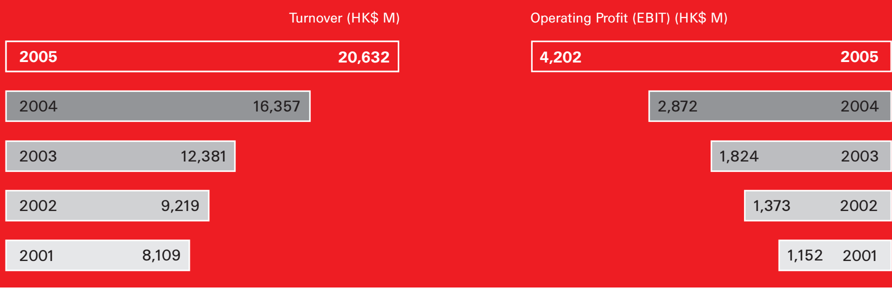
Esprit Reports 67% Net Profit Growth, Record High Turnover, Margins and ROE

- **Group turnover increased 26% to over HK$20 billion**
- **Earnings per share rose 66% to HK$2.79**
- **Net profit margin expanded to 16.2%**
- **Return on Shareholders' Equity over 50%**
- **Proposed total dividend HK$1.8 billion
final: HK$0.66 per share, special: HK$0.84 per share**



ESPRIT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 330)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED JUNE 30, 2005

FINAL RESULTS

The board of directors (the "Board") of Esprit Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended June 30, 2005 together with comparative figures for the year ended June 30, 2004. The following financial information, including the comparative figures, has been prepared in accordance with International Financial Reporting Standards ("IFRS").

Consolidated Income Statement
For the year ended June 30, 2005

	Notes	**2005** **HK$'000**	2004 HK$'000
Turnover	*2*	**20,631,815**	16,356,503
Cost of goods sold		**(9,412,770)**	(7,839,226)
Gross profit		**11,219,045**	8,517,277
Staff costs		**(2,644,145)**	(2,109,137)
Depreciation		**(451,958)**	(342,171)
Other operating costs		**(3,921,417)**	(3,194,448)
Operating profit	*3*	**4,201,525**	2,871,521
Interest income		**21,576**	39,556
Finance costs		**(1,928)**	(21,786)
Share of results of associates		**72,920**	62,810
Profit before taxation		**4,294,093**	2,952,101
Taxation	*4*	**(956,516)**	(948,661)
Profit attributable to shareholders		**3,337,577**	2,003,440

Dividends	*5*	**2,338,743**	1,396,276
Earnings per share			
– Basic	*6*	**HK$2.79**	HK$1.68
– Diluted	*6*	**HK$2.73**	HK$1.66
Dividend per share		**HK$1.95**	HK$1.17

Consolidated Balance Sheet
As at June 30, 2005

	Notes	2005 HK$'000	2004 HK$'000
Non-current Assets			
Intangible assets		**2,009,028**	2,020,416
Property, plant and equipment		**2,052,993**	1,474,286
Other investments		**7,846**	7,846
Investments in associates		**181,781**	154,984
Prepaid lease payments		**184,419**	20,943
Deferred tax assets		**204,982**	104,340
		4,641,049	3,782,815
Current Assets			
Inventories		**1,386,788**	1,137,184
Debtors, deposits and prepayments	*7*	**2,238,316**	1,702,406
Amounts due from associates		**39,033**	18,546
Short-term bank deposits		**124,688**	214,154
Bank balances and cash		**1,603,963**	1,543,554
		5,392,788	4,615,844
Current Liabilities			
Creditors and accrued charges	*8*	**2,162,682**	1,883,057
Taxation		**501,714**	767,130
Obligations under finance leases			
– due within one year		**–**	1,315
		2,664,396	2,651,502
Net Current Assets		**2,728,392**	1,964,342
Total Assets Less Current Liabilities		**7,369,441**	5,747,157
Financed by:			
Share Capital		**119,943**	119,340
Reserves		**6,919,209**	5,295,617
Shareholders' Funds		**7,039,152**	5,414,957
Deferred Tax Liabilities		**330,289**	332,200
		7,369,441	5,747,157

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation

The consolidated financial statements have been prepared in accordance with IFRS issued by the International Accounting Standards Board, and have been prepared under the historical cost convention as modified by the revaluation of certain financial instruments to fair value.

2. Turnover and segment information

The Group is principally engaged in the wholesale and retail distribution, licensing of quality fashion and life-style products under its own internationally-known ESPRIT brand name, together with Red Earth cosmetics, skin and body care products.

	2005	2004
	HK$'000	*HK$'000*
Turnover		
Sales of goods	**20,435,410**	16,158,304
Licensing and other income	**196,405**	198,199
	20,631,815	16,356,503

Primary reporting format – business segments

The Group's businesses are managed according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Inter-segment transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties.

	Wholesale 2005	**Retail 2005**	**Licensing and others 2005**	**Eliminations 2005**	**Group 2005**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Turnover	**11,888,810**	**8,546,600**	**196,405**	**–**	**20,631,815**
Inter-segment sales	**–**	**–**	**513,078**	**(513,078)**	**–**
	11,888,810	**8,546,600**	**709,483**	**(513,078)**	**20,631,815**
Segment results	**2,957,733**	**818,752**	**510,453**	**(105,749)**	**4,181,189**
Unallocated net income					**20,336**
Interest income					**21,576**
Finance costs					**(1,928)**
Share of results of associates					**72,920**
Profit before taxation					**4,294,093**
Segment EBIT – ex-inter-segment licensing expense/income *(note)*	**3,256,541**	**917,030**	**113,367**	**(105,749)**	**4,181,189**

	Wholesale 2004 *HK$'000*	Retail 2004 *HK$'000*	Licensing and others 2004 *HK$'000*	Eliminations 2004 *HK$'000*	Group 2004 *HK$'000*
Turnover	9,613,486	6,544,818	198,199	–	16,356,503
Inter-segment sales	–	–	373,073	(373,073)	–
	9,613,486	6,544,818	571,272	(373,073)	16,356,503
Segment results	2,117,151	451,499	345,151	(29,335)	2,884,466
Unallocated net expenses					(12,945)
Interest income					39,556
Finance costs					(21,786)
Share of results of associates					62,810
Profit before taxation					2,952,101
Segment EBIT – ex-inter-segment licensing expense/income *(note)*	2,332,526	512,246	69,029	(29,335)	2,884,466

note:

Wholesale and retail segments pay intra-group licensing fees to the licensing segment. Should the wholesale and retail segments not be required to pay the intra-group licensing fees to the licensing segment, the segment EBIT ("earnings before interest and taxation, finance costs, share of results of associates and unallocated net income/expenses") of the wholesale and retail segments would have been HK$3,256,541,000 (2004: HK$2,332,526,000) and HK$917,030,000 (2004: HK$512,246,000) respectively, representing segment EBIT margin ("segment EBIT/segment turnover") of 27.4% (2004: 24.3%) and 10.7% (2004: 7.8%), respectively.

Secondary reporting format – geographical segments

In determining the Group's geographical segments, turnover is attributable to the segments based on the location of customers.

	Turnover	
	2005 ***HK$'000***	2004 *HK$'000*
Europe	**17,567,941**	13,716,973
Asia	**1,868,786**	1,548,592
Australasia	**746,700**	703,865
North America and others	**448,388**	387,073
	20,631,815	16,356,503

3. Operating profit

	2005 *HK$'000*	2004 *HK$'000*
Operating profit is arrived at after crediting and charging the following:		
Crediting:		
Net exchange gains on foreign exchange forward contracts	**4,366**	13,585
Other net exchange gains	**155,133**	26,249
Charging:		
Auditors' remuneration	**8,376**	7,299
Depreciation	**451,958**	342,171
Impairment of property, plant and equipment	**387**	4,647
Loss on disposal of property, plant and equipment	**5,468**	13,808
Amortization of prepaid lease payments	**4,238**	499
Operating lease rental expenses	**1,698,088**	1,353,825
Provision for obsolete inventories and inventories write-offs	**56,015**	42,934
Provision for doubtful debts	**31,852**	17,849
Provision for retail store exit costs	**11,340**	14,256

4. Taxation

	2005 *HK$'000*	2004 *HK$'000*
Current tax:		
Hong Kong profits tax	**4,050**	12,874
Overseas taxation	**1,061,443**	937,010
Overprovision in prior years	**(4,000)**	–
	1,061,493	949,884
Deferred tax credit:		
Current year	**(104,977)**	(1,223)
Taxation	**956,516**	948,661

Hong Kong profits tax is calculated at 17.5% (2004: 17.5%) on the estimated assessable profit for the year net of tax losses carried forward, if any.

Overseas (outside of Hong Kong) taxation has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group companies operate, net of tax losses carried forward, if any.

5. Dividends

	2005 *HK$'000*	2004 *HK$'000*
Paid interim dividend of HK$0.45 (2004: HK$0.19) per share	**539,530**	226,746
Proposed final dividend of HK$0.66 and special dividend of HK$0.84 (2004 final: HK$0.48, special: HK$0.50) per share	**1,799,213**	1,169,530
	2,338,743	1,396,276

The amount of 2005 proposed final and special dividends is based on 1,199,475,434 shares (2004: 1,193,398,434 shares as at August 31, 2004) in issue as at August 31, 2005.

6. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK$3,337,577,000 (2004: HK$2,003,440,000) and the weighted average number of shares in issue during the year of 1,196,362,000 (2004: 1,191,747,000).

The calculation of diluted earnings per share is based on the profit attributable to shareholders of HK$3,337,577,000 (2004: HK$2,003,440,000), and the weighted average number of shares in issue during the year of 1,223,227,000 (2004: 1,205,946,000) after adjusting for the number of dilutive potential ordinary shares arising from the outstanding share options granted under the Company's share option scheme.

7. Debtors, deposits and prepayments

Debtors, deposits and prepayments included trade debtors. The ageing analysis of trade debtors is as follows:

	2005	2004
	HK$'000	*HK$'000*
0-30 days	**1,341,249**	1,094,794
31-60 days	**69,204**	39,919
61-90 days	**61,304**	14,981
Over 90 days	**57,021**	46,802
	1,528,778	1,196,496

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

8. Creditors and accrued charges

Creditors and accrued charges included trade creditors. The ageing analysis of trade creditors is as follows:

	2005	2004
	HK$'000	*HK$'000*
0-30 days	**863,871**	659,417
31-60 days	**25,265**	41,405
61-90 days	**18,107**	13,676
Over 90 days	**10,941**	30,515
	918,184	745,013

PROPOSED FINAL AND SPECIAL DIVIDENDS

The directors have proposed a final dividend of HK$0.66 per share (2004: HK$0.48) and a special dividend of HK$0.84 per share (2004: HK$0.50), payable on or about Friday, December 9, 2005 to the shareholders whose names appear on the registers of members of the Company at the close of business on Friday, December 2, 2005 ("Shareholders"). The payment of dividends shall be subject to the approval of the Shareholders at the annual general meeting of the Company to be held on Friday, December 2, 2005. The relevant dividend warrants will be dispatched to the Shareholders on or about Thursday, December 8, 2005.

CLOSURE OF REGISTERS OF MEMBERS

The registers of members of the Company will be closed from Wednesday, November 30, 2005 to Friday, December 2, 2005, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final and special dividends mentioned above, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Secretaries Limited, at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong no later than 4:00 p.m. on Tuesday, November 29, 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Year 2004/2005 was another record-breaking year for the Group. The Group continued fostering business growth, while delivering solid results and setting new record turnover, earnings and margins. Group turnover grew 26.1% to over HK$20.63 billion and net profit rose 66.6% to HK$3.34 billion this financial year. Operating and net profit margins expanded 2.8% points and 4.0% points to 20.4% and 16.2% respectively, return on shareholders' equity reached 53.6%, which was a record high in the Group's history.

Regions

Breakdown of Turnover by Regions

Turnover Breakdown *(HK$ mn)*	**Europe**	**Asia**	**Australasia**	**North America & others**
FY2004/2005	17,567.9	1,868.8	746.7	448.4
% growth from last year	28.1%	20.7%	6.1%	15.8%

The Group continued to expand its global reach by penetrating into existing markets while entering new ones this financial year.

European turnover rose significantly by 28.1% to HK$17.57 billion (FY2003/2004: HK$13.72 billion) and contributed to 85.1% of total Group sales. Benefiting from our strong brand and our focus on providing quality products, positive developments were seen in all markets within the region. Fueled by productivity gains and selling space expansion, Germany and Benelux continued to achieve healthy growth of 20.9%[1] and accounted for 48.3% and 16.3% of Group turnover respectively. France, Scandinavia and Austria also reported solid growth of 48.1%, 38.6% and 37.0% respectively. Following the acquisition of Bollag-Guggenheim & Co. AG (the previous country distributor for Switzerland and Italy which was acquired by the Group in December 2003), full year turnover for Switzerland and Italy has been consolidated into the Group's account thereby contributing to the growth during the financial year.

Operation in Asia continued to improve and recorded 20.7% year-on-year turnover growth to HK$1.87 billion (FY2003/2004: HK$1.55 billion). Better merchandise planning, more full-price selling and wholesale expansion initiatives improved the financial performance of the region. Regional growth was also fueled by strong demand in Malaysia, Singapore and China where higher turnover was achieved. The Australasian market grew at a steady pace following the introduction of a wider product mix and the commencement of wholesale business in this market.

[1] *The sales figures in Germany have been adjusted to exclude sales to Bollag-Guggenheim & Co. AG, which was acquired by the Group in December 2003.*

In North America, we focused on building retail islands in the East Coast to gain presence and optimize brand visibility and awareness. An e*shop was launched this financial year to serve customers across the region. While we continued to work with higher-end department stores through wholesale arrangements, concentration was also placed on directly managed retail stores to re-establish the ESPRIT identity in the marketplace.

Products

Breakdown of Turnover by Product Mix

Turnover Breakdown *(HK$ mn)*	Women's wear	Men's wear	Shoes and Accessories	Kids and edc youth	Others
FY2004/2005	12,994.2	2,830.7	2,025.5	1,394.0	1,387.4
% growth from last year	31.1%	30.5%	19.0%	16.6%	0.9%

Turnover growth was seen across all key product divisions. Women's Casual accounted for 38.6% of total turnover and continued to be the largest product division with year-on-year turnover increase of 25.8% to HK$7,958.2 million. Strong momentum was also evident in Women's Collection, Women's Sports and edc Women division, each recording turnover growth of 47.0%, 41.5% and 36.7% respectively.

The Group continued to define the character of each of its 12 product divisions during the financial year with inspiring designs, while maintaining affordable value. "Casual" is about simple and crisp design with a stylish touch; "edc" offers fun and fashionable design with a youthful image and "Collection" delivers sophisticated designs with refined and detailed finishing. In addition to introducing new product lines to different regions, the Group also worked on refining its product mix on both regional and store levels to better capitalize on the potential of each product division. edc men was launched in Europe and edc women and Collection were introduced in Australia during the first half of the financial year.

Capitalizing on the Group's strong brand name and presence in major international cities, the Group expanded its parameters in the upper market segment by trading consumers upward in quality and style. The Group also strengthened its introductory-priced product segment by passing on some of the benefits of sourcing gains from currency and quota savings to the end consumers in the form of better quality or lower pricing, thereby increasing store traffic and encouraging purchases.

The strong sales performance during the year was driven by the continued supply of right products to the right customers at the right place and time. Our unwavering focus on quality, style and value, complemented by our 12 product-divisions and 12-collections-a-year strategy, resulted in the creation of more market-driven products in stores. This in effect helped the Group to not only minimize inventory levels but also generate healthier store traffic. The Group's strategy of not repeating "best sellers" increased newness in product offerings while simultaneously encouraging more full-price sell-through.

Channels of Distribution

	Retail-directly managed store		Wholesale-controlled selling space	
	Over	year-on-year change	Over	year-on-year change
total point of sales	630	74 (+13.3%)	9,700	1,781 (+22.3%)
total sq. m.	193,000	23,332 (+13.7%)	443,000	106,091 (+31.5%)

Wholesale

Breakdown of Wholesale Turnover

Turnover Breakdown *(HK$ mn)*	Germany	Benelux	France	Scandinavia	Rest of the World
FY2004/2005	5,691.8	2,286.9	1,193.5	859.6	1,857.0
% growth from last year	15.8%[1]	18.0%	48.6%	41.5%	48.5%

The Group's wholesale business continued to record double-digit growth during the financial year. Turnover grew by 23.7% to HK$11.89 billion (FY2003/2004: HK$9.61 billion) driven partly by the addition of over 106,000m^2 controlled selling space. Segment EBIT[2] increased by 39.6% to HK$3.26 billion (FY2003/2004: HK$2.33 billion) and segment EBIT margin[2] also expanded 3.1% points to 27.4% (FY2003/2004: 24.3%) through higher operational leverage.

Europe delivered 24.3% turnover growth and remained to be the Group's core wholesale market, accounting for 94.0% of the Group's wholesale turnover. Germany continued to be the Group's biggest wholesale country and achieved 15.8%[1] sales growth. The rest of Europe now accounts for 46.2% of the Group's wholesale turnover and grew 34.6% year-on-year. The Group's penetration into Europe through controlled-space wholesale formats yielded encouraging results during the financial year, as approximately 85,000m^2 net selling space for partnership stores, shop-in-stores and identity corners was added (+33.1% YoY) in these markets. The Group expanded the geographic foothold of its wholesale concept this financial year by reaching into Spain, Italy and Switzerland with the opening of 58, 154 and 99 wholesale point of sales respectively.

Wholesale diversification outside of Europe continued as the Group recorded a 23.9% growth in Asia which accounted for 4.7% of total wholesale turnover. In addition to healthy wholesale sales growth in China and Thailand, this financial year marked the opening of the first Esprit showroom in Dubai. The Group also expanded its wholesale initiative to India by opening its first flagship store in Bangalore in the second half of the financial year. The Australasia region recorded 70.1% turnover growth driven by the introduction of edc and Collection products into the region and the conversion of concession retail to wholesale formats with Myers and David Jones in Australia.

Horizontal selling space expansion was recorded this financial year as wholesale customers converted their selling space from non-controlled format such as multi-label stores, to controlled format such as partnership stores and shop-in-stores. Controlled-selling space wholesale formats were built with defined Esprit ambience, exclusively offering Esprit products that enabled wholesale customers to enjoy higher brand visibility, leading to increased sales and productivity.

[2] *Segment EBIT and EBIT margin excluding inter-segment licensing expense.*

As at June 30, 2005, the number of controlled-space wholesale point-of-sales including partnership stores, shop-in-stores and identity corners increased by over 1,700 in total to over 760, 3,200 and 5,700 (FY2003/2004: 589, 2,803 and 4,578), totaling over 147,000m^2, 160,000m^2 and 135,000m^2 in selling space respectively and representing an aggregate of 31.5% growth from last financial year.

Retail

Breakdown of Retail Turnover

Turnover Breakdown *(HK$ mn)*	**Germany**	**Benelux**	**Australia**	**Hong Kong**	**Rest of the World**
FY2004/2005	4,252.3	1,073.6	624.6	593.8	2,002.3
% growth from last year	28.5%	27.4%	2.5%	19.8%	55.7%

Increased turnover, improved productivity and tightly controlled overheads resulted in profitability and margin improvements in retail operations during the year. Turnover rose 30.6% to HK$8.55 billion (FY2003/2004: HK$6.54 billion) and was driven by 8.5% comparable store sales growth and a 13.7% net increase in selling space. Retail segment EBIT[2] increased 79.0% to HK$917.0 million (FY2003/2004: HK$512.2 million) and retail segment EBIT margin[2] also grew by 2.9% points to 10.7% (FY2003/2004: 7.8%) respectively.

The Group's focus on operational excellence delivered improved financial results. Right merchandising that met customers' needs coupled with continuous supply of high quality products generated higher store traffic during the financial year. By analyzing individual store performance, square-footage within the store was re-allocated for product divisions to maximize productivity.

Retail turnover in Europe rose 35.6% year-on-year and accounted for 74.5% of total Group retail turnover with healthy comparable store sales growth of 9.5%. Germany and Benelux continued to be the Group's core retail markets and turnover in these countries grew 28.5% and 27.4% respectively, contributing to 49.8% and 12.6% of the Group's retail turnover. On the back of enhanced productivity and an improved macroeconomic environment, the Asian operation recorded 21.3% of turnover growth and 17.6% comparable store sales growth, accounting for 13.8% of total retail turnover. North America and Australasia, which represented 3.8% and 7.9% of the Group's retail turnover, also achieved 49.8% and 2.3% turnover growth respectively.

The Group invested HK$730.5 million in capital expenditure during the financial year to open approximately 100 new retail stores, which was another record in the Group's history. Total directly managed retail space increased to over 193,000m^2 from 170,000m^2 at the end of the last financial year. The majority of the new space added was located in Europe where profitability is relatively higher. As of June 30, 2005, the Group operated over 630 directly managed stores worldwide.

The Group's online e*shop is also an important and successful part of its retail initiative, offering a full range of Esprit apparel products to customers in Germany, Belgium, Netherlands, Austria and the U.S. from the comfort of their own homes.

Licensing

Licensing income from third parties increased to HK$117.1 million (FY2003/2004: HK$110.5 million). When last year's licensing income is adjusted to exclude Bollag-Guggenheim & Co. AG (the previous country distributor for Switzerland and Italy, which was acquired by the Group in December 2003 and was therefore no longer treated as a third party), third party licensing income grew by 18.7% year-on-year. The majority of the growth was from timewear, jewelry and eyewear. We have entered into 7 new licensing contracts and introduced 14 new product categories to the market during the fiscal year. As at June 30, 2005, we were working with over 35 licensees and offering around 25 categories of ESPRIT - licensed products to consumers worldwide.

The Group has actively expanded the home products market during the financial year. Down, duvet and glassware were introduced in Europe and Asia and four shop-in-stores were opened by our Asian licensees to offer Esprit Home products in China. The Group also launched the first Collection fragrance by ESPRIT for both men and women in the second half of the fiscal year. Strong licensing partnerships were built in Australia, where bed linen, towels and footwear products were introduced.

The Group's licensing business helps to extend Esprit's lifestyle offerings to different product categories in different markets worldwide. We remained focused on the creation of licensed products and on the development of their respective controlled distribution channels to ensure they conform to our high standards. We will continue to internationalize our licensing business in the future and believe this business offers great growth potential.

FINANCIAL REVIEW

Margins

Gross margins reached 54.4%, up 2.3% points from a year ago which was mainly affected by three factors: quota and freight cost savings, the strength of the Euro and higher retail weighting in the Group's turnover mix.

Earnings before interest, taxation, depreciation and amortization (EBITDA) margin came in at 22.6%, up 3.0% points from a year ago helped by productivity enhancement and stringent cost control measures. Total operating expenses as a percentage of sales decreased marginally to 34.0% from 34.5% a year ago. Staff costs, the largest operating cost component, remained relatively flat compared to a year ago despite the addition of staff members. Operating profit (EBIT) margin increased 2.8% points to 20.4%.

Depreciation expenses were HK$452.0 million, 32.1% higher than last year. The higher depreciation was due mainly to the retail stores expansion and the associated capital expenditure.

Net profit

Net profits were up 66.6%, growing from HK$2.00 billion to HK$3.34 billion and net profit margins increased 4.0% points to 16.2%. The Group's effective tax rate was 22.3%, 9.8% points lower than the 32.1% for FY2003/2004. Effective international tax planning and reduction in the number of loss making markets continued to harmonize our overall tax efficiency globally, which in turn led to a more efficient group effective tax rate.

Liquidity and financial resources

Net cash inflow from operating activities for the financial year increased by 37.1% to HK$2.72 billion. During the financial year, the Group spent HK$961.8 million on capital expenditure for new store openings, store upgrading and IT projects, utilized HK$274.5 million on land and building acquisitions in Asia, and another HK$1,712.6 million on dividend payments in December 2004 and April 2005. The Group's financial position remained very strong with its net cash balance (cash and cash equivalent net of bank borrowings) similar to that of last year at HK$1.73 billion (FY2003/2004: HK$1.76 billion).

As at June 30, 2005, the Group has no long-term bank borrowings and did not pledge any assets as security for overdraft and/ or short-term revolving facility. Our debt to equity ratio, expressed as a percentage of interest bearing external borrowings over shareholders' funds of HK$7.04 billion, was 0%. The current ratio (current assets divided by current liabilities) improved to 2.0 (FY2003/2004: 1.7).

PROSPECTS

The Group's strong financial performance this financial year gives us confidence that FY2005/2006 will be another year with positive top and bottom line performance.

At Esprit, offering the right products that satisfy market needs is one of the keys to nurturing the brand's success and sustaining its growth. The 12 collections product offerings currently available are designed to meet the needs of different target customer groups. We will continue to strengthen our product offerings in the new financial year by focusing on the areas of newness, quality and style. We will also enhance the communication of our brand's character to consumers with the aim to long-term brand building. Better visual merchandising, window display, image and marketing plans will be introduced to complement the product offerings, thereby reinforcing the Group's position in the marketplace.

The Group will continue to penetrate into existing markets and expand newer ones through wholesale in the new financial year. In Europe, our wholesale order booking for the six months ending December 2005 shows high teens year-on-year growth. Partnership stores will be used to gain penetration in core markets such as Germany, Benelux and France where the Esprit brand already has substantial brand presence. Shop-in-stores and identity corners concept with department stores and multi-label retailers will be used to enter new markets in order to minimize capital expenditure requirements. U.K., Italy and Spain will be the newer European markets of focus for FY2005/2006. Asia wholesale initiatives for the fiscal year include entering the India market as well as expanding our distribution channels to duty free stores in Thailand, the Philippines and Vietnam. Over 200 partnership stores, 500 shop-in-stores and 700 identity corners are also planned for FY2005/2006. We are confident that the wholesale momentum will continue this year.

Retail expansion in major cosmopolitan cities heightens the impact of the Group's brand power by showcasing the breadth and depth of the Group's complete product offerings in our own stores, which are all built with the Esprit spirit and character. Approximately HK$900 million has been budgeted for the opening of over 110 directly managed stores and the renovation of existing stores worldwide in FY2005/2006. Over 40 stores in Europe, 50 in Asia, 10 in North America and 10 in Australasia are expected to be opened, adding over 25,000m^2, 4,000m^2, 6,000m^2, 3,000m^2 of retail space respectively and increasing the total selling area of directly managed stores by approximately 17%. Selling space expansion together with comparable store sales growth through productivity improvements should continue to fuel retail turnover growth in the new financial year.

The elimination of quotas that commenced in January 2005 resulted in anti-surge measures against Chinese textiles imported into Europe and the U.S., thereby affecting sourcing structure. Euro movements and the potential further revaluation of the Renminbi will have an impact on sourcing costs. However, the Group is confident that further volume leverage will help offset the above potential negative impact. A solid sourcing infrastructure and a flexible global sourcing base allow buying to be done economically in other competitive as well as non-quota bounded countries thus minimizing the potential impact on sourcing costs. The Group will continue to monitor market dynamics, exploit alternative sourcing opportunities in low-cost countries and make adjustments to the mix of our sourcing base when necessary with the aim of upholding the price-value correlation of our products and remaining competitive in the marketplace.

With an expanding wholesale and retail distribution network, improving retail productivity and profitability, together with stringent cost control measures and the advantage of additional volume leverage from the Group's wholesale business, the Group is confident that the new financial year will produce another set of satisfactory results.

HUMAN RESOURCES

The Group employs both full-time and part-time employees and has over 8,000 positions worldwide after converting the part-time positions into full-time positions based on working hours. The most significant personnel increase was in the sales-related department.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's shares during the financial year.

AUDIT COMMITTEE

In compliance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), the Company has an audit committee comprising of four non-executive directors of the Company, three of whom are independent non-executive directors. The audit committee has reviewed the accounting principles and practices adopted by the Group and has also discussed auditing, internal controls and financial reporting matters including the review of the audited consolidated financial statements for the year ended June 30, 2005 of the Group.

CORPORATE GOVERNANCE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"). The Company has made specific enquiries of all the directors and each of the directors has confirmed that, for the year ended June 30, 2005, they have complied with the required standard set out in the Model Code.

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the year ended June 30, 2005, in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules which was in force prior to January 1, 2005 and remains applicable for the financial period commencing before January 1, 2005.

The Board has appointed four board committees including audit committee, nomination committee, remuneration committee and general committee to oversee particular aspects of the Company's affairs. Independent non-executive directors play a vital role in these committees to ensure that independent and objective views are expressed.

BOARD OF DIRECTORS

As at the date of this announcement, the directors of the Company are:

Executive Directors:	Michael YING Lee Yuen *(Chairman)* Heinz Jürgen KROGNER-KORNALIK *(Deputy Chairman)* John POON Cho Ming *(Deputy Chairman)* Thomas Johannes GROTE Jerome Squire GRIFFITH
Non-executive Directors:	Jürgen Alfred Rudolf FRIEDRICH Simon LAI Sau Cheong
Independent Non-executive Directors:	Paul CHENG Ming Fun Alexander Reid HAMILTON Raymond OR Ching Fai

By Order of the Board
John POON Cho Ming
Deputy Chairman

Hong Kong, September 13, 2005

The 2004/2005 annual report of the Company containing financial statements and notes to the financial statements will be published on the Company's website www.espritholdings.com and the website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk) and dispatched to shareholders on or before October 30, 2005.

"Please also refer to the published version of this announcement in The Standard"