HIGHLIGHTS OF INTERIM RESULTS FY 00/01

- Impressive operating and net profit growth of 30%
- EBITDA margin improved by about 2 percentage points to 16.4%
- Group turnover increased by 10% against tough apparel market conditions and lower currency translation rates
- Profitable in all country operations worldwide
- European sales recorded stellar growth of 33% in euro terms
- Asia Pacific revenue registered an overall 6% increase in local currency terms (net of currency impact)
- Over 50% growth in sales for shoes and bodywear with steady growth for core product lines
- Cash on hand close to HK\$800 million as at December 31, 2000 even after aggressive capital expenditure
- Interim dividend increased by 26% to HK4.80 cents per share



ESPRIT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED DECEMBER 31, 2000

INTERIM RESULTS

The Board of Directors of Esprit Holdings Limited (the "Company") is pleased to announce that the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended December 31, 2000 together with comparative figures for the corresponding period are as follows

Condensed Consolidated Profit and Loss Acco	unt		
			months ended nber 31.
	Note	Unaudited 2000 <i>HK\$'000</i>	Unaudited 1999 <i>HK\$'000</i>
Turnover Cost of Goods sold	2	3,994,242 (2,035,993)	3,647,755 (1,798,796)
Gross Profit Other Revenues Staff Costs Depreciation and Amortization Other Operating Costs		1,958,249 30,932 (557,495) (97,365) (757,464)	1,848,959 30,868 (544,526 (94,695) (790,852)
Operating Profit Finance Costs Share of Profits of an Associated Company		576,857 (17,944) 10,360	449,754 (20,532) 5,859
Profit before Taxation Taxation	3 4	569,273 (258,735)	435,081 (185,190)
Profit after Taxation Minority Interests		310,538 (37,334)	249,891 (38,916)
Profit Attributable to Shareholders Less: Interim Dividend		273,204 (53,902)	210,975 (42,292)
Profit for the period retained		219,302	168,683
Earnings per Share – basic – fully diluted Dividend per Share	5 5	24.4 cents 23.7 cents 4.8 cents	19.0 cents 18.3 cents 3.8 cents
Condensed Consolidated Balance Sheet			
		Unaudited As at December 31, 2000	Audited As at June 30, 2000
Trademarks Fixed Assets Other Investments Associated Companies Current Assets	Note	HK\$'000 732,281 688,240 29,327 67,514	HK\$'000 742,451 596,953 29,327 58,563
Stocks and work in progress Debtors, deposits and prepayments Amounts due from associated companies	6	906,974 546,711 4.478	735,767 656,993 20.623

Amounts due from associated companies 20,623 Short-term bank deposits 160,538 Bank halances and cash 720,796 574.334 2,270,052 2,148,255 Current Liabilities Creditors and accrued charges 845,179 612.233 Taxation 464.937 Obligations under finance leases 1.858 1,835 – due within one year Long-term bank loan – due within one year 155,988 155,906 Unsecured short-term bank loans 8.730 13.223 10,713 Unsecured bank overdrafts 14.523 1,688,575 1,605,435 Net Current Assets 581.477 542.820 1,970,114 Total Assets less Current Liabilities 2,098,839 Share Capital 112.087 111 656 1,612,722 Reserves 1,813,631 Shareholder's Funds 1,925,718 1,724,378 Minority Interests 23.892 17,659 Non-Current Liabilities Obligations under finance leases 1,931 959 148,188 226,064 Long-term bank loan 1,970,114 2,098,839

Notes to the Financial Statements Accounting policies

These unaudited condensed consolidated interim accounts ("Interim Accounts") are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25, "Interim Financial Reporting", issued by the Hong Kong Society of Accountants, and Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited.

The accounting policies and methods of computation used in the preparation of Interim Accounts are consistent with those used in the annual accounts for the year ended June 30, 2000.

Turnover

The Group is principally engaged in the design, licensing, sourcing, manufacturing, wholesale and retail distribution of high quality apparel and related products under the internationally known ESPRIT brand name in Europe and the Asia Pacific, together with Red Earth cosmetics, skin and general body care

The turnover and contribution to operating profit after finance costs by principal activities and geographical

	6 mor	Turnover 6 months ended December 31,		Operating profit after finance costs 6 months ended December 31,	
	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>	
Analysis by principal activities:	π, σου	πης σσσ	1114 000	ΠΑΦ ΟΟΟ	
Wholesale	2,151,793	1,857,153	387,338	261,120	
Retail	1,800,332	1,749,602	147,388	144,982	
Others	42,117	41,000	24,187	23,120	
	3,994,242	3,647,755	558,913	429,222	
Analysis by principal geographical mark	ets:			-	
Germany	1,916,713	1,700,078	325,459	262,896	
Hong Kong	560,054	488,278	49,074	35,408	
Belgium and the Netherlands	458,866	406,363	66,399	49,622	
Australia and New Zealand	277,193	357,068	13,574	34,647	
Taiwan	198,159	179,802	25,213	8,599	
Others*	583,257	516,166	79,194	38,050	
	3,994,242	3,647,755	558,913	429,222	

Other markets include Austria, Canada, Denmark, Finland, France, Malaysia, Singapore and Sweden Profit before taxation

6 months ended HK\$'000 HK\$'000 Profit before taxation is arrived at after charging the following: Depreciation and amortization 86.329 Owned assets 83,061 866 10,170 6,379 - Assets held under finance leases 1,464 10,170 Trademarks Exchange loss Interest on short-term bank loans, overdrafts, and 5,928 17,811 20,395 other loans wholly repayable within five years Interest element of finance leases 2,822 3,763

5.

8.

Hong Kong profits tax has been provided at the rate of 16% (1999/2000: 16%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

	December 31,	
	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Company and its subsidiaries:	,	
Hong Kong Profits Tax Overseas Taxation	27,040 230,285	23,586 161,255
	257,325	184,841
Associated company - Overseas Taxation	1,410	349
	258,735	185,190
Earnings per share		
The calculation of the basic earnings per share is based on the		

of HK\$273,204,000 (1999/2000: HK\$210,975,000) and the weighted average of 1,120,443,088 ordinary shares in issue (1999/2000: 1,111,716,760) during the period.

The calculation of fully diluted earnings per share is based on the profit attributable to shareholders of HK\$273,204,000 (1999/2000: HK\$210,975,000) and on the weighted average number of shares in issue during the period of 1,120,443,088 (1999/2000: 1,111,716,760) plus the weighted average number of 32,898,227 shares (1999/2000: 39,029,304) 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

Debtors, deposits and prepayments

Debtors, deposits and prepayments included trade debtors and their ageing analysis is as follows: As at December 31 As at June 30

	2000 HK\$'000	2000 HK\$'000
0-30 days 31-60 days 61-90 days Over 90 days	273,035 45,217 7,377 22,401	345,960 42,030 15,982 31,786
Total balance	348,030	435,758

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.

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

	AS AT DECEMBER 31, 2000 HK\$'000	2000 HK\$'000
0-30 days 31-60 days 61-90 days Over 90 days	264,348 21,986 9,479 41,849	293,864 26,618 6,850 31,103
Total balance	337,662	358,435
Share capital		
	As at December 31, 2000 <i>HK\$</i> '000	As at June 30, 2000 <i>HK\$'000</i>
Authorized: 2,000,000,000 shares of HK\$0.10 each	200,000	200,000
	Number of Share of HK\$0.10 each '000	Nominal value <i>HK\$'000</i>
Issued and fully paid: At July 1, 1999 Issues of scrip dividend shares Exercise of share options	1,108,622 1,771 6,166	110,862 177 617
At June 30, 2000	1,116,559	116,656
At July 1, 2000 Issues of scrip dividend shares Exercise of share options	1,116,559 310 3,998	111,656 31 400

At December 31, 2000 INTERIM DIVIDEND

The directors have declared an interim dividend for the six months ended December 31, 2000 of HK4.80 cents per share (1999/2000: HK3.80 cents), payable on or about Friday, May 18, 2001 to the shareholders whose names appear on the Register of Members of the Company at close of business on Tuesday, March 27, 2001 ("Shareholders") with a scrip alternative to offer Shareholders the right to elect to receive fully paid new shares in lieu of cash (the "Scrip Dividend Scheme").

1,120,867

112,087

A circular containing details of the Scrip Dividend Scheme together with the relevant election form will be despatched Shareholders on or about Wednesday, March 28, 2001. The Scrip Dividend Scheme is conditional upon the granting by the Listing Committee of The Stock Exchange of Hong Kong Limited of the listing of and permission to deal in the new shares to be issued pursuant thereto. The relevant dividend warrants and certificates for the new shares to be issued pursuant to the Scrip Dividend Scheme will be dispatched to the Shareholders on or about Friday, May 18,

MANAGEMENT DISCUSSION AND ANALYSIS

Esprit has managed to do in 30 years what many would consider highly challenging: develop a widely recognized global lifestyle brand. A management team committed to our visionary strategic initiatives built this business into the worldwide phenomenon it is today

Our management has kept the Group growing despite the economic climate. Since listing in Hong Kong in 1993, Esprit has maintained continuous growth even though our two key regions, Asia-Pacific and Europe, were hit by economic turmoil. This enviable record resulted from our strong brand equity, our good quality products and our highly integrated business expansion approach These advantages will continue to allow us to strengthen our business and stay ahead of the

With our focus on lifestyle products rather than simply fashion, we add value to our customers' everyday life. Esprit's global distribution network, covering over 40 countries on five continents, has generated healthy results.

For the six months ended December 31, 2000, the Group achieved a turnover of HK\$3,994 million, up 10% on the previous year. Operating profit after finance costs rose 30% to HK\$559 million, while profit attributable to shareholders was HK\$273 million. Earnings per share were HK24.4 cents, an increase of 28% compared to same period last year.

The Group's well-defined diversification strategy, which is applied to geographical distribution, product line expansion and business scope, proved to be very effective in further improving firsthalf results. Our strong European operations remained the major impetus for our growth. In addition, continual enhancements in operating efficiency have produced a notable margin improvement through economy of scale and effective cost control. Group operating expenses compared to same period last year, as a percentage of sales, reduced by approximately 4 percentage points, including significant reduction in building and staff costs. EBITDA margin, therefore, increased to 16.4%, representing an increase of roughly 2 percentage points over same period last

Overall Performance

All country operations worldwide contributed to the Group's operating profit. Wholesale, retail and licensing business all recorded increases in the first half of this financial year, with the wholesale operation remained the driving force registering 16% growth over the previous year. The strong growth was largely attributed to the success of our well-developed product lines which are complementary to the growth of our retail business.

Geographical Breakdown	
Europe (In euro terms)	Year-on-year Change
Germany Benelux France Scandinavia Austria	+32% +32% +52% +31% +42%
Overall growth	+33%

Once again, Europe achieved phenomenal growth in the first half, with an overall 33% increase in sales in euro terms despite tough apparel market conditions. In euro terms, wholesale business continued to demonstrate an outstanding performance with an increase of 36% while retail business also bucked the trend by showing an increase of 24% over previous year. One of the most encouraging developments in the first half was the impressive sales growth rates registered by some of our smaller European markets as shown above Sales performance of our European e-shop was particularly stunning, with an increase of 578% on

the previous year. We expect the number of visits will further increase and reach our target of 150,000 visitors on average per month by the end of the fiscal year in June 2001, who are potential customers of our wide range of products. We believe this new channel offers a good alternative that helps connect us to our existing as well as potential customers in the cyberspace

Asia Pacific (In local currency terms)	Year-on-year Change
Hong Kong Australia Taiwan Singapore Malaysia Canada	+15% -10% +9% +22% +44%
Overall growth (net of currency impact)	+6%

first half, amidst such setbacks as the weak economies in Taiwan and Australia. Hong Kong, our biggest market in this region, sustained its growth momentum with bigger stores and better locations. Canada is in the process of developing a strong retail network in the key cities. Regionally, we have increased our retail space to over 800,000 sq.ft., representing an increase of 12% from end of June 2000. This will provide a good foundation in time for the rebound of the

The Asia-Pacific region recorded modest overall growth of 6% (net of currency impact) for the

region We continue to lead the charge into China where the market offers immense potential. As at the end of the half-year under review, our joint venture with China Resources Enterprise, Limited which had 82 directly managed points of sale and 300 franchise stores and outlets recorded sales growth of 44%. Our mega-store in Times Square, Shanghai was opened before the Chinese New

Year of the Snake, and we plan to set up additional mega stores in key cities such as Guangzhou and Beijing to tap the buoyant consumer market. We remain excited about prospects in this huge **Key Product Lines Performance** Year-on-year Change (In HKD terms

+11%

+57% +56% Bodywea Women's wear continues to be our traditional strength which accounts for 54% of the Group's turnover and grew by about 11% in the first half of this year. Our other product lines are also growing which suggests that the consumers are becoming increasingly attracted to the unique lifestyle that we promote. Our success is partly attributed to our divisionalised approach, where an individual team oversees each product line, with integrated responsibility for product development

design and yield management Strong Financial Backing

Women's wear (including EDC)

Men's wear Shoes

Our financial condition remains solid with cash on hand and working capital close to HK\$800 million and HK\$600 million respectively as at December 31, 2000, even after aggressive capital expenditure. We will continue our expansion in the distribution network to ensure successful global penetration. We have earmarked over HK\$500 million as capital expenditure for the current financial year and we spent close to HK\$200 million in the first half mainly in opening over 60 new

The Group has trade finance, short-term loans and overdraft facilities from its banks totaling over net cash position (net of bank borrowings) stood at HK\$488 million as at December 31, 2000. Our bank borrowings to equity ratio was about 17%, current ratio was at a healthy level of 1.3 and

interest cover was 32 times as at December 31, 2000. During the period under review, the Group continued to enter into foreign exchange forward and options contracts to reduce exposure to foreign currency exchange risks. These contracts were entered into with large reputable financial institutions, thereby minimizing the risk of credit loss.

We were able to reduce the euro exchange risk arising from Asian sourcing for our European sales by requesting Asian suppliers to quote prices in euro. As at December 31, 2000, outstanding contracts valued at contracted rates was HK\$235 million.

Outlook for the Rest of the Financial Year

We are confident that our growth momentum will continue in the second half as evidenced by the wholesale orders already in hand.

On the retail front, we plan to enter the UK market with the mega-store concept to replicate our success in continental Europe. One mega-store is scheduled to open in a premium location on Regent Street, UK before the end of June 2001, with a total area of approximately 22,000 sq.ft. This entry will mark the beginning of a major European market push outside the Euroland. Meanwhile, we will continue expanding our retail distribution networks in both regions, with emphasis on our mega-store strategy. Our target to exceed 1.3 million directly managed retail sales footage globally at the year-end remains intact.

The launch of our new Active Sports line received an overwhelmingly positive market response at its first show at the ISPO exhibition where more than 500 potential wholesale clients indicated their interests. Our objective is to become the leading active sportswear brand for women. The new line will be largely divided into four categories: Fitness-Wellness-Training; Sun-Fun-Beach; Winter-Snow-Artic, and Fashion Sports. First deliveries are scheduled for fall 2001. In addition to this new line, we plan to launch other products through licensees covering a broad range including toys: scents and senses: cutlery and others.

The potential slowdown in the US economy should have minimum impact on our Group as our core markets' growth is relatively much less dependent on US economic performance. Any significant rebound of the euro beyond the current level would provide an extra earnings boost to the Group's full year result. We remain bullish, barring unforeseeable circumstances, in finishing the financial year 2000/2001 with healthy growth and record profits.

EMPLOYEE AND REMUNERATION POLICIES

As at December 31, 2000, the total number of employee of the Group was about 5,800. Remuneration policies are reviewed by the management on a regular basis. Remuneration packages, including share options, are structured to take into account the comparable level of the market. Training is also provided to improve the calibre of the staff.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Thursday, March 22, 2001 to Tuesday, March 27, 2001, both days inclusive, during which period no transfer of shares will be

In order to qualify for the interim 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, March 21, 2001.

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.

SUBSEQUENT EVENTS

During the period from January 9, 2001 to January 15, 2001, Worldwide Thousand Limited ("WTL"), a substantial shareholder of the Company and 99.96% held by Mr. Jürgen Alfred Rudolf Friedrich ("JF"), had disposed 16,110,000 shares of HK\$0.10 each in the Company.

Pursuant to two sale and purchase agreements made between WTL with each of JF and Anke Beck-Friedrich ("ABF"), the spouse of JF, respectively dated January 31, 2001 (the "Transfer"),

CORPORATE GOVERNANCE This interim results have been reviewed by the audit committee of the board, which includes two

WTL has transferred all its shares in the Company to JF and ABF and consequently ceased to hold any shares in the Company. JF's beneficial interest in the Company as defined under the Securities (Disclosure of Interests) Ordinance remains unchanged immediately following the Transfer.

independent non-executive directors. During the period under review, the Company was in

compliance 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 By Order of the Board **Esprit Holdings Limited** John Poon Cho Ming Executive Director & Group CFO

Hong Kong, February 28, 2001

This announcement can also be accessed through internet at www.esprit-intl.com as well as www.irasia.com/listco/hk/esprit.