than any relocation schemes as contemplated in Rule 7.14(3) of the Listing Rules), the Company shall give notice to the Grantee on the same date as it gives notice to each member or creditor of the Company summoning the meeting to consider such a scheme of arrangement, and thereupon the Grantee may, by notice in writing to the Company accompanied by the remittance for the total Subscription Price payable in respect of the exercise of the relevant Vested Option (such notice to be received by the Company not later than two Business Days (excluding any period(s) of closure of the Company's share registers) prior to the proposed meeting), exercise the Vested Option (to the extent exercisable as at the date of notice to the Grantee and not exercised) either in full or in part.

(m) Rights on a Voluntary Winding up

In the event that the Company gives notice of a shareholders' meeting being convened to consider a resolution for the voluntary winding up of the Company, the Company shall forthwith upon such notice being given, give notice to Grantees of the convening of such meeting and thereupon the Grantee may, by notice in writing to the Company accompanied by the remittance for the total Subscription Price payable in respect of the exercise of the relevant Vested Option (such notice to be received by the Company not later than two Business Days (excluding any period(s) of closure of the Company's share registers) immediately prior to the date of the proposed meeting), exercise the Vested Option (to the extent exercisable as at the date of notice to the Grantee and not exercised) either in full or in part.

(n) Rights attaching to Shares upon exercise of an Option

Shares issued and allotted upon the valid exercise of an Option will rank pari passu in all respects with the other Shares of the same class in issue at the date of allotment.

(o) Lapse of Options

An Option (whether or not such Option is subject to a Vesting Period and to the extent such Option has not already been exercised) shall lapse and not be exercisable on the earliest of:

- (i) the expiry of the Option Period;
- (ii) the expiry of the periods referred to in paragraph (i);

- (iii) subject to the Supreme Court of Bermuda not making an order prohibiting the offeror to acquire the remaining Shares in the Offer, the expiry of the period referred to paragraph (k);
- (iv) the date of commencement of the winding-up of the Company in respect of the situation contemplated in paragraph (m);
- (v) the date on which the proposed compromise or arrangement becomes effective in respect of the situation contemplated in paragraph (l);
- (vi) the date of which the Grantee who is an Employee ceases to be an Employee by reason of the termination of his/her employment on the grounds that he/she has been guilty of serious misconduct, or has become insolvent or is unable or has no reasonable prospects of being able to pay his debts within the meaning of the Bankruptcy Ordinance (Chapter 6 of the Laws of Hong Kong), or has made any arrangements or composition with his/her creditors generally, or has been convicted of any criminal offence involving his/her integrity or honesty;
- (vii) the happening of any of the following events, unless otherwise waived by the Board:
 - (1) any liquidator, provisional liquidator, receiver or any person carrying out any similar function has been appointed anywhere in the world in respect of the whole or any part of the asset or undertaking of the Grantee (being a corporation);
 - (2) the Grantee (being a corporation) has ceased or suspended payment of its debts, become unable to pay its debts (within a meaning of section 178 of the Companies Ordinance or any similar provisions under the Companies Act) or otherwise become insolvent;
 - (3) there is unsatisfied judgment, order or award outstanding against the Grantee or the Company has reason to believe that the Grantee is unable to pay or to have no reasonable prospect of being able to pay his/her/its debts;
 - (4) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in sub-paragraphs (1), (2) and (3) above;
 - (5) a bankruptcy order has been made against the Grantee or any Director of the Grantee (being a corporation) in any jurisdiction; or

- (6) a petition for bankruptcy has been presented against the Grantee or any Director of the Grantee (being a corporation) in any jurisdiction;
- (viii) the date on which a situation as contemplated under paragraph (g) arises;
- (ix) the date on which the Grantee commits a breach of any terms or conditions attached to the grant of the Option, unless otherwise resolved to the contrary by the Board; or
- (x) the date on which the Board resolves that the Grantee has failed or otherwise is or has been unable to meet the continuing eligibility criteria as may be prescribed pursuant to paragraph (h).

(p) Cancellation of Options granted

The Board shall have the absolute discretion to cancel any Options granted at any time at the request of the Grantee provided where an Option is cancelled and a new Option can only be proposed to be granted to the same Grantee if there are available Shares in the authorised but unissued share capital of the Company comprising in ungranted Options (excluding all the cancelled Options) within the limits referred to in paragraph (e).

(q) Period of the 2001 Share Option Scheme

Options may be granted to Eligible Persons under the 2001 Share Option Scheme during the period of 10 years commencing on the date of adoption of the 2001 Share Option Scheme.

(r) Alteration to 2001 Share Option Scheme and Termination

- (i) The 2001 Share Option Scheme may be altered in any respect by a resolution of the Board except that the provisions of the 2001 Share Option Scheme relating to matters contained in Rule 17.03 of the Listing Rules shall not be altered to the advantage of Grantees or prospective Grantees except with the prior approval of the shareholders of the Company in general meeting.
- (ii) Any alteration to the terms and conditions of the 2001 Share Option Scheme which is of a material nature, must be approved by the shareholders of the Company in general meeting, except where the alterations take effect automatically under the existing terms of the 2001 Share Option Scheme.

- (iii) The Company by resolution in general meeting or the Board may at any time terminate the operation of the 2001 Share Option Scheme and in such event no further options will be offered but the provisions of the 2001 Share Option Scheme shall remain in force in all other respects.

(s) Conditions of the 2001 Share Option Scheme

The 2001 Share Option Scheme shall take effect subject to the passing of Ordinary Resolution No. 1 by the shareholders of the Company at the Special General Meeting and is conditional upon (a) the Stock Exchange granting approval of the 2001 Share Option Scheme and the subsequent granting of Options thereunder, and the listing of and permission to deal in any Shares which may be issued and allotted pursuant to the exercise of Options in accordance with the terms and conditions of the 2001 Share Option Scheme; and (b) if necessary, the Bermuda Monetary Authority granting permission for the issue and free transfer of any shares to be issued by the Company pursuant to the exercise of Options in accordance with the terms and conditions of the 2001 Share Option Scheme. Applications have been made to the Stock Exchange and the Bermuda Monetary Authority for obtaining the approvals aforementioned.

(t) Administration of the 2001 Share Option Scheme

The 2001 Share Option Scheme shall be administered by the Board whose decision (save otherwise provided in the 2001 Share Option Scheme) shall be final and binding on all parties.

As at the Latest Practicable Date, no Options have been granted by the Company under the 2001 Share Option Scheme.

NOTICE OF SPECIAL GENERAL MEETING



ESPRIT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

NOTICE IS HEREBY GIVEN that a Special General Meeting of Esprit Holdings Limited will be held at Victoriana Room, 4th Floor, Furama Hotel, One Connaught Road Central, Hong Kong on Monday, November 26, 2001 at 10:00 a.m. (or as soon as possible after conclusion or adjournment of the Annual General Meeting of the Company convened at 9:45 a.m. on the same day and at the same place) for the purpose of considering and, if thought fit, passing the following resolutions as Ordinary Resolutions:

ORDINARY RESOLUTIONS

1. **“THAT** conditional upon The Stock Exchange of Hong Kong Limited (the **“Stock Exchange”**) granting the approval for the 2001 Share Option Scheme referred to in the circular despatched to the shareholders on the same day as this Notice, the terms of which are set out in the printed document marked “A” now produced to the meeting and for the purpose of identification signed by the Chairman hereof (the **“Scheme”**) and subject to such amendments to the Scheme as the Stock Exchange may request, the Scheme be approved and adopted to be the new share option scheme of the Company and that the board of directors of the Company be and is hereby authorised to do all such acts and to enter into all such transactions and arrangements as may be necessary or expedient in order to give effect to the Scheme, notwithstanding that they or any of them may be interested in the same.”
2. **“THAT** subject to and conditional upon the passing of Ordinary Resolution No. 1 set out in this Notice and the condition referred to therein being satisfied or fulfilled, the operation of the existing share option scheme of the Company adopted on November 17, 1993 be hereby terminated with effect from the adoption of the Scheme (such that no further options could thereafter be offered under the existing share option scheme of the Company but in all other respects the provisions of the existing share option scheme of the Company shall remain in full force and effect).”

By Order of the Board

John Poon Cho Ming

Executive Director & Company Secretary

Hong Kong, November 9, 2001

Notes:

1. Any member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and, in the event of poll, vote on his/her behalf. A proxy need not be a member of the Company. If more than one proxy is so appointed, the appointment shall specify the number of shares in respect of which each such proxy is so appointed.
2. The instrument appointing a proxy and the power of attorney 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 Company’s share registrar in Hong Kong, Secretaries Limited at 5/F., Wing On Centre, 111 Connaught Road Central, Hong Kong not less than 48 hours before the time appointed for holding the meeting or the adjourned meeting.