

notes to the financial statements

for the year ended June 30, 2002

1. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are as follows:

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants.

In the current year, the Group adopted the following Statements of Standard Accounting Practice (SSAPs) issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after January 1, 2001:

SSAP 9 (revised)	:	Events after the balance sheet date
SSAP 26	:	Segment reporting
SSAP 28	:	Provisions, contingent liabilities and contingent assets
SSAP 29	:	Intangible assets
SSAP 30	:	Business combinations
SSAP 31	:	Impairment of assets
SSAP 32	:	Consolidated financial statements and accounting for investments in subsidiaries

The Group has chosen to early adopt Statement of Changes in Equity as required in SSAP 1 (revised) "Presentation of Financial Statements" and SSAP 15 (revised) "Cash Flow Statements". As a result of the adoption of the above SSAPs, certain comparative figures have been reclassified to conform with the current year's presentation.

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to June 30. Subsidiaries are those entities in which the Group controls the composition of the board of directors, controls more than half of the voting power or holds more than half of the issued share capital.

Intra-group balances and transactions, and any unrealized profits arising from intra-group transactions are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortized goodwill/negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognized in the consolidated profit and loss account, and the related accumulated foreign currency translation reserve up to the effective date of disposal.

Minority interests represent the interests of outside shareholders and a non-affiliated partner in the operating results and net assets of subsidiaries and a limited partnership.

In the Company's balance sheet the investment in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(c) Associated companies

An associated company is a company, not being a subsidiary, in which the Group has a long-term equity interest, and over which the Group is in a position to exercise significant influence in management, including participation in commercial and financial policy decisions.

The consolidated profit and loss account includes the Group's share of the results of associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies.

(d) Goodwill/negative goodwill

Goodwill/negative goodwill represents the excess/shortfall of purchase consideration over the fair values ascribed to the net assets of subsidiaries acquired. Goodwill/negative goodwill arising from acquisition on or after July 1, 2001 is recognized as intangible assets and is amortized to the consolidated profit and loss account using the straight-line method over its estimated useful life. Negative goodwill which relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognized, is recognized in the consolidated profit and loss account when the future losses and expenses are recognized. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognized in the consolidated profit and loss account over the weighted average useful life of those non-monetary assets that are depreciable/amortizable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognized immediately in the consolidated profit and loss account. Goodwill/negative goodwill arising on acquisition that occurred prior to July 1, 2001 was taken directly to reserves in the year of acquisition. The Group has taken advantage of the transitional provisions in SSAP 30 and such goodwill/negative goodwill has not been retroactively capitalized and amortized.

1. PRINCIPAL ACCOUNTING POLICIES *continued***(e) Revenue recognition**

Revenue from the sales of goods are recognized when goods are delivered and title has been passed to customers.

Revenue from the operation of salon is recognized when services are rendered.

Licensing income is recognized on an accrual basis in accordance with the substance of the licensing agreement.

Commission income and other income is recognized when services are rendered.

Interest income is recognized on a time proportion basis on the principal amounts outstanding and the rates applicable.

(f) Trademarks

Acquired trademarks are stated at cost and amortized using the straight-line method over their estimated useful life subject to a presumed maximum life span of 20 years.

Prior to July 1, 2001, the Group amortized acquired trademarks using the straight-line method over their estimated economic life of 40 years. On adoption of SSAP 29 "Intangible Assets", which became effective for accounting periods commencing on or after January 1, 2001, the acquired trademarks are capitalized and amortized using the straight-line method over a period of 20 years. This constitutes a change in accounting estimate, which does not require adjustment to prior years' amortization charges and the carrying amounts of the trademarks.

Under SSAP 29, there is a rebuttable presumption that the useful life of an intangible asset will not exceed 20 years from the date when the asset is available for use. The Group has reviewed the estimated useful life of its trademarks with a firm of qualified independent appraisers, which is of the opinion that the trademarks have an indefinite economic life with at least 40 years. However, the criteria prescribed by SSAP 29 in establishing a useful life for a specific period longer than 20 years could not be unequivocally satisfied and the trademarks are amortized over 20 years in strict compliance with the new SSAP 29.

(g) Fixed Assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Freehold land is not amortized. Leasehold land is amortized over the remaining period of the lease.

Improvements to leasehold properties and fixtures occupied by the Group under operating leases are amortized over a period of the shorter of five years and their estimated useful life on a straight-line basis.

Other tangible fixed assets are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis after taking into account their estimated residual values. The principal annual rates are as follows:

Buildings	3 ¹ / ₃ – 5%
Plant and machinery	30%
Furniture and office equipment	10 – 33 ¹ / ₃ %
Motor vehicles and launch	30%

Assets held under finance leases are depreciated over their estimated useful life on the same basis as owned assets.

Major costs incurred in restoring fixed assets to their normal working conditions are charged to the profit and loss account. Improvements are capitalized and depreciated over their expected useful life.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognized in the profit and loss account.

(h) Impairment of assets

The carrying amounts of assets are reviewed at each balance sheet date to assess whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognized to reduce the asset to its recoverable amount. Such impairment losses are recognized in the profit and loss account.

1. PRINCIPAL ACCOUNTING POLICIES *continued*

(i) Assets under leases

(i) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalized at the inception of the leases at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in long-term liabilities. The finance charges are charged to the profit and loss account over the lease periods.

(ii) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

(j) Other investments

Investments held for the long-term are stated at cost less provision for impairment losses. Profits or losses on disposal of other investments, representing the difference between the net sales proceeds and the carrying amounts, are recognized in the profit and loss account as they arise.

(k) Stocks

Stocks are stated at the lower of cost and net realisable value. Cost which comprises the direct cost of materials, and where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition, is calculated using the weighted average cost method. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(l) Trade debtors

Provision is made against trade debtors to the extent they are considered to be doubtful. Trade debtors in the balance sheet are stated net of such provision.

(m) Deferred taxation

Deferred taxation is provided, using the liability method, on all significant timing differences, other than those which are not expected to crystallize in the foreseeable future. Deferred tax assets are not recognized unless the related benefits are expected to crystallize in the foreseeable future.

(n) Provisions

Provisions are recognized for liabilities of uncertain timing or amount when the Company or the Group has a legal or constructive obligation arising as a result of past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(o) Translation of foreign currencies

Each operating entity records its transactions in the currency of the jurisdiction in which it operates, termed its "functional currency". Transactions in foreign currencies are translated into the respective functional currencies at the approximate rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the respective functional currencies at the approximate rates ruling on the balance sheet date. Profits or losses arising on exchange are dealt with in the profit and loss account.

On consolidation, the balance sheets of subsidiaries and associated companies expressed in foreign currencies are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date and the results of subsidiaries and associated companies at the average rates of exchange prevailing during the year. Exchange differences arising are dealt with as movements in reserves.

1. PRINCIPAL ACCOUNTING POLICIES *continued***(p) Foreign exchange contracts**

Transactions designated as hedges are valued on an equivalent basis to the assets, liabilities or net positions that they are hedging. Any gain or loss is recognized in the profit and loss account on the same basis as that arising from the related assets, liabilities or net positions. All over or under hedge transactions are marked to market and the gains or losses are recognized in the profit and loss account. No gain or loss is recognized in relation to foreign exchange contracts which are entered into to hedge future commitments until the transaction occurs.

(q) Retirement benefit costs

The Group's contributions to the mandatory provident fund scheme are expensed as incurred. The assets of the scheme are held separately from those of the Group in an independently administered fund.

(r) Cash and cash equivalents

Cash comprises cash on hand and demand deposits repayable on demand with any bank or other financial institution. Cash includes deposits denominated in foreign currencies.

Cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash without notice and which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(s) Segment reporting

In adoption of SSAP 26, the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group companies with a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period. Unallocated items mainly comprise financial and corporate assets, interest-bearing borrowings, corporate and financial expenses.

(t) Dividends

In accordance with the revised SSAP 9, the Group no longer recognizes dividends proposed or declared after the balance sheet date as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As detailed in Note 20, the Group's beginning retained profits at July 1, 2001 have increased by HK\$137,101,000 (2000: HK\$125,474,000) which is the reversal of the provision for 2001 (2000) proposed final dividend previously recorded as a liability as at June 30, 2001 (June 30, 2000) although not declared until after the balance sheet date.

The Company's beginning retained profits at July 1, 2001 have decreased by HK\$26,699,000 (2000: HK\$174,826,000) which comprise of the reversal of the provision for 2001 (2000) proposed final dividend of HK\$137,101,000 (2001: HK\$125,474,000) previously recorded as a liability as at June 30, 2001 (June 30, 2000) although not declared until after the balance sheet date and the reversal of the dividend income of HK\$163,800,000 (2000: HK\$300,300,000) previously recorded as a receivable as at June 30, 2001 (June 30, 2000) although not declared until after the balance sheet date.

2. TURNOVER AND SEGMENT INFORMATION

The Group is principally engaged in the design, wholesale and retail distribution, sourcing and licensing of quality fashion and life-style products under the internationally known **ESPRIT** brand name in Europe, Asia Pacific and North America, together with Red Earth cosmetics, skin and body care products and the operation of Salon **ESPRIT** in Asia Pacific.

	2002 HK\$'000	2001 HK\$'000
Turnover		
Sales of goods	9,061,516	7,977,257
Commission income	11,859	5,185
Licensing and other income	145,739	126,620
	9,219,114	8,109,062

2. TURNOVER AND SEGMENT INFORMATION *continued*

Primary reporting format – business segments

The Group's businesses are managed according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments.

	Wholesale 2002 HK\$'000	Retail 2002 HK\$'000	Sourcing 2002 HK\$'000	Licensing & others 2002 HK\$'000	Eliminations 2002 HK\$'000	Group 2002 HK\$'000
Turnover	5,220,258	3,841,258	11,859	145,739	–	9,219,114
Inter-segment revenue	–	–	530,628	190,588	(721,216)	–
Segment revenue	5,220,258	3,841,258	542,487	336,327	(721,216)	9,219,114
Segment result	844,577	4,471	429,924	196,142	(22,855)	1,452,259
Intangible assets amortization						(56,709)
Unallocated net expenses						(79,098)
Operating profit						1,316,452
Segment assets	2,350,678	1,650,475	1,249,030	129,440	(1,632,173)	3,747,450
Associated companies						96,176
Intangible assets						1,849,940
Unallocated assets						14,408
Total assets						5,707,974
Segment liabilities	401,885	1,434,340	794,561	12,582	(1,632,173)	1,011,195
Unallocated liabilities						1,493,060
Total liabilities						2,504,255
Capital expenditure	46,896	280,255	3,408	13,448	–	344,007
Depreciation	54,692	158,542	2,339	6,251	–	221,824

2. TURNOVER AND SEGMENT INFORMATION *continued***Primary reporting format – business segments** *continued*

	Wholesale 2001 HK\$'000	Retail 2001 HK\$'000	Sourcing 2001 HK\$'000	Licensing & others 2001 HK\$'000	Eliminations 2001 HK\$'000	Group 2001 HK\$'000
Turnover	4,555,974	3,421,283	5,185	126,620	–	8,109,062
Inter-segment revenue	–	–	464,071	161,907	(625,978)	–
Segment revenue	4,555,974	3,421,283	469,256	288,527	(625,978)	8,109,062
Segment result	729,868	79,510	273,668	174,315	(1,564)	1,255,797
Intangible assets amortization						(20,341)
Unallocated net expenses						(103,646)
Operating profit						1,131,810
Segment assets	1,946,226	1,405,708	948,329	80,306	(1,650,517)	2,730,052
Associated companies						89,329
Intangible assets						722,110
Unallocated assets						13,289
Total assets						3,554,780
Segment liabilities	611,749	892,372	902,518	10,920	(1,650,517)	767,042
Unallocated liabilities						606,273
Total liabilities						1,373,315
Capital expenditure	87,161	348,940	244	8,616	–	444,961
Depreciation	38,745	142,288	3,176	4,275	–	188,484

2. TURNOVER AND SEGMENT INFORMATION *continued*

Secondary reporting format – geographical segments

In determining the Group's geographical segments, turnover are attributed to the segments based on the location of the markets, and assets are attributed to the segments based on the location of the assets.

	Turnover 2002 HK\$'000	Capital expenditure 2002 HK\$'000	Segment assets 2002 HK\$'000
Germany	4,483,569	179,249	2,052,223
Belgium and the Netherlands	1,379,140	42,720	366,362
Hong Kong	1,063,126	30,558	1,945,690
Other Asia Pacific countries	1,244,919	61,124	581,194
Other European countries	984,661	29,265	472,131
U.S. and others	63,699	1,091	104,775
Eliminations	–	–	(1,774,925)
	9,219,114	344,007	3,747,450
Intangible assets			1,849,940
Associated companies			96,176
Unallocated assets			14,408
Total			5,707,974

	Turnover 2001 HK\$'000	Capital expenditure 2001 HK\$'000	Segment assets 2001 HK\$'000
Germany	3,928,213	154,168	1,303,289
Belgium and the Netherlands	1,003,370	80,362	268,387
Hong Kong	1,093,221	29,106	1,639,447
Other Asia Pacific countries	1,257,031	104,533	606,126
Other European countries	755,550	76,792	329,661
U.S. and others	71,677	–	60,313
Eliminations	–	–	(1,477,171)
	8,109,062	444,961	2,730,052
Intangible assets			722,110
Associated companies			89,329
Unallocated assets			13,289
Total			3,554,780

3. OPERATING PROFIT

	2002 HK\$'000	2001 HK\$'000
Operating profit is arrived at after crediting and charging the following:		
Crediting		
Provision for doubtful debts written back	–	8,624
Provision for obsolete stock written back	6,302	25,725
Profit on disposal of listed investments	–	365
Net exchange gains	22,724	–
Charging		
Auditors' remuneration	5,304	6,084
Depreciation and amortization		
– Owned assets	220,767	186,824
– Assets held under finance leases	1,057	1,660
Amortization of intangible assets	56,709	20,341
Net exchange losses	–	26,290
Loss on disposal of fixed assets	6,693	9,478
Operating lease rental expenses		
– Land and buildings	863,411	621,978
– Others	–	5,375
Provision for doubtful debts	3,435	–
Retirement benefit costs (Note 9)	9,182	5,411
Provision for impairment of an unlisted investment	–	1,887

4. FINANCE COSTS

	2002 HK\$'000	2001 HK\$'000
Interest on bank loans and overdrafts wholly repayable within five years	13,790	38,035
Interest element of finance leases	133	255
	13,923	38,290

5. TAXATION

	2002 HK\$'000	2001 HK\$'000
Company and its subsidiaries:		
Hong Kong profits tax	51,801	32,807
Overseas taxation net of overprovision for prior years of HK\$5,725,000 (2001: HK\$33,050,000)	302,386	477,243
Deferred taxation (note 24)	9,129	2,348
	363,316	512,398
Associated companies - overseas taxation	11,923	61
	375,239	512,459

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profit for the year.

Overseas (outside of Hong Kong) taxation has been calculated at the rates of taxation prevailing in the countries in which the Group operates.

5. TAXATION *continued*

In prior years, no recognition of entitlements to refunds on dividend withholding tax paid in Germany was made until final tax assessments were issued. Following the Corporate Income Tax Reform in Germany in 2001, the Group has reviewed its tax position with its German tax advisers and considered the dividend withholding tax paid in the sum of HK\$120,900,000 in respect of prior years to be refundable. Accordingly, this amount has been recognized in the profit and loss account.

	Group	
	2002 HK\$'000	2001 HK\$'000
Deferred taxation for the year which has not been (credited) / charged amounts to:		
Depreciation allowances	(2,730)	33,779
Tax losses	(11,299)	42,160
Other timing differences	5,143	733
	(8,886)	76,672

6. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit of the Company attributable to shareholders is dealt with in the financial statements to the extent of HK\$203,910,000 (2001: HK\$364,303,000).

7. DIVIDENDS

	2002 HK\$'000	2001 HK\$'000
Interim dividend of 6.0 Hong Kong cents (2001: 4.8 Hong Kong cents) per share	69,229	53,993
Proposed final dividend of 17.0 Hong Kong cents and special dividend of 5.0 Hong Kong cents (2001 final: 12.0 Hong Kong cents) per share	259,284	137,101
	328,513	191,094

The amount of 2002 proposed final and special dividend is based on 1,178,562,434 shares (2001: 1,142,505,174 shares as at June 30, 2001) in issue as at August 31, 2002.

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK\$927,210,000 (2001: HK\$575,329,000) and the weighted average number of shares in issue during the year of 1,152,349,097 (2001: 1,124,643,688).

The calculation of fully diluted earnings per share is based on the profit attributable to shareholders of HK\$927,210,000 (2001: HK\$575,329,000), and the weighted average number of shares in issue during the year of 1,159,817,263 (2001: 1,147,914,405) after adjusting for the number of dilutive ordinary shares 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.

9. RETIREMENT BENEFIT COSTS

Pursuant to the Mandatory Provident Fund Scheme Ordinance (Chapter 485 of the Laws of Hong Kong) (the "MPF Ordinance"), the Group has enrolled all Hong Kong employees into a MPF Scheme from December 1, 2000. The MPF Scheme is a master trust scheme established under trust arrangement and governed by laws in Hong Kong.

Under the MPF Ordinance, employers and employees are required to contribute 5% of the employees' relevant income as defined in the MPF Ordinance up to a maximum of HK\$1,000 per employee per month. The contributions are fully and immediately vested in the employees as accrued benefits once they are paid to the approved trustees of the MPF Scheme. There were no forfeited contributions under the MPF Scheme.

Contributions totaling HK\$705,000 (2001: HK\$788,000) were payable to the MPF Scheme at the year-end and are included in creditors and accrued charges.

10. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' Remuneration

The aggregate amounts of emoluments receivable by Directors of the Company during the year are as follows:

	2002 HK\$'000	2001 HK\$'000
Fees to non-executive Directors*	620	620
Salaries, housing and other allowances, benefits in kind including deemed benefit arising from exercise of share options payable to Executive Directors	303,212	78,625
Bonuses to Executive Directors	2,078	8,743
	305,910	87,988

* The amount includes directors' fees of HK\$470,000 (2001: HK\$470,000) paid to Independent Non-executive Directors.

The emoluments of the Directors fell within the following bands:

Emoluments Band	Number of Directors	
	2002	2001
Nil – HK\$ 1,000,000	4	4
HK\$ 1,500,001 – HK\$ 2,000,000	1	–
HK\$ 5,000,001 – HK\$ 5,500,000	–	1
HK\$ 8,000,001 – HK\$ 8,500,000	–	1
HK\$ 17,500,001 – HK\$ 18,000,000	–	1
HK\$ 20,000,001 – HK\$ 20,500,000	–	1
HK\$ 30,000,001 – HK\$ 30,500,000	1	–
HK\$ 36,000,001 – HK\$ 36,500,000	–	1
HK\$ 51,000,001 – HK\$ 51,500,000	1	–
HK\$ 62,500,001 – HK\$ 63,000,000	1	–
HK\$ 158,500,001 – HK\$ 159,000,000	1	–
	9	9

(b) Five Highest Paid Individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2001: three) Directors whose emoluments are reflected in the analysis presented above.

The emoluments receivable by the remaining one (2001: two) highest paid individual during the year are as follows:

	2002 HK\$'000	2001 HK\$'000
Salaries, housing and other allowances, benefits in kind including deemed benefit arising from exercise of share options	13,895	53,642
Bonuses	1,716	3,517
	15,611	57,159

Emoluments Band	Number of Individuals	
	2002	2001
HK\$15,500,001 – HK\$16,000,000	1	–
HK\$27,500,001 – HK\$28,000,000	–	1
HK\$29,000,001 – HK\$29,500,000	–	1
	1	2

11. INTANGIBLE ASSETS

Group

	Trademarks HK\$'000	Goodwill HK\$'000	Total HK\$'000
At July 1, 2001	722,110	–	722,110
Additions	1,169,539	–	1,169,539
Acquisition of additional interest in a subsidiary	–	15,000	15,000
Amortization	(56,334)	(375)	(56,709)
At June 30, 2002	1,835,315	14,625	1,849,940
At June 30, 2002			
Cost	1,983,184	15,000	1,998,184
Accumulated amortization	(147,869)	(375)	(148,244)
Net book amount	1,835,315	14,625	1,849,940
At June 30, 2001			
Cost	813,645	–	813,645
Accumulated amortization	(91,535)	–	(91,535)
Net book amount	722,110	–	722,110

In compliance with SSAP 29 "Intangible Assets" which became effective for accounting periods beginning on or after January 1, 2001, the resultant amortization charge for the year ended June 30, 2002 has been increased by HK\$31,300,000.

The net book amount at June 30, 2002 of the Group's trademarks included HK\$675,522,000 (2001: HK\$722,110,000) with remaining amortization period of 14.5 years (2001: 15.5 years) and HK\$1,159,793,000 (2001: Nil) with remaining amortization period of 19.5 years (2001: Nil).

12. FIXED ASSETS**Group**

	Freehold land outside Hong Kong HK\$'000	Medium-term leasehold land in Hong Kong HK\$'000	Buildings HK\$'000	Leasehold improvements and fixtures HK\$'000	Plant and machinery HK\$'000	Furniture and office equipment HK\$'000	Motor vehicles and launch HK\$'000	Total HK\$'000
Cost								
At July 1, 2001	25,031	25,931	66,906	1,026,660	7,804	413,403	9,098	1,574,833
Exchange translation	1,622	–	3,005	132,513	664	57,334	482	195,620
Additions	–	–	–	233,191	1,058	106,852	2,906	344,007
Disposals	–	–	–	(46,304)	(4,131)	(37,496)	(2,352)	(90,283)
At June 30, 2002	26,653	25,931	69,911	1,346,060	5,395	540,093	10,134	2,024,177
Depreciation								
At July 1, 2001	–	2,992	16,748	488,466	6,943	272,981	7,583	795,713
Exchange translation	–	–	1,290	60,938	503	33,262	325	96,318
Charge for the year	–	499	2,491	138,330	372	78,104	2,028	221,824
Disposals	–	–	–	(38,345)	(3,511)	(34,623)	(1,896)	(78,375)
At June 30, 2002	–	3,491	20,529	649,389	4,307	349,724	8,040	1,035,480
Net book value								
At June 30, 2002	26,653	22,440	49,382	696,671	1,088	190,369	2,094	988,697
At June 30, 2001	25,031	22,939	50,158	538,194	861	140,422	1,515	779,120

At June 30, 2002, freehold land and buildings outside Hong Kong with a net book value of HK\$33,382,000 (2001: HK\$31,996,000) are pledged as security for short-term bank loan facilities.

At June 30, 2002, the net book value of furniture and office equipment of HK\$384,000 (2001: HK\$1,407,000) and motor vehicles and launch of HK\$345,000 (2001: HK\$529,000) are held under finance leases.

13. OTHER INVESTMENTS

	Group	
	2002 HK\$'000	2001 HK\$'000
Unlisted investments, at cost	15,483	15,163
Provision for impairment	(7,797)	(7,797)
	7,686	7,366

14. INVESTMENT IN SUBSIDIARIES

	Company	
	2002 HK\$'000	2001 HK\$'000
Unlisted shares, at cost	216,677	216,677
Loans to subsidiaries	1,621,930	1,621,930
Amounts due from subsidiaries	1,419,248	1,256,245
	3,257,855	3,094,852
Amounts due to subsidiaries	(847,626)	(801,229)
	2,410,229	2,293,623

The cost of the investment in subsidiaries is based on the underlying net assets of the subsidiaries acquired by the Company under the Group's reorganization which became effective on November 17, 1993.

Except for a loan to a wholly-owned subsidiary of US\$170 million (approximately HK\$1,314.1 million) which carries interest at 2% over London Interbank Offer Rate and is wholly repayable on January 10, 2005, the remaining loan balances are interest free. All balances are unsecured and have no fixed terms of repayment.

The amounts due from / to subsidiaries are unsecured, interest free and have no fixed terms of repayment.

Details of the Company's principal subsidiaries at June 30, 2002 are set out in note 30 to the financial statements.

15. ASSOCIATED COMPANIES

	Group	
	2002 HK\$'000	2001 HK\$'000
Share of net assets	53,868	29,980
Loan to an associated company	24,500	49,000
	78,368	78,980
Unlisted shares, at cost	-	-

The loan to an associated company is unsecured, interest free and has no fixed terms of repayment.

The amounts due from associated companies are unsecured, interest free and have no fixed terms of repayment.

The following is a list of the principal associated companies as at June 30, 2002.

Name of associated company	Place of incorporation /operation	Attributable equity interest to the Group	Issued and fully paid share capital/ registered capital	Principal activities
Tactical Solutions Incorporated	British Virgin Islands/ The People's Republic of China	49%	US\$100	Investment holding
CRE Esprit Inc.	The People's Republic of China	49%	RMB5,000,000	Retail and wholesale distribution of apparel, accessories and cosmetics products

Both Tactical Solutions Incorporated and CRE Esprit Inc. have financial accounting period ended December 31, which is not coterminous with the Group.

16. STOCKS

	Group	
	2002 HK\$'000	2001 HK\$'000
Raw materials	8,143	7,274
Work in progress	–	463
Finished goods	1,005,614	869,682
Consumables	66,894	45,477
Provision	(125,330)	(131,632)
	955,321	791,264

At June 30, 2002, the carrying amount of stocks that are pledged as security for bank overdrafts amounted to HK\$42,775,000 (2001: HK\$40,865,000).

17. DEBTORS, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Trade debtors	520,659	439,127	–	–
Deposits	188,425	167,488	–	–
Prepayments	30,163	34,714	–	–
Other debtors and receivables	85,001	74,905	320	–
	824,248	716,234	320	–

The Group's retail sales to customers are mainly on cash basis. The Group also grants credit period which is usually 30 days to certain wholesale and franchise customers. The ageing analysis of trade debtors is as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
0 – 30 days	460,168	359,565
31 – 60 days	21,341	40,977
61 – 90 days	6,758	17,777
Over 90 days	32,392	20,808
	520,659	439,127

18. CREDITORS AND ACCRUED CHARGES

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Trade creditors	464,144	350,065	–	–
Accruals	388,996	337,306	1,918	4,255
Other creditors and payables	123,225	59,552	–	–
	976,365	746,923	1,918	4,255

18. CREDITORS AND ACCRUED CHARGES *continued*

The ageing analysis of trade creditors is as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
0 – 30 days	415,178	316,147
31 – 60 days	29,367	23,838
61 – 90 days	8,038	4,173
Over 90 days	11,561	5,907
	464,144	350,065

19. SHARE CAPITAL

	2002 HK\$'000	2001 HK\$'000
Authorized:		
2,000,000,000 shares of HK\$0.10 each	200,000	200,000

	Number of shares of HK\$0.10 each '000	Nominal value HK\$'000
Issued and fully paid:		
Balance at July 1, 2000	1,116,559	111,656
Exercise of share options	25,166	2,517
Issue of scrip dividend shares	780	78
Balance at June 30, 2001	1,142,505	114,251
Balance at July 1, 2001	1,142,505	114,251
Exercise of share options (note (a))	32,393	3,239
Issues of scrip dividend shares (note (b))	2,039	204
Balance at June 30, 2002	1,176,937	117,694

(a) During the year, 32,393,000 (2001: 25,166,000) ordinary shares of HK\$0.10 were issued at a premium of the range from HK\$2.64 to HK\$6.36 each respectively in relation to share options exercised by the employees and Directors under the Scheme (defined in (c) below).

(b) At the annual general meeting of the Company held on November 26, 2001, shareholders of the Company approved a final dividend for the year ended June 30, 2001 of 12.0 Hong Kong cents per share of HK\$0.10 each. Shareholders were offered to elect to receive fully paid new shares ("Scrip Dividend Shares A") in lieu of cash ("Scrip Dividend Scheme A"). For the purpose of calculating the number of Scrip Dividend Shares A duly allotted, the market value of the Scrip Dividend Shares A was set at HK\$8.80 per share, which is equivalent to the average closing prices of the shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the five consecutive trading days immediately preceding and including November 26, 2001. Under this Scrip Dividend Scheme A, 2001 final dividends of HK\$17,033,782 were settled by the issue of 1,935,657 Scrip Dividend Shares A at a premium of HK\$8.70 each.

At the Directors' meeting of the Company held on February 7, 2002, the Directors of the Company declared an interim dividend for the six months ended December 31, 2001 of 6.0 Hong Kong cents per share of HK\$0.10 each to the shareholders. Shareholders were offered to elect to receive fully paid new shares ("Scrip Dividend Shares B") in lieu of cash ("Scrip Dividend Scheme B"). For the purpose of calculating the number of Scrip Dividend Shares B duly allotted, the market value of the Scrip Dividend Shares B was set at HK\$13.23 per share, which is equivalent to the average closing prices of the shares on the Stock Exchange for the five consecutive trading days immediately preceding and including March 11, 2002. Under this Scrip Dividend Scheme B, 2002 interim dividends of HK\$1,370,668 were settled by the issue of 103,603 Scrip Dividend Shares B at a premium of HK\$13.13 each.

(c) On November 17, 1993, the Company adopted a share option scheme (the "Scheme") pursuant to which the Directors may grant options to eligible employees, including Executive Directors of the Company, to subscribe for shares in the Company. In accordance with the terms of the Scheme, the number of shares in respect of which options may be granted under the Scheme shall not exceed 10% of the issued share capital of the Company from time to time.

Each share option granted under the Scheme entitles the holder to subscribe for one share of HK\$0.10 each at a predetermined price. Options granted were divided into one to eight equal fractional installments with the first exercisable date between each installment shall occur at intervals of six calendar months. Options granted under the Scheme will expire on the fifth anniversary of the first date of exercise of each installment or 10 years from the date of adoption of the Scheme, whichever is the earlier. At June 30, 2002, there were 14,625,000 options outstanding which allowed the eligible employees to subscribe for shares in the Company at the price from HK\$2.64 to HK\$6.36 per share.

Following the changes in the Listing Rules, the Company has adopted a new share option scheme ("New Scheme") in November 2001, but no options have yet been issued under the New Scheme.

20. RESERVES**Group**

	Share premium HK\$'000	Contributed surplus HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Balance at July 1, 2000, as previously reported	1,011,787	6,602	(136,463)	730,796	1,612,722
Effect of adopting SSAP 9 (revised)	-	-	-	125,474	125,474
As restated	1,011,787	6,602	(136,463)	856,270	1,738,196
Premium arising from issues of shares	66,381	-	-	-	66,381
Premium arising from issues of scrip dividend shares	6,247	-	-	-	6,247
Exchange translation	-	-	(139,472)	-	(139,472)
Profit attributable to shareholders by:					
Company and its subsidiaries	-	-	-	554,912	554,912
Associated companies	-	-	-	20,417	20,417
1999/2000 Final dividend paid	-	-	-	(125,502)	(125,502)
2000/2001 Interim dividend paid	-	-	-	(53,965)	(53,965)
Balance at June 30, 2001	1,084,415	6,602	(275,935)	1,252,132	2,067,214
Representing:					
At June 30, 2001 after proposed final dividend					1,930,113
2000/2001 Proposed final dividend					137,101
					2,067,214
Attributable to:					
Company and its subsidiaries	1,084,415	6,602	(275,667)	1,222,173	2,037,523
Associated companies	-	-	(268)	29,959	29,691
	1,084,415	6,602	(275,935)	1,252,132	2,067,214

20. RESERVES *continued*

Group *continued*

	Share premium HK\$'000	Contributed surplus HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Balance at July 1, 2001, as previously reported	1,084,415	6,602	(275,935)	1,115,031	1,930,113
Effect of adopting SSAP 9 (revised)	-	-	-	137,101	137,101
As restated	1,084,415	6,602	(275,935)	1,252,132	2,067,214
Premium arising from issues of shares	104,460	-	-	-	104,460
Premium arising from issues of scrip dividend shares	18,200	-	-	-	18,200
Exchange translation	-	-	175,271	-	175,271
Profit attributable to shareholders by:					
Company and its subsidiaries	-	-	-	903,322	903,322
Associated companies	-	-	-	23,888	23,888
2000/2001 Final dividend paid	-	-	-	(137,261)	(137,261)
2001/2002 Interim dividend paid	-	-	-	(69,069)	(69,069)
Balance at June 30, 2002	1,207,075	6,602	(100,664)	1,973,012	3,086,025
Representing:					
At June 30, 2002 after proposed final and special dividends					2,826,741
2001/2002 Proposed final and special dividends					259,284
					3,086,025
Attributable to:					
Company and its subsidiaries	1,207,075	6,602	(100,358)	1,919,165	3,032,484
Associated companies	-	-	(306)	53,847	53,541
	1,207,075	6,602	(100,664)	1,973,012	3,086,025

The contributed surplus of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Group reorganization in 1993 and

the nominal value of the Company's shares issued in exchange thereof net of any goodwill arisen from subsequent acquisitions prior to July 1, 2001.

20. RESERVES *continued***Company**

	Share premium HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Total HK\$'000
Balance at July 1, 2000, as previously reported	1,011,787	473,968	591,851	2,077,606
Effect of adopting SSAP 9 (revised):				
Dividend income from subsidiaries	-	-	(300,300)	(300,300)
1999/2000 proposed final dividend	-	-	125,474	125,474
As restated	1,011,787	473,968	417,025	1,902,780
Premium arising from issues of shares	66,381	-	-	66,381
Premium arising from issues of scrip dividend shares	6,247	-	-	6,247
Profit for the year	-	-	364,303	364,303
1999/2000 Final dividend paid	-	-	(125,502)	(125,502)
2000/2001 Interim dividend paid	-	-	(53,965)	(53,965)
Balance at June 30, 2001	1,084,415	473,968	601,861	2,160,244
Representing:				
At June 30, 2001 after proposed final dividend				2,023,143
2000/2001 Proposed final dividend				137,101
				2,160,244

	Share premium HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Total HK\$'000
Balance at July 1, 2001, as previously reported	1,084,415	473,968	628,560	2,186,943
Effect of adopting SSAP 9 (revised):				
Dividend income from subsidiaries	-	-	(163,800)	(163,800)
2000/2001 proposed final dividend	-	-	137,101	137,101
As restated	1,084,415	473,968	601,861	2,160,244
Premium arising from issues of shares	104,460	-	-	104,460
Premium arising from issues of scrip dividend shares	18,200	-	-	18,200
Profit for the year	-	-	203,910	203,910
2000/2001 Final dividend paid	-	-	(137,261)	(137,261)
2001/2002 Interim dividend paid	-	-	(69,069)	(69,069)
Balance at June 30, 2002	1,207,075	473,968	599,441	2,280,484
Representing:				
At June 30, 2002 after proposed final and special dividends				2,021,200
2001/2002 Proposed final and special dividends				259,284
				2,280,484

The contributed surplus of the Company represents the difference between the underlying net tangible assets of the subsidiaries acquired by the Company and the nominal amount of the share capital issued by the Company arising from the Group reorganization which became effective on November 17, 1993 and the excess of the value of the shares acquired over the nominal value of the shares issued for the acquisition of Esprit Far East Limited and its subsidiaries on January 10, 1997.

Contributed surplus is available for distribution to shareholders under the laws in Bermuda. Distributable reserves of the Company at June 30, 2002 amounted to HK\$1,073,409,000 (2001: HK\$1,075,829,000).

21. OBLIGATIONS UNDER FINANCE LEASES

	Group	
	2002 HK\$'000	2001 HK\$'000
Total minimum lease payments		
– within one year	629	1,381
– in the second year	216	565
– in the third to fifth year inclusive	289	452
	1,134	2,398
Future finance charges on finance leases	(91)	(154)
Present value of finance lease liabilities	1,043	2,244
The present value of finance lease liabilities		
– within one year	593	1,303
– in the second year	197	519
– in the third to fifth year inclusive	253	422
	1,043	2,244
Amount due within one year included under current liabilities	(593)	(1,303)
	450	941

22. LONG-TERM BANK LOAN

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Unsecured and wholly repayable within 5 years	780,000	–	–	–

The maturity of the long-term bank loan is in the third to fifth year inclusive.

23. BANK OVERDRAFTS

	Group	
	2002 HK\$'000	2001 HK\$'000
Secured	35,164	40,865
Unsecured	12,831	14,739
	47,995	55,604

24. DEFERRED TAXATION

	Group	
	2002 HK\$'000	2001 HK\$'000
Assets		
At the beginning of the year	5,805	–
(Charged)/credited to the profit and loss account (note 5)	(2,092)	5,805
Exchange translation	520	–
At the end of the year	<u>4,233</u>	<u>5,805</u>

Provided in the financial statements in respect of:

Depreciation allowances	4,233	5,805
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Liabilities

At the beginning of the year	(8,192)	(82)
Charged to the profit and loss account (note 5)	(7,037)	(8,153)
Exchange translation	(2,067)	43
At the end of the year	<u>(17,296)</u>	<u>(8,192)</u>

Provided in the financial statements in respect of:

Depreciation allowances	(1,008)	(1,044)
Other timing differences	(16,288)	(7,148)
	<u>(17,296)</u>	<u>(8,192)</u>

The potential assets for deferred taxation for which no provision has been made in the financial statements amount to:

	Group	
	2002 HK\$'000	2001 HK\$'000
Depreciation allowances	5,352	2,622
Tax losses	28,281	16,982
Other timing differences	3,177	8,320
	<u>36,810</u>	<u>27,924</u>

25. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit before taxation to cash generated from operations

	2002 HK\$'000	2001 HK\$'000
Profit before taxation	1,360,975	1,159,728
Adjustments for:		
Interest income	(22,635)	(45,730)
Interest expense	13,790	38,035
Interest element of finance leases	133	255
Amortization of intangible assets	56,709	20,341
Depreciation	221,824	188,484
Loss on disposal of fixed assets	6,693	9,478
Profit on disposal of listed investments	-	(365)
Share of results of associated companies	(35,811)	(20,478)
Provision for impairment of an unlisted investment	-	1,887
Effect of foreign exchange rate changes	(15,159)	5,778
Operating profit before changes in working capital	1,586,519	1,357,413
Increase in stocks	(164,057)	(55,497)
Increase in debtors, deposits and prepayments	(104,451)	(58,871)
(Increase)/decrease in amounts due from associated companies	(7,459)	10,274
Increase/(decrease) in creditors and accrued charges	228,858	(82,614)
Effect of foreign exchange rate changes	103,131	(86,134)
Cash generated from operations	1,642,541	1,084,571

(b) Analysis of the balance of cash and cash equivalents

	2002 HK\$'000	2001 HK\$'000
Short-term bank deposits	331,647	7,855
Bank balances and cash	650,026	435,697
Bank overdrafts	(47,995)	(55,604)
	933,678	387,948

26. CONTINGENT LIABILITIES

	Company	
	2002 HK\$'000	2001 HK\$'000
Guarantees given to banks in respect of banking facilities granted to subsidiaries	1,492,366	1,331,346

27. OPERATING LEASE COMMITMENTS

	Group	
	2002 HK\$'000	2001 HK\$'000
The total future minimum lease payments under non-cancellable operating leases are as follows:		
Land and buildings		
– within one year	847,768	605,132
– in the second to fifth year inclusive	2,971,632	1,598,340
– after the fifth year	4,361,886	1,364,879
	8,181,286	3,568,351
Other equipment		
– within one year	27,850	14,259
– in the second to fifth year inclusive	28,364	9,047
– after the fifth year	122	–
	8,237,622	3,591,657

The operating lease rentals of certain retail outlets are based on the higher of a minimum guaranteed rental or a sales level based rental. The minimum guaranteed rental has been used to arrive at the above commitments.

The Company did not have any operating lease commitments at June 30, 2002 (2001: Nil).

28. COMMITMENTS**(a) Capital Commitments**

	Group	
	2002 HK\$'000	2001 HK\$'000
Contracted but not provided for	260,111	175,628
Authorized but not contracted for	110,719	87,814
	370,830	263,442

The Company did not have any significant capital commitments at June 30, 2002 (2001: Nil).

(b) Foreign Exchange Contracts

At June 30, the notional amounts of the Group's foreign exchange contracts are as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
Forward contracts	251,256	170,371

29. RELATED PARTY TRANSACTIONS

In addition to directors' emoluments disclosed in note 10, in the ordinary course of business and on normal commercial terms, the Group entered into transactions with related companies during the year. Details relating to these related party transactions are as follows:

	2002 HK\$'000	2001 HK\$'000
Transactions with Associated Companies		
Sales of finished goods	231,262	157,150
Royalty received	8,373	6,175
Commission received	8,665	–
Other income	–	171

- On December 18, 2001, the Company, Red Earth Investment Limited ("REInvest") and Red Earth International Holdings Limited ("REIHL") entered into a deed of settlement with Mr. Steven Ko Soon How ("Mr. Ko") and Jeckson Management Limited ("Jeckson"). Pursuant to the said deed of settlement, (a) Jeckson transferred to REInvest its entire 39% interests in REIHL, (b) the proceedings initiated by Jeckson against the Company, REInvest and REIHL had been dismissed, (c) Mr. Ko and Jeckson assumed various obligations and responsibilities, in consideration of an aggregate sum of HK\$15,000,000 paid by REInvest. Mr. Ko was then a director and the ex-chief executive officer of REIHL and Jeckson was a company controlled by Mr. Ko. Following the completion of the transaction, REIHL became a wholly-owned subsidiary of the Group.
- On February 7, 2002, the Company and its wholly-owned subsidiary Esprit Capital Limited ("ECL") entered into an asset sale and purchase agreement ("Asset Acquisition Agreement") with, inter alia, Esprit de Corp. (currently known as ECOR-SF, Inc.) (the "Seller"). OCM Opportunities Funds, L.P., Columbia/HCA Master Retirement Trust (Oaktree Separate Account I), the Common Fund for Bond Investments, TCW Special Credits Fund IV, TCW Special Credits Plus Fund, TCW Special Credits Trust IV and TCW Special Credits Trust IVA, Cerberus International Ltd. and Cerberus Partners L.P. and Esprit Holdings Inc. (currently known as SCOR-SF Holdings, Inc.). The Seller was then a substantial shareholder (within the meaning of the Listing Rules) holding 37% limited partnership interests in Esprit International, which is a subsidiary of the Company. Pursuant to the Asset Acquisition Agreement, the Seller sold to ECL, inter alia, its 37% limited partnership interests in Esprit International, its intellectual property rights as more

particularly described in the Asset Acquisition Agreement and certain licenses agreements relating to the use of the intellectual property rights in consideration of US\$150 million (approximately HK\$1,170 million*).

* exchange rate: US\$1 = HK\$7.8 (for illustration purpose only)

30. PRINCIPAL SUBSIDIARIES

The following are the principal subsidiaries as at June 30, 2002 which, in the opinion of the Directors, principally affect the results and net operating assets of the Group. To give details of other subsidiaries would in the opinion of the Directors result in particulars of excessive length.

Name of subsidiary	Place of incorporation/ operation	Attributable equity interest to the Group	Issued and fully paid share capital/ registered capital (note a)	Principal activities
Esprit Belgie Retail N.V.	Belgium	100%	EUR1,200,000	Retail distribution of apparel and accessories
Esprit Belgie Wholesale N.V.	Belgium	100%	EUR100,000	Wholesale distribution of apparel and accessories
Esprit China Distribution Limited	British Virgin Islands/Hong Kong	100%	USD100	Investment holding
Esprit Corporate Services Limited	British Virgin Islands/Hong Kong	100%	USD100	Investment holding
Esprit de Corp (1980) Ltd.	Canada	100%	CAD1,000,100	Distribution of apparel and accessories
Esprit de Corp Danmark A/S	Denmark	100%	DKK10,000,000	Wholesale and retail distribution of apparel and accessories
Esprit de Corp (Far East) Limited	Hong Kong	100%	HKD1,200,000	Sourcing of apparel and accessories
Esprit de Corp France S.A.	France	100%	EUR6,373,350	Wholesale and retail distribution of apparel and accessories
Esprit de Corp (Malaysia) Sdn. Bhd.	Malaysia	100%	MYR500,000	Retail distribution of apparel and accessories
Esprit Design und Product Development GmbH	Germany	100%	EUR300,000	Design of apparel and accessories
Esprit Distribution Limited	Hong Kong	100%	HKD2,000,000	Wholesale distribution of apparel and accessories
Esprit Europe B.V. (merged with Esprit Nederland Retail B.V. and Esprit Benelux Wholesale B.V.)	The Netherlands	100%	EUR1,500,000	Investment holding and wholesale and retail distribution of apparel and accessories
Esprit Europe GmbH (formerly known as Esprit Holdings GmbH, merged with Esprit Europe AG)	Germany	100%	DM10,000,000	Investment holding

30. PRINCIPAL SUBSIDIARIES *continued*

Name of subsidiary	Place of incorporation/ operation	Attributable equity interest to the Group	Issued and fully paid share capital/ registered capital (note a)	Principal activities
Esprit Europe Services GmbH	Germany	100%	EUR2,600,000	Sourcing of merchandise and placement of orders
Esprit GB Limited	United Kingdom	100%	GBP150,000	Wholesale and retail distribution of apparel and accessories
Esprit Handelsgesellschaft mbH	Austria	100%	EUR100,000	Wholesale and retail distribution of apparel and accessories
Esprit Image and Product Development Limited	United Kingdom	100%	GBP800,000	Group image direction
Esprit IP Limited	British Virgin Islands/Hong Kong	100%	USD1	Holding of trademarks
Esprit International (limited partnership)	California, U.S.A.	100%	–	Licensing of trademarks
Esprit Retail GmbH	Germany	100%	DM9,000,000	Retail distribution of apparel and accessories
Esprit Retail (Hong Kong) Limited	Hong Kong	100%	HKD10,000	Retail distribution of apparel and accessories and operation of Salon ESPRIT
Esprit Retail Pte Ltd	Singapore	100%	SGD3,000,000	Retail distribution of apparel and accessories
Esprit (Retail) Pty Ltd	Australia	100%	AUD200,000	Retail distribution of apparel and accessories
Esprit Retail (Taiwan) Limited	Hong Kong/Taiwan	100%	HKD9,000	Retail distribution of apparel and accessories
Esprit Singapore Pte Limited	Singapore	100%	SGD100,000	Manufacturing and sourcing of apparel
Esprit Sweden AB	Sweden	100%	SEK200,000	Wholesale and retail distribution of apparel and accessories
Esprit Wholesale GmbH	Germany	100%	EUR5,000,000	Wholesale distribution of apparel and accessories
Garment, Accessories and Cosmetics Esprit Retail (Macau) Limited	Macau	100%	MOP100,000	Retail distribution of apparel and accessories
Red Earth (Hong Kong) Limited	Hong Kong	100%	HKD10,000	Retail distribution of cosmetics, skin and body care products
Red Earth International Holdings Limited	British Virgin Islands/Hong Kong	100%	USD1,668,000	Investment holding
Red Earth Licensing Limited	British Virgin Islands/Hong Kong	100%	USD100	Licensing of trademarks
Red Earth New Zealand Limited	New Zealand	100%	NZD100	Retail distribution of cosmetics, skin and body care products

30. PRINCIPAL SUBSIDIARIES *continued*

Name of subsidiary	Place of incorporation/ operation	Attributable equity interest to the Group	Issued and fully paid share capital/ registered capital (note a)	Principal activities
Red Earth Production Limited	Hong Kong	100%	HKD10,000	Wholesale distribution of cosmetics, skin and body care products
Red Earth Pty Limited	Australia	100%	AUD100	Retail distribution of cosmetics, skin and body care products
Red Earth (Taiwan) Limited	Hong Kong/Taiwan	100%	HKD2	Retail distribution of cosmetics, skin and body care products
Sijun Fashion Design (Shenzhen) Co., Ltd.	The People's Republic of China (note b)	100%	USD1,600,000 registered capital	Sample development

Notes:

(a) All are ordinary share capital unless otherwise stated.

(b) Wholly foreign-owned enterprise