

Realizing full benefits of the European capital market - A win-win scenario

HONG KONG, May 23, 2000 - Esprit Holdings Limited (SEHK: 330; LSE: EPT LI) today announced its intention to spin-off and list part of its businesses and operations in Europe on the Official Trade segment of the Frankfurt Stock Exchange in Germany. Listing of such shares is expected to commence on or before end of June 2000.

Prior to this global offering, a restructuring will take place by which a new entity named Esprit Europe AG will be established. The new entity will own the wholesale and retail distribution operations of Esprit products in Europe as well as the Esprit trademarks for Germany.

Subject to market conditions at the time of the global offering, the net proceeds targeted to be raised would be approximately Euro 200 million (equivalent to HK\$1,400 million). Esprit Europe will repay Esprit Holdings its entire loan amounting to Euro 113 million (equivalent to HK\$791 million). The balance of the IPO proceeds will be used to finance working capital and further expansion of its operations, which may comprise general retail store expansions and acquisitions.

"The benefits of the proposed spin-off and listing of our European arm are multi-fold. It will increase our Group's cash on hand after debt to HK\$1.6 billion. An additional acquisition currency will be created which is a very valuable instrument to have for our strategic expansion by way of merger and acquisition. Esprit Holdings' net asset value will also be raised to over HK\$2.7 billion," said Michael Ying, Chairman and Chief Executive Officer of Esprit Holdings Limited.

"Esprit Europe will have a more distinct identity when we carry out our expansion program for the ESPRIT brand name in Europe. Also, Esprit Europe can raise funds more readily in international capital markets, thereby relieving Esprit Holdings from its funding commitments for Esprit Europe," elaborated Heinz Krogner, Chief Executive Officer of Esprit Holdings' European operation and Chairman-designate of the management board of Esprit Europe AG.

Esprit's network in Europe is expanding quickly through wholesale and retail. As at March 31, 2000, its wholesale customer network comprised 69 partnership-stores, 675 shop-in-stores and 1,074 concept corners. On the retail front, it has 96 retail outlets which comprised a mega flagship store, flagship stores, satellite stores, town stores, concession stores and a factory outlet.

"For the past three years, Esprit Europe has achieved impressive compound annual growth of approximately 20% in both net sales and net income. The separate listing will allow investors to invest directly in Esprit Europe and to assess the value of its businesses separately from other operations of the parent," remarked John Poon, Esprit Holdings' Executive Director and Group Chief Financial Officer.

"There will be no shareholding dilution to Esprit Holdings' shareholders and the new debt-free entity will remain an over 70% owned subsidiary of the parent, meaning Esprit Holdings will continue to benefit from the growth of Esprit Europe," continued Poon.

Goldman Sachs has been appointed the financial adviser to advise the Company on the spin-off proposal. It is also the global coordinator of the offering of Esprit Europe AG's new shares.

A special general meeting will be held on June 9 for Esprit Holdings' shareholders to approve the spin-off proposal and other related matters. The board of the company has been informed that shareholders who collectively control 58% of the company will vote in favour of the spin-off at the special general meeting.

Esprit Holdings Limited is engaged in the retail and wholesale distribution of quality lifestyle fashion products under the globally recognised ESPRIT brand name. The Group's products are sold in more than 40 countries worldwide and it has 450 directly managed retail outlets and over 7,500 wholesale customers. In addition, the Group controls the RED EARTH brand name and distributes its cosmetics, skin and general body care products primarily in Asia Pacific.

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Issued by Esprit Holdings Limited. For further details or inquiries, please contact:

Stella Tse, manager, corporate affairs Tel : (852) 2765 4252 Fax : (852) 2764 1723 Email : stella_tse@esprit.com.hk