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ESPRIT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Regarding various press articles in Hong Kong on 22 September 2001 about the Action, the Company has taken legal advice and considers the Action vexatious and entirely without grounds. The Action should not have any material impact on the financial or trading position of the Company and its subsidiaries.

The Company refers to various press articles in Hong Kong on 22 September 2001 with respect to the writ issued by Jeckson Management Limited ("**Jeckson**") against the Company, Red Earth Investment Limited ("**REI**") and Red Earth International Holdings Limited ("**International**") on 20 September 2001 (the "**Action**").

International is held as to about 61% by REI with the remaining 39% held by Jeckson, a company controlled by Mr. Steven Ko Soon How, the ex-chief executive officer of International. REI is a wholly-owned subsidiary of the Company. International is a holding company in respect of the business of distribution and sales of products under the "RED EARTH" brandname. REI has an option to acquire all the interests of Jeckson in International pursuant to an option deed dated 16 April 1998 and a deed of consent and novation dated 1 February 1999.

On 3 May 2001, REI exercised its option to acquire Jeckson's 39% interest in International. Based on a formula agreed to by Mr. Steven Ko Soon How and Jeckson, the price payable by REI was computed to be nil. Jeckson defaulted in transferring its 39% shares in International to REI and REI therefore commenced proceedings against Jeckson for, inter alia, specific performance of Jeckson's obligations to transfer all its shares in International to REI ("**REI Proceedings**").

Jeckson has filed a defence and counterclaim in the REI Proceedings against REI making allegations about, inter alia, the correct computation of the option price and the accounting treatment of certain matters in the relevant accounts of International and certain of its subsidiaries. On 20 September 2001, Jeckson commenced the Action against the Company, REI and International making substantially the same allegations.

The Company has obtained legal advice and believes that the Action is vexatious and entirely without grounds and that the Action constitutes part of Jeckson's continuous attempt to defer performance of its legal obligations. All books and accounts of the Company and its subsidiaries are properly kept and prepared, and where applicable, audited. The Action should not have any material impact on the financial or trading position of the Company and its subsidiaries. The Company will take appropriate action to dispose of the Action. In addition, REI has also been advised that it has a clear and strong case against Jeckson for specific performance of the transfer of its 39% interests in International and REI will continue to pursue the REI Proceedings against Jeckson vigorously.

By Order of the Board
John Poon Cho Ming
Executive Director

Hong Kong, 24 September, 2001

This announcement may be viewed on the internet at www.espritholdings.com.