

report of the directors

The Directors have pleasure in presenting their annual report and the audited financial statements for the year ended June 30, 2003.

principal activities

The Company is an investment holding company. The activities of the principal subsidiaries are shown in note 30 to the financial statements. The Group is principally engaged in the wholesale and retail distribution, sourcing and licensing of quality fashion and life-style products designed under its own internationally known **ESPRIT** brand name, together with Red Earth cosmetics, skin and body care products and the operation of Salon Esprit.

results and appropriations

The results of the Group and appropriations of the Company are set out in the consolidated profit and loss account on page 43 and in the accompanying notes to the financial statements.

The interim dividend of 7.5 Hong Kong cents per share, totalling HK\$88,425,933, was paid on April 8, 2003.

The Directors recommend the payment of a final dividend of 32.5 Hong Kong cents per share and a special dividend of 30.0 Hong Kong cents per share. Details are set out in note 7 to the financial statements.

reserves

Movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 47 and in note 20 to the financial statements respectively.

financial summary

A summary of the results and the balance sheets of the Group for the last five financial years is set out on page 73.

share capital

Details of movements in share capital of the Company are set out in note 19 to the financial statements.

fixed assets

Details of movements in fixed assets of the Group during the year are set out in note 12 to the financial statements.

bank loan and overdrafts

Details of bank loan and overdrafts are set out in notes 22 and 23 to the financial statements respectively.

charitable donations

During the year, the Group made charitable donations totalling HK\$2,524,533.

directors and service contracts

The Directors of the Company during the year and up to the date of this report are:

executive directors

Michael YING Lee Yuen

Heinz Jürgen KROGNER-KORNALIK

John POON Cho Ming

CHHIBBER Surinder

Thomas Johannes GROTE

(appointed on November 1, 2002)

Connie WONG Chin Tzi

non-executive directors

Paul CHENG Ming Fun

(appointed on November 1, 2002)

Jürgen Alfred Rudolf FRIEDRICH

Alexander Reid HAMILTON

Simon LAI Sau Cheong

Raymond OR Ching Fai

In accordance with Bye-laws 86 and 87 of the Company's Bye-laws, Messrs. Heinz Jürgen KROGNER-KORNALIK, Thomas Johannes GROTE, Jürgen Alfred Rudolf FRIEDRICH and Paul CHENG Ming Fun will retire by rotation subject to re-election at annual general meeting in accordance with the Bye-laws of the Company.

directors and service contracts *continued*

Mr. Heinz Jürgen KROGNER-KORNALIK has entered into a service agreement for the period from October 1, 2002 to December 31, 2005 with a member of the Group which is not determinable by the relevant employer before the expiry date without payment of compensation under the applicable local law.

Mr. Thomas Johannes GROTE has entered into a service agreement with a member of the Group which took effect from October 1, 2002 and continues thereafter until terminated by the relevant employer by giving not less than 12 months' notice of termination, such notice will only take effect from or after June 30, 2005.

Save as disclosed above, none of the Directors has a service contract with any member of the Group which is not determinable by the relevant employer within one year without payment of compensation.

directors and senior management profile**executive directors**

Michael YING Lee Yuen, aged 53, is Chairman of the Board. Mr. Ying has over 30 years of experience in the apparel industry. He is primarily responsible for the overall corporate direction and strategy of the Group.

Heinz Jürgen KROGNER-KORNALIK, aged 62, is Deputy Chairman and Chief Executive Officer of the Group. He has been with the Group since January 1995. He possesses a degree in business administration and industrial engineering. He was a consultant with Kurt Salmon Associates in a variety of areas, including production, organization, marketing, strategy and brand positioning, as well as with several textile firms, always in executive positions, before joining the Group.

John POON Cho Ming, aged 49, is Group Chief Financial Officer and Company Secretary. Mr. Poon is responsible for managing the Group's financial and legal functions, including accounting and tax, treasury management, investor relations, strategic and corporate planning, as well as company secretarial affairs. Prior to joining the Group in December 1999, he has held executive directorships in other public companies and has extensive experience in corporate management, corporate finance and legal affairs. Mr. Poon is a qualified solicitor in Hong Kong, England and Wales, and a barrister and solicitor in Alberta, Canada. He graduated from University of Alberta, Canada with a Bachelor of Arts Degree in Economics and a Bachelor of Laws Degree.

CHHIBBER Surinder, aged 53, is Deputy Chairman of the Board and is responsible for Asia wholesale operations. He joined the Group in 1987 and has over 20 years of experience in the garment industry. He holds a Master of Science Degree in Engineering from The University of Hong Kong and a Master of Science Degree in Operation Research from University of Delhi.

Thomas Johannes GROTE, aged 40, is principally responsible for the Group's wholesale operations. He completed business college in 1983 and thereafter worked at a German textile printing company for six years. He joined the Group in 1990 as key account manager for the accessories division and was later promoted to sales manager. In 1992, he left the Group to work for In-Wear in Germany as sales manager of the men's division and was subsequently promoted to managing director. He returned to the Group in June 1996.

Connie WONG Chin Tzi, aged 55, is responsible for Taiwan operation. Prior to joining the Group in 1979, she worked in the Asian buying office of a major U.S. department store group for over eight years. Ms. Wong received her Bachelor of Arts Degree in Business Administration from National Taiwan University.

non-executive directors

Paul CHENG Ming Fun, aged 66, was appointed an Independent Non-executive Director of the Company in November 2002. Mr. Cheng was a former member of the Hong Kong Legislative Council as well as Chairman of Inchcape Pacific Limited, N M Rothschild & Sons (Hong Kong) Ltd., the Hong Kong General Chamber of Commerce, and the American Chamber of Commerce in Hong Kong. He is currently a Steward of the Hong Kong Jockey Club and an Independent Non-executive Director of several listed companies on the Hong Kong Stock Exchange. He is an Adjunct Professor of Management of Organizations of the Hong Kong University of Science and Technology and is also a member of the Council of The Chinese University of Hong Kong.

Jürgen Alfred Rudolf FRIEDRICH, aged 65, founded Esprit's European operation in 1976 and was appointed a Non-executive Director in 1997. He has over 30 years of experience in the apparel distribution and marketing business and is currently retired in the United States.

Alexander Reid HAMILTON, aged 61, has been an Independent Non-executive Director of the Company since August 1995. He is also a director of CITIC Pacific Limited, COSCO Pacific Limited, COSCO International Holdings Limited, Shangri-La Asia Limited and a number of other Hong Kong companies. He was a partner of Price Waterhouse with whom he practised for 16 years.

report of the directors

directors and senior management profile *continued*

non-executive directors *continued*

Simon LAI Sau Cheong, aged 42, was appointed an Independent Non-executive Director of the Company in November 1999. He is admitted to practice as a solicitor in Hong Kong, England and Wales and New South Wales, Australia. Mr. Lai is a partner of the law firm of Deacons and has over 17 years' experience of legal practice.

Raymond OR Ching Fai, aged 53, was appointed an Independent Non-executive Director of the Company in 1996. He is a General Manager of The Hongkong and Shanghai Banking Corporation Limited, and a director of Hang Seng Bank Limited, Cathay Pacific Airways Limited and Hutchison Whampoa Limited. He is Chairman of the Hong Kong Association of Banks for 2003.

senior management

Ursula BUCK, aged 41, is director of licensing of the Group. She holds a Bachelor Degree in Business Management and Economics from University of Augsburg. She joined the Group in 2002 and has over 10 years' experience in licensing fashion products. Prior to joining the Group, she worked in lifestyle companies like Valentino and Hugo Boss and has 7 years' experience in McKinsey & Company, a management consultancy firm.

Jerome GRIFFITH, aged 45, is the head of retail operation of the Group. He received his Bachelor of Science Degree in Marketing from Pennsylvania State University. Before joining the Group in 2002, he had over 20 years' experience with major retail companies in the United States and Europe.

Melody HARRIS-JENSBACH, aged 42, is International Product Director of the Group. She joined the Group in August 1998 as Design Director for Women's Wear. She graduated from Parsons School of Design in New York City with a Bachelor of Fine Arts majoring in Fashion Design. She has over 19 years' experience as Designer/Chief Designer for various international and national apparel companies.

Albert HESSE, aged 47, is Group Chief Organization Officer. He holds a Master of Business Administration degree from University of Regensburg. Prior to joining the Group in 2003, he has extensive experience in organization, IT and logistics operation in Germany.

Derong YANG, aged 38, is Image Director of the Group. He joined the Group in September 1994 as the Creative Director. His current role is to create and ensure the smooth implementation of an integrated image system throughout the operating regions of the Group. Prior to joining the Group, he worked with a renowned French designer "Jean Charles de Castelbajac" as Design Director. He has received awards for excellence in his creative endeavors and is an activist in arts and culture.

directors' interests and short positions in shares, underlying shares and debentures

As at June 30, 2003, the interests or short positions of the Directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("SEHK") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), were as follows:

(1) Shares of the Company

Name of Directors	Capacity	Number of Shares	Total Number of Shares	Percentage of Aggregate Interests to Total Issued Share Capital
Michael Ying Lee Yuen	Interest of a controlled corporation (<i>Note 1</i>)	452,926,352	452,926,352	38.103%
Chhibber Surinder	Beneficial owner	25,385	25,385	0.002%
Thomas Johannes Grote	Beneficial owner	50,000	50,000	0.004%
Connie Wong Chin Tzi	Beneficial owner	2,034,597	2,034,597	0.171%
Jürgen Alfred Rudolf Friedrich	Beneficial owner	101,251,176		
	Interest of spouse (<i>Note 2</i>)	50,901	101,302,077	8.522%

Notes:

1. The shares were held by Great View International Limited, the entire issued share capital of which is owned by Mr. Michael Ying Lee Yuen.
2. The shares were held by Mrs. Anke Beck Friedrich, the wife of Mr. Jürgen Alfred Rudolf Friedrich.
3. All interests disclosed above represent long position in the shares of the Company.

directors' interests and short positions in shares, underlying shares and debentures*continued***(2) Shares Options of the Company**

The interests of the directors in the share options of the Company are detailed in "Share Options" below.

As at June 30, 2003, save as disclosed above, none of the Directors, chief executives or their associates had any interests or short position, whether beneficial or non-beneficial, in the shares, underlying shares or debentures of the Company or any of its associated corporations as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and SEHK pursuant to the Model Code.

share options

The Company adopted a share option scheme on November 17, 1993 (the "1993 Share Option Scheme"). In view of the changes to Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") which govern the operation of share option schemes, the Company adopted a new share option scheme ("2001 Share Option Scheme") on November 26, 2001 and the operation of the 1993 Share Option Scheme was terminated on the same day (such that no further options could be offered under the 1993 Share Option Scheme of the Company but the provisions of the 1993 Share Option Scheme continued to govern outstanding options under that scheme).

Summaries of the 1993 Share Option Scheme and the 2001 Share Option Scheme are set out in note 19 to the financial statements.

report of the directors

share options *continued*

Details of share options exercised during the year and outstanding share options as at June 30, 2003 granted to and accepted by the eligible employees of the Group (including executive directors of the Company) under the 1993 Share Option Scheme, were as follows:

	Date of Grant (mm/dd/yyyy)	Exercise Price (HK\$)	Vesting Period (mm/dd/yyyy) (Note 1)	Exercise Period (mm/dd/yyyy)	Number of Share Options		
					As at 7.1.2002	Exercised	As at 6.30.2003
Directors							
John POON Cho Ming	12/15/1999	6.360	12/15/1999 – 06/14/2002	06/15/2002 – 11/16/2003	1,000,000	1,000,000	–
	12/15/1999	6.360	12/15/1999 – 12/14/2002	12/15/2002 – 11/16/2003	1,000,000	1,000,000	–
	12/15/1999	6.360	12/15/1999 – 06/14/2003	06/15/2003 – 11/16/2003	1,000,000	1,000,000	–
	12/15/1999	6.360	12/15/1999 – 11/15/2003	11/16/2003	1,000,000	–	1,000,000
					4,000,000	3,000,000	1,000,000
CHHIBBER Surinder	07/24/2000	6.264	07/24/2000 – 05/16/2003	05/17/2003 – 11/16/2003	3,000,000	3,000,000	–
Thomas Johannes GROTE (Note 2)	09/22/1999	5.140	09/22/1999 – 05/16/2003	05/17/2003 – 11/16/2003	500,000	–	500,000
Employees							
In aggregate	12/13/1995	2.640	12/13/1995 – 12/12/1997	12/13/1997 – 12/12/2002	375,000	375,000	–
	12/13/1995	2.640	12/13/1995 – 06/12/1998	06/13/1998 – 06/12/2003	375,000	375,000	–
	12/13/1995	2.640	12/13/1995 – 12/12/1998	12/13/1998 – 11/16/2003	375,000	–	375,000
	12/13/1995	2.640	12/13/1995 – 06/12/1999	06/13/1999 – 11/16/2003	375,000	–	375,000
	12/13/1995	2.640	12/13/1995 – 12/12/1999	12/13/1999 – 11/16/2003	375,000	–	375,000
	07/11/1999	2.720	07/11/1999 – 07/10/2002	07/11/2002 – 11/16/2003	250,000	250,000	–
	07/11/1999	2.720	07/11/1999 – 01/10/2003	01/11/2003 – 11/16/2003	250,000	250,000	–
	07/11/1999	2.720	07/11/1999 – 07/10/2003	07/11/2003 – 11/16/2003	250,000	–	250,000
	09/02/1999	5.140	09/02/1999 – 05/16/2003	05/17/2003 – 11/16/2003	1,000,000	1,000,000	–
	09/11/1999	5.140	09/11/1999 – 05/16/2003	05/17/2003 – 11/16/2003	2,500,000	2,500,000	–
	09/15/1999	5.140	09/15/1999 – 05/16/2003	05/17/2003 – 11/16/2003	1,000,000	1,000,000	–
						7,125,000	5,750,000
TOTAL (Directors & Employees)					14,625,000	11,750,000	2,875,000

Notes:

- Vesting Period under the 1993 Share Option Scheme means, in respect of any particular option, a period of not less than six months and not exceeding four years commencing on the date on which an option is granted in accordance with that scheme.
- Mr. Thomas Johannes Grote was appointed Executive Director on November 1, 2002 and the options granted to him as employee were re-classified in the category of "Directors" during the year.

- The weighted average closing prices of the shares on the relevant dates immediately before the dates of exercise regarding the options exercised by Mr. CHHIBBER Surinder, Mr. John POON Cho Ming and the employees were HK\$14.80, HK\$16.00 and HK\$15.16 respectively.
- No share options were granted, cancelled or lapsed under the 1993 Share Option Scheme during the year.

share options *continued***2001 Share Option Scheme**

Details of the share options granted during the year and outstanding share options as at June 30, 2003 under the 2001 Share Option Scheme were as follows:

	Date of Grant (mm/dd/yyyy)	Exercise Price (HK\$)	Vesting Date (mm/dd/yyyy)	Exercise Period (mm/dd/yyyy)	Number of Share Options			
					As at 7.1.2002	Granted	Lapsed	As at 6.30.2003
Directors								
Heinz Jürgen KROGNER-KORNALIK	11/26/2002	14.60	11/26/2003	11/26/2003 – 11/25/2008	–	800,000	–	800,000
			11/26/2004	11/26/2004 – 11/25/2008	–	800,000	–	800,000
			11/26/2005	11/26/2005 – 11/25/2008	–	800,000	–	800,000
			11/26/2006	11/26/2006 – 11/25/2008	–	800,000	–	800,000
			11/26/2007	11/26/2007 – 11/25/2008	–	800,000	–	800,000
					–	4,000,000	–	4,000,000
John POON Cho Ming	11/26/2002	14.60	11/26/2003	11/26/2003 – 11/25/2008	–	480,000	–	480,000
			11/26/2004	11/26/2004 – 11/25/2008	–	480,000	–	480,000
			11/26/2005	11/26/2005 – 11/25/2008	–	480,000	–	480,000
			11/26/2006	11/26/2006 – 11/25/2008	–	480,000	–	480,000
			11/26/2007	11/26/2007 – 11/25/2008	–	480,000	–	480,000
					–	2,400,000	–	2,400,000
Thomas Johannes GROTE	11/26/2002	14.60	11/26/2003	11/26/2003 – 11/25/2008	–	320,000	–	320,000
			11/26/2004	11/26/2004 – 11/25/2008	–	320,000	–	320,000
			11/26/2005	11/26/2005 – 11/25/2008	–	320,000	–	320,000
			11/26/2006	11/26/2006 – 11/25/2008	–	320,000	–	320,000
			11/26/2007	11/26/2007 – 11/25/2008	–	320,000	–	320,000
					–	1,600,000	–	1,600,000

report of the directors

share options *continued*

	Date of Grant (mm/dd/yyyy)	Exercise Price (HK\$)	Vesting Date (mm/dd/yyyy)	Exercise Period (mm/dd/yyyy)	Number of Share Options			
					As at 7.1.2002	Granted	Lapsed	As at 6.30.2003
CHHIBBER Surinder	11/26/2002	14.60	11/26/2003	11/26/2003 – 11/25/2008	–	240,000	–	240,000
			11/26/2004	11/26/2004 – 11/25/2008	–	240,000	–	240,000
			11/26/2005	11/26/2005 – 11/25/2008	–	240,000	–	240,000
			11/26/2006	11/26/2006 – 11/25/2008	–	240,000	–	240,000
			11/26/2007	11/26/2007 – 11/25/2008	–	240,000	–	240,000
					–	1,200,000	–	1,200,000
Connie WONG Chin Tzi	11/26/2002	14.60	11/26/2003	11/26/2003 – 11/25/2008	–	80,000	–	80,000
			11/26/2004	11/26/2004 – 11/25/2008	–	80,000	–	80,000
			11/26/2005	11/26/2005 – 11/25/2008	–	80,000	–	80,000
			11/26/2006	11/26/2006 – 11/25/2008	–	80,000	–	80,000
			11/26/2007	11/26/2007 – 11/25/2008	–	80,000	–	80,000
					–	400,000	–	400,000
Employees								
In aggregate	11/26/2002	14.60	11/26/2003	11/26/2003 – 11/25/2008	–	4,432,000	80,000	4,352,000
			11/26/2004	11/26/2004 – 11/25/2008	–	4,432,000	80,000	4,352,000
			11/26/2005	11/26/2005 – 11/25/2008	–	4,432,000	80,000	4,352,000
			11/26/2006	11/26/2006 – 11/25/2008	–	4,432,000	80,000	4,352,000
			11/26/2007	11/26/2007 – 11/25/2008	–	4,432,000	80,000	4,352,000
					–	22,160,000	400,000	21,760,000
TOTAL (Directors & Employees)					–	31,760,000	400,000	31,360,000

Notes:

1. The closing price of the shares of the Company on November 25, 2002 being the trading day immediately before the date of grant was HK\$14.50.
2. No share options were exercised or cancelled under the 2001 Share Option Scheme during the year.

Save as disclosed above, at no time during the year was the Company or its subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

share options *continued***Accounting Treatment for Share Options**

There is currently no accounting standard for share options or share-based remuneration in Hong Kong. The International Accounting Standards Board ("IASB") has published an exposure draft on the relevant subject in November 2002. The IASB and the Hong Kong Society of Accountants are currently reviewing comments received from the public on this exposure draft.

The Board will assess the Group's accounting treatment for share options or share-based remuneration when relevant Hong Kong accounting standards have been issued. The Company currently intends to value and account for subsisting share options pursuant to the 2001 Share Option Scheme and (if applicable) the 1993 Share Option Scheme in accordance with the requirements of such standards and the Listing Rules.

On that basis, the Board takes the view that it would be inappropriate at this time to state an estimated value of such options as such valuation will be dependent on a large number of assumptions and may not be in accordance with relevant accounting standards that may be issued in the near future.

directors' interests in contracts

No contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of or at any time during the year.

substantial shareholders

As at June 30, 2003, the following shareholders (other than the directors of the Company whose interests and short positions in the shares and underlying shares of the company are set out above) had interests or short positions in the shares and underlying shares of the Company ("Shares") as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of Shareholders	Capacity	Number of Shares	Percentage of Aggregate Interests to Total Issued Share Capital
Great View International Limited	Beneficial owner <i>(Note 1)</i>	452,926,352	38.103%
J.P. Morgan Chase & Co.	Interest of controlled corporations <i>(Note 2)</i>	155,241,597	13.060%

Notes:

- Such interests have also been included as interests of a controlled corporation of Mr. Michael Ying Lee Yuen as disclosed above under "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures".
- The Shares held by J.P. Morgan Chase & Co. are held in the following capacities:

No. of Shares	Capacity
1,546,000	Beneficial Owner
80,028,687	Investment Manager
73,666,910	Other

substantial shareholders *continued*

3. Details of the interest in the 155,241,597 Shares held by J.P. Morgan Chase & Co. were as follows:

Name	Direct (D) /Indirect (I) Interests in the Shares of the Company	Aggregate Long Position in Shares	Percentage of Aggregate Interests to Total Issued Share Capital
JPMorgan Chase Bank	D	74,510,376	6.268%
J.P. Morgan Fleming Investment GmbH	D	132,000	0.011%
J.P. Morgan Investment Management Limited	D	3,814,040	0.321%
J.P. Morgan Investment Management Inc.	I	3,814,040	0.321%
J.P. Morgan Investment Management Inc.	D	9,015,226	0.758%
J.P. Morgan Trust Bank Ltd	D	276,000	0.023%
J.P. Morgan International Finance Limited	I	2,208,143	0.186%
J.P. Morgan International Inc.	I	2,208,143	0.186%
JPMorgan Chase Bank	I	2,208,143	0.186%
J.P. Morgan Fleming Asset Management (UK) Limited	D	6,955,631	0.585%
Robert Fleming Asset Management Ltd	I	6,955,631	0.585%
Robert Fleming Holdings Ltd	I	6,955,631	0.585%
J.P. Morgan Fleming Asset Management Holdings Inc.	I	65,561,812	5.515%
JF Asset Management (Singapore) Limited	D	2,710,000	0.228%
J.P. Morgan Fleming Asset Management (Asia) Inc.	I	58,606,181	4.930%
JF Asset Management Limited	D	55,496,681	4.669%
JF International Management Inc.	D	399,500	0.034%
J.P. Morgan (Suisse) SA	D	386,143	0.032%
J.P. Morgan Whitefriars Inc.	D	46,000	0.004%
J.P. Morgan Overseas Capital Corporation	I	46,000	0.004%
J.P. Morgan Securities Ltd.	D	1,500,000	0.126%
J.P. Morgan Holdings (UK) Limited	I	1,500,000	0.126%

Explanatory Notes:

All the following interests were deemed to be held by the relevant company under SFO. J.P. Morgan Chase & Co. was deemed to be interested in an aggregate of 155,241,597 Shares held or deemed to be held by: (i) JPMorgan Chase Bank (76,718,519 Shares), (ii) J.P. Morgan Fleming Investment GmbH (132,000 Shares), (iii) J.P. Morgan Investment Management Inc. (12,829,266 Shares) and (iv) J.P. Morgan Fleming Asset Management Holdings Inc. (65,561,812 Shares), all wholly-owned by J.P. Morgan Chase & Co.

- (i) JPMorgan Chase Bank directly held 74,510,376 Shares and was also deemed to be interested in the 2,208,143 Shares held by the following indirect subsidiaries held through JPMorgan International Inc. and J.P. Morgan International Finance Limited ("JPFIN"), both wholly-owned by JPMorgan Chase Bank:
 - (a) 276,000 Shares were held by J.P. Morgan Trust Bank Ltd., 72.16% owned by JPFIN;
 - (b) 386,143 Shares were held by J.P. Morgan (Suisse) SA, wholly-owned by JPFIN;
 - (c) 46,000 Shares were held by J.P. Morgan Whitefriars Inc., wholly-owned by JPFIN through J.P. Morgan Overseas Capital Corporation; and
 - (d) 1,500,000 Shares were held by J.P. Morgan Securities Ltd., 90% owned by J.P. Morgan Holdings (UK) Limited, which was in turn wholly-owned by JPFIN.
- (ii) J.P. Morgan Fleming Investment GmbH directly held 132,000 Shares.
- (iii) J.P. Morgan Investment Management Inc. ("JPIM") directly held 9,015,226 Shares and was also deemed to be interested in the 3,814,040 Shares held by J.P. Morgan Investment Management Limited, wholly-owned by JPIM.

- (iv) J.P. Morgan Fleming Asset Management Holdings Inc. was deemed to be interested in an aggregate of 65,561,812 Shares deemed to be held by (a) J.P. Morgan Fleming Asset Management (Asia) Inc. ("JPAsia"), a wholly-owned subsidiary (58,606,181 Shares) and (b) Robert Fleming Holdings Ltd. ("RFH"), 96%-owned subsidiary (6,955,631 Shares).

- (a) JPAsia was deemed to be interested in an aggregate of 58,606,181 Shares held by the following subsidiaries:
 - i. 2,710,000 Shares held by JF Asset Management (Singapore) Limited, wholly-owned by JPAsia;
 - ii. 55,496,681 Shares were held by JF Asset Management Limited, 99.99% owned by JPAsia; and
 - iii. 399,500 Shares were held by JF International Management Inc., wholly-owned by JPAsia.
- (b) RFH was deemed to be interested in 6,955,631 Shares held by J.P. Morgan Fleming Asset Management (UK) Limited, wholly-owned by Robert Fleming Asset Management Limited, which was in turn 99.96% owned by RFH.

4. All interests disclosed above represent long position in the Shares of the Company in which 73,666,910 Shares represents lending pool.

As at June 30, 2003, save as disclosed above, no person, other than the Directors of the Company, whose interests are set out in "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had an interest or a short position in the shares and underlying shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

purchase, sale or redemption of the company's shares

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's shares during the year.

pre-emptive rights

There are no provisions for pre-emptive rights under the Company's Bye-laws.

major customers and suppliers

During the year, less than 12% of the Group's sales were attributable to the five largest customers and less than 15% of the Group's purchases were attributable to the five largest suppliers.

management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

related party transactions

Details of the significant related party transactions undertaken in the normal course of business are provided under note 29 to the financial statements. None of these related party transactions constitutes a disclosable connected transaction as defined in the Listing Rules.

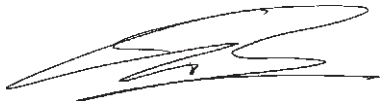
audit committee

An Audit Committee was formed in late 1997, reporting to the Board of Directors. The Committee is comprised of four Non-executive Directors, three of whom are independent. The Audit Committee is dedicated to the review of matters within the purview of audit, such as financial statements and internal controls, and met five times during the year.

auditors

The financial statements have been audited by PricewaterhouseCoopers who are due to retire and, being eligible, offer themselves for re-appointment.

On behalf of the board



John Poon Cho Ming

Executive Director

Hong Kong, September 18, 2003