

Esprit Holdings Limited
(Incorporated in Bermuda with limited liability)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED DECEMBER 31, 1999

HIGHLIGHTS

- Net profit climbed 17 percent to HK\$166.4 million on the back of a HK\$2,920 million turnover
- Achieved continued cost savings and synergies from globalization efforts
- European turnover rose more than 11 percent and is expected to offer stable and sustainable growth
- Asia Pacific saw encouraging bottom-line improvement as right-sizing strategy delivered results
- Aggressively seeking and capitalizing on opportunities to expand its market share - especially those that are recession generated

INTERIM RESULTS

The Board of Directors of Esprit Holdings Limited ("the Company") is pleased to announce that the unaudited consolidated interim results of the Company and its subsidiaries ("the Group") for the six months ended December 31, 1998 together with comparative figures for the corresponding period in 1997 are as follows:

Six months ended December 31,

	1998 HK\$' 000	1997 HK\$' 000
Turnover	2,920,070	2,599,842
Operating Profit	290,129	289,354
Share of Results of Associated Companies	(307)	(5,835)
Profit before Taxation	289,822	283,519
Taxation (Note 1)	100,266	119,699
Profit after Taxation	189,556	163,820
Minority Interests	(23,143)	(21,722)
Profit Attributable to Shareholders	166,413	142,098
Less: Interim Dividend	41,517	41,517
Retained Profits Carried Forward	124,896	100,581
Earnings per Share (Note 2)		
- basic	15.2%	13.0%
- diluted	Not applicable	12.7%

Notes:

1. Taxation

Hong Kong profits tax has been provided at the rate of 16% (1997/98: 16.5%) on the estimated assessable profits arising in Hong Kong for the period. Taxes on profits elsewhere have been calculated at the rates of taxation prevailing in the countries in which the Group operates. The taxation is made up as follows:

Six months ended December 31,	1998 HK\$' 000	1997 HK\$' 000
The Group:		
Hong Kong Profits Tax	20,660	14,446
Overseas Taxation	79,606	105,341
	100,266	119,787
Share of Taxation of an Associated Company:		
Overseas Taxation - (88)	100,266	119,699

2. Earnings per Share

The calculation of the basic earnings per share is based on the unaudited profit attributable to shareholders of HK\$166,413,000 (1997/98: HK\$142,098,000) and the weighted average of ordinary shares in issue 1,092,545,579 (1997/98: 1,092,241,246 ordinary shares) during the period.

No dilution was resulted on the earnings per share for the period after taking into the potential dilutive effect of share options granted under the Share Option Scheme. The calculation of the diluted earnings per share for the six-month period ended December 31, 1997 was based on the Group's profit attributable to shareholders of HK\$142,098,000 and the weighted average number of 1,115,513,677 shares in issue, adjusted for the potential dilutive effect of share options granted.

INTERIM DIVIDEND

The directors have declared an interim dividend of 3.80 cents per share in cash in respect of the six months ended December 31, 1998 to be paid to those shareholders whose names appear on the Register of Members of the Company at close of business on April 16, 1999 ('Shareholders'), with a scrip alternative to offer the right to Shareholders to elect to receive such interim dividend wholly or partly by allotment of new shares credited as fully paid in lieu of cash (the 'Scrip Dividend Scheme').

A circular containing details of the Scrip Dividend Scheme together with the relevant election form will be sent to Shareholders on or about April 16, 1999. 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 May 20, 1999.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from April 12, 1999 to April 16, 1999, both days inclusive, during which period no transfer of shares will be registered.

In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrars, Secretaries Limited, at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong no later than 4:00 p.m. on April 9, 1999.

BUSINESS REVIEW AND OUTLOOK

review of operations

We are proud of our achievements in the first six months.

First, the numbers. We saw growth in our top-line and bottom-line. Net sales for the Group increased 12 percent to HK\$2.9 billion and profit attributable to shareholders increased by 17 percent to HK\$166.4 million. Our operating profit was HK\$290.1 million while earnings per share grew 17 percent to 15.2 cents. The Directors have recommended an interim dividend of 3.80 cents per share with a scrip dividend alternative (no dividends were declared at the end of FY97/98).

In terms of corporate initiatives, our secondary listing on the London Stock Exchange in December 1998 deserves mention. The straightforward reason for the listing was to underline the Group's commitment to Europe and to highlight Esprit's presence in a region that contributes to

two thirds of the Group's turnover. A listing in Europe would also help to enhance the value of the brand and the Group through a symbolic dwelling among European investors. No new shares were issued for the secondary listing. But we are now in London. We are firmly in Europe.

Europe saw steady, healthy and sustainable growth - exceeding 11 percent in turnover in local currency terms - during the period under review. This vindicates the "spirited expansion" strategy that we mentioned in our 1997/98 annual report. We have a good mix of business in the region, with wholesale accounting for 65 percent. The Group's retail business accounts for 35 percent of turnover and will be expanded in established markets.

Esprit's growth outperformed the industry's negative growth:

- Our wholesale business increased by 15 percent in local currency terms.
- Men's wear saw revenue growth of more than 50 percent. This as yet underdeveloped product segment offers much potential. It currently accounts for less than 10 percent of Group turnover, trailing behind ladies' wear, accessories and kids' wear.
- We are on target with our January 1999 launch of bodywear, in collaboration with Triumph.
- Also on target, we doubled our sales footage in France. And we are pleased to see a big jump in retail turnover compared to the corresponding period last year.
- In Germany, there were no surprises. Retail turnover grew by 15 percent. We expanded our retail presence by 1,600 square metres, an increase of more than 10 percent from June 1998.

Asia Pacific continued to see us in toughing-it-out mode. Our clear strategy: minimize losses in poor-performance markets while maximizing market share in good-opportunity markets. Consequently, we saw encouraging results in the region's bottom-line.

We re-defined our loss markets of South Korea and Japan. We scaled back to one store in South Korea and we untied our knot with Taka-Q in Japan.

We did have a bright spot though - Australia registered growth in excess of 40 percent in local currency terms. And for this market, there will be added push for the wholesale business, which is a low-cost growth strategy.

Taiwan, Singapore and Malaysia all saw turnover rise by 5 to 10 percent in local currency terms. China expanded its retail presence. Hong Kong turnover remained flat, when taking contribution from wholesale business and Red Earth into consideration. The flat sales performance was partly due to a delay in the opening of two 10,000 square foot mega-stores which, since their openings, have been meeting expectations in terms of contribution. We have also taken advantage of lower rentals in the Hong Kong market and expanded our retail footage by 70 percent from June 1998.

In Canada, operations were streamlined and efficiencies enhanced. We were pleased to note that improvements have been emerging over recent months.

Kids' wear underwent continued expansion, resulting in a total of 21 shops in Hong Kong, Taiwan and Australia.

Our Esprit credit card, which will replace the Esprit Privilege Card, was launched in Hong Kong in October 1998. Market response to our credit card has been favorable and we have managed to extend our reach to a broader segment of customers.

Red Earth showed big progress. Turnover increased by 200 percent in Asia and, together with sales contribution from Australia and New Zealand, Red Earth accounted for 5 percent of total Group turnover. The number of stores rose to 86 from 67 during the period under review. Red Earth was launched in Singapore and made available in more than 35 Esprit shops in Australia. 10 shops opened in Taiwan. Four stand alone shops opened in Canada and there are now more than 70 Red Earth counters in Esprit shops in new markets such as Germany, Canada, China and Singapore.

Consumer reception has been good throughout Asia and we are keen to repeat our success in Europe by actively promoting the brand's proposition of 'quality and value for money'. So we have more work to do in European markets.

Red Earth's contribution to Group turnover is still relatively small but this will change. The Red Earth story is unfolding. The brand is definitely leaping ahead and must be watched.

building into the future

Esprit is financially sound and prudent and we intend to keep it that way. Despite business expansion on many fronts, we maintained a healthy cash reserve of approximately HK\$494 million as at December 31, 1998 and our bank borrowings-to-equity ratio stands at 48 percent. This will allow for much impetus in the further building of our global business.

More can be better. So we're building more product lines, more stores and more licensing alliances. We're global and we're building.

Looking ahead, many possibilities jump at us but we will be selective and prudent, focusing primarily on wholesale business and economies of scale in existing markets:

- European growth will continue. Our intimate apparel line, EDC line and Collection are all part of the mix. Men's wear, which saw double-digit growth, will be given more momentum. Further efficiencies will impact positively on our bottom-line. And we will continue to boost our image. For instance, a 2,000 square metre mega-store has been identified in Stuttgart, Germany. Scheduled to open in September 1999, this mega-store will be the first to offer the full range of exciting products, including eyewear, jewellery, timewear and House products.
- Asia, where markets are still rough, we are constantly seeking and capitalizing on opportunities - especially those that are recession-generated such as extraordinarily low rentals for the choicest retail locations. "The right store at the right price" is an unbeatable combination in our industry. So we have added 70 percent and continue to increase our sales footage in Hong Kong while our new mega-store at Festival Walk in Kowloon Tong has become another experience that customers enjoy. Second, gaining market share with aggressive marketing and new product lines is another prong of our strategy for Asia. This is again an opportunity-driven approach. With the combination of prime retail locations, marketing and the right products, we will be more than ready when the upturn comes.
- Australia and Taiwan offer more double-digit growth potential. We intend to expand our wholesale footage in Australia; and for Taiwan, we will open more mega-stores and further promote kids' wear.
- The Red Earth story continues to unfold as the brand goes global. This low-cost high-margin business attracts the right customers again and again.
- Our licensing alliances should spell fresh success. And we're still exploring and responding to other licensing possibilities so as to realize and maximize the strong consumer franchise offered by our well-embraced brand. For instance, House, a new product line that is targeted to hit the shops in March 1999, has already been well-received at European trade fairs. Besides, we are actively looking for licensing partners in Japan.

On the Y2K compliance project, over 85 percent of our program has already been completed and tested and we expect our critical systems to be Y2K-compliant by June 1999.

As was the case last year, we remain encouraged and, at times, even buoyant. We are managing a global business, an ever-growing one. So there is much that needs doing and much that can be done. Our balance sheet remains strong. Our focus remains clear. And, we are listed on the London Stock Exchange.

We hope you share our confidence.

PURCHASE, SALE OR REDEMPTION OF OWN SHARES

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

CORPORATE GOVERNANCE

In the six-month ended December 31, 1998, the Company was in compliance with the Code of Best Practice as set out in the Listing Rules of The Stock Exchange of Hong Kong Limited, except that three non-executive directors are not appointed for a specific term but are subject to retirement for rotation at annual general meetings in accordance with the Company's Bye-laws.

By Order of the Board
Alva Chan Wai Mo
Executive Director
Hong Kong, March 12, 1999