ESPRIT

esprit holdings limited annual report 03|04 quebec seoul berlin paris

brussels berlin hong kong

new york

frankfurt munich sydney toronto shanghai

amsterdam

taipei london

cologne

singapore

frankfurt quebec

singapore cologne munich new york brussels seoul london

sydney berlin

toronto hong kong paris amsterdam

taipei

shanghai

corporate profile

Esprit is a globally recognized brand with footprints in Europe, North America, Asia and Australasia. The group's merchandise can be found in over 40 countries. It operates approximately 560 directly managed retail stores worldwide and distribute through over 7,500 wholesale points-of-sales internationally.

Esprit is about an attitude not age. It is an international lifestyle fashion brand name that offers an extensive range of women's, men's and children's wear, footwear and accessories products to every individual who is young at heart. Licensed products bearing the Esprit name range from watches, eyewear, jewelry and fragrance to bedding and home products. Esprit brings high quality and affordable lifestyle products to real people demanding real designs and real style.

Since our listings on the Hong Kong and London stock exchanges in 1993 and 1998, respectively, the Hang Seng Index, MSCI Hong Kong Index, FTSE All-World Index for Hong Kong, S&P/HKEx LargeCap Index and S&P Asia 50 Index have all included us in recognition of our solid financial strength.

corporate officers

Michael YING Lee Yuen, Chairman of the Board

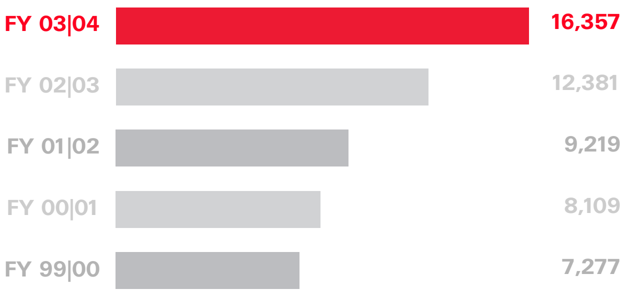
Heinz Jürgen KROGNER-KORNALIK, Deputy Chairman & Group CEO

John POON Cho Ming, Deputy Chairman & Group CFO

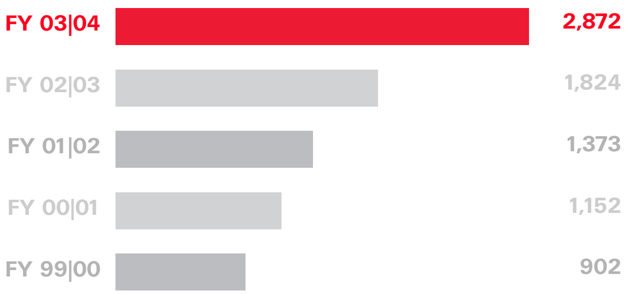
contents

financial highlights

TURNOVER (HK$ MN)



OPERATING PROFIT (EBIT) (HK$ MN)



	net change	FY2003/2004	FY2002/2003
operating results (HK$ MN)			
turnover	32.1%	16,357	12,381
earnings before interest and taxation (EBIT)	57.4%	2,872	1,824
profit attributable to shareholders	55.4%	2,003	1,289
financial position (HK$ MN)			
net cash inflow from operating activities	25.0%	1,983	1,575
net cash^Δ	33.1%	1,758	1,320
net current assets	-3.1%	1,964	2,027
shareholders' funds	29.2%	5,415	4,192
per share data (HK$)			
earnings per share – basic	53.9%	1.68	1.09
earnings per share – diluted	52.2%	1.66	1.09
dividend per share*	67.1%	1.17	0.70
book value per share**	28.7%	4.54	3.53
key statistics			
earnings before interest, taxation, depreciation and amortization (EBITDA) margin (%)	2.7% pts	19.6%	16.9%
net profit margin (%)	1.8% pts	12.2%	10.4%
return on shareholders' equity (ROE) (%)	6.1% pts	41.7%	35.6%
net debt to equity ratio (%)***	–	net cash	net cash
share information#			
number of shares in issue (MN)	0.4%	1,193	1,189
market capitalization (HK$ MN)	83.9%	41,650	22,644

Δ cash and cash equivalents less long-term bank loan
* calculated after including the HK50 cents special dividend for FY2003/2004 and HK30 cents special dividend for FY2002/2003
** book value refers to shareholders' funds
*** net debt refers to all interest bearing borrowings less cash and cash equivalents
# as at financial year end

FY2003 | 2004

Group turnover increased 32% to over HK$16 billion

Net profit exceeded HK$2 billion up 55%

Earnings per share rose 54% to HK$1.68

Return on equity exceeded 40%

Net cash position reached almost HK$1.8 billion

Proposed final dividend: HK48 cents per share

Proposed special dividend: HK50 cents per share

International Financial Reporting Standards (IFRS) adopted


antwerp


antwerp


london


hamburg

Esprit is an **international youthful lifestyle brand** offering **smart affordable luxury** and bringing **newness + style** to life


wieg


brussels


schweig

dusseldorf


koeln

paris


london


hamburg


dusseldorf


koeln

clear and defined positioning

international:
presence in over 40 countries across Europe, North America, Asia and Australasia.

youthful lifestyle brand:
target customers with young attitude, not age.

smart affordable luxury:
offering quality products at affordable price range.

newness + style:
10 product lines and
12 collections per year.

net profit exceeded hk$2 billion

MARKET CAPITALIZATION# (HK$ MN)

FY 03|04	41,650
FY 02|03	22,644
FY 01|02	17,595
FY 00|01	9,768
FY 99|00	9,044

EARNINGS PER SHARE (BASIC) (HK$)

FY 03|04	1.68
FY 02|03	1.09
FY 01|02	0.86
FY 00|01	0.53
FY 99|00	0.44

TOTAL DIVIDEND PER SHARE (HK$)

FY 03|04	1.17
FY 02|03	0.70
FY 01|02	0.28
FY 00|01	0.17
FY 99|00	0.15

as at financial year end

chairman's letter

Fiscal 2003/2004 was another successful year for our company as we continue to deliver superior financial results.

Group turnover grew 32% to over HK$16 billion, while net profit rose 55% to HK$2 billion as a result of strong margin expansion. Basic earnings per share grew by 54% to HK$1.68 from HK$1.09 last year. Cash flow from operating activities was again very strong; net cash on hand increased by HK$437 million to approximately HK$1.8 billion. The Board proposed to increase total dividend per share for the year by 67% to HK$1.17.

Our performance reflected the strength of our brand, consumer acknowledgement of our quality products, our effective global distribution channels and consistent execution by our management.

As a brand, we strengthened our positioning, products and distributions, in the area of quality, freshness, and internationality. As a company, we successfully transformed into a stronger and more international organization that is capable of supporting our brand's development in the long-run and allows us to capitalize on global growth opportunities.

We have built a unique business model on a solid foundation established 35 years ago. While we had a truly remarkable year, we continue to be thrilled about the outlook for Esprit, which is driven by our strong organic growth. In Europe, we will expand our market-leading position even further. In Asia, we will continue to revive profitability. And in North America, we will carefully position our operations for healthy long-term growth.

I thank our Shareholders and our Board for their support and our management, staff and business partners for their efforts in generating yet another spectacular year. On behalf of the Board, I extend my warmest welcome to Jerome Griffith on joining the Board and congratulate John Poon on his appointment as Deputy Chairman. I also thank both Chhibber Surinder and Connie Wong for their invaluable contributions during their tenure. Looking ahead, I believe we have the right organization, the right products, the right distribution channels and the right people to bring Esprit to the next level.

Michael YING
Chairman of the Board
September 15, 2004

"exceeded the financial targets set at the beginning of the financial year"

letter from ceo

FY2003/2004 has been a remarkable year for the Group. We exceeded the financial targets set at the beginning of the financial year and closed with record turnover margins and earnings. We continue to capture market share in our core markets as well as grow via geographical expansion and product diversification.

A stronger brand with dynamic positioning

The key strategy behind our success is our firm commitment to building brand loyalty with an uncompromising focus on quality and value. We have differentiated ESPRIT from the rest of the competitive landscape with several distinct elements that are built into our business model: ESPRIT is an international youthful lifestyle brand offering 'smart affordable luxury' and bringing newness and style to the life of our customers. This unique positioning has reinforced and will continue to reinforce the ESPRIT brand dominance in our core markets, thereby enhancing our market share growth.

A broader range of fresh market-driven products every month

We successfully increased the flow of fresh merchandise into our stores by extending the 12 collections-year strategy to all key product divisions. Our central-buying program improved collaboration between our product team, designers and local merchandisers to generate more market-driven products tailored to different geographic regions. Through careful product differentiation and diversification, we also extended the breadth and depth of our product coverage to capture a wider range of customers and to penetrate further into the reach of distinct target groups. The overall aggregate result is remarkable. We reduced our fashion and inventory risks, increased our store traffic and encouraged more spending on full-price products. Store productivity, efficiency and turnover all improved as a result.

Europe – channel expansion and productivity enhancement

Europe continues to lead the growth. Our brand dominance, our continuous flow of new market-driven products of quality and value, and our diversified distribution channels all contributed to our success. This momentum was fueled by significant expansion in Germany and the Benelux countries as well as a breakthrough into France and Scandinavia. Selling space expansion and productivity improvement at both wholesale and retail levels continue to be the main drivers of our strong performance in these markets. Due to the Euro's relative strength, we are able to pass on noticeable improvements in product quality to customers without having to sacrifice our gross margin. As a result, the market rewarded us with increased sales. We also accelerated our expansion in the U.K. and regained direct control of Switzerland and Italy last year. The vastly untapped potential of our core markets plus the prospects offered by the newer ones should give us ample room for continuous growth.

Asia – the awakening dragon

In Asia, we exceeded our target of improving the region's financial performance and strengthened its foundation for long-term growth. Our focus on products and margins paid off. The combined results of better merchandise, more full-price selling and vigilant inventory planning helped bring the region closer to break-even sooner than we had expected. By further unifying our global merchandising systems and enhancing our brand image, we are optimistic about the performance of this region in the new financial year.

letter from ceo

U.S. – laying the foundation for long term growth

We undertook a strategic review of our U.S. business and refined our product and distribution strategies to accommodate the needs of specific local markets. Working closely with our department store partners, we restructured the wholesale distribution network to retain our presence only in prime store locations. Further wholesale expansion into the mid/high-end department stores such as Nordstrom is planned. We also strengthened our management team in the U.S. and are anticipating an increase in brand awareness through the establishment of our retail network/stores and an e-shop for this region; both initiatives are due to launch in the first-half of FY2004/2005. Our expertise in products and sales, together with the intensification of brand awareness, will enable us to build our presence in the U.S. and establish a solid platform for long-term growth.

A stronger global structure: improved inner strength

Our achievements are a team effort and I thank our employees for their exceptional contributions. We transformed ourselves into a stronger global company last year. Our strategies, people and systems are working smoothly under the new global structure, and most importantly, generating firm-wide profitability enhancement. Our scale is now of sufficient magnitude that we can capitalize on some of the expanded margins while still passing on enough benefits to our customers to maintain and bolster our competitiveness. Our increasingly flexible and efficient international business platform will continue to support the Company's growth and enable us to exploit additional opportunities that may be presented to the Group in the future.

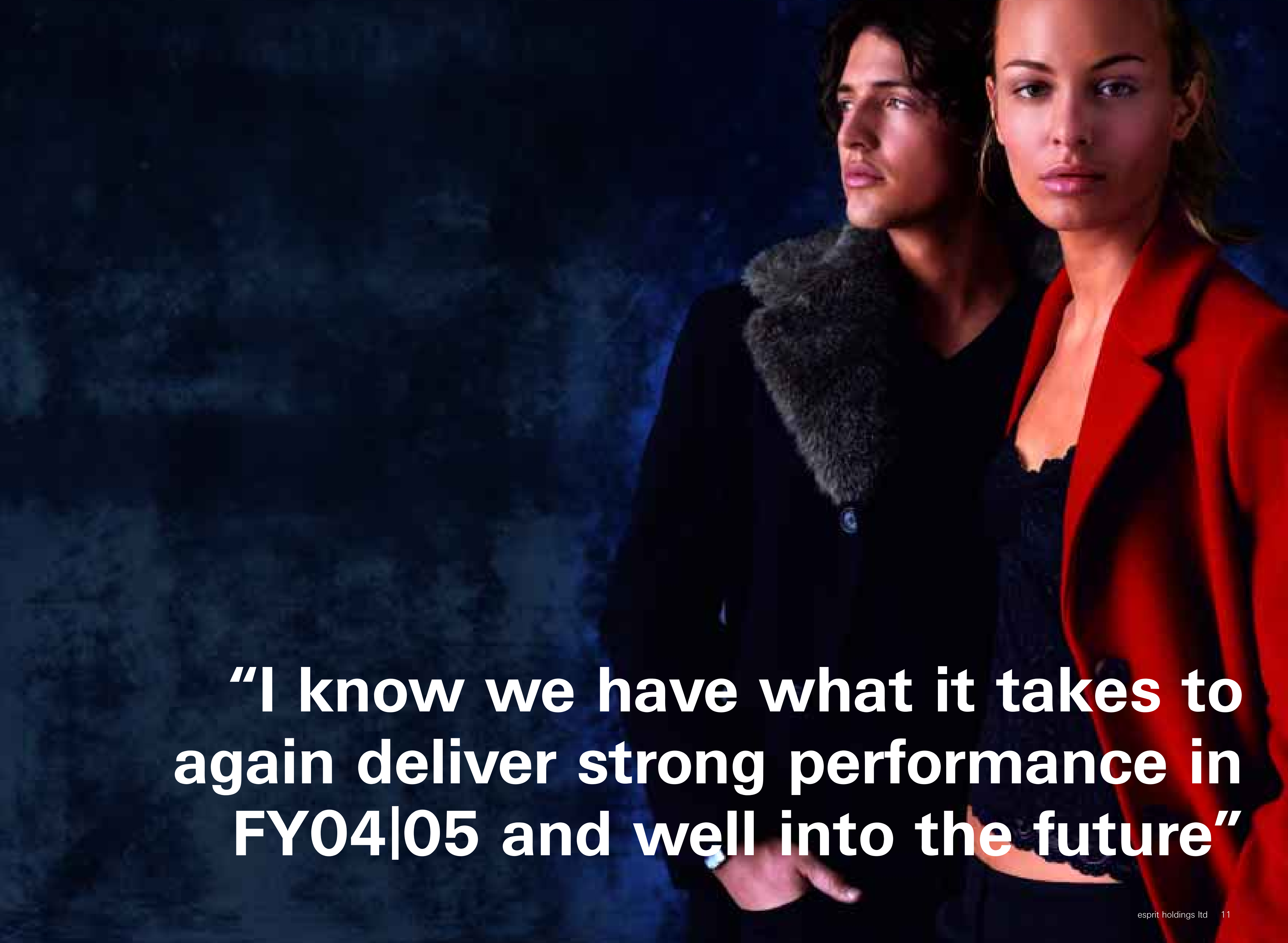
Turning challenge into opportunity

The industry has reached a new level in which consumers are not only price conscious but they are also demanding quality, service and style. Economic globalization has increased the sophistication of the middle class and taught consumers to be 'smart shoppers'. In the long run, we believe customers cannot consume more, – because they already have everything – but they will only consume in a BETTER and SMARTER way. To turn this challenge into opportunity, we will continue to do what we do well – we will offer quality and stylish products that are traditionally available only in the luxury markets to customers at affordable prices. We bring quality and value to ordinary people in every day life.

Enthusiasm for the past: optimism for the future

Although the past year was truly spectacular, perhaps the most significant message from our results is that substantial organic growth potential remains in the world of Esprit as it exists today. I am pleased that Thomas Grote and Jerome Griffith have assumed the role of Joint Chief Operating Officer of the ESPRIT brand in addition to their global wholesale and global retail responsibilities. They have the skills and experience to continue to drive our organic growth in the international arena. Looking ahead, I believe that our strong brand name, healthy growth prospects and exceptional management team, along with our sensibly priced quality product offerings and diversified distribution channels, will enable us to achieve continued financial success. I know that we have what it takes to again deliver a strong performance in FY2004/2005 and well into the future.

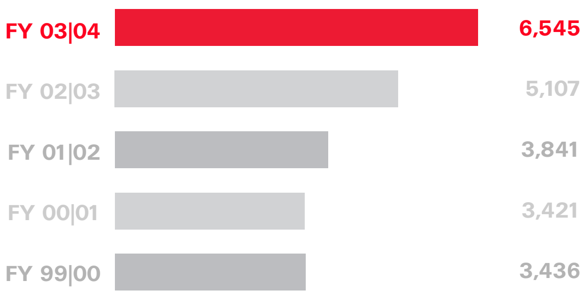
Heinz KROGNER
Deputy Chairman and Group CEO
September 15, 2004



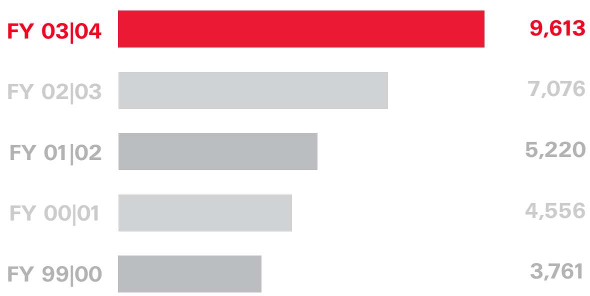
"I know we have what it takes to again deliver strong performance in FY04|05 and well into the future"

all lines of business recorded double-digit % turnover growth and achieved higher operating margin

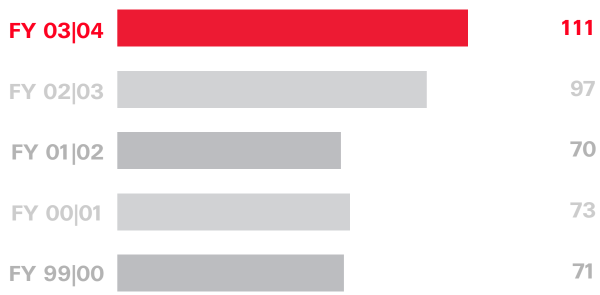
RETAIL TURNOVER (HK$ MN)



WHOLESALE TURNOVER (HK$ MN)



LICENSING TURNOVER (HK$ MN)



Breakdown of group turnover*

year ended 30th june	2004	2003	2002	2001	2000
OPERATION MIX (%)					
wholesale	59	57	57	56	52
retail	40	41	42	42	47
licensing and others	1	2	1	2	1
PRODUCT MIX (%)					
women's wear	61	58	57	54	53
men's wear	13	13	11	11	11
kid's wear	7	8	8	9	10
shoes & accessories	11	13	15	16	17
red earth	1	2	3	4	6
others**	7	6	6	6	3
GEOGRAPHICAL MIX (%)					
europe	84	80	74	70	65
asia	9	13	18	21	24
australasia	4	5	6	7	9
north america and others	3	2	2	2	2

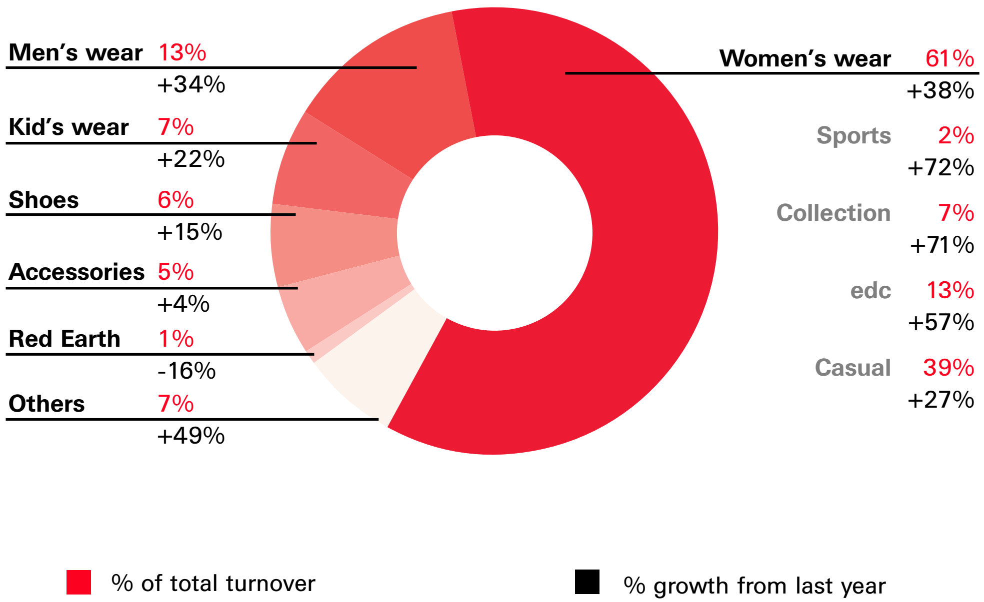
* excludes inter-segment revenue
** include salon, café, bodywear, bed & bath & licensed products such as timewear, eyewear, jewelry, etc.

PRODUCTS

Women's Casual continues to be the largest product division making up 39% of total turnover and recorded 27% year-on-year increase. In terms of growth, Women's Sports, Women's Collection and Women's edc were the best performers and each recorded 72%, 71% and 57% turnover growth respectively.

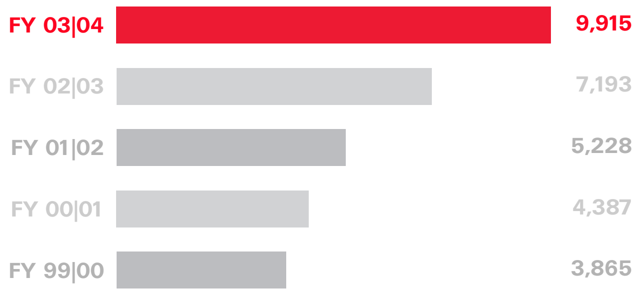
We extended the price range and refined the positioning of our products. We carefully created, defined, and maintained a distinct character and meaning for each product division at every level, as well as articulated the brand essence that all lines share. The Casual, edc, Collection, and Sports divisions are now clearly differentiated and are therefore better positioned to capture the huge potential in each of these distinct segments. Products tailored to young teens and teenage males were added to form the edc youth and men's edc divisions. The new york edition was also added to satisfy customers with more lavish tastes. The broadened product range and our emphasis on quality and style cushioned us from the results of making the wrong bet on fashion trends, thereby minimizing our inventory risk.

Breakdown of turnover by product mix

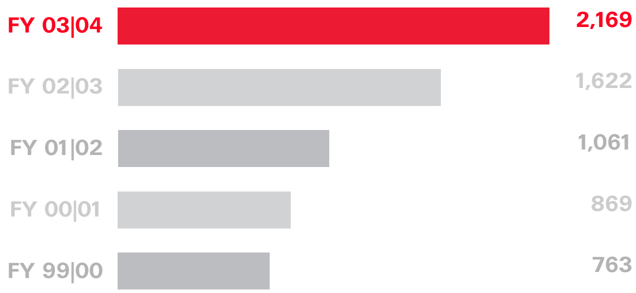


be fast and be right, fresh new products every month

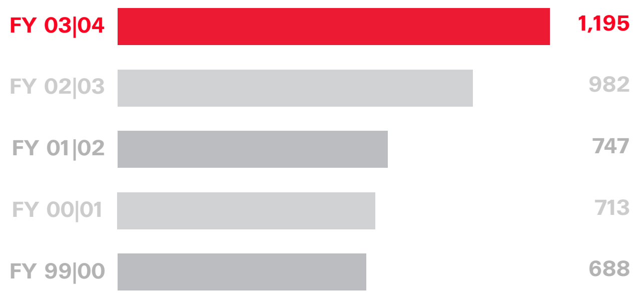
WOMEN'S WEAR (HK$ MN)



MEN'S WEAR (HK$ MN)



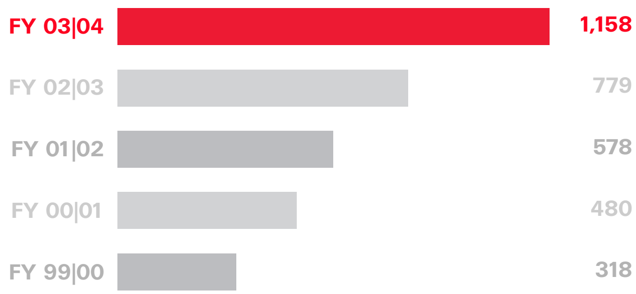
KID'S WEAR (HK$ MN)



SHOES AND ACCESSORIES (HK$ MN)

RED EARTH (HK$ MN)

OTHERS (HK$ MN)



operations review

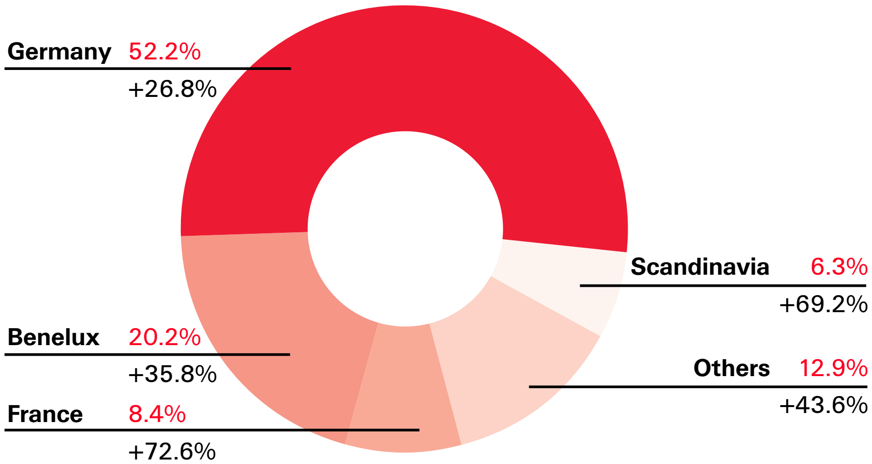
WHOLESALE

Our wholesale business continued to record double-digit growth during the year. Turnover increased by 35.9% to HK$9.61 billion (FY2002/2003: HK$7.08 billion) and operating profit (EBIT) increased by 48.7% to HK$2.12 billion (FY2002/2003: HK$1.42 billion). Through volume leverage and carefully managed overheads, wholesale operating profit margin also improved 1.9% points to 22.0%.

Europe remained our core wholesale market. The region accounted for 93.6% of the Group's wholesale turnover and delivered 36.9% turnover growth. Our two biggest wholesale countries, Germany and Benelux, achieved 26.8% and 35.8% sales growth, respectively. France continued to gather momentum and recorded a remarkable sales increase of 72.6%. Selling space expansion from existing and new wholesale partners contributed primarily to the strong wholesale performance. As at June 30, 2004, the number of partnership stores, shop-in-stores and identity corners increased to over 580, 2,800 and 4,500 (FY2002/2003: 503, 2,304 and 3,652) respectively, with a corresponding selling space of approximately 103,700m^2, 142,700m^2 and 90,900m^2, representing 32.0%, 20.8% and 33.4% growth from last year.

Capitalizing on our international platform and flexible wholesale formats, we successfully expanded our international wholesale reach during the year. Wholesale turnover in Australasia increased 91.6% to HK$39.8 million. 17 wholesale points-of-sales were opened in the U.K. and an Asian wholesale team was established to develop a distribution network with promising partners in the region. Progress was also made in the U.S. where our local wholesale partners gained better understanding of our division-by-division product positioning and placed our merchandise in the appropriate selling areas to reach the right target customer groups.

Breakdown of wholesale turnover



% of wholesale turnover   % growth from last year

35.9% wholesale growth.... 22.0% ebit margin up 1.9% points

key wholesale distribution channels (as at june 30, 2004)	partnership stores			shop-in-stores			identity corners/others		
	no. of stores*	sales area sq.m.	net change in sales area	no. of stores*	sales area sq.m.	net change in sales area	no. of units*	sales area sq.m.	net change in sales area
europe	**393**	**72,854**	**41%**	**2,161**	**95,772**	**32%**	**4,211**	**90,121**	**32%**
germany	154	32,091	38%	1,777	82,196	35%	2,658	57,268	26%
belgium	38	7,890	47%	51	2,551	76%	428	10,126	60%
the netherlands	56	10,489	19%	7	214	-35%	341	7,919	29%
france	62	6,718	101%	225	6,129	24%	166	4,209	27%
austria	68	10,820	21%	33	1,776	-22%	66	1,434	10%
scandinavia	14	4,486	125%	68	2,906	13%	520	8,383	59%
great britain	1	360	n.a.	–	–	–	32	782	102%
asia	**125**	**13,594**	**9%**	**145**	**7,010**	**14%**	**93**	**736**	**n.a.**
thailand	18	2,151	63%	70	2,227	54%	–	–	–
philippines	13	1,245	12%	6	689	-13%	12	92	n.a.
korea	2	100	-74%	17	1,170	11%	–	–	–
japan	8	225	-49%	–	–	-100%	36	111	n.a.
dubai	14	701	0%	–	–	–	–	–	–
middle east	28	4,686	1%	7	1,133	-13%	10	218	n.a.
others	42	4,486	16%	45	1,791	22%	35	315	n.a.
north america									
u.s.	–	–	–	–	–	-100%	274	–**	–
china***	71	17,230	20%	497	39,913	1%	–	–	–
group total	**589**	**103,678**	**32%**	**2,803**	**142,695**	**21%**	**4,578**	**90,857**	**33%**

* include Esprit & Red Earth stores/units
** sales area not available
*** managed by China joint venture or its franchise partners
n.a. means not applicable, stores/identity corners opened in FY2003/2004

operations review

RETAIL

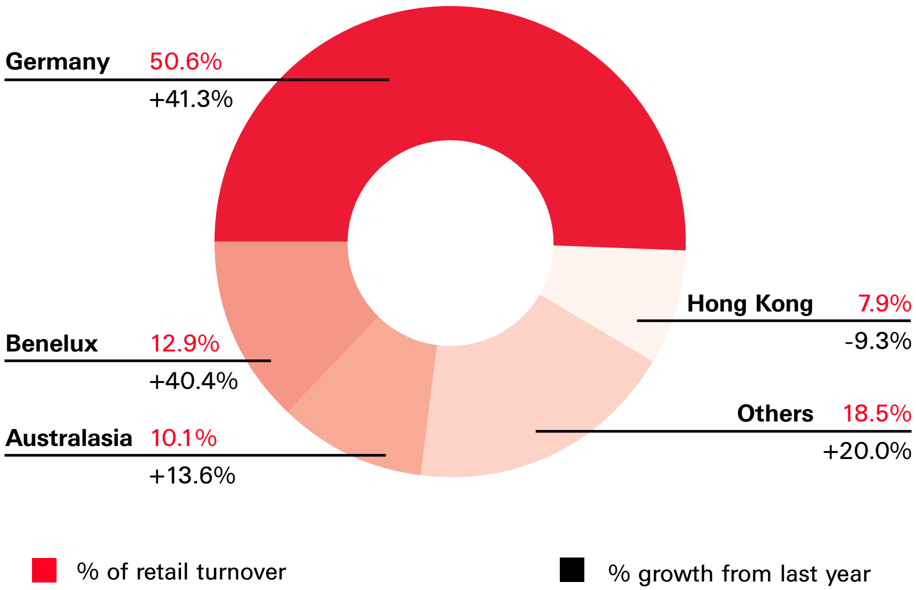
Retail operations achieved solid productivity and profitability improvements this year. Turnover grew 28.1% to HK$6.54 billion (FY2002/2003: HK$5.11 billion) through positive comparable store growth of 5.3% and a 13.8% increase in net selling space. The retail operating profit (EBIT) increased by 308.6% to HK$451.5 million (FY2002/2003: HK$110.5 million) and operating profit margin grew significantly by 4.7% points to 6.9% (FY2002/2003: 2.2%).

Our European retail operation, now accounting for 71.7% of total Group retail turnover, grew 44.7%. The operation recorded another year of double-digit comparable store growth of 11.2% (FY2002/2003: 14.1%) with a corresponding 2.9% points improvement in operating profit margin to 12.3%. Germany and Benelux contributed 50.6% and 12.9% to the Group's total retail turnover, registering 41.3% and 40.4% year-on-year turnover growth, respectively. This was the combined result of sales increases driven by a constant flow of fresh merchandise and the maturing of new stores that were opened for more than 12 months.

The improvement in Asian retail operations also contributed to the enhanced operating margin. We brought the retail operation in this region closer to break-even sooner than we expected. Despite the 12.6% decline in full year sales, the region saw a strong rebound in the second half of the financial year.

Since the beginning of the financial year, the Group invested HK$377.6 million in capital expenditure to open approximately 90 new retail stores, bringing total directly managed retail space to over 170,000m^2, a 13.8% net increase as compared to around 149,000m^2 at the end of the last financial year. As at June 30, 2004, the Group operated 557 directly managed stores worldwide. The majority of the retail expansion was undertaken in Europe, primarily in Germany and Benelux, where we continued to find good locations at a reasonable cost.

Breakdown of retail turnover



28.1% retail growth.... operating profit grew 309%

retail distribution channels (as at June 30, 2004)	directly managed stores no. of stores*	sales area sq.m.	net change in sales area
europe	**189**	**104,522**	**35%**
germany	97	64,419	21%
the netherlands	28	10,777	24%
belgium	15	9,630	58%
austria	5	5,392	75%
france	13	3,798	44%
great britain	3	2,910	39%
denmark	2	1,281	no change
switzerland	25	5,815	n.a.
luxembourg	1	500	n.a.
asia	**205**	**29,889**	**-3%**
hong kong (incl. macau)	55	14,813	-5%
taiwan	103	7,416	1%
singapore	33	5,423	1%
malaysia	14	2,237	-10%
australasia			
australia (incl. new zealand)	126	19,553	-17%
north america			
canada	37	16,065	-9%
group total	**557**	**170,029**	**14%**

* include Esprit & Red Earth stores, but excluding Salon.
n.a. means not applicable, stores opened or acquired in FY2003/2004


ESPRIT
timewear


ESPRIT
socks


ESPRIT
jewel


esprit.com © fh 2003
esprit sports
ESP
esprit sports

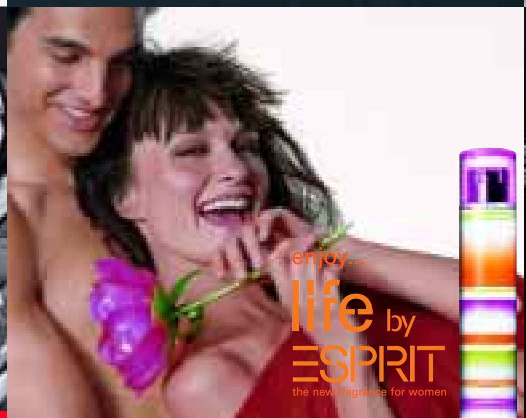

ESPRIT
eyewear


timewear


timewear


home


ESPRIT
home


enjoy...
life by
ESPRIT
the new fragrance for women


jewel


ESPRIT
kids

Key licensed product category	Europe	Asia	Australasia	North America
baby carriages	●			
bags				●
bed + bath	●	●	●	●
belts/cold weather				●
eyewear	●	●	●	●
footwear			●	●
fragrance	●	●	●	●
glassware	●			
home	●			
jewelry	●	●	●	●
kid's accessories				●
kid's wear				●
kid's shoes				●
outerwear				●
paper + friends	●			
school	●			
sleepwear/daywear				●
socks + tights	●			●
swimwear				●
timewear	●	●	●	●
umbrellas	●	●	●	

LICENSING

Licensing turnover grew by 13.5% to HK$110.5 million from HK$97.4 million a year ago. 10 new licensing partners were added this year, increasing the total number of licensees to over 30. At the end of FY2003/2004, there were 23 categories of ESPRIT licensed products.

Major revenue contributors include footwear, eyewear and timewear. New products launched during the year included homeware and school accessories in Europe and watches and jewelry in the U.S..

We continue to focus on the selection of partners and on monitoring the creation of credible products that maintain our brand integrity and meet our stringent quality measures. During the year, we continued to work closely with our licensees to ensure that their product quality, controlled distribution and overall business developments conformed to our high standards. In the future, we remain open to potential licensing opportunities and look forward to introducing more licensing products to different regions and further expanding business with existing partners. We believe that this business continues to enhance our brand awareness and offer great potential for significant growth.


Inokashira dōri
tokyo daze..
edc
by esprit

SOURCING

Our diverse and global sourcing base is one of our strong competitive advantages in the market place. During the year, we sourced approximately two-thirds of our merchandise from Asia. Quality, proximity to the markets and costs are the main factors under consideration when determining our sourcing mix. Although recent Euro strength enabled us to source from Asia at a relatively lower cost, we also passed some of the cost savings to our customers either through offering better quality products at the same price, through lowering retail prices, or through a combination of both.

We will continue to focus on strengthening our end-to-end supply chain and enhance our flexibility to serve different markets by building more strategic relationships with our suppliers and by further leveraging on our sourcing capabilities and our enlarged economies of scale.

CHINA ASSOCIATE

Operations in China recorded 17.4% in turnover growth for the twelve months ended June 30, 2004 to HK$729.3 million from HK$621.4 million a year ago. The Esprit brand continues to be well positioned in the urban mid/high-end market in China.

We strengthened our relationship with our China partners by establishing closer communication with their management. In accordance with our aim to create products tailored to specific local market needs, we encouraged our China associates to work with our global product development team to ensure local product knowledge is incorporated into the product development process. We believe this market offers high development potential and we will continue to work with our China associates to ensure these opportunities are captured.

global sourcing base... a strong competitive advantage

Esprit... a truly international lifestyle brand across the world in 40 countries

frankfurt
quebec
amsterdam
sydney
shanghai
amsterdam
frankfurt
quebec
cologne
singapore
toronto
paris
cologne
singapore
london
dusseldorf
berlin
hong kong
paris
taipei
seoul
london
shanghai
new york
beijing

financial review

International Financial Reporting Standards ('IFRS')

As part of our continous effort to improve transparency and quality of disclosure for our shareholders, the capital markets and other users of our financial reports globally, the Group adopted the IFRS in preparation for its financial statements this year. Please refer to note 1 and note 2 to the financial statements for details.

Had the Group prepared its consolidated financial statements for the year ended June 30, 2004 under HKGAAP, the Group estimates that the profit attributable to shareholders for the year then ended would have been lowered by approximately HK$130 million, mainly representing the amortization of trademarks of HK$105,065,000.

Turnover Breakdown	Germany	Benelux	France	Scandinavia	Others
FY2003/2004	51%	17%	6%	4%	22%
FY2002/2003	51%	16%	4%	3%	26%
% growth from last year	32%	37%	70%	64%	18%

Turnover

Germany remains to be our biggest market accounting for 51% of total turnover and recording 32% growth. The Group achieved significant growth outside Germany this financial year. France and Scandinavia both recorded stellar year-on-year growth of 70% and 64% respectively while Benelux also recorded 37% of growth.

Margins

Gross margin reached 52.1%, up 2.2% points from a year ago. The results were driven by our strong brand, the implementation of a market-driven and fresh product strategy, and the associated better full-price sell-through. Regionally, the most noticeable increase was in Europe. Gross profit margin for this region jumped from 45.3% to 48.2%.

Earnings before interest, taxation, depreciation and amortization (EBITDA) margin came in at 19.6%, up 2.7% points from a year ago. Total operating expenses dropped to 34.5% of turnover, down from 35.2% a year ago. Rental costs, one of the largest operating costs components, dropped 0.8% points to 8.3% of turnover. Despite the addition of staff members, staff costs decreased slightly by 0.1% points from 13.0% of turnover to 12.9%. Productivity enhancement from European retail operation and profitability improvements in underperforming retail markets (Hong Kong, Canada, U.K. and Taiwan) helped drive the operating margin expansion. The improvement was partly offset by a one-time restructuring charge of red earth's Australian operation of approximately HK$50 million. Operating profit (EBIT) margin increased 2.9% points to 17.6%.

Depreciation expenses were HK$342.2 million, 25.5% higher than last year. The higher depreciation was due mainly to the retail stores expansion and the associated capital expenditure. We believe that the Esprit trademarks should be regarded as intangible assets with an indefinite useful life as described in IAS 38. We engaged an internationally recognized appraiser who is of the opinion that the Esprit trademarks are capable of creating economic value over an indefinite period. Accordingly, Esprit trademarks are no longer amortized but subject to annual impairment testing. Please refer to note 4(a) to the financial statements for details.

Net profit

Net profits were up 55.4%, growing from HK$1.29 billion to HK$2.00 billion and net profit margin increased 1.8% points to 12.2%. The Group's effective tax rate was 32.1%, 6.3% points lower than the 38.4% for FY2002/2003 when a non-recurring tax refund from Germany amounting to approximately HK$130 million is excluded. Halving the total operating losses from the four retail markets, namely Hong Kong, Taiwan, U.K. and Canada, contributed to the improvement while our efforts in implementing efficient tax strategies worldwide also started to bear fruit.

Liquidity and financial resources

Net cashflow from operating activities for the year increased by 25.9% to HK$1,982.5 million. During the year, the Group spent HK$662.0 million on capital expenditure for new store openings, store upgrading, new IT systems developments and new global business headquarter in Ratingen, Germany, utilized HK$180.9 million on the acquisition of the Swiss licensee, and another HK$971.5 million on dividend payments in December 2003 and April 2004. We have also repaid in full all long-term bank borrowings in the second half of the financial year equivalent to HK$806.7 million. The Group's financial position remains very strong with its net cash balance (cash and bank equivalent net of bank borrowings) increasing to HK$1.76 billion from HK$1.32 billion a year ago.

As at June 30, 2004, the Group has no long-term bank borrowings and did not pledge any assets as security for overdraft and/or short-term revolving facility. Our debt to equity ratio, expressed as a percentage of interest bearing external borrowings over shareholders' funds of HK$5.41 billion, is 0%. The current ratio (current assets divided by current liabilities) stands at 1.7 (FY2002/2003: 1.9).

Foreign exchange risk management

To minimize our foreign exchange exposure, the Group entered into foreign exchange forward contracts with large and reputable financial institutions to reduce credit risks. Forward contracts decreased from HK$375.2 million to HK$367.1 million in FY2003/2004.

In addition to entering into forward contracts, we hedged our foreign currency risks with suppliers by asking them to quote and settle in Euros.

Dividend policy

The Board of Directors is pleased to recommend a final dividend of 48.0 Hong Kong cents per share (FY2002/2003: 32.5 Hong Kong cents), an increase of 47.7% from last year. The dividend payout ratio, including the interim dividend paid and the proposed final dividend for the year, was approximately 40%. It is the intention of the Group to maintain a stable dividend payout ratio and distribute dividend to our shareholders that is broadly in line with our earnings growth.

The Board of Directors, after considering our net cash position, operating cash flow and capital needs, also recommended a special dividend of 50.0 Hong Kong cents per share to be distributed to our shareholders this year.

Human resources

The Group has employed both full-time and part-time employees and has over 6,700 positions world-wide (after converting the part-time positions into full-time positions based on working hours). Therefore, as at June 30, 2004, the number of employees of the Group exceeds 6,700. The most significant personnel increase was in the sales-related department. About 800 new employees were hired as a result of the strategic expansion of retail operations. The takeover in Switzerland also added about 160 employees to our global workforce.

We strive to be an attractive company for the talented and motivated. The Group places heavy emphasis on staff training and development in order to realize the potential within every one of our employees. Our remuneration package is performance-based and takes into account business performance, market practice and competitive market conditions. Share options and discretionary bonuses are granted to staff that achieve outstanding performance.

The Group promotes inter-company communication and we welcome ideas and feedback from staff. Through quarterly newsletters and the Group's global intranet, we aim to improve company-wide communication, thereby connecting our 6,700+ employees around the world to the Esprit family.

IT infrastructure

To improve the quality and efficiency of our operations, updated retail and merchandising systems as well as global financial systems are being installed across business divisions and geographical regions. Uniform information systems will provide us with more capabilities to manage our inventory, sales and forecasting, and enable us to have more speedy access to market information.

Significant investments

In December 2003, the Group acquired Bollag-Guggenheim & Co. AG in Switzerland and thereby regained full distribution rights of ESPRIT apparel and related products in Switzerland and Italy.

The Group has committed approximately HK$300 million for the new head office in Hong Kong, comprising inter alia, approximately 73,000 sq.ft. of office space and a prominent signage space at the top of the building.

prospects

The new financial year has started well with higher levels of wholesale orders, a continuation of our improving retail performance, and a strong commitment to expand our global distribution both on the wholesale and retail level.

Adding quality and style to the Esprit brand & products

Strengthening the ESPRIT brand and products in the areas of quality, newness, freshness and internationality, will remain our focus. We believe that it is our products that make the brand successful. Strong performance of the Collection and Sports divisions in the past year confirmed our assessment that vast potential exists in the contemporary and sport segments. We will continue to develop the distinctive personality of each core product division. "Collection" will be developed into a distinctive concept with an urban and contemporary fashion and quality profile; "edc" will be positioned closer to the 'rule breaker' and 'restless individualist' segment to reinforce the youthful ESPRIT image; and "Casual" will be injected with more emotional elements and higher quality perception. Better integration of the visual merchandising, architecture, marketing, image and product divisions will further enhance the newness and freshness perception of the ESPRIT brand and products. Our goal is to develop ESPRIT into a brand of choice for customers worldwide not only for its product excellence, but also for the associated quality and style of life.

Leveraging on our successful wholesale model

Optimizing our successful and flexible wholesale concept, the wholesale team will continue to gain penetration in Germany, Benelux, France and Scandinavia; exploit potential in U.K., U.S., Canada and the Middle East; and extend the international reach of our wholesale business to Spain and Italy. In continental Europe, our wholesale order booking for the six months ending December 2004 shows double-digit % year-on-year growth. Over 150 partnership stores, 450 shop-in-stores and 800 identity corners are planned to open for business in FY2004/2005. The visual appearance of existing controlled wholesale space is being upgraded to reflect the newness and freshness attributes shared by our directly managed retail stores. As a new initiative, we are joining with selected wholesale partners to test the concept of vertical integration of merchandise-management in certain shop-in-stores and place them under our direction. This integration will enable us to share the merchandising knowledge gained from our international operations, and further enhance our speed-to-market. We believe sales performance will be enhanced as a result of better merchandising and less inventory risk. In Australasia, the "Collection" and "edc" product lines are being introduced in the new fiscal year with plans to open over 50 concession stores in department stores such as Myers and David Jones. In Canada, women's "Collection", men's "Casual" and footwear product lines are being added.

Strategic retail expansion

In the first two months since the start of the new financial year, retail sales showed double-digit % year-on-year growth. New stores added in FY2003/2004 should help to further fuel the growth. We see significant potential in our retail business as we continue to refine our strategies and realize profitability improvement. Such success should provide us with additional opportunities to expand on the retail front and to further build on our international platform. The Company has budgeted approximately HK$800 million for the opening of over 100 new stores worldwide including over 40 in Europe, 15 in Asia, 15 in North America and 25 in Australasia, increasing the total selling area directly managed by the Group by approximately 18% to over 200,000m^2. An additional HK$200 million has also been budgeted to upgrade our existing directly managed retail stores and IT infrastructures.

Developments in North America

The recent opening of our first flagship store on Fifth Avenue in New York marked the start of our retail expansion in the U.S. Four more stores for New York are in the pipe-line including locations in Bridgewater Commons, Freehold Raceway Mall, Menlo Park Mall and Palisades Mall. Operating our own retail stores will allow us to establish an ESPRIT identity in the market by displaying our entire collection of women's and men's wear and accessories in our own visual environment. The stores will be positioned to target women and men age 25 to 40. We will initially focus our retail effort in New York, a highly cosmopolitan city. On the wholesale front, roll-out of wholesale shop-in-stores will continue with higher-end department stores such as Nordstrom. In Canada, we will expand our product offerings to include men's "Casual" and footwear as well as adding over ten shop-in-stores and partnership stores this year.

Elimination of textile quota

The Group currently sources approximately two-thirds of its merchandise from Asia, mostly from China, and anticipates lower sourcing costs due to the elimination of textile quota starting January 2005. We will continue to monitor market dynamics on quota elimination to ensure that the price-value correlation of our products remains competitive in the marketplace.

Looking into the future with confidence

The combination of a good start into the new financial year and the potential for further developments in products, distribution channels and markets gives us confidence that we can continue the Group's success.

Enthusiasm for the past is surpassed by our optimism for the future

financial summary

	2004	2003	2002	2001	2000
operating resultsΔ (HK$ MN)					
turnover	16,357	12,381	9,219	8,109	7,277
operating profit (EBIT)	2,872	1,824	1,373	1,152	902
profit attributable to shareholders	2,003	1,289	993	600	484
per share dataΔ (HK¢)					
earnings per share - basic	168.1	109.2	86.1	53.3	43.5
dividend per share*	117.0	70.0	28.0	16.8	15.0
key statisticsΔ (HK$ MN)					
shareholders' funds	5,415	4,192	3,032	2,017	1,676
working capital	1,964	2,027	1,061	616	669
cash position (net of overdraft)	1,758	2,097	934	388	707
term loans	–	776	780	–	382
other data					
number of directly managed stores##	562	569	495	485	472
directly managed sales footage (sq.m.)	172,343	152,108	141,059	126,796	99,972
monthly sales per square meter (HK$)	3,413	2,848	2,353	3,336	4,154
capital expenditure (HK$ MN)	662	333	344	512	323
number of employees	6,796	5,751	5,936	5,954	5,208
key ratiosΔ					
return on shareholders' equity# (ROE) (%)	41.7%	35.6%	39.3%	32.5%	29.9%
return on total assests^ (ROA) (%)	25.2%	19.5%	14.9%	16.8%	14.4%
net debt to equity** (%)	net cash	net cash	net cash	net cash	net cash
interest cover (times)	134	58	100	31	25
current ratio (times)	1.7	1.9	1.6	1.5	1.5
stock turnover period*** (days)	45	51	64	64	67
earnings before interest, taxation, depreciation and amortization (EBITDA) margin (%)	19.6%	16.9%	17.3%	16.5%	14.7%
earnings before interest and taxation (EBIT) margin (%)	17.6%	14.7%	14.9%	14.2%	12.4%
earnings before taxation (EBT) margin (%)	18.0%	15.2%	15.3%	14.6%	12.4%

* calculated after including the HK50 cents special dividend for FY2003/2004 and HK30 cents special dividend for FY2002/2003
\# calculated based on net earnings as a percentage of average shareholders'equity
^ calculated based on net earnings as a percentage of average total assets
** net debt refers to all interest borrowings less cash and cash equivalent
*** calculated as average inventory (excluding consumables) over average daily cost of goods sold for the year
Δ The Group has adopted IFRS retrospectively with effect from July 1, 2002. The financial information in respect of FY2002/2003 and FY2003/2004 is audited and is prepared in accordance with IFRS. For the purposes of presenting the financial infromation in respect of FY1999/2000 to FY2001/2002, certain estimates have been made to adjust the financial information from HKGAAP to IFRS, mainly representing the reversal of amortization of trademarks.
\## include Esprit, Red Earth stores and Salon

public recognition and awards

The Best in Corporate Governance in Hong Kong (no.3)
The Asset, December 2003/January 2004

Overall Best Managed Company in Hong Kong (no.5)
Best Corporate Strategy in Hong Kong (no.3)
Best Operational Efficiency in Hong Kong (no.3)
Asiamoney, December 2003/January 2004

Best Company in Asia in the Retailing Sector
Global Finance, November 2003

Innovative in Responding to Customer Needs in Hong Kong (no.1)
Company Others Try to Emulate in Hong Kong (no.3)
Management with Long-term Vision in Hong Kong (no.10)
Review 200 Asia's Leading Companies, Far Eastern Economic Review, December 2003

Best in Asia - Retail Sector (no.1)
Best Managed Company in Hong Kong (no.8)
Best Corporate Governance in Hong Kong (no.9)
Best Investor Relations in Hong Kong (no.7)
FinanceAsia, April 2004

CG Star – Asia (no.3), Hong Kong (no.3)
CG Watch Corporate Governance in Asia,
September 2004 by CLSA in collaboration with the Asian Corporate Governance Association

Best Investor Relations in the Retail Industry in Asia (buy-side view)
The Asia Equities Market Report 2004, Institutional Investor Research Group

World's 400 Best Big Companies
The "A" List
Forbes Magazine, September 2004

upholding high standards of corporate governance

corporate governance

At Esprit, we recognize our responsibilities to shareholders and aim to protect and enhance shareholder values through good corporate governance. By upholding high standards of corporate governance, we believe we create values and maximize returns not only to the Group but to all our stakeholders. Considerable efforts are devoted to identify and formalize the best practices according to international standards. The Group is widely recognized by internationally renowned financial organizations and journals for its commitment to and achievements in reaching high standards of corporate governance practice.

We are committed to ensuring even greater transparency and quality of disclosure. We have long understood that good corporate governance is not just a question of regulatory compliance, but is also a part of the Company's culture. The Board will continue to uphold the appropriate standards of corporate governance within the Group, thereby ensuring that all our businesses are conducted in honest, ethical and responsible manner.

The Board

The Board's primary role is to protect and enhance long-term shareholder value. It sets the overall strategy for the Group, ensures effective management of the highest quality and integrity, and provides proper supervision in business conduct.

We have clearly defined the roles of the Chairman and the Group CEO to reinforce their respective independence, accountability and responsibility. The Chairman is responsible for monitoring the Company's business strategies and is not involved at the operational level while the Group CEO takes the lead in managing the day-to-day business. At present, all Directors (except the Chairman of the Board) are subject to the general requirement of retirement by rotation of one-third of the Company's board members in each annual general meeting of the Company under the Company's Bye-laws. This year, in accordance with the Company's Bye-laws, John POON Cho Ming, Jerome Squire GRIFFITH, Alexander Reid HAMILTON and Simon LAI Sau Cheong will retire at the forthcoming annual general meeting of the company and all of them, being eligible, offer themsevles for re-election.

The Board consists of ten directors, including the Chairman of the Board, five of whom are Executive Directors. There are five Non-Executive Directors, of whom three are independent. The Board benefits from the depth of experience each Director possesses. All Board members understand their duty to represent the interest of all the shareholders and each member attends meetings as regularly as possible. The Board meets at least four times a year and the Group ensures that Board members have access to appropriate business documents and information about the Group on a timely basis.

To assist in the execution of its responsibilities, the Board has established four Board Committees, namely Audit Committee, Nomination Committee, Remuneration Committee and General Committee to oversee particular aspects of the Group's affairs. Independent Non-Executive Directors play a vital role in these committees to ensure that independent and objective views are expressed.

Audit Committee

The Audit Committee is responsible for assisting the Board in safeguarding the Company's assets by providing an independent review of the effectiveness of the financial reporting process and the internal control and risk management systems of the Company. The Audit Committee also oversees the audit process and performs other duties as assigned by the Board.

All the members of our Audit Committee are non-executive directors, with a majority being independent. The Audit Committee members include:

Mr. Alexander Reid HAMILTON (Chairman of the Audit Committee)
Mr. Paul CHENG Ming Fun
Mr. Jürgen Alfred Rudolf FRIEDRICH
Mr. Raymond OR Ching Fai

In FY2003/2004, the Audit Committee met four times. During these meetings, the Audit Committee reviewed the nature, scope and findings of internal and external audit reviews. It also reviewed the treasury activities, liquidity and risk management of the Company during the financial year. Our Group CFO, the external auditors, internal auditors and senior management attended the meetings in order to answer any questions raised by the Audit Committee.

Nomination Committee

The Board acknowledges the importance of enhancing transparency in the selection process of its Board members. Consequently, in November 2003, it established the Nomination Committee to highlight the fairness of this process. The Nomination Committee members, majority of whom are non-executive directors, include:

Mr. John POON Cho Ming
Mr. Paul CHENG Ming Fun
Mr. Simon LAI Sau Cheong

Remuneration Committee

The primary aim of the Remuneration Committee is to formulate transparent procedures for developing remuneration policies and packages for key executives. The Remuneration Committee comprises three members, the majority of whom are Independent Non-Executive Directors:

Mr. Michael YING Lee Yuen
Mr. Raymond OR Ching Fai
Mr. Alexander Reid HAMILTON

General Committee

The General Committee manages various administrative matters of the Board. The General Committee comprises four members:

Mr. Michael YING Lee Yuen
Mr. Heinz Jürgen KROGNER-KORNALIK
Mr. John POON Cho Ming
Mr. Simon LAI Sau Cheong

Internal Control and Risk Management

Proper internal control not only facilitates the effectiveness and efficiency of operations, ensuring compliance with laws and regulations, but most importantly, it helps to minimize risk exposure for the Group. The Group is committed to the identification, monitoring and management of risks associated with its business activities and has implemented practical and effective control systems. These include:

- A clearly defined organizational structure;
- Budgeting and forecasting systems for performance measurement and monitoring of strategic business units;
- A quarterly review of the Group's performance by the Audit Committee and the Board;
- Protection of the Group's trademarks globally;
- Group-wide insurance programs; and
- A global cash management system that is deployed to enhance proper control and yield of cash asset.

Code of Best Practice

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

Pro-active Investor Relations

Esprit recognizes the importance of communicating pertinent information to shareholders in a clear, forthcoming, detailed and timely manner. The Group's performance and operational information are disseminated in the annual and interim reports. Annual general meetings of the Company provide a valuable communication channel between the Board and the shareholders, through which concerns are addressed directly by our Directors.

While our Investor Relations Department communicates with research analysts and institutional investors regularly, management also engages in a pro-active investor relations program to ensure fair disclosure and comprehensive reporting of our performance and business activities. Both our Group CEO and Group CFO meet with research analysts and the press after our results announcements, attend major investors' conferences and participate in non-deal roadshows worldwide to communicate the Company's global business strategy. The Group is also committed to practising timely and non-selective dissemination of material information. Our website www.espritholdings.com provides up-to-date information on the Group's finances and businesses developments, including annual and interim reports, presentations and webcasts, press releases and announcements etc.. This information is updated in a timely manner to ensure that speed, fairness and transparency remain the hallmarks of our disclosure practices.

commitment to our stakeholders

social responsibilities

Esprit believes in developing a long-term relationship with its shareholders, employees and business partners and behaves responsibly towards society as a whole. We believe companies that demonstrate a commitment to social responsibilities are likely to enjoy comparative advantage in the marketplace.

Responsibilities to business partners

Esprit sees it as our mission to establish relationships with our business partners based on openness, honesty and trust. We seek to understand their business needs and aim to provide support to ensure mutually beneficial long-term business partnerships.

We are also committed to conducting business in a responsible and suitable manner. We require our suppliers to observe the laws of the relevant jurisdictions with respect to child labor, workplace safety and fair wages and benefits. We also prefer suppliers that value children's education and demonstrate responsible environmental protection and practices.

Responsibilities to the community

Esprit is committed to playing a full role as a good corporate citizen. We take pride in making contributions to the well-being of society and to people in need. As our business grows, we are determined to extend this tradition of good corporate citizenship through active participation in financial support, donations in kind and voluntary activities to be undertaken by employees throughout the organization.

We also encourage others to practice good corporate governance in the business world. We believe that every company should have the responsibility to practice and promote good corporate governance and should not rely solely on the Government and regulatory bodies to establish high standards. Thus, we are proud to be the lead sponsor of the Directors of the Year Awards 2004 organized by the Hong Kong Institute of Directors in recognition of excellence in directorship.

We recognize that our business is reliant on the support of the communities in which we operate and we will continue to act as a responsible corporate citizen in our many diverse local societies.

corporate information

executive directors
Michael YING Lee Yuen, Chairman of the Board
Heinz Jürgen KROGNER-KORNALIK, Deputy Chairman
John POON Cho Ming, Deputy Chairman
Thomas Johannes GROTE
Jerome Squire GRIFFITH

non-executive directors
Jürgen Alfred Rudolf FRIEDRICH
Simon LAI Sau Cheong

independent non-executive directors
Paul CHENG Ming Fun
Alexander Reid HAMILTON
Raymond OR Ching Fai

corporate officers
Michael YING Lee Yuen, Chairman of the Board
Heinz Jürgen KROGNER-KORNALIK, Group CEO
John POON Cho Ming, Group CFO

company secretary
John POON Cho Ming

principal banker
The Hongkong and Shanghai Banking Corporation Limited

auditors
PricewaterhouseCoopers,
Certified Public Accountants

principal legal advisors
Baker & McKenzie
Deacons

stock code
The shares of Esprit Holdings Limited are listed for trading on The Stock Exchange of Hong Kong Limited (stock code: 0330) and the London Stock Exchange (ticker: EPT LI).

principal share registrar
Butterfield Fund Services (Bermuda) Limited
11 Rosebank Centre, Bermudiana Road, Pembroke, Bermuda

hong kong share registrar
Secretaries Limited
G/F, Bank of East Asia Harbour View Centre,
56 Gloucester Road, Wanchai, Hong Kong

registered office
Clarendon House, Church Street,
Hamilton HM 11, Bermuda

hong kong head office
10/F, 11 Yuk Yat Street, Tokwawan, Kowloon, Hong Kong
Tel: (+852) 2765 4321
Fax: (+852) 2362 5576

global business headquarter
Esprit-Allee, 40882 Ratingen, Germany
Tel: (+49) 2102 123 0
Fax: (+49) 2102 123 15100

website
www.espritholdings.com

report of the directors

The Directors have pleasure in presenting their annual report and the audited financial statements for the year ended June 30, 2004.

principal activities

The Company is an investment holding company. The activities of the principal subsidiaries are shown in note 36 to the financial statements. The Group is principally engaged in the wholesale and retail distribution, licensing of quality fashion and life-style products designed under its own internationally known ESPRIT brand name, together with Red Earth cosmetics, skin and body care products and the operation of Salon Esprit.

results and appropriations

The results of the Group and appropriations of the Company are set out in the consolidated income statement on page 53 and in the accompanying notes to the financial statements.

The interim dividend of 19.0 Hong Kong cents per share, totalling HK$226,746,000, was paid on April 8, 2004.

The Directors recommend the payment of a final dividend of 48.0 Hong Kong cents per share and a special dividend of 50.0 Hong Kong cents per share. Details are set out in note 10 to the financial statements.

reserves

Movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 56 and in note 34 to the financial statements respectively.

financial summary

A summary of the results and the balance sheets of the Group for the last five financial years is set out on page 95.

share capital

Details of movements in share capital of the Company are set out in note 21 to the financial statements.

property, plant and equipment

Details of movements in property, plant and equipment of the Group during the year are set out in note 15 to the financial statements.

bank overdrafts and loans

Details of bank overdrafts and loans are set out in note 24 to the financial statements.

charitable donations

During the year, the Group made charitable donations totalling HK$728,100.

directors and service contracts

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

executive directors

Michael YING Lee Yuen
Heinz Jürgen KROGNER-KORNALIK
John POON Cho Ming
Thomas Johannes GROTE
Jerome Squire GRIFFITH (appointed on March 24, 2004)

non-executive directors

Jürgen Alfred Rudolf FRIEDRICH
Simon LAI Sau Cheong

independent non-executive directors

Paul CHENG Ming Fun
Alexander Reid HAMILTON
Raymond OR Ching Fai

The Company has received written confirmation from each Independent Non-executive Directors to confirm their independence pursuant to Rules 3.13 and 3.15 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Mr. CHHIBBER Surinder and Ms. Connie WONG Chin Tzi have resigned as Directors on March 31, 2004.

In accordance with Bye-laws 86 and 87 of the Company's Bye-laws, Messrs. John POON Cho Ming, Alexander Reid HAMILTON, Simon LAI Sau Cheong and Jerome Squire GRIFFITH will retire at the forthcoming annual general meeting of the Company and all of them, being eligible, offer themselves for re-election.

directors and service contracts *continued*

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

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

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

directors and senior management profile

executive directors

Michael YING Lee Yuen, aged 54, is Chairman of the Board since 1993. Mr. Ying has over 30 years of experience in the apparel industry. He is primarily responsible for the overall corporate direction and strategy of the Group.

Heinz Jürgen KROGNER-KORNALIK, aged 63, is Deputy Chairman and Chief Executive Officer of the Group. He has been with the Group since January 1995. He possesses a degree in business administration and industrial engineering. He was a consultant with Kurt Salmon Associates in a variety of areas, including production, organization, marketing, strategy and brand positioning, as well as with several textile firms, always in executive positions, before joining the Group.

John POON Cho Ming, aged 50, is Deputy Chairman, Group Chief Financial Officer and Company Secretary. Mr. Poon is primarily responsible for managing the Group's financial and legal functions, including strategic planning and corporate finance, investor relations, accounting and tax, treasury management as well as company secretarial affairs. Prior to joining the Group in December 1999, he has held executive directorships in other public companies and has extensive experience in corporate management, corporate finance and legal affairs. Mr. Poon is a qualified solicitor in Hong Kong, England and Wales, and a barrister and solicitor in Alberta, Canada. He graduated from University of Alberta, Canada with a Bachelor of Arts Degree in Economics and a Bachelor of Laws Degree.

Thomas Johannes GROTE, aged 41, is currently the joint Chief Operating Officer of the Esprit brand and the global head of wholesale operation of the Group. He completed business college in 1983 and thereafter worked in a German textile printing company for six years. He joined the Group in 1990 as key account manager of 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.

Jerome Squire GRIFFITH, aged 46, is currently the joint Chief Operating Officer of the Esprit brand and the global head of retail operation of the Group. He received his Bachelor of Science Degree in Marketing from Pennsylvania State University. Before joining the Group in 2002, he held senior positions in major retail companies in the United States and Europe.

non-executive directors

Paul CHENG Ming Fun, aged 67, was appointed an Independent Non-executive Director of the Company in November 2002. Mr. Cheng was a former member of the Hong Kong Legislative Council as well as Chairman of Inchcape Pacific Limited, N M Rothschild & Sons (Hong Kong) Ltd., the Hong Kong General Chamber of Commerce, and the American Chamber of Commerce in Hong Kong. He is currently a Steward of the Hong Kong Jockey Club and an Independent Non-executive Director of several listed companies on the Hong Kong Stock Exchange. He is an Adjunct Professor of Management of Organizations of the Hong Kong University of Science and Technology and is also a member of the Council of The Chinese University of Hong Kong.

Jürgen Alfred Rudolf FRIEDRICH, aged 66, founded Esprit's European operations in 1976 and was appointed a Non-executive Director in 1997. He has over 30 years of experience in the apparel distribution and marketing business and is currently retired in the United States.

Alexander Reid HAMILTON, aged 62, 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, Shangri-La Asia Limited and a number of other Hong Kong companies. He was a partner of Price Waterhouse with whom he practised for 16 years.

directors and senior management profile *continued*

non-executive directors *continued*

Simon LAI Sau Cheong, aged 43, was appointed an Independent Non-executive Director of the Company in November 1999 and was redesignated as Non-executive Director on September 15, 2004. He is admitted to practice as a solicitor in Hong Kong, England and Wales and New South Wales, Australia. Mr. Lai is a partner of the law firm of Deacons and has over 17 years' experience of legal practice.

Raymond OR Ching Fai, aged 54, was appointed an Independent Non-executive Director of the Company in 1996. He is a General Manager of The Hongkong and Shanghai Banking Corporation Limited, and a director of Hang Seng Bank Limited, Cathay Pacific Airways Limited and Hutchison Whampoa Limited. He was Chairman of the Hong Kong Association of Banks for 2003.

senior management

Andreas ADENAUER, aged 42, is currently the Global Business Manager Women Casual and President for North America. He joined the Group in 1997 as Division Manager (edc). He has over 15 years' business and product development experience with various brands in the apparel and lifestyle sector and has extensive experience in retail stores and sales agency business.

Ursula BUCK, aged 42, is Head of Global Licencing. She holds a Bachelor Degree in Business Management and Economics from University of Augsburg. She joined the Group in 2002 and has over 10 years' experience in licensing fashion products. Prior to joining the Group, she worked in lifestyle companies such as Valentino and Hugo Boss and has 7 years' experience with McKinsey & Company, a management consultancy firm.

Melody HARRIS-JENSBACH, aged 43, is International Product Director of the Group. She joined the Group in August 1998 as Design Director for Women's Wear. She graduated from Parsons School of Design in New York City with a Bachelor of Fine Arts majoring in Fashion Design. She has over 20 years' experience as Designer/Chief Designer for various international and national apparel companies.

Albert HESSE, aged 48, is Executive Director Organization. He holds a Master of Business Administration degree from University of Regensburg. Prior to joining the Group in 2003, he worked in the IT and in the apparel sectors and has extensive international experience in organization, IT and logistics operation.

Lawrence LEE Cheung Kan, aged 44, is the Group Financial Controller. He is primarily responsible for the Group's statutory and management reporting as well as internal controls and compliance. He is also involved in international tax planning and implementation of tax strategies of the Group. Prior to joining the Group in August 2000, he has worked with international apparel and sourcing companies as Financial Controller. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants of Ontario, Canada.

Derong YANG, aged 39, is Global Image Director. 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 was Design Director of a renowned French designer, "Jean Charles de Castelbajac". He has received awards for excellence in his creative endeavors and is an activist in arts and culture.

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

As at June 30, 2004, the interests or short positions of the Directors or chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("SEHK") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, were as follows:

(1) Shares of the Company

Name of Directors	Capacity	Beneficial interest in shares	Beneficial interest in unlisted underlying shares (Note 3)	Total number of shares	Approximate percentage of aggregate interests to total issued share capital
Michael YING Lee Yuen	Interest of a controlled corporation (Note 1)	367,926,352	–	367,926,352	30.83%
Heinz Jürgen KROGNER-KORNALIK	Beneficial owner	–	7,000,000	7,000,000	0.59%
John POON Cho Ming	Beneficial owner	1,000,000	4,200,000	5,200,000	0.44%
Thomas Johannes GROTE	Beneficial owner	550,000	2,800,000	3,350,000	0.28%
Jerome Squire GRIFFITH	Beneficial owner	–	2,800,000	2,800,000	0.24%
Jürgen Alfred Rudolf FRIEDRICH	Beneficial owner	81,251,176	–		
	Interest of spouse (Note 2)	50,901	–	81,302,077	8.49%

Notes:

1. The shares were held by Great View International Limited, the entire issued share capital of which is owned by Mr. Michael YING Lee Yuen.
2. The shares were held by Mrs. Anke Beck FRIEDRICH, the spouse of Mr. Jürgen Alfred Rudolf FRIEDRICH.
3. The interests of Directors and chief executives of the Company in the underlying shares of equity derivatives are in respect of options granted to them pursuant to the share options schemes adopted by the Company as detailed in "share options" section below.
4. All interests disclosed above represent long positions in the shares of the Company.

(2) Shares Options of the Company

The interests of the Directors and the chief executives of the Company in the share options of the Company are detailed in "share options" below.

As at June 30, 2004, save as disclosed above, none of the Directors, chief executives of the Company or their associates had any interests or short position, whether beneficial or non-beneficial, in the shares, underlying shares or debentures of the Company or any of its associated corporations as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and SEHK pursuant to the Model Code.

share options

The Company adopted a share option scheme on November 17, 1993 (the "1993 Share Option Scheme"). In view of the changes to Chapter 17 of the Listing Rules which govern the operation of share option schemes, the Company adopted a new share option scheme ("2001 Share Option Scheme") on November 26, 2001. The 1993 Share Option Scheme ceased operation on the same day such that no further options may be offered under the 1993 Share Option Scheme but the provisions of the 1993 Share Option Scheme continue to govern outstanding options under that scheme.

Summaries of the 1993 Share Option Scheme and the 2001 Share Option Scheme are set out in note 21 to the financial statements.

share options *continued*

1993 Share Option Scheme

Details of share options exercised during the period were as follows:

	Date of grant (mm/dd/yyyy)	Exercise price per share (HK$)	Vesting period (mm/dd/yyyy) (Note 1)	Exercise period (mm/dd/yyyy)	Number of share options As at 7.1.2003	Number of share options Exercised	Number of share options As at 6.30.2004
Directors							
John POON Cho Ming	12/15/1999	6.36	12/15/1999 – 11/15/2003	11/16/2003	1,000,000	1,000,000	–
Thomas Johannes GROTE	09/22/1999	5.14	09/22/1999 – 05/16/2003	05/17/2003-11/16/2003	500,000	500,000	–
Employees							
In aggregate	12/13/1995	2.64	12/13/1995 – 12/12/1998	12/13/1998 – 11/16/2003	375,000	375,000	–
	12/13/1995	2.64	12/13/1995 – 06/12/1999	06/13/1999 – 11/16/2003	375,000	375,000	–
	12/13/1995	2.64	12/13/1995 – 12/12/1999	12/13/1999 – 11/16/2003	375,000	375,000	–
	07/11/1999	2.72	07/11/1999 – 07/10/2003	07/11/2003 – 11/16/2003	250,000	250,000	–
					1,375,000	1,375,000	–
TOTAL					**2,875,000**	**2,875,000**	**–**

Notes:

1. Vesting period under the 1993 Share Option Scheme means, in respect of any particular option, a period of not less than six months and not exceeding four years commencing on the date on which an option is granted in accordance with that scheme.
2. The weighted average closing prices of the shares immediately before the dates of exercise regarding the options exercised by Mr. John POON Cho Ming, Mr. Thomas Johannes GROTE and the employees were HK$24.70, HK$19.60 and HK$20.56 respectively.
3. No share options were granted, cancelled or lapsed under the 1993 Share Option Scheme during the year.

2001 Share Option Scheme

Details of the grant of share options and a summary of the movements of the outstanding share options during the period were as follows:

	Date of grant (mm/dd/yyyy)	Exercise price per share (HK$)	Vesting date (mm/dd/yyyy)	Exercise period (mm/dd/yyyy)	Number of share options As at 7.1.2003	Granted	Exercised	Lapsed	As at 6.30.2004
Directors									
Heinz Jürgen KROGNER-KORNALIK	11/26/2002	14.60	11/26/2003	11/26/2003 – 11/25/2008	800,000	–	–	–	800,000
			11/26/2004	11/26/2004 – 11/25/2008	800,000	–	–	–	800,000
			11/26/2005	11/26/2005 – 11/25/2008	800,000	–	–	–	800,000
			11/26/2006	11/26/2006 – 11/25/2008	800,000	–	–	–	800,000
			11/26/2007	11/26/2007 – 11/25/2008	800,000	–	–	–	800,000
	11/26/2003	24.20	11/26/2004	11/26/2004 – 11/25/2009	–	600,000	–	–	600,000
			11/26/2005	11/26/2005 – 11/25/2009	–	600,000	–	–	600,000
			11/26/2006	11/26/2006 – 11/25/2009	–	600,000	–	–	600,000
			11/26/2007	11/26/2007 – 11/25/2009	–	600,000	–	–	600,000
			11/26/2008	11/26/2008 – 11/25/2009	–	600,000	–	–	600,000
					4,000,000	3,000,000	–	–	7,000,000
John POON Cho Ming	11/26/2002	14.60	11/26/2003	11/26/2003 – 11/25/2008	480,000	–	–	–	480,000
			11/26/2004	11/26/2004 – 11/25/2008	480,000	–	–	–	480,000
			11/26/2005	11/26/2005 – 11/25/2008	480,000	–	–	–	480,000
			11/26/2006	11/26/2006 – 11/25/2008	480,000	–	–	–	480,000
			11/26/2007	11/26/2007 – 11/25/2008	480,000	–	–	–	480,000
	11/26/2003	24.20	11/26/2004	11/26/2004 – 11/25/2009	–	360,000	–	–	360,000
			11/26/2005	11/26/2005 – 11/25/2009	–	360,000	–	–	360,000
			11/26/2006	11/26/2006 – 11/25/2009	–	360,000	–	–	360,000
			11/26/2007	11/26/2007 – 11/25/2009	–	360,000	–	–	360,000
			11/26/2008	11/26/2008 – 11/25/2009	–	360,000	–	–	360,000
					2,400,000	1,800,000	–	–	4,200,000

share options *continued*

	Date of grant (mm/dd/yyyy)	Exercise price per share (HK$)	Vesting date (mm/dd/yyyy)	Exercise period (mm/dd/yyyy)	Number of share options				
					As at 7.1.2003	Granted	Exercised	Lapsed	As at 6.30.2004
Thomas Johannes GROTE	11/26/2002	14.60	11/26/2003	11/26/2003 – 11/25/2008	320,000	–	–	–	320,000
			11/26/2004	11/26/2004 – 11/25/2008	320,000	–	–	–	320,000
			11/26/2005	11/26/2005 – 11/25/2008	320,000	–	–	–	320,000
			11/26/2006	11/26/2006 – 11/25/2008	320,000	–	–	–	320,000
			11/26/2007	11/26/2007 – 11/25/2008	320,000	–	–	–	320,000
	11/26/2003	24.20	11/26/2004	11/26/2004 – 11/25/2009	–	240,000	–	–	240,000
			11/26/2005	11/26/2005 – 11/25/2009	–	240,000	–	–	240,000
			11/26/2006	11/26/2006 – 11/25/2009	–	240,000	–	–	240,000
			11/26/2007	11/26/2007 – 11/25/2009	–	240,000	–	–	240,000
			11/26/2008	11/26/2008 – 11/25/2009	–	240,000	–	–	240,000
					1,600,000	1,200,000	–	–	2,800,000
Jerome Squire GRIFFITH (Note 4)	11/26/2002	14.60	11/26/2003	11/26/2003 – 11/25/2008	320,000	–	–	–	320,000
			11/26/2004	11/26/2004 – 11/25/2008	320,000	–	–	–	320,000
			11/26/2005	11/26/2005 – 11/25/2008	320,000	–	–	–	320,000
			11/26/2006	11/26/2006 – 11/25/2008	320,000	–	–	–	320,000
			11/26/2007	11/26/2007 – 11/25/2008	320,000	–	–	–	320,000
	11/26/2003	24.20	11/26/2004	11/26/2004 – 11/25/2009	–	240,000	–	–	240,000
			11/26/2005	11/26/2005 – 11/25/2009	–	240,000	–	–	240,000
			11/26/2006	11/26/2006 – 11/25/2009	–	240,000	–	–	240,000
			11/26/2007	11/26/2007 – 11/25/2009	–	240,000	–	–	240,000
			11/26/2008	11/26/2008 – 11/25/2009	–	240,000	–	–	240,000
					1,600,000	1,200,000	–	–	2,800,000

share options *continued*

	Date of grant (mm/dd/yyyy)	Exercise price per share (HK$)	Vesting date (mm/dd/yyyy)	Exercise period (mm/dd/yyyy)	Number of share options As at 7.1.2003	Granted	Exercised	Lapsed	As at 6.30.2004
Employees & Consultants	11/26/2002	14.60	11/26/2003	11/26/2003 – 11/25/2008	4,352,000	–	1,836,000	360,000	2,156,000
			11/26/2004	11/26/2004 – 11/25/2008	4,352,000	–	–	880,000	3,472,000
			11/26/2005	11/26/2005 – 11/25/2008	4,352,000	–	–	880,000	3,472,000
			11/26/2006	11/26/2006 – 11/25/2008	4,352,000	–	–	880,000	3,472,000
			11/26/2007	11/26/2007 – 11/25/2008	4,352,000	–	–	880,000	3,472,000
	11/26/2003	24.20	11/26/2004	11/26/2004 – 11/25/2009	–	3,264,000	–	–	3,264,000
			11/26/2005	11/26/2005 – 11/25/2009	–	3,264,000	–	–	3,264,000
			11/26/2006	11/26/2006 – 11/25/2009	–	3,264,000	–	–	3,264,000
			11/26/2007	11/26/2007 – 11/25/2009	–	3,264,000	–	–	3,264,000
			11/26/2008	11/26/2008 – 11/25/2009	–	3,264,000	–	–	3,264,000
	12/23/2003	24.45	12/23/2004	12/23/2004 – 12/22/2009	–	120,000	–	–	120,000
			12/23/2005	12/23/2005 – 12/22/2009	–	120,000	–	–	120,000
			12/23/2006	12/23/2006 – 12/22/2009	–	120,000	–	–	120,000
			12/23/2007	12/23/2007 – 12/22/2009	–	120,000	–	–	120,000
			12/23/2008	12/23/2008 – 12/22/2009	–	120,000	–	–	120,000
In aggregate					21,760,000	16,920,000	1,836,000	3,880,000	32,964,000
TOTAL					**31,360,000**	**24,120,000**	**1,836,000**	**3,880,000**	**49,144,000**

Notes:

1. The closing prices of the shares of the Company immediately before the options granted on November 26, 2003 and December 23, 2003 were HK$23.85 and HK$24.20 respectively.
2 The weighted average closing price of the shares immediately before the dates of exercise by the employees and consultant was HK$27.86.
3. No share options were cancelled under the 2001 Share Option Scheme during the year.
4. Mr. Jerome Squire GRIFFITH was appointed Executive Director on March 24, 2004 and the share options granted to him as employee were re-classified in the category of "Directors" during the year.
5. Mr. CHHIBBER Surinder and Ms. Connie WONG Chin Tzi resigned as Executive Directors on March 31, 2004 and the share options granted to them as Directors were re-classified in the category of "Employees & Consultants" during the year.

Save as disclosed above, at no time during the year was the Company or its subsidiaries a party to any arrangement that enable the Directors of the Company or any of their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Accounting Treatment for Share Options

Details of accounting treatment for share options are set out in note 2(a) to the financial statements.

directors' interests in contracts

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

substantial shareholders

As at June 30, 2004, the following shareholder(s) (other than the Directors or chief executives of the Company whose interests and short positions in the shares and underlying shares of the Company as disclosed above) had interests and short positions in the shares and underlying shares of the Company ("Shares") which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of shareholders	Capacity	Number of shares	Percentage of aggregate interests to total issued share capital
Great View International Limited	Beneficial Owner	367,926,352	30.83%
JPMorgan Chase & Co. (formerly known as J.P. Morgan Chase & Co.)	Interest of controlled corporations (Notes 1 to 3)	121,033,813	10.14%
State Street Corporation	Interest of controlled corporation (Notes 4 & 5)	71,679,384	6.01%

Notes:

1. The Shares held by JPMorgan Chase & Co. are held in the following capacities:

No. of Shares	Capacity
1,786,000	Beneficial owner
44,754,316	Investment manager
74,493,497	Custodian corporation/approved lending agent

2. Details of the interest in the 121,033,813 Shares held by JPMorgan Chase & Co. were as follows:

Name	Direct (D)/ Indirect (I) interests in the shares of the Company	Aggregate long position in shares	Percentage of aggregate interests to total issued share capital
JPMorgan Chase Bank	D	75,020,627	6.286%
J.P. Morgan Investment Management Limited	D	1,649,175	0.138%
J.P. Morgan Investment Management Inc.	I	1,649,175	0.138%
J.P. Morgan Investment Management Inc.	D	4,404,984	0.369%
J.P. Morgan International Finance Limited	I	2,369,643	0.199%
J.P. Morgan International Inc.	I	2,369,643	0.199%
JPMorgan Chase Bank	I	2,369,643	0.199%
J.P. Morgan Fleming Asset Management (UK) Limited	D	6,269,415	0.525%
Robert Fleming Asset Management Ltd	I	6,269,415	0.525%
Robert Fleming Holdings Ltd	I	6,278,415	0.525%
J.P. Morgan Fleming Asset Management Holdings Inc.	I	37,589,384	3.150%
JF Asset Management (Singapore) Limited	D	1,000,000	0.084%
J.P. Morgan Fleming Asset Management (Asia) Inc.	I	31,310,969	2.624%
JF Asset Management Limited	D	30,192,969	2.530%
JF International Management Inc.	D	100,000	0.008%
J.P. Morgan (Suisse) SA	D	583,643	0.049%
J.P. Morgan Whitefriars Inc.	D	1,536,000	0.129%
J.P. Morgan Overseas Capital Corporation	I	1,536,000	0.129%
J.P. Morgan Securities Ltd.	D	250,000	0.021%
J.P. Morgan Holdings (UK) Limited	I	250,000	0.021%
J.P. Morgan Fleming Asset Management (Europe) S.a.r.l.	D	9,000	0.001%
Robert Fleming (Luxembourg) Sarl	I	9,000	0.001%
J.P. Morgan Fleming Asset Management (Japan) Limited	D	18,000	0.002%

Explanatory Notes:

All the following interests were deemed to be held by the relevant company under the SFO. JPMorgan Chase & Co. was deemed to be interested in an aggregate of 121,033,813 Shares held or deemed to be held by: (i) JPMorgan Chase Bank (77,390,270 Shares), (ii) J.P. Morgan Investment Management Inc. (6,054,159 Shares) and (iii) J.P. Morgan Fleming Asset Management Holdings Inc. (37,589,384 Shares), all wholly-owned by JPMorgan Chase & Co.

(i) JPMorgan Chase Bank directly held 75,020,627 Shares and was also deemed to be interested in the 2,369,643 Shares held by the following indirect subsidiaries held through J.P. Morgan International Inc. and J.P. Morgan International Finance Limited ("JPFIN"), indirectly and directly wholly-owned by JPMorgan Chase Bank:
   - (a) 583,643 Shares were held by J.P. Morgan (Suisse) SA, wholly-owned by JPFIN;
   - (b) 1,536,000 Shares were held by J.P. Morgan Whitefriars Inc., wholly-owned by JPFIN through J.P. Morgan Overseas Capital Corporation; and
   - (c) 250,000 Shares were held by J.P. Morgan Securities Ltd., 90%-owned by J.P. Morgan Holdings (UK) Limited, which was in turn wholly-owned by JPFIN.

(ii) J.P. Morgan Investment Management Inc. ("JPIM") directly held 4,404,984 Shares and was also deemed to be interested in the 1,649,175 Shares held by J.P. Morgan Investment Management Limited, wholly-owned by JPIM.

(iii) J.P. Morgan Fleming Asset Management Holdings Inc. was deemed to be interested in an aggregate of 37,589,384 Shares deemed to be held by (a) J.P. Morgan Fleming Asset Management (Asia) Inc. ("JPAsia"), a wholly-owned subsidiary (31,310,969 Shares) and (b) Robert Fleming Holdings Ltd. ("RFH"), 96%-owned subsidiary (6,278,415 Shares).

substantial shareholders *continued*

Explanatory Notes: continued

(a) JPAsia was deemed to be interested in an aggregate of 31,310,969 Shares held by the following subsidiaries:
   i. 1,000,000 Shares held by JF Asset Management (Singapore) Limited, wholly-owned by JPAsia;
   ii. 30,192,969 Shares were held by JF Asset Management Limited, 99.99%-owned by JPAsia;
   iii. 100,000 Shares were held by JF International Management Inc., wholly-owned by JPAsia; and
   iv. 18,000 Shares were held by J.P. Morgan Fleming Asset Management (Japan) Limited, wholly-owned by JPAsia.

(b) RFH was deemed to be interested in 6,278,415 Shares held by the following indirect subsidiaries:
   (i) 9,000 Shares were held by J.P. Morgan Fleming Asset Management (Europe) S.a.r.l., 99.99%–owned subsidiary of Robert Fleming (Luxembourg) Sarl, wholly-owned by RFH; and
   (ii) 6,269,415 Shares were held by J.P. Morgan Fleming Asset Management (UK) Limited held through Robert Fleming Asset Management Limited, 99.96%-owned by RFH.

3. All interests disclosed above represent long positions in the Shares of the Company in which 74,493,497 Shares represent lending pool.
4. State Street Corporation was deemed to be interested in 71,679,384 Shares through its 100% interest in State Street Bank & Trust Company.
5. All interests disclosed above represent long positions in the Shares of the Company and all 71,679,384 Shares represent lending pool.

Save as aforesaid and as disclosed in the Directors' Interests section of this report, the Company has not been notified by any person who had interest or short position in the shares or underlying shares of the Company as at June 30, 2004 which are required to be notified to the Company pursuant to Part XV of the SFO or which are recorded in the register required to be kept by the Company under Section 336 of the SFO.

purchase, sale or redemption of the company's shares

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

pre-emptive rights

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

major customers and suppliers

During the year, less than 11% of the Group's sales were attributable to the five largest customers and less than 16% of the Group's purchases were attributable to the five largest suppliers.

management contracts

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

related party transactions

Details of the significant related party transactions undertaken in the normal course of business are provided under note 32 to the financial statements. None of these related party transactions constitutes a connected transaction as defined in the Listing Rules.

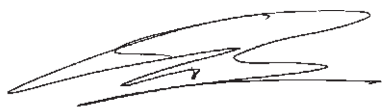
audit committee

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

auditors

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

On behalf of the board



John POON Cho Ming
Deputy Chairman

Hong Kong, September 15, 2004

report of the auditors

AUDITORS' REPORT TO THE SHAREHOLDERS OF
ESPRIT HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the accompanying consolidated balance sheet of Esprit Holdings Limited (the "Company") and its subsidiaries (together the "Group") as of June 30, 2004, and the related consolidated income statement, cash flows and changes in shareholders' equity for the year then ended. These financial statements set out on pages 53 to 94 are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Company and of the Group as of June 30, 2004, and of the Group's results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, September 15, 2004

consolidated income statement

for the year ended June 30, 2004

	NOTES	2004 HK$'000	2003 HK$'000
Turnover	5	**16,356,503**	12,381,458
Cost of goods sold		**(7,839,226)**	(6,198,869)
Gross profit		**8,517,277**	6,182,589
Staff costs	12	**(2,109,137)**	(1,603,630)
Depreciation		**(342,171)**	(272,570)
Other operating costs		**(3,194,448)**	(2,482,018)
Operating profit	6	**2,871,521**	1,824,371
Interest income		**39,556**	41,584
Finance costs	7	**(21,786)**	(32,463)
Share of results of associates		**62,810**	45,463
Profit before taxation		**2,952,101**	1,878,955
Taxation	8	**(948,661)**	(590,126)
Profit attributable to shareholders	9	**2,003,440**	1,288,829
Dividends	10	**1,396,276**	831,918
Earnings per share	11		
– Basic		**168.1 cents**	109.2 cents
– Diluted		**166.1 cents**	109.1 cents

consolidated balance sheet

as at June 30, 2004

	NOTES	2004 HK$'000	2003 HK$'000
Non-current assets			
Intangible assets	14	**2,020,416**	1,960,034
Property, plant and equipment	15	**1,474,286**	1,055,564
Other investments		**7,846**	7,846
Investments in associates	16	**154,984**	121,574
Prepaid lease payments	17	**20,943**	21,442
Deferred tax assets	26	**104,340**	93,416
		3,782,815	3,259,876
Current assets			
Inventories	18	**1,137,184**	918,268
Debtors, deposits and prepayments	19	**1,702,406**	1,206,832
Amounts due from associates	16	**18,546**	26,196
Short-term bank deposits	20	**214,154**	167,443
Bank balances and cash	20	**1,543,554**	1,944,793
		4,615,844	4,263,532
Current liabilities			
Creditors and accrued charges	22	**1,883,057**	1,445,131
Taxation		**767,130**	775,441
Obligations under finance leases			
– due within one year	23	**1,315**	219
Bank overdrafts	24	**–**	15,571
		2,651,502	2,236,362
Net current assets		**1,964,342**	2,027,170
Total assets less current liabilities		**5,747,157**	5,287,046

	NOTES	2004 HK$'000	2003 HK$'000
Financed by:			
Share capital	21	**119,340**	118,869
Reserves		**5,295,617**	4,073,117
Shareholders' funds		**5,414,957**	4,191,986
Obligations under finance leases			
– due after one year	23	**–**	336
Long-term bank loan	24	**–**	776,411
Deferred tax liabilities	26	**332,200**	318,313
		5,747,157	5,287,046

Approved by the Board of Directors on September 15, 2004.

Michael Ying Lee Yuen
Chairman

John Poon Cho Ming
Deputy Chairman

consolidated cash flow statement

for the year ended June 30, 2004

	NOTES	2004 HK$'000	2003 HK$'000
Cash flows from operating activities			
Cash generated from operations	27	2,991,275	2,108,760
Interest paid		(1,667)	(14,442)
Interest element of finance lease payments		(82)	(55)
Hong Kong profits tax paid		(60,704)	(36,320)
Overseas tax paid		(1,040,231)	(612,197)
Overseas tax refund received		93,955	129,041
Net cash inflow from operating activities		1,982,546	1,574,787
Cash flows from investing activities			
Net cash outflow from acquisition of subsidiaries	25	(71,865)	–
Purchase of property, plant and equipment		(661,989)	(332,622)
Proceeds from disposal of property, plant and equipment	27	18,064	9,550
Purchase of other investment		–	(160)
Dividend received from an associate		29,400	–
Loan repayment from an associate		–	24,500
Interest received		39,570	45,523
Net cash used in investing activities		(646,820)	(253,209)
Cash flows from financing activities			
Net proceeds on issue of shares for cash		39,385	64,343
Repayment of obligations under finance leases		(1,162)	(586)
Repayment of long-term bank loan		(806,663)	–
Interest paid on long-term bank loan		(20,037)	(22,372)
Dividends paid		(971,472)	(347,710)
Net cash used in financing activities		(1,759,949)	(306,325)

	NOTE	2004 HK$'000	2003 HK$'000
Net (decrease)/increase in cash and cash equivalents		(424,223)	1,015,253
Cash and cash equivalents at beginning of year		2,096,665	933,678
Effect of change in exchange rates		85,266	147,734
Cash and cash equivalents at end of year	20	1,757,708	2,096,665

consolidated statement of changes in equity

for the year ended June 30, 2004

	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000
Balance at July 1, 2002	117,694	1,207,075	6,602	–	1,701,045	3,032,416
Exchange translation recognized directly in equity	–	–	–	154,108	–	154,108
Profit attributable to shareholders	–	–	–	–	1,288,829	1,288,829
Total recognized income	–	–	–	154,108	1,288,829	1,442,937
2001/02 final and special dividends paid	–	–	–	–	(259,284)	(259,284)
2002/03 interim dividend paid	–	–	–	–	(88,426)	(88,426)
Issues of shares (Note 21)	1,175	63,168	–	–	–	64,343
Balance at June 30, 2003	118,869	1,270,243	6,602	154,108	2,642,164	4,191,986
Representing:						
Proposed final and special dividends						743,492
Balance after proposed final and special dividends						3,448,494
Balance at June 30, 2003						4,191,986
Balance at July 1, 2003	118,869	1,270,243	6,602	154,108	2,642,164	4,191,986
Exchange translation recognized directly in equity	–	–	–	151,619	–	151,619
Profit attributable to shareholders	–	–	–	–	2,003,440	2,003,440
Total recognized income	–	–	–	151,619	2,003,440	2,155,059
2002/03 final and special dividends paid	–	–	–	–	(744,727)	(744,727)
2003/04 interim dividend paid	–	–	–	–	(226,746)	(226,746)
Issues of shares (Note 21)	471	38,914	–	–	–	39,385
Balance at June 30, 2004	119,340	1,309,157	6,602	305,727	3,674,131	5,414,957
Representing:						
Proposed final and special dividends						1,169,530
Balance after proposed final and special dividends						4,245,427
Balance at June 30, 2004						5,414,957

The contributed surplus of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Group reorganization in 1993 and the nominal value of the Company's shares issued in exchange thereof.

1 GENERAL INFORMATION

Esprit Holdings Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in wholesale and retail distribution and licensing of quality fashion and life-style products designed under its own internationally known ESPRIT brand name, together with Red Earth cosmetics, skin and body care products and the operation of Salon Esprit.

The Company is a limited liability company incorporated in Bermuda. The registered address is Clarendon House, Church Street, Hamilton HM 11, Bermuda. The Company has its primary listing on The Stock Exchange of Hong Kong Limited (code: 0330) and a secondary listing on the London Stock Exchange (ticker: EPT LI).

The Company's consolidated financial statements up to June 30, 2003 were prepared in accordance with accounting principles generally accepted in Hong Kong ("HKGAAP"). With effect from this financial year, the Company decided to prepare its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") and convert the comparative financial information for the year ended June 30, 2003 to be in accordance with IFRS.

All the new/revised IFRS were adopted except for IFRS 2, "Share-based Payments", which is effective for annual accounting periods beginning on or after January 1, 2005 (Note 2(a)). The adoption of IFRS has been applied retrospectively with effect from July 1, 2002, the date of transition, and comparative information has been adjusted to comply with IFRS.

The reasons the Group is adopting IFRS include:

- The Group operates internationally in four continents and has diverse international shareholders. The Group believes the adoption of internationally recognized accounting standards will allow its financial statements to be better understood by its shareholders, the capital markets and the other users globally;
- Many of the Group's peers in Europe will be adopting IFRS from 2005 onwards under European Union rules; and
- Many of the Group's subsidiaries, particularly in Europe which accounts for over 80% of the Group's turnover and profits, have historically prepared their financial statements in accordance with IFRS. Consistently using IFRS throughout the Group will lead to efficiencies and is cost effective.

These consolidated financial statements have been approved for issue by the Board of Directors on September 15, 2004.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below.

(a) Basis of preparation

These consolidated financial statements of the Group have been prepared in accordance with IFRS. IFRS 1, First-time Adoption of International Financial Reporting Standards, has been applied in preparing these financial statements. These consolidated financial statements are the Group's first financial statements prepared in accordance with IFRS.

In preparing these financial statements in conformity with IFRS, the Group has adopted/early adopted all the new and revised IFRS, which are relevant to its operations except IFRS 2 "Share-based Payments", which will be effective for annual accounting periods beginning on or after January 1, 2005.

The Group operates equity-settled, share-based compensation plans to grant share options to directors, employees and consultants of the Group in exchange for their services provided to the Group. IFRS 2 will require the Group to measure the fair value of the share options at the date of grant and recognizes the amount as an expense over the relevant period of service (normally the vesting period of the options). The fair value of the options granted shall be estimated by applying an option pricing model, taking into account a number of factors, and among all factors, including the exercise price of the option, the life of the option, the market price of the underlying shares, the expected volatility of the share price and the risk-free interest rate for the life of the option. Management is currently evaluating the most appropriate assumptions and the valuation method that it will use in valuing the Group's share options and therefore, the Board takes the view that it would be inappropriate at this time to state an estimated value of such options and the potential financial impact to the Group arising on the adoption of IFRS 2.

When preparing the consolidated financial statements, management has adopted certain accounting, valuation and consolidation methods to comply with IFRS. Accordingly, the consolidated financial statements prepared under HKGAAP for the year ended June 30, 2003 (included in the 2003 annual report) have been adjusted to reflect those differences between HKGAAP and IFRS. Reconciliations and explanations of the effect of the conversion from HKGAAP to IFRS on the Group's equity and its net income are set out in note 35. The preparation of these financial statements also requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement and complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4 "Critical accounting estimates and judgements".

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial instruments to fair value. The policies set out below have been consistently applied to all the years presented.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

(b) Consolidation

(i) Subsidiaries

Subsidiaries are all entities over which the Group has control. Control is the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired and contingent liabilities assumed is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired and contingent liabilities assumed, the difference is recognized directly in the income statement.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognized at cost.

The Group's share of its associates' post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interests that form part of the investor's net investment in the associates, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in the currency of Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

(iii) Group companies continued

(c) all resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognized in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Property, plant and equipment

Property, plant and equipment, other than freehold land, are stated at historical cost less accumulated depreciation and accumulated impairment losses (if any). Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Freehold land is not depreciated. Leasehold improvements and fixtures are depreciated over a period of the shorter of five years and their estimated useful lives on a straight-line basis. Depreciation on other assets is calculated using the straight-line method to write down their cost to their residual values over their estimated useful lives. The principal annual rates are as follows:

Buildings	$3^1/_3$ – 5%
Plant and machinery	30%
Furniture and office equipment	10 – $33^1/_3$%
Motor vehicles	30%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2(g)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(f) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(ii) Trademarks

Trademarks are shown at historical cost. Trademarks with indefinite useful lives are carried at cost less accumulated impairment losses, if any.

Trademarks with indefinite useful lives are not amortized but are tested for impairment (Note 2(g)).

(g) Impairment of assets

Assets that have an indefinite useful life are not subject to amortization and are tested for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets' carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognized.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

(h) Inventories

Inventories are stated at the lower of cost and net realizable value with cost being determined on a weighted average basis. Cost comprises the direct costs of merchandise and charges that have been incurred in bringing inventories to their current location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(i) Receivables and payables

Receivables and payables are recognized at cost which approximates to their fair values, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all the amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flow, discounted at the effective interest rate. The amount of provision is recognized in the income statement. Receivables and payables denominated in foreign currencies are stated at the year-end exchange rates. The resulting gains or losses are recorded in the consolidated income statement, with the exception of the gains or losses resulting from the translation of inter-company long-term loans, which are considered to form part of the net investment in the related subsidiaries or for which settlement is not managed or anticipated in the foreseeable future. The impact of translation of these items have been reflected in equity.

(j) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown under current liabilities on the balance sheet.

(k) Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(l) Employee benefits

(i) Pension obligations

The Group participates in defined contribution plans and pays contributions to publicly or privately administered pension plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

(ii) Share options

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

(iii) Employee leave entitlements

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

(iv) Bonus plans

The Group recognizes a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

(m) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

(n) Revenue recognition

Revenue comprises the fair value for the sale of goods and services, net of value-added tax, rebates and discounts and after eliminating sales within the Group. Revenue is recognized as follows:

(i) Sales of goods – wholesale

Sales of goods are recognized on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to the customer and title has been passed.

(ii) Sales of goods – retail

Sales of goods are recognized when a Group entity sells a product to the customer. Retail sales are usually in cash or by credit card.

(iii) Licensing income

Licensing income is recognized on an accruals basis in accordance with the substance of the relevant agreements.

(iv) Interest income

Interest income is recognized on a time-proportion basis using the effective interest method.

(o) Accounting for derivative financial instruments

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. During the years ended June 30, 2004 and 2003, the Group's derivative instruments did not qualify for hedge accounting as the Group was not permitted to retrospectively meet the documentation requirements for hedging under IAS 39 *Financial Instruments: Recognition and Measurement*. Changes in the fair value of such derivative instruments that did not qualify for hedge accounting were recognized immediately in the income statement.

The method of recognizing the resulting gain or loss where the derivative is designated as a hedging instrument depends on the nature of the item being hedged. The Group can designate certain derivatives as either: (i) hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge); or (ii) hedges of highly probable forecast transactions (cash flow hedges).

The Group is required to document at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group is also required to document its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in equity. The gain or loss relating to the ineffective portion is recognized immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(p) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are charged to the income statement on a straight-line basis over the period of the lease.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

(q) Dividend distributions

Dividend distributions to the Company's shareholders are recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to foreign exchange risk and credit risk. The Group's overall risk management programme focuses on minimizing potential adverse effects of these risks on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

(a) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

To manage the foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, the Group enters into foreign exchange forward contracts, to reduce foreign exchange risk.

(b) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that wholesale sales of products are made to customers with an appropriate credit history. Sales to retail customers are made in cash or via major credit cards.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Useful life and impairment of trademarks

(i) Indefinite useful life

On the first time adoption of IFRS, the Group reassessed the useful life of previously recognized intangible assets. As a result of this assessment, the acquired Esprit trademarks were classified as an indefinite-lived intangible asset in accordance with International Accounting Standard (the "IAS") 38 *Intangible Assets*. This conclusion is supported by the fact that Esprit trademark legal rights are capable of being renewed indefinitely at insignificant cost and therefore are perpetual in duration, relate to a well known and long established fashion brand since 1968, and based on future financial performance of the Group, they are expected to generate positive cash flows indefinitely. This view is supported by an independent professional appraiser, who has been appointed by the Group to perform an assessment of the useful life of Esprit trademarks in accordance with the requirements set out in IAS 38. Having considered the factors specific to the Group, the appraiser opined that Esprit trademarks should be regarded as an intangible asset with an indefinite useful life. Under IAS 38, the Group reevaluates the useful life of Esprit trademarks each year to determine whether events or circumstances continue to support the view of indefinite useful life for this asset.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *continued*

(a) Useful life and impairment of trademarks continued

(ii) Impairment

In accordance with IAS 36 *Impairment of Assets*, the Group completed its annual impairment test for Esprit trademarks by comparing their recoverable amount to their carrying amount as at June 30, 2004. The Group appointed independent professional valuers to conduct a valuation of the Esprit trademarks as one corporate asset based on value-in-use calculation. The resulting value of the Esprit trademarks as at June 30, 2004 was significantly higher than their carrying amount. This valuation uses cash flow projections based on financial estimates covering a three-year period, expected royalty rates deriving from the Esprit trademarks in the range of 3% to 8% and a discount rate of 14%. The cash flows beyond the three-year period are extrapolated using a steady 3% growth rate. This growth rate does not exceed the long-term average growth rate for apparel markets in which the Group operates. Management has considered the above assumptions and valuation and also taken into account the business expansion plan going forward, the current wholesale order books and the strategic retail expansion worldwide and believes that there is no impairment in the Esprit trademarks. Management believes that any reasonably foreseeable change in any of the above key assumptions would not cause the aggregate carrying amount of trademarks to exceed the aggregate recoverable amount.

(b) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5 TURNOVER AND SEGMENT INFORMATION

The Group is principally engaged in the wholesale and retail distribution, licensing of quality fashion and life-style products under its own internationally known ESPRIT brand name, together with Red Earth cosmetics, skin and body care products and the operation of Salon Esprit.

	2004 HK$'000	2003 HK$'000
Turnover		
Sales of goods	**16,158,304**	12,183,037
Licensing and other income	**198,199**	198,421
	16,356,503	12,381,458

Primary reporting format – business segments

The Group's businesses are managed according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Inter-segment transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties. The Group has changed the basis of business segments reporting during this financial year and no longer presents a sourcing segment. The change is to conform with the Group's current internal financial reporting under its global management structure. The segment results previously attributable to the sourcing segment are now reflected within the wholesale and retail segments to reflect the Group's segment revenue and results earned from external customers. Accordingly, prior year comparatives have been adjusted to conform with the current year presentation.

5 TURNOVER AND SEGMENT INFORMATION *continued*

Primary reporting format – business segments *continued*

	Wholesale 2004 HK$'000	Retail 2004 HK$'000	Licensing & others 2004 HK$'000	Eliminations 2004 HK$'000	Group 2004 HK$'000
Turnover	9,613,486	6,544,818	198,199	–	16,356,503
Inter-segment sales	–	–	373,073	(373,073)	–
	9,613,486	6,544,818	571,272	(373,073)	16,356,503
Segment results	2,117,151	451,499	345,151	(29,335)	2,884,466
Unallocated net expenses					(12,945)
Interest income					39,556
Finance costs					(21,786)
Share of results of associates					62,810
Profit before taxation					2,952,101
Segment assets	5,177,848	2,593,734	409,134	(2,457,160)	5,723,556
Investments in associates					173,530
Intangible assets					2,020,416
Other unallocated assets					481,157
Total assets					8,398,659
Segment liabilities	1,976,570	2,226,315	38,604	(2,457,160)	1,784,329
Other unallocated liabilities					1,199,373
Total liabilities					2,983,702
Capital expenditure	103,362	460,413	3,755	–	567,530
Depreciation	66,111	269,397	6,663	–	342,171
Impairment of property, plant and equipment	–	4,647	–	–	4,647
Provision for retail store exit costs	–	14,256	–	–	14,256

5 TURNOVER AND SEGMENT INFORMATION *continued*

Primary reporting format – business segments *continued*

	Wholesale 2003 HK$'000	Retail 2003 HK$'000	Licensing & others 2003 HK$'000	Eliminations 2003 HK$'000	Group 2003 HK$'000
Turnover	7,075,677	5,107,360	198,421	–	12,381,458
Inter-segment sales	–	–	258,723	(258,723)	–
	7,075,677	5,107,360	457,144	(258,723)	12,381,458
Segment results	1,423,384	110,461	233,981	6,739	1,774,565
Unallocated net income					49,806
Interest income					41,584
Finance costs					(32,463)
Share of results of associates					45,463
Profit before taxation					1,878,955
Segment assets	4,567,047	1,825,701	328,158	(1,551,679)	5,169,227
Investments in associates					147,770
Intangible assets					1,960,034
Other unallocated assets					246,377
Total assets					7,523,408
Segment liabilities	1,163,798	1,737,319	15,432	(1,551,679)	1,364,870
Other unallocated liabilities					1,966,552
Total liabilities					3,331,422
Capital expenditure	80,184	236,498	15,940	–	332,622
Depreciation	71,292	190,528	10,750	–	272,570
Impairment of property, plant and equipment	–	36,140	–	–	36,140
Provision for retail store exit costs	–	63,589	–	–	63,589

5 TURNOVER AND SEGMENT INFORMATION *continued*

Secondary reporting format – geographical segments

In determining the Group's geographical segments, turnover is attributed to the segments based on the location of customers.

	Turnover 2004 HK$'000	Capital expenditure 2004 HK$'000	Segment assets 2004 HK$'000
Europe	13,716,973	472,634	4,937,962
Asia	1,548,592	48,678	1,095,007
Australasia	703,865	17,691	173,706
North America and others	387,073	28,527	143,605
Eliminations	–	–	(626,724)
	16,356,503	567,530	5,723,556
Unallocated assets:			
Intangible assets			2,020,416
Investments in associates			173,530
Other assets			481,157
Total			8,398,659

	Turnover 2003 HK$'000	Capital expenditure 2003 HK$'000	Segment assets 2003 HK$'000
Europe	9,843,095	256,678	4,327,938
Asia	1,631,685	57,102	1,021,898
Australasia	605,491	13,082	201,269
North America and others	301,187	5,760	152,011
Eliminations	–	–	(533,889)
	12,381,458	332,622	5,169,227
Unallocated assets:			
Intangible assets			1,960,034
Investments in associates			147,770
Other assets			246,377
Total			7,523,408

6 OPERATING PROFIT

	2004 HK$'000	2003 HK$'000
Operating profit is arrived at after crediting and charging the following:		
Crediting:		
Fair value gain on foreign exchange forward contracts	13,585	–
Net exchange gains	26,249	151,475
Charging:		
Auditors' remuneration	6,084	4,680
Depreciation		
– Owned assets	341,493	272,042
– Assets held under finance leases	678	528
Impairment of property, plant and equipment	4,647	36,140
Loss on disposal of property, plant and equipment	13,808	44,960
Operating lease rental expenses		
– Land and buildings	1,353,825	1,131,434
Provision for obsolete stocks and stock write-offs	42,934	88,918
Provision for doubtful debts	17,849	29,086
Provision for retail store exit costs	14,256	63,589
Fair value loss on foreign exchange forward contracts	–	2,401

7 FINANCE COSTS

	2004 HK$'000	2003 HK$'000
Interest on bank loans and overdrafts wholly repayable within five years	21,704	32,408
Interest element of finance leases payments	82	55
	21,786	32,463

8 TAXATION

	2004 HK$'000	2003 HK$'000
Current tax		
Hong Kong profits tax	**12,874**	37,889
Overseas taxation	**937,010**	602,559
	949,884	640,448
Deferred tax credit (Note 26)		
Current year	**(1,223)**	(50,024)
Change in tax rate	**–**	(298)
	(1,223)	(50,322)
Taxation	**948,661**	590,126

Hong Kong profits tax is calculated at 17.5% *(2003: 17.5%)* of the estimated assessable profit for the year.

Overseas (outside of Hong Kong) taxation has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group companies operate.

The tax on the Group's profit before tax (EBT) differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the Group's subsidiaries.

The weighted average applicable tax rate was 32% (2003: 35%). The decrease is caused by a change in the profitability of the Group's subsidiaries in the respective countries and the implementation of worldwide tax strategies.

	2004 HK$'000	2003 HK$'000
Profit before taxation	**2,952,101**	1,878,955
Tax calculated at applicable tax rate	**944,672**	657,634
Expenses not deductible for tax purpose	**19,900**	19,815
Non-recurring tax refund	**–**	(136,296)
Utilization of carried forward tax losses	**(42,691)**	(14,942)
Tax effect of tax losses not recognized	**40,316**	56,751
Tax effect of share of results of associates	**(20,099)**	(15,912)
Under provision in prior years and others	**6,563**	23,076
Taxation	**948,661**	590,126

9 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders of the Company is dealt with in the financial statements of the Company to the extent of HK$1,754,432,000 *(2003: HK$45,890,000)*.

10 DIVIDENDS

	2004 HK$'000	2003 HK$'000
Paid interim dividend of 19.0 Hong Kong cents *(2003: 7.5 Hong Kong cents)* per share	**226,746**	88,426
Proposed final dividend of 48.0 Hong Kong cents and special dividend of 50.0 Hong Kong cents *(2003 final: 32.5 Hong Kong cents, special: 30.0 Hong Kong cents)* per share	**1,169,530**	743,492
	1,396,276	831,918

The amount of 2004 proposed final and special dividends is based on 1,193,398,434 shares *(2003: 1,189,587,434 shares as at August 31, 2003)* in issue as at August 31, 2004.

11 EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	2004 HK$'000	2003 HK$'000
Profit attributable to shareholders	**2,003,440**	1,288,829
Weighted average number of ordinary shares in issue (thousands)	**1,191,747**	1,179,721
Basic earnings per share (HK cents per share)	**168.1**	109.2

Diluted

Diluted earnings per share is calculated based on the profit attributable to shareholders, and the weighted average number of shares in issue during the year after adjusting for the number of dilutive potential ordinary shares granted under the Company's share option schemes.

	2004 HK$'000	2003 HK$'000
Profit attributable to shareholders	**2,003,440**	1,288,829
Weighted average number of ordinary shares in issue (thousands)	**1,191,747**	1,179,721
Adjustments for share options (thousands)	**14,199**	1,717
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**1,205,946**	1,181,438
Diluted earnings per share (HK cents per share)	**166.1**	109.1

12 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2004 HK$'000	2003 HK$'000
Salaries and wages	**1,560,708**	1,284,770
Social security costs and other staff costs	**513,282**	285,612
Pensions costs of defined contribution plans	**35,147**	33,248
	2,109,137	1,603,630

13 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' remuneration

The aggregate amounts of emoluments received and receivable by Directors of the Company, excluding share option benefit, during the year are as follows:

	2004 HK$'000	2003 HK$'000
Fees to non-executive Directors[1]	**1,046**	932
Salaries, housing and other allowances and benefits in kind[2]	**32,657**	27,579
Bonuses to Executive Directors	**23,550**	16,086
Pensions costs of defined contribution plans	**38**	64
	57,291	44,661

[1] The amount includes directors' fees of HK$846,504 *(2003: HK$732,000)* paid to Independent Non-executive Directors.

[2] This amount does not include any benefit arising as a result of the grant, or exercise, of share options, details of which are set out in the paragraphs headed "share options" on pages 45 to 49 of the Report of the Directors.

The emoluments of the Directors fell within the following bands:

Emoluments Band			Number of Directors 2004	2003
Nil	–	HK$ 1,000,000	**5**	5
HK$ 1,000,001	–	HK$ 1,500,000	**1**	–
HK$ 1,500,001	–	HK$ 2,000,000	**–**	1
HK$ 2,000,001	–	HK$ 2,500,000	**1**	–
HK$ 2,500,001	–	HK$ 3,000,000	**–**	1
HK$ 3,000,001	–	HK$ 3,500,000	**1**	1
HK$ 6,500,001	–	HK$ 7,000,000	**1**	–
HK$ 7,000,001	–	HK$ 7,500,000	**1**	1
HK$ 8,000,001	–	HK$ 8,500,000	**1**	1
HK$ 20,500,001	–	HK$ 21,000,000	**–**	1
HK$ 28,000,001	–	HK$ 28,500,000	**1**	–
			12	11

13 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *continued*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four *(2003: three)* Directors whose emoluments, excluding share option benefit, are reflected in the analysis presented above.

The emoluments receivable by the remaining one *(2003: two)* highest paid individual, excluding share option benefit, during the year are as follows:

	2004 HK$'000	2003 HK$'000
Salaries, housing and other allowances and benefits in kind	**5,457**	6,371
Bonuses	**1,903**	5,596
Pensions costs of defined contribution plans	**5**	16
	7,365	11,983

Emoluments Band	Number of Individuals 2004	2003
HK$ 5,500,001 – HK$ 6,000,000	–	1
HK$ 6,000,001 – HK$ 6,500,000	–	1
HK$ 7,000,001 – HK$ 7,500,000	1	–
	1	2

During the year ended June 30, 2004, 4,711,000 shares (2003: 11,750,000 shares) were issued to directors, employees and consultants of the Group pursuant to the exercise of share options.

Share options granted to directors, employees and consultants of the Group will be required to be fair valued at the date of grant under IFRS 2 "Share-based Payments" which will be effective for the accounting periods beginning on or after January 1, 2005 (i.e., the financial year commencing July 1, 2005 in the case of the Group). As mentioned in note 2(a), management is currently assessing the impact of IFRS 2 and no expenses have been recognized in the financial statement for such option.

14 INTANGIBLE ASSETS

	Trademarks HK$'000	Goodwill HK$'000	Total HK$'000
Cost			
At July 1, 2002	1,921,485	–	1,921,485
Exchange translation	38,549	–	38,549
At July 1, 2003	1,960,034	–	1,960,034
Acquisition of subsidiaries (Note 25)	–	38,552	38,552
Exchange translation	19,097	2,733	21,830
At June 30, 2004	**1,979,131**	**41,285**	**2,020,416**

Impairment test for trademarks

The trademarks are considered to have an indefinite useful life and were tested for impairment at June 30, 2004. Details are set out in Note 4(a).

15 PROPERTY, PLANT AND EQUIPMENT

	Freehold land outside Hong Kong HK$'000	Buildings HK$'000	Leasehold improvements and fixtures HK$'000	Plant and machinery HK$'000	Furniture and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost							
At July 1, 2003	27,084	71,841	1,612,220	6,078	697,087	14,467	2,428,777
Exchange translation	718	2,389	89,076	295	43,693	905	137,076
Additions	–	–	409,241	1,648	239,614	13,378	663,881
Acquisition of subsidiaries	–	29,770	–	–	32,506	1,018	63,294
Disposals	(4,848)	(6,105)	(124,907)	(1,509)	(88,456)	(6,507)	(232,332)
At June 30, 2004	**22,954**	**97,895**	**1,985,630**	**6,512**	**924,444**	**23,261**	**3,060,696**
Depreciation							
At July 1, 2003	–	24,190	872,977	4,720	461,952	9,374	1,373,213
Exchange translation	–	1,029	38,548	206	26,678	378	66,839
Charge for the year	–	4,434	177,788	607	154,774	4,568	342,171
Impairment charge	–	–	3,866	–	781	–	4,647
Disposals	–	(1,072)	(107,906)	(1,293)	(84,599)	(5,590)	(200,460)
At June 30, 2004	–	28,581	985,273	4,240	559,586	8,730	1,586,410
Net book value							
At June 30, 2004	**22,954**	**69,314**	**1,000,357**	**2,272**	**364,858**	**14,531**	**1,474,286**

At June 30, 2004, the net book value of motor vehicles of HK$48,000 *(2003: HK$227,000)* and furniture and office equipment of HK$1,427,000 *(2003: Nil)* are held under finance leases.

15 PROPERTY, PLANT AND EQUIPMENT *continued*

	Freehold land outside Hong Kong HK$'000	Buildings HK$'000	Leasehold improvements and fixtures HK$'000	Plant and machinery HK$'000	Furniture and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost							
At July 1, 2002	26,653	69,911	1,346,060	5,395	540,093	10,134	1,998,246
Exchange translation	431	1,930	175,922	536	74,105	993	253,917
Additions	–	–	194,158	574	132,746	5,144	332,622
Disposals	–	–	(103,920)	(427)	(49,857)	(1,804)	(156,008)
At June 30, 2003	27,084	71,841	1,612,220	6,078	697,087	14,467	2,428,777
Depreciation							
At July 1, 2002	–	20,529	649,389	4,307	349,724	8,040	1,031,989
Exchange translation	–	1,063	86,261	359	45,792	537	134,012
Charge for the year	–	2,598	161,447	446	105,822	2,257	272,570
Impairment charge	–	–	32,827	–	3,313	–	36,140
Disposals	–	–	(56,947)	(392)	(42,699)	(1,460)	(101,498)
At June 30, 2003	–	24,190	872,977	4,720	461,952	9,374	1,373,213
Net book value							
At June 30, 2003	27,084	47,651	739,243	1,358	235,135	5,093	1,055,564

16 INVESTMENTS IN ASSOCIATES

	2004 HK$'000	2003 HK$'000
Share of net assets	**154,984**	121,574

The following is a list of the principal associates, all of which are unlisted as at June 30, 2004:

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

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

Summary of consolidated financial information of TSI as at June 30 is set as follows:

	2004 HK$'000	2003 HK$'000
Assets	**433,004**	319,755
Liabilities	**(116,709)**	(71,642)
Net assets	**316,295**	248,113
Revenue	**729,341**	621,447
Net Profit	**128,184**	92,782

17 PREPAID LEASE PAYMENTS

	2004 HK$'000	2003 HK$'000
Within one year	**499**	499
In the second to fifth year	**1,996**	1,996
After the fifth year	**18,947**	19,446
	21,442	21,941
Amount included under current assets	**(499)**	(499)
	20,943	21,442

Prepaid lease payments represent cost paid for medium-term leasehold land in Hong Kong. The cost is amortized over the leasehold period.

18 INVENTORIES

	2004 HK$'000	2003 HK$'000
Finished goods	**1,074,048**	834,744
Consumables	**57,164**	74,075
Raw materials	**5,972**	9,449
	1,137,184	918,268

19 DEBTORS, DEPOSITS AND PREPAYMENTS

	2004 HK$'000	2003 HK$'000
Trade debtors	1,196,496	875,934
Deposits	228,056	180,764
Prepayments	128,667	55,055
Other debtors and receivables	149,187	95,079
	1,702,406	1,206,832

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

	2004 HK$'000	2003 HK$'000
0-30 days	1,094,794	791,644
31-60 days	39,919	45,828
61-90 days	14,981	10,774
Over 90 days	46,802	27,688
	1,196,496	875,934

The carrying amount of debtors, deposits and prepayments approximates their fair values.

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of internationally dispersed customers.

20 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following for the purposes of the cash flow statement:

	2004 HK$'000	2003 HK$'000
Bank balances and cash	1,543,554	1,944,793
Short-term bank deposits	214,154	167,443
Bank overdrafts	–	(15,571)
	1,757,708	2,096,665

The effective interest rate on cash and cash equivalents was 2.0% *(2003: 2.7%)*; the short-term bank deposits have an average maturity of 30 days.

21 SHARE CAPITAL

	2004 HK$'000	2003 HK$'000
Authorized:		
2,000,000,000 shares of HK$0.10 each	200,000	200,000

	Number of shares of HK$0.10 each '000	Nominal value HK$'000
Issued and fully paid:		
Balance at July 1, 2002	1,176,937	117,694
Exercise of share options	11,750	1,175
Balance at June 30, 2003	1,188,687	118,869
Balance at July 1, 2003	1,188,687	118,869
Exercise of share options *(note (a))*	4,711	471
Balance at June 30, 2004	1,193,398	119,340

21 SHARE CAPITAL *continued*

(a) During the year, 4,711,000 (2003:11,750,000) ordinary shares of HK$0.10 were issued at a premium in the range of HK$2.54 to HK$14.50 each in relation to the share options exercised by Directors and employees under the share option schemes (defined in (b) below).

(b) Share options

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

Summaries of the 1993 Share Option Scheme and the 2001 Share Option Scheme are listed below:

1993 Share Option Scheme

Purpose and eligible persons

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

Total number of shares available for issue

Operation of the 1993 Share Option Scheme was terminated by the shareholders on November 26, 2001 and the provisions of the Scheme remained in full force and effect up to November 17, 2003. Therefore, no further options could be offered under the 1993 Share Option Scheme.

Maximum entitlement of each eligible persons

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

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

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

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

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

Basis of determining the subscription price

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

Details of share options exercised during the year under the 1993 Share Option Scheme, were as follows:

	Number of share options	
	2004	2003
Balance at July 1	**2,875,000**	14,625,000
Exercised during the year (Note (i))	**(2,875,000)**	(11,750,000)
Balance at June 30 (Note (ii))	**–**	2,875,000

21 SHARE CAPITAL *continued*

1993 Share Option Scheme *continued*

(i) Details of share options exercised during the year ended June 30, 2004 were as follows:

Exercise date	Exercise price HK$	Number of share options	Proceeds received Share capital HK$'000	Share premium HK$'000	Market value* per share at exercise date HK$
July 11, 2003	5.140	500,000	50	2,520	19.20
July 11, 2003	2.720	250,000	25	655	19.20
July 11, 2003	2.640	150,000	15	381	19.20
September 23, 2003	2.640	975,000	98	2,477	21.75
November 16, 2003	6.360	1,000,000	100	6,260	24.70
		2,875,000	288	12,293	

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

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

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

(ii) There was no outstanding share option *(2003: 2,875,000)* as at June 30, 2004 and the 1993 share option scheme was terminated.

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

21 SHARE CAPITAL *continued*

2001 Share Option Scheme

Purpose

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

Eligible persons

Eligible persons include:

(i) any director, employee of the Group, consultant, customer, supplier, agent, partner or adviser of or contractor to the Group or a company in which the Group holds an interest or a subsidiary of such company ("Affiliate");

(ii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any director, employee of the Group, consultant, customer, supplier, agent, partner or adviser of or contractor to the Group or an Affiliate; or

(iii) a company beneficially owned by any director, employee of the Group, consultant, customer, supplier, agent, partner, adviser of or contractor to the Group or an Affiliate.

Total number of shares available for issue

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

Maximum entitlement of each eligible person

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

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

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

Period within which the shares must be exercised under an option

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

Basis of determining the subscription price

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

Remaining life of the 2001 Share Option Scheme

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

Details of the share options granted during the year and outstanding share options as at June 30, 2004 under the 2001 Share Option Scheme were as follows:

	Number of share options	
	2004	2003
Balance at July 1	**31,360,000**	–
Granted during the year (Note (i))	**24,120,000**	31,760,000
Exercised during the year (Note (ii))	**(1,836,000)**	–
Lapsed during the year	**(3,880,000)**	(400,000)
Balance at June 30 (Note (iii))	**49,764,000**	31,360,000

21 SHARE CAPITAL *continued*

2001 Share Option Scheme *continued*

(i) Details of share options granted during the year ended June 30, 2004 were as follows:

Exercisable period	Exercise price HK$	Number of options
November 26, 2004 – November 25, 2009	24.20	4,704,000
November 26, 2005 – November 25, 2009	24.20	4,704,000
November 26, 2006 – November 25, 2009	24.20	4,704,000
November 26, 2007 – November 25, 2009	24.20	4,704,000
November 26, 2008 – November 25, 2009	24.20	4,704,000
December 23, 2004 – December 22, 2009	24.45	120,000
December 23, 2005 – December 22, 2009	24.45	120,000
December 23, 2006 – December 22, 2009	24.45	120,000
December 23, 2007 – December 22, 2009	24.45	120,000
December 23, 2008 – December 22, 2009	24.45	120,000
		24,120,000

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

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

(ii) Details of share options exercised during the year ended June 30, 2004 were as follows:

Exercise date	Exercise price HK$	Number of options	Proceeds received Share capital HK$'000	Proceeds received Share premium HK$'000	Market value* per share at exercise date HK$
November 27, 2003	14.60	160,000	16	2,320	24.50
December 05, 2003	14.60	360,000	36	5,220	25.45
December 09, 2003	14.60	120,000	12	1,740	25.35
December 13, 2003	14.60	120,000	12	1,740	25.20
December 16, 2003	14.60	60,000	6	870	23.80
December 31, 2003	14.60	120,000	12	1,740	25.85
March 01, 2004	14.60	240,000	24	3,480	31.30
March 02, 2004	14.60	56,000	6	812	31.90
March 06, 2004	14.60	40,000	4	580	30.70
March 09, 2004	14.60	240,000	24	3,480	30.80
March 10, 2004	14.60	160,000	16	2,320	30.80
March 11, 2004	14.60	160,000	16	2,320	30.50
		1,836,000	184	26,622	

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

21 SHARE CAPITAL *continued*

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

Expiry date	Exercise price	Number of share options outstanding	
	HK$	2004	2003
Directors			
November 25, 2008	14.60	**9,600,000**	9,600,000
November 25, 2009*	24.20	**7,200,000**	–
Employees			
November 25, 2008	14.60	**16,044,000**	21,760,000
November 25, 2009*	24.20	**16,320,000**	–
December 22, 2009*	24.45	**600,000**	–
		49,764,000	31,360,000

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

22 CREDITORS AND ACCRUED CHARGES

	2004 HK$'000	2003 HK$'000
Trade creditors	**745,013**	543,270
Accruals	**756,175**	677,646
Other creditors and payables	**381,869**	224,215
	1,883,057	1,445,131

The Group recognized a provision for retail store exit costs in respect of the unavoidable costs to early terminate lease contracts. As at June 30, 2004, the amount of HK$26,019,000 (2003: HK$63,589,000) was included in other creditors and payables. The ageing analysis of trade creditors is as follows:

	2004 HK$'000	2003 HK$'000
0-30 days	**659,417**	489,189
31-60 days	**41,405**	30,048
61-90 days	**13,676**	8,095
Over 90 days	**30,515**	15,938
	745,013	543,270

The carrying amount of creditors and accrued charges approximates to their fair value.

23 OBLIGATIONS UNDER FINANCE LEASES

	2004 HK$'000	2003 HK$'000
Total minimum lease payments		
– within one year	1,339	255
– in the second year	–	151
– in the third to fifth year inclusive	–	192
	1,339	598
Future finance charges on finance leases	(24)	(43)
Present value of finance lease liabilities	1,315	555
The present value of finance lease liabilities		
– within one year	1,315	219
– in the second year	–	126
– in the third to fifth year inclusive	–	210
	1,315	555
Amount due within one year included under current liabilities	(1,315)	(219)
	–	336

It is the Group's policy to lease certain of its fixtures and equipment under finance leases. The average lease term is 3 to 4 years. For the year ended June 30, 2004, the average effective borrowing rate was 1.8 per cent *(2003: 1.4 per cent)*. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingency rental payments.

The carrying amount of the Group's lease obligations approximates their fair value.

24 BANK OVERDRAFTS AND LOANS

	2004 HK$'000	2003 HK$'000
Bank overdrafts	–	15,571
Bank loans	–	776,411
	–	791,982
The borrowings are repayable as follows:		
On demand or within one year	–	15,571
In the second year	–	776,411
	–	791,982
Less: Amount due for settlement within 12 months	–	(15,571)
Amount due for settlement after 12 months	–	776,411

The Group's unsecured bank borrowings in 2003 were mainly denominated in Euro and were fully repaid during the current financial year. The average interest rates paid for the Group's borrowings during the year were 2.7% *(2003: 4%)*.

25 BUSINESS COMBINATIONS

In December 2003, the Group completed the acquisition of the entire equity of Bollag-Guggenheim & Co. AG (the "BG & CO") in Switzerland for a cash consideration of Swiss Franc 31 million (approximately HK$181 million). The fair value of the net identifiable assets of BG & CO at the date of acquisition was approximately HK$150 million. The acquired business made no significant contribution to revenues and operating results of the Group during the year ended June 30, 2004.

Details of net assets acquired and goodwill are as follows:

	HK$'000
Purchase consideration:	
– Cash paid	180,857
– Direct costs relating to the acquisition	5,251
Total purchase consideration	186,108
Fair value of net assets acquired	(147,556)
Goodwill	38,552

The goodwill is attributable to the profitability and the synergies expected to arise from the acquired business.

The assets and liabilities arising from the acquisition are as follows:

	Fair value HK$'000	Acquiree's carrying amount HK$'000
Property, plant and equipment	63,294	47,005
Deferred tax assets	2,404	–
Inventories	12,613	12,613
Debtors, deposits and prepayments	47,670	47,670
Bank balances and cash	114,243	114,243
Creditors and accrued charges	(58,242)	(58,242)
Taxation	(29,870)	(29,870)
Deferred tax liabilities	(4,556)	–
Net assets acquired	147,556	133,419
Goodwill	38,552	
Purchase consideration settled in cash	186,108	
Cash and cash equivalents acquired	(114,243)	
Cash outflow on acquisition	71,865	

If the BG & CO were acquired as at 1 July 2003, revenue and profit of the BG & CO for the year ended 30 June 2004 of HK$550,356,000 and HK$60,545,000 respectively would be included in the consolidated income statement of the Group.

26 DEFERRED TAXATION

The following is the major deferred tax assets/(liabilities) recognized and movements thereon during the current year:

The Group:

	Accelerated accounting depreciation HK$'000	Elimination of unrealized profits HK$'000	Trademarks HK$'000	Tax losses HK$'000	Other deferred tax assets HK$'000	Other deferred tax liabilities HK$'000	Total HK$'000
At July 1, 2002	4,233	25,391	(300,022)	–	7,228	(2,135)	(265,305)
(Charged)/credited to income statement	(159)	2,290	1,262	27,004	23,479	(3,554)	50,322
Exchange difference recognized in equity	756	485	(15,297)	2,477	1,983	(318)	(9,914)
At June 30, 2003	4,830	28,166	(314,057)	29,481	32,690	(6,007)	(224,897)
Credited/(charged) to income statement	25,794	14,536	1,199	(23,914)	(11,648)	(4,744)	1,223
Acquisition of subsidiaries (Note 25)	–	–	–	–	2,404	(4,556)	(2,152)
Exchange difference recognized in equity	891	1,340	(7,451)	1,318	(1,548)	3,416	(2,034)
At June 30, 2004	**31,515**	**44,042**	**(320,309)**	**6,885**	**21,898**	**(11,891)**	**(227,860)**

For the purpose of balance sheet presentation, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2004 HK$'000	2003 HK$'000
Deferred tax liabilities	**332,200**	318,313
Deferred tax assets	**104,340**	93,416

26 DEFERRED TAXATION *continued*

At June 30, 2004, the Group had unused tax losses of approximately HK$1,229,460,000 *(2003: HK$1,329,558,000)* available for offset against future profits. A deferred tax asset has been recognized in respect of approximately HK$24,415,000 *(2003: HK$79,679,000)* of such losses. No deferred tax asset has been recognized in respect of the remaining approximately HK$1,205,045,000 *(2003: HK$1,249,879,000)*. Included in unrecognized tax losses are losses of approximately HK$431,370,000 *(2003: HK$384,351,000)* that will expire in the next five to twenty years. Other losses may be carried forward indefinitely.

27 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of profit before taxation to cash generated from operations

	2004 HK$'000	2003 HK$'000
Profit before taxation	**2,952,101**	1,878,955
Adjustments for:		
Interest income	**(39,556)**	(41,584)
Interest expense	**21,704**	32,408
Interest element of finance leases payments	**82**	55
Depreciation	**342,171**	272,570
Impairment of property, plant and equipment	**4,647**	36,140
Loss on disposal of property, plant and equipment	**13,808**	44,960
Provision for retail store exit costs	**14,256**	63,589
Share of results of associates	**(62,810)**	(45,463)
Operating profit before changes in working capital	**3,246,403**	2,241,630
(Increase)/decrease in inventories	**(206,303)**	37,053
Increase in debtors, deposits and prepayments	**(447,419)**	(385,525)
Decrease/(increase) in amounts due from associates	**7,650**	(8,388)
Increase in creditors and accrued charges	**365,428**	396,734
Effect of foreign exchange rate changes	**25,516**	(172,744)
Cash generated from operations	**2,991,275**	2,108,760

In the cash flow statement, proceeds from disposal of property, plant and equipment comprised:

	2004 HK$'000	2003 HK$'000
Net book amount	**31,872**	54,510
Loss on disposal of property, plant and equipment	**(13,808)**	(44,960)
Proceeds from disposal of property, plant and equipment	**18,064**	9,550

28 CONTINGENT LIABILITIES

	2004 HK$'000	2003 HK$'000
Guarantees given to banks by the Company in respect of banking facilities granted to subsidiaries	–	1,281,362

29 OPERATING LEASE COMMITMENTS

	2004 HK$'000	2003 HK$'000
The total future minimum lease payments under non-cancellable operating leases are as follows:		
Land and buildings		
– within one year	1,248,656	1,035,808
– in the second to fifth year inclusive	3,914,074	3,416,932
– after the fifth year	4,917,127	4,666,608
	10,079,857	9,119,348
Other equipment		
– within one year	12,980	9,717
– in the second to fifth year inclusive	8,603	5,947
– after the fifth year	233	47
	10,101,673	9,135,059

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

30 CAPITAL COMMITMENTS

	2004 HK$'000	2003 HK$'000
Contracted but not provided for	529,916	316,977
Authorized but not contracted for	264,958	158,448
	794,874	475,425

31 DERIVATIVE FINANCIAL INSTRUMENTS

The Group enters into foreign currency forward contracts in the management of its exchange rate exposures. The instruments purchased are primarily denominated in the currencies of the Group's principal markets.

At the balance sheet date, the total notional amount of outstanding forward foreign exchange contracts to which the Group has committed are as below:

	2004 HK$'000	2003 HK$'000
Forward foreign exchange contracts	367,088	375,233

At June 30, 2004, the fair value of the foreign currency forward contracts is estimated to be approximately HK$1,665,000 *(2003: HK$15,250,000)*. These amounts are based on market values of equivalent instruments at the balance sheet date and are included in other creditors and payables.

32 RELATED PARTY TRANSACTIONS

In the ordinary course of business and on similar terms made available to those unrelated third parties, the Group entered into transactions with related companies during the year. Details relating to these related party transactions are as follows:

	2004 HK$'000	2003 HK$'000
Transactions with associates		
Sales of finished goods	**286,451**	231,923
Royalty received	**15,428**	11,419
Commission received	**4,736**	3,790

33 EVENTS AFTER THE BALANCE SHEET DATE

The Group has committed approximately HK$300 million for the new head office in Hong Kong, comprising inter alia, approximately 73,000 sq.ft. of office space and a prominent signage space at the top of the building.

34 SUMMARIZED BALANCE SHEET OF THE COMPANY

Included below is summarized balance sheet information of the Company as at June 30, disclosed in accordance with Bermuda Law:

	NOTES	2004 HK$'000	2003 HK$'000
Investments in subsidiaries, at cost		**216,677**	216,677
Loans to subsidiaries	(i)	**1,633,779**	1,633,524
Amounts due from subsidiaries	(ii)	**2,899,525**	1,140,140
Current assets		**1,169**	11,893
Current liabilities		**(9,155)**	(11,352)
Amounts due to subsidiaries	(ii)	**(1,758,950)**	(830,181)
Net assets		**2,983,045**	2,160,701
Share capital	21	**119,340**	118,869
Share premium	(iii)	**1,309,157**	1,270,243
Contributed surplus	(iii)	**473,968**	473,968
Retained profits	(iii)	**1,080,580**	297,621
Shareholders' funds		**2,983,045**	2,160,701

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

(ii) The amounts due from/to subsidiaries are unsecured, interest free and have no fixed term of repayment.

34 SUMMARIZED BALANCE SHEET OF THE COMPANY *continued*

(iii) Movements of reserves are as follows:

	Share premium HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Total HK$'000
Balance at July 1, 2002	1,207,075	473,968	599,441	2,280,484
Profit attributable to shareholders	–	–	45,890	45,890
2001/02 final and special dividends paid	–	–	(259,284)	(259,284)
2002/03 interim dividend paid	–	–	(88,426)	(88,426)
Issues of shares (Note 21)	63,168	–	–	63,168
Balance at June 30, 2003	1,270,243	473,968	297,621	2,041,832
Representing:				
Proposed final and special dividends				743,492
Balance after proposed final and special dividends				1,298,340
Balance at June 30, 2003				2,041,832
Balance at July 1, 2003	1,270,243	473,968	297,621	2,041,832
Profit attributable to shareholders	–	–	1,754,432	1,754,432
2002/03 final and special dividends paid	–	–	(744,727)	(744,727)
2003/04 interim dividend paid	–	–	(226,746)	(226,746)
Issues of shares (Note 21)	38,914	–	–	38,914
Balance at June 30, 2004	**1,309,157**	**473,968**	**1,080,580**	**2,863,705**
Representing:				
Proposed final and special dividends				1,169,530
Balance after proposed final and special dividends				1,694,175
Balance at June 30, 2004				2,863,705

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

Contributed surplus is available for distribution to shareholders under the laws of Bermuda. Distributable reserves of the Company at June 30, 2004 amounted to HK$1,554,548,000 *(2003: HK$771,589,000)*.

(iv) The Company did not have any operating lease commitment at June 30, 2004 (2003: Nil).

(v) The Company did not have any significant capital commitment at June 30, 2004 (2003: Nil).

35 RECONCILIATION OF EQUITY AND PROFIT FROM HKGAAP TO IFRS

(a) Reconciliation of equity as at July 1, 2002 (Date of transition to IFRS)

	NOTES	HKGAAP HK$'000	Effect of conversion to IFRS HK$'000	IFRS HK$'000
Non-current assets				
Trademarks	(i)	1,835,315	86,170	1,921,485
Goodwill	(ii)	14,625	(14,625)	–
Property, plant and equipment	(iii)	988,697	(22,440)	966,257
Other investments		7,686	–	7,686
Investments in associates	(iv)	78,368	22,243	100,611
Prepaid lease payments	(iii)	–	21,941	21,941
Deferred tax assets	(v)	4,233	31,176	35,409
		2,928,924	124,465	3,053,389
Current assets				
Inventories		955,321	–	955,321
Debtors, deposits and prepayments	(iii)	824,248	499	824,747
Amounts due from associates		17,808	–	17,808
Short-term bank deposits		331,647	–	331,647
Bank balances and cash		650,026	–	650,026
		2,779,050	499	2,779,549
Current liabilities				
Creditors and accrued charges	(vii)	976,365	12,849	989,214
Taxation		681,556	–	681,556
Obligations under finance leases				
– due within one year		593	–	593
Bank overdrafts		47,995	–	47,995
		1,706,509	12,849	1,719,358
Net current assets		1,072,541	(12,350)	1,060,191
Total assets less current liabilities		4,001,465	112,115	4,113,580

	NOTES	HKGAAP HK$'000	Effect of conversion to IFRS HK$'000	IFRS HK$'000
Financed by:				
Share capital		117,694	–	117,694
Share premium		1,207,075	–	1,207,075
Contributed surplus		6,602	–	6,602
Translation reserve	(vi)	(100,664)	100,664	–
Retained profits		1,973,012	(271,967)	1,701,045
Shareholders' funds		3,203,719	(171,303)	3,032,416
Obligations under finance leases				
– due after one year		450	–	450
Long-term bank loan		780,000	–	780,000
Deferred tax liabilities	(v)	17,296	283,418	300,714
		797,746	283,418	1,081,164
		4,001,465	112,115	4,113,580

35 RECONCILIATION OF EQUITY AND PROFIT FROM HKGAAP TO IFRS *continued*

(a) Reconciliation of equity as at July 1, 2002 (Date of transition to IFRS) *continued*

Notes:

(i) Trademarks which have indefinite useful lives under IFRS are stated at cost less accumulated impairment losses (if any), but were carried at cost less accumulated amortization and impairment losses (if any) under HKGAAP. In addition, trademarks acquired through business combinations are recorded as assets of acquirees under IFRS, but were recorded as assets of acquirers under HKGAAP. The reversal of previously recognized accumulated amortization and the retranslation of trademarks cost based on functional currencies of acquirees at the closing rate resulted in an increase in trademarks and retained profits by HK$86,170,000 as at July 1, 2002 under IFRS.

(ii) An impairment loss of HK$14,625,000 for goodwill arising on the acquisition of Red Earth International Holdings Limited was recognized by applying the impairment test of IAS 36, *Impairment of Assets,* at July 1, 2002 and the amount was recognized in retained profits at that date.

(iii) Payments for acquisition of leasehold land of HK$22,440,000 are reclassified as prepaid lease payments under IFRS, but were included in property, plant and equipment under HKGAAP. The current portion of prepaid lease payments is included in "Debtors, deposits and prepayments".

(iv) Equity accounting for investments in associates previously was based on annual financial statements of the associates made up to December 31 each year. Adjustments have been made to realign the reporting date of the associates to that of the Group. As a result, the share of net assets of associates as at July 1, 2002 increased by HK$22,243,000 with a corresponding increase in retained profits.

(v) Under HKGAAP, deferred tax as at July 1, 2002 was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. Accounting for deferred tax under HKGAAP changed with effect from January 1, 2003 and is now consistent with IFRS. Under IFRS, deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts with limited exceptions. As a result, deferred tax assets and deferred tax liabilities increased by HK$31,176,000 and HK$283,418,000 respectively with a corresponding net amount recognized in retained profits.

(vi) The Group has adopted the option available in IFRS 1 to deem the translation reserve as at July 1, 2002 to be zero. Under HKGAAP, this reserve was a debit of HK$100,664,000 as at July 1, 2002.

(vii) Foreign exchange forward contracts were recorded as financial liabilities at their fair values at HK$12,849,000 as at July 1, 2002, but were not recognized under HKGAAP.

(b) Reconciliation of equity as at June 30, 2003

	NOTES	HKGAAP HK$'000	Effect of conversion to IFRS HK$'000	IFRS HK$'000
Non-current assets				
Trademarks	(i)	1,730,250	229,784	1,960,034
Goodwill	(ii)	13,875	(13,875)	–
Property, plant and equipment	(iii)	1,077,505	(21,941)	1,055,564
Other investments		7,846	–	7,846
Investments in associates	(iv)	101,568	20,006	121,574
Prepaid lease payments	(iii)	–	21,442	21,442
Deferred tax assets	(v)	45,765	47,651	93,416
		2,976,809	283,067	3,259,876
Current assets				
Inventories		918,268	–	918,268
Debtors, deposits and prepayments	(iii)	1,206,333	499	1,206,832
Amounts due from associates		26,196	–	26,196
Short-term bank deposits		167,443	–	167,443
Bank balances and cash		1,944,793	–	1,944,793
		4,263,033	499	4,263,532
Current liabilities				
Creditors and accrued charges	(vii)	1,429,881	15,250	1,445,131
Taxation		775,441	–	775,441
Obligations under finance leases				
– due within one year		219	–	219
Bank overdrafts		15,571	–	15,571
		2,221,112	15,250	2,236,362
Net current assets		2,041,921	(14,751)	2,027,170
Total assets less current liabilities		5,018,730	268,316	5,287,046

35 RECONCILIATION OF EQUITY AND PROFIT FROM HKGAAP TO IFRS *continued*

(b) Reconciliation of equity as at June 30, 2003 *continued*

	NOTES	HKGAAP HK$'000	Effect of conversion to IFRS HK$'000	IFRS HK$'000
Financed by:				
Share capital		118,869	–	118,869
Share premium		1,270,243	–	1,270,243
Contributed surplus		6,602	–	6,602
Translation reserve	(i),(vi)	31,141	122,967	154,108
Retained profits		2,810,872	(168,708)	2,642,164
Shareholders' funds		4,237,727	(45,741)	4,191,986
Obligations under finance leases				
– due after one year		336	–	336
Long-term bank loan		776,411	–	776,411
Deferred tax liabilities	(v)	4,256	314,057	318,313
		781,003	314,057	1,095,060
		5,018,730	268,316	5,287,046

Notes:

(i) Trademarks which have indefinite useful lives under IFRS are stated at cost less accumulated impairment losses (if any), but were carried at cost less accumulated amortization and impairment losses (if any) under HKGAAP. In addition, trademarks acquired through business combinations are recorded as assets of acquirees under IFRS, but were recorded as assets of acquirers under HKGAAP. The reversal of previously recognized accumulated amortization and the retranslation of trademarks cost based on functional currencies of acquirees at the closing rate resulted in an increase in trademarks by HK$229,784,000 and an increase in profit attributable to shareholders for the year then ended of HK$105,065,000 and an increase in translation reserve of HK$38,549,000 under IFRS.

(ii) The goodwill was fully impaired on July 1, 2002 (Note 35(a)(ii)).

(iii) Payments for acquisition of leasehold land of HK$21,941,000 are reclassified as prepaid lease payments under IFRS, but were included in property, plant and equipment under HKGAAP. The current portion of prepaid lease payments is included in "Debtors, deposits and prepayments".

(iv) Equity accounting for investments in associates was based on annual financial statements of the associates made up to December 31 each year. Adjustments have been made to realign the reporting date of the associates to that of the Group. As a result, the share of net assets of associates increased by HK$20,006,000 with a corresponding increase in retained profits.

(v) Under HKGAAP, deferred tax as at June 30, 2003 was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. Accounting for deferred tax under HKGAAP changed with effect from January 1, 2003 and is now consistent with IFRS. Under IFRS, deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. As a result, deferred tax assets and deferred tax liabilities increased by HK$47,651,000 and HK$314,057,000 respectively with a corresponding net amount recognized in retained profits.

(vi) The Group has adopted the option available in IFRS 1 to deem the translation reserve as at July 1, 2002 to be zero. Under HKGAAP, this reserve was a debit of HK$100,664,000 as at June 30, 2002.

(vii) Foreign exchange forward contracts were recorded as financial liabilities at their fair values at HK$15,250,000 as at June 30, 2003 but were not recognized under HKGAAP.

35 RECONCILIATION OF EQUITY AND PROFIT FROM HKGAAP TO IFRS *continued*

(c) Reconciliation of profit for the year ended June 30, 2003

	NOTES	HKGAAP HK$'000	Effect of conversion to IFRS HK$'000	IFRS HK$'000
Turnover		12,381,458	–	12,381,458
Cost of goods sold		(6,198,869)	–	(6,198,869)
Gross profit		6,182,589	–	6,182,589
Staff costs		(1,603,630)	–	(1,603,630)
Depreciation and amortization	(i),(ii),(iii)	(378,884)	106,314	(272,570)
Other operating costs	(i),(v)	(2,479,118)	(2,900)	(2,482,018)
Operating profit		1,720,957	103,414	1,824,371
Interest income		41,584	–	41,584
Finance costs		(32,463)	–	(32,463)
Share of results of associates	(iv)	61,024	(15,561)	45,463
Profit before taxation		1,791,102	87,853	1,878,955
Taxation				
– Company and subsidiaries	(vi)	(592,208)	2,082	(590,126)
– Associates	(iv)	(13,324)	13,324	–
		(605,532)	15,406	(590,126)
Profit attributable to shareholders		1,185,570	103,259	1,288,829

Notes:

(i) Payments for acquisition of leasehold land are treated as operating leases under IFRS, but were included in property, plant and equipment and depreciated accordingly under HKGAAP. Land amortization expense of HK$499,000 was reclassified from "depreciation and amortization" to "other operating costs" under IFRS.

(ii) Trademarks with indefinite useful lives are stated at cost less accumulated impairment losses (if any) under IFRS, but were carried at cost less accumulated amortization and impairment losses (if any) under HKGAAP. Therefore, amortization of trademarks of HK$105,065,000 previously recognized under HKGAAP was reversed.

(iii) Goodwill was fully impaired on July 1, 2002. Therefore, amortization of goodwill of HK$750,000 previously recognized under HKGAAP was reversed.

(iv) An adjustment was made to realign the reporting date of the associates to that of the Group and this resulted in a decrease in share of results of associates by HK$2,237,000. In addition, the amount of share of taxation of associates is presented within "share of results of associates" under IFRS, but in "income tax expenses" under HKGAAP. Therefore, share of taxation of associates of HK$13,324,000 is reclassified from "income tax expenses" to "share of results of associates" under IFRS. As a result of the above differences, share of results of associates has decreased by HK$15,561,000 under IFRS.

(v) This represented unrealized loss of HK$2,401,000 arising on the fair value of forward contracts recognized in the income statement under IFRS.

(vi) Under HKGAAP, deferred tax as at June 30, 2003 was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. Accounting for deferred tax under HKGAAP changed with effect from January 1, 2003 and is now consistent with IFRS. Under IFRS, deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. An additional deferred tax credit of HK$2,082,000 was recognized in the income statement under IFRS.

(d) Key impact on profit attributable to shareholders for the year ended June 30, 2004 of adopting IFRS

Had the Group prepared its consolidated financial statements for the year ended June 30, 2004 under HKGAAP, the Group estimates that the profit attributable to shareholders for the year then ended would have decreased by approximately HK$130 million, mainly representing the amortization of trademarks of HK$105,065,000.

36 PRINCIPAL SUBSIDIARIES

The following are the principal subsidiaries as at June 30, 2004 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. None of the subsidiaries had issued any debt securities at the end of the year.

Name of subsidiary	Place of incorporation/ operation	Attributable equity interest to the Group	Issued and fully paid share capital/ registered capital (note a)	Principal activities
ERA 97 S.R.L.	Italy	100%	EUR12,750	Wholesale distribution of apparel and accessories
Esprit Belgie Retail N.V.	Belgium	100%	EUR1,200,000	Retail distribution of apparel and accessories
Esprit Belgie Wholesale N.V.	Belgium	100%	EUR100,000	Wholesale distribution of apparel and accessories
Esprit Canada Retail Limited	Canada	100%	CAD12	Retail distribution of apparel and accessories
Esprit Canada Wholesale Limited	Canada	100%	CAD1	Wholesale distribution of apparel and accessories
Esprit Capital Limited	British Virgin Islands/Hong Kong	100%	USD1	Investment
Esprit China Distribution Limited	British Virgin Islands/Hong Kong	100%	USD100	Investment holding
Esprit Corporate Services Limited	British Virgin Islands/Hong Kong	100%	USD100	Financial services
Esprit de Corp (1980) Ltd.	Canada	100%	CAD1,000,100	Retail distribution of apparel and accessories
Esprit de Corp Danmark A/S	Denmark	100%	DKK12,000,000	Wholesale and retail distribution of apparel and accessories
Esprit de Corp (Far East) Limited	Hong Kong	100%	HKD1,200,000	Sourcing of apparel and accessories
Esprit de Corp France S.A.	France	100%	EUR6,373,350	Wholesale and retail distribution of apparel and accessories
Esprit de Corp (Malaysia) Sdn. Bhd.	Malaysia	100%	MYR500,000	Retail distribution of apparel and accessories

36 PRINCIPAL SUBSIDIARIES *continued*

Name of subsidiary	Place of incorporation/ operation	Attributable equity interest to the Group	Issued and fully paid share capital/ registered capital (note a)	Principal activities
Esprit Design und Product Development GmbH	Germany	100%	EUR300,000	Style and product development of merchandise, incl. service functions
Esprit Europe B.V.	The Netherlands	100%	EUR1,500,000	Investment holding and wholesale and retail distribution of apparel and accessories, licensing of trademarks
Esprit Europe GmbH	Germany	100%	EUR5,112,919	Management and control function; render of services to the Esprit group
Esprit Europe Services GmbH	Germany	100%	EUR2,600,000	Sourcing and purchase of merchandise, distribution of merchandise and other logistic functions, incl. Customs dealing
Esprit GB Limited	United Kingdom	100%	GBP150,000	Wholesale and retail distribution of apparel and accessories
Esprit Handelsgesellschaft mbH	Austria	100%	EUR100,000	Wholesale and retail distribution of apparel and accessories
Esprit International (limited partnership)	California, U.S.A.	100%	N/A	Holding and licensing of trademarks
Esprit IP Limited	British Virgin Islands/Hong Kong	100%	USD1	Holding and licensing of trademarks
Esprit Macao Commercial Offshore Limited	Macau	100%	MOP3,000,000	Wholesale distribution of apparel and accessories
Esprit Regional Services Limited (formerly known as Esprit Sales Limited)	British Virgin Islands/Hong Kong	100%	USD1	Provision of services
Esprit Retail B.V. & Co. KG	Germany	100%	EUR5,000,000	Retail distribution of apparel and accessories, operation of Esprit Café

36 PRINCIPAL SUBSIDIARIES *continued*

Name of subsidiary	Place of incorporation/ operation	Attributable equity interest to the Group	Issued and fully paid share capital/ registered capital (note a)	Principal activities
Esprit Retail (Hong Kong) Limited	Hong Kong	100%	HKD10,000	Retail distribution of apparel and accessories and operation of Salon Esprit
Esprit Retail Pte Ltd	Singapore	100%	SGD3,000,000	Retail distribution of apparel and accessories
Esprit (Retail) Pty Ltd	Australia	100%	AUD200,000	Retail distribution of apparel and accessories
Esprit Retail (Taiwan) Limited	Hong Kong/Taiwan	100%	HKD9,000	Retail distribution of apparel and accessories
Esprit Sweden AB	Sweden	100%	SEK500,000	Wholesale distribution of apparel and accessories
Esprit Swiss Treasury Limited (formerly known as Esprit Group Services Limited)	British Virgin Islands/Hong Kong	100%	USD1	Financial services
Esprit Switzerland Distribution AG (formerly known as Bollag-Guggenheim & Co. AG)	Switzerland	100%	CHF100,000	Wholesale distribution of apparel and accessories
Esprit Switzerland Retail AG (formerly known as Bollag-Guggenheim Detailhandels AG)	Switzerland	100%	CHF500,000	Retail distribution of apparel and accessories
Esprit US Distribution Limited	United States	100%	USD1,000	Wholesale distribution of apparel and accessories
Esprit Wholesale GmbH	Germany	100%	EUR5,000,000	Wholesale distribution of apparel and accessories

36 PRINCIPAL SUBSIDIARIES *continued*

Name of subsidiary	Place of incorporation/ operation	Attributable equity interest to the Group	Issued and fully paid share capital/ registered capital (note a)	Principal activities
Garment, Acessories and Cosmetics Esprit Retail (Macau) Limited	Macau	100%	MOP100,000	Retail distribution of apparel and accessories
Red Earth (Hong Kong) Limited	Hong Kong	100%	HKD10,000	Retail distribution of cosmetics, skin and body care products
Red Earth International Holdings Limited	British Virgin Islands/Hong Kong	100%	USD1,668,000	Investment holding
Red Earth Licensing Limited	British Virgin Islands/Hong Kong	100%	USD100	Holding and licensing of trademarks
Red Earth New Zealand Ltd.	New Zealand	100%	NZD100	Retail distribution of cosmetics, skin and body care products
Red Earth Production Limited	Hong Kong	100%	HKD10,000	Wholesale distribution of cosmetics, skin and body care products
Red Earth Pty Limited	Australia	100%	AUD100	Retail distribution of cosmetics, skin and body care products
Red Earth (Taiwan) Limited	Hong Kong/Taiwan	100%	HKD2	Retail distribution of cosmetics, skin and body care products
Sijun Fashion Design (Shenzhen) Co., Ltd.	The People's Republic of China (Note b)	100%	USD1,600,000 registered capital	Sample development

Notes:

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

(b) Wholly owned foreign enterprise

5-year financial summary

BALANCE SHEET ITEMS

	As at June 30, 2004	As at June 30, 2003	As at June 30, 2002	As at June 30, 2001	As at June 30, 2000
Intangible assets	2,020,416	1,960,034	1,921,485	715,804	743,053
Property, plant and equipment	1,474,286	1,055,564	966,257	756,181	573,515
Other investments	7,846	7,846	7,686	7,366	29,327
Interests in associates	154,984	121,574	100,611	92,021	67,513
Prepaid lease payments	20,943	21,442	21,941	22,440	22,940
Deferred tax assets	104,340	93,416	35,409	5,805	–
Net current assets	1,964,342	2,027,170	1,060,191	615,920	668,792
	5,747,157	5,287,046	4,113,580	2,215,537	2,105,140
Financed by:					
Share capital	119,340	118,869	117,694	114,251	111,656
Reserves	5,295,617	4,073,117	2,914,722	1,884,969	1,547,106
Minority interests	–	–	–	18,204	17,659
Shareholders' funds	5,414,957	4,191,986	3,032,416	2,017,424	1,676,421
Obligation under finance leases – due after one year	–	336	450	941	1,931
Long-term bank loan	–	776,411	780,000	–	226,064
Deferred tax liabilities	332,200	318,313	300,714	197,172	200,724
	5,747,157	5,287,046	4,113,580	2,215,537	2,105,140

INCOME STATEMENT ITEMS

	Year ended June 30, 2004	Year ended June 30, 2003	Year ended June 30, 2002	Year ended June 30, 2001	Year ended June 30, 2000
Turnover	16,356,503	12,381,458	9,219,114	8,109,062	7,277,306
Operating profit (EBIT)	2,871,521	1,824,371	1,372,786	1,152,151	902,065
Interest income	39,556	41,584	22,635	45,730	27,555
Finance costs	(21,786)	(32,463)	(13,923)	(38,290)	(37,912)
Share of results of associates	62,810	45,463	33,090	24,508	11,498
Profit before taxation	2,952,101	1,878,955	1,414,588	1,184,099	903,206
Taxation	(948,661)	(590,126)	(363,316)	(512,398)	(344,553)
Profit after taxation	2,003,440	1,288,829	1,051,272	671,701	558,653
Profit attributable to shareholders	2,003,440	1,288,829	992,746	599,761	483,842
Profit attributable to minority interests	–	–	58,526	71,940	74,811

Note: The Group has adopted IFRS retrospectively with effect from July 1, 2002. The financial information in respect of FY2002/2003 and FY2003/2004 is audited and is prepared in accordance with IFRS. For the purposes of presenting the financial information in respect of FY1999/2000 to FY2001/2002, certain estimates have been made to adjust the financial information from HKGAAP to IFRS, mainly representing the reversal of amortization of trademarks.

ESPRIT

the idea,

the attitude,

the lifestyle


RLD TRAVEL
ESPRIT INTERNATIONAL

quebec seoul berlin paris

brussels hong kong

new york

frankfurt munich sydney toronto shanghai

amsterdam

taipei london

cologne

singapore

frankfurt quebec

singapore cologne

munich

new york

brussels

seoul

london

sydney

berlin

toronto

hong kong

paris

amsterdam

taipei

shanghai

ESPRIT HOLDINGS LIMITED
10/f, 11 yuk yat street, tokwawan, kowloon, hong kong.
www.espritholdings.com