

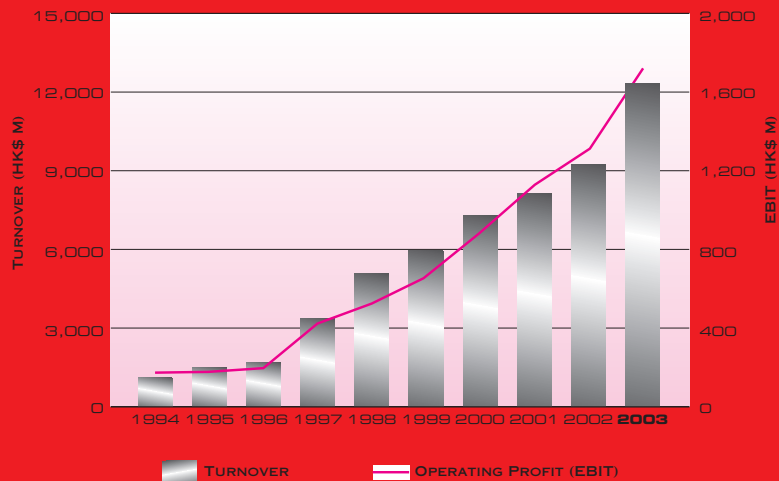
10th

listing anniversary

ESPRIT

HIGHLIGHTS OF FY2002/2003 FINAL RESULTS

- Group turnover rose 34% to HK\$12.38 billion
- Net profit grew 28% to HK\$1.19 billion
- Net cash increased over HK\$1 billion to HK\$1.32 billion
- Earnings per share rose 25% to HK\$1
- Proposed Final Dividend: HK32.5 cents per share
- Proposed Special Dividend: HK30 cents per share



ESPRIT

ESPRIT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED JUNE 30, 2003

FINAL RESULTS

The Board of Directors of Esprit Holdings Limited (the "Company") is pleased to announce that the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended June 30, 2003 together with comparative figures for the previous year are as follows:

Consolidated Profit and Loss Account for the year ended June 30, 2003

	<i>Note</i>	2003 HK\$'000	2002 HK\$'000
Turnover			
Company and subsidiary companies		12,381,458	9,219,114
Share of associated companies		297,574	263,590
		<hr/> 12,679,032 <hr/>	<hr/> 9,482,704 <hr/>
Company and subsidiary companies			
Turnover	2	12,381,458	9,219,114
Cost of goods sold		(6,198,869)	(4,690,369)
		<hr/> 6,182,589 <hr/>	<hr/> 4,528,745 <hr/>
Staff costs		(1,603,630)	(1,198,415)
Depreciation and amortization		(378,884)	(278,533)
Other operating costs		(2,479,118)	(1,735,345)
		<hr/> 1,720,957 <hr/>	<hr/> 1,316,452 <hr/>
Operating profit	3	1,720,957	1,316,452
Interest income		41,584	22,635
Finance costs		(32,463)	(13,923)
Share of results of associated companies		61,024	35,811
		<hr/> 1,791,102 <hr/>	<hr/> 1,360,975 <hr/>
Profit before taxation		1,791,102	1,360,975
Taxation	4	(605,532)	(375,239)
		<hr/> 1,185,570 <hr/>	<hr/> 985,736 <hr/>
Profit after taxation		1,185,570	985,736
Minority interests		-	(58,526)
		<hr/> 1,185,570 <hr/>	<hr/> 927,210 <hr/>
Profit attributable to shareholders		1,185,570	927,210
Dividends	5	831,918	328,513

Earnings per share			
– Basic	6	100.5 cents	80.5 cents
– Fully diluted	6	100.3 cents	79.9 cents
Dividend per share	5	70.0 cents	28.0 cents

Consolidated Balance Sheet
as at June 30, 2003

	Note	2003 HK\$'000	2002 HK\$'000
Intangible Assets		1,744,125	1,849,940
Fixed Assets		1,077,505	988,697
Other Investments		7,846	7,686
Associated Companies		101,568	78,368
Deferred Tax Assets		45,765	4,233
Current Assets			
Stocks		918,268	955,321
Debtors, deposits and prepayments	7	1,206,333	824,248
Amounts due from associated companies		26,196	17,808
Short-term bank deposits		167,443	331,647
Bank balances and cash		1,944,793	650,026
		<u>4,263,033</u>	<u>2,779,050</u>
Current Liabilities			
Creditors and accrued charges	8	1,429,881	976,365
Taxation		775,441	681,556
Obligations under finance leases – due within one year		219	593
Bank overdrafts – secured		197	35,164
Bank overdrafts – unsecured		15,374	12,831
		<u>2,221,112</u>	<u>1,706,509</u>
Net Current Assets		<u>2,041,921</u>	<u>1,072,541</u>
Total Assets Less Current Liabilities		<u>5,018,730</u>	<u>4,001,465</u>
Financed by:			
Share Capital		118,869	117,694
Reserves		4,118,858	3,086,025
Shareholders' Funds		4,237,727	3,203,719
Obligations Under Finance Leases		336	450
Long-term Bank Loan		776,411	780,000
Deferred Tax Liabilities		4,256	17,296
		<u>5,018,730</u>	<u>4,001,465</u>

NOTES TO THE FINANCIAL STATEMENTS

1. Principal Accounting Policies

In the current year, the Group adopted the Statement of Standard Accounting Practice (“SSAP”) No. 34 “Employee benefits” issued by the Hong Kong Society of Accountants which is effective for accounting periods commencing on or after January 1, 2002. The adoption of the new SSAP has no material effect on the results for the current and prior accounting periods. Certain comparative figures have been reclassified to conform with the current year’s presentation.

2. Turnover and segment information

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

	2003 HK\$’000	2002 HK\$’000
Turnover		
Sales of goods	12,177,503	9,061,516
Commission income	5,534	11,859
Licensing and other income	198,421	145,739
	<u>12,381,458</u>	<u>9,219,114</u>

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.

	Wholesale 2003 HK\$’000	Retail 2003 HK\$’000	Sourcing 2003 HK\$’000	Licensing and others 2003 HK\$’000	Eliminations 2003 HK\$’000	Group 2003 HK\$’000
Turnover	7,070,143	5,107,360	5,534	198,421	–	12,381,458
Inter-segment revenue	–	–	736,682	258,723	(995,405)	–
Segment revenue	<u>7,070,143</u>	<u>5,107,360</u>	<u>742,216</u>	<u>457,144</u>	<u>(995,405)</u>	<u>12,381,458</u>
Segment results	<u>964,465</u>	<u>2,055</u>	<u>567,325</u>	<u>233,981</u>	<u>6,739</u>	1,774,565
Intangible assets amortization						(105,815)
Unallocated net income						<u>52,207</u>
Operating profit						<u>1,720,957</u>

	Wholesale 2002 HK\$'000	Retail 2002 HK\$'000	Sourcing 2002 HK\$'000	Licensing and others 2002 HK\$'000	Eliminations 2002 HK\$'000	Group 2002 HK\$'000
Turnover	5,220,258	3,841,258	11,859	145,739	–	9,219,114
Inter-segment revenue	–	–	530,628	190,588	(721,216)	–
Segment revenue	<u>5,220,258</u>	<u>3,841,258</u>	<u>542,487</u>	<u>336,327</u>	<u>(721,216)</u>	<u>9,219,114</u>
Segment results	<u>844,577</u>	<u>4,471</u>	<u>429,924</u>	<u>196,142</u>	<u>(22,855)</u>	<u>1,452,259</u>
Intangible assets amortization						(56,709)
Unallocated net expenses						<u>(79,098)</u>
Operating profit						<u>1,316,452</u>

Secondary reporting format – geographical segments

In determining the Group's geographical segments, turnover is attributed to the segments based on the location of customers. The Group has changed the presentation of its geographical segments to reflect its current internal financial reporting which was revised following the implementation of the Group's new global management structure in the current year. Accordingly prior year comparatives have been re-stated to conform with the current year presentation.

	Turnover	
	2003 HK\$'000	2002 HK\$'000
Europe	9,843,095	6,866,121
Asia	1,631,685	1,621,076
Australasia	605,491	541,844
North America and others	301,187	190,073
	<u>12,381,458</u>	<u>9,219,114</u>

3. Operating profit

	2003 HK\$'000	2002 HK\$'000
Operating profit is arrived at after crediting and charging the following:		
Crediting:		
Provision for obsolete stocks written back	–	6,302
Net exchange gain	<u>151,475</u>	<u>22,724</u>
Charging:		
Auditors' remuneration	4,680	5,304
Depreciation		
– Owned assets	272,541	220,767
– Assets held under finance leases	528	1,057
Intangible assets amortization	105,815	56,709
Impairment of fixed assets	36,140	–
Loss on disposal of fixed assets	44,960	6,693
Operating lease rental expenses		
– Land and buildings	1,131,434	863,411
Provision for obsolete stocks and stock write-offs	88,918	–
Provision for doubtful debts	29,086	3,435
Provision for retail store exit costs	<u>63,589</u>	<u>–</u>

4. Taxation

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Company and its subsidiaries:		
Hong Kong profits tax	37,889	51,801
Overseas taxation	602,559	302,386
Deferred taxation	(48,240)	9,129
	<u>592,208</u>	<u>363,316</u>
Associated companies – overseas taxation	13,324	11,923
	<u>605,532</u>	<u>375,239</u>

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profit for the year.

Overseas (outside of Hong Kong) taxation has been calculated at the rates of taxation prevailing in the countries in which the Group operates.

5. Dividends

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Paid interim dividend of 7.5 Hong Kong cents (2002: 6.0 Hong Kong cents) per share	88,426	69,229
Proposed final dividend of 32.5 Hong Kong cents and special dividend of 30.0 Hong Kong cents (2002 final: 17.0 Hong Kong cents, special: 5.0 Hong Kong cents) per share	743,492	259,284
	<u>831,918</u>	<u>328,513</u>

6. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK\$1,185,570,000 (2002: HK\$927,210,000) and the weighted average number of shares in issue during the year of 1,179,721,133 (2002: 1,152,349,097).

The calculation of fully diluted earnings per share is based on the profit attributable to shareholders of HK\$1,185,570,000 (2002: HK\$927,210,000), and the weighted average number of shares in issue during the year of 1,181,438,207 (2002: 1,159,817,263) after adjusting for the number of dilutive ordinary shares deemed to be issued at no consideration based on the assumption that all outstanding share options granted under the Company's share option schemes had been exercised.

7. Debtors, deposits and prepayments

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

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
0–30 days	791,644	460,168
31–60 days	45,828	21,341
61–90 days	10,774	6,758
Over 90 days	27,688	32,392
	<u>875,934</u>	<u>520,659</u>

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:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
0–30 days	489,189	415,178
31–60 days	30,048	29,367
61–90 days	8,095	8,038
Over 90 days	15,938	11,561
	543,270	464,144

PROPOSED FINAL AND SPECIAL DIVIDEND

The directors have proposed a final dividend for the year ended June 30, 2003 of 32.5 Hong Kong cents per share (2002: 17.0 Hong Kong cents) and a special dividend of 30.0 Hong Kong cents per share (2002: 5.0 Hong Kong cents), payable on or about Tuesday, December 9, 2003 to the shareholders whose names appear on the Register of Members of the Company at close of business on Wednesday, November 26, 2003 ("Shareholders"). The relevant dividend warrants will be dispatched to Shareholders on or about Monday, December 8, 2003.

OPERATION REVIEW

Esprit has achieved a decade of consecutive growth. Group turnover grew by 34.3% year-on-year to reach HK\$12.38 billion. Our operating profit (EBIT) increased by 30.7% to HK\$1.72 billion. Profit attributable to shareholders increased 27.9% year-on-year to HK\$1.19 billion. Turnover from key product categories, lines of business and continents with operations have recorded growth.

Channels of Distribution

Wholesale

Our wholesale business continued to grow in double-digits during the year. Turnover grew by 35.4% to HK\$7.07 billion (FY2001/02: HK\$5.22 billion). Germany remained our largest wholesale market and recorded 25.8% growth. We have also successfully diversified into Benelux, France and Scandinavia, each of which achieved over 50% increase in turnover. The main reason for our remarkable wholesale performance was our continued triumph in gaining wholesale partners' confidence through the consistent profitability offered by ESPRIT merchandises. Success in cross-selling our progressively diversified product lines, evident in men's wear wholesale turnover growth of 56.2%, also contributed to outstanding results in FY2002/03.

During the year, the number of shop-in-stores in department stores, stand-alone partnership stores and identity corners in multi-label stores increased to over 1,700, 400 and 3,300, totaling over 78,000 m², 64,000 m² and 68,000 m² in selling space respectively. Another channel of wholesale distribution involved country distributors, such as China and Switzerland which have delivered promising results. Our China joint venture has over 600 point-of-sales, totaling over 53,000 m². This combination of our different wholesale formats enabled us to flexibly and speedily penetrate into various locations and markets without major capital commitment.

Breakdown of Wholesale Turnover

Market	Germany	Benelux	France	Scandinavia	Austria	Others
% of wholesale turnover	55.9%	20.2%	6.6%	5.1%	5.0%	7.2%
% point(s) difference (FY2002/03 vs. FY2001/02)	-4.3% pts	+2.2% pts	+1.7% pts	+0.8% pt	-0.1% pt	-0.3% pt
% growth from last year	+25.8%	+52.1%	+80.2%	+61.8%	+33.8%	+29.8%

Retail

Our retail operation achieved 33.0% turnover growth to HK\$5.11 billion (FY2001/02: HK\$3.84 billion) amid challenging operating environment. Instrumental to this growth was the combined effect of a 6.9% comparable-store sales growth and a 9.2% increase in the Group's net sales per square meter. Europe led all other regions in comparable-store growth and recorded a 14.1% increase over last year. In spite of charges and provisions for retail space restructuring in Hong Kong, U.K. and Canada, operating profit for this business segment remained flat. In FY2002/03, we have successfully improved inventory turnover and reduced markdowns through better merchandising, demand-driven pricing, and inventory management.

During the year, we invested HK\$231.1 million in capital expenditure to increase our net directly managed retail floor space by 11,049 m² representing a 7.8% growth to 152,108 m², and ended the fiscal year with a total of 569 directly managed retail stores worldwide. The majority of the new space opened was in Germany where we were able to take advantage of the adverse market conditions by securing favorable locations at reasonable costs.

Breakdown of Retail Turnover

Market	Germany	Benelux	Australasia	Hong Kong	Others
% of retail turnover	45.9%	11.8%	11.4%	11.2%	19.7%
% point(s) difference (FY2002/03 vs. FY2001/02)	+11.0% pts	+0.4% pt	-2.1% pts	-4.8% pts	-4.5% pts
% growth from last year	+74.8%	+36.8%	+12.5%	-6.8%	+8.5%

Licensing

Since global unification of the brand, we have committed additional resources to grow the licensing business. Our increased licensing activities have further complimented our brand penetration worldwide. Product license partners distributed ESPRIT licensed products through their own distribution channels, such as department stores and speciality stores, some of which also distribute our other lines of products such as women's or kids' wear. Our U.S. market was the main growth factor in this business segment and we granted 5 new U.S. licenses between May 2002 and June 2003.

Products

Key product categories achieved double-digit turnover growth. Women's wear continued to be our major contributor, making up 58.1% of our total turnover and recording 37.9% year-on-year growth. Men's wear was the best performer in terms of sales growth among all product categories, recorded 52.9% year-on-year growth and accounted for 13.1% of the Group's turnover.

The outstanding sales performance was attributable to the alignment of local management team in executing global product strategy and the implementation of 12 collections-year and injection ordering. These factors gave rise to better market-driven products at the right time and generated healthy sales. Our focus remains in offering high quality products at fair prices. This year, on the back of strong Euro, we passed on some of the cost savings from better sourcing to our customers through lower prices or enhanced product quality.

In addition to our own products, we currently have more than 20 product license partners offering merchandises in over 20 categories, including eyewear, jewellery, timewear and footwear.

Breakdown of Turnover by Product Mix

Products	women's wear	men's wear	shoes & accessories	kids' wear	others
% of total sales	58.1%	13.1%	12.5%	7.9%	8.4%
% point(s) difference (FY2002/03 vs. FY2001/02)	+1.5% pts	+1.6% pts	-2.0% pts	-0.2% pt	-0.9% pt
% growth from last year	+37.9%	+52.9%	+15.5%	+31.5%	+21.3%

FINANCIAL REVIEW

Operating Profit

Gross margin improved 0.8% point to 49.9% (FY2001/02: 49.1%). Contributing positively to the margin was the lower sourcing cost resulting from the appreciation of Euro, and the successful execution of our 12 collections-year strategy, which led to increased full price sales. These positive factors were partly offset by price point adjustment or improvement in product quality while keeping price stable.

EBITDA (operating profit before depreciation and amortization) for the Group improved by 31.7% to HK\$2.10 billion, and EBITDA margin was slightly lowered by 0.3% point to 17.0%. As a percentage of sales, building expenses (which accounted for 27.1% of total operating expenses) decreased by 0.4% point while staff costs remained flat despite the addition of a number of key personnel. Greater economies of scale was offset by charges and provisions for retail space restructuring primarily in Hong Kong, U.K. and Canada.

Depreciation and amortization expenses were HK\$378.9 million, that is HK\$100.4 million or 36.0% higher than last year's. The significant increase was partly due to an additional amortization charge of HK\$48.8 million attributable to intangible assets acquired in the second half of FY2001/02. Both the Financial Accounting Standards Committee of the Hong Kong Society of Accountants and the International Accounting Standards Board are currently reviewing the comments on their proposed treatment on intangible assets including non-amortization of intangible assets with indefinite useful lives but assessing for impairment of such assets on a regular basis. Depending on the timing of release of any revised standard in this regard, we will align our accounting policies to be consistent with the standard.

Net Profit

The Group's effective tax rate was 33.8%, which was 2.7% points lower than the year before, excluding the one-time tax benefit of HK\$120.9 million in FY2001/02. The increase in trademark amortization described above, as well as additional tax on the acquired minority interest in Esprit International, was balanced by our continuous efforts in implementing yield enhancement and efficient tax strategies worldwide. Profit attributable to shareholders increased by 27.9% reaching HK\$1.19 billion. Net profit margin, excluding the one-time tax benefit of HK\$120.9 million in FY2001/02, improved 0.9% point to 9.6%.

Liquidity and Financial Resources

Net cash from operating activities increased by 18.3% to HK\$1.57 billion. The Group's net cash (i.e. cash and cash equivalents less long-term bank loan which is payable in 2005) as at June 30, 2003 increased HK\$1.17 billion to HK\$1.32 billion after having spent HK\$332.6 million in capital expenditures during the year. Our debt to equity ratio, expressed as a percentage of interest bearing external borrowings over shareholders' funds of HK\$4.24 billion, was 18.7%. The Group had assets of HK\$74.5 million pledged as security for overdraft and short-term revolving facility. The current ratio (current assets divided by current liabilities) improved to 1.9:1 from 1.6:1.

During the year, as is our policy, the Group entered into foreign exchange forward contracts to reduce exposure to foreign exchange risks. These agreements were contracted with large and reputable financial institutions, thereby minimizing credit risk. As at June 30, 2003, outstanding contracts increased to HK\$375.2 million, from HK\$251.3 million last year, which corresponded with the increase in European and U.S. orders.

PROSPECTS

Our targets for FY2003/04 are to continue delivering double-digit top and bottom line growth. To achieve these goals, we are going to further leverage on the success of our European operations, halve the retail losses in Hong Kong, U.K. and Canada and deepen our market penetration into North America.

The ESPRIT brand and products, as well as our global distribution channels, remain our focus. In September 2003, we have launched a global image campaign to further nurture our most valuable assets. We will also continue to strengthen our brand dominance in continental Europe.

On the products front, we are focusing on getting the right product to the right location at the right time. We will continue to enhance the breadth and quality of our global offerings to cater to the needs of our markets and further improve the price-quality correlation. A new position of International Product Director has already been created to orchestrate and coordinate these plans. Another initiative was the product re-launch exercise in September 2003 in Hong Kong. In addition to product betterment, we will facilitate our successful licensees to enter other markets, further diversifying our offerings in the global marketplace.

Our other main focus is the development of our global distribution network. Europe will remain the growth driver for FY2003/04. Additional space is already booked to begin operation in FY2003/04, including 500 new shop-in-stores in department stores, 100 new stand-alone partnership stores, and around 24,000 m² of directly managed retail space. We feel that we have accumulated enough knowledge of the U.K. market to accelerate its retail and wholesale development. New stores will be opened around the central London area and we have already started wholesaling in the U.K..

The next phase of channel development in North America will begin as we extend our U.S. distribution network beyond department stores into free-standing retail stores. We have accelerated our entrance into the retail business and planned to open around 5 retail stores in the U.S. by the end of 2004, subject to availability of suitable store locations. Roll-out of wholesale shop-in-stores will continue with the expansion to other channels including independent and chain stores in the U.S.. Moreover, we are making plans to introduce e-shop, our online store that is already yielding good return in Europe, to the U.S. in the second half of 2004. In Canada, we target to launch wholesale in FY2003/04.

In Asia, we will continue our retail space restructuring as well as improvement in store displays and layouts. We are also stepping up efforts to grow our wholesale business within the region. Furthermore, Esprit's joint venture business in China is recovering from the impact of Severe Acute Respiratory Syndrome and is set for further growth.

As for Australasia, we will focus our attention on achieving comparable store growth and strengthening brand penetration in New Zealand.

We have budgeted around HK\$600 million in capital expenditure for FY2003/04, of which approximately HK\$400 million is for opening new stores and upgrading existing ones primarily located in Europe. We will also dedicate around HK\$90 million for implementation of IT systems mainly for merchandise planning and retail management, to facilitate our global unification as well as to enhance productivity and efficiency. Another HK\$100 million has been allocated for furnishing new showrooms and our global business headquarter in Ratingen, Germany due to open in October 2003.

With our major markets in varying stages of advancement, each promising exciting opportunity into the future, we believe that we will remain on track to expand internationally, both in market penetration and in brand recognition.

HUMAN RESOURCES

As at June 30, 2003, the Group employed a total of 5,751 people (FY2001/02: 5,936). Since human capital is key to our growth and profitability, heavy emphasis has been placed on staff training and development. The Group also offers competitive remuneration packages to its employees in compensation for their contribution. In addition, share options and discretionary bonuses are also granted based on the Group's and individuals' performance. All employees from around the world are connected in the Esprit community through the quarterly newsletter and the intranet sharing of the Group's vision and values.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Friday, November 21, 2003 to Wednesday, November 26, 2003, both days inclusive, during which period no transfer of shares will be effected.

In order to qualify for the final and special dividend 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 Thursday, November 20, 2003.

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").

As a matter of good corporate governance, our Board and the Audit Committee have conducted quarterly review of the Group's performances. Our outsourced internal audit function is working well with the first audit report already submitted by KPMG. We have also improved the speed and transparency of disclosure through proactive investor relations and enhancements to our investor relations website. All these efforts are made to safeguard our shareholders' interests and to promote better communication between the Group and the public.

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
Esprit Holdings Limited
John Poon Cho Ming
Executive Director & Group CFO

Hong Kong, September 18, 2003

This announcement can also be accessed through the internet at the Company's website www.espritholdings.com.

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