

notes to the financial statements

for the year ended June 30, 2003

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 Statement of Standard Accounting Practice ("SSAP") No. 34 "Employee benefits" issued by the Hong Kong Society of Accountants which is effective for accounting periods commencing on or after January 1, 2002. The adoption of the new SSAP has no material effect on the results for the current and prior accounting periods. 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.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group 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 represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition.

Goodwill on acquisitions occurring on or after July 1, 2001 is included in intangible assets and is amortized using the straight-line method over its estimated useful life. Goodwill on acquisitions that occurred prior to July 1, 2001 was eliminated against reserves. Any impairment arising on such goodwill is accounted for in the profit and loss account.

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition. For acquisitions after July 1, 2001, negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognized in the profit and loss account when the future losses and expenses are recognized. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognized in the profit and loss account over the remaining weighted average useful life of those assets; negative goodwill in excess of the fair values of those non-monetary assets is recognized in the profit and loss account immediately. For acquisitions prior to July 1, 2001, negative goodwill was taken directly to reserves on acquisition.

1. PRINCIPAL ACCOUNTING POLICIES *continued*

(e) Revenue recognition

Revenue from the sales of goods is recognized on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has been passed.

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

Licensing income is recognized on an accruals 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 interest 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.

(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 lives on a straight-line basis. Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account.

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 lives on the same basis as owned assets.

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

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets are impaired. 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.

(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.

1. PRINCIPAL ACCOUNTING POLICIES *continued*

(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.

(o) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognized as a provision.

(p) 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.

(q) Foreign exchange contracts

Transactions designated as hedges are translated 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.

1. PRINCIPAL ACCOUNTING POLICIES *continued*

(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 accordance with Group's internal financial reporting, 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) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

(ii) Retirement benefit costs

The Group operates a number of defined contribution plans throughout the world. The Group's contributions to the defined contribution retirement schemes are expensed as incurred and are not reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The assets of the schemes are held separately from those of the Group in an independently administered fund.

(iii) Share options

The Company granted share options to certain directors and eligible persons. No compensation cost is recognized. When the options are exercised, the proceeds received net of any transaction costs are credited to share capital and share premium.

2. TURNOVER AND SEGMENT INFORMATION

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.

	2003 HK\$'000	2002 HK\$'000
Turnover		
Sales of goods	12,177,503	9,061,516
Commission income	5,534	11,859
Licensing and other income	198,421	145,739
	12,381,458	9,219,114

notes to the financial statements

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 2003 HK\$'000	Retail 2003 HK\$'000	Sourcing 2003 HK\$'000	Licensing & others 2003 HK\$'000	Eliminations 2003 HK\$'000	Group 2003 HK\$'000
Turnover	7,070,143	5,107,360	5,534	198,421	–	12,381,458
Inter-segment revenue	–	–	736,682	258,723	(995,405)	–
Segment revenue	7,070,143	5,107,360	742,216	457,144	(995,405)	12,381,458
Segment results	964,465	2,055	567,325	233,981	6,739	1,774,565
Intangible assets amortization						(105,815)
Unallocated net income						52,207
Operating profit						1,720,957
Segment assets	3,306,077	1,825,701	2,228,671	328,158	(2,519,380)	5,169,227
Associated companies						127,764
Intangible assets						1,744,125
Unallocated assets						198,726
Total assets						7,239,842
Segment liabilities	682,102	1,737,319	1,449,398	15,432	(2,519,380)	1,364,871
Unallocated liabilities						1,637,244
Total liabilities						3,002,115
Capital expenditure	79,531	231,095	6,056	15,940	–	332,622
Depreciation	68,754	190,379	3,186	10,750	–	273,069
Impairment of fixed assets	–	36,140	–	–	–	36,140
Provision for retail store exit costs	–	63,589	–	–	–	63,589

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

	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 results	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
Impairment of fixed assets	–	–	–	–	–	–
Provision for retail store exit costs	–	–	–	–	–	–

2. TURNOVER AND SEGMENT INFORMATION *continued*

Secondary reporting format – geographical segments

In determining the Group's geographical segments, turnover is attributed to the segments based on the location of customers. The Group has changed the presentation of its geographical segments to reflect its current internal financial reporting which was revised following the implementation of the Group's new global management structure in the current year. Accordingly prior year comparatives have been re-stated to conform with the current year presentation.

	Turnover 2003 HK\$'000	Capital expenditure 2003 HK\$'000	Segments assets 2003 HK\$'000
Europe	9,843,095	256,678	4,327,938
Asia	1,631,685	57,102	1,021,898
Australasia	605,491	13,082	201,269
North America and others	301,187	5,760	152,011
Eliminations	–	–	(533,889)
	12,381,458	332,622	5,169,227
Intangible assets			1,744,125
Associated companies			127,764
Unallocated assets			198,726
Total			7,239,842

	Turnover 2002 HK\$'000	Capital expenditure 2002 HK\$'000	Segment assets 2002 HK\$'000
Europe	6,866,121	251,234	2,495,747
Asia	1,621,076	48,621	1,038,234
Australasia	541,844	27,115	181,271
North America and others	190,073	17,037	116,992
Eliminations	–	–	(84,794)
	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

3. OPERATING PROFIT

	2003 HK\$'000	2002 HK\$'000
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Operating profit is arrived at after crediting and charging the following:

Crediting:

Provision for obsolete stocks written back	–	6,302
Net exchange gain	151,475	22,724

Charging:

Auditors' remuneration	4,680	5,304
Depreciation		
– Owned assets	272,541	220,767
– Assets held under finance leases	528	1,057
Intangible assets amortization	105,815	56,709
Impairment of fixed assets	36,140	–
Loss on disposal of fixed assets	44,960	6,693
Operating lease rental expenses		
– Land and buildings	1,131,434	863,411
Provision for obsolete stocks and stock write-off	88,918	–
Provision for doubtful debts	29,086	3,435
Provision for retail store exit costs	63,589	–

4. FINANCE COSTS

	2003 HK\$'000	2002 HK\$'000
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Interest on bank loan and overdrafts		
wholly repayable within five years	32,408	13,790
Interest element of finance leases	55	133
	32,463	13,923

5. TAXATION

	2003 HK\$'000	2002 HK\$'000
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Company and its subsidiaries:

Hong Kong profits tax	37,889	51,801
Overseas taxation	602,559	302,386
Deferred taxation (note 24)	(48,240)	9,129

	592,208	363,316
Associated companies – overseas taxation	13,324	11,923

	605,532	375,239
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Hong Kong profits tax has been provided at the rate of 17.5% (2002: 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.

	2003 HK\$'000	2002 HK\$'000
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Deferred taxation for the year which has not been (credited)/charged amounts to:

Depreciation allowances	(3,383)	(2,730)
Tax losses	(91,409)	(11,299)
Other timing differences	(10,872)	5,143

	(105,664)	(8,886)
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notes to the financial statements

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\$45,890,000 (2002: HK\$203,910,000).

7. DIVIDENDS

	2003 HK\$'000	2002 HK\$'000
Paid interim dividend of 7.5 Hong Kong cents (2002: 6.0 Hong Kong cents) per share	88,426	69,229
Proposed final dividend of 32.5 Hong Kong cents and special dividend of 30.0 Hong Kong cents (2002 final: 17.0 Hong Kong cents, special: 5.0 Hong Kong cents) per share	743,492	259,284
	831,918	328,513

The amount of 2003 proposed final and special dividends is based on 1,189,587,434 shares (2002: 1,178,562,434 shares as at August 31, 2002) in issue as at August 31, 2003.

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK\$1,185,570,000 (2002: HK\$927,210,000) and the weighted average number of shares in issue during the year of 1,179,721,133 (2002: 1,152,349,097).

The calculation of fully diluted earnings per share is based on the profit attributable to shareholders of HK\$1,185,570,000 (2002: HK\$927,210,000), and the weighted average number of shares in issue during the year of 1,181,438,207 (2002: 1,159,817,263) after adjusting for the number of dilutive ordinary shares deemed to be issued at no consideration based on the assumption that all outstanding share options granted under the Company's share option schemes had been exercised.

9. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2003 HK\$'000	2002 HK\$'000
Salaries and wages	1,284,770	1,024,940
Social security costs and other staff costs	285,612	154,351
Pension costs of defined contribution plans	33,248	19,124
	1,603,630	1,198,415

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:

	2003 HK\$'000	2002 HK\$'000
Fees to non-executive Directors*	932	620
Salaries, housing and other allowances, benefits in kind including deemed benefit arising from exercise of share options payable to Executive Directors	82,077	303,152
Bonuses to Executive Directors	16,086	2,078
Pension costs of defined contribution plans	64	60
	99,159	305,910

* The amount includes directors' fees of HK\$732,000 (2002: HK\$470,000) paid to Independent Non-executive Directors.

10. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *continued*
(a) Directors' Remuneration *continued*

The emoluments of the Directors fell within the following bands:

Emoluments Band	Number of Directors	
	2003	2002
Nil – HK\$ 1,000,000	5	4
HK\$ 1,500,001 – HK\$ 2,000,000	1	1
HK\$ 2,500,001 – HK\$ 3,000,000	1	–
HK\$ 8,000,001 – HK\$ 8,500,000	1	–
HK\$ 20,500,001 – HK\$ 21,000,000	1	–
HK\$ 29,000,001 – HK\$ 29,500,000	1	–
HK\$ 30,000,001 – HK\$ 30,500,000	–	1
HK\$ 35,000,001 – HK\$ 35,500,000	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
	11	9

(b) Five Highest Paid Individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2002: four) Directors whose emoluments are reflected in the analysis presented above.

The emoluments receivable by the remaining two (2002: one) highest paid individuals during the year are as follows:

	2003 HK\$'000	2002 HK\$'000
Salaries, housing and other allowances, benefits in kind including deemed benefit arising from exercise of share options	28,480	13,883
Bonuses	2,717	1,716
Pension costs of defined contribution plans	4	12
	31,201	15,611

Emoluments Band	Number of Individuals	
	2003	2002
HK\$13,500,001 – HK\$14,000,000	1	–
HK\$15,500,001 – HK\$16,000,000	–	1
HK\$17,000,001 – HK\$17,500,000	1	–
	2	1

11. INTANGIBLE ASSETS
Group

	Trademarks HK\$'000	Goodwill HK\$'000	Total HK\$'000
At July 1, 2002	1,835,315	14,625	1,849,940
Amortization	(105,065)	(750)	(105,815)
At June 30, 2003	1,730,250	13,875	1,744,125
At June 30, 2003			
Cost	1,983,184	15,000	1,998,184
Accumulated amortization	(252,934)	(1,125)	(254,059)
Net book amount	1,730,250	13,875	1,744,125
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

The net book amount at June 30, 2003 of the Group's trademarks included HK\$628,934,000 (2002: HK\$675,522,000) with a remaining amortization period of 13.5 years (2002: 14.5 years) and HK\$1,101,316,000 (2002: 1,159,793,000) with a remaining amortization period of 18.5 years (2002: 19.5 years).

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, 2002	26,653	25,931	69,911	1,346,060	5,395	540,093	10,134	2,024,177
Exchange translation	431	–	1,930	175,922	536	74,105	993	253,917
Additions	–	–	–	194,158	574	132,746	5,144	332,622
Disposals	–	–	–	(103,920)	(427)	(49,857)	(1,804)	(156,008)
At June 30, 2003	27,084	25,931	71,841	1,612,220	6,078	697,087	14,467	2,454,708
Depreciation								
At July 1, 2002	–	3,491	20,529	649,389	4,307	349,724	8,040	1,035,480
Exchange translation	–	–	1,063	86,261	359	45,792	537	134,012
Charge for the year	–	499	2,598	161,447	446	105,822	2,257	273,069
Impairment charge	–	–	–	32,827	–	3,313	–	36,140
Disposals	–	–	–	(56,947)	(392)	(42,699)	(1,460)	(101,498)
At June 30, 2003	–	3,990	24,190	872,977	4,720	461,952	9,374	1,377,203
Net book value								
At June 30, 2003	27,084	21,941	47,651	739,243	1,358	235,135	5,093	1,077,505
At June 30, 2002	26,653	22,440	49,382	696,671	1,088	190,369	2,094	988,697

At June 30, 2003, freehold land and buildings outside Hong Kong with a net book value of HK\$31,727,000 (2002: HK\$33,382,000) are pledged as security for short-term bank loan facilities.

At June 30, 2003, the net book value of motor vehicles and launch of HK\$227,000 (2002: HK\$345,000) are held under finance leases.

13. OTHER INVESTMENTS

	Group	
	2003 HK\$'000	2002 HK\$'000
Unlisted investments, at cost	15,643	15,483
Provision for impairment	(7,797)	(7,797)
	7,846	7,686

14. INVESTMENT IN SUBSIDIARIES

	Company	
	2003 HK\$'000	2002 HK\$'000
Unlisted shares, at cost	216,677	216,677
Loans to subsidiaries	1,633,524	1,621,930
Amounts due from subsidiaries	1,140,140	1,419,248
	2,990,341	3,257,855
Amounts due to subsidiaries	(830,181)	(847,626)
	2,160,160	2,410,229

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 and have no fixed terms of repayment. All balances are unsecured.

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, 2003 are set out in note 30 to the financial statements.

15. ASSOCIATED COMPANIES

	Group	
	2003 HK\$'000	2002 HK\$'000
Share of net assets	101,568	53,868
Loan to an associated company	-	24,500
	101,568	78,368
Unlisted shares, at cost	-	-

The loan to an associated company is unsecured, interest free and has no fixed terms of repayment. The loan was fully repaid during the year ended June 30, 2003.

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, 2003:

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 a financial accounting period ended December 31, which is not coterminous with the Group.

notes to the financial statements

16. STOCKS

	Group	
	2003 HK\$'000	2002 HK\$'000
Raw materials	9,449	8,143
Finished goods	1,011,097	1,005,614
Consumables	74,075	66,894
Provisions	(176,353)	(125,330)
	918,268	955,321

At June 30, 2003, the carrying amount of stocks that are pledged as security for bank overdrafts amounted to HK\$42,768,000 (2002: HK\$42,775,000).

17. DEBTORS, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Trade debtors	875,934	520,659	–	–
Deposits	180,764	188,425	–	–
Prepayments	55,055	30,163	–	–
Other debtors and receivables	94,580	85,001	2,630	320
	1,206,333	824,248	2,630	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	
	2003 HK\$'000	2002 HK\$'000
0–30 days	791,644	460,168
31–60 days	45,828	21,341
61–90 days	10,774	6,758
Over 90 days	27,688	32,392
	875,934	520,659

18. CREDITORS AND ACCRUED CHARGES

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Trade creditors	543,270	464,144	—	—
Accruals	677,646	388,996	2,684	1,918
Other creditors and payables	208,965	123,225	—	—
	1,429,881	976,365	2,684	1,918

The Group recognizes a provision for retail store exit costs of HK\$63,589,000 (2002: Nil) as the expected benefits to be derived from lease contracts are less than the unavoidable costs of meeting the obligations under the contracts. The amount was included in other creditors and payables.

The ageing analysis of trade creditors is as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
0–30 days	489,189	415,178
31–60 days	30,048	29,367
61–90 days	8,095	8,038
Over 90 days	15,938	11,561
	543,270	464,144

19. SHARE CAPITAL

	2003 HK\$'000	2002 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, 2001	1,142,505	114,251
Exercise of share options	32,393	3,239
Issues of scrip dividend shares	2,039	204
Balance at June 30, 2002	1,176,937	117,694
Balance at July 1, 2002	1,176,937	117,694
Exercise of share options (note (a))	11,750	1,175
Balance at June 30, 2003	1,188,687	118,869

notes to the financial statements

19. SHARE CAPITAL *continued*

(a) During the year, 11,750,000 (2002: 32,393,000) ordinary shares of HK\$0.10 were issued at a premium of the range from HK\$2.54 to HK\$6.26 each in relation to share options exercised by Directors and employees under the 1993 Share Option Scheme (defined in (b) below).

(b) 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 listed below:

1993 Share Option Scheme

Purpose and eligible persons

The 1993 Share Option Scheme is a share option scheme for employees of the Company or any subsidiaries (including executive directors of the Company or any subsidiary).

Total number of shares available for issue

Operation of the 1993 Share Option Scheme was terminated by the Shareholders on November 26, 2001. Therefore, no further options could be offered under the 1993 Share Option Scheme but in all other respects, the provisions of the 1993 Share Option Scheme shall remain in full force and effect until November 17, 2003.

Maximum entitlement of each eligible persons

The maximum number of shares in respect of which options may be granted to any one person under the 1993 Share Option Scheme, together with shares already issued and issuable under options previously granted to such person, may not exceed 25% of the maximum number of shares in respect of which options may be granted under the 1993 Share Option Scheme from time to time.

Minimum Period for which an option must be held before it can be exercised

Options were divided into fractional installment(s). The first exercisable date between each installment shall occur at intervals of six calendar months. The earliest exercisable date for the first installment shall occur six months after the date of grant.

Period within which the shares must be taken up under an option

An option may be exercised in accordance with the terms of the 1993 Share Option Scheme at any time during a period of five years commencing on the first exercisable date and expiring on the last day of the five-year period or November 17, 2003, whichever is the earlier.

Basis of determining the subscription price

The subscription price for shares in respect of which options are granted will be not less than the higher of the nominal value of the shares and 80% of the average of the closing price of the shares on the SEHK on the five trading days immediately preceding the date of offer of the option.

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:

	Number of share options	
	2003	2002
Balance at July 1	14,625,000	47,018,000
Exercise during the year (Note (i))	(11,750,000)	(32,393,000)
Balance at June 30 (Note (ii))	2,875,000	14,625,000

19. SHARE CAPITAL *continued*

(i) Details of share options exercised during the year ended June 30, 2003 were as follows:

Allotment date	Exercise price HK\$	Number of share options	Proceeds received		Market value* per share at allotment date HK\$
			Share capital HK\$'000	Share premium HK\$'000	
July 5, 2002	2.640	375,000	37	953	15.90
July 11, 2002	2.720	250,000	25	655	15.85
August 5, 2002	6.360	1,000,000	100	6,260	12.85
January 11, 2003	2.720	250,000	25	655	14.05
March 21, 2003	6.360	200,000	20	1,252	15.80
March 29, 2003	6.360	400,000	40	2,504	15.25
April 7, 2003	2.640	125,000	13	318	15.00
May 6, 2003	2.640	125,000	13	318	15.65
May 17, 2003	5.140	3,500,000	350	17,640	15.10
May 20, 2003	5.140	1,000,000	100	5,040	14.80
May 21, 2003	6.264	3,000,000	300	18,492	14.95
May 28, 2003	2.640	125,000	12	317	16.15
June 19, 2003	6.360	1,400,000	140	8,764	18.15
		11,750,000	1,175	63,168	

* "Market value" represents the closing price of the share in Hong Kong on the allotment date or on the trading day immediately before the allotment date (if it is a non-trading day).

Details of share options exercised during the year ended June 30, 2002 were as follows:

Allotment date	Exercise price HK\$	Number of share options	Proceeds received		Market value* per share at allotment date HK\$
			Share capital HK\$'000	Share premium HK\$'000	
October 10, 2001	2.720	250,000	25	655	8.15
October 12, 2001	2.656	500,000	50	1,278	8.30
October 22, 2001	2.720	332,000	33	870	8.00
October 26, 2001	2.640	250,000	25	635	8.25
February 18, 2002	2.720	250,000	25	655	13.60
February 21, 2002	2.720	336,000	34	880	12.65
March 4, 2002	2.656	400,000	40	1,022	12.95
March 4, 2002	6.360	400,000	40	2,504	12.95
March 5, 2002	2.656	1,995,000	199	5,100	13.35
March 5, 2002	6.360	1,995,000	199	12,489	13.35
March 8, 2002	2.656	1,605,000	161	4,102	13.15
March 8, 2002	6.360	1,605,000	161	10,047	13.15
March 12, 2002	3.096	15,000,000	1,500	44,940	13.15
March 13, 2002	2.640	125,000	12	318	12.65
June 5, 2002	2.640	2,350,000	235	5,969	14.60
June 5, 2002	2.656	4,000,000	400	10,224	14.60
June 5, 2002	2.872	1,000,000	100	2,772	14.60
		32,393,000	3,239	104,460	

* "Market value" represents the closing price of the share in Hong Kong on the allotment date or on the trading day immediately before the allotment date (if it is a non-trading day).

notes to the financial statements

19. SHARE CAPITAL *continued*

(ii) Share options outstanding at the end of the year have the following terms:

Expiry date	Exercise price HK\$	Number of share options outstanding		Last date of vesting period
		2003	2002	
Directors				
November 16, 2003	6.264	–	3,000,000	May 16, 2003
November 16, 2003	6.360	–	1,000,000	June 14, 2002
November 16, 2003	6.360	–	1,000,000	December 14, 2002
November 16, 2003	6.360	–	1,000,000	June 14, 2003
November 16, 2003	6.360	1,000,000	1,000,000	November 15, 2003
November 16, 2003	5.140	500,000*	–	May 16, 2003
Employees				
December 12, 2002	2.640	–	375,000	December 12, 1997
June 12, 2003	2.640	–	375,000	June 12, 1998
November 16, 2003	2.640	375,000	375,000	December 12, 1998
November 16, 2003	2.640	375,000	375,000	June 12, 1999
November 16, 2003	2.640	375,000	375,000	December 12, 1999
November 16, 2003	2.720	–	250,000	July 10, 2002
November 16, 2003	2.720	–	250,000	January 10, 2003
November 16, 2003	2.720	250,000	250,000	July 10, 2003
November 16, 2003	5.140	–	5,000,000	May 16, 2003
		2,875,000	14,625,000	

* Mr. Thomas Johannes GROTE was appointed Executive Director on November 1, 2002 and the options granted to him as employee (500,000 share options) were re-classified in the category of "Directors" during the year.

2001 Share Option Scheme

Purpose

The 2001 Share Option Scheme is a share incentive scheme established to recognize and acknowledge the contributions that selected eligible persons have made or may make to the Group.

Eligible persons

Eligible persons include:

- (i) any director, employee of the Group, consultant, customer, supplier, agent, partner or adviser of or contractor to the Group or a company in which the Group holds an interest or a subsidiary of such company ("Affiliate");
- (ii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any director, employee of the Group, consultant, customer, supplier, agent, partner or adviser of or contractor to the Group or an Affiliate; or
- (iii) a company beneficially owned by any director, employee of the Group, consultant, customer, supplier, agent, partner, adviser of or contractor to the Group or an Affiliate.

Total number of shares available for issue

The total number of shares available for issue under the 2001 Share Option Scheme is 114,383,717, representing 9.6% of the issued share capital of the Company as at the date of this report.

Maximum entitlement of each eligible person

The maximum number of shares in respect of which options may be granted under the 2001 Share Option Scheme (including the total number of the shares issued and to be issued upon exercise of options granted and to be granted to any eligible person) shall not exceed any limits that may be imposed under the Listing Rules from time to time as amended and in force.

Minimum period for which an option must be held before it can be exercised

There is no general requirement on the period within which an option must be held before an option can be exercised under the terms of 2001 Share Option Scheme. However, at the time of granting any option, the Board may, on a case by case basis, make such grant subject to such conditions, restrictions or limitations in relation to the minimum period for which the options must be held as the Board may determine in its absolute discretion.

19. SHARE CAPITAL *continued*

Period within which the shares must be taken up under an option

Subject to certain restrictions contained in the 2001 Share Option Scheme, an option which is exercisable pursuant to the 2001 Share Option Scheme may be exercised in accordance with the terms on which such an option was granted at any time during the applicable option period as may be determined by the Board (which shall not be more than 10 years from the date of grant of such an option).

Basis of determining the subscription price

The subscription price for any share under the 2001 Share Option Scheme will be a price determined by the Board and notified to each grantee. Such price will be not less than the highest of (i) the closing price of a share as stated in SEHK's daily quotations sheet on the date of grant of the relevant option, which must be a Business Day (as defined in the Listing Rules), (ii) an amount equivalent to the average closing price of a share as stated in SEHK's daily quotation sheets for the five Business Days immediately preceding the date of grant of the relevant option and (iii) the nominal value of a share.

Remaining life of the 2001 Share Option Scheme

The 2001 Share Option Scheme will remain in force until November 26, 2011.

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:

	Number of share options	
	2003	2002
Balance at July 1	—	—
Granted during the year (Note (iii))	31,760,000	—
Lapsed during the year	(400,000)	—
Balance at June 30 (Note (iv))	31,360,000	—

(iii) Details of share options granted during the year ended June 30, 2003 were as follows:

Exercise period	Exercise price HK\$	Number of share options*
November 26, 2003 - November 25, 2008	14.60	6,352,000
November 26, 2004 - November 25, 2008	14.60	6,352,000
November 26, 2005 - November 25, 2008	14.60	6,352,000
November 26, 2006 - November 25, 2008	14.60	6,352,000
November 26, 2007 - November 25, 2008	14.60	6,352,000
		31,760,000

* 9,600,000 share options were granted to directors and 22,160,000 share options were granted to employees at an exercise price of HK\$14.60 per share option.

(iv) Share options outstanding at the end of the year were as follows:

Expiry date	Exercise price HK\$	Number of share options outstanding	
		2003	2002
Directors			
November 25, 2008*	14.60	9,600,000	—
Employees			
November 25, 2008*	14.60	21,760,000	—
		31,360,000	—

* The share options listed above are not vested at the balance sheet date.

notes to the financial statements

20. RESERVES

Company

	Share premium HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Total HK\$'000
At July 1, 2001	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)
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
Proposed final and special dividends				259,284
				2,280,484
At July 1, 2002	1,207,075	473,968	599,441	2,280,484
Premium arising from issues of shares	63,168	-	-	63,168
Profit for the year	-	-	45,890	45,890
2001/2002 final and special dividends paid	-	-	(259,284)	(259,284)
2002/2003 interim dividend paid	-	-	(88,426)	(88,426)
At June 30, 2003	1,270,243	473,968	297,621	2,041,832
Representing:				
At June 30, 2003 after proposed final and special dividends				1,298,340
Proposed final and special dividends				743,492
				2,041,832

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 of Bermuda. Distributable reserves of the Company at June 30, 2003 amounted to HK\$771,589,000 (2002: HK\$1,073,409,000).

21. OBLIGATIONS UNDER FINANCE LEASES

	Group	
	2003 HK\$'000	2002 HK\$'000
Total minimum lease payments		
- within one year	255	629
- in the second year	151	216
- in the third to fifth year inclusive	192	289
	598	1,134
Future finance charges on finance leases	(43)	(91)
Present value of finance lease liabilities	555	1,043
The present value of finance lease liabilities		
- within one year	219	593
- in the second year	126	197
- in the third to fifth year inclusive	210	253
	555	1,043
Amount due within one year included under current liabilities	(219)	(593)
	336	450

22. LONG-TERM BANK LOAN

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Unsecured and wholly repayable within 5 years	776,411	780,000	—	—

The long-term bank loan is repayable in 2005.

23. BANK OVERDRAFTS

	Group	
	2003 HK\$'000	2002 HK\$'000
Secured	197	35,164
Unsecured	15,374	12,831
	15,571	47,995

24. DEFERRED TAXATION

	Group	
	2003 HK\$'000	2002 HK\$'000

Assets

At the beginning of the year	4,233	5,805
Credited/(charged) to the profit and loss account (note 5)	36,549	(2,092)
Exchange translation	4,983	520
At the end of the year	45,765	4,233

Provided in the financial statements in respect of:

Depreciation allowances	4,830	4,233
Tax losses	29,481	—
Other timing differences	11,454	—
	45,765	4,233

Liabilities

At the beginning of the year	(17,296)	(8,192)
Credited/(charged) to the profit and loss account (note 5)	11,691	(7,037)
Exchange translation	1,349	(2,067)
At the end of the year	(4,256)	(17,296)

Provided in the financial statements in respect of:

Depreciation allowances	(497)	(1,008)
Other timing differences	(3,759)	(16,288)
	(4,256)	(17,296)

notes to the financial statements

24. DEFERRED TAXATION *continued*

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

	Group	
	2003 HK\$'000	2002 HK\$'000
Depreciation allowances	8,735	5,352
Tax losses	119,690	28,281
Other timing differences	14,049	3,177
	142,474	36,810

25. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

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

	Group	
	2003 HK\$'000	2002 HK\$'000
Profit before taxation	1,791,102	1,360,975
Adjustments for:		
Interest income	(41,584)	(22,635)
Interest expense	32,408	13,790
Interest element of finance leases	55	133
Depreciation	273,069	221,824
Intangible assets amortization	105,815	56,709
Impairment of fixed assets	36,140	–
Loss on disposal of fixed assets	44,960	6,693
Provision for retail store exit costs	63,589	–
Share of results of associated companies	(61,024)	(35,811)
Effect of foreign exchange rate changes	(157,890)	(15,159)
Operating profit before changes in working capital	2,086,640	1,586,519
Decrease/(increase) in stocks	37,053	(164,057)
Increase in debtors, deposits and prepayments	(396,024)	(104,451)
Increase in amounts due from associated companies	(8,388)	(7,459)
Increase in creditors and accrued charges	287,274	228,858
Effect of foreign exchange rate changes	102,205	103,131
Cash generated from operations	2,108,760	1,642,541

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

	Company	
	2003 HK\$'000	2002 HK\$'000
Short-term bank deposits	167,443	331,647
Bank balances and cash	1,944,793	650,026
Bank overdrafts	(15,571)	(47,995)
	2,096,665	933,678

26. CONTINGENT LIABILITIES

	Company	
	2003 HK\$'000	2002 HK\$'000
Guarantees given to banks in respect of banking facilities granted to subsidiaries	1,281,362	1,492,366

27. OPERATING LEASE COMMITMENTS

	Group	
	2003	2002
	HK\$'000	HK\$'000
The total future minimum lease payments under non-cancellable operating leases are as follows:		
Land and buildings		
– within one year	1,035,808	847,768
– in the second to fifth year inclusive	3,416,932	2,971,632
– after the fifth year	4,666,608	4,361,886
	9,119,348	8,181,286
Other equipment		
– within one year	9,717	27,850
– in the second to fifth year inclusive	5,947	28,364
– after the fifth year	47	122
	9,135,059	8,237,622

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, 2003 (2002: Nil).

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

	Group	
	2003	2002
	HK\$'000	HK\$'000
Contracted but not provided for	316,977	260,111
Authorized but not contracted for	158,448	110,719
	475,425	370,830

The Company did not have any significant capital commitments at June 30, 2003 (2002: Nil).

(b) Foreign Exchange Contracts

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

	Group	
	2003	2002
	HK\$'000	HK\$'000
Forward contracts	375,233	251,256

29. RELATED PARTY TRANSACTIONS

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:

	2003	2002
	HK\$'000	HK\$'000
Transactions with Associated Companies		
Sales of finished goods	231,923	231,262
Royalty received	11,419	8,373
Commission received	3,790	8,665

notes to the financial statements

30. PRINCIPAL SUBSIDIARIES

The following are the principal subsidiaries as at June 30, 2003 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	Financial services
Esprit de Corp (1980) Ltd.	Canada	100%	CAD1,000,100	Distribution of apparel and accessories
Esprit de Corp Danmark A/S	Denmark	100%	DKK12,000,000	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 EILP Limited	British Virgin Islands/Hong Kong	100%	USD1	Limited partner of Esprit International
Esprit Europe B.V.	The Netherlands	100%	EUR1,500,000	Investment holding and wholesale and retail distribution of apparel and accessories
Esprit Europe GmbH	Germany	100%	EUR5,112,919	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, distribution and logistic
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	Image direction
Esprit International (GP), Inc.	United States	100%	USD1,000,000	General partner of Esprit International
Esprit International (limited partnership)	California, U.S.A.	100%	–	Licensing and holding of trademarks
Esprit IP Limited	British Virgin Islands/Hong Kong	100%	USD1	Licensing and holding of trademarks
Esprit Macao Commercial Offshore Limited	Macau	100%	MOP3,000,000	Wholesale distribution of apparel and accessories
Esprit Retail B.V. & Co. KG	Germany	100%	EUR5,000,000	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%	SEK500,000	Wholesale distribution of apparel and accessories
Esprit US Distribution Limited	United States	100%	USD1,000	Wholesale distribution of apparel and accessories

notes to the financial statements

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 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 and holding of trademarks
Red Earth New Zealand Limited	New Zealand	100%	NZD100	Retail distribution of cosmetics, skin and body care products
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