

## Notes to the Financial Statements

### 1. 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.

### 2. 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 products.

The turnover and contribution to operating profit after finance costs by principal activities and geographical markets are as follows:

	Turnover		Operating profit after finance costs	
	6 months ended		6 months ended	
	December 31,		December 31,	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Analysis by principal activities:				
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
	<b>3,994,242</b>	<b>3,647,755</b>	<b>558,913</b>	<b>429,222</b>
Analysis by principal geographical markets:				
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
	<b>3,994,242</b>	<b>3,647,755</b>	<b>558,913</b>	<b>429,222</b>

\* Other markets include Austria, Canada, Denmark, Finland, France, Malaysia, Singapore and Sweden.

### 3. Profit before taxation

	For the 6 months ended December 31,	
	2000	1999
	HK\$'000	HK\$'000
Profit before taxation is arrived at after charging the following:		
Depreciation and amortization		
– Owned assets	86,329	83,061
– Assets held under finance leases	866	1,464
– Trademarks	10,170	10,170
Exchange loss	6,379	5,928
Interest on short-term bank loans, overdrafts, and other loans wholly repayable within five years	17,811	20,395
Interest element of finance leases	133	137
Loss on disposal of fixed assets	2,822	3,763

#### 4. Taxation

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.

	For the 6 months ended December 31,	
	2000	1999
	HK\$'000	HK\$'000
Company and its subsidiaries:		
Hong Kong Profits Tax	27,040	23,586
Overseas Taxation	230,285	161,255
	257,325	184,841
Associated Company – Overseas Taxation	1,410	349
	258,735	185,190

#### 5. Interim Dividend

	For the 6 months ended December 31,	
	2000	1999
	HK\$'000	HK\$'000
Alignment of 1999/2000 final dividend on 248,000 new shares issued	28	–
Interim dividend declared of 4.8 Hong Kong cents (1999/2000: 3.8 Hong Kong cents) per share	53,874	42,292
	53,902	42,292

The amount provided for the 2000/2001 interim dividend is based on 1,122,368,345 shares (1999/2000: 1,112,942,723 shares) in issue as at January 31, 2001.

#### 6. Earnings per share

The calculation of the basic earnings per share is based on the unaudited profit attributable to shareholders 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 exercised at July 1, 2000.

#### 7. 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	2000
	HK\$'000	HK\$'000
0-30 days	273,035	345,960
31-60 days	45,217	42,030
61-90 days	7,377	15,982
Over 90 days	22,401	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.

## 8. Creditors and accrued charges

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

	As at December 31, 2000 HK\$'000	As at June 30, 2000 HK\$'000
0-30 days	264,348	293,864
31-60 days	21,986	26,618
61-90 days	9,479	6,850
Over 90 days	41,849	31,103
<b>Total balance</b>	<b>337,662</b>	<b>358,435</b>

## 9. Obligations under finance leases

	As at December 31, 2000 HK\$'000	As at June 30, 2000 HK\$'000
Total minimum lease payment		
– within one year	2,001	2,077
– in the second year	877	1,460
– in the third to fifth year inclusive	150	591
	<b>3,028</b>	<b>4,128</b>
Future finance charges on finance leases	(211)	(362)
<b>Present value of finance lease liabilities</b>	<b>2,817</b>	<b>3,766</b>
The present value of finance lease liabilities is as follows:		
– within one year	1,858	1,835
– in the second year	728	1,369
– in the third to fifth year inclusive	231	562
	<b>2,817</b>	<b>3,766</b>

## 10. Long-term bank loan

	As at December 31, 2000 HK\$'000	As at June 30, 2000 HK\$'000
Wholly repayable within 5 years		
– unsecured	304,176	381,970
Amount due within one year included under current liabilities	(155,988)	(155,906)
	<b>148,188</b>	<b>226,064</b>
The maturity of the long-term bank loan is as follows:		
– within one year	155,988	155,906
– in the second year	148,188	155,906
– in the third to fifth year inclusive	–	70,158
	<b>304,176</b>	<b>381,970</b>

## 11. Share capital

	As at December 31, 2000 HK\$'000	As at June 30, 2000 HK\$'000
Authorized:		
2,000,000,000 shares of HK\$0.10 each	200,000	200,000
	<b>Number of Share of HK\$0.10 each</b>	<b>Nominal value</b>
	<i>'000</i>	<i>HK\$'000</i>
Issued and fully paid:		
At July 1, 1999	1,108,622	110,862
Issues of scrip dividend shares	1,771	177
Exercise of share options	6,166	617
At June 30, 2000	1,116,559	111,656
At July 1, 2000	1,116,559	111,656
Issues of scrip dividend shares ( <i>Note (a)</i> )	310	31
Exercise of share options ( <i>Note (b)</i> )	3,998	400
At December 31, 2000	1,120,867	112,087

### *Note (a)*

At the annual general meeting of the Company held on November 23, 2000, shareholders of the Company approved a final dividend for the year ended June 30, 2000 of HK\$0.112 per ordinary share of HK\$0.10 each. Shareholders were given the option to receive fully paid new shares in lieu of cash ("Scrip Dividend Scheme"). Under this Scrip Dividend Scheme, 1999/2000 final dividend of HK\$2,336,793 was settled by the issue of 309,509 Scrip Dividend Shares at a premium of HK\$7.45 each.

### *Note (b)*

During the period, 3,998,000 ordinary shares of HK\$0.10 each were issued at a premium in the range of HK\$2.54 and HK\$2.84 in relation to share options exercised by employees under the Share Option Scheme.

## 12. Operating lease commitments

	As at December 31, 2000 HK\$'000	As at June 30, 2000 HK\$'000
The total future minimum lease payments under non-cancellable operating leases are as follows:		
Land and buildings		
– within one year	509,085	456,910
– in the second to fifth year inclusive	1,223,753	1,041,498
– after the fifth year	835,293	711,548
	<b>2,568,131</b>	<b>2,209,956</b>
Other equipment		
– within one year	12,773	8,214
– in the second to fifth year inclusive	11,680	6,446
	<b>24,453</b>	<b>14,660</b>

### 13. Commitments

#### (a) Capital commitments

	As at December 31, 2000 HK\$'000	As at June 30, 2000 HK\$'000
Contracted but not provided for	31,900	7,432
Authorised but not contracted for	63,800	89,970
	<b>95,700</b>	<b>97,402</b>

#### (b) Foreign exchange contracts

The notional amounts of the Group's foreign exchange contracts are as follows:

	As at December 31, 2000 HK\$'000	As at June 30, 2000 HK\$'000
Forward contracts	111,854	160,452
Option contracts	123,644	28,765
	<b>235,498</b>	<b>189,217</b>

Foreign exchange contracts, which include forward and options, are entered into primarily to protect the Group from the impact of currency fluctuation during the normal course of business.

### 14. Related party transactions

In the ordinary course of business and on normal commercial terms, the Group entered into transactions with related companies during the six months ended December 31, 2000. Details relating to these related party transactions are as follows:

	For the six months ended December 31, 2000 HK\$'000	1999 HK\$'000
Transactions with Associated Companies		
Sales of finished goods	70,409	57,092
Other income	52	50