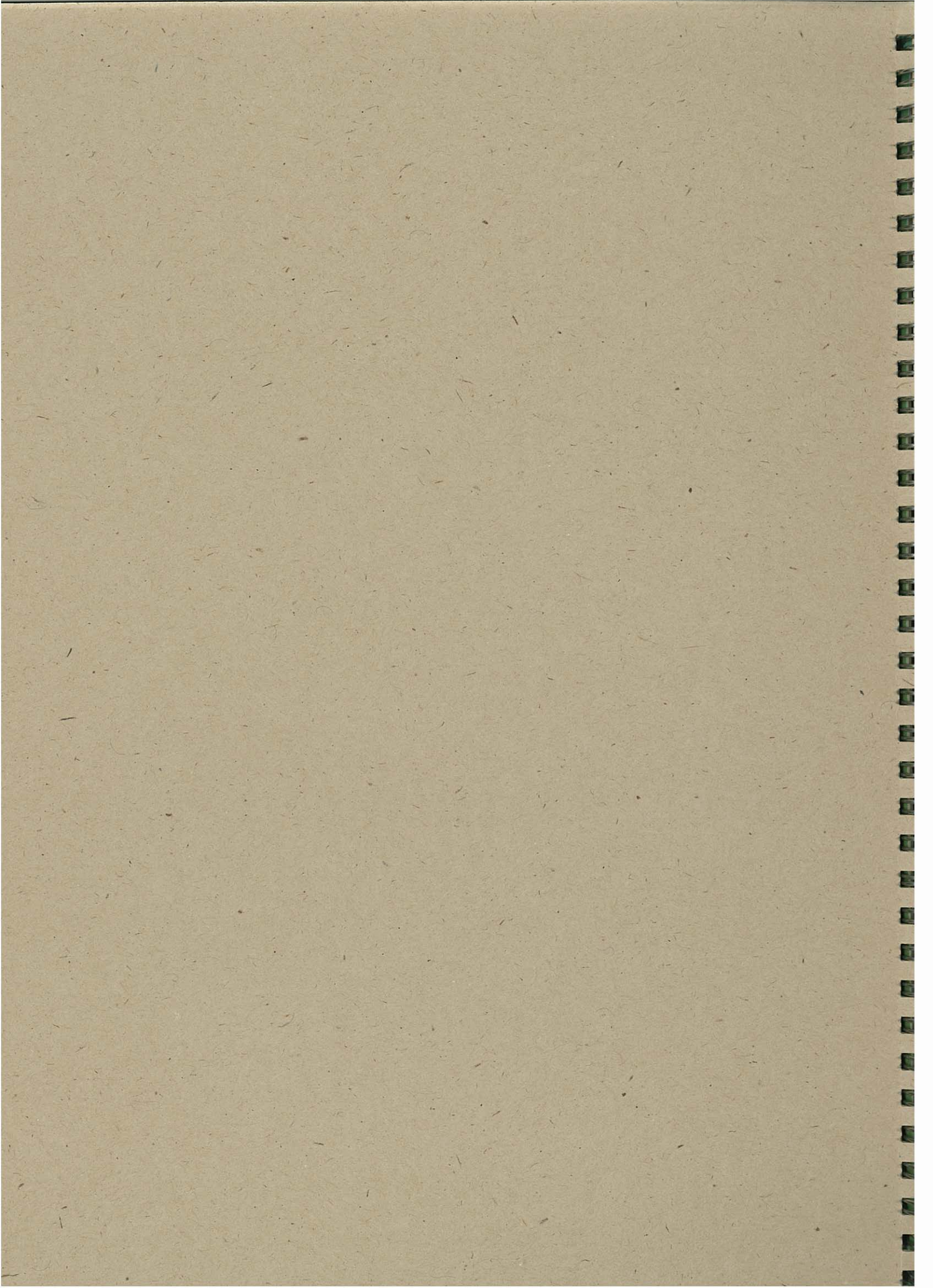


ESPRIT

ESPRIT ASIA HOLDINGS LTD
ANNUAL REPORT 1993 / 1994

17



A
is for Asia – a
region rich in
history and with a
limitless future,
whose true
potential remains to
be developed.

A
is for beginnings
– we are proud to
issue our first
annual report to
shareholders.

A
is for excellence.

A
is for attitude,
not age.



CORPORATE INFORMATION

Executive Directors

Michael Ying Lee Yuen

Chairman

Eugene Lee

Alva Chan Wai Mo

Connie Wong Chin Tzi

Surinder Chhibber

Non-executive Directors

Joyce Elena Ma

James Connal Scotland Rankin

Debra Belisle Sembler

Donald Stanton LaVigne

Company Secretary

Alva Chan Wai Mo, F.H.K.S.A.

Authorized Representatives

Eugene Lee

Alva Chan Wai Mo

Principal Banker

The Hongkong and Shanghai
Banking Corporation Limited

1 Queen's Road Central

Hong Kong

Auditors

Deloitte Touche Tohmatsu

Certified Public Accountants

26th Floor, Wing On Centre

111 Connaught Road Central

Hong Kong

Hong Kong Share Registrar

Secretaries Limited

5th Floor, Wing On Centre

111 Connaught Road Central

Hong Kong

Registered Office

Clarendon House

Church Street

Hamilton HM 11

Bermuda

Head Office and Principal Place of Business

11 Yuk Yat Street

10th Floor, Tokwawan

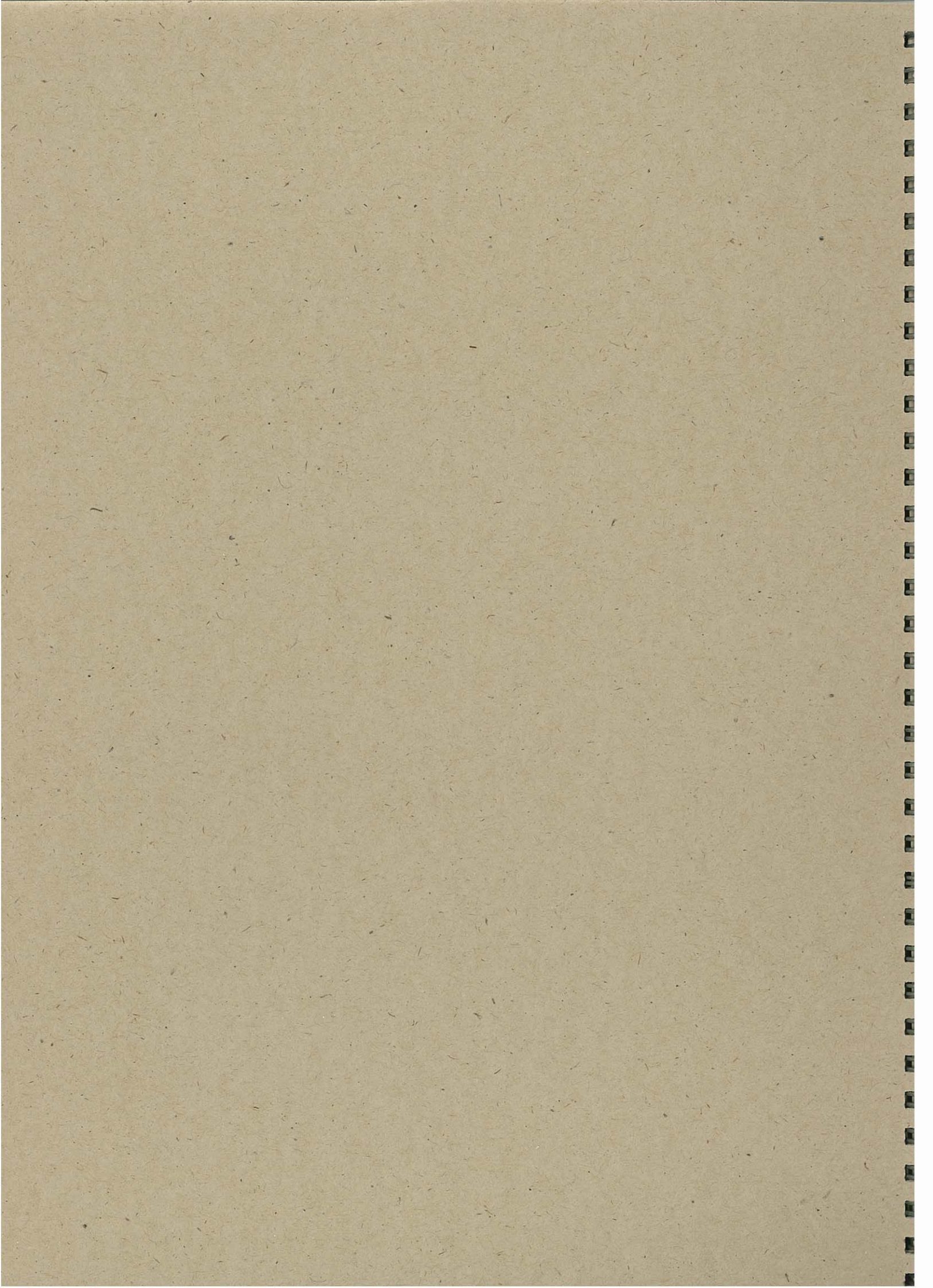
Kowloon, Hong Kong





**"Asia is home to
our employees, our suppliers,
our investors, our partners and,
most important of all,
our customers. Asia is the efficient
and reliable source of most
of the merchandise which we sell.**

**Asia represents a vast
market with great potential
for Esprit."**



Since its beginnings in the 1960s, Esprit de Corp. and subsequently Esprit Asia have been "public" companies in the very broadest sense. By our words and our actions we've always done our best to be public-minded and public-spirited organizations.

Being "public" is nothing new to us.

This maiden annual report to shareholders measures our performance in financial and in other important terms for the twelve months ended June 30, 1994 and indicates where we go from here.

During the past several years we have achieved impressive growth. We believe that what we have built, while already sizeable and profitable, will provide a firm foundation for a substantially larger business than what one sees today.

THIS PAST YEAR

Our financial results for the year ended June 30, 1994 were consistent with our mid-year projections: turnover increased by 48.7% to approximately HK\$1,144.9 million, profit attributable to shareholders, including a first-half exceptional item of HK\$26.9 million of interest income earned on share flotation proceeds, increased 112.2% to HK\$167.4 million.

Earnings per share totalled 23.98 cents. Our operating margin before exceptional items amounted to 15.6%, up 13.7% on 1992-1993.

We increased our total selling area by 54% to over 137,000 square feet with the addition of 48 new freestanding Esprit stores, department-store counters and Red Earth shops.

OUR MARKETS

Retail operations account for over 90% of Esprit Asia's total turnover. We expect earnings from retail operations to continue growing as we continue to increase our market penetration and expand our product lines.

Our retail markets fall into three distinct categories:

- our flagship, relatively mature but by no means saturated markets of Hong Kong and Singapore, where our retail operations are best established, consumer awareness

of Esprit is highest and our merchandise diversification program is furthest along.

In 1993-1994, Hong Kong and Singapore together accounted for approximately 72% of the group's retail turnover.

In order to sustain this kind of performance, our strategy in these two markets is evolving in two important respects: new stores will tend to be situated in newly-developed, high-density residential and commercial areas; and in longer-established locations we will emphasize higher-value women's wear and development of our higher-growth Esprit lines, namely footwear and accessories and men's wear.

- our ascendant markets of Taiwan and Korea, where economic growth rates have been among the highest in the region throughout the 1980s and 1990s and where the availability of reasonably priced, high-quality international fashion has been, until recently, limited.

During the past year we nearly doubled the number of our outlets in Taiwan, to 29, increasing selling area by 46%. We intend to expand to Taiwan's four major cities — Kaoshiung, Tainan, Taichung, and Taitung — as well as within Taipei. Our Taiwan operation boasts the highest turnover per square foot of any Esprit Asia retail market.

In Korea, our decision to take control of distribution and to retail directly to the consumer, which took effect in

late 1992, will further speed the growth of the Esprit business there.

- Asia's emerging but enormously significant China market, and Japan, where we are opening our first retail outlet next month. Ultimately these may be our largest retail markets.

With seven outlets now established in China, we intend to further expand by franchising rather than directly operating additional outlets.

Financial success in China requires a long-term view. The middle kingdom is not yet the middle class consumer market many wished it were. But, recognizing there are limitations to profitable operation in China today does not mean we are not bullish about our ultimate prospects there.

While we made a slight loss in China this past year, we also increased our selling area by nearly 130%, sales by 500% and several of our mainland outlets operated in the black after less than two years in operation. Still, mainstream consumer purchasing power has to rise to a critical level before we are going to see exciting margins and steady profitability.

Japan has served in one way or another as Esprit's creative touchstone since the 1970s, and Esprit de Corp. has operated a showroom in Tokyo's fashionable Shibuya area for many years. Next

month, we will launch our first retail outlet in Tokyo. Japan is at once our newest and Asia's most advanced and informed consumer market, and flush with opportunities for Esprit.

WE CANNOT BE EFFICIENT ENOUGH

We are constantly looking for ways to make Esprit Asia a more cost-efficient and sensibly managed and structured company. Profit growth and improvement of margins are going to be achieved by minimizing costs and enlarging economies of scale as we expand our business volume.

Regional expansion presents logistical challenges and requires investment in management resources. We took steps during the past year to streamline warehousing and distribution, store design and construction, and staff training.

Most significantly, we will establish a central buying team of our most talented merchandisers to ensure that Esprit's international image is maintained and the company's worldview is properly expressed throughout Asia. Improved buying should result in improved sell-through and higher group margins.

There are no shortcuts to becoming a truly successful, truly regional company.

FROM A TO A

Our business reaches around the world, from America, where the Esprit story begins, to Asia, an area rich in human achievement and history and one with a boundless economic and social future.

Asia is home to our employees, our investors, our partners, our suppliers, our customers. Asia is the reliable and economical source of most of the high-quality merchandise we and other companies within the Esprit group distribute.

Esprit Asia is riding Asia's upward economic and social spiral.

Massive investment in Asia's industrialization, and tremendous economic growth are resulting in rapid growth of the region's middle-class population. Increasing exposure to international trends through overseas media and travel is fueling middle-class aspirations and demand for "fashionable" products, from home entertainment to food to clothing.

WE ARE ESPRIT

Our challenge is to seize the opportunities for business growth within our capacity to develop, source and distribute high-quality, desirable Esprit products.

What differentiates us from other companies pursuing success on this same, fast track is not our common marketplace — Asia — but our unique identity among consumers. We are Esprit.



Michael Ying Lee Yuen
Chairman
September 14, 1994

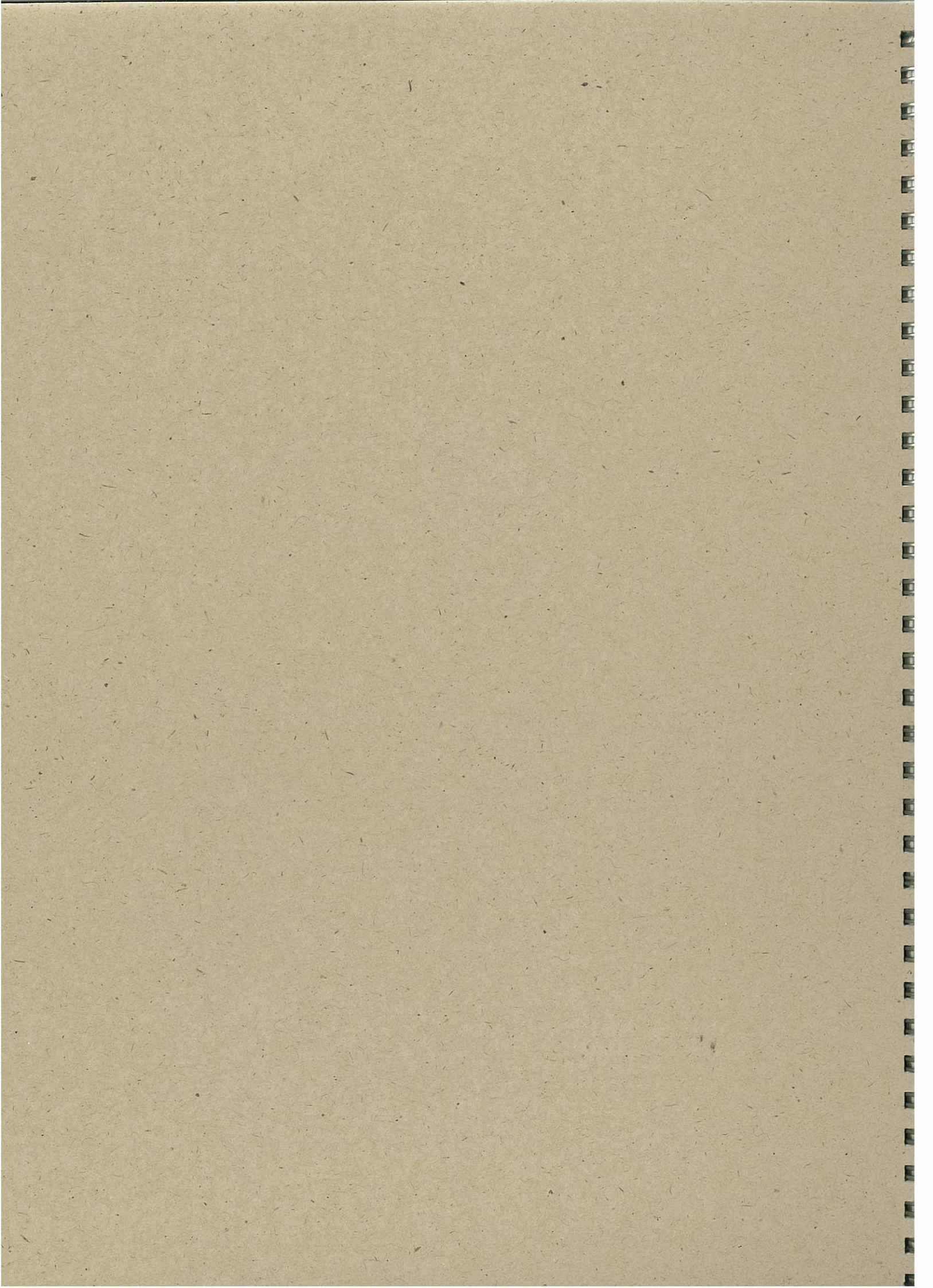


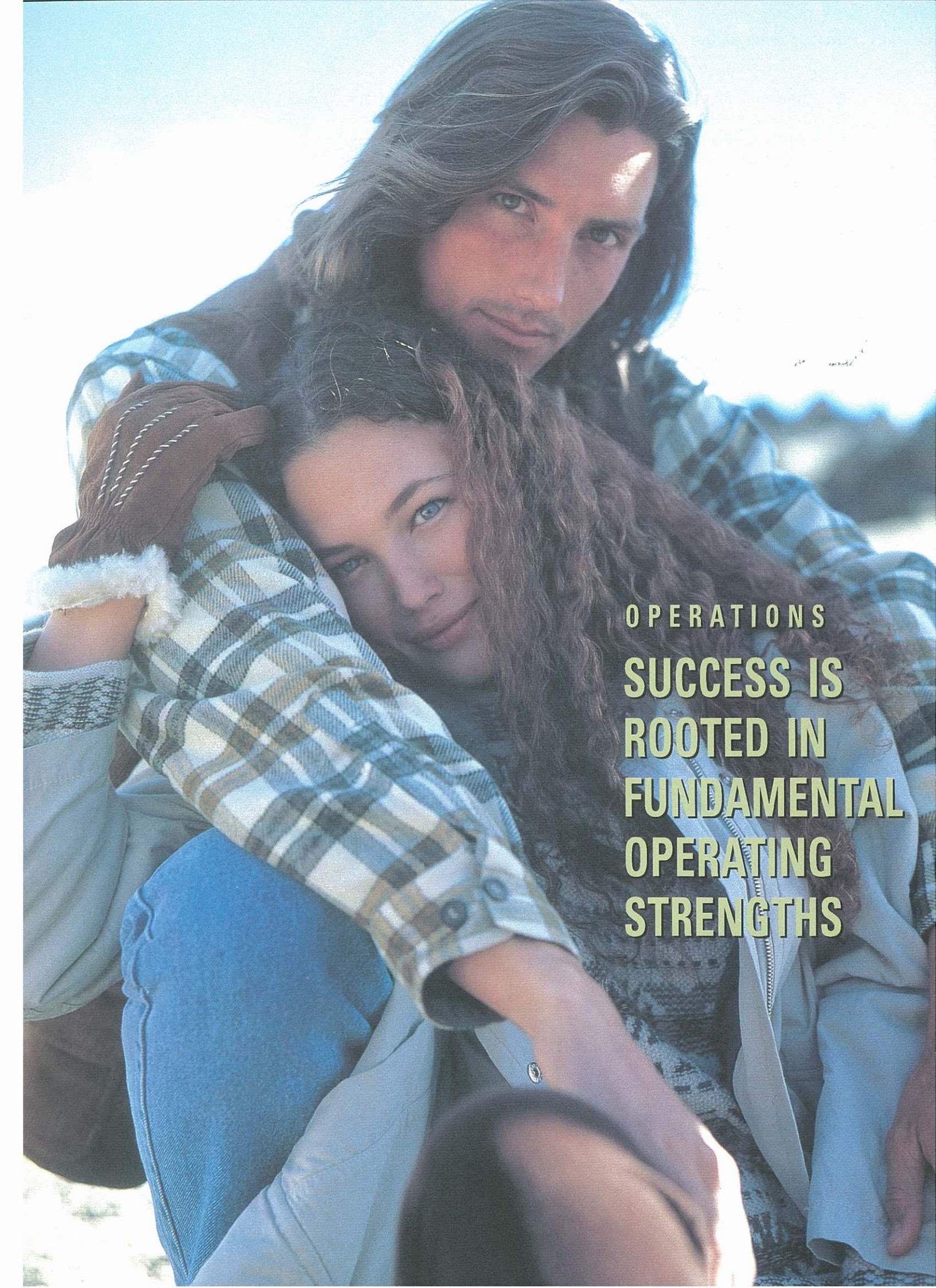
OVERVIEW OF OPERATIONS

9

OPERATING RESULTS

16



A photograph of a man and a woman in a close embrace outdoors. The man, with long dark hair, is wearing a plaid shirt and has his arm around the woman's shoulder. The woman, with long dark hair and blue eyes, is also wearing a plaid shirt and is looking towards the camera. The background is a bright, slightly blurred outdoor setting. The text is overlaid on the right side of the image.

**OPERATIONS
SUCCESS IS
ROOTED IN
FUNDAMENTAL
OPERATING
STRENGTHS**

In reviewing the group's past year's performance and discussing our prospects, it is worthwhile restating our fundamental operating strengths:

- Esprit Asia, which cost-efficiently sources most of its internationally designed merchandise within its own distribution region, has established an unique market niche between relatively high-priced imported fashions and low-priced basic apparel manufactured in Asia.
- Esprit Asia controls all aspects of retail and wholesale distribution and marketing of Esprit products in the region, from buying, to store site selection and design, to staffing, pricing, advertising and point-of-sale display.
- Expansion of the business will occur vertically, on several levels, and growth will not depend on any one single market or product. Growth will be achieved:

GEOGRAPHICALLY...Esprit Asia operates at retail in five established markets plus its newest market, Japan, and distributes through wholesale channels in all other Southeast Asian and Middle East markets, with the exclusion of Australia and New Zealand.

BY PRODUCT LINE...Sales of footwear and accessories and men's apparel are likely to grow at an ever-faster rate than our signature women's apparel lines. Sales of women's apparel lines will continue to grow in absolute terms as we

move away from basic apparel items such as T-shirts and jeans, and towards more sophisticated fashion items, add value to fabrications and design more specifically for Asia's growing numbers of young working women.

THROUGH PRODUCT DIVERSIFICATION... We are introducing entirely new product categories, including timewear and eyewear, in our stores and plan to introduce other apparel and lifestyle products.

**MERCHANDISING...
BACK TO ASIA BY DESIGN**

Esprit Asia, with its roots in sourcing and manufacturing, has traditionally merchandised from lines designed by Esprit studios in the US and Europe. Today, Esprit Asia is assuming a larger role in product development and Hong Kong now serves as the Esprit organization's third international design center, developing original styles for each Asian market's tastes, sizes, climates and lifestyles. During the past year, our merchandising team and product managers successfully restyled Esprit's US and European designs, which translated to the freshest and fastest-selling casualwear collections featured in Asia in seasons.

Esprit Asia also participates in the direction of fashion photography for use in Esprit international marketing and display materials.

**NEW GROWTH STEMMING FROM
A CHANGING MERCHANDISE MIX**

Esprit Asia distributes over 2,000 different fashion, fashion accessory and lifestyle items each year, along six major product lines: women's apparel, men's apparel, footwear and accessories, kids' wear, bed and bath products, and, since 1992, Red Earth-label high-quality Australian natural beauty products marketed under license.

Each product category's performance relative to group sales and profit is changing in each of our Asian retail markets. Women's apparel represented 63% of group retail sales in the region during the past year, while footwear and accessories and men's wear represented 20% and 12% respectively. Because of their rapid growth, footwear and accessories and men's apparel will continue to increase their share of total sales.

ECOLLECTION

Esprit's ECOLLECTION line was launched in North America in 1990 and introduced to Hong Kong in 1992.

ECOLLECTION is the most literal expression of Esprit's commitment to socially-responsible business development. All garments and accessories in the ECOLLECTION line are manufactured using environmentally and socially





responsible processes. As the cost of these is brought down, they may be gradually introduced to the production of Esprit's mainstream product lines.

CONSISTENT MARKETING AND PROMOTION...LEVERAGING THE ESPRIT BRAND

We continue to seek ways to leverage the Esprit brand, Esprit Asia's single most valuable marketing asset.



“ Today, Esprit Asia is assuming a larger role in product development and Hong Kong now serves as the Esprit organization's third international design center, developing original styles for each Asian market's tastes, sizes, climates and lifestyles. ”

An unmistakably international image is essential to maintaining Esprit's unique brand identity; adherence to Esprit's globally-applied design specifications and standards, from store design to advertising, is crucial.

During the year, we further tightened control over store construction and marketing activities around the region, developing more efficient, more centralized systems to manage these functions of our business across an expanding universe of Esprit retail and wholesale outlets.

Most advertising and promotion expenditure went to outdoor media, direct marketing programs targeting Esprit Privilege Cardholders and below-the-line activities.

THE ESPRIT PRIVILEGE CARD

The Esprit Privilege Card offers selected holders invitations to collection previews and Esprit

fashion shows, and entitles all holders to a 20% discount on merchandise. An additional 17,419 Esprit Privilege Cards were issued during the past year, bringing the number of cards in issue in the region to over 70,000.

The Esprit Privilege Card is our primary promotion medium as well as our most valuable market research tool. Active customers are reached directly by mail with seasonal catalogs, sale and preview notices and other cost-efficient and highly focused marketing media, while analyses of their purchases provides us with valuable customer-profile data.

SOURCING, MANUFACTURING AND DISTRIBUTION

Control over the quality and the relative cost of the manufacture of the products we sell in Asia is essential to sustaining our profit growth.

In the course of the past two decades, we have garnered an enormous amount of sourcing expertise and established strong subcontractor relationships throughout China and the rest of Asia.

Approximately 90% of all apparel, footwear and accessories and bed and bath products sold by Esprit Asia are manufactured within our own region, with the balance made in Europe. Approximately half of our products are manufactured in China, where costs for production of many items remain the lowest achievable in the region.

Fabrics are mainly sourced in Hong Kong itself and in Japan. We go to Taiwan and Europe for novelty fabrics and complex prints, and to Korea for high-quality synthetics and fine lamb's wool. Finished products are sourced



MARKET POTENTIAL

93/94 Retail Sales HK\$ Million

557.1
HONG KONG

189.8
SINGAPORE

166.3
TAIWAN

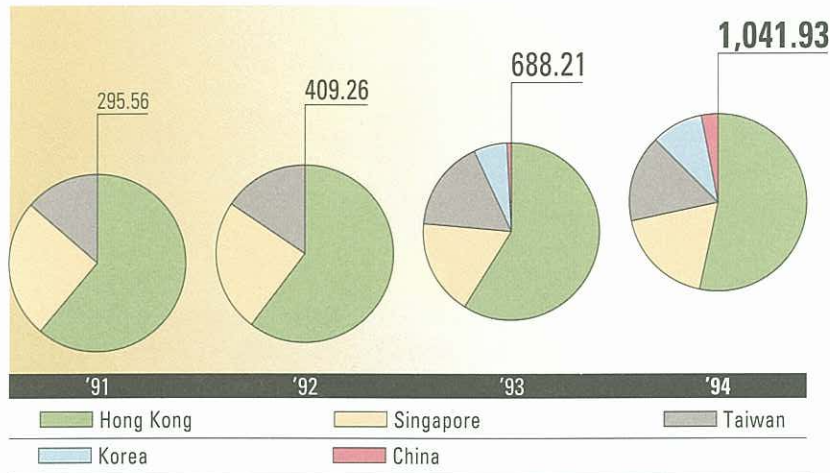
99.4
KOREA

29.6
CHINA

'93 GDP GROWTH (%)	13.4	5.6	5.8	9.8	5.7
'93 POPULATION (Million)	1,190.5	44.4	21.0	3.1	6.02
'93 PER CAPITA INCOME (PPP*) (US\$)	2,413	8,694	9,830	16,674	19,446

GROUP GROWTH AND MARKET PERFORMANCE

Net Retail Sales HKS Million

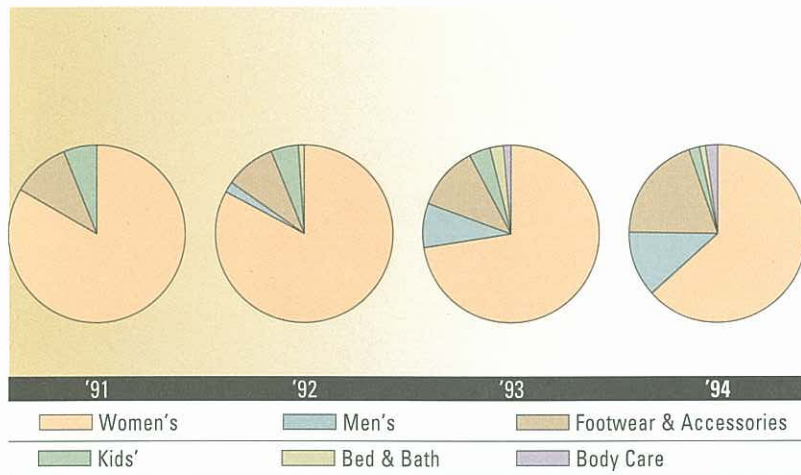


slacks and skirts, was moved from Hong Kong to our Shenzhen plant, broadening the range of products we now produce there.

Our Shenzhen plant is modelled on other modern international Esprit facilities and provides approximately 600 Esprit manufacturing employees with a safe and conducive working environment as well as adjacent living quarters. The plant is often cited as a model for garment and other types of manufacturing facilities in China.

PRODUCT PERFORMANCE

Share of Net Retail Sales



Our competitive edge in the marketplace is sharpened by direct ownership of significant manufacturing capacity in southern China and our close ties with key subcontractors in the area, enabling us to "speed re-order" each season's fastest-selling items and to re-stock Esprit outlets throughout Asia within two weeks.

Sharp increases in the price of Asian cottons, caused primarily by unusually low agricultural yields in China and India, did not significantly affect the group. Esprit Asia purchases raw materials in large volumes at fixed prices and on long terms, providing an effective hedge against short-term volatility in supply and price.

from a diverse geographical area, ranging from China, Hong Kong, and Macau to Southeast Asia, Europe and South America.

Shenzhen Shihe Dress Co., our wholly-owned 80,000 square-foot plant in the special economic zone of Shenzhen, produces more than one-and-a-half million woven and knit garments annually — approximately 20% of all Esprit merchandise sold in Asia. We consider this to be an optimal ratio and will maintain capacity accordingly. During the past year, production of higher-value garments, including vests, blazers, blouses,

DISTRIBUTION

During the past year we took significant steps to further improve distribution of our merchandise to our retail stores and our wholesale customers. We are working with our manufacturing facilities and subcontractors in China, elsewhere in Asia and in Europe to design systems for pre-sorting merchandise by export market.

For example, most merchandise is currently shipped to Esprit ware-



houses in Hong Kong for sorting and re-export to as many as 25 separate regional destinations. Our goal is to ship finished products directly to each Esprit market or local distribution point, and to significantly reduce shipping, warehousing and related labor costs as a percentage of the cost of sales.

HUMAN RESOURCES: TRAINING AND CAREER DEVELOPMENT

This past year saw a new emphasis placed on staff and management training and career development.

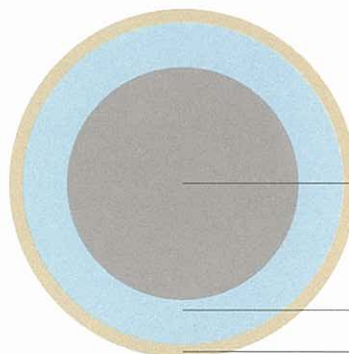
We boosted and reorganized our staff development capabilities, establishing Hong Kong as a base for regionwide training programs which will in time benefit store performance in our retail and wholesale markets.

Service training programs are being customized for each of our markets. Each country has designated a local

staff training officer, and all officers now regularly convene in Hong Kong for periodic training and updates as additional training phases are developed and introduced.

In June 1994, Esprit Hong Kong was awarded the popular NEXT Magazine's Best Customer Service award in the Boutique category.

SOURCE OF MANUFACTURE

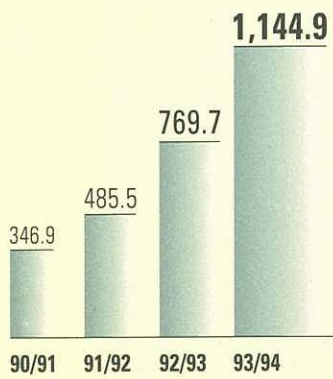


ASIA 70%
 • Hong Kong • China
 • Macau • Other

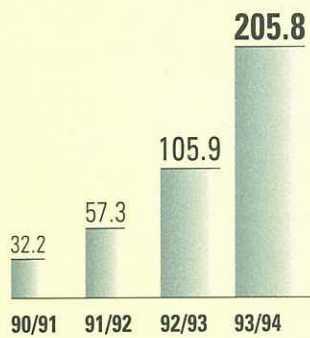
OWN FACTORY IN CHINA 20%
OUTSIDE ASIA 10%

SALES & PROFIT GROWTH

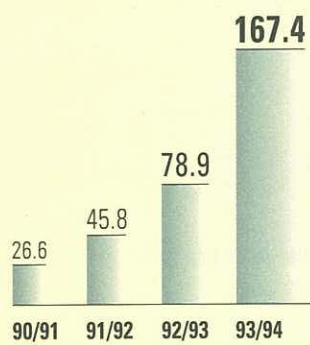
HKS Million



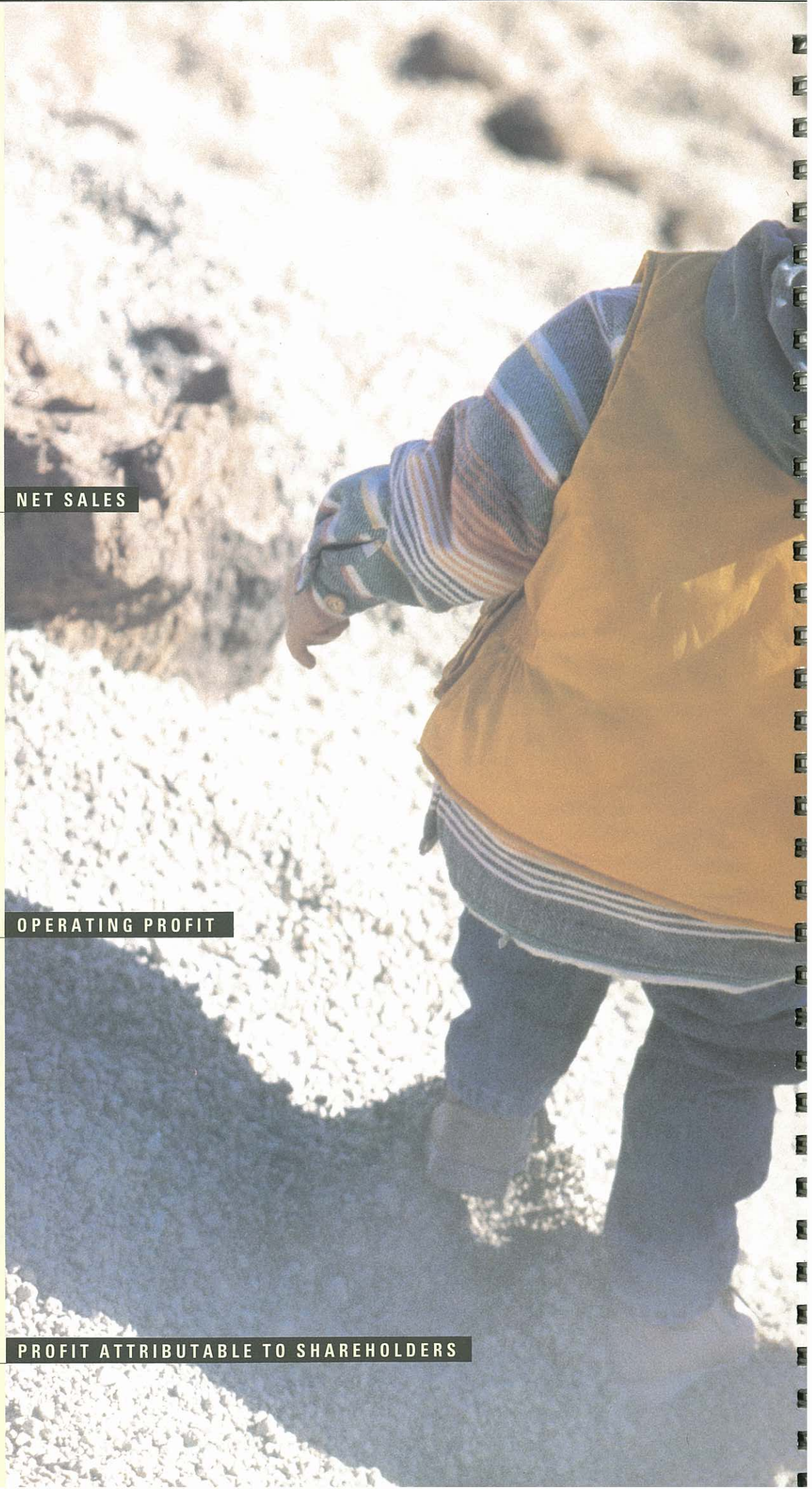
NET SALES



OPERATING PROFIT



PROFIT ATTRIBUTABLE TO SHAREHOLDERS



A photograph of two children on a beach. The child on the left has short brown hair and is wearing a blue and yellow jacket. The child on the right is wearing a blue baseball cap and a blue jacket. They are both looking down at something on the sand. The background is a bright, sandy beach with some rocks.

Healthy as our compound growth during the past three years has been — sales up 153.5%,

operating profit up 189.5% profit attributable to

shareholders up 191%

OPERATING RESULTS

NEW GROWTH

and operating margin

up 15.1% — it is

apparent that we have hardly begun to tap Asia's enormous niche market for high-quality,

affordably-priced, internationally-designed fashion products. We envision not simply expansion of our

business, but renewable growth in established markets and new growth in new markets.

Taiwan and Korea, with increasingly middle-class populations more than three and seven times the size of Hong Kong's, are likely to propel group turnover and profit growth during the next several years.

In no more than ten years' time, China may well be our largest market in terms of total sales and profit, if not margins.

We are only now entering Japan, a move with obvious, positive implications for our long-term prospects; and our wholesale markets, including fast-growing Southeast Asian economies such as Thailand, Indonesia, Malaysia and the Philippines, offer great future potential.

NET SALES AND PROFIT

Group net sales increased 48.7%, driven by a 54.5% increase in total floor area, while net profit grew 112.2%.

During the year Esprit Asia's 26 licensed wholesale distributors contributed 9% of group turnover.

RETAIL STAFF COSTS

Retail staff costs were kept to a satisfactory 7-9% of sales in each market, despite higher compensation levels and increased spending on sales and retail management training.

RETAIL RENTAL COSTS

Store rental costs averaged 18% of sales across the region. We are confident that this ratio can be maintained or improved, as we successfully balance sales and rental costs per square foot when

negotiating leases for new locations or reviewing the profit outlook for existing locations with leases coming up for renewal.

RED EARTH

Esprit Asia has distributed the Red Earth line of natural health and beauty care products since 1992. Four Red Earth stores were opened in Hong Kong and one in Shenzhen, China during the past year, bringing the total to 11.

During the year, Red Earth introduced its Earth Color line of cosmetics, which was very well received and added significantly to Red Earth sales.

We are currently reconsidering the Red Earth distribution strategy throughout the region in order to significantly expand sales volume and increase market penetration.





GROUP STORE PRODUCTIVITY BY MARKET

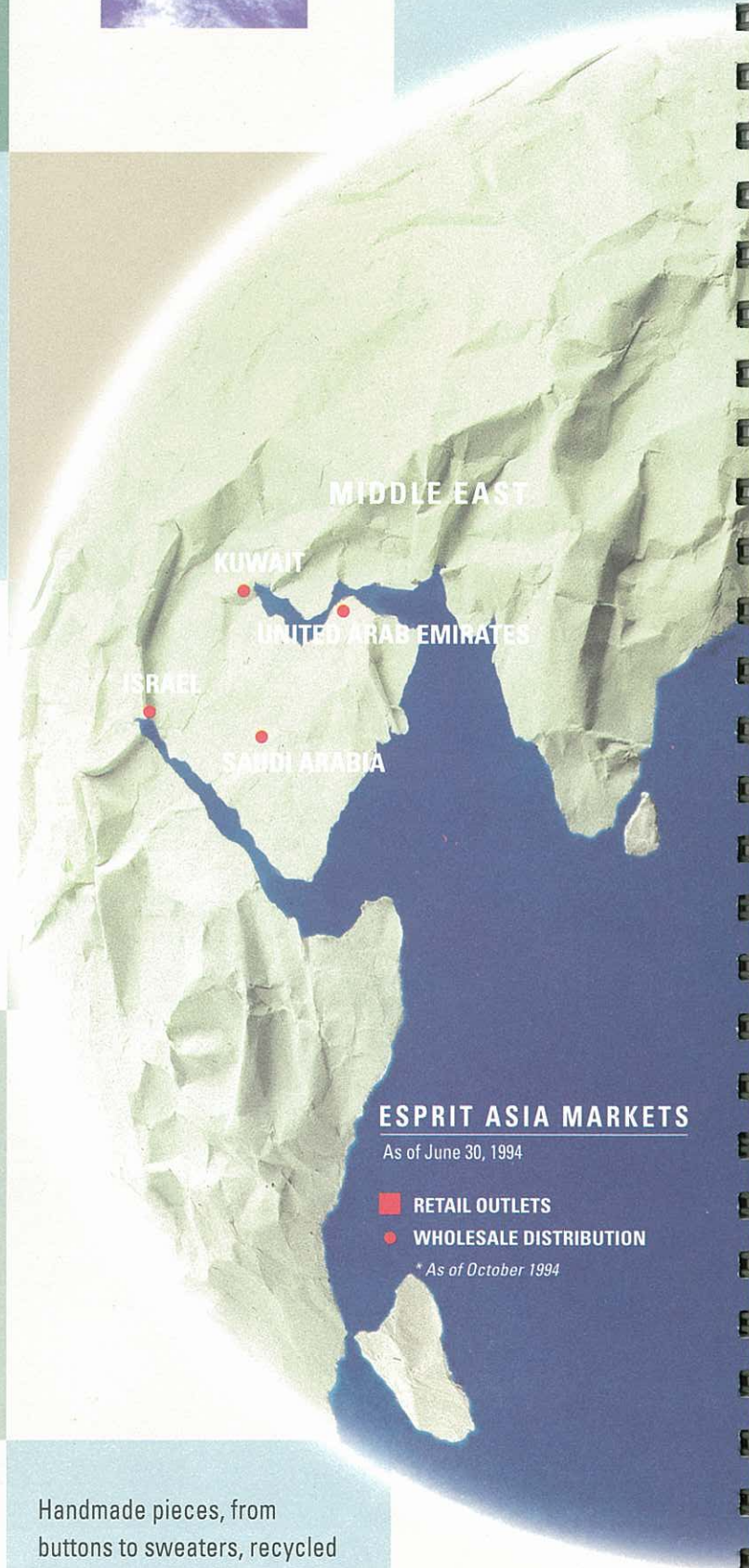
	'91	'92	'93	'94
SALES/SQ FT/ MONTH (HK\$)				
Hong Kong	480	584	641	711
Singapore	552	589	789	650
Taiwan	552	728	934	1,113
Korea	—	—	771	817
China	—	—	227	262
Average Group sales/sq ft/month (HK\$)	511	623	735	798
NO. OF STORES AT YEAR END				
Hong Kong	17	20	25	36
Singapore	5	6	11	17
Taiwan	8	10	16	29
Korea	—	—	18	32
China	—	—	3	7
Total Group no. of stores at year end	30	36	73	121
FLOOR AREA (SQ FT) AT YEAR END				
Hong Kong	29,905	38,050	44,145	61,263
Singapore	13,305	17,506	21,561	29,949
Taiwan	7,715	8,795	12,240	17,875
Korea	—	—	6,024	17,172
China	—	—	4,727	10,769
Total Group floor area (sq ft) at year end	50,925	64,351	88,697	137,028

Our worldview takes in more than meets the eye. The making of apparel and accessories tends to be a needlessly wasteful and therefore needlessly costly process – many of these costs, to the region's environment and its communities, "hidden".



As we, along with companies at the forefront of other industries, discover what the financial, environmental and social costs of manufacturing may be, our goal is to minimize these within our own business and encourage our industry to do likewise.

Traditional cotton farming is highly chemical-intensive. Organic cotton and linen farming and low impact synthetic dyeing along with the use of natural dyes will gradually enter the manufacturing mainstream.



Handmade pieces, from buttons to sweaters, recycled materials and non-electroplated hardware are adding value to contemporary fashion and quality to fashion products and sparking creativity. Socially responsible fashion design is no fad.

Our flagship markets of Hong Kong and Singapore, home to more than 40 Esprit outlets, will continue to grow through diversification. Emphasis will be placed on high-growth product lines such as men's wear and footwear and accessories, as well as continuing to build on our strengths in women's wear.



Being part of a global company means being consistent in our mission and our values wherever we are. Each of our Asian markets – whether we source raw materials or finished goods there, or sell there, or both – is important to us.

Our ascendant markets of Taiwan and Korea will be our fastest-growing, with a combined population of over 65 million yet only a 25% share of group retail sales and group-managed floor area.

China, where we operate seven outlets, and Japan, where we have only recently established a retail foothold, may ultimately be our largest markets.





THE FLAGSHIP MARKETS

HONGKONG

SINGAPORE

HONG KONG

Local sales grew approximately 37% to HK\$557 million. Same-store sales — outlets open a full year or more — grew by 8% during the year.

Our Hong Kong retail operations accounted for over 53% of group retail sales. This compares with 59.1% in financial year 1993 and 60.5% in 1992.

Esprit Hong Kong established 5 additional outlets during the past year, increasing the number of free-standing stores from 15 to 21 and reducing by one the number of department store counters to four, while increasing total floor area by nearly 36% to 56,495 square feet.

During the year, Esprit Hong Kong achieved a higher level of customer awareness and sales of Esprit footwear and accessories and men's apparel in the market.

The single most visible and significant development was the opening in October 1993 of Esprit Hong Kong's largest outlet, a 9,770 square-foot store on the 5th level of Times Square, itself the most anticipated new retail development on Hong Kong Island.

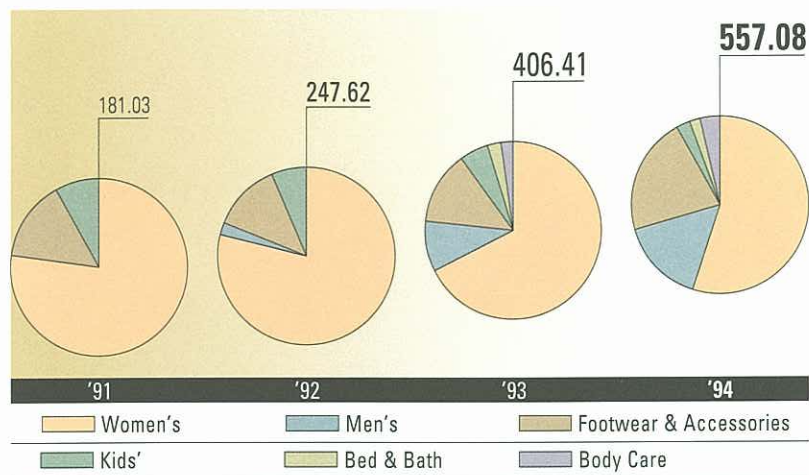
In 1994-1995, we plan to open from 5 to 7 new outlets, primarily in outlying areas and rapidly expanding commuter towns such as Yuen Long and Sheung Shui. A larger proportion of total selling area will be dedicated to our higher-growth product lines and to higher-margin women's apparel.

Rental costs as a percentage of sales were maintained at a satisfactory 18%. We are carefully managing our exposure to Hong Kong's skyrocketing retail rentals. As with our freestanding stores we are



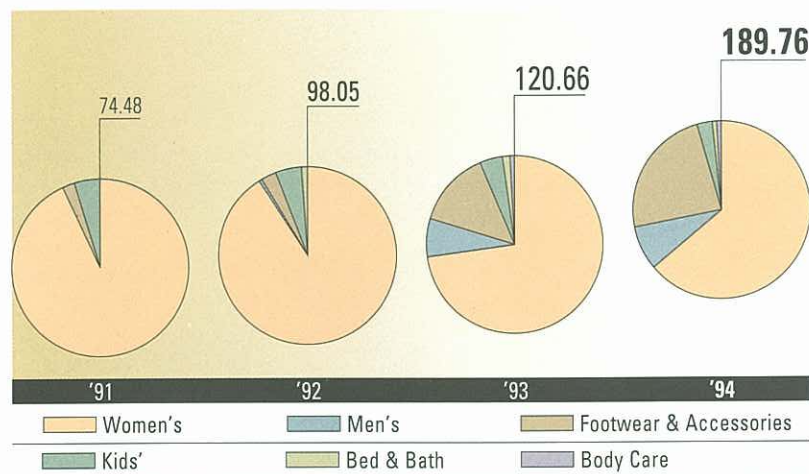
**NET SALES GROWTH & PRODUCT PERFORMANCE
- HONG KONG**

HK\$ Million



**NET SALES GROWTH & PRODUCT PERFORMANCE
- SINGAPORE**

HK\$ Million



Trust as of June 30, 1994, primarily in support of environmental and education causes.

SINGAPORE

Our Singapore retail operation posted 57% turnover growth during the year, driven by the addition of 11,000 square feet of selling area, an increase of 45%. Singapore retail operations contributed 18.2% of group retail sales, an increase of 4%.

In August 1993, Esprit Singapore opened a 6,000 square-foot store in Ngee Ann Centre, a major new shopping complex anchored by a Takashimaya department store. The new store may be the most important new Esprit outlet to be established in the Republic since the Orchard Road flagship was launched in 1985.

We established a total of 7 new outlets in Singapore during the year, increasing the number of freestanding stores by 4, to 11, and doubling the number of counters to 6.

Nine of our Singapore outlets are centered around Orchard Road, the most popular shopping district, and are situated within ten minutes' walking distance of one another.

Future expansion of our retail portfolio will tend to be outward from the dense city center and in new residential complexes located at outlying but easily accessible suburban areas.

1994-1995 will see Esprit Singapore consolidating its retail operations and focusing on the overall improvement of efficiency and competitiveness.

setting higher per-square-foot sales and margin targets for our department store "shop-in-shops" and counters.

ESPRIT CARES TRUST

In early 1993, Esprit Hong Kong established the Esprit Cares Trust. One Hong Kong dollar of proceeds from every item sold at retail in the territory is donated to the Trust, which supports environmental protection and other issues affecting the local community. A total of HK\$3 million was raised through the

THE ASCENDANT MARKETS

T A I W A N

K O R E A

TAIWAN

Taiwan is one of our youngest and, inevitably, will be one of our largest markets. We have established nearly 18,000 square feet of selling area since we first opened in Taipei in 1987 with a 1,200 square-foot counter in a department store.

The fast-expanding Taiwan retail operation posted a 46% increase in sales, and contributed approximately 16% to group sales, a slight decrease from financial year 1993. Same store sales grew by 15% during the year.

We nearly doubled the total number of outlets on the island, from 16 to 29, doubled the number of free-standing stores to 4 and boosted the number of department store counters from 14 to 25.

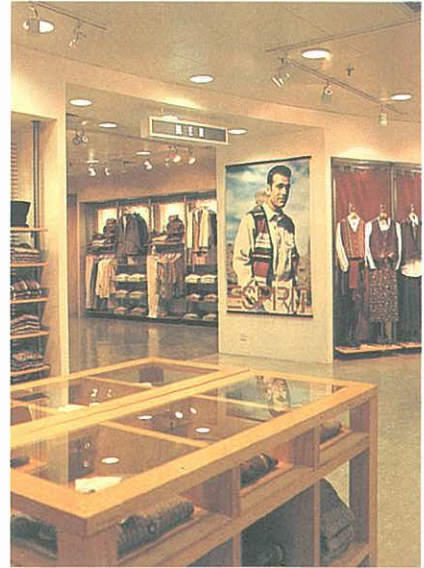


Annual sales per square foot are presently the highest in our region.

Having established Esprit as the leading department-store women's fashion label within seven years and firmly positioned the Esprit brand in the Taiwan market, we plan to open freestanding Esprit stores at a faster rate, increase the average size of our department store

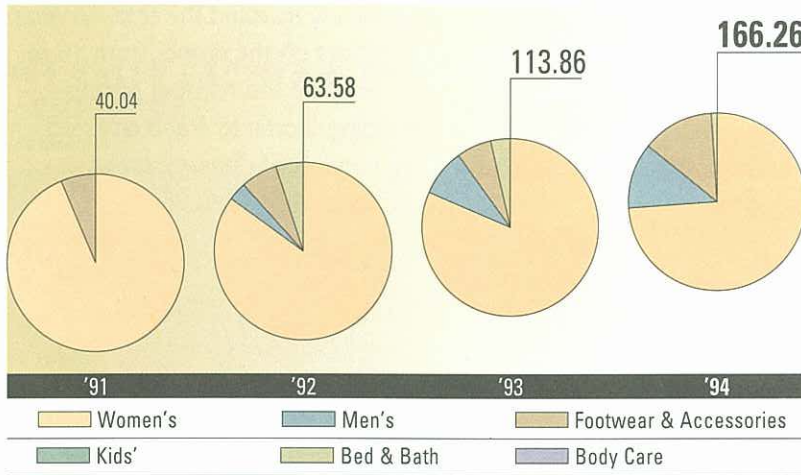
counters, and capitalize on the sales momentum by expediently expanding selling area for footwear and accessories and men's apparel.

In 1994-1995, we intend to again double the total number of outlets. Of the projected 17,000 square feet of additional floor area, approximately 5,600 will be established in cities other than Taipei.



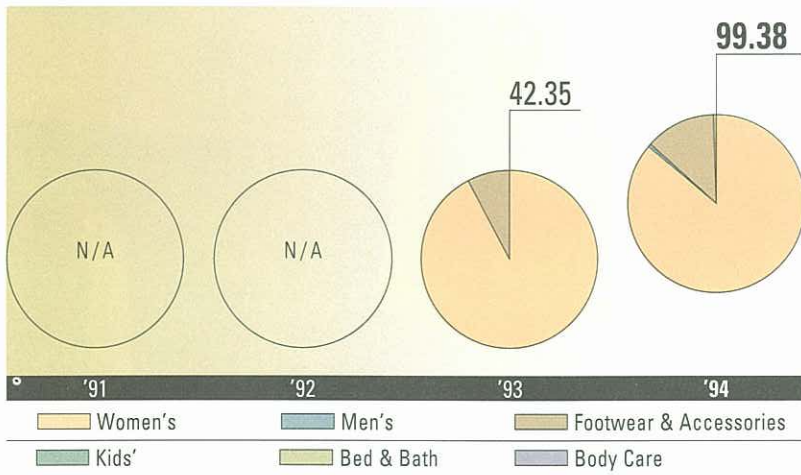
**NET SALES GROWTH & PRODUCT PERFORMANCE
- TAIWAN**

HKS Million



**NET SALES GROWTH & PRODUCT PERFORMANCE
- KOREA**

HKS Million



KOREA

In November 1992, through a joint venture, we acquired direct control of our retail operations in South Korea. In financial year 1994, sales grew by 135% under our management.

Our Korean retail operation generated 9.5% of group sales, an increase of over 50%, and is clearly positioned to help drive group earnings growth throughout the decade.

During this past year, we added 14 Esprit outlets, increasing total floor area by 185% to 17,172 square feet. With the Esprit brand well positioned in the Korean market, we plan to open approximately 12 new outlets in financial year 1995, including at least one additional freestanding store.

Expansion this year will continue to focus on Seoul where rapid-growth opportunities for Esprit remain concentrated. Of our 32 outlets in Korea, all but one are department store counters. Increasing emphasis will be placed in coming years on the establishment of freestanding stores.

THE ULTIMATE MARKETS

C H I N A

J A P A N

CHINA

Our mainland China retail operation contributed approximately 3% to group sales in financial year 1994, with turnover increasing to approximately HK\$30 million. While certain retail outlets were profitable on a stand-alone basis, and operations were comparatively cost-efficient, our China retail operation made a slight loss in its second year.

During the year we added 4 outlets and increased floor area by 128% to 10,769 square feet. At year end, we operated 7 outlets in China, including 2 freestanding stores and 4 counters in Shanghai, the country's most fashion-forward city, and a 1,670 square-foot counter in Seibu's Shenzhen department store.

Further expansion will mainly be through franchised Esprit outlets established and operated under our close supervision. In the coming year, we will actively seek opportunities to expand our presence to various fast-growing coastal and interior cities.

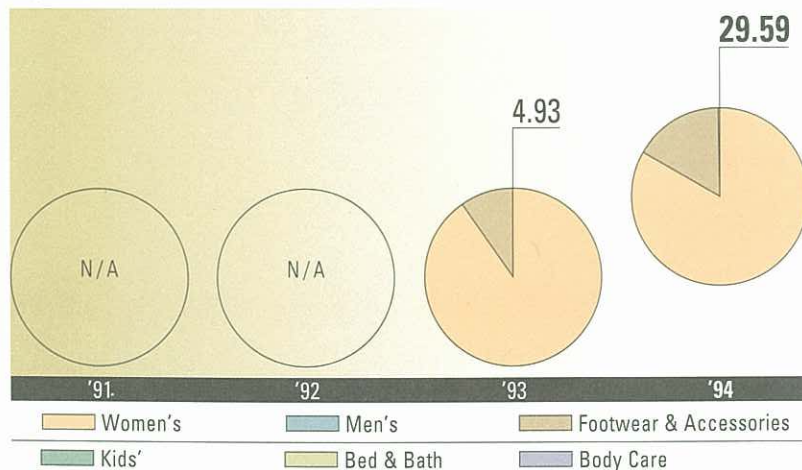
JAPAN

We can think of no more ideal and receptive a retail market for the Esprit brand than Japan. Japan has in fact played an influential role in the development of Esprit's worldwide image since the 1970s — from our corporate identity to our signature store architecture to our innovative and much-imitated packaging.

In October 1994, we will launch our first retail outlet in Tokyo, a 1,330 square-foot counter at the Mitsukoshi department store in the city's Shibuya district. We intend to open additional counters and freestanding stores as we identify suitable opportunities and locations.

NET SALES GROWTH & PRODUCT PERFORMANCE — CHINA

HK\$ Million





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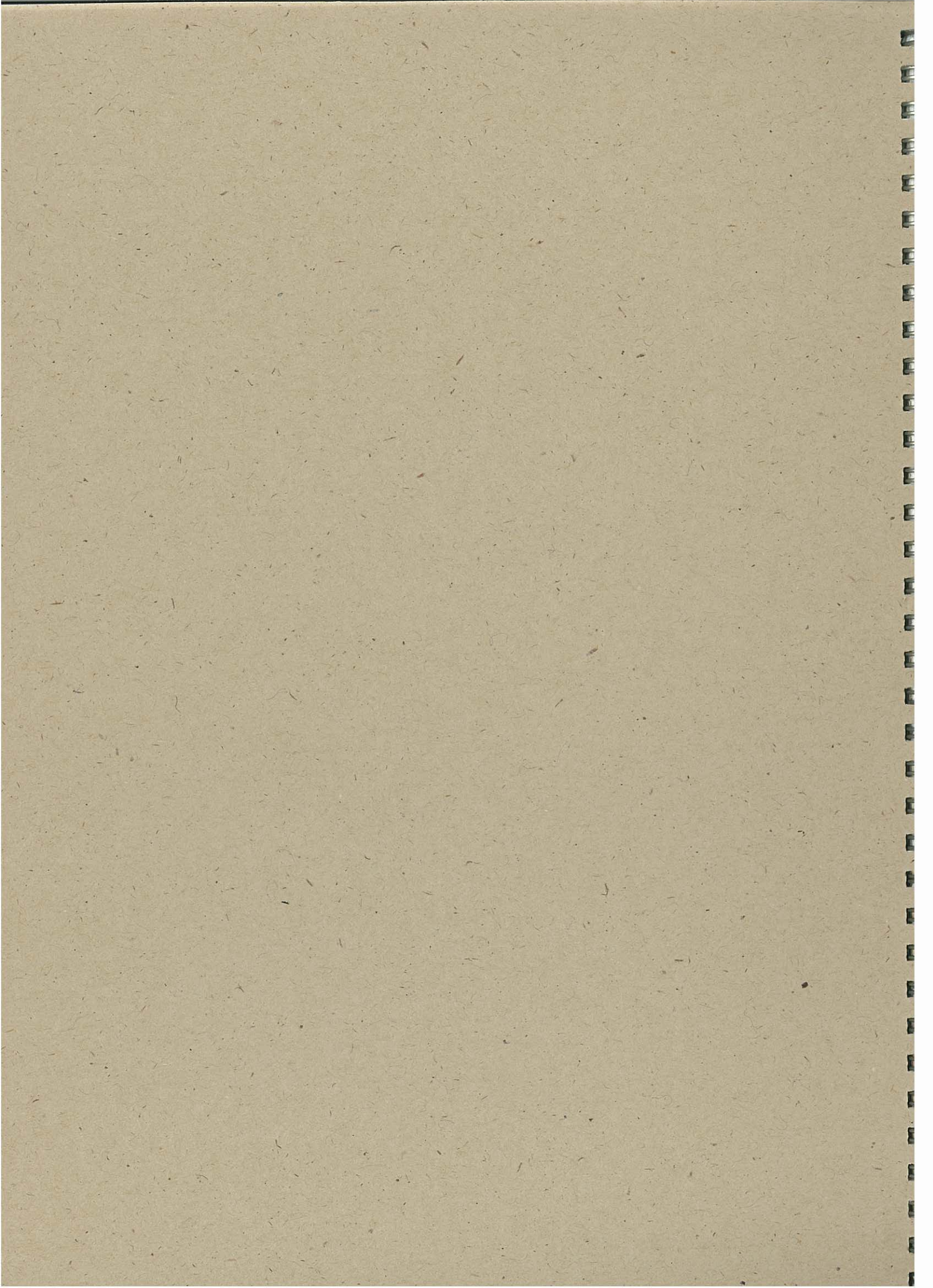
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REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their annual report and the audited financial statements of the Company for the period from November 16, 1993 (date of incorporation) to June 30, 1994 and of the Group for the year ended June 30, 1994.

Corporate Reorganization

Pursuant to a Group reorganization scheme to rationalize the structure of the Group in preparation for the public listing of the Company's shares on The Stock Exchange of Hong Kong Limited, the Company became the holding company of the companies now comprising the Group on November 17, 1993.

Details of the reorganization are set out in note 1 to the financial statements.

The shares of the Company were listed on The Stock Exchange of Hong Kong Limited with effect from December 9, 1993.

Principal Activities

The Company is an investment holding company. Its subsidiaries are principally engaged in the retail and wholesale distribution of high quality fashion products under the internationally known ESPRIT brand name, together with Red Earth body care products.

The turnover and contribution by geographical market are as follows:

	Turnover HK\$'000	Contribution HK\$'000
Hong Kong	659,944	111,934
Singapore	189,760	32,959
Taiwan	166,261	23,270
Korea	99,367	10,222
China	29,587	(3,411)
	1,144,919	174,974
Interest – net	—	30,850
	1,144,919	205,824

The Group's operation in China experienced a net operating loss in the financial year 1994 due principally to the initial overhead costs associated with establishing a retail operation in this market.

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 35 and in the accompanying notes to the financial statements.

The Directors recommend the payment of a final dividend of 8.5 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 of the Group for the last four financial years is set out on page 54.

Share Capital

The Company was incorporated on November 16, 1993. Changes in the authorized and issued share capital of the Company since its incorporation are set out in note 17 to the financial statements.

Details of the share options granted by the Company during the year are set out in note 18 to the financial statements.

Fixed Assets

During the year, the Group acquired fixed assets of approximately HK\$55,212,000 principally as a result of business expansion. Details of these and other changes in fixed assets of the Group during the year are set out in note 9 to the financial statements.

Subsidiaries and an Associated Company

Details of the Company's subsidiaries and an associated company at June 30, 1994 are set out in notes 30 and 11 to the financial statements.

Borrowings

Bank loans, overdrafts and other borrowings repayable within one year, or on demand, are classified as current liabilities. A repayment analysis of obligations under finance leases at June 30, 1994 is set out in note 20 to the financial statements.

No interest was capitalized by the Group during the year.

Charitable Contributions

During the year, the Group made charitable contributions totalling HK\$3,350,000.

Directors and Service Contracts

The Directors of the Company during the period and up to the date of this report were:

Executive Directors:

Michael Ying Lee Yuen	(appointed on November 16, 1993)
Eugene Lee	(appointed on November 16, 1993)
Alva Chan Wai Mo	(appointed on November 16, 1993)
Connie Wong Chin Tzi	(appointed on November 16, 1993)
Surinder Chhibber	(appointed on November 16, 1993)

Non-executive Directors:

Joyce Elena Ma	(appointed on November 16, 1993)
James Connal Scotland Rankin	(appointed on November 16, 1993)
Debra Belisle Sembler	(appointed on November 16, 1993)
Donald Stanton LaVigne	(appointed on November 16, 1993)
John Anthony Ellison	(appointed on November 16, 1993 and resigned on January 20, 1994)
John Charles Ross Collis	(appointed on November 16, 1993 and resigned on January 20, 1994)
Donald Harrigan Malcolm (alternate director to John Anthony Ellison and John Charles Ross Collis)	(appointed on November 16, 1993 and resigned on January 20, 1994)

Directors and Service Contracts (continued)

In accordance with the Company's Bye-laws, Mr. Alva Chan Wai Mo and Mr. James Connal Scotland Rankin retire by rotation and, being eligible, offer themselves for re-election.

Each of the Executive Directors has entered into a service agreement with the Company, which is for an initial term of three years commencing on November 17, 1993 and with termination rights thereafter by either party to each agreement on six months notice expiring on or after November 17, 1996.

Directors' Interests in Shares

As at June 30, 1994, the interests of the Directors in the shares of the Company as recorded in the register required to be maintained under Section 29 of Hong Kong's Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

Name of director	Number of shares			
	Personal interest	Corporate interest	Family interest	Other interest
Michael Ying Lee Yuen	–	562,500,000*	–	–

* These shares are held by Esprit Far East Limited, in which Mr. Michael Ying Lee Yuen has a 50% interest.

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.

Substantial Shareholders

As at June 30, 1994, the register of substantial shareholders required to be maintained under Section 16(1) of the SDI Ordinance showed that, other than the interests disclosed above in respect of the Directors, the Company was not notified of any interest which represent 10% or more of the Company's issued share capital.

Directors' Rights to Acquire Shares or Debentures

A share option scheme was approved at a special general meeting of the Company held on November 17, 1993 under which the Directors may, at their discretion, grant options to Executive Directors and full time employees of the Company or its subsidiaries to subscribe for shares in the Company.

During the year, the following share options were granted to Executive Directors of the Company:

	Number of Options Granted
Michael Ying Lee Yuen	4,000,000
Eugene Lee	4,000,000
Alva Chan Wai Mo	3,000,000
Connie Wong Chin Tzi	3,000,000
Surinder Chhibber	4,000,000

Directors' Rights to Acquire Shares or Debentures (continued)

Details of the share option scheme are set out in note 18 to the financial statements.

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

Purchase, Sale or Redemption of the Company's Shares

There was no purchase, sale or redemption of shares of the Company or any of its subsidiaries 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 in Bermuda.

Directors' Interest in Contracts

Mr. Michael Ying Lee Yuen holds a 50% interest in Esprit Far East Limited ("EFE") the ultimate holding company of the Group, and indirect interests in Esprit de Corp., Esprit de Corp. (1980) Ltee and their respective subsidiaries known collectively together with EFE and its subsidiaries ("EFE group") as the "Esprit Global Network". Mr. Michael Ying Lee Yuen also holds interests in Red Earth International Holdings Limited ("Red Earth"). During the year, the Group entered into transactions with these related companies all of which have been reviewed and confirmed by directors of the Company, not connected with any member of the EFE group, Red Earth and its subsidiaries ("Red Earth group") or the Esprit Global Network, to have been conducted on normal commercial terms and in the ordinary course of business. Details relating to these connected transactions are set out in note 28 to the financial statements.

It was announced on February 8, 1994, that Red Earth (Korea) Limited ("REKL"), a wholly-owned subsidiary of the Company, had entered into an agreement on February 7, 1994 with E.D.C. (Korea) Limited ("EDCK") for the purchase of certain equipment and inventories of EDCK (in liquidation) at a consideration of Korean Won 551,486, 854 (approximately HK\$5,303,000) representing their net book values. EDCK is an indirect subsidiary of EFE. REKL is engaged in the business of retailing ESPRIT products in the Republic of Korea which was previously undertaken by EDCK.

It was further announced that EDCK, REKL and Pickering International Limited ("Pickering"), the immediate holding company of EDCK, has entered into an agreement on February 7, 1994 for the assignment by EDCK of the benefit of certain claims against a former employee and 25% minority shareholder of EDCK to REKL at a consideration of Korean Won 100. Pursuant to the agreement, Pickering was granted an option to purchase such claims from REKL for the same consideration.

The assignment of the benefit of the claim will allow EDCK to be liquidated without the benefit of such claim being lost pending the requisite Korean government approval being obtained for Pickering, as a company incorporated outside Korea, to be assigned the benefit of the claim. No liability would arise to the Group even if Pickering did not exercise its option to purchase the claim as the assignment is simply for the right to claim sums due from that former employee.

Directors' Interest in Contracts (continued)

On August 13, 1994, subsequent to the year end, the Group entered into an agreement with Esprit International, a limited partnership in which EFE has beneficial interests, for the amendment to a licence agreement previously entered into by the Group and Esprit International. Details of this transaction are set out in note 29 to the financial statements.

Save as disclosed above, no contract of significance to which the Company, its holding company or any of its fellow subsidiaries or 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.

Post Balance Sheet Events

Details of the post balance sheet events are set out in note 29 to the financial statements.

Auditors

During the year, Messrs. Deloitte Touche Tohmatsu were appointed as auditors of the Company.

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu.

On behalf of the Board

A handwritten signature in black ink, appearing to be 'Eugene Lee', written over a large, faint circular mark.

Eugene Lee

Director

September 14, 1994

**Deloitte Touche
Tohmatsu**



26th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

TO THE MEMBERS OF ESPRIT ASIA HOLDINGS LIMITED

(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY)

We have audited the financial statements on pages 35 to 53 in accordance with Hong Kong Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at June 30, 1994 and of the profit and cash flows of the Group for the year then ended in accordance with accounting principles generally accepted in Hong Kong and have been prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Deloitte Touche Tohmatsu

Certified Public Accountants

September 14, 1994

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended June 30, 1994

	Notes	1994 HK\$'000 (Note 1)	1993 HK\$'000 (Note 1)
TURNOVER		1,144,919	769,723
OPERATING PROFIT			
Continuing operations before exceptional item	3	178,932	105,862
Exceptional item	4	26,892	–
		205,824	105,862
SHARE OF PROFIT OF AN ASSOCIATED COMPANY		858	942
PROFIT BEFORE TAXATION		206,682	106,804
TAXATION	5	(39,322)	(27,917)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS	6	167,360	78,887
DIVIDENDS	7	(63,750)	(30,000)
RETAINED PROFIT FOR THE YEAR		103,610	48,887
EARNINGS PER SHARE	8	23.98 cents	N/A

CONSOLIDATED BALANCE SHEET

At June 30, 1994

	Notes	1994 HK\$'000	1993 HK\$'000 (Note 1)
FIXED ASSETS	9	68,484	37,030
INTEREST IN AN ASSOCIATED COMPANY	11	4,122	3,682
NET CURRENT ASSETS	12	396,373	95,813
		468,979	136,525
Financed by:			
SHARE CAPITAL	17	75,000	100
RESERVES	19	392,086	134,134
SHAREHOLDERS' FUNDS		467,086	134,234
MINORITY INTEREST		53	-
OBLIGATIONS UNDER FINANCE LEASES	20	1,840	2,291
		468,979	136,525

The financial statements on pages 35 to 53 were approved by the Board of Directors on September 14, 1994 and are signed on its behalf by:



Eugene Lee
Director



Alva Chan Wai Mo
Director

BALANCE SHEET

At June 30, 1994

	Notes	1994 HK\$'000
INTEREST IN SUBSIDIARIES	10	436,630
NET CURRENT ASSETS	12	92,739
		529,369
Financed by:		
SHARE CAPITAL	17	75,000
RESERVES	19	454,369
SHAREHOLDERS' FUNDS		529,369



Eugene Lee
Director



Alva Chan Wai Mo
Director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended June 30, 1994

	Notes	1994 HK\$'000 (Note 1)	1993 HK\$'000 (Note 1)
NET CASH INFLOW FROM OPERATING ACTIVITIES	22	130,075	37,555
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		32,395	465
Interest paid		(1,268)	(452)
Finance charges on finance leases		(278)	(272)
NET CASH INFLOW (OUTFLOW) FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		30,849	(259)
TAXATION			
Hong Kong Profits Tax paid		(7,922)	(8,288)
Overseas tax paid		(10,775)	(7,658)
TAX PAID		(18,697)	(15,946)
INVESTING ACTIVITIES			
Purchase of fixed assets		(55,212)	(25,467)
Proceeds from disposal of fixed assets		272	624
Decrease (increase) in interest in an associated company		349	(1,090)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(54,591)	(25,933)
NET CASH INFLOW (OUTFLOW) BEFORE FINANCING		87,636	(4,583)
FINANCING	23		
Issue of shares for cash – net		228,440	–
Issue of shares to minority interest for cash		53	–
Repayments of obligations under finance leases		(1,096)	(719)
NET CASH INFLOW (OUTFLOW) FROM FINANCING		227,397	(719)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		315,033	(5,302)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	24	2,956	8,558
EFFECT OF CHANGE IN EXCHANGE RATES		308	(300)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	24	318,297	2,956

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 1994

1. GROUP REORGANIZATION AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Company was incorporated in Bermuda on November 16, 1993 as an exempted company under the Companies Act 1981 of Bermuda (as amended). As a result of a group reorganization in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited on December 9, 1993, the Company became the holding company of the Group on November 17, 1993. Its ultimate holding company is Esprit Far East Limited, a company incorporated in the British Virgin Islands.

The Group resulting from the above-mentioned reorganization is regarded as a continuing entity. Accordingly, the financial statements of the Group have been prepared in a manner similar to merger accounting as if the Company had always been the holding company of the Group. In the opinion of the Directors, the financial statements prepared on the foregoing basis present fairly the results of the Group as a whole. The comparative figures for the year ended June 30, 1993 are consistent with the Company's prospectus dated November 23, 1993.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Basis of consolidation

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

The consolidated profit and loss account includes the Group's share of results of associated companies, using the equity method of accounting, for the year. The investment in an associated company in the consolidated balance sheet represents the Group's share of net assets, other than goodwill, of its associated company.

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

Turnover

Turnover represents the net amounts received and receivable for goods sold by the Group to outside customers during the year.

Goodwill

Goodwill arising on acquisition represents the excess of purchase consideration over the fair value of net separable assets acquired. Goodwill arising on consolidation is written off directly to reserves.

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.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Depreciation and amortization

Improvements to leasehold properties occupied by the Group under operating leases are amortized over a period of three years, or the remaining period of the lease where this is a shorter period, 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, at the following rates per annum:

Plant and machinery	30%
Furniture and office equipment	20-33 $\frac{1}{3}$ %
Air conditioning plant	33 $\frac{1}{3}$ %
Motor vehicles	30%

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

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. The finance costs which represents the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the profit and loss account on an actuarial basis over the period of the respective leases.

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.

Stocks

Stocks are stated at the lower of cost and net realizable value. Cost, which comprises the direct cost of materials and, where applicable, direct labor 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 calculated as the actual or estimated selling price less the related costs of marketing, selling and distribution.

Marketable securities

Marketable securities are stated at the lower of cost and market value on a portfolio basis at the balance sheet date.

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 and losses arising on exchange are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries and branches are translated into Hong Kong dollars at the approximate rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in the translation reserve account.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Cash and cash equivalents

Cash and cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advances.

3. OPERATING PROFIT FROM CONTINUING OPERATIONS BEFORE EXCEPTIONAL ITEM

	1994 HK\$'000 (Note 1)	1993 HK\$'000 (Note 1)
Operating profit from continuing operations before exceptional item has been arrived at after charging:		
Auditors' remuneration	1,615	870
Depreciation and amortization		
Owned assets	19,984	13,877
Assets held under finance leases	1,467	1,159
Directors' remuneration		
Fees		
– Non-executive directors	200	–
Other emoluments		
– Executive directors	4,275	3,418
– Non-executive directors	–	–
Finance lease charges	278	272
Interest on bank borrowings wholly repayable within five years	1,268	452
Management fees (<i>see * below</i>)	2,502	2,025
Operating lease payments in respect of rented premises	224,557	143,789
Royalties paid	30,243	21,701
and after crediting:		
Interest income	5,504	465

* *Management fees relate to those fees charged by Esprit de Corp (Far East) Limited to the Group for management services provided to the Group prior to the Group's listing on The Stock Exchange of Hong Kong Limited.*

4. EXCEPTIONAL ITEM

The amount represents interest income derived from subscription money received from the new issue of shares on the listing of the Company's securities on The Stock Exchange of Hong Kong Limited.

5. TAXATION

	1994 HK\$'000 (Note 1)	1993 HK\$'000 (Note 1)
The charge comprises:		
Hong Kong Profits Tax calculated at the applicable rate of taxation on the estimated assessable profits	22,585	17,227
Overprovision in prior year	(1,076)	-
Foreign tax charge on profits arising outside Hong Kong	17,555	10,408
Share of tax on profit of an associated company	258	282
	39,322	27,917

Hong Kong Profits Tax has been provided at a rate of 16.5% (1993: 17.5%) on the estimated assessable profits arising on Hong Kong for the year. Taxes on profits assessable elsewhere have been calculated at the rates of taxation prevailing in the countries in which the Group operates.

Details of the unprovided deferred taxation for the year are set out in note 21 to the financial statements.

6. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Of the profit attributable to shareholders of HK\$167,360,000 for the year ended June 30, 1994, a profit of HK\$183,102,000 has been dealt with in the financial statements of the Company and HK\$600,000 is attributable to the associated company.

7. DIVIDENDS

	1994 HK\$'000 (Note 1)	1993 HK\$'000 (Note 1)
Final dividend proposed of 8.5 cents per share (1993: nil)	63,750	-
Dividend paid by a subsidiary to its former shareholders prior to the group reorganization referred to in note 1 to the financial statements	-	30,000
	63,750	30,000

The amount provided for the 1994 proposed dividend is based on 750,000,000 shares in issue at June 30, 1994.

8. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to shareholders of HK\$167,360,000 and the weighted average number of 697,945,206 shares in issue during the year as if the Company had been the holding company of the Group since the beginning of the year.

The fully diluted earnings per share for 1994 is not presented as the exercise of the Company's outstanding share options does not have a significant diluting effect on the basic earnings per share.

As the Company was incorporated on November 16, 1993 and its shares were listed on The Stock Exchange of Hong Kong Limited on December 9, 1993, no comparative earnings per share for the year ended June 30, 1993 is presented.

9. FIXED ASSETS

THE GROUP	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Air conditioning plant HK\$'000	Furniture and office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
COSTS						
At July 1, 1993 (<i>note 1</i>)	73,773	3,561	5,068	32,133	1,143	115,678
Currency realignment	1,755	–	25	349	13	2,142
Additions	30,101	933	3,133	19,743	1,302	55,212
Disposals	(8,756)	–	(339)	(3,485)	(240)	(12,820)
At June 30, 1994	96,873	4,494	7,887	48,740	2,218	160,212
DEPRECIATION						
At July 1, 1993 (<i>note 1</i>)	57,361	369	2,718	17,588	612	78,648
Currency realignment	1,353	–	(1)	130	13	1,495
Provided for the year	11,596	436	1,471	7,424	524	21,451
Eliminated on disposals	(6,573)	–	(322)	(2,751)	(220)	(9,866)
At June 30, 1994	63,737	805	3,866	22,391	929	91,728
NET BOOK VALUES						
At June 30, 1994	33,136	3,689	4,021	26,349	1,289	68,484
At June 30, 1993	16,412	3,192	2,350	14,545	531	37,030

At June 30, 1994, the net book value of fixed assets includes an amount of HK\$1,503,000 (1993: HK\$2,335,000) in respect of assets held under finance leases.

10. INTEREST IN SUBSIDIARIES

	THE COMPANY
	1994 HK\$'000
Unlisted shares, at directors' valuation	181,577
Amount due from a subsidiary	260,607
Amount due to a subsidiary	(5,554)
	436,630

The Directors' valuation of the investment in subsidiaries is based on the underlying net assets of the subsidiaries acquired by the Company under the group reorganization referred to in note 1 to the financial statements.

Details of the Company's subsidiaries at June 30, 1994 are set out in note 30 to the financial statements.

11. INTEREST IN AN ASSOCIATED COMPANY

	THE GROUP	
	1994 HK\$'000	1993 HK\$'000 (Note 1)
Share of net assets	3,381	2,601
Amount due from an associated company	741	1,081
	4,122	3,682

At June 30, 1994, the Group held 24% of the issued ordinary share capital of Esmido Fashions Limited, a private limited company which is incorporated in Thailand. The associated company is engaged in retail distribution of fashion products.

12. NET CURRENT ASSETS

	THE GROUP		THE COMPANY
	1994 HK\$'000	1993 HK\$'000 (Note 1)	1994 HK\$'000
CURRENT ASSETS			
Stocks and work in progress (note 13)	121,132	98,700	-
Debtors, deposits and prepayments	181,245	90,087	-
Amounts due from related companies (note 14)	6,134	33,953	-
Dividend receivable	-	-	157,000
Marketable securities	85,322	-	-
Short-term bank deposits	224,689	-	-
Bank balances and cash	23,783	10,600	-
	642,305	233,340	157,000
CURRENT LIABILITIES			
Creditors and accrued charges	109,123	47,801	511
Amounts due to related companies (note 15)	9,768	25,311	-
Dividend payable	63,750	30,000	63,750
Taxation	46,825	26,082	-
Obligations under finance leases			
- due within one year (note 20)	969	689	-
Short-term bank borrowings (note 16)	15,497	7,644	-
	245,932	137,527	64,261
NET CURRENT ASSETS	396,373	95,813	92,739

The market value of marketable securities at June 30, 1994 was HK\$85,322,000.

13. STOCKS

	THE GROUP	
	1994 HK\$'000	1993 HK\$'000 (Note 1)
Raw materials	16,428	5,948
Work in progress	2,788	4,458
Finished goods	101,916	88,294
	121,132	98,700

14. AMOUNTS DUE FROM RELATED COMPANIES

Particulars of the amounts due from the related companies being companies in which Mr. Michael Ying Lee Yuen has interests are as follows:

Name of borrower	Balance at 6.30.1994 HK\$'000	Balance at 7.1.1993 HK\$'000 (Note 1)	Maximum amount outstanding during the year HK\$'000
Esprit Far East Limited and its subsidiaries excluding the Group ("EFE group")	4,650	29,503	29,503
Red Earth International Holdings Limited and its subsidiaries ("Red Earth group")	1,470	2,567	2,567
Esprit International, Esprit de Corp., Esprit de Corp. (1980) Ltee and their respective subsidiaries and associated companies ("other Esprit Global Network companies")	14	1,883	1,883
	6,134	33,953	33,953

The amounts are unsecured, non-interest bearing and repayable on normal commercial terms.

15. AMOUNTS DUE TO RELATED COMPANIES

The amounts were due to EFE group, other Esprit Global Network companies and Red Earth group. Mr. Michael Ying Lee Yuen has interests in these companies.

The amounts were unsecured, non-interest bearing and repayable on normal commercial terms.

16. SHORT-TERM BANK BORROWINGS

	THE GROUP	
	1994 HK\$'000	1993 HK\$'000 (Note 1)
Bank overdrafts	1,028	7,644
Short-term bank loans	14,469	-
	15,497	7,644

All borrowings are advanced on an unsecured basis.

17. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorized:		
Shares of HK\$0.10 each	1,000,000,000	100,000
Issued and fully paid:		
Shares of HK\$0.10 each	750,000,000	75,000

The Company was incorporated with an authorized share capital of HK\$100,000 divided into 100,000 shares of HK\$1.00 each, all of which were issued nil paid on November 16, 1993.

Pursuant to resolutions passed at a special general meeting of the Company held on November 17, 1993 to effect the group reorganization described in note 1 to the financial statements:

- (a) each share of HK\$1.00 in the capital of the Company was sub-divided into 10 shares of HK\$0.10 each;
- (b) the Company's authorized share capital was increased from HK\$100,000 to HK\$6,250,000 by the creation of 61,500,000 new shares ranking pari passu with the then existing shares;
- (c) the Directors were authorized to allot and issue credited as fully paid a total of 61,500,000 shares to Esprit Far East Limited as consideration for the acquisition by the Company of the entire issued share capital of Esprit Far East (Distribution) Limited;
- (d) the Directors were authorized to apply an amount of HK\$100,000, being part of the amount credited to the contributed surplus account of the Company arising from the issue of shares in exchange for shares in Esprit Far East (Distribution) Limited as mentioned in (c) above, in paying up in full at par the 100,000 shares of HK\$1.00 each which were issued and allotted nil paid at par on November 16, 1993.

At a further special general meeting held on November 17, 1993, it was conditionally resolved that:

- (e) the Company's authorized share capital was increased from HK\$6,250,000 to HK\$100,000,000 by the creation of 937,500,000 new shares ranking pari passu with the then existing shares;
- (f) The Directors were authorized to allot and issue 125,000,000 shares of HK\$0.10 each at HK\$1.95 per share pursuant to the prospectus issued by the Company on November 23, 1993;
- (g) An amount of HK\$56,250,000 standing to the credit of the share premium account as a result of the issue of shares described in (f) above was capitalized and applied in paying up in full 562,500,000 shares of the Company for allotment and issue to holders of shares of the Company as at November 17, 1993 in proportion to their then existing shareholdings.

The comparative figure of HK\$100,000 shown as share capital in the consolidated balance sheet represents the nominal value of the shares of the Company which were issued in exchange for the entire share capital of Esprit Far East (Distribution) Limited as noted in (c) above under the group reorganization.

18. SHARE OPTION SCHEME

At a special general meeting of the Company held on November 17, 1993, a share option scheme ("the Scheme") was approved and adopted. Under the Scheme the Directors may at their discretion grant options to Executive Directors and employees of the Company and its subsidiaries to subscribe for shares in the Company. The subscription price of the option shares shall be at a price not less than the higher of the nominal value of the shares and 80% of the average closing price of the shares of the Company on The Stock Exchange of Hong Kong Limited on the five trading days immediately preceding the date of the offer to grant an option.

On January 20, 1994, options to subscribe for 36,800,000 shares at HK\$2.64 per share were granted to certain Directors and employees of the Group under the Scheme. These options were divided into eight equal fractional instalments. The first date of exercise between each instalment shall occur at intervals of six calendar months and expiring on the fifth anniversary of the first date of exercise of each instalment. The date of exercise for the first instalment shall occur six months after the date of grant. One of the grantees resigned in March 1994, following which the option to subscribe for 300,000 shares granted were cancelled.

19. RESERVES

	Share premium HK\$'000	Capital reserve HK\$'000	Translation reserve HK\$'000	Goodwill reserve HK\$'000	Retained profit HK\$'000	Total HK\$'000
THE GROUP						
Balance at July 1, 1993 (note 1)	-	12,849	3,696	(488)	118,077	134,134
Capitalization of reserve as full payment for the the 100,000 nil paid shares (see note 17 (d))	-	(100)	-	-	-	(100)
Premium arising from issue of shares	231,250	-	-	-	-	231,250
Expenses in connection with issue of shares	(15,310)	-	-	-	-	(15,310)
Capitalization of share premium to pay up in full 562,500,000 new shares (see note 17 (g))	(56,250)	-	-	-	-	(56,250)
Reserve arising on consolidation	-	(6,147)	-	-	-	(6,147)
Additions for the year	-	-	899	-	-	899
Profit for the year, retained	-	-	-	-	103,610	103,610
Balance at June 30, 1994	159,690	6,602	4,595	(488)	221,687	392,086
Attributable to:						
The Company and its subsidiaries	159,690	6,602	4,408	(923)	220,326	390,103
An associated company	-	-	187	435	1,361	1,983
	159,690	6,602	4,595	(488)	221,687	392,086

19. RESERVES (continued)

	Share premium HK\$'000	Contributed surplus HK\$'000	Retained profit HK\$'000	Total HK\$'000
THE COMPANY				
Contributed surplus arising from the group reorganization	-	175,427	-	175,427
Capitalization of reserve as full payment for the 100,000 nil paid shares (see note 17 (d))	-	(100)	-	(100)
Premium arising from issue of shares	231,250	-	-	231,250
Expenses in connection with issue of shares	(15,310)	-	-	(15,310)
Capitalization of share premium to pay up in full 562,500,000 new shares (see note 17 (g))	(56,250)	-	-	(56,250)
Profit for the year (note 6)	-	-	183,102	183,102
Dividends (note 7)	-	-	(63,750)	(63,750)
Balance at June 30, 1994	159,690	175,327	119,352	454,369

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 under the group reorganization explained in note 1 to the financial statements. Contributed surplus is available for distribution to shareholders under the laws in Bermuda.

20. OBLIGATIONS UNDER FINANCE LEASES

	THE GROUP	
	1994 HK\$'000	1993 HK\$'000 (Note 1)
The maturity of the obligations is as follows:		
Under one year	969	689
In the second year	1,029	1,137
In the third to fifth years inclusive	811	1,154
	2,809	2,980
<i>Less: amount shown under current liabilities (note 12)</i>	(969)	(689)
	1,840	2,291

21. DEFERRED TAXATION

The amounts of potential deferred taxation charge (credit) not recognized for the year is as follows:

	THE GROUP	
	1994 HK\$'000 (Note 1)	1993 HK\$'000 (Note 1)
Tax effect of timing differences because of:		
Excess of taxation allowances over depreciation	608	219
Tax losses	(508)	(768)
Other timing differences	1,312	(2,721)
Effect of change in tax rate	29	-
	1,441	(3,270)

The components of the potential net deferred tax asset (liability) not recognized as at the balance sheet date are as follows:

	THE GROUP	
	1994 HK\$'000	1993 HK\$'000 (Note 1)
Tax effect of timing differences because of:		
Excess of tax allowances over depreciation	(659)	(46)
Tax losses	1,284	768
Other timing differences	3,473	4,817
	4,098	5,539

22. RECONCILIATION OF PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1994 HK\$'000 (Note 1)	1993 HK\$'000 (Note 1)
Profit from ordinary activities before taxation	206,682	106,804
Interest income	(32,396)	(465)
Interest expenses	1,268	452
Finance charges on obligations under finance leases	278	272
Depreciation	21,451	15,036
Loss on disposal of fixed assets	2,682	338
Share of profit of an associated company	(858)	(942)
Exchange (gain) loss on unlisted investments	(57)	3
Increase in stocks and work in progress	(20,830)	(24,899)
Increase in debtors, deposits and prepayments	(89,630)	(37,840)
Decrease (increase) in amounts due from related companies	26,738	(2,228)
Increase in creditors and accrued charges	62,134	12,974
Decrease in amounts due to related companies	(45,479)	(31,994)
Effect of foreign exchange rate changes on inter-company balances	(1,908)	44
Net cash inflow from operating activities	130,075	37,555

23. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and share premium HK\$'000	Minority interest HK\$'000	Obligations under finance leases HK\$'000
Balance at July 1, 1993 (note 1)	100	-	2,980
Issue of shares as consideration for the acquisition by the Company of the entire issued share capital of Esprit Far East (Distribution) Limited (see note 17 (c))	6,150	-	-
Issue of shares for cash - net	228,440	53	-
Inception of new finance leases	-	-	925
Repayment of finance lease obligations	-	-	(1,096)
Balance at June 30, 1994	234,690	53	2,809

24. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	THE GROUP	
	1994 HK\$'000	1993 HK\$'000 (Note 1)
Bank balances and cash	23,783	10,600
Short-term bank deposit	224,689	-
Highly liquid marketable securities	85,322	-
Short-term bank loans	(14,469)	-
Bank overdrafts	(1,028)	(7,644)
	318,297	2,956

25. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY
	1994 HK\$'000	1993 HK\$'000 (Note 1)	1994 HK\$'000
Guarantees given to banks in respect of banking facilities granted to subsidiaries	-	-	115,000

26. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had the following commitments payable within the following year under non-cancellable operating leases in respect of land and buildings:

	THE GROUP	
	1994 HK\$'000	1993 HK\$'000 (Note 1)
Operating leases which expire:		
- Within one year	14,184	8,685
- In the second to fifth year inclusive	137,373	88,192
- Over five years	-	5,666
	151,557	102,543

26. OPERATING LEASE COMMITMENTS (continued)

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 the balance sheet date.

27. CAPITAL COMMITMENTS

	THE GROUP	
	1994 HK\$'000	1993 HK\$'000 (Note 1)
At balance sheet date, the Group had the following capital commitments:		
Capital expenditures authorized but not contracted for	—	60
Capital expenditures contracted for but not provided for in the financial statements	44,691	633
	44,691	693

A significant portion of the capital commitments at June 30, 1994 represented the purchase of a warehouse in Taiwan. In April 1994, Esprit Retail (Taiwan) Limited, a wholly owned subsidiary of the Company, entered into a conditional sale and purchase agreement with an unrelated third party for a warehouse in Taiwan for a consideration of NT\$159,290,000 (approximately HK\$45,770,000).

The Company did not have any significant capital commitments at the balance sheet date.

28. CONNECTED TRANSACTIONS

Mr. Michael Ying Lee Yuen holds a 50% interest in Esprit Far East Limited ("EFE") the ultimate holding company of the Group and indirect interests in Esprit de Corp., Esprit de Corp. (1980) Ltee and their respective subsidiaries known collectively together with EFE group as the "Esprit Global Network". Mr. Michael Ying Lee Yuen also holds interest in Red Earth International Holdings Limited ("Red Earth"). In the ordinary course of business and on normal commercial terms the Group enters into transactions with these related companies. Details relating to these connected transactions are as follows:

	EFE group HK\$'000	Other Esprit Global Network companies HK\$'000	Red Earth group HK\$'000
Sales of raw materials and finished goods	10,809	—	234
Purchases of raw materials and finished goods	19,602	825	2,487
Handling fees paid/(commission received)	9,579	—	(330)
Management fees (see * below), computer services and shared accommodation expenses	7,818	—	—
Purchase of equipment and inventories	5,303	—	131
Interest received	—	—	(25)
Royalties paid	2,540	27,703	—

* Management fees relate to management services provided prior to the Group's listing on The Stock Exchange of Hong Kong Limited.

29. POST BALANCE SHEET EVENTS

- (a) On August 15, 1994, an agreement was entered into between Esprit Far East (Distribution) Limited ("EFED"), a wholly-owned subsidiary of the Company, and Esprit International ("EI") whereby the licence agreement (as amended prior to the issue of the prospectus of the Company dated November 23, 1993) ("the Licence Agreement") made as of December 1, 1991 between EI and EFED was further amended so that Japan was added to the jurisdictions covered by the Licence Agreement with effect from August 15, 1994 (except in respect of bed and bath products). As a result, the Group is now able to expand its business into Japan.

EI owns the rights to the ESPRIT trademarks for apparel, shoes and accessories outside the United States and Germany. Pursuant to the Licence Agreement, EFED was granted the right to use the ESPRIT trademarks in various countries in Asia, but Japan (with the exception of certain United States military bases) was not included. Details of the Licence Agreement were disclosed in the prospectus of the Company dated November 23, 1993. Save for the amendments mentioned above, all other terms of the Licence Agreement, including those regarding the calculation of royalty payment, remain unchanged. EI is a limited partnership formed in California, United States and its management is vested entirely in its sole general partner. EI is beneficially owned by Esprit Far East Limited ("EFE"), the holding company of the Company, Susie Tompkins ("ST") and Jürgen Friedrich ("JF"), with ST and JF together controlling the same voting rights of the sole general partner as EFE.

In consideration of ST and JF agreeing to the amendments to the Licence Agreement mentioned above, an option was granted on August 15, 1994 to each of ST and JF to acquire from EFED a 10% interest in Esprit Japan (Distribution) Limited ("EJD") which will be the immediate holding company of the operating subsidiary of the Company in Japan for a consideration equal to 10% of the total investment made by EFED therein. The initial investment in EJD for the first six months of its operations is expected to be approximately HK\$30,000,000. Such option will be exercisable for a period of six months from the establishment of the said operating subsidiary in Japan. If ST or JF exercise the foregoing option and EFED subsequently disposes of its holding in EJD, ST and JF will be entitled to dispose of their holding on a pro rata basis on the same terms as EFED. EFED has no present intention of disposing of such holding. It is also intended that independent third parties not connected with the Directors and substantial shareholders of the Company or its subsidiaries or any of their respective associates may be invited to take a minority stake in the operating subsidiary in Japan.

- (b) In September 1994, subsequent to the year end, a sale and purchase agreement was entered into between Esprit Retail (Hong Kong) Limited, a wholly-owned subsidiary of the Company, and an unrelated third party for the purchase of a warehouse in Hong Kong for a consideration of HK\$50,000,000.

30. SUBSIDIARIES

Details of the Company's subsidiaries at June 30, 1994 are as follows:

Name of subsidiary	Place of incorporation/ registration/ operation	Attributable equity interest to the Group	Issued and fully paid share capital/ registered capital**	Principal activities
Subsidiary companies				
Esprit Far East (Distribution) Limited*	British Virgin Islands	100%	US\$300	Investment holding
Esprit Retail (Hong Kong) Limited (formerly Esprit De Corp (Asia) Limited)	Hong Kong	100%	HK\$10,000	Retail distribution of apparel, accessories and bed and bath products
Esprit Asia (Distribution) Limited (formerly See Hop Manufacturing Limited)	Hong Kong	100%	HK\$9,000	Wholesale distribution of apparel and accessories
Esprit De Corp (China) Limited	British Virgin Islands	100%	US\$100	Not yet commenced trading
Esprit Advertising Limited	Hong Kong	100%	HK\$6,000	Advertising
Esprit Retail Pte Ltd	Singapore	100%	S\$3,000,000	Retail distribution of apparel and accessories
Esprit Advertising Pte Ltd	Singapore	100%	S\$20,000	Advertising
Esprit Retail (Taiwan) Limited	Hong Kong	100%	HK\$9,000	Retail distribution of apparel and accessories
Esprit Thailand Distribution Limited	British Virgin Islands	100%	US\$100	Investment holding
Red Earth Limited	British Virgin Islands	100%	US\$100	Investment holding
Red Earth (Hong Kong) Limited	Hong Kong	100%	HK\$10,000	Retail distribution of cosmetics and skin and general body care products
Red Earth (Korea) Ltd	Republic of Korea	100%	Won1,500,000,000	Retail distribution of apparel and accessories
Red Earth (Singapore) Pte Limited	Singapore	100%	S\$100,000	Retail distribution of cosmetics and skin and general body care products
Red Earth (Taiwan) Limited	Hong Kong	100%	HK\$2	Garment sourcing
Shenzhen Shihe Dress Co., Ltd.	People's Republic of China (Sino-foreign cooperative joint venture enterprise)	100%	US\$1 million registered capital	Manufacturing and retailing of apparel
上海思立貿易有限公司 (Shanghai Shile Trading Limited)	People's Republic of China (Sino-foreign equity joint venture enterprise)	90%	RMB600,000 registered capital	Retail distribution of apparel and accessories

Notes:

* Directly held by the Company

** All are ordinary share capital unless otherwise stated

None of the subsidiaries had any loan capital subsisting at June 30, 1994 or at any time during the year.

FINANCIAL SUMMARY

RESULTS

	1991 HK\$'000	1992 HK\$'000	1993 HK\$'000	1994 HK\$'000
TURNOVER	346,863	485,478	769,723	1,144,919
OPERATING PROFIT				
Continuing operations before exceptional item	32,218	57,305	105,862	178,932
Exceptional item	–	–	–	26,892
	32,218	57,305	105,862	205,824
SHARE OF PROFIT OF AN ASSOCIATED COMPANY	47	93	942	858
PROFIT BEFORE TAXATION	32,265	57,398	106,804	206,682
TAXATION	(5,708)	(11,562)	(27,917)	(39,322)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS	26,557	45,836	78,887	167,360
DIVIDENDS	–	25,000	30,000	63,750

Notes:

1. Esprit Asia Holdings Limited (the "Company") was incorporated in Bermuda under the Companies Act 1981 of Bermuda (as amended) on November 16, 1993 and became the holding company of the Esprit group of companies (collectively referred to as the "Group") as a result of a group reorganization which became effective on November 17, 1993, details of which are set out in note 1 to the financial statements.
2. The results of the year ended June 30, 1994 and 1993 have been extracted from the audited consolidated profit and loss account set out on page 35.
3. The results for years ended June 30, 1992 and June 30, 1991 presented above have been extracted from the prospectus of the Company dated November 23, 1993.
4. The Company was incorporated on November 16, 1993 and the only balance sheets of the Group which have been prepared are those set out on page 36 of the financial statements.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Esprit Asia Holdings Limited ("the Company") will be held at Salon 4, 3rd Floor, J W Marriott Hotel, Pacific Place, 88 Queensway, Hong Kong on Friday, November 11, 1994 at 10:00 a.m. for the following purposes:

1. To receive and consider the audited Financial Statements and the Report of the Directors and of the Auditors of the Group for the year ended June 30, 1994.
2. To declare a final dividend in respect of the year ended June 30, 1994.
3. To elect Directors.
4. To appoint Auditors and to authorize the Board of Directors to fix their remuneration.
5. As special business, to consider, and if thought fit, pass the following resolution as an Ordinary Resolution:

THAT:

- (a) subject to paragraph (c), the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be generally and unconditionally approved;
- (b) the approval in paragraph (a) shall authorize the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (a), otherwise than pursuant to (i) a Rights Issue; (ii) the exercise of options granted under any share option scheme adopted by the Company or (iii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance of the Bye-laws of the Company, shall not exceed the aggregate of (aa) 20% of the aggregate nominal amount of the share capital of the Company in issue on the date of this Resolution plus (bb) (if Directors of the Company are so authorized by a separate Ordinary Resolution of the shareholders of the Company) the nominal amount of share capital of the Company repurchased by the Company subsequent to the passing of resolution 6 as set out below (up to a maximum equivalent to 10% of the aggregate nominal amount of the share capital of the Company in issue on the date of this Resolution), and the said approval shall be limited accordingly; and
- (d) for the purpose of this Resolution:

"Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:

- (i) the conclusion of the next Annual General Meeting of the Company; and
- (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Companies Act 1981 of Bermuda (as amended) to be held; and

"Rights Issue" means an offer of shares open for a period fixed by the Directors of the Company to holders of ordinary shares on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in any territory outside Hong Kong).

6. As special business, to consider and, if thought fit, passing the following resolution as an Ordinary Resolution:

THAT:

- (a) subject to paragraph (b) below, the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to purchase shares of the Company be generally and unconditionally approved;
- (b) the aggregate nominal amount of shares which may be purchased on The Stock Exchange of Hong Kong Limited or any other stock exchange be recognized for this purpose by the Securities and Futures Commission of Hong Kong and The Stock Exchange of Hong Kong Limited under the Hong Kong Code on Share Repurchases pursuant to the approval in paragraph (a) above shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue on the date of this Resolution, and the said approval shall be limited accordingly;
- (c) for the purpose of this Resolution:
- “Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:
- (aa) the conclusion of the next Annual General Meeting of the Company; and
- (bb) the revocation or variation of the authority given under this Resolution by Ordinary Resolution of the shareholders in general meeting.

7. As special business, to consider and, if thought fit, pass the following resolution as an Ordinary Resolution:

THAT the Directors of the Company be authorized to exercise the powers of the Company referred to in paragraph (a) of the resolution set out as resolution 5 in the notice of this meeting in respect of the share capital of the Company referred to in sub-paragraph (bb) of paragraph (c) of such resolution.

8. To transact any other ordinary business.

By Order of the Board



Alva Chan Wai Mo

Director

Hong Kong, September 14, 1994

Notes:

1. Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxy to attend, and in the event of a poll, vote in his stead. A proxy need not be a member of the Company.
2. In order to be valid, a proxy form, together with the power of attorney (if any) or other authority (if any) under which it is signed or a notarially certified copy of such power or authority, must be lodged with the head office of the Company at 10th Floor, 11 Yuk Yat Street, Tokwawan, Kowloon, Hong Kong not less than 48 hours before the time fixed for holding the Meeting.

