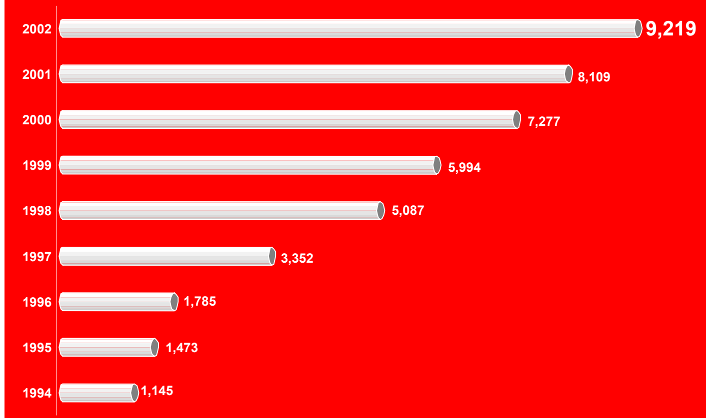
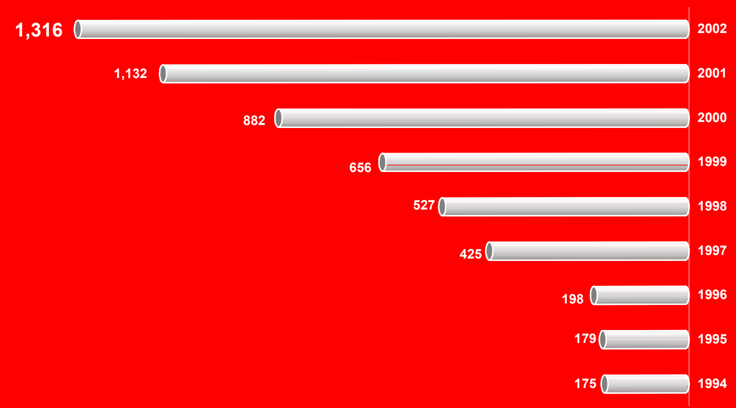
Highlights of FY2001/2002 Final Results

Turnover
(HK$ M)



Turnover	HK$ 9.2 billion	↑13.7%
Net Profit	HK$927 million	↑61.2%
EPS	HK 80.5 cents	↑57.2%
Final Dividend	HK 17.0 cents	↑41.7%
Special Dividend	HK 5.0 cents	First Time
Net Cash	HK$154 million	

Operating Profit (EBIT)
(HK$ M)



ESPRIT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED JUNE 30, 2002

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, 2002 together with comparative figures for the previous year are as follows:

Consolidated Profit and Loss Account
for the year ended June 30, 2002

	Note	2002 HK$'000	2001 HK$'000
Turnover			
Company and Subsidiary Companies		9,219,114	8,109,062
Share of Associated Companies		263,590	199,487
		9,482,704	8,308,549
Company and Subsidiary Companies			
Turnover	2	9,219,114	8,109,062
Cost of Goods Sold		(4,690,369)	(4,110,019)
Gross Profit		4,528,745	3,999,043
Staff Costs		(1,198,415)	(1,149,618)
Depreciation and Amortization		(278,533)	(208,825)
Other Operating Costs		(1,735,345)	(1,508,790)
Operating Profit (EBIT)		1,316,452	1,131,810
Interest Income		22,635	45,730
Finance Costs		(13,923)	(38,290)
Share of Profits of Associated Companies		35,811	20,478
Profit before Taxation		1,360,975	1,159,728
Taxation	3	(375,239)	(512,459)
Profit after Taxation		985,736	647,269
Minority Interests		(58,526)	(71,940)
Profit Attributable to Shareholders		927,210	575,329
Dividends	4	328,513	191,094
Earnings per Share			
- basic	5	80.5 cents	51.2 cents
- fully diluted	5	79.9 cents	50.1 cents
Dividend Per Share		28.0 cents	16.8 cents

Consolidated Balance Sheet
at June 30, 2002

	Note	2002 HK$'000	2001 HK$'000
Intangible Assets		1,849,940	722,110
Fixed Assets		988,697	779,120
Other Investments		7,686	7,366
Associated Companies		78,368	78,980
Deferred Tax Assets		4,233	5,805
Current Assets			
Stocks and work in progress		955,321	791,264
Debtors, deposits and prepayments	6	824,248	716,234
Amounts due from associated companies		17,808	10,349
Short-term bank deposits		331,647	7,855
Bank balances and cash		650,026	435,697
		2,779,050	1,961,399
Current Liabilities			
Creditors and accrued charges	7	976,365	746,923
Taxation		681,556	542,148
Obligations under finance leases			
- due within one year		593	1,303
Bank overdrafts		47,995	55,604
		1,706,509	1,345,978
Net Current Assets		1,072,541	615,421
Total Assets Less Current Liabilities		4,001,465	2,208,802
Financed by:			
Share Capital		117,694	114,251
Reserves		3,086,025	2,067,214

Shareholders' Funds	3,203,719	2,181,465
Minority Interests	-	18,204
Obligations under Finance Leases	450	941
Long-term Bank Loan	780,000	-
Deferred Tax Liabilities	17,296	8,192
	4,001,465	2,208,802

Notes to the Financial Statements

1. Principal Accounting Policies

   In the current year, the Group adopted the following Statements of Standard Accounting Practice (SSAPs) issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after January 1, 2001:

   SSAP 9 (revised): Events after the balance sheet date
   SSAP 26: Segment reporting
   SSAP 28: Provisions, contingent liabilities and contingent assets
   SSAP 29: Intangible assets
   SSAP 30: Business combinations
   SSAP 31: Impairment of assets
   SSAP 32: Consolidated financial statements and accounting for investments in subsidiaries

   The Group has chosen to early adopt Statement of Changes in Equity required in SSAP 1 (revised) "Presentation of Financial Statements" and SSAP 15 (revised) "Cash Flow Statements". As a result of the adoption of the above SSAPs, certain comparative figures of last year have been reclassified to conform with current year's presentation basis.

2. Turnover and segment information

   The Group is principally engaged in the design, wholesale and retail distribution, sourcing and licensing of quality fashion and life-style products under the internationally known ΞSPRIT brand name in Europe, Asia Pacific and North America, together with Red Earth cosmetics, skin and body care products and the operation of Salon ΞSPRIT in Asia Pacific.

	2002 HK$'000	2001 HK$'000
Turnover		
Sales of goods	9,061,516	7,977,257
Commission income	11,859	5,185
Licensing and other income	145,739	126,620
	9,219,114	8,109,062

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 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	5,220,258	3,841,258	542,487	336,327	(721,216)	9,219,114
Segment results	844,577	4,471	429,924	196,142	(22,855)	1,452,259
Intangible assets amortization						(56,709)
Unallocated Group net expenses						(79,098)
Operating profit (EBIT)						1,316,452

	Wholesale 2001 HK$'000	Retail 2001 HK$'000	Sourcing 2001 HK$'000	Licensing and others 2001 HK$'000	Eliminations 2001 HK$'000	Group 2001 HK$'000
Turnover	4,555,974	3,421,283	5,185	126,620	-	8,109,062
Inter-segment revenue	-	-	464,071	161,907	(625,978)	-
Segment revenue	4,555,974	3,421,283	469,256	288,527	(625,978)	8,109,062
Segment results	729,868	79,510	273,668	174,315	(1,564)	1,255,797
Intangible assets amortization						(20,341)
Unallocated Group net expenses						(103,646)
Operating profit (EBIT)						1,131,810

The unallocated Group net expenses relate to corporate management and investment activities which reasonably should not be allocated to the segments.

Secondary reporting format – geographical segments

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

	Turnover 2002 HK$'000	Turnover 2001 HK$'000
Germany	4,483,569	3,928,213
Belgium and the Netherlands	1,379,140	1,003,370
Hong Kong	1,063,126	1,093,221
Other Asia Pacific countries	1,244,919	1,257,031
Other European countries	984,661	755,550
U.S. and others	63,699	71,677
	9,219,114	8,109,062

3. Taxation

	2002	2001
	HK$'000	HK$'000
Company and its subsidiaries:		
Hong Kong profits tax	51,801	32,807
Overseas taxation (Note (a))	302,386	477,243
Deferred taxation	9,129	2,348
	363,316	512,398
Associated companies - overseas taxation	11,923	61
	375,239	512,459

Hong Kong profits tax has been provided at the rate of 16% *(2001: 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.

In prior years, no recognition of entitlements to refunds on dividend withholding tax paid in Germany was made until the final tax assessments were issued. Following the Corporate Income Tax Reform in Germany in 2001, the Group has reviewed its tax position with its German tax advisers and considered the dividend withholding tax paid in the sum of HK$120,900,000 in respect of prior years to be refundable. Accordingly, this amount has been recognized in the profit and loss account.

Note (a): Overseas taxation included an overprovision for prior years of HK$5,725,000 (2001: HK$33,050,000).

4. Dividends

	2002	2001
	HK$'000	HK$'000
Interim dividend paid of 6.0 Hong Kong cents (*2001: 4.8 Hong Kong cents*) per share	69,229	53,993
Proposed final dividend of 17.0 Hong Kong cents and special dividend of 5.0 Hong Kong cents (*2001 final: 12.0 Hong Kong cents*) per share	259,284	137,101
	328,513	191,094

5. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK$927,210,000 (2001: HK$575,329,000) and the weighted average number of shares in issue during the year of 1,152,349,097 (2001: 1,124,643,688).

The calculation of fully diluted earnings per share is based on the profit attributable to shareholders of HK$927,210,000 (2001: HK$575,329,000), and the weighted average number of shares in issue during the year of 1,159,817,263 (2001: 1,147,914,405) after adjusting for the number of dilutive ordinary shares deemed to be issued at no consideration on the assumption that all outstanding share options granted under the Company's employee share option scheme had been exercised.

6. Debtors, deposits and prepayments

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

	2002 HK$'000	2001 HK$'000
0-30 days	460,168	359,565
31-60 days	21,341	40,977
61-90 days	6,758	17,777
Over 90 days	32,392	20,808
	520,659	439,127

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

7. Creditors and accrued charges

Creditors and accrued charges included trade payable and their ageing analysis is as follows:

	2002 HK$'000	2001 HK$'000
0-30 days	415,178	316,147
31-60 days	29,367	23,838
61-90 days	8,038	4,173
Over 90 days	11,561	5,907
	464,144	350,065

PROPOSED FINAL AND SPECIAL DIVIDEND

The directors have proposed a final dividend for the year ended June 30, 2002 of 17.0 Hong Kong cents per share (2001: 12.0 Hong Kong cents) and a special dividend of 5.0 Hong Kong cents per share (2001: Nil), payable on or about Monday, November 18, 2002 to the shareholders whose names appear on the Register of Members of the Company at close of business on Tuesday, November 12, 2002 ("Shareholders"). The relevant dividend warrants will be dispatched to Shareholders on or about Monday, November 18, 2002.

OPERATION REVIEW

Esprit had another outstanding year in 2001/2002. Despite a highly competitive operating environment internationally, all lines of business were profitable with growing demand for our products in Europe driving revenue up 13.7% to HK$9.2 billion. Our EBITDA margin improved 0.8% point to 17.3% exceeding our target range of 15-17%. Our effective tax rate was lowered from 44.2% to 27.6% partly through the Group's implementation of better international tax strategies. We ended the year with net profit growth of 61.2% to HK$927.2 million.

Our wholesale operations, which market our products through major department stores, specialty outlets and franchised stores, increased sales by 14.6% to HK$5.2 billion and ended the year with over 2,100 shops-in-stores or franchised stores internationally. In our three largest markets, Germany, Benelux and Hong Kong, the Group recorded 60.2%, 18% and 6.8% of our wholesale revenue respectively. The wholesale growth was driven by strong demand for the ESPRIT brand, particularly in Benelux, France and China, each registering more than 20% increase.

Revenues from our self-operated retail stores rose to HK$3.8 billion, an increase of 12.3% over last year. In our three largest markets, Germany, Benelux and Hong Kong, the Group recorded 34.9%, 11.4% and 16% of our retail revenue respectively. Comparable store sales were flat compared to last year as double-digit percentage growth in Europe was offset by the declines in Asia Pacific due to Asia's highly competitive retail environment and adverse economic conditions. We invested HK$344 million in capital expenditures to increase our directly managed retail square footage by 16.4% to 1.59 million sq. ft. and ended fiscal year 2001/2002 with a total of 495 stores located worldwide.

Sourcing plays an integral part in supporting the Group's success, especially in the current highly competitive retail environment. Lowering our costs of goods and shortening delivery cycles without sacrificing quality are essential in sustaining our profitability. Our close ties with our supplier network of over 330 manufacturers throughout Asia Pacific and Europe enable us to fulfill quick injection orders for the best selling items, which we believe was one of the key factors contributing to the strong comparable store growth in Europe. About 50% of products sold in Europe were sourced from Asia Pacific. To reduce our expenses, we plan to progressively move our sourcing functions to less expensive area, such as Shenzhen, and shift to lower cost suppliers in Northern China to reduce our costs of goods.

In addition to wholesale and retail distribution of products, we leverage on our strong ESPRIT brand through our licensing activities and other operations, which together achieved a third-party sales growth of 15.1% year-on-year. Our licensing business includes products ranging from bed & bath to watches, spanning over 10 product categories. With the unification of the global ESPRIT brand, the Group intends to explore, even more aggressively, additional licensing and business opportunities by actively identifying suitable partners in new markets, for new product categories and new lifestyle concepts.

Turnover from Europe represented 74.3% of the Group's total net sales, an increase of 4% points over last year. On the other hand, Asia Pacific maintained the same amount of sales as in the fiscal year of 2000/2001, but with more quantity of ESPRIT merchandise sold under the tough operating environment, contributing to 25% of the Group's total turnover. In addition, our profitable associates in China, with approximately 600 points-of-sales, continued to show strong growth in 2001 and achieved a turnover of more than HK$500 million, a year-on-year increase of over 30%. In the first six months of 2002, our China associates maintained their growth momentum, demonstrating approximately 20% year-on-year turnover growth.

In terms of products, women's wear continued to dominate with 56.7% of the Group's total turnover and a year-on-year growth of 19.2%. Men's wear maintained its second position with 11.5% of the Group's total turnover and a year-on-year increase of 22.1%. In a German independent survey, ESPRIT bodywear, which registered a year-on-year revenue increase of 27.5%, was ranked as one of the top 5 intimate apparel brands. With the exception of the shoes and accessories division recording relatively flat performance over last year, all other ESPRIT product divisions achieved single-digit percentage sales growth in this reporting period. Red Earth products, representing approximately 3% of the Group's total turnover, suffered a year-on-year decrease in sales of about 15% and are being revitalized since our acquisition of full ownership and management control of the brand at the end of 2001.

Earnings Position

The Group maintained a gross margin of 49.1% (2001: 49.3 %), despite the tough global economic conditions. As a result of our efficiency enhancement initiatives and our vigorous expense management program, our EBITDA margin improved by 0.8% point to 17.3%, translating to an EBITDA of HK$1,595.0 million (an increase of 19.0% year-on-year). Staff expenses as a percentage of sales dropped by 1.2% points as the Group achieved greater efficiencies and economies of scale. Downward adjustment in rental costs as we renew leases was offset by the increase in building expenses for new stores in prime locations, resulting in a slight increase in building expenses as a percentage of sales to 10.2%.

Depreciation and amortization expenses increased by HK$69.7 million over last year, partly caused by the new intangible assets amortization rule in the Hong Kong Statements of Standard Accounting Practice ("HKSSAP"). In prior years, the Group amortized acquired trademarks using the straight-line method over their estimated economic life of 40 years. Under the new rules, there is a rebuttable presumption that the useful life of an intangible asset will not exceed 20 years from the date when the asset is available for use. The Group has reviewed the estimated useful life of its trademarks with a firm of qualified independent appraisers, which is of the opinion that the trademarks have an indefinite economic life with at least 40 years. Therefore, the criteria prescribed by HKSSAP in establishing a useful life for a specific period longer than 20 years could not be unequivocally satisfied, and the trademarks are amortized over 20 years in strict compliance with the new HKSSAP resulting in additional trademark amortization charge of approximately HK$31.3 million over last year. Accounting regulatory bodies are currently reviewing the accounting standard for intangible assets, and the Group envisages reassessing application of this standard in 2003 which, if unchanged, will result in about HK$100 million trademark amortization charge for the fiscal year 2002/2003.

Profit attributable to shareholders surged 61.2% to HK$927.2 million. The net profit margin improved significantly from 7.1% to 10.1% mainly due to the lowering of our effective tax rate. During the year, the effective tax rate was reduced to 27.6%, 16.6% points less than the previous financial year. This significant decrease is partly attributable to a one-time tax credit of HK$120.9 million resulting from recognition of entitlements to refunds on dividend withholding tax paid in Germany for prior years. In addition, the German corporate tax cut as well as the Group's implementation of better international tax strategies both lowered the effective tax rate. The Group's effective tax rate for this period would have been at 36.5% if the one-time tax credit is excluded.

Liquidity and Financial Resources

Cash generated from operations remained strong at approximately HK$1.6 billion. The Group utilized a term loan of HK$780 million as well as overdraft facilities aggregating to the equivalent of HK$48 million for our business activities.

The Group ended the year with HK$154 million of net cash after having spent HK$1.2 billion for the asset acquisition of Esprit U.S. including the ESPRIT trademark rights in the U.S. and the Caribbean Islands. As at the balance sheet date, the Group's cash position was HK$933.7 million. Our debt to equity ratio, expressed as a percentage of interest bearing external borrowings over shareholders' funds of HK$3,203.7 million, was 25.9%. The Group had assets of HK$76.2 million pledged as security for overdraft and short-term revolving facility. The current ratio improved slightly to 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 the credit risk. As at June 30, 2002, outstanding contracts increased to HK$251 million, from HK$170 million last year, which corresponded with the increase in European sourcing orders.

Prospects

Fiscal year 2001/2002 was an exceptional year for the Group, one that unified the ESPRIT brand globally and laid the foundation for our future growth for many years ahead.

As a new initiative, we will increase our women's wear collection from six to twelve a year, cutting product development lead times by approximately three months and allowing speedier response to the market. This is expected to result in more trend-right merchandise and more full-price sales. For fiscal year 2002/2003, we have budgeted HK$400 million to open 38 new stores. Total retail square footage is expected to increase by 14% to over 1.8 million sq. ft., with most additions to be made across Europe. We will continue to focus on further growth in North America, Benelux, U.K. and China. Towards these efforts we have strengthened our management team, bringing seasoned retail, licensing, design and merchandising professionals on board.

In Europe, signs of slowing economies in some of our key markets may affect our growth momentum. We are also aware of the pricing pressures present in our major markets; yet we believe that our business strategy together with the brand's growing popularity will continue to win us market share without sacrificing margins. Furthermore, the recent appreciation of the Euro will allow us to pass on currency differential savings from sourcing to our customers. Amid the poor retail environment, we remain cautious for our Asia Pacific operations, anticipating revenue to be stable and working to improve our margins.

In North America, management plans to initially capitalize on our high brand awareness and leverage on our existing global infrastructure to minimize capital commitment. We will approach the massive U.S. consumer market via a wholesale strategy to achieve a meaningful nationwide rollout by forming partnerships with leading department stores, such as Macy's. For our non-core products, we are teaming up with local market leaders with multi-channel distribution capabilities, such as Nine West and Adjmi, as our licensees. Our Canadian operations will be integrated into the North American management structure and will extend into wholesale. Approximately US$100 million of turnover from North America is targeted for fiscal year 2003/2004 as we gradually build up our experience in the continent. Management is confident that North America will become one of our major markets in our next era of growth.

We are constantly evolving as we expand globally, but we will maintain our focus in delivering quality lifestyle products at good value.

Human Resources

As at June 30, 2002, the Group employed a total of 5,936 people (2001: 5,954). The Group offers a competitive remuneration package to its employees as well as bonus and share options based on the Group's and individuals' performance. Following the changes in the listing rules, the Group has adopted a new share option scheme in November 2001, but no options have yet been issued under the new scheme.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Thursday, November 7, 2002 to Tuesday, November 12, 2002, 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 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not later than 4:00 p.m. on Wednesday, November 6, 2002.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the period under review, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

CORPORATE GOVERNANCE

During the period under review, 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.

The audit committee of the Board, which comprises of two independent Non-executive Directors and a Non-executive Director, has reviewed the final results. As a matter of best practice, we have chosen to early adopt some of the relevant changes in the HKSSAP. For better transparency, we continue to maintain a proactive policy of promoting communication with the public through press releases, our investor relations website and attending conferences. Furthermore, the Company invested in advanced technology such as an advanced consolidation tool for better data integrity and faster reporting, and is deploying a global cash management system to enhance control and yield on idle cash.

Full details on the subject of corporate governance will be set out in the Company’s fiscal year 2001/2002 Annual Report.

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, 2002

Please also refer to the published version of this announcement due to appear in the Asian Wall Street Journal on September 19, 2002.
This announcement can also be accessed through our investor relations website at www.espritholdings.com.