

on the fast track
to global growth

ESPRIT

how much faster can we grow?

esprit holdings limited
annual report 1999/2000

As a shareholder in Esprit Holdings Limited, you own a stake in a rapidly-growing global lifestyle brand that designs, sources, distributes and markets a stylish variety of apparel and related products in over 40 countries worldwide. With listings on the Hong Kong and London stock exchanges, Esprit enjoys widespread brand recognition in and beyond its markets. We have a clearly defined market position at the top end of the mass market, and a comprehensive product range encompassing women's, men's, kids', shoes, accessories, bodywear, and other lifestyle products.

our strategy

Today, Esprit controls over 2 million square feet of retail space in Europe and the Asia Pacific. But there is huge scope for further growth. Our goal is to continue expanding in all areas of our business: in our distribution network, in established and new product lines, and in existing and potential markets, so as to enhance profitability and shareholder value. We will remain on the fast track towards the global expansion of the ESPRIT brand.

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FY1999/2000 financial highlights

FOR THE YEAR ENDED JUNE 30, 2000

% CHANGE

OPERATING RESULTS (HK\$ MN)

turnover	7,277	+21
operating profit (after finance costs)	871	+40
profit attributable to shareholders*	460	+31

PER SHARE DATA (HK¢)

earnings per share*	41.3	+29
dividend per share	15.0	+3

KEY STATISTICS

earnings before interest, taxation, depreciation and amortization margin (<i>EBITDA</i>) (%)	14.7	+7
return on shareholders' equity* (<i>ROE</i>) (%)	26.7	+9
net cash position, net of bank borrowings (HK\$ MN)	325	+3,150
bank borrowings to equity ratio (%)	23.8	-39
net debt to equity ratio** (%)	net cash	not applicable
shareholders' funds (HK\$ MN)	1,724	+20

* percentage changes are before exceptional gain arising on disposal of listed investment held for long term in FY 1998/1999

** net debt refers to bank borrowings less cash



how quickly can we move?

One of our primary objectives is to aggressively expand the ESPRIT brand through growth in our product lines and distribution network, to make our products more accessible to more customers in more shops.

a global company



CORPORATE STRUCTURE

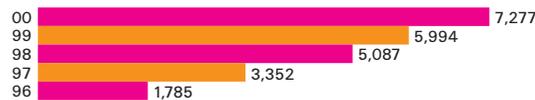
AS AT JUNE 30, 2000

The Esprit organization structure is highly focused and vertically integrated to facilitate global expansion of the ESPRIT brand.

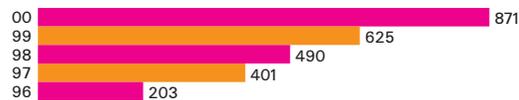
* Please refer to "substantial shareholders" in Report of the Directors for shareholding information on the Company

dear shareholder

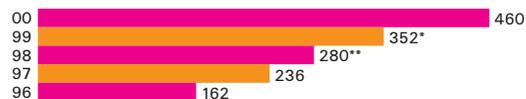
TURNOVER (HK\$ MN)



OPERATING PROFIT (AFTER FINANCE COSTS) (HK\$ MN)



PROFIT ATTRIBUTABLE TO SHAREHOLDERS (HK\$ MN)



*before exceptional gain of HK\$78mn
**before exceptional loss of HK\$125mn

I am pleased to report that despite facing a hostile economic environment over the past year, we were able to achieve our seventh consecutive year of growth in turnover and operating profit.

Although conditions were difficult, we ended the year financially fit and robust, with a vastly improved net cash position. We also generated a higher return for shareholders over the year than most of our competitors.

FY1999/2000 was another good year of overall growth for Esprit; that's growth in our product lines, our distribution network and in our headline numbers. Our highly integrated approach to managing our product lines has in retrospect being a wise decision. A testament to this approach is the substantial growth we have seen not just in our women's lines, but also in such lines as men's wear and shoes, which are increasingly drawing new customers into our shops.

Admittedly, achieving these results was no easy task, but we have seen our business improve where many of our competitors have suffered setbacks. This would not have been possible without a dynamic management team that is responsive to subtle movements in the markets.

In Europe, constant deflationary pressure on the euro failed to seriously erode our earnings. By building on Esprit's strong brand recognition in our key markets, and expanding our retail space to reach more customers, our sales have begun to gain a critical mass. This momentum was strong enough to counter the potential hazard to our balance sheet posed by foreign exchange fluctuation.

In the Asia Pacific too, we managed to remain immune from the worst effects of the poor retail sentiment, amidst the slow recovery of many of the region's economies. We have also expanded our retail space in this region, taking the opportunity of locking in long-term leases at a time when rentals are still relatively depressed.

One plan that did not materialize was the Esprit Europe IPO, which we postponed at the last minute to safeguard shareholder value due to a severely weakened market. The decision had no negative impact on the company's growth;

DIVIDEND PER SHARE

(HK¢)



EARNINGS PER SHARE (EPS)

(HK¢)

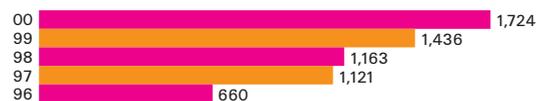


*39.2HK¢ after exceptional gain of HK\$78mn

**14.2HK¢ after exceptional loss of HK\$125mn

SHAREHOLDERS' FUNDS

(HK\$ MN)



nor does it signal a change in our strategy, and we are continuing to keep a keen eye on market conditions.

Overall, we are in great shape. While we are very happy to see the company growing in all directions, what also pleases us is how strong we look against the important benchmarks. We are seeing a smooth flow of goods, with control over our cost of goods. Our sourcing regimen is fluid, and our retail network strengthened by stores in prime locations with low rentals. Costs have been reduced and our operating margin increased. We are in a net cash position and have strong cashflow to finance our aggressive expansion. Our operating expenses as a percentage of sales have also decreased.

Going forward with this momentum, we are confident of achieving our target 20% growth for the next few years. We will remain on a course of global expansion and have budgeted over HK\$450 million in capital expenditure for the further expansion of our retail network. We have also been able to earmark a further HK\$200 million for the possible entry into other strategic markets when and where conditions are favorable.

To conclude, I would like to thank all our staff and partners for their support over the year. I would like to offer my special thanks to Ms Joyce Ma, who resigned from the board of directors in November 1999, after serving with us as a non-executive director since we became a publicly listed company in 1993. I also extend a warm welcome to Mr Simon Lai, who joined us as a non-executive director in November 1999, and Mr John Poon, who was appointed executive director and group CFO in December.

Michael Ying

Chairman

September 28, 2000

a global brand

**"I'm an absolute
ESPRIT addict."
Alexandra Karpf,
Switzerland**

(edited)

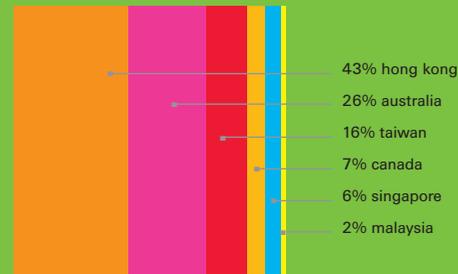
91%

growth in men's
wear in Europe

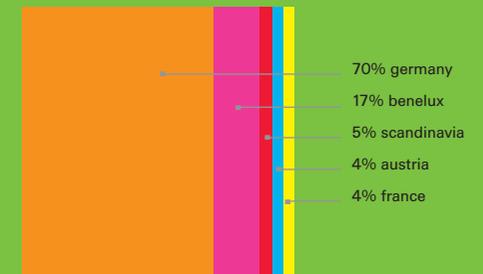
**"Well done and keep
up the good work
Esprit, for bringing
back men's clothing."
Gerard Yuk Cheng Koo,
Canada**

(edited)

GEOGRAPHICAL MIX - ASIA PACIFIC
YEAR ENDED JUNE 30, 2000



GEOGRAPHICAL MIX - EUROPE
YEAR ENDED JUNE 30, 2000



With over 470 directly managed stores, 1,400 franchised outlets and 8,000 wholesale customers in over 40 countries on 5 continents, ESPRIT is a truly global brand.

39%

European growth
in euro terms



Dear Esprit team,
With the attached picture I want to show you how great your Baby-Collection (size 62) is. It is very easy to wash and the colours stay as bright as they were when they were bought. Please carry on making such nice styles.

Yours,
Doris Neuschäfer

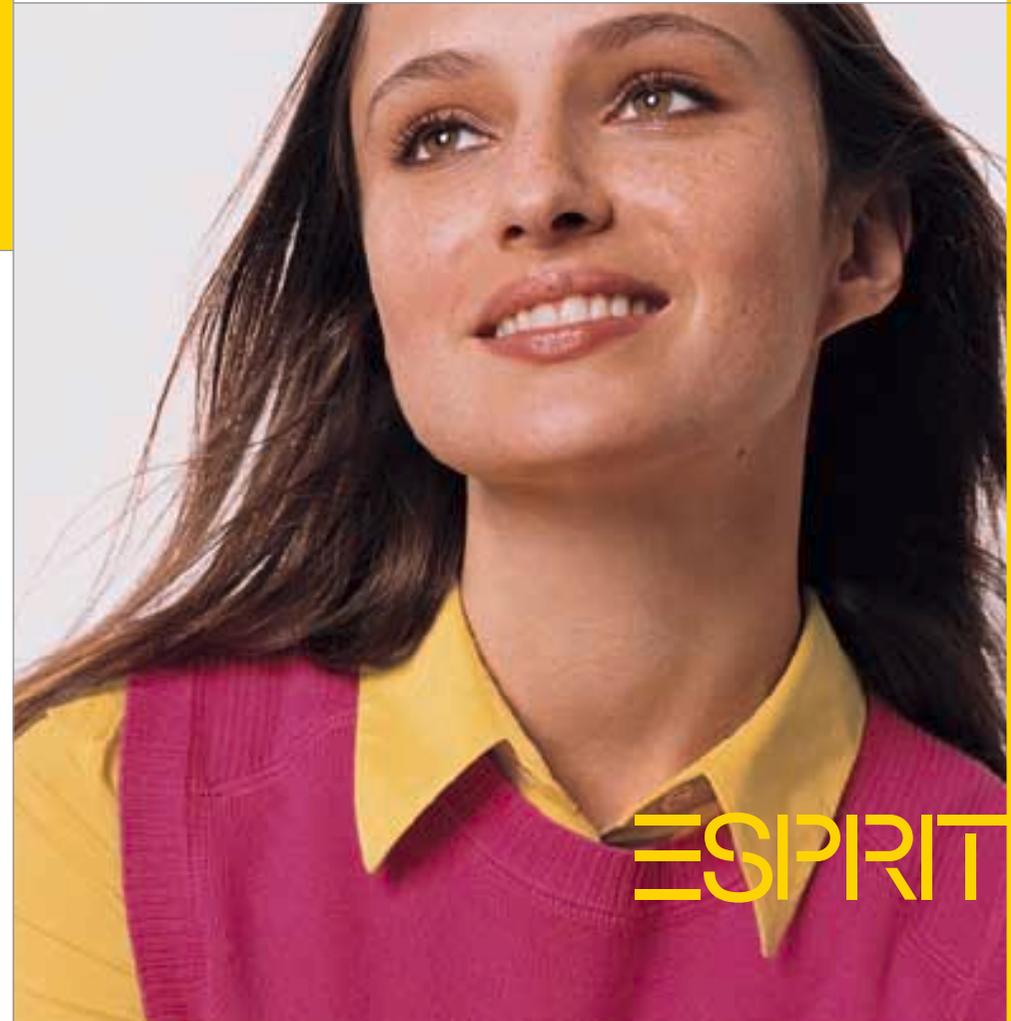
Doris Neusch, Germany
(translation)

A consistent brand signature identifiable
across all stores and product lines

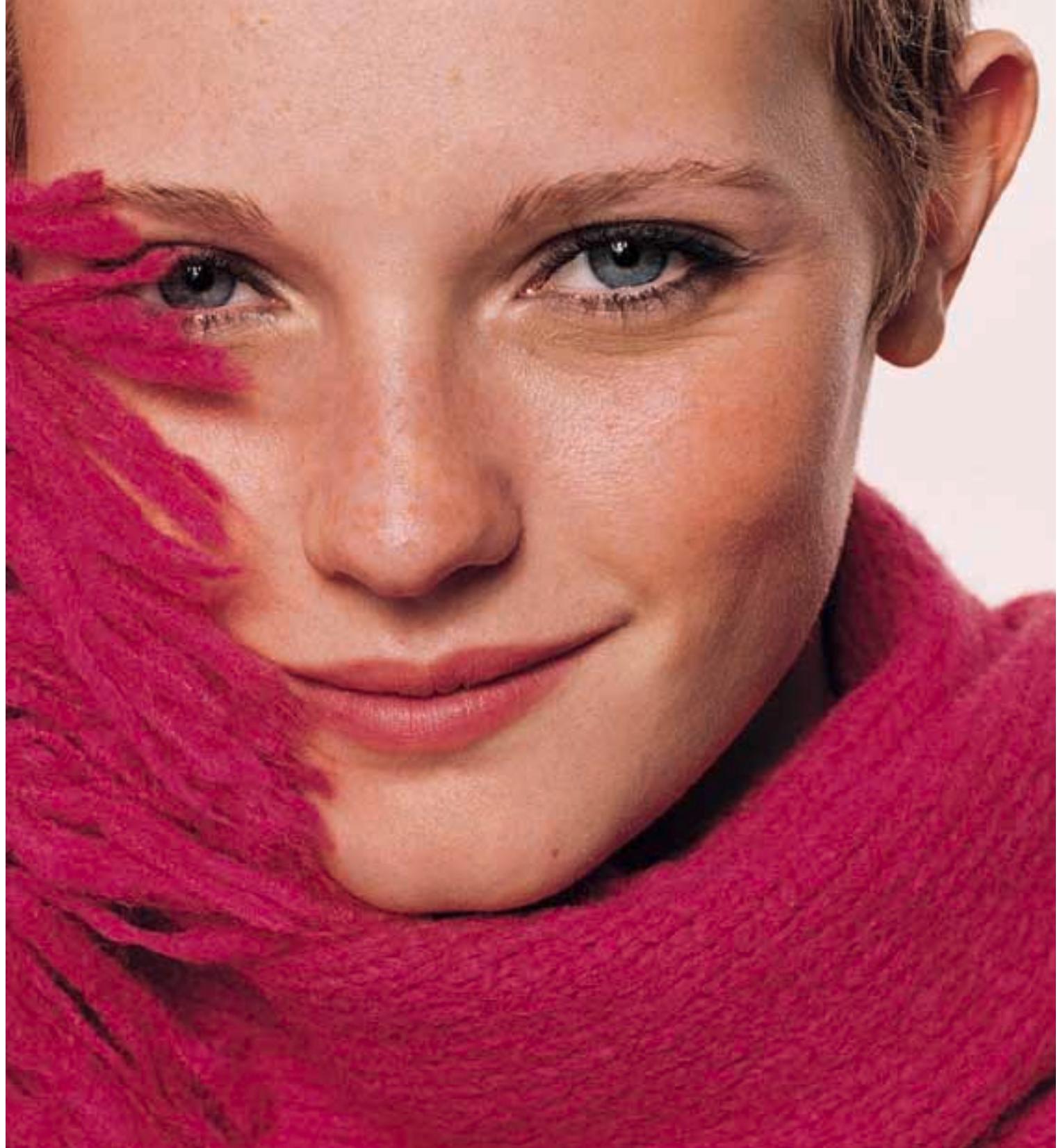
About
7,000
designs produced
a year across 8
product lines



More than 250
colors of Red Earth
lipstick a year



In its first nine months in operation, our largest Hong Kong mega-store in Mongkok, at 22,000 square feet, achieved sales approaching HK\$100 million. That's more sales than was recorded in the whole of Malaysia over the same period.





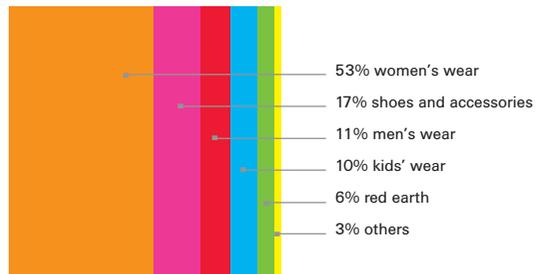
how wide is our horizon?

Our view of the world is constantly expanding, through the introduction of new product lines. Over the past year, we have pioneered in-store hair salons to enhance the Esprit shopping experience. We now plan to launch active sports wear, newborns and ESPRIT cosmetics in the year ahead.

superior brand recognition



SALES BREAKDOWN BY PRODUCT
YEAR ENDED JUNE 30, 2000



BUSINESS REVIEW

MOMENTUM GAINED ACROSS PRODUCT LINES

The Esprit promise is a guarantee of high quality in every aspect of our delivery. But how big a promise is this? The high quality of our products extends to the fit of our clothing, the materials used, the workmanship that goes into the tailoring, and the look and handfeel of the finished product.

It is a promise of the right product at the right time: twelve collections and six order periods a year for most product lines. In recognition of our outstanding entrepreneurial performance in the textile and fashion industry, we were awarded the Forum-Preis in May 2000, in Germany.

Esprit is a promise of contemporary style that is clean and modern, but not high fashion; consumer driven, not driven by design; and at democratic prices that most can afford.

Women's wear has been and continues to be our traditional strength. Despite making deep inroads into

numerous other product lines in recent years, our women's lines just continue to grow. Take EDC. Turnover in this more-fashionable, young line grew by over 120% last year. What does this mean? We see this as a positive development: these youngsters have adopted the Esprit lifestyle concept at a special time in their lives and may stay with us for generations to come.

Women's wear (including EDC) continues to account for over 50% of our turnover and has achieved a growth of over 21%. Our Women's Casual line grew by a further 12%, against growth of almost 27% in our Women's Collection line. Nevertheless, some of our other lines are substantially taking off.

With turnover growth in men's wear exceeding 45% in FY 1999/2000, we can now dare to imagine a future when Esprit sees equilibrium between men's and women's. Men's accounted for 11% of our total turnover last year, and the sizable growth we are seeing in this line is a sign that we are broadening our customer base.

We believe that this stellar performance in the men's range of clothing is a direct result of our highly integrated



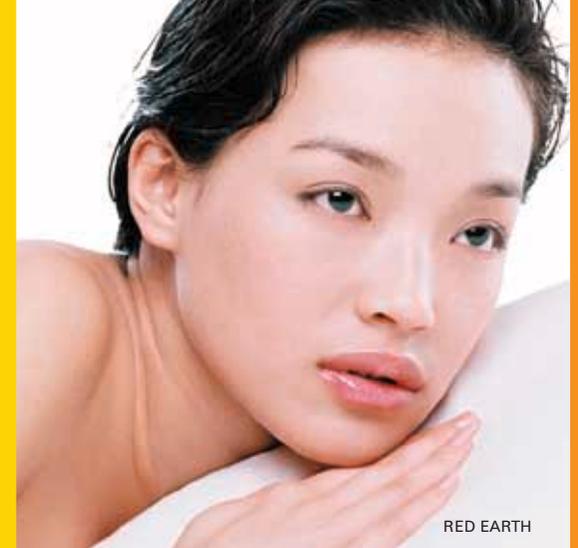
KIDS' WEAR



SHOES



ACCESSORIES



RED EARTH

management approach, in which each product line is overseen by its own team, responsible for product development, design, sourcing and overall management.

Our kids' line accounts for almost 10% of the total turnover, and experienced a marginal increase over the year. This line still has plenty of room to grow.

Shoes and accessories walked out of the stores faster than we could have wished, with turnover in shoes growing by over 35%. Competition in quality footwear is extra fierce for us as we are competing not just with our comparable competitors but also the whole specialist footwear industry.

With just 18 months on the shelves, bodywear has got off to a good start. Benefiting from our large volume of female customers, this line grew by over 300% – which bodes well for the future of this fresh line.

Red Earth enjoyed its best year yet. Sales growth hit almost 30% and the brand broke into profitability for the first time. Cosmetics is a volume business, by which we mean that a profitable business is contingent on a large volume of sales. Red Earth saw turnover of

HK\$400 million in the year under review.

With growth as our clarion call, more expansion plans are being hatched for all our lines. Our range of products and services is growing every year, and we have recently added hair salons, cafés and homeware. In the year ahead, special emphasis will be placed on promising divisions such as men's wear, bodywear, and shoes and accessories. We also have plans to launch two new product lines including Esprit Sportswear, which will be presented to trade representatives at the Munich ISPO Exhibition in spring 2001. Active sports wear will be a good fit with our existing product lines. A Newborn product group will join our growing family of product lines in December 2000. In addition, we will expand our range of licensed products to ESPRIT cosmetics and sports accessories, among others. We will definitely widen our horizons this year.

12 collections and
six order periods a
year for most lines.



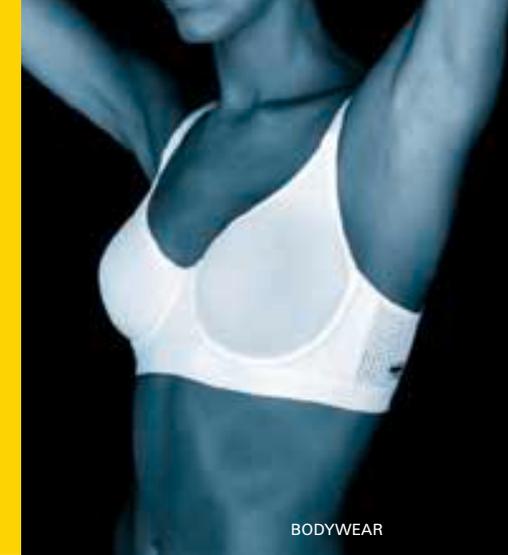
JEWEL



TIMEWEAR



EYEWEAR



BODYWEAR

We expanded our **mega-store** concept in Europe and the Asia Pacific during the year. These **mega-stores** allow customers to browse through numerous or all of our product lines and licensed goods under one roof.

SCALING NEW HEIGHTS IN BRAND DOMINANCE OF THE GLOBALIZING APPAREL INDUSTRY

From products to markets, it's the same story: growth. We have continued to grow radically in most of our world markets, both in terms of turnover and the floor space that bears our well-recognized global brand name. Complementing this fine performance, we have also done the utmost to rein in costs. One result was a substantial net cash position that will help fuel further expansion of our global business in the current fiscal year. So how much further can we grow?

We still have much more room to grow. One of the most encouraging developments over the past year was the impressive growth rates registered by some of our smaller European markets. In local currency, France, Austria and Scandinavia all put in growth at about 50%. This is what we mean when we say that Esprit is a rapidly-growing company. Europe as a whole grew by 39% in FY 1999/2000 in local currency terms, despite relatively limited penetration when standing next to our comparable competitors.



global reach...

One of Esprit's European strongholds is the Benelux region – Belgium and the Netherlands – which registered gains of close to 29%. Germany continues to be our largest market, being three times the size of our next-biggest market. One in every three women possesses an ESPRIT-branded item in the country, a place where almost everyone knows our name. Yet our market share in Germany is a snip at 1.3%. So there is a huge well of untapped potential and significant room to grow in this market. Our high level of brand recognition in Germany is matched in many of our other existing markets in the Asia Pacific and, especially, in Europe. The next few years will be characterized by continued high growth in our existing markets worldwide, in order to capitalize on this awareness and soak up market share.

To tap our success in Europe, we pioneered our mega-store concept in Germany during the year, opening two mega-stores in the country. These mega-stores allow customers to browse through numerous or all of our product lines and licensed goods under one roof. These outlets are also a showcase for ESPRIT's quality, style and

taste, and act as a meeting place where we can extend our concept of quality to complementary customer services, such as hair salons and cafés. We will be looking at the feasibility of opening more such mega-stores in other major cities where we can benefit from our superior brand recognition.

Sales growth in the Asia Pacific was crowned by a 44% increase in Hong Kong – our second-largest market. This was achieved in spite of the prevailing poor retail sentiment in Hong Kong, which has never really fully recovered from the Asian financial crisis. Having renewed a large number of leases at about the bottom of the property market, reasonable rental costs in Hong Kong also helped. We opened three mega-stores in Hong Kong during the year. Despite the general recovery of the Asian economies, retail sentiment has still not fully turned around in the region, and the performance of Singapore and Taiwan was relatively flat in FY 1999/2000.

Malaysia, although less than 1% of the group's turnover, surged by almost a quarter.

(to be continued on p.18)

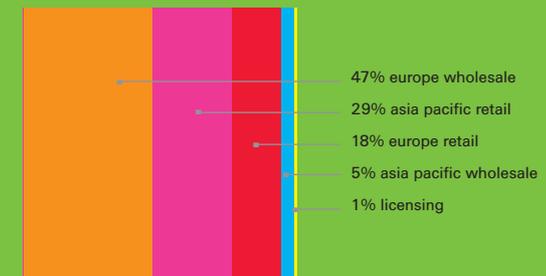


no boundaries

Our first Asia Pacific Internet homepage has been launched in Hong Kong. Homepages for other countries in the region will be rolled out gradually.

www.esprit.com.hk

OPERATION MIX
YEAR ENDED JUNE 30, 2000



2 million square feet of controlled retail space worldwide

"ESPRIT has been one of my favourite shops since I was very young, and I still love the shop – that says something!"

Georgia Jesson, Australia

(edited)

DISTRIBUTION CHANNELS

AS AT JUNE 30, 2000

		DIRECTLY MANAGED STORES		NO. OF FRANCHISED STORES
		SALES FOOTAGE (SQ. FT)	NO. OF STORES	
total		1,075,403	472	1,439
by region:	europa	363,583	98	808
	asia pacific	711,820	374	594
	others	-	-	37
in europa,	germany	213,583	51	584
	belgium	57,221	10	2
	the netherlands	44,017	18	24
	denmark	22,062	8	12
	france	21,997	8	50
	sweden	4,703	3	3
	others	-	-	133
in asia pacific,	hong kong (incl macau)	189,182	46	-
	australia (incl new zealand)	206,538	144	18
	taiwan	115,514	120	-
	canada	107,827	37	-
	singapore	62,754	18	-
	malaysia	30,005	9	-
	others	-	-	576
increase (vs 1999)		208,068	26	

470

Esprit outlets in Europe and the Asia Pacific



ESPRIT Europe website was voted best B2C site in Germany with more than 200,000 monthly visitors. Customers across the entire continent can enjoy the e*shopping experience by logging on to www.esprit-intl.com.

...local touch



The website is a superb promotional tool, allowing us to showcase our products more immediately and to a wider audience.

www.esprit-intl.com

Australia's contribution grew by 6% and continues to be an important market in the region, accounting for about a quarter of our Asia Pacific traffic. China offers immense potential and we are leading the charge into this market. To date, we have a presence in over 50 cities in the mainland – a market of almost legendary potential and its oft-cited population of 1.2 billion. Our joint venture with China Resources Enterprise Limited had, as at the end of the year under review, some 240 franchised stores and outlets, and 97 directly managed points of sale. We are hoping that this market will produce sales commensurate with its size.

In November 1999, we accomplished one of our chief aims in the Asia Pacific when we took 100% control of Esprit Canada. The Canadian market is a strategic link in our global strategy. Our consolidation of the Canadian network is key to unlocking the potential of the massive North American market.

In terms of directly managed retail space, we added approximately 150,000 square feet of shopping space in the Asia Pacific and a further 60,000 square feet in Europe. We will continue this aggressive expansion this



year with dedicated capital expenditure of over HK\$450 million to add over 20% of sales footage worldwide in FY2000/2001.

The rapid expansion of our brand last year was complemented by a rigorous cost-cutting regime that kept us fit and trim, and left us in sound financial shape. Through prudent management we decreased staff and building expenses by 1.7% and 1.3% as a percentage of turnover, respectively, filtering through to a 1.6% increase in our operating margin. At the same time, our operating expenses as a percentage of turnover decreased by a further 3%. These nips and tucks contributed to a tremendously improved net cash position after bank borrowings of HK\$325 million, against approximately HK\$10 million in the previous financial year.

We have also made the Internet work for us. On the B2B side, there is a wealth of unrealized potential for cost savings in our wholesale base, and we will continue to develop our B2B capabilities to maximize efficiency. A growing number of business transactions are migrating to the World Wide Web, and we recognize the importance of

building a global distribution, trading and presentation platform via the Internet.

In the sphere of B2C, our well-established website serving Europe was recently awarded the accolade "The Best B2C Website in Germany". Our e*shop, launched in May 1999, has been the only B2C website in Europe to cater to e*shoppers across the entire continent. Primarily, the website is a superb promotional tool, allowing us to showcase our products more immediately and to a wider audience in continental Europe. Without explicit advertising, the site attracted 200,000 monthly visitors. We are now planning to install a large lifestyle portal to display and market products, services and content that correspond with the spirit of Esprit. A B2C homepage for Hong Kong has been launched and homepages for our other main Asia Pacific markets will be launched in due course.

In the current year we will strive to achieve further growth in our under-represented global markets. When we pull this off, and our major markets continue to perform well, we will be well on the way to becoming a dominant force in the globalizing apparel industry.

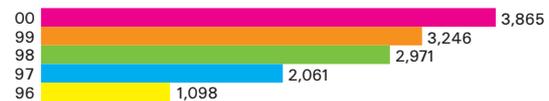


our products

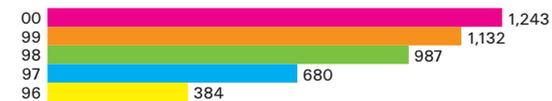
FOR YEAR ENDED JUNE 30

Rapid dollar
growth in core
product lines

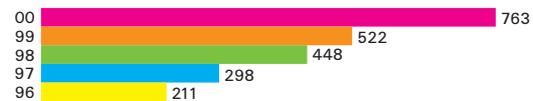
WOMEN'S WEAR (HK\$MN)



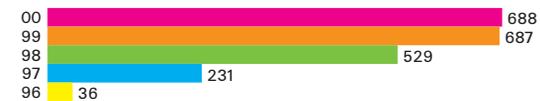
SHOES AND ACCESSORIES (HK\$MN)



MEN'S WEAR (HK\$MN)



KIDS' WEAR (HK\$MN)



RED EARTH (HK\$MN)



BODYWEAR (HK\$MN)



product and market data

FOR YEAR ENDED JUNE 30

		2000	1999	1998	1997	1996
OPERATION MIX (%)	wholesale – europe	47	43	41	27	–
	wholesale – asia pacific	5	5	3	6	9
	retail – europe	18	20	22	16	–
	retail – asia pacific	29	31	33	50	91
	licensing	1	1	1	1	–
GEOGRAPHICAL MIX (%)	germany	45	44	43	29	–
	hong kong	15	13	15	23	39
	belgium and the netherlands	11	12	11	8	–
	australia	9	10	8	11	13
	taiwan	6	7	7	9	17
	scandinavia	3	2	3	2	–
	austria	3	2	1	1	–
	france	2	2	2	1	–
	canada	2	3	2	–	–
	singapore	2	3	3	5	11
	malaysia	1	1	1	1	2
	others	1	1	4	10	18
	PRODUCT MIX (%)	women's wear	53	54	59	62
men's wear		11	9	9	9	12
kids' wear		10	11	10	7	2
accessories		9	11]19]20]21
shoes		8	8			
red earth		6	5	2	1	2
others		3	2	1	1	1

Super Quality

I'd like to say a few positive words to Esprit. I find your products to be of top quality and the prices are very fair. The clothes always fit perfectly and are very easy to wash – even when they've been washed several times, you can't see how old the items are. Furthermore, the service provided by the staff is always helpful. I once had a complaint but even then, I was treated very kindly. I want to say thank you to the Esprit team.

Kerstin Ecker, Neunkirchen,

Germany

(translation)





how big is big enough?

With dedicated capital expenditure in excess of HK\$450 million, we shall expand our retail space by over 20% in the coming fiscal year.

5-year key financial and performance data

FOR YEAR ENDED JUNE 30

	2000	1999	1998	1997	1996
OPERATING RESULTS (HK\$ MN)					
turnover	7,277	5,994	5,087	3,352	1,785
operating profit (after finance costs)	871	625	490	401	203
profit attributable to shareholders*	460	352	280	236	162
PER SHARE DATA (HK¢)					
earnings per share*	41.3	32.1	25.7	26.1	20.5
dividend per share	15.0	14.5	3.8	11.5	9.8
KEY STATISTICS (HK\$ MN)					
shareholders' fund	1,724	1,436	1,163	1,121	660
working capital	543	487	439	420	410
cash position (net of overdraft)	707	543	382	530	271
OTHER DATA					
number of directly managed stores	472	446	432	364	253
directly managed sales footage (SQ FT)	1,075,403	867,335	714,263	602,735	299,996
monthly sales per square foot (HK\$)	386	401	387	470	633
capital expenditure (HK\$ MN)	323	257	181	79	60
number of employees	5,208	4,471	4,257	4,377	2,619

	2000	1999	1998	1997	1996
KEY RATIOS					
total debt to equity (%)	106.3	116.8	145.8	165.8	64.0
bank borrowings to equity (%)	23.8	39.3	63.3	68.7	6.6
net debt to equity (%)	net cash	net cash	23.3	17.7	net cash
interest cover (times)	23.3	13.6	9.2	8.8	23.1
current ratio (times)	1.3	1.4	1.4	1.4	2.0
stock turnover period** (days)	37	40	37	51	46
return on total assets* (%)	12.9	11.3	9.8	7.9	14.9
return on shareholders' equity* (ROE) (%)	26.7	24.5	24.1	21.0	24.5
earnings before interest, taxation, depreciation and amortization (EBITDA) margin (%)	14.7	13.7	13.4	16.3	14.6
earnings before interest and taxation (EBIT) margin (%)	12.1	10.9	10.4	12.7	11.1
earnings before taxation (EBT) margin* (%)	12.1	10.4	9.3	12.0	11.5

* calculated before profit or loss on listed investment held for long term (HK\$78mn gain for FY1999, HK\$125mn loss for FY1998)

** calculated as closing stocks balance as at year-end over turnover for the year

management discussion and analysis

FOR THE YEAR ENDED JUNE 30, 2000

REVIEW OF OPERATIONS

TURNOVER

Group turnover increased by 21% to HK\$7.3 billion during the year. In local currency terms, we achieved growth in most of our markets, with significant growth in Hong Kong, Germany, Scandinavia, France and Austria. Turnover in Hong Kong grew by 44% which was the highest among our major markets worldwide. Germany, our biggest market, accounting for 45% of Group turnover, registered notable growth of 39%. Turnover in Scandinavia, France and Austria increased by at least 50%. Australia, Malaysia, and Belgium and the Netherlands reported growth ranging from 6% to 29%.

Growth was also reported in most of our product lines. Net sales under the ESPRIT brand accounted for 94% of the Group's turnover. Women's wear (including EDC), which accounts for over 50% of Esprit's business, grew by 21%. Other product lines, namely men's wear, shoes and bodywear, reported sales growth of 46%, 36% and 306% respectively. Growth in kids' wear was relatively flat. Red Earth contributed the remaining 6% of the Group's turnover, or HK\$400 million, and also reported growth of 29%.

The impressive growth achieved by most of the product lines was attributable mainly to the strength of the ESPRIT brand, the Group's aggressive expansion of its distribution network and increased product lines. The Group has been able to sell a wider range of products in more stores than ever before.

GROSS PROFIT

Our gross profit, in absolute dollar terms, increased by 18% and margin declined by 1.6% to 49.8% when compared with last year. Although there was no material change in gross margins in the Asia Pacific markets, a disproportionately high increase in the European wholesale business – which yields a lower gross margin than the retail business and contributed 47% of the Group's turnover (versus 43% last year) - resulted in a slight decrease in the Group's gross margin.

NET OPERATING EXPENSES (including net interest expenses)

Reduction in building and staff expenses as a percentage of turnover

Building and staff expenses accounted for over 65% of the Group's total operating expenses. The Group has significantly expanded its retail presence in the Asia Pacific, especially in Hong Kong, where three mega-stores were opened to take advantage of falling rentals. Europe also opened two mega-stores during the year. The net addition in sales footage overall was approximately 210,000 square feet, or 24%. Total rental expenses increased by a mere 6%, or HK\$34 million.

Staff expenses decreased as a percentage of turnover partly because a more cost-effective deployment of sales staff was achieved through the operation of the mega-stores. Staff and building expenses as a percentage of turnover decreased by 1.7% and 1.3% respectively, over last year's figures.

Other operating expenses, including provision for expenses incurred for the initial public offer of Esprit Europe, depreciation and amortization, advertising, communications, net interest expenses and administration, remained at more or less the same level as last year, as a percentage of turnover. Accordingly, total net operating expenses as a percentage of turnover decreased by 3.2% from the previous year, to 37.8%.

EARNINGS BEFORE INTEREST TAXATION DEPRECIATION AND AMORTIZATION (EBITDA)

Our EBITDA and EBITDA margin increased by 30% and 1% to over HK\$1 billion and approximately 14.7%, respectively. This improvement was largely attributed to better economy of scale and enhanced operating efficiency.

OPERATING PROFIT

Seven consecutive years of growth in operating profit

The Group achieved an operating profit, after finance costs, of HK\$871 million, up 40% from FY1998/1999. Germany was the largest profit contributor, whereas Belgium and the Netherlands, and Hong Kong were the second and third major profit contributors followed by Australia and Taiwan.

PROFITS TAX

The effective tax rate in FY1999/2000 was 39.5%, which was 3% higher than that in the

previous financial year. This was mainly due to the increase in the proportion of profits generated in Germany, where tax rates are relatively high.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Compared with FY1998/1999, profit attributable to shareholders before profit on disposal of listed investment held for long term increased by HK\$108 million, or 31%, to HK\$460 million. As a percentage of turnover, this margin increased by 0.4% to 6.3%.

This improvement was largely the combined effect of a lower gross margin, a lower percentage of net operating expenses to turnover, and a higher effective tax rate.

LIQUIDITY AND FINANCIAL RESOURCES

A strong and self-sustained financial position

Cash generated across the Group remained strong, with HK\$1,089 million being generated from operating activities. From these internal funds, the Group utilized a total of HK\$323 million in capital expenditure, HK\$154 million in bank loan repayment and HK\$231 million in tax payment. The Group recorded a net inflow of HK\$180 million, which raised the total cash and cash equivalents to HK\$707 million as at the balance sheet date.

The Group has trade finance, short-term loans and overdraft facilities from its banks totaling over HK\$300 million. As at June 30, 2000, total outstanding short-term loans

and bank overdrafts stood at HK\$28 million. Outstanding long-term bank borrowings stood at HK\$382 million. As such, the Group was in a net cash position, net of bank borrowings, of HK\$325 million.

Our debt to equity ratio was below 24% at the fiscal year end, and the Group has working capital of HK\$543 million. The current ratio has been maintained at a healthy level of 1.3:1.

During the year, as is our policy, the Group continued to enter into foreign exchange forward and options contracts to reduce exposure to foreign currency exchange risks. These contracts were entered into with large reputable financial institutions, thereby minimizing the risk of credit loss. We were able to reduce the euro exchange risk arising from Asian sourcing for our European sales by requesting all Asian suppliers to also quote prices in euro. As at June 30, 2000, outstanding contracts valued at contracted rates was lowered to HK\$189 million, from HK\$1,908 million last year.

CAPITAL EXPENDITURE

Investing in the Group's future

Our capital expenditure totaled approximately HK\$323 million in FY1999/2000, generating a net increase in directly managed sales footage of approximately 210,000 square feet, or 24%, as a result of opening mega-stores in both the Asia Pacific and Europe. Approximately HK\$145 million was committed for the Asia Pacific and

HK\$178 million for Europe, resulting in approximately 363,000 square feet and 712,000 square feet, respectively.

For FY2000/2001, the Group has dedicated in excess of HK\$450 million, primarily to further bolster our retail space in Europe and the Asia Pacific by over 20%. We expect sales footage in June 2001 to be over 500,000 square feet and 800,000 square feet for Europe and the Asia Pacific respectively.

corporate information

EXECUTIVE DIRECTORS

Michael Ying Lee Yuen, *Chairman*
Surinder Chhibber, *Deputy Chairman*
Heinz Jürgen Krogner-Kornalik
John Poon Cho Ming
Connie Wong Chin Tzi

NON-EXECUTIVE DIRECTORS

Jürgen Alfred Rudolf Friedrich
Alexander Reid Hamilton
Simon Lai Sau Cheong
Raymond Or Ching Fai

COMPANY SECRETARY

John Poon Cho Ming

PRINCIPAL BANKER

The Hongkong and Shanghai Banking
Corporation Limited

AUDITORS

PricewaterhouseCoopers,
Certified Public Accountants

SOLICITORS

Deacons

COMMON SHARE

The common share of Esprit Holdings
Limited is listed for trading on The Stock
Exchange of Hong Kong Limited (code:
0330) and the London Stock Exchange
(ticker: EPT LI)

PRINCIPAL SHARE REGISTRAR

Butterfield Corporate Services Limited
11 Rosebank Centre, Bermudiana Road,
Hamilton, Bermuda

HONG KONG SHARE REGISTRAR

Secretaries Limited
5/F, Wing On Centre,
111 Connaught Road Central,
Hong Kong

REGISTERED OFFICE

Clarendon House
Church Street, Hamilton HM 11, Bermuda

HEAD OFFICE AND PRINCIPAL PLACES OF BUSINESS

10/F, 11 Yuk Yat Street, Tokwawan,
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www.esprit-intl.com

financial report

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their annual report and the audited financial statements for the year ended June 30, 2000.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of the principal subsidiaries are shown in note 29 to the financial statements. The Group is principally engaged in the design, licensing, sourcing, manufacturing, wholesale and retail distribution of high quality apparel and related products under the internationally known ESPRIT brand name in Europe and the Asia Pacific, together with Red Earth cosmetics, skin and general body care products.

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

	TURNOVER HK\$'000	CONTRIBUTION TO OPERATING PROFIT AFTER FINANCE COSTS HK\$'000
Analysis by principal activities		
Retail	3,435,812	270,769
Wholesale	3,761,072	563,093
Others	80,422	37,505
	7,277,306	871,367
Analysis by principal geographical markets		
Germany	3,296,078	504,533
Hong Kong	1,078,536	97,951
Belgium and the Netherlands	817,180	103,020
Australia and New Zealand	661,336	56,581
Taiwan	399,007	43,754
Others*	1,025,169	65,528
	7,277,306	871,367

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

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 37 and in the accompanying notes to the financial statements.

Interim dividend of 3.8 Hong Kong cents per share, of which HK\$37,103,000 was paid in cash and 700,113 shares were issued as scrip dividend, was paid on May 16, 2000.

The Directors recommend the payment of a final dividend of 11.2 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 note 19 to the financial statements.

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 60.

SHARE CAPITAL

Details of movements in share capital of the Company and share options granted by the Company are set out in note 18 to the financial statements.

FIXED ASSETS

Details of movements in fixed assets of the Group during the year are set out in note 11 to the financial statements.

BANK LOAN

Details of bank loan are set out in note 22 to the financial statements.

CHARITABLE DONATIONS

During the year, the Group made charitable donations totalling HK\$2,316,000.

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

Surinder CHHIBBER

Heinz Jürgen KROGNER-KORNALIK

John POON Cho Ming (appointed on December 3, 1999)

Connie WONG Chin Tzi

Alva CHAN Wai Mo (resigned on August 31, 1999)

NON-EXECUTIVE DIRECTORS

Jürgen Alfred Rudolf FRIEDRICH

Alexander Reid HAMILTON

Simon LAI Sau Cheong (appointed on November 27, 1999)

Raymond OR Ching Fai

Joyce Elena MA (resigned on November 26, 1999)

In accordance with clauses 86 and 87 of the Company's Bye-laws, Mr. Simon Lai Sau Cheong, Mr. John Poon Cho Ming, Mr. Heinz Jürgen Krogner-Kornalik and Mr. Jürgen Alfred Rudolf Friedrich will retire by rotation and, being eligible, offer themselves for re-election.

Mr. Heinz Jürgen Krogner-Kornalik has entered into a service agreement which took effect from January 9, 1995 and continues thereafter until terminated by either party giving to the other not less than 12 months' notice of termination, such notice will only take effect from or after December 31, 2003.

Mr. Simon Lai Sau Cheong was appointed for a three-year term expiring on November 26, 2002 but is subject to retirement by rotation and re-election at the annual general meeting in accordance with the Bye-laws of the Company.

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

DIRECTORS AND SENIOR MANAGEMENT PROFILE

EXECUTIVE DIRECTORS

Michael YING Lee Yuen, aged 50, is Chairman and Chief Executive Officer of the Group.

Mr. Ying has over 25 years' experience in apparel distribution and manufacturing. He is primarily responsible for the overall direction and formulation of corporate policies of the Group.

Surinder CHHIBBER, aged 50, is Deputy Chairman and Chief Executive Officer of the Group's Asia Pacific operation. He joined the Group in 1987 and has over 20 years' 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 the University of Delhi.

Heinz Jürgen KROGNER-KORNALIK, aged 59, is Chief Executive Officer of Esprit Europe AG group and has been with the Group since January 1995. He possesses a degree in business administration and industrial engineering. He had been 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 46, is Group Chief Financial Officer and Company Secretary.

Mr. Poon is responsible for the Group's financial, corporate and legal affairs. Prior to joining the Group in December 1999, he was an executive director of two Hong Kong publicly listed 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 the University of Alberta, Canada with a Bachelor of Arts Degree in Economics and a Bachelor of Law Degree.

Connie WONG Chin Tzi, aged 52, is Director of the Group's 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 the National Taiwan University.

NON-EXECUTIVE DIRECTORS

Jürgen Alfred Rudolf FRIEDRICH, aged 62, founded Esprit's European operation in 1976 and was appointed as a Non-executive Director in 1997. He has over 30 years of experience in the apparel distribution business and is currently retired. He is the sole shareholder of Worldwide Thousand Ltd.

Alexander Reid HAMILTON, aged 58, 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 and the Swank Shop Limited. He was a partner of Price Waterhouse with which he practised for 16 years.

Simon LAI Sau Cheong, aged 40, was appointed as 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 15 years' experience in legal practice.

DIRECTORS AND SENIOR MANAGEMENT PROFILE *continued*

NON-EXECUTIVE DIRECTORS *continued*

Raymond OR Ching Fai, aged 50, was appointed as an Independent Non-executive Director of the Company in 1996. He is the 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 also the Chairman of the Hong Kong Association of Banks.

SENIOR MANAGEMENT

Thomas GROTE, aged 37, is Chief Sales Officer of Esprit Europe AG group. 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.

Melody HARRIS-JENSBACH, aged 39, is Design Director of Esprit Women's Casual and Collection. She joined Esprit Europe AG group in August 1998. She is a Korean American raised in the United States and graduated from Parsons School of Design in New York City with a Bachelor of Fine Arts majoring in Fashion Design. She has had 15 years' experience as Designer/Chief Designer at various market levels of the women's wear industry. She worked with Laurel, Escada, Fink Modelle from the Louis Feraud Group, Cartoon Triangle, Viventy from Bernd Berger before joining Esprit Europe AG group.

Steven KO Soon How, aged 38, is Chief Executive Officer of Red Earth International Holdings Limited. He is responsible for the overall direction of Red Earth group. After his university education in Canada, Mr. Ko was with Citibank in Australia for 4 years before he co-founded the Red Earth brand in 1990. Since then, he headed the Red Earth sourcing and licensing office before being appointed as Chief Executive Officer in 1997.

Andreas KROMER, aged 42, is the head of retail operations for Esprit Europe AG group. After completing his studies in retailing at the German Polytechnic in Nagold, he worked for six years in the well-known German textile retail company, Boecker. He then assumed the position of managing director for the German department store, Cramer Meermann, until he joined the Group in 1992.

Joris LEEMAN, aged 36, is Chief Operating Officer of Esprit Europe AG group. He holds a Master of Arts degree with emphasis in International Business and a Master of Business Administration degree from the European campus of Webster University, St. Louis. Before joining the Group in September 1998, he worked for 11 years for MEXX and Johnson & Johnson on Pan-European consolidation in Logistics Operations, Quality Management and European Marketing.

Theresa TSANG Sui Fong, aged 44, joined the Group in 1977 and has been in charge of the human resources division since 1983. She is responsible for the formulation and administration of human resources policies, recruitment, and employee compensations and benefits. She is a member of the Hong Kong Institute of Human Resource Management.

Morris WAGENHEIM, aged 47, is Managing Director of the Group's Australian operation. He joined the Group in 1994, after having spent the previous four years as general manager of the 150-store Sportsgirl chain in Australia. Mr. Wagenheim had spent most of his working career with the Wooltru Group in South Africa, the largest retail conglomerate in that country. His career has spanned all aspects of fashion retailing.

Eddie WAN Tat Wah, aged 46, is Chief Operation Officer of the Group's Hong Kong retail operation. He has over 20 years of experience in garment trading and retail business. Mr. Wan first joined the Group in 1984 and was involved extensively in store operations and merchandizing/buying in Hong Kong. He left the Group in the year 1993 to establish his own business and rejoined the Group in mid-1997.

Günter WARTENBERG, aged 47, is Chief Financial Officer of Esprit Europe AG group. He joined the Group in 1991. Mr. Wartenberg studied taxation and auditing before receiving his doctorate degree from the University of Cologne. He has 17 years of experience in finance and accounting and had worked with Bertelsmann AG, Henkel KgaA and Facit GmbH before joining Esprit Europe AG group.

Jörg WINGBERMÜHLE, aged 39, is Chief Divisional Officer of Esprit Europe AG group. He studied economics at the College of Advanced Vocational Studies in 1982 and graduated with a Master of Business Administration. Thereafter he joined Hugo Boss for four years as product manager and assistant of the creative board. Subsequently he worked as a freelancer in the development of collections and production management for well known brands such as Joop, Mac Jeans and Uli Knecht. He joined the Group in 1997 as Manager for the Men Division.

Susan WONG Ping, aged 52, joined the Group in 1976 and is General Manager responsible for the Group's sourcing and production activities for apparel, shoes & accessories including product and fabric development. She has over 25 years of experience in the garment production field. Prior to joining the Group, she held various positions in the garment manufacturing for a local apparel group.

Derong YANG, aged 35, 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 the local arts and culture scene.

DIRECTORS' INTERESTS IN SHARES

As at June 30, 2000, the interests of the Directors in shares of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

NAME OF DIRECTOR	NUMBER OF SHARES			
	PERSONAL INTERESTS	CORPORATE INTERESTS	FAMILY INTERESTS	OTHER INTERESTS
Michael Ying Lee Yuen	-	649,531,579*	-	-
Surinder Chhibber	4,060,385	-	-	-
Jürgen Alfred Rudolf Friedrich	1,087,866	146,875,227*	236,134	-
Connie Wong Chin Tzi	1,781,866	-	-	-

* 502,656,352 shares are held by Great View International Limited which is wholly owned by Mr. Michael Ying Lee Yuen. 146,875,227 shares are held by Worldwide Thousand Ltd. which is wholly owned by Mr. Jürgen Alfred Rudolf Friedrich, to which Mr. Michael Ying Lee Yuen is deemed to be interested on the basis of a Deed made between Mr. Michael Ying Lee Yuen, Mr. Jürgen Alfred Rudolf Friedrich and Worldwide Thousand Ltd. dated March 6, 2000.

* These shares are held by Worldwide Thousand Ltd. which is wholly owned by Mr. Jürgen Alfred Rudolf Friedrich.

Save as disclosed above, none of the Directors, chief executives or their associates had any interest in the listed securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

DIRECTORS' INTERESTS IN CONTRACTS

No contract 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 the year or at any time during the year.

ARRANGEMENT TO PURCHASE SHARES AND DEBENTURES

A Share Option Scheme ("the Scheme") was adopted by the Company on November 17, 1993 under which eligible employees of the Group, including Executive Directors of the Company, may be granted options to subscribe for shares in the Company. Details of share options exercised during the year and outstanding share options as at June 30, 2000 granted to and accepted by the Executive Directors under the Scheme, in which the Executive Directors can subscribe for shares in the Company at HK\$2.64 to HK\$6.36 per share, are as follows:

NAME OF DIRECTOR	AS AT	GRANTED	EXERCISED	EXPIRED	AS AT
	6.30.1999				6.30.2000
Michael Ying Lee Yuen	15,000,000	-	-	-	15,000,000
Surinder Chhibber	7,000,000	-	-	-	7,000,000
Heinz Jürgen Krogner-Kornalik	8,000,000	-	-	-	8,000,000
John Poon Cho Ming	-	8,000,000	-	-	8,000,000
Connie Wong Chin Tzi	3,000,000	-	-	-	3,000,000

These options were divided into two to eight equal fractional installments. The first exercisable date between each installment shall occur at intervals of six calendar months and expiring on the fifth anniversary of the first exercisable date of each installment or ten years from date of adoption of the Scheme, whichever is the earlier. The earliest exercisable date for the first installment shall occur six months after the date of grant.

Save as disclosed above, at no time during the year was the Company or its subsidiaries a party to any arrangements 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.

SUBSTANTIAL SHAREHOLDERS

As at June 30, 2000, the following interests of 10% or more in the issued share capital of the Company were recorded in the register of interests required to be maintained by the Company pursuant to Section 16(1) of the SDI Ordinance:

NAME OF SHAREHOLDER	NUMBER OF SHARES	%
Great View International Limited	502,656,352	45.02
Worldwide Thousand Ltd.	146,875,227	13.15

These interests are also included as corporate interests of Mr. Michael Ying Lee Yuen and Mr. Jürgen Alfred Rudolf Friedrich as disclosed under "Directors' Interests in Shares" above.

Save as disclosed above, no person, other than the Directors of the Company, whose interests are set out in the section "Directors' Interests in Shares" above, had registered an interest in the share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold 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 although there are no restrictions against such rights under the laws of Bermuda.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, less than 30% of the Group's sales were attributable to the five largest customers and less than 30% of the Group's purchases were attributable to the five largest suppliers.

MANAGEMENT CONTRACTS

No contract 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.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company was in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the accounting year under review.

CONNECTED TRANSACTIONS

The following transaction occurred in the year under review constitutes a connected transaction and is required to be disclosed under Chapter 14 of the Listing Rules:

On November 25, 1999, Esprit (Holdings III) B.V. ("EBV"), a wholly owned subsidiary of the Company, acquired 250,000 voting shares in Esprit de Corp (1980) Ltd. ("Esprit Canada"), representing 25% of the issued voting share capital of Esprit Canada, from 100930 Canada Ltd. ("LFCO"), a Canadian company controlled by Mr. Lawrence Firestone who was a director of Esprit Canada. This acquisition was made pursuant to LFCO exercising a put option in accordance with the terms of a shareholders' agreement dated March 19, 1998. In accordance with the terms of the agreement, EBV paid CAD1,000,000 (approximately HK\$5,328,800) to LFCO for the acquisition. LFCO and Mr. Firestone then agreed to waive their loans to Esprit Canada in the aggregate sum of approximately CAD1,750,000 (approximately HK\$9,325,400).

GRANTING OF FINANCIAL ASSISTANCE TO NON-WHOLLY OWNED SUBSIDIARIES

The following transactions, occurred in FY1998/1999 and were subsisting as at June 30, 2000, constitute granting of financial assistance by the Group to non-wholly owned subsidiaries and are required to be disclosed under the Listing Rules as follows:

(1) Red Earth Investment Limited ("RE Investment"), a wholly owned subsidiary of the Company, subscribed for a convertible note (the "Note") issued by Red Earth International Holdings Limited ("REI") for the amount of HK\$22,013,100 on August 27, 1998. RE Investment holds approximately 60.8% interest in REI and Mr. Steven Ko ("Mr. Ko"), a director of REI, owns the remaining interest in REI of which he agreed to on a mutual term to exercise only 60% of the voting power of his shares at meetings of REI.

Pursuant to the terms of the Note, RE Investment has an option to convert the outstanding amount of the Note or any part thereof at any time into fully paid shares (the "REI Share") with a par value of US\$1.00 each of REI at the conversion price of US\$1.80 per REI Share.

GRANTING OF FINANCIAL ASSISTANCE TO NON-WHOLLY OWNED SUBSIDIARIES *continued*

Approximately HK\$10,080,000 of the proceeds from the issue of the Note was used to repay amount owing by REI to a wholly owned subsidiary of the Company. The remaining balance of the proceeds was used as working capital of REI. The Note is repayable on demand and bears interest, payable quarterly in arrears, at the prime rate for lending in Hong Kong dollars as announced or applied by The Hongkong and Shanghai Banking Corporation Limited (the "Prime Rate").

- (2) Esprit Distribution Limited ("EDIST"), a wholly owned subsidiary of the Company, has made available a facility of HK\$10,000,000 (the "Facility") to REI. The Facility was drawn down in two installments on September 29, 1998 and October 19, 1998 respectively. The purpose of the Facility is to finance the working capital requirements of REI. The Facility bears interest, payable monthly in arrears, at the Prime Rate. On September 22, 2000, the maturity of the Facility was extended from September 28, 2000 to April 16, 2001. Mr. Ko has pledged all his shareholding and interest in REI to the Company as security for the Facility.
- (3) On January 4, 1999, the Company has provided a several guarantee of HK\$16,500,000 regarding banking facilities ("Facilities A") of HK\$27,000,000 granted by The Hongkong and Shanghai Banking Corporation Limited to Red Earth Production Limited ("REP"), a company in which the Group has approximately 60.8% interest. The remaining interest in REP is held by Mr. Ko, a director of REP, who has also provided a personal guarantee for Facilities A. The guarantees made by the Company and Mr. Ko are in proportion to their respective interests in REP and Facilities A are for general working capital purposes.
- (4) On November 2, 1999, Red Earth Holdings Pty. Ltd ("REA"), a 98% subsidiary of REI, has obtained the renewal of existing banking facilities to the amount of A\$5,348,000 ("Facilities B") from ANZ Bank Limited ("ANZ"). As security for Facilities B, the Company has provided a guarantee of up to 95% of the outstanding amount of Facilities B in favour of ANZ. Mr. Ko, the remaining shareholder of REA, has also provided a guarantee in respect of approximately 40% of Facilities B.

AUDIT COMMITTEE

An Audit Committee was formed in late 1997, reporting to the Board of Directors. The Committee, comprising three Non-executive Directors, is dedicated to the review of matters within the purview of audit, such as financial statements and internal control, to protect the interests of the shareholders of the Company.

YEAR 2000 COMPLIANCE

Details of the Group's assessment of the Year 2000 problem and progress of the compliance project have been disclosed in the interim report dated February 29, 2000. The Group became Year 2000 compliant in September 1999. All computer systems of the Group functioned properly during the transition to Year 2000 and no business disruption has been encountered.

There is no significant financial impact arising from the Year 2000 compliance project as overwhelming majority of the project relies on in-house programming resources and the Group's ongoing replacement of hardware and software. In addition, the Group has no further commitments in respect of the Year 2000 compliance project.

AUDITORS

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment. PricewaterhouseCoopers replaced Price Waterhouse in financial year 1999 following their merger with Coopers & Lybrand.

On behalf of the board



John Poon Cho Ming

Executive Director

Hong Kong, September 28, 2000

REPORT OF THE AUDITORS

AUDITORS' REPORT TO THE SHAREHOLDERS OF ESPRIT HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

We have audited the financial statements set out on pages 37 to 59 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and the Group as at June 30, 2000 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.



PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, September 28, 2000

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended June 30, 2000

	NOTES	2000 HK\$'000	1999 HK\$'000
Turnover	2	7,277,306	5,993,820
Cost of stocks sold		(3,654,119)	(2,911,681)
Gross profit		3,623,187	3,082,139
Other revenues	2	64,422	37,457
Staff costs		(1,099,549)	(1,008,897)
Depreciation and amortization		(186,939)	(166,454)
Other operating costs		(1,491,842)	(1,271,514)
Operating profit	3	909,279	672,731
Finance costs	4	(37,912)	(48,132)
Profit on disposal of listed investment held for long term		–	77,662
Share of profits less losses of associated companies		12,730	1,146
Profit before taxation		884,097	703,407
Taxation	5	(349,225)	(228,381)
Profit after taxation		534,872	475,026
Minority interests		(74,811)	(44,999)
Profit attributable to shareholders	6	460,061	430,027
Dividends	7	(167,877)	(160,845)
Profit for the year retained		292,184	269,182
Earnings Per Share	8		
– Basic		41.32 cents	39.15 cents
– Diluted		39.96 cents	38.90 cents

CONSOLIDATED BALANCE SHEET

at June 30, 2000

	NOTES	2000 HK\$'000	1999 HK\$'000
Trademarks	10	742,451	762,792
Fixed Assets	11	596,953	484,457
Other Investments	12	29,327	33,789
Associated Companies	14	58,563	52,714
Current Assets			
Stocks and work in progress	15	735,767	657,095
Debtors, deposits and prepayments	16	656,993	524,978
Amounts due from associated companies		20,623	23,982
Short-term bank deposits		160,538	285,285
Bank balances and cash		574,334	287,680
		2,148,255	1,779,020
Current Liabilities			
Creditors and accrued charges	17	829,537	611,673
Proposed dividend		125,474	118,933
Taxation		464,937	375,574
Obligations under finance leases			
– due within one year	21	1,835	2,647
Long-term bank loan			
– due within one year	22	155,906	153,244
Secured short-term bank loan		–	11,710
Unsecured short-term bank loans		13,223	6,024
Unsecured bank overdrafts		14,523	12,299
		1,605,435	1,292,104
Net Current Assets		542,820	486,916
		1,970,114	1,820,668

	NOTES	2000 HK\$'000	1999 HK\$'000
Financed by:			
Share Capital	18	111,656	110,862
Reserves	19	1,612,722	1,324,650
Shareholders' Funds		1,724,378	1,435,512
Minority Interests	20	17,659	1,045
Obligations under Finance Leases	21	1,931	2,388
Long-term Bank Loan	22	226,064	380,201
Deferred Taxation	23	82	1,522
		1,970,114	1,820,668



Michael Ying Lee Yuen
Chairman



John Poon Cho Ming
Executive Director

BALANCE SHEET

at June 30, 2000

	NOTES	2000 HK\$'000	1999 HK\$'000
Subsidiaries	13	2,413,118	2,346,834
Current Assets			
Debtors, deposits and prepayments	16	295	12
Dividend receivable		300,300	287,103
Bank balances and cash		1	5,224
		300,596	292,339
Current Liabilities			
Creditors and accrued charges	17	5,287	2,982
Proposed dividend		125,474	118,933
Taxation		11,721	15,547
Long-term bank loan			
– due within one year	22	155,906	153,244
		298,388	290,706
Net Current Assets		2,208	1,633
		2,415,326	2,348,467
Financed by:			
Share Capital	18	111,656	110,862
Reserves	19	2,077,606	1,857,404
Shareholders' Funds		2,189,262	1,968,266
Long-term Bank Loan	22	226,064	380,201
		2,415,326	2,348,467



Michael Ying Lee Yuen
Chairman



John Poon Cho Ming
Executive Director

CONSOLIDATED CASH FLOW STATEMENT

for the year ended June 30, 2000

	NOTES	2000 HK\$'000	1999 HK\$'000
Net Cash Inflow from Operating Activities	24(a)	1,088,877	704,852
Returns on Investments and Servicing of Finance			
Interest received		27,938	16,253
Interest paid		(37,614)	(55,163)
Finance charges on finance leases		(298)	(844)
Income from long term listed investments		2	1,683
Dividends paid		(147,510)	(28,458)
Distribution paid to a minority shareholder of a subsidiary		(60,212)	(54,866)
Net Cash Outflow from Returns on Investments and Servicing of Finance		(217,694)	(121,395)
Taxation			
Hong Kong profits tax paid		(28,107)	(17,211)
Overseas tax paid		(203,177)	(146,668)
Tax Paid		(231,284)	(163,879)
Investing Activities			
Purchase of additional interest in a subsidiary		(5,329)	-
Expenditure for terminating overseas operation		-	(22,782)
Purchase of other investments		-	(8,256)
Purchase of fixed assets		(322,819)	(256,593)
Proceeds from disposal of fixed assets		7,203	5,404
Proceeds from disposal of other investments		-	145,325
Net Cash Outflow from Investing Activities		(320,945)	(136,902)

	NOTES	2000 HK\$'000	1999 HK\$'000
Net Cash Inflow before Financing		318,954	282,676
Financing			
Net proceeds on issue of shares for cash		17,018	33,108
Loan from a minority shareholder of a subsidiary		-	3,851
Repayment of obligations under finance leases		(2,450)	(12,221)
Repayment of bank loans		(153,548)	(133,670)
Net Cash Outflow from Financing	24(b)	(138,980)	(108,932)
Increase in Cash and Cash Equivalents Cash and Cash Equivalents At Beginning of Year	24(c)	542,932	382,337
Effect of Change in Exchange Rates		(15,780)	(13,149)
Cash and Cash Equivalents At End of Year	24(c)	707,126	542,932

STATEMENT OF RECOGNIZED GAINS AND LOSSES

for the year ended June 30, 2000

	NOTES	2000 HK\$'000	1999 HK\$'000
Exchange differences arising on translation of subsidiaries and associated companies not recognized in the profit and loss account	19	(22,054)	(42,838)
Profit for the year	19	292,184	269,182
Total recognized gains and losses		270,130	226,344
Goodwill eliminated directly against reserves	19	(12,108)	(459)
		258,022	225,885

NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2000

1. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared under historical cost convention. The principal accounting policies adopted in the preparation of the financial statements, which conform with Hong Kong Statements of Standard Accounting Practices issued by the Hong Kong Society of Accountants and accounting principles generally accepted in Hong Kong, are as follows:

(a) BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to June 30.

All significant inter-company transactions and balances within the Group are eliminated on consolidation.

The consolidated financial statements also include the Group's share of post acquisition profits less losses, and reserves, of its associated companies.

(b) TURNOVER

Turnover represents the invoiced sales to, royalties and commission income from third party customers.

(c) REVENUE RECOGNITION

Sales of goods are recognized when goods are delivered and title has been passed to customers.

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

Commission income is recognized upon service rendered.

Interest income is recognized on time proportion basis on the principals outstanding and the rates applicable.

Income from investments, including gains and losses on sales of investments, interest and dividend income, are recognized on an accrual basis.

(d) TRADEMARKS

Trademarks are stated at cost and amortized by equal annual installments over their estimated economic life of 40 years. The cost of acquisition is the fair market value at the time of acquisition determined by an independent valuer.

(e) GOODWILL AND RESERVE ON ACQUISITION

Goodwill/reserve arising on acquisition represents the excess/shortfall of purchase consideration over the fair values ascribed to the net assets of subsidiaries acquired and is taken directly to reserves in the year of acquisition.

(f) SUBSIDIARIES

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors. Investment in subsidiaries are stated at cost less provision for permanent diminution in value.

(g) ASSOCIATED COMPANIES

An associated company is a company, other than a subsidiary, in which the Group has a long term equity investment, 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.

(h) FIXED ASSETS

Fixed assets are stated at cost less accumulated depreciation.

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

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

Depreciation on other fixed assets is provided to write off the cost of fixed assets over their estimated useful lives, using the straight-line method after taking into account their estimated residual values, at the following annual rates:

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

1. PRINCIPAL ACCOUNTING POLICIES *continued*

(h) FIXED ASSETS *continued*

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

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

The carrying amounts of fixed assets are reviewed regularly to assess whether their recoverable amounts have declined below their carrying amounts. Expected future cash flows have not been discounted in determining the recoverable amounts.

Gain or losses arising from the retirement or disposal of fixed assets are determined as the difference between the estimated net disposal proceeds and the carrying amount of the assets and are recognised as income or expense in the profit and loss account.

(i) LEASED ASSETS

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Group. Assets held under finance leases are capitalized at their fair value at the date of acquisition. The principal portions of the corresponding lease commitments are shown as obligations to the lessor. Finance charges are debited to the profit and loss account in proportion to the capital balances outstanding.

All other leases are classified as operating leases and the annual rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the terms of the respective leases.

(j) OTHER INVESTMENTS

Investments held for the long term are stated at cost less provision for permanent diminution in value.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than a temporary one has occurred, the carrying amount of such investments should be reduced to its fair value. The amount of the reduction is recognized as an expense in the profit and loss account.

(k) STOCKS AND WORK IN PROGRESS

Stocks and work in progress are stated at the lower of cost and net realizable 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 realizable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(l) 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.

(m) FOREIGN EXCHANGE CONTRACTS

Foreign exchange contracts and options are entered into to protect the Group from the impact of foreign currency fluctuation. According to Group policy, within a predetermined risk limit, the Group may over or under hedge certain percentage of anticipated foreign exchange exposure. 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 recognised in the profit and loss account on the same basis as that arising from the related assets, liabilities or positions. All over hedge transactions are marked to market and the gains or losses are recognised in the profit and loss account. No gain or loss is recognised in relation to foreign exchange contracts which are entered into to hedge future commitments until the transaction occurs. Premium on options is amortized over the option period.

1. PRINCIPAL ACCOUNTING POLICIES *continued*

(n) 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.

(o) CASH AND CASH EQUIVALENTS

Cash represents cash in hand and deposits repayable on demand with any bank or other financial institution. Cash includes cash in hand and 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 were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance.

2. REVENUE AND TURNOVER

The Group is principally engaged in the design, licensing, sourcing, manufacturing, wholesale and retail distribution of high quality apparel and related products under the internationally known ESPRIT brand name, together with Red Earth cosmetics, skin and general body care products.

	2000 HK\$'000	1999 HK\$'000
Turnover		
Sales of goods	7,196,884	5,920,235
Royalty Income	71,309	68,444
Commission income	9,113	5,141
	7,277,306	5,993,820
Other revenues		
Interest income	27,555	16,408
Others	36,867	21,049
	64,422	37,457
Total revenues	7,341,728	6,031,277

3. OPERATING PROFIT

	2000 HK\$'000	1999 HK\$'000
--	------------------	------------------

Operating profit is stated after crediting and charging the following:

Crediting

Exchange gain	1,861	16,086
Income from long term listed investment	2	1,683

Charging

Auditors' remuneration	6,142	6,408
Depreciation and amortization		
– Owned assets	163,748	143,056
– Assets held under finance leases	2,850	3,057
– Trademarks	20,341	20,341
Loss on disposal of fixed assets	13,983	16,354
Loss on disposal of interest in an associated company	2,837	–
Operating lease rental expenses		
– Land and buildings	608,181	574,324
– Others	3,514	5,083
Provision for doubtful debts	34,098	6,071
Provision for unlisted investment	5,893	–

4. FINANCE COSTS

	2000 HK\$'000	1999 HK\$'000
Interest on short-term bank loans, overdrafts and other loans wholly repayable within five years	37,614	47,288
Interest element of finance leases	298	844
	37,912	48,132

5. TAXATION

	2000 HK\$'000	1999 HK\$'000
Company and its subsidiaries:		
Hong Kong profits tax	45,459	33,774
Overseas taxation net of overprovision for prior years of HK\$20,767,000 (1999: HK\$14,813,000)	300,113	243,973
Deferred taxation (note 23)	(1,019)	(49,366)
	344,553	228,381
Associated company – overseas taxation	4,672	–
	349,225	228,381

Hong Kong profits tax has been provided at the rate of 16% (1999: 16%) on the estimated assessable profit for the year.

Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

	GROUP	
	2000 HK\$'000	1999 HK\$'000
Deferred taxation for the year has not been (credited)/charged amounts to:		
Accelerated depreciation allowances	(18,876)	1,510
Tax losses	(2,638)	(32,309)
Other timing differences	(8,490)	1,974
	(30,004)	(28,825)

6. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the financial statements of the Company to the extent of HK\$358,029,000 (1999: HK\$330,489,000).

7. DIVIDENDS

	2000 HK\$'000	1999 HK\$'000
Interim dividend paid of 3.8 Hong Kong cents (1999: 3.8 Hong Kong cents) per share	42,403	41,912
Proposed final dividend of 11.2 Hong Kong cents (1999: 10.7 Hong Kong cents) per share	125,474	118,933
	167,877	160,845

The amount provided for the 2000 proposed final dividend is based on 1,120,308,836 shares in issue as at September 28, 2000.

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK\$460,061,000 (1999: HK\$430,027,000) and on the weighted average number of shares in issue during the year of 1,113,522,594 (1999: 1,098,272,077).

The calculation of fully diluted earnings per share is based on the profit attributable to shareholders of HK\$460,061,000 (1999: HK\$430,027,000), and on the weighted average number of shares in issue during the year of 1,113,522,594 (1999: 1,098,272,077) plus the weighted average number of 37,908,558 shares (1999: 7,092,995 shares) deemed to be issued at no consideration on the assumption that all outstanding share options granted under the Share Option Scheme had been exercised at July 1, 1999.

9. 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:

	2000 HK\$'000	1999 HK\$'000
Fees*		
– Non-executive Directors	620	620
Salaries, housing and other allowances, benefits in kind including deemed benefit arising from exercise of share options		
– Executive Directors	19,162	27,012
Bonuses		
– Executive Directors	9,542	2,023
	29,324	29,655

* The amount includes directors' fees of HK\$470,003 (1999: HK\$320,000) paid to Independent Non-executive Directors.

The emoluments of the Directors fell within the following bands:

EMOLUMENTS BAND	NUMBER OF DIRECTORS	
	2000	1999
Nil – HK\$1,000,000	6	4
HK\$1,500,001 – HK\$2,000,000	1	–
HK\$2,500,001 – HK\$3,000,000	–	1
HK\$3,500,001 – HK\$4,000,000	1	–
HK\$4,000,001 – HK\$4,500,000	–	1
HK\$5,000,001 – HK\$5,500,000	–	1
HK\$6,500,001 – HK\$7,000,000	1	–
HK\$7,500,001 – HK\$8,000,000	2	1
HK\$9,000,001 – HK\$9,500,000	–	1
	11	9

(b) FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for the year include three (1999: four) Directors whose emoluments are reflected in the analysis presented above.

The emoluments receivable by the remaining two (1999: one) highest paid individuals during the year are as follows:

	2000 HK\$'000	1999 HK\$'000
Salaries, housing and other allowances, benefits in kind including deemed benefit arising from exercise of share options	13,730	3,103
Bonuses	3,937	357
	17,667	3,460

EMOLUMENTS BAND	NUMBER OF INDIVIDUALS	
	2000	1999
HK\$3,000,001 – HK\$3,500,000	–	1
HK\$8,500,001 – HK\$9,000,000	2	–
	2	1

10. TRADEMARKS

	GROUP	
	2000 HK\$'000	1999 HK\$'000
At July 1	762,792	783,133
Less: Amortization	(20,341)	(20,341)
At June 30	742,451	762,792

11. FIXED ASSETS

Group

	FREEHOLD LAND OUTSIDE HONG KONG HK\$'000	LONG 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, 1999	22,815	25,931	65,018	768,811	9,642	422,599	11,994	1,326,810
Exchange translation	743	–	45	(39,556)	(477)	(19,801)	(3,648)	(62,694)
Additions	–	–	–	234,139	973	87,580	1,637	324,329
Disposals	–	–	–	(106,256)	(125)	(106,901)	(1,016)	(214,298)
At June 30, 2000	23,558	25,931	65,063	857,138	10,013	383,477	8,967	1,374,147
Depreciation								
At July 1, 1999	–	1,995	13,351	474,143	8,867	337,163	6,834	842,353
Exchange translation	–	–	(241)	(23,028)	(405)	(15,065)	94	(38,645)
Charge for the year	–	498	2,336	110,896	531	50,202	2,135	166,598
Disposals	–	–	–	(91,196)	(111)	(99,457)	(2,348)	(193,112)
At June 30, 2000	–	2,493	15,446	470,815	8,882	272,843	6,715	777,194
Net book values								
At June 30, 2000	23,558	23,438	49,617	386,323	1,131	110,634	2,252	596,593
At June 30, 1999	22,815	23,936	51,667	294,668	775	85,436	5,160	484,457

At June 30, 2000, the net book value of furniture and office equipment includes an amount of HK\$3,688,000 (1999: HK\$6,887,000) in respect of assets held under finance leases.

At June 30, 2000, the net book value of freehold land and building outside Hong Kong of

HK\$36,650,000 are pledged as security of short-term bank loan facilities.

At June 30, 1999, the net book value of freehold land and building outside Hong Kong of HK\$35,548,000 were pledged as security of short-term bank loan.

12. OTHER INVESTMENTS

	GROUP	
	2000 HK\$'000	1999 HK\$'000
Investments listed in Hong Kong, at cost	20,075	20,075
Unlisted investments, at cost	15,161	13,714
Provision	(5,909)	–
	9,252	13,714
	29,327	33,789
Market value of listed investments	19,396	18,400

13. SUBSIDIARIES

	COMPANY	
	2000 HK\$'000	1999 HK\$'000
Unlisted shares, at cost	216,677	216,677
Loans to subsidiaries	1,621,930	1,621,930
Amounts due from subsidiaries	955,946	668,455
	2,794,553	2,507,062
Amounts due to subsidiaries	(381,435)	(160,228)
	2,413,118	2,346,834

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, 2002, the remaining loan balance is interest free and has no fixed terms of repayment.

Details of the Company's principal subsidiaries at June 30, 2000 are set out in note 29 to the financial statements.

14. ASSOCIATED COMPANIES

	GROUP	
	2000 HK\$'000	1999 HK\$'000
Share of net assets	9,563	3,714
Loan to an associated company	49,000	49,000
	58,563	52,714
Unlisted shares, at cost	–	1,411

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

At June 30, 2000, the Group held 49% of the issued ordinary share capital of Tactical Solutions Incorporated, a private limited company which is incorporated in British Virgin Islands. The principal business of the associated company is investment holding.

15. STOCKS AND WORK IN PROGRESS

	GROUP	
	2000 HK\$'000	1999 HK\$'000
Raw materials	14,032	9,864
Work in progress	2,758	3,094
Finished goods	836,321	750,033
Consumables	40,013	9,086
Provision	(157,357)	(114,982)
	735,767	657,095

16. DEBTORS, DEPOSITS AND PREPAYMENTS

	GROUP		COMPANY	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Trade debtors	435,758	347,160	–	–
Deposits	100,506	97,767	–	–
Prepayments	65,702	40,335	–	–
Other debtors and receivables	55,027	39,716	295	12
	656,993	524,978	295	12

17. CREDITORS AND ACCRUED CHARGES

	GROUP		COMPANY	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Trade creditors	358,435	251,150	–	–
Accruals and provisions	393,563	313,653	3,959	2,982
Other creditors and payables	77,539	46,870	1,328	–
	829,537	611,673	5,287	2,982

18. SHARE CAPITAL

	2000 HK\$'000	1999 HK\$'000
Authorised:		
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, 1998	1,092,546	109,255
Issue of scrip dividend shares	3,550	355
Exercise of share options	12,526	1,252
Balance at June 30, 1999	1,108,622	110,862

Balance at July 1, 1999	1,108,622	110,862
Issues of scrip dividend shares (note (a))	1,771	177
Exercise of share options (note (b))	6,166	617
Balance at June 30, 2000	1,116,559	111,656

18. SHARE CAPITAL *continued*

(a) At the annual general meeting of the Company held on November 26, 1999, shareholders of the Company approved a final dividend for the year ended June 30, 1999 of HK\$0.107 per ordinary share of HK\$0.10 each. Shareholders were given the option to receive fully paid new shares ("Scrip Dividend Shares") in lieu of cash ("Scrip Dividend Scheme A"). For the purpose of calculating the number of Scrip Dividend Shares duly allotted, the market value of the Scrip Dividend Shares had been set at HK\$7.96 per share, which was equivalent to the average closing prices of the shares on the Stock Exchange for the five consecutive trading days immediately preceding and including November 26, 1999. Under this Scrip Dividend Scheme A, 1999 final dividend of HK\$8,526,000 was settled by the issue of 1,071,156 Scrip Dividend Shares at a premium of HK\$7.86 each.

At the Directors' meeting of the Company held on February 29, 2000, Directors of the Company declared an interim dividend for the six months ended December 31, 1999 of HK\$0.038 per ordinary share of HK\$0.10 each to the shareholders. Shareholders were given the option to receive Scrip Dividend Shares in lieu of cash ("Scrip Dividend Scheme B"). For the purpose of calculating the number of Scrip Dividend Shares duly allotted, the market value of the Scrip Dividend Shares had been set at HK\$7.57 per share, which was equivalent to the average closing prices of the shares on the Stock Exchange for the five consecutive trading days immediately preceding and including March 31, 2000. Under this Scrip Dividend Scheme B, 2000 interim dividend of HK\$5,300,000 was settled by the issue of 700,113 Scrip Dividend Shares at a premium of HK\$7.47 each.

(b) During the year, 6,166,000 ordinary shares of HK\$0.10 each were issued at a premium in the range of HK\$2.54 to HK\$2.84 in relation to share options exercised by employees under the Scheme (defined in (c) below).

(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. The first exercisable date between each installment shall occur at intervals of six calendar months and expiring on the fifth anniversary of the first exercisable date of each installment or 10 years from the date of adoption of the Scheme, whichever is the earlier. At June 30, 2000, there were 70,184,000 options outstanding which were granted during the period from January 20, 1994 to December 15, 1999 and allowed the eligible employees to subscribe for shares in the Company at a price from HK\$2.64 to HK\$6.36 per share.

19. RESERVES

Group	SHARE PREMIUM HK\$'000	CONTRIBUTED SURPLUS HK\$'000	TRANSLATION RESERVE HK\$'000	RETAINED PROFIT HK\$'000	TOTAL HK\$'000
Balance at July 1, 1998	936,782	6,602	(71,571)	181,997	1,053,810
Premium arising from issue of scrip dividend shares	13,099	-	-	-	13,099
Premium arising from issues of shares	31,856	-	-	-	31,856
Goodwill on acquisition of subsidiaries	-	-	-	(459)	(459)
Exchange translation	-	-	(42,838)	-	(42,838)
Profit for the year retained by:					
Company and its subsidiaries	-	-	-	268,036	268,036
Associated companies	-	-	-	1,146	1,146
Balance at June 30, 1999	981,737	6,602	(114,409)	450,720	1,324,650
Attributable to:					
Company and its subsidiaries	981,737	6,602	(112,344)	446,399	1,322,394
Associated companies	-	-	(2,065)	4,321	2,256
	981,737	6,602	(114,409)	450,720	1,324,650
Balance at July 1, 1999	981,737	6,602	(114,409)	450,720	1,324,650
Premium arising from issues of scrip dividend shares (<i>note 18(a)</i>)	13,649	-	-	-	13,649
Premium arising from issues of shares (<i>note 18(b)</i>)	16,401	-	-	-	16,401
Goodwill on acquisition of additional interest in a subsidiary	-	-	-	(5,530)	(5,530)
Goodwill on acquisition of business from franchisees	-	-	-	(6,578)	(6,578)
Exchange translation	-	-	(22,054)	-	(22,054)
Profit for the year retained by:					
Company and its subsidiaries	-	-	-	284,126	284,126
Associated company	-	-	-	8,058	8,058
Balance at June 30, 2000	1,011,787	6,602	(136,463)	730,796	1,612,722
Attributable to:					
Company and its subsidiaries	1,011,787	6,602	(136,206)	721,254	1,603,437
Associated company	-	-	(257)	9,542	9,285
	1,011,787	6,602	(136,463)	730,796	1,612,722

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 therefor net of any goodwill arisen from subsequent acquisitions.

19. RESERVES *continued*

Company

	SHARE PREMIUM HK\$'000	CONTRIBUTED SURPLUS HK\$'000	RETAINED PROFIT HK\$'000	TOTAL HK\$'000
Balance at July 1, 1998	936,782	473,968	232,055	1,642,805
Premium arising from issue of scrip dividend shares	13,099	-	-	13,099
Premium arising from issues of shares	31,856	-	-	31,856
Profit for the year	-	-	330,489	330,489
Dividends (<i>note 7</i>)	-	-	(160,845)	(160,845)
Balance at June 30, 1999	981,737	473,968	401,699	1,857,404
Balance at July 1, 1999	981,737	473,968	401,699	1,857,404
Premium arising from issues of scrip dividend shares (<i>note 18(a)</i>)	13,649	-	-	13,649
Premium arising from issues of shares (<i>note 18(b)</i>)	16,401	-	-	16,401
Profit for the year	-	-	358,029	358,029
Dividends (<i>note 7</i>)	-	-	(167,877)	(167,877)
Balance at June 30, 2000	1,011,787	473,968	591,851	2,077,606

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 reserve of the Company at June 30, 2000 amounted to HK\$1,065,819,000 (1999: HK\$875,667,000).

20. MINORITY INTERESTS

In 1999, the amount included an unsecured and non-interest bearing loan of HK\$9,201,000 (C\$1,750,000) from a minority shareholder of a subsidiary. On November 25, 1999, the minority shareholder exercised the put option in accordance with the shareholders' agreement to dispose of his interest in the subsidiary to the Group and waived his right to receive his loan to the subsidiary.

21. OBLIGATIONS UNDER FINANCE LEASES

	GROUP	
	2000 HK\$'000	1999 HK\$'000
The maturity of the obligations is as follows:		
- within one year	1,835	2,647
- in the second year	1,369	1,545
- in the third to fifth years inclusive	562	843
	3,766	5,035
Amount due within one year included under current liabilities	(1,835)	(2,647)
	1,931	2,388

22. LONG-TERM BANK LOAN

	GROUP		COMPANY	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Wholly repayable within 5 years				
- unsecured	381,970	-	381,970	-
- secured	-	533,445	-	533,445
Amount due within one year included under current liabilities	(155,906)	(153,244)	(155,906)	(153,244)
	226,064	380,201	226,064	380,201

	GROUP		COMPANY	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
The maturity of the long-term bank loan is as follows:				
- within one year	155,906	153,244	155,906	153,244
- in the second year	155,906	279,331	155,906	279,331
- in the third to fifth years inclusive	70,158	100,870	70,158	100,870
	381,970	533,445	381,970	533,445

The bank loan of HK\$533,445,000 as at June 30, 1999 was secured by the share capital of certain subsidiaries of the Company. In addition, there were unconditional and irrevocable continuing joint and several guarantees by these subsidiaries for the outstanding loan amount which were supported by charges over their respective assets, revenues and undertakings. These charges were released during the year.

23. DEFERRED TAXATION

	GROUP	
	2000 HK\$'000	1999 HK\$'000
At July 1	1,522	49,366
Transfer to profit and loss account (note 5)	(1,019)	(49,366)
Exchange translation	(421)	1,522
At June 30	82	1,522
Provided in the accounts in respect of:		
Accelerated depreciation allowances	82	84
Other timing differences	–	1,438
	82	1,522

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

	GROUP	
	2000 HK\$'000	1999 HK\$'000
Accelerated depreciation allowances	36,401	17,525
Tax losses	59,142	56,504
Other timing differences	9,053	563
	104,596	74,592

24. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2000 HK\$'000	1999 HK\$'000
Profit before taxation	884,097	703,407
Interest income	(27,555)	(16,408)
Interest expenses	37,614	47,288
Finance charges on obligations under finance leases	298	844
Amortization of trademarks	20,341	20,341
Depreciation	166,598	146,113
Loss on disposal of fixed assets	13,983	16,354
Profit on disposal of listed investment held for long term	–	(77,662)
Loss on disposal of interests in an associated company	2,837	605
Income from long term listed investments	(2)	(1,683)
Share of profits less losses of associated companies	(12,730)	(1,146)
Provision for unlisted investment	5,893	–
Increase in stocks and work in progress	(78,672)	(139,679)
(Increase)/decrease in debtors, deposits and prepayments	(132,398)	1,467
Decrease in amounts due from associated companies	3,359	11,198
Increase in creditors and accrued charges	217,864	14,802
Effect of foreign exchange rate changes	(12,650)	(20,989)
Net cash inflow from operating activities	1,088,877	704,852

24. NOTES TO CONSOLIDATED CASH FLOW STATEMENT *continued*

(b) ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	SHARE CAPITAL (INCLUDING SHARE PREMIUM) HK\$'000	MINORITY INTERESTS HK\$'000	LONG TERM BANK LOAN HK\$'000	OBLIGATIONS UNDER FINANCE LEASES HK\$'000
Balance at July 1, 1998	1,046,037	7,518	653,775	15,855
Cash inflow/(outflow)				
from financing	33,108	3,851	(133,670)	(12,221)
Issue of scrip dividend shares	13,454	-	-	-
Share of goodwill on increase				
in interest in subsidiaries	-	(296)	-	-
Share of exchange reserve	-	(1,048)	-	-
Increase in interest in subsidiaries	-	1,034	-	-
Inception of new finance leases	-	-	-	821
Share of net profit attributable				
to minority shareholders	-	44,999	-	-
Dividend paid	-	(54,866)	-	-
Exchange difference	-	(147)	13,340	580
Balance at June 30, 1999	1,092,599	1,045	533,445	5,035
Balance at July 1, 1999	1,092,599	1,045	533,445	5,035
Cash inflow/(outflow)				
from financing	17,018	-	(153,548)	(2,450)
Issues of scrip dividend				
shares (<i>note 18(a)</i>)	13,826	-	-	-
Share of exchange reserve	-	1,726	-	-
Increase in interest in a subsidiary	-	9,417	-	-
Waive of loan from				
a minority shareholder	-	(9,215)	-	-
Inception of new finance leases	-	-	-	1,510
Share of net profit attributable				
to minority shareholders	-	74,811	-	-
Dividend paid	-	(60,212)	-	-
Exchange difference	-	87	2,073	(329)
Balance at June 30, 2000	1,123,443	17,659	381,970	3,766

(c) ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS

	2000 HK\$'000	1999 HK\$'000
Short-term bank deposits	160,538	285,285
Bank balances and cash	574,334	287,680
Short-term bank loans	(13,223)	(17,734)
Bank overdrafts	(14,523)	(12,299)
	707,126	542,932

25. CONTINGENT LIABILITIES

	COMPANY	
	2000 HK\$'000	1999 HK\$'000
Guarantees given to banks in respect of banking facilities granted to subsidiaries	1,292,625	1,282,512

26. OPERATING LEASE COMMITMENTS

	GROUP	
	2000 HK\$'000	1999 HK\$'000
Operating lease commitments at June 30 payable in the next twelve months, analysed according to the period in which the lease expires, are as follows:		
Land and buildings		
– expiring in the first year	45,591	40,587
– expiring in the second to fifth years inclusive	282,856	370,772
– expiring beyond five years	128,463	101,992
	456,910	513,351
Other equipment		
– expiring in the first year	932	1,848
– expiring in the second to fifth years inclusive	7,281	8,242
	465,123	523,441

The operating lease rentals of certain retail outlets are based on the higher of a minimum guaranteed rental and 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, 2000 (1999: Nil).

27. COMMITMENTS

(a) CAPITAL COMMITMENTS

	GROUP	
	2000 HK\$'000	1999 HK\$'000
Contracted but not provided for	7,432	45,000
Authorised but not contracted for	89,970	31,929
	97,402	76,929

The Company did not have any significant capital commitments at June 30, 2000 (1999: Nil).

(b) FOREIGN EXCHANGE CONTRACTS

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

	GROUP	
	2000 HK\$'000	1999 HK\$'000
Forward contracts	160,452	1,280,650
Option contracts	28,765	627,146
	189,217	1,907,796

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

28. RELATED PARTY TRANSACTIONS

In addition to directors' emoluments disclosed in note 9, in the ordinary course of business and on normal commercial terms, the Group entered into transactions with the related companies during the year. Details relating to these related party transactions are as follows:

	2000 HK\$'000	1999 HK\$'000
Transactions with Associated Companies		
Sales of finished goods	140,766	123,440
Royalty received	3,121	1,586
Interest received	–	362
Other income	202	–

29. PRINCIPAL SUBSIDIARIES

The following are the principal subsidiaries as at June 30, 2000 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/ REGISTRATION/OPERATION	ATTRIBUTABLE EQUITY INTEREST TO THE GROUP	ISSUED AND FULLY PAID SHARE CAPITAL/ REGISTERED CAPITAL <i>(note a)</i>	PRINCIPAL ACTIVITIES
Aromatic Beauty Products Pty Limited	Australia	59.6%	A\$2	Wholesale distribution of cosmetics and skin and general body care products
Esprit Asia (Distribution) Limited	Hong Kong	100%	HK\$9,000	Investment holding
Esprit Belgie Retail N.V.	Belgium	100%	BEF47,500,000	Retail distribution of apparel and accessories
Esprit Belgie Wholesale N.V.	Belgium	100%	BEF2,500,000	Wholesale distribution of apparel and accessories
Esprit Benelux Wholesale B.V.	Netherlands	100%	NLG250,000	Wholesale distribution of apparel and accessories
Esprit China Distribution Limited	British Virgin Islands	100%	US\$100	Investment holding
Esprit Corporate Services Limited	British Virgin Islands	100%	US\$100	Investment holding
Esprit de Corp (1980) Ltd.	Canada	100%	CAD1,000,100	Distribution of apparel and accessories
Esprit de Corp Denmark A/S	Denmark	100%	DKK11,000,000	Wholesale and retail distribution of apparel and accessories
Esprit de Corp (Far East) Limited	Hong Kong	100%	HK\$1,200,000	Sourcing of apparel and accessories
Esprit de Corp France S.A.	France	100%	FRF20,000,000	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 de Corp (Worldwide) Limited	Hong Kong	100%	HK\$1,000	Sourcing of apparel
Esprit Design und Product Development GmbH	Germany	100%	DM500,000	Design of apparel and accessories

29. PRINCIPAL SUBSIDIARIES *continued*

NAME OF SUBSIDIARY	PLACE OF INCORPORATION/ REGISTRATION/OPERATION	ATTRIBUTABLE EQUITY INTEREST TO THE GROUP	ISSUED AND FULLY PAID SHARE CAPITAL/ REGISTERED CAPITAL <i>(note a)</i>	PRINCIPAL ACTIVITIES
Esprit Distribution Limited	Hong Kong	100%	HK\$2,000,000	Wholesale distribution of apparel and accessories
Esprit Europe AG	Germany	100%	EUR50,000,000	Investment holding
Esprit Europe Services GmbH	Germany	100%	EUR2,500,000	Sourcing of merchandise and placement of orders
Esprit Far East (Investments III) Ltd.	British Virgin Islands	100%	US\$100	Investment holding
Esprit Handelsgesellschaft mbH	Austria	100%	ATS500,000	Wholesale distribution of apparel and accessories
Esprit Holdings GmbH	Germany	100%	DM10,000,000	Investment holding
Esprit Image & Product Development Limited	United Kingdom	100%	GBP2	Group image direction
Esprit International (limited partnership)	California, U.S.A.	63%	–	Licensing of trademark
Esprit Korea Limited	Republic of Korea	100%	Won 5,300,000,000	Retail distribution of apparel and accessories
Esprit Nederland Retail B.V.	Netherlands	100%	NLG250,000	Retail distribution of apparel and accessories
Esprit Retail GmbH	Germany	100%	DM9,000,000	Retail distribution of apparel and accessories
Esprit Retail (Hong Kong) Limited	Hong Kong	100%	HK\$10,000	Retail distribution of apparel and accessories
Esprit Retail Pte Ltd	Singapore	100%	S\$3,000,000	Retail distribution of apparel and accessories
Esprit (Retail) Pty Ltd	Australia	100%	A\$200,000	Retail distribution of apparel and accessories
Esprit Retail (Taiwan) Limited	Hong Kong	100%	HK\$9,000	Retail distribution of apparel and accessories
Esprit Singapore Pte Limited	Singapore	100%	S\$100,000	Manufacturing and sourcing of apparel
Esprit Sweden AB	Sweden	100%	SEK200,000	Wholesale and retail distribution of apparel and accessories

29. PRINCIPAL SUBSIDIARIES *continued*

NAME OF SUBSIDIARY	PLACE OF INCORPORATION/ REGISTRATION/OPERATION	ATTRIBUTABLE EQUITY INTEREST TO THE GROUP	ISSUED AND FULLY PAID SHARE CAPITAL/ REGISTERED CAPITAL <i>(note a)</i>	PRINCIPAL ACTIVITIES
Esprit Wholesale GmbH	Germany	100%	EUR5,000,000	Wholesale distribution of apparel and accessories
Garments, Accessories and Cosmetics Esprit Retail (Macau) Limitada	Macau	100%	MOP100,000	Retail distribution of apparel and accessories
Red Earth (Hong Kong) Limited	Hong Kong	92%	HK\$10,000	Retail distribution of cosmetics and skin and general body care products
Red Earth International Holdings Limited	British Virgin Islands	60.8%	US\$1,668,000	Investment holding
Red Earth Licensing Limited	British Virgin Islands	60.8%	US\$100	Licensing of trademarks
Red Earth New Zealand Limited	New Zealand	59.6%	NZ\$100	Retail distribution of cosmetics and skin and general body care products
Red Earth Production Limited	Hong Kong	60.8%	HK\$10,000	Wholesale distribution of cosmetics and skin and general body care products
Red Earth Pty Limited	Australia	59.6%	A\$100	Retail distribution of cosmetics and skin and general body care products
Red Earth (Taiwan) Limited	Hong Kong	100%	HK\$2	Retail distribution of cosmetics and skin and general body care products
Red Earth Trading Pty Limited	Australia	59.6%	A\$2	Wholesale distribution of cosmetics and skin and general body care products
Si Jun Fashion Design (Shenzhen) Co., Ltd.	The People's Republic of China	100%	US\$700,000 registered capital	Sample development

Notes:

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

(b) None of the subsidiaries had any loan capital subsisting at June 30, 2000 or at any time during the year.

(c) Except for Red Earth (Taiwan) Limited and Esprit Retail (Taiwan) Limited which operate principally in Taiwan, all subsidiaries operate principally in their place of incorporation.

FINANCIAL SUMMARY

Results

	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000	1996 HK\$'000
Turnover	7,277,306	5,993,820	5,087,206	3,351,742	1,785,330
Operating profit	909,279	672,731	546,591	449,222	211,967
Finance costs	(37,912)	(48,132)	(57,004)	(48,333)	(8,568)
Profit/(loss) on listed investment held for long term	–	77,662	(125,300)	–	–
	871,367	702,261	364,287	400,889	203,399
Share of profits less losses of associated companies	12,730	1,146	(17,616)	1,053	1,339
Profit before taxation	884,097	703,407	346,671	401,942	204,738
Taxation	(349,225)	(228,381)	(153,916)	(144,000)	(44,244)
Profit after taxation	534,872	475,026	192,755	257,942	160,494
Minority interests	(74,811)	(44,999)	(37,656)	(22,411)	1,310
Profit attributable to shareholders	460,061	430,027	155,099	235,531	161,804
Dividends	167,877	160,845	41,517	125,309	82,637

Balance Sheets

	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000	1996 HK\$'000
Trademarks	742,451	762,792	783,133	803,474	–
Fixed assets	596,953	484,457	403,099	463,098	226,549
Other investments	29,327	33,789	93,158	214,263	20,000
Associated companies	58,563	52,714	43,200	12,828	5,246
Net current assets	542,820	486,916	438,669	419,635	409,735
	1,970,114	1,820,668	1,761,259	1,913,298	661,530

Financed by:

Share capital	111,656	110,862	109,255	108,806	80,987
Reserves	1,612,722	1,324,650	1,053,810	1,012,137	578,605
Shareholders' funds	1,724,378	1,435,512	1,163,065	1,120,943	659,592
Minority interests	17,659	1,045	7,518	14,989	1,329
Obligations under finance leases	1,931	2,388	8,773	320	609
Long-term bank loan	226,064	380,201	532,537	722,879	–
Deferred taxation	82	1,522	49,366	54,167	–
	1,970,114	1,820,668	1,761,259	1,913,298	661,530