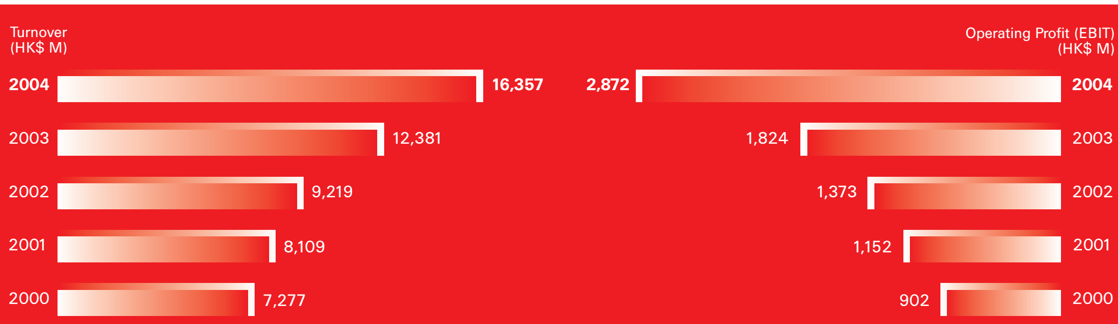
HIGHLIGHTS of FY2003/2004 AUDITED FINAL RESULTS (IFRS Compliant)

- **Group turnover increased 32% to over HK$16 billion**
- **Earnings per share rose 54% to HK$1.68**
- **Return On Equity exceeds 40%**
- **Net cash position reached almost HK$1.8 billion**
- **Proposed Final Dividend: HK48 cents per share**
- **Proposed Special Dividend: HK50 cents per share**



ESPRIT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 330)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED JUNE 30, 2004

FINAL RESULTS

The Board of Directors 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, 2004 together with comparative figures for the previous year. The following financial information including the comparative figures have been prepared in accordance with International Financial Reporting Standards (“IFRS”) (see Note 1). In prior years the Group’s financial statements were prepared in accordance with generally accepted accounting principles in Hong Kong (“HKGAAP”).

Consolidated Income Statement
for the year ended June 30, 2004

	Notes	**2004** **HK$'000**	2003 HK$'000
Turnover	2	**16,356,503**	12,381,458
Cost of goods sold		**(7,839,226)**	(6,198,869)
Gross profit		**8,517,277**	6,182,589
Staff costs		**(2,109,137)**	(1,603,630)
Depreciation		**(342,171)**	(272,570)
Other operating costs		**(3,194,448)**	(2,482,018)
Operating profit	3	**2,871,521**	1,824,371
Interest income		**39,556**	41,584
Finance costs		**(21,786)**	(32,463)
Share of results of associates		**62,810**	45,463
Profit before taxation		**2,952,101**	1,878,955
Taxation	4	**(948,661)**	(590,126)
Profit attributable to shareholders		**2,003,440**	1,288,829
Dividends	5	**1,396,276**	831,918
Earnings per share			
– Basic	6	**168.1 cents**	109.2 cents
– Diluted	6	**166.1 cents**	109.1 cents
Dividend per share		**117.0 cents**	70.0 cents

Consolidated Balance Sheet
As at June 30, 2004

	Notes	2004 HK$'000	2003 HK$'000
Non-current Assets			
Intangible assets		**2,020,416**	1,960,034
Property, plant and equipment		**1,474,286**	1,055,564
Other investments		**7,846**	7,846
Investments in associates		**154,984**	121,574
Prepaid lease payments		**20,943**	21,442
Deferred tax assets		**104,340**	93,416
		3,782,815	3,259,876
Current Assets			
Inventories		**1,137,184**	918,268
Debtors, deposits and prepayments	7	**1,702,406**	1,206,832
Amounts due from associates		**18,546**	26,196
Short-term bank deposits		**214,154**	167,443
Bank balances and cash		**1,543,554**	1,944,793
		4,615,844	4,263,532
Current Liabilities			
Creditors and accrued charges	8	**1,883,057**	1,445,131
Taxation		**767,130**	775,441
Obligations under finance leases – due within one year		**1,315**	219
Bank overdrafts		**–**	15,571
		2,651,502	2,236,362
Net Current Assets		**1,964,342**	2,027,170
Total Assets Less Current Liabilities		**5,747,157**	5,287,046
Financed by:			
Share Capital		**119,340**	118,869
Reserves		**5,295,617**	4,073,117
Shareholders' Funds		**5,414,957**	4,191,986
Obligations Under Finance Leases – due after one year		**–**	336
Long-term Bank Loan		**–**	776,411
Deferred Tax Liabilities		**332,200**	318,313
		5,747,157	5,287,046

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of accounting

The Company's consolidated financial statements up to June 30, 2003 were prepared in accordance with HKGAAP. With effect from this financial year, the Company decided to prepare its consolidated financial statements in accordance with IFRS and convert the comparative financial information for the year ended June 30, 2003 to be in accordance with IFRS.

All the new/revised IFRS were adopted except for IFRS 2, Share-based payments, which is effective for annual accounting periods beginning on or after January 1, 2005. The adoption of IFRS has been applied retrospectively with effect from July 1, 2002, the date of transition, and comparative information has been adjusted to comply with IFRS.

The reasons the Group is adopting IFRS include:

– The Group operates internationally in four continents and has diverse international shareholders. The Group believes adoption of internationally recognized accounting standards will allow its financial statements to be better understood by its shareholders, the capital markets and the other users globally;

– Many of the Group's peers in Europe will be adopting IFRS from 2005 onwards under European Union rules; and

– Many of the Group's subsidiaries, particularly in Europe which accounts for approximately 80% of the Group's turnover and profits, have historically prepared their financial statements in accordance with IFRS. Consistently using IFRS throughout the Group will lead to efficiencies and is cost effective.

This is the first set of consolidated financial statements of the Company prepared in accordance with IFRS. HKGAAP differs from IFRS in certain major aspects and the following summary represents the reconciliations of the Group's shareholders' funds as at 30 June, 2003 and net profit for the year then ended from HKGAAP to IFRS.

	Profit attributable to shareholders *HK$'m*	**Shareholders' Funds** *HK$'m*
Under HKGAAP	1,186	4,238
Adjustments		
Reversal of amortization of trademarks and goodwill *(note a)*	106	216
Recognition of fair value adjustments for foreign exchange forward contracts *(note b)*	(3)	(15)
Change in accounting for deferred tax *(note c)*	2	(267)
Alignment of associates reporting date *(note d)*	(2)	20
Under IFRS	1,289	4,192

(a) Trademarks which have indefinite useful lives under IFRS are stated at cost less accumulated impairment losses (if any), but were carried at cost less accumulated amortization and impairment losses (if any) under HKGAAP. In addition, trademarks acquired through business combinations are recorded as assets of acquirees under IFRS, but were recorded as assets of acquirers under HKGAAP. The reversal of previously recognized accumulated amortization and the retranslation of trademarks cost based on functional currencies of acquirees at the closing rate as at June 30, 2003 resulted in an increase in trademarks by HK$229,784,000 and an increase in net profit for the year then ended of HK$105,065,000 under IFRS. Moreover, an impairment loss of HK$13,875,000 for goodwill arising on the acquisition of Red Earth International Holdings Limited is recognized by applying the impairment test of IAS 36, *Impairment of Assets*, on July 1, 2002 and the amount is recognized in retained profits.

(b) Foreign exchange forward contracts were recorded as financial liabilities at their fair values at HK$15,250,000, but were not recognized under HKGAAP.

(c) Under HKGAAP, deferred tax was accounted for at current taxation rates in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. Accounting for deferred tax under HKGAAP changed with effect from January 1, 2003 and is now consistent with IFRS. Under IFRS, deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts with limited exceptions. As a result, deferred tax assets and deferred tax liabilities increased by HK$47,651,000 and HK$314,057,000 respectively with a corresponding net amount recognized in retained profits and translation reserve as at June 30, 2003 and a HK$2,082,000 increase in net profit for the year then ended.

(d) Equity accounting for investments in associates was based on annual financial statements of the associates made up to December 31 each year. Adjustments have been made to realign the reporting date of the associates to that of the Group. As a result, share of net assets of associates as at June 30, 2003 increased by HK$20,006,000 with a corresponding increase in retained profits.

(e) Payments for acquisition of leasehold land of HK$21,941,000 are reclassified as prepaid lease payments under IFRS, but were included in property, plant and equipment under HKGAAP. The current portion of prepaid lease payments is included in "Debtors, deposits and prepayments".

(f) The Group has adopted the option available in IFRS 1 to deem the translation reserve as at July 1, 2002 to be zero. Under HKGAAP this reserve was a debit of HK$100,664,000 as at July 1, 2002.

Key impact on net profit for the year ended June 30, 2004 of adopting IFRS

Had the Group prepared its consolidated financial statements for the year ended June 30, 2004 under HKGAAP, the profit attributable to shareholders would have decreased by approximately HK$130 million, mainly representing the amortization of trademarks of HK$105,065,000.

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 and the operation of Salon Esprit.

	2004	2003
	HK$'000	*HK$'000*
Turnover		
Sales of goods	**16,158,304**	12,183,037
Licensing and other income	**198,199**	198,421
	16,356,503	12,381,458

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. The Group has changed the basis of business segments reporting to eliminate the presentation of sourcing segment. The change is to conform with the Group's current internal financial reporting under the global management structure. The segment results previously attributable to the sourcing segment were integrated with the wholesale and retail segments to reflect the Group's segment revenue and results earned from external customers. Accordingly, prior year comparatives have been adjusted to conform with the current year presentation.

	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**

	Wholesale 2003 *HK$'000*	Retail 2003 *HK$'000*	Licensing and others 2003 *HK$'000*	Eliminations 2003 *HK$'000*	Group 2003 *HK$'000*
Turnover	7,075,677	5,107,360	198,421	–	12,381,458
Inter-segment sales	–	–	258,723	(258,723)	–
	7,075,677	5,107,360	457,144	(258,723)	12,381,458
Segment results	1,423,384	110,461	233,981	6,739	1,774,565
Unallocated net income					49,806
Interest income					41,584
Finance costs					(32,463)
Share of results of associates					45,463
Profit before taxation					1,878,955

Secondary reporting format – geographical segments

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

	Turnover	
	2004	2003
	HK$'000	*HK$'000*
Europe	**13,716,973**	9,843,095
Asia	**1,548,592**	1,631,685
Australasia	**703,865**	605,491
North America and others	**387,073**	301,187
	16,356,503	12,381,458

3. Operating profit

	2004	2003
	HK$'000	*HK$'000*
Operating profit is arrived at after crediting and charging the following:		
Crediting:		
Fair value gain on foreign exchange forward contracts	**13,585**	–
Net exchange gains	**26,249**	151,475
Charging:		
Auditors' remuneration	**6,084**	4,680
Depreciation	**342,171**	272,570
Impairment of property, plant and equipment	**4,647**	36,140
Loss on disposal of property, plant and equipment	**13,808**	44,960
Operating lease rental expenses	**1,353,825**	1,131,434
Provision for obsolete stocks and stock write-offs	**42,934**	88,918
Provision for doubtful debts	**17,849**	29,086
Provision for retail store exit costs	**14,256**	63,589
Fair value loss on foreign exchange forward contracts	**–**	2,401

4. Taxation

	2004	2003
	HK$'000	*HK$'000*
Current tax:		
Hong Kong profits tax	**12,874**	37,889
Overseas taxation	**937,010**	602,559
	949,884	640,448
Deferred tax credit:		
Current year	**(1,223)**	(50,024)
Change in tax rate	**–**	(298)
	(1,223)	(50,322)
Taxation	**948,661**	590,126

Hong Kong profits tax is calculated at 17.5% (2003: 17.5%) on the estimated assessable profit for the year.

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.

5. Dividends

	2004	2003
	HK$'000	*HK$'000*
Paid interim dividend of 19.0 Hong Kong cents (2003: 7.5 Hong Kong cents) per share	**226,746**	88,426
Proposed final dividend of 48.0 Hong Kong cents and a special dividend of 50.0 Hong Kong cents (2003 final: 32.5 Hong Kong cents, special: 30.0 Hong Kong cents) per share	**1,169,530**	743,492
	1,396,276	831,918

The amount of 2004 proposed final and special dividends is based on 1,193,398,434 shares (2003: 1,189,587,434 shares as at August 31, 2003) in issue as at August 31, 2004.

6. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK$2,003,440,000 (2003: HK$1,288,829,000) and the weighted average number of shares in issue during the year of 1,191,747,000 (2003: 1,179,721,000).

The calculation of diluted earnings per share is based on the profit attributable to shareholders of HK$2,003,440,000 (2003: HK$1,288,829,000), and the weighted average number of shares in issue during the year of 1,205,946,000 (2003: 1,181,438,000) after adjusting for the number of dilutive potential ordinary shares arising from the outstanding share options granted under the Company's share option schemes.

7. **Debtors, deposits and prepayments**

Debtors, deposits and prepayments included trade debtors and their ageing analysis is as follows:

	2004	2003
	HK$'000	*HK$'000*
0-30 days	**1,094,794**	791,644
31-60 days	**39,919**	45,828
61-90 days	**14,981**	10,774
Over 90 days	**46,802**	27,688
	1,196,496	875,934

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 and their ageing analysis is as follows:

	2004	2003
	HK$'000	*HK$'000*
0-30 days	**659,417**	489,189
31-60 days	**41,405**	30,048
61-90 days	**13,676**	8,095
Over 90 days	**30,515**	15,938
	745,013	543,270

PROPOSED FINAL AND SPECIAL DIVIDENDS

The directors have proposed a final dividend for the year ended June 30, 2004 of 48.0 Hong Kong cents per share (2003: 32.5 Hong Kong cents) and a special dividend of 50.0 Hong Kong cents per share (2003: 30.0 Hong Kong cents), payable on or about Thursday, December 9, 2004 to the shareholders whose names appear on the Register of Members of the Company at close of business on Friday, December 3, 2004 ("Shareholders"). The relevant dividend warrants will be dispatched to the Shareholders on or about Thursday, December 9, 2004.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, November 30, 2004 to Friday, December 3, 2004, 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 share registrar in Hong Kong, Secretaries Limited, at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on Monday, November 29, 2004.

MANAGEMENT DISCUSSION AND ANALYSIS

FY2003/2004 was another successful year in the Company's history. We exceeded the financial targets set at the beginning of the financial year and closed with record turnover margins and earnings. We continue to capture market share in our core markets as well as grow via geographical expansion and product diversification. Group turnover grew by 32.1% year-on-year to reach HK$16.36 billion. Our operating profit (EBIT) increased by 57.4% to HK$2.87 billion. Profit attributable to shareholders increased 55.4% year-on-year to over HK$2.0 billion.

The key strategy behind our success is our firm commitment to building brand loyalty with an uncompromising focus on quality and value. We have differentiated ESPRIT from the rest of the competitive landscape with several distinct elements that are built into our business model: ESPRIT is an international youthful lifestyle brand offering 'smart affordable luxury' and bringing newness and style to the life of our customers. This unique positioning has reinforced and will continue to reinforce ESPRIT's brand strong standing in our core markets, thereby enhancing our market share growth.

Products

Women's Casual continues to be the largest product division making up 39% of total turnover and recorded 27% year-on-year increase. In terms of growth, Women's Sports, Women's Collection and Women's edc were the best performers and each recorded 72%, 71% and 57% turnover growth respectively.

We extended the price range and refined the positioning of our products. We carefully created, defined, and maintained a distinct character and meaning for each product division at every level, as well as articulated the brand essence which all lines share. The Casual, edc, Collection, and Sports divisions are now clearly differentiated and are therefore better positioned for the huge potential in each of these distinct segments. Products tailored to young teens and teenage males were added to form the edc youth and men's edc divisions. The new york edition was also added to satisfy customers with more lavish tastes. The 12 collections-year, broadening of our product range and our emphasis on quality and style cushioned us from the results of taking the wrong bet on a fashion trend, thereby minimizing our inventory risk.

Breakdown of Turnover by Product Mix

	Women's Casual	Women's Collection	Women's edc	Women's Sports	Men's wear	Kid's wear	Shoes	Accessories	Red Earth	Others
% of total turnover	39.0%	7.0%	13.0%	2.0%	13.0%	7.0%	6.0%	5.0%	1.0%	7.0%
% growth from last year	27.0%	71.0%	57.0%	72.0%	33.7%	21.7%	15.2%	4.4%	-16.2%	49.4%

Channels of Distribution

	Retail		Wholesale*	
	over	year-on-year change	over	year-on-year change
total sq.m.	170,000	14%	337,000	27%
total point of sales	550	-6	7,900	1,511
Europe	180	55	6,700	1,589
Asia	200	-14	930	-86
North America	35	-15	270	8
Australasia	120	-32	0	0

* figures shown in the table only include control space wholesale formats. ie. partnership stores, shop-in-stores and identity corners.

Wholesale

Our wholesale business continued to record double-digit growth during the year. Turnover increased by 35.9% to HK$9.61 billion (FY2002/2003: HK$7.08 billion) and operating profit (EBIT) increased by 48.7% to HK$2.12 billion (FY2002/2003: HK$1.42 billion). Through volume leverage and carefully managed overheads, wholesale operating margin also improved 1.9% points to 22.0%.

Europe remained our core wholesale market. The region accounted for 93.6% of the Group's wholesale turnover and delivered 36.9% turnover growth. Our two biggest wholesale countries Germany and Benelux achieved 26.8% and 35.8% sales growth, respectively. France continued to gather momentum and recorded a remarkable sales increase of 72.6%. Selling space expansion from existing and new wholesale partners contributed primarily to the strong wholesale performance. As at June 30, 2004, the number of partnership stores, shop-in-stores and identity corners increased to over 580, 2,800 and 4,500 (FY2002/2003: 503, 2,304 and 3,652) respectively, with a corresponding selling space of approximately 103,700m^2, 142,700m^2 and 90,900m^2, representing 32.0%, 20.8% and 33.4% growth from last year.

Capitalizing on our international platform and flexible wholesale formats, we successfully expanded our international wholesale reach during the year. Wholesale turnover in Australasia increased 91.6% to HK$39.8 million. Approximately 17 wholesale points-of-sales was opened in the U.K. and an Asian wholesale team was established to develop a distribution network with promising partners in this region. Major progress was also made in the U.S. where our local wholesale partners gained better understanding of our division-by-division product positioning and placed our merchandises in the appropriate selling areas to reach the right target customer groups.

Breakdown of Wholesale Turnover

	Germany	Benelux	France	Scandinavia	Others
% of wholesale turnover	52.2%	20.2%	8.4%	6.3%	12.9%
% growth from last year	26.8%	35.8%	72.6%	69.2%	43.6%

Retail

Retail operations achieved solid productivity and profitability improvements this year. Turnover grew 28.1% to HK$6.54 billion (FY2002/2003: HK$5.11 billion) through positive comparable store growth of 5.3% and a 13.8% increase in net selling space. The retail operating profit (EBIT) increased by 308.6% to HK$451.5 million (FY2002/2003: HK$110.5 million) and operating profit margin grew significantly by 4.7% points to 6.9% (FY2002/2003: 2.2%).

Our European retail operation, now accounted for 71.7% of total Group retail turnover, grew 44.7%. The operation recorded another year of double-digit comparable store growth of 11.2% (FY2002/2003: 14.1%) with a corresponding 2.9% points improvement in operating margin to 12.3%. Germany and Benelux contributed 50.6% and 12.9% to the Group's total retail turnover, registering 41.3% and 40.4% year-on-year turnover growth, respectively. This was the combined result of sales increases driven by a constant flow of fresh merchandise and the maturing of new stores opened for more than 12 months.

The improvement in Asian retail operation also contributed to the enhanced operating margin. We brought the retail operation in this region closer to break-even sooner than we had expected. Despite the 12.6% decline in full year sales, the region saw a strong rebound in the second half of the financial year.

Since the beginning of the financial year, the Group invested HK$377.6 million in capital expenditure to open approximately 90 new retail stores, bringing total directly managed retail space to over 170,000m^2, a 13.8% net increase as compared to around 149,000m^2 at the end of the last financial year. As at June 30, 2004, the Group operated 557 directly managed stores worldwide. The majority of the retail expansion was undertaken in Europe, primarily in Germany and Benelux, where we continued to find good locations at a reasonable cost.

Breakdown of Retail Turnover

	Germany	Benelux	Australasia	Hong Kong	Others
% of retail turnover	50.6%	12.9%	10.1%	7.9%	18.5%
% growth from last year	41.3%	40.4%	13.6%	-9.3%	20.0%

Licensing

Licensing income grew by 13.5% to HK$110.5 million from HK$97.4 million a year ago. 10 new licensing partners were added this year, increasing the total number of licensees to over 30. At the end of FY2003/2004, there were 23 categories of ESPRIT licensed products offered worldwide.

Major revenue contributors include footwear, eyewear and timewear. New products launched during the year included homeware and school accessories in Europe and watches and jewelry in U.S..

We continue to focus on the selection of partners and in monitoring the creation of credible products that maintain our brand integrity and meet our stringent quality measures. During the year, we continued to work closely with our licensees to ensure that their product quality, controlled distribution and overall business developments conformed to our high standards. For the future, we remain open to potential licensing opportunities and look forward to introducing more licensing products to different regions and further expand business with existing partners. We believe that this business continues to offer great potential for significant growth.

Turnover

The Group achieved significant growth outside Germany this financial year. France and Scandinavia both recorded prominent year-on-year growth of 70% and 64% respectively while Benelux also recorded 37% of growth.

	Germany	Benelux	France	Scandinavia	Others
FY2003/2004 total turnover breakdown	51%	17%	6%	4%	22%
FY2002/2003 total turnover breakdown	51%	16%	4%	3%	26%
% total turnover growth from last year	32%	37%	70%	64%	18%

Margins

Gross margin reached 52.1%, up 2.2% points from a year ago. The results were driven by our strong brand, the implementation of a market-driven and fresh product strategy, and the associated better full-price sell-through. Regionally, the most prominent increase was in Europe. Gross profit margin for this region jumped from 45.3% to 48.2%.

EBITDA (earnings before interest, taxation, depreciation and amortization) margin came in at 19.6%, up 2.7% points from a year ago. Total operating expenses dropped to 34.5% of turnover, down from 35.2% a year ago. Rental costs, one of the largest operating costs components, dropped 0.8% points to 8.3% of turnover. Despite the addition of staff members, staff costs decreased slightly by 0.1% points from 13.0% of turnover to 12.9%. The improvement was partly offset by a one-time restructuring charge of red earth's Australian operation of approximately HK$50 million. Operating profit (EBIT) margin increased 2.9% points to 17.6%. Productivity enhancement from European retail division and profitability improvements in underperforming retail markets (Hong Kong, Canada, U.K. and Taiwan) helped drive the operating margin expansion.

Depreciation expenses were HK$342.2 million, 25.5% higher than last year. The higher depreciation was due mainly to the retail operations expansion and the associated capital expenditure.

Net Profit

Net profits were up 55.4%, growing from HK$1.29 billion to HK$2.00 billion, while the net profit margin increased 1.8% points to 12.2%. The Group's effective tax rate was 32.1%, 6.3% points lower than the 38.4% a year ago when the non-recurring tax refund from Germany amounting to approximately HK$130 million is excluded. Halving the total operating losses from the four retail markets, namely Hong Kong, Taiwan, U.K. and Canada, contributed to the improvement while our efforts in implementing efficient tax strategies worldwide is also starting to bear fruits.

Liquidity and Financial Resources

Net cashflow from operating activities for the year increased by 25.9% to HK$1,982.5 million. During the year, the Group spent HK$662 million on capital expenditure for new store openings, store upgrading and new IT systems developments, utilized HK$181 million on the acquisition of the Swiss licensee, and another HK$971.5 million on dividend payments in December 2003 and April 2004. We have also repaid in full all long-term bank borrowings equivalent to HK$806.7 million in the second half of the financial year. The Group's financial position remains very strong with its net cash balance (cash and bank equivalent net of bank borrowings) increasing to HK$1.76 billion from HK$1.32 billion a year ago.

As at June 30, 2004, 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$5.41 billion, is 0%. The current ratio (current assets divided by current liabilities) stands at 1.7 (FY2002/2003: 1.9).

Significant Investments

In December 2003, the Group acquired Bollag-Guggenheim & Co. AG in Switzerland and thereby regained full distribution rights of ESPRIT apparel and related products in Switzerland and Italy.

The Group has committed approximately HK$300 million for the new head office in Hong Kong, comprising inter alia, approximately 73,000 sq.ft. of office space and a prominent signage space at the top of the building.

PROSPECTS

The new financial year has started well with higher levels of wholesale orders, a continuation of our improving retail performance, and a strong commitment to expand our global distribution both on the wholesale and retail level.

Strengthening the ESPRIT brand and products in the areas of quality, newness, freshness and internationality, will remain our focus. We believe that it is our products that make the brand successful. Strong performance of the Collection and Sports divisions in the past year confirmed our belief that vast potential exists in the contemporary and sport segments. We will continue to develop the distinctive personality of each core product division. "Collection" will be developed into a distinctive concept with an urban and contemporary fashion and quality profile; "edc" will be positioned closer to the 'rule breaker' and 'restless individualist' segment to reinforce the youthful ESPRIT image; and "Casual" will be injected with more emotional elements and higher quality perception. Better integration of the visual merchandising, architecture, marketing, image and product divisions in a joint process will further enhance the newness and freshness perception of the ESPRIT brand and products. Our goal is to develop ESPRIT into a brand of choice for customers worldwide not only for its product excellence, but also for the associated quality and style for life.

Optimizing our successful and flexible wholesale concept, the wholesale team will continue to gain penetration in Germany, Benelux, France and Scandinavia; exploit potential in U.K., U.S., Canada and the Middle East; and extend the international reach of our wholesale business to Spain and Italy. In the continental Europe, our wholesale order booking for the six months ending December 2004 shows double-digit year-on-year growth. Over 150 partnership stores, 450 shop-in-stores and 800 identity corners are planned to begin operations in FY2004/2005. The visual appearance of existing controlled wholesale space is being upgraded to reflect the newness and freshness attributes shared by our directly managed retail stores. As a new initiative, we are joining with selected wholesale partners to test the vertical integration of merchandise-management of wholesale shop-in-stores under our control. This integration will enable us to share the merchandising knowledge gained from our international operations, and further enhance our speed-to-market. We believe sales performance will be enhanced as a result of better merchandising and less inventory risk. In Australasia, the "Collection" and "edc" product lines are introduced in the new fiscal year with plans to open over 50 concession stores, especially in Australia's top 2 major department stores Myer and David Jones. In Canada, women's "Collection", men's "Casual" and footwear product lines are added.

In the first two months of the new financial year, retail sales also showed double-digit year-on-year growth. New stores added in FY2003/2004 should help to further fuel the growth. We see significant potential in our retail business as we continue to refine our strategies and realize profitability improvement. Such success should provide us with additional opportunities to expand on the retail front and to further build on our international growth. The Company has budgeted approximately HK$800 million for the opening of over 100 new stores worldwide including over 40 in Europe, 15 in Asia, 15 in North America and 25 in Australasia, increasing the total selling area directly managed by the Group by approximately 18% to over 200,000m^2. Approximately HK$200 million is also budgeted to upgrade our existing directly managed retail stores and IT infrastructures.

The recent opening of our first flagship store on Fifth Avenue in New York marked the start of our retail expansion in the U.S. Four more stores for New York are in the pipe-line including stores in Bridgewater Commons, Freehold Raceway Mall, Menlo Park Mall and Palisades Mall. We have a list of target sites in the U.S. that we are actively pursuing. However, we are conscious, as always, of the need to find sites that will make an appropriate contribution. Operating our own retail stores will allow us to establish an ESPRIT identity in the market by displaying our entire collection of women's and men's wear and accessories in our own visual environment. The stores will be positioned to target at women and men age 25 to 40. We will initially focus our retail effort in New York, an international city. On the wholesale front, roll-out of wholesale shop-in-stores will continue with higher-end department stores such as Nordstrom. In Canada, we will expand our product offerings to include men's Casual and footwear as well as adding over 10 shop-in-stores and partnership stores this year.

The Group currently sources approximately two-thirds of merchandises from Asia, mostly from China, and will likely benefit from the anticipated lower sourcing costs due to the elimination of textile quota starting January 2005. We will continue to monitor market dynamics on quota elimination to ensure that the price-value correlation of our products remain competitive in the marketplace.

The combination of a good start to the new financial year and the potential for development in products, distribution channels and markets gives us confidence that we can continue the Group's success in the new financial year.

HUMAN RESOURCES

As at June 30, 2004, the Group employs over 6,700 staff worldwide, an increase of 18% from the previous year. The most significant personnel increase was in the sales-related department. About 800 new employees were hired as a result of the strategic expansion of retail operations. The takeover in Switzerland also added about 160 employees to our global workforce.

The Group offers competitive remuneration packages to its employees in compensation for their contribution. In addition, share option and discretionary bonuses are also granted based on the Group's and individuals' performances. All employees from around the world are connected in the Esprit community, sharing the Group's vision and values, through the quarterly newsletter and the intranet.

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 year.

CORPORATE GOVERNANCE

During the year, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

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.

The audited consolidated financial statements for the year ended June 30, 2004 has been reviewed by the Audit Committee of the Company.

Good governance requires due regard to the impact of business decisions on our employees, business partners and the community. Details of our underlying practices and principles will be explained in the FY2003/2004 annual report.

RE-DESIGNATION OF DIRECTOR

The Board of Directors of the Company announces that Mr. Simon LAI Sau Cheong ("Mr. LAI"), an Independent Non-executive Director of the Company, has been re-designated as Non-executive Director of the Company effective from September 15, 2004 because Mr. LAI is a partner of a professional advisor which has during the previous 12 months provided services to the Company and/or its subsidiaries.

Mr. LAI, aged 43, was appointed an Independent Non-executive Director of the Company in November 1999. He is admitted to practice as a solicitor in Hong Kong, England and Wales and New South Wales, Australia. Mr. LAI is a partner of the law firm of Deacons and has over 17 years' experience of legal practice.

There is no service contract entered into between the Company and Mr. LAI. He has no fixed term of service with the Company but is subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the bye-laws of the Company. His director's fee which is determined by reference to the normal level of remuneration for non-executive directors of Hong Kong listed companies and the demand of the Company on his attention as its non-executive director is currently HK$220,000 per annum. Mr. LAI does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company other than as a partner of the law firm of Deacons. Mr. LAI had not been a director in any other listed company in the past three years.

Except disclosed above, Mr. LAI has not previously held any other position with the Company or its subsidiaries. As at the date of this announcement, Mr. LAI does not have any interest (within the meaning of Part XV of the Securities and Futures Ordinance) in the shares of the Company.

The Board is not aware of any other matters that need to be brought to the attention of the shareholders of the Company.

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

DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

Information that is required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited (http://www.hkex.com.hk) in due course.

By Order of the Board
John POON Cho Ming
Deputy Chairman

Hong Kong, September 15, 2004

"Please also refer to the published version of this announcement in the South China Morning Post"