ESPRIT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

STOCK CODE: 00330

PRELIMINARY ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2020

UNAUDITED ANNUAL RESULTS

The board (the "Board") of directors (the "Directors") of Esprit Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group" or "Esprit") for the financial year ended 30 June 2020 (the "Reporting Period" or "FY19/20") together with the comparative figures for the year ended 30 June 2019 ("FY18/19"), which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as below.

For the reasons set out in the paragraph headed "Review of the Unaudited Annual Results" in this announcement, the unaudited annual results contained herein have been reviewed by the audit committee of the Company (the "Audit Committee") but have not been audited and agreed by the external auditor of the Company (the "Auditor").

Unaudited consolidated financial results of the financial year ended 30 June 2020

Unaudited consolidated statement of profit or loss

HK$ million	*Notes*	**(Unaudited) For the year ended 30 June 2020**	2019 (Restated)
Continuing operations			
Revenue	*3.2*	**9,216**	11,681
Cost of purchases		**(5,109)**	(5,707)
Gross profit		**4,107**	5,974
Staff costs		**(1,513)**	(2,487)
Occupancy costs		**(315)**	(1,732)
Logistics expenses		**(554)**	(779)
Marketing and advertising expenses		**(493)**	(593)
Depreciation of property, plant and equipment		**(374)**	(418)
Depreciation of right-of-use assets		**(880)**	–
Provision for store closures and leases, net		**–**	(866)
Impairment loss on property, plant and equipment		**(205)**	(105)
Write back of provision for closure costs of operations in Australia and New Zealand		**–**	25
Write-downs of inventories to net realizable value, net		**(292)**	(182)
Provision for impairment of trade debtors, net		**(55)**	(16)
Impairment loss on right-of-use assets		**(897)**	–
Impairment loss on trademarks		**(397)**	–
Impairment loss on goodwill		**(19)**	–
Other operating costs		**(1,320)**	(767)
Operating loss from continuing operations (LBIT)	*3.3*	**(3,207)**	(1,946)
Interest income		**50**	46
Finance costs	*3.4*	**(87)**	(18)
Loss before taxation from continuing operations		**(3,244)**	(1,918)
Income tax expense	*3.5*	**(437)**	(65)
Loss from continuing operations		**(3,681)**	(1,983)
Discontinued operations			
Loss from discontinued operations	*3.6*	**(311)**	(161)
Loss attributable to shareholders of the Company		**(3,992)**	(2,144)
Loss per share from continuing operations			
– basic and diluted	*4*	**HK$(1.96)**	HK$(1.05)
Loss per share from discontinued operations			
– basic and diluted	*4*	**HK$(0.16)**	HK$(0.09)

Unaudited consolidated statement of comprehensive income

HK$ million	**(Unaudited) For the year ended 30 June** **2020**	2019 (Restated)
Loss from continuing operations	**(3,681)**	(1,983)
Loss from discontinued operations	**(311)**	(161)
Loss attributable to shareholders of the Company	**(3,992)**	(2,144)
Other comprehensive income		
Item that will not be reclassified to profit or loss:		
Remeasurements of retirement defined benefit obligations, net of tax	**3**	(4)
	3	(4)
Items that may be reclassified subsequently to profit or loss:		
Fair value loss on cash flow hedge, net of tax	**(9)**	(40)
Exchange translation from continuing operations	**29**	(128)
Exchange translation from discontinued operations	**19**	(2)
	39	(170)
Total comprehensive income for the year attributable to shareholders of the Company, net of tax	**(3,950)**	(2,318)

Unaudited consolidated balance sheet

HK$ million	*Notes*	**As at 30 June** **2020** **(Unaudited)**	2019
Non-current assets			
Intangible assets		**1,641**	2,050
Property, plant and equipment		**530**	1,128
Right-of-use assets		**2,206**	–
Investment properties		**–**	27
Financial assets at fair value through profit or loss		**10**	12
Debtors, deposits and prepayments	*3.7*	**345**	120
Deferred tax assets		**32**	559
		4,764	3,896
Current assets			
Inventories		**1,265**	1,845
Debtors, deposits and prepayments	*3.7*	**1,453**	1,499
Tax receivable		**54**	80
Cash, bank balances and deposits		**2,288**	3,282
		5,060	6,706
TOTAL ASSETS		**9,824**	10,602
Current liabilities			
Creditors and accrued charges	*3.8*	**2,817**	2,350
Lease liabilities		**1,016**	–
Provisions	*3.9*	**357**	1,094
Tax payable		**158**	161
		4,348	3,605
Net current assets		***712***	*3,101*
Total assets less current liabilities		***5,476***	*6,997*
Equity			
Share capital		**189**	189
Reserves		**2,581**	6,524
		2,770	6,713
Non-current liabilities			
Bank loans		**8**	–
Lease Liabilities		**2,467**	–
Retirement defined benefit obligations		**26**	31
Deferred tax liabilities		**205**	253
		2,706	284
TOTAL LIABILITIES		**7,054**	3,889
TOTAL EQUITY AND LIABILITIES		**9,824**	10,602

Notes:

1. BASIS OF THE PREPARATION

1.1. Significant circumstances in the current year

The financial position and performance of the Group was particularly affected by the following events during the year:

- COVID-19
- Protective Shield Proceedings
- Asia Wind-Down

During the first half of the year, the Group worked on the execution of the Strategic Plan presented in 2018 to restore the Group to sustainable growth and profitability. The half-year financial results were in line with the Group's expectations in regard to improvement in the mix of full price sales, earnings before interest and taxes ("EBIT") margin and reduction in operating expenses.

The development was interrupted by the outbreak of COVID-19 (the "Pandemic"). Initially, the Asian markets and supply chains were affected starting from January 2020. By March 2020, almost all brick and mortar stores in Europe had to be temporarily closed due to government-ordered lockdowns as part of public health measures implemented to slow down the spread of the Pandemic.

As a consequence from the store closures the Group's revenues declined sharply, inventories increased whereas expenses and cash outflow for rent and salaries continued. Given that a quick recovery of the economy was not in sight and the duration of the lockdown was unclear, the Board decided to protect the solvency and liquidity of the ongoing business and to apply for Protective Shield Proceedings (the "Proceedings") for six German subsidiaries (the "Subject Subsidiaries"). Under the Proceedings, the management identified major restructuring measures and decided on the closure of the Group's business operations in Asia, the renegotiation and termination of leasing contracts for non-profitable retail stores and a significant headcount reduction in Germany. With the cost optimization program, it is intended to significantly restructure the cost base for the business which is aiming at making the Group profitable again. The mentioned decisions caused high impairment charges and restructuring costs during the year.

1.2. Discontinued operations

The Group decided to close its business activities in Asia including China, Singapore, Malaysia, Taiwan, Hong Kong and Macau as part of its restructuring initiatives.

As at 30 June 2020, all business activities in Asia are closed and the Asia business is disclosed as discontinued operations. The comparative unaudited consolidated statement of profit or loss and unaudited consolidated statement of comprehensive income have been restated to show the discontinued operations separately from continuing operations.

1.3. Compliance with IFRS and HKCO

The unaudited consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board and interpretations issued by the IFRS Interpretations Committee applicable to companies reporting under IFRS and the disclosure requirements of the Hong Kong Companies Ordinance ("HKCO").

1.4. Historical cost convention

The unaudited consolidated financial statements of the Group have been prepared on a historical cost basis.

1.5. New and amended standards and interpretations adopted by the Group

In the current year, the Group has adopted the following standards and amendments effective for the Group's reporting period beginning 1 July 2019:

Adopted	**New standards or amendments**
IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
IAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement
IAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures
IFRS 9 (Amendments)	Prepayment Features with Negative Compensation
IFRSs (Amendments)	Annual Improvements to IFRSs 2015-2017 Cycle

The Group had to change its accounting policies as a result of adopting IFRS 16. The Group elected to adopt the new rules retrospectively but recognized the cumulative effect of initially applying the new standard on 1 July 2019. Please refer to note 2.

Furthermore, the Group has adopted the requirements of IFRIC 23.

The other amendments listed above did not have any material impact on the Group's unaudited consolidated financial statements.

1.6. New standards and interpretations not yet adopted

Not early adopted	**Effective for accounting periods beginning on or after**	**New standards or amendments**
IAS 1 and IAS 8 (Amendments)	1 January 2020	Definition of Material
IFRS 3 (Amendments)	1 January 2020	Definition of Business
IFRS 9, IAS 39 and IFRS 7 (Amendments)	1 January 2020	Interest Benchmark Reform
Conceptual Framework for Financial Reporting 2018	1 January 2020	Revised conceptual Framework for Financial Reporting
IFRS 16 (Amendments)	1 June 2020	COVID-19 related rent concessions
IFRS 17	1 January 2021	Insurance contracts
IFRS 10 and IAS 28 (Amendments)	To be determined	Sales or contribution of Assets between an investor and its associate or joint venture

The new accounting standards and interpretations above have been published but are not mandatory for the financial year ended 30 June 2020 and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the future reporting periods and on foreseeable future transactions.

2. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES – IFRS 16 LEASES

This note explains the impact of the adoption of IFRS 16 Leases on the Group's unaudited consolidated financial statements.

The Group has adopted IFRS 16 Leases retrospectively from 1 July 2019, but has not restated comparatives for prior year, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening balance of unaudited consolidated balance sheet on 1 July 2019.

On adoption of IFRS 16, the Group recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019, less prepaid rents. Right-of-use assets were measured and recognized at the initial measurement of the lease liabilities less impairment together with the restoration costs. For sublease classified as a finance lease, finance lease receivable was measured and recognized at the present value of the remaining lease receivables. Lease liabilities and finance lease receivables are classified as non-current liabilities and assets unless payments are within 12 months from the date of the unaudited consolidated balance sheet. The weighted average lessee's incremental borrowing rate applied to lease liabilities at the date of initial application was 2.1%.

2.1. Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics,
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review,
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

2.2. Measurement of lease liabilities

Set out below is a reconciliation of the operating lease commitments disclosed at 30 June 2019 to lease liabilities recognized on 1 July 2019:

HK$ million	**At 1 July 2019 (Unaudited)**
Opening lease commitments disclosed at 30 June 2019	5,578
Discounted using the Group's weighted average incremental borrowing rate of 2.1%	5,233
Add: Lease components of service contracts not included in operating lease commitments	8
Less: Non-lease components included under operating lease commitments	(129)
Prepaid rent and others	(9)
Lease liabilities recognized at 1 July 2019	5,103
Comprising	
Current lease liabilities	1,249
Non-current lease liabilities	3,854

2.3. Measurement of right-of-use assets

The associated right-of-use assets for leases were measured using the modified retrospective approach at the amount equal to the initial measurement of lease liabilities, adjusted by the impairment together with the restoration costs.

2.4. Adjustments recognized in the unaudited consolidated balance sheet on 1 July 2019

The change in accounting policy affected the following items in the unaudited consolidated balance sheet on 1 July 2019:

HK$ million	**30 June 2019 As previously reported**	**Impact on initial adoption of IFRS 16 (Unaudited)**	**1 July 2019 (Unaudited)**
Non-current assets			
Right-of-use assets	–	4,304	4,304
Property, plant and equipment	1,128	(8)	1,120
Debtors, deposits and prepayments	120	27	147
Current Assets			
Debtors, deposits and prepayments	1,499	18	1,517
Current Liabilities			
Creditors and accrued charges	2,350	13	2,363
Provisions	1,094	(775)	319
Lease liabilities	–	1,249	1,249
Non-current liabilities			
Lease liabilities	–	3,854	3,854
Equity			
Reserves	6,524	–	6,524

2.5. Lessor accounting

The Group sub-leases stores and has classified the sub-leases as finance leases.

The following table sets out a maturity analysis of the finance lease receivables as at the end of the year.

HK$ million	**As at 30 June 2020 (Unaudited)**
Less than one year	**35**
One to two years	**23**
Two to five years	**16**
Total undiscounted finance lease receivables	**74**
Unearned finance income	**(3)**
Net finance lease receivables	**71**

Movement of the finance lease receivables were as follows:

HK$ million	**2020 (Unaudited)**
At 1 July	**88**
Additions	**16**
Interest income	**2**
Lease payments received	**(34)**
Exchange translation	**(1)**
At 30 June	**71**
– non-current	36
– current	35

2.6. Amounts recognized in the unaudited consolidated statement of profit or loss from leases

HK$ million	**For the year ended 30 June 2020 (Unaudited)**
Impairment of right-of-use assets	**925**
Depreciation of right-of-use assets	**972**
Interest income	**2**
Interest expense (included in finance costs)	**93**
Expense relating to variable lease payments not included in lease liabilities (included in occupancy costs)	**62**
Income from sub-leases	**34**

The total cash outflow for leases during the year was HK$1,481 million.

3. PERFORMANCE FOR THE YEAR

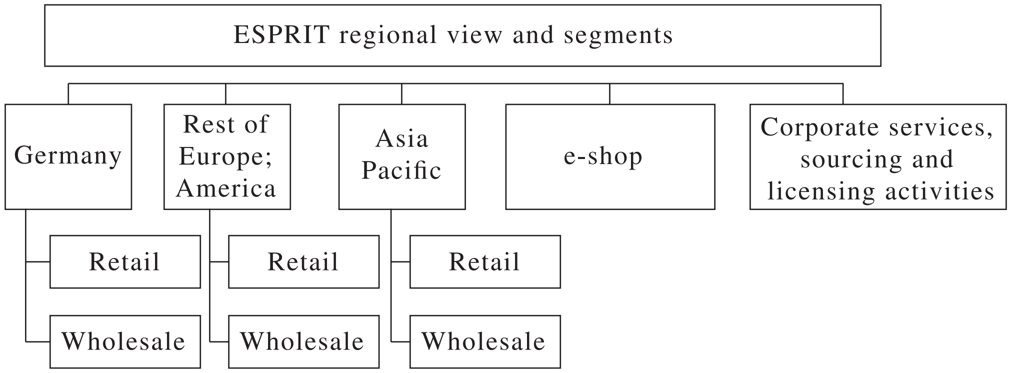
3.1. Segment information

The Group is principally engaged in retail and wholesale distribution and licensing of quality fashion and non-apparel products designed under its own internationally known Esprit brand name in Germany, Rest of Europe and America, Asia Pacific and via e-shop platforms.

The Group has identified segments for internal and external reporting based on the regional structure of the Group and on the basis of the sales channel.

The operating segments are on a regional level Germany, Rest of Europe including America, Asia Pacific as well as e-shop and corporate services, sourcing and licensing activities on a global level.

Furthermore, the regions have been separated into retail and wholesale channel.



Inter-segment transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties.

The Group markets its products under two brands, namely "Esprit" and "edc", both of which offer apparel and lifestyle products for women, men and kids. Products are categorized into three major groups: Women (Esprit and edc), Men (Esprit and edc), and Lifestyle and others. All products are represented in the segments.

The judgments made by management in applying the aggregation especially of rest of Europe and America are based on the regional organization of the Group. As the main business comes from Germany it has been necessary to apply an own segment. The Rest of Europe includes also America as both regions have similar economic characteristics and are only separated because of the importance of the German business.

For the year ended 30 June 2020
(Unaudited)

HK$ million	Germany	Rest of Europe Including America	Asia Pacific [1]	e-shop [1]	Corporate services, sourcing, licensing and others	Group	– Continuing operations	– Discontinued operations
Revenue								
Retail	1,493	1,300	488	3,284	–	6,565		
Wholesale	1,777	1,375	59	–	–	3,211		
Licensing and others	–	–	–	–	4,790	4,790		
Total revenue	3,270	2,675	547	3,284	4,790	14,566		
– Inter-segment revenue	–	–	–	–	4,692	4,692		
– Revenue from external customers	3,270	2,675	547	3,284	98	9,874	9,216	658
Retail	1,493	1,300	488	3,284	–	6,565		
Wholesale	1,777	1,375	59	–	–	3,211		
Licensing and others	–	–	–	–	98	98		
Segment results								
Retail	(264)	(272)	61	333	1	(141)		
Wholesale	290	48	4	–	(4)	338		
Licensing and others	–	–	–	–	(1,304)	(1,304)		
EBIT/(LBIT) of the underlying operation[2]	26	(224)	65	333	(1,307)	(1,107)	(1,081)	(26)

For the year ended 30 June 2020
(Unaudited)

HK$ million	Germany	Rest of Europe Including America	Asia Pacific [1]	e-shop [1]	Corporate services, sourcing, licensing and others	Group	– Continuing operations	– Discontinued operations
EBIT/(LBIT) of the underlying operation[2]	26	(224)	65	333	(1,307)	(1,107)	(1,081)	(26)
One-off costs[3]								
Impairment loss of property, plant and equipment								
Retail	(159)	(43)	(11)	(2)	–	(215)		
Wholesale	–	–	(1)	–	–	(1)		
Licensing and others	–	–	–	–	(25)	(25)		
Total impairment loss on property, plant and equipment	(159)	(43)	(12)	(2)	(25)	(241)	(205)	(36)
Impairment loss on right-of-use assets								
Retail	(418)	(476)	(16)	–	–	(910)		
Wholesale	–	(3)	–	–	–	(3)		
Licensing and others	–	–	–	–	(12)	(12)		
Total impairment loss on right-of-use assets	(418)	(479)	(16)	–	(12)	(925)	(897)	(28)
Impairment loss on trademarks								
Licensing and others	–	–	–	–	(397)	(397)		
Total impairment loss on trademarks	–	–	–	–	(397)	(397)	(397)	–
Impairment loss on goodwill								
Licensing and others	–	–	–	–	(19)	(19)		
Total impairment loss on goodwill	–	–	–	–	(19)	(19)	(19)	–
Other one-off costs								
Retail	(68)	–	(74)	–	(2)	(144)		
Wholesale	(7)	(45)	–	–	–	(52)		
Licensing and others	–	–	–	–	(562)	(562)		
Total other one-off costs	(75)	(45)	(74)	–	(564)	(758)	(608)	(150)
(LBIT)/EBIT of the Group	(626)	(791)	(37)	331	(2,324)	(3,447)	(3,207)	(240)
Interest income						54	50	4
Finance costs						(100)	(87)	(13)
Loss before taxation (LBT)						(3,493)	(3,244)	(249)

1 Discontinued operations consist of Asia Pacific excluding Australia and New Zealand and parts of e-shop.

2 LBIT without one-off costs effect.

3 One-off costs that are mainly related to restructuring and COVID-19.

For the year ended 30 June 2020
(Unaudited)

HK$ million	Germany	Rest of Europe including America	Asia Pacific	e-shop	Corporate services, sourcing, licensing and others	Group	– Continuing operations	– Discontinued operations
Depreciation[4]								
Retail	(345)	(418)	(95)	(68)	–	(926)		
Wholesale	(11)	(35)	(1)	–	(1)	(48)		
Licensing and others	–	–	–	–	(389)	(389)		
Total depreciation	(356)	(453)	(96)	(68)	(390)	(1,363)	(1,254)	(109)
Capital expenditure[5]								
Retail	(10)	(28)	(3)	(27)	–	(68)		
Wholesale	(2)	(2)	–	–	–	(4)		
Licensing and others	(1)	–	(7)	–	(35)	(43)		
Total capital expenditure	(13)	(30)	(10)	(27)	(35)	(115)	(100)	(15)

4 Depreciation includes depreciation of property, plant and equipment and right-of-use assets.

5 Capital expenditure includes property, plant and equipment and intangible assets.

For the year ended 30 June 2019
(Restated)
(Unaudited)

HK$ million	Germany	Rest of Europe including America	Asia Pacific	e-shop	Corporate services, sourcing, licensing and others	Group	– Continuing operations	– Discontinued operations
Revenue								
Retail	2,226	1,805	1,003	3,728	–	8,762		
Wholesale	2,200	1,754	99	–	–	4,053		
Licensing and others	–	–	–	–	5,776	5,776		
Total revenue	4,426	3,559	1,102	3,728	5,776	18,591		
– Inter-segment revenue	–	–	–	–	(5,659)	(5,659)		
– Revenue from external customers	4,426	3,559	1,102	3,728	117	12,932	11,681	1,251
Retail	2,226	1,805	1,003	3,728	–	8,762		
Wholesale	2,200	1,754	99	–	–	4,053		
Licensing and others	–	–	–	–	117	117		
Segment results								
Retail	(150)	(132)	(101)	679	–	296		
Wholesale	477	122	5	–	–	604		
Licensing and others	–	–	–	–	(1,487)	(1,487)		
EBIT/(LBIT) of the underlying operation	327	(10)	(96)	679	(1,487)	(587)	(528)	(59)
One-off costs[1]								
Provision for store closures and leases, net								
Retail	(686)	(174)	(35)	–	–	(895)		
Total provision for store closures and leases, net	(686)	(174)	(35)	–	–	(895)	(860)	(35)
One-off costs in relation to staff reduction plans								
Retail	(74)	9	(3)	(7)	–	(75)		
Wholesale	(1)	(5)	(1)	–	–	(7)		
Licensing and others	–	–	–	–	(272)	(272)		
Total one-off costs in relation to staff reduction plans	(75)	4	(4)	(7)	(272)	(354)	(324)	(30)
Inventory provision								
Retail	–	–	(4)	(1)	–	(5)		
Licensing and others	–	–	–	–	(154)	(154)		
Total inventory provision	–	–	(4)	(1)	(154)	(159)	(154)	(5)
Impairment loss of property, plant and equipment								
Retail	(66)	(33)	(5)	–	–	(104)		
Wholesale	–	(5)	–	–	–	(5)		
Licensing and others	–	–	–	–	(1)	(1)		
Total impairment loss of property, plant and equipment	(66)	(38)	(5)	–	(1)	(110)	(105)	(5)

For the year ended 30 June 2019
(Restated)
(Unaudited)

HK$ million	Germany	Rest of Europe including America	Asia Pacific	e-shop	Corporate services, sourcing, licensing and others	Group	– Continuing operations	– Discontinued operations
Write back of provision for closure costs of operations in Australia and New Zealand								
Retail	–	–	23	–	–	23		
Licensing and others	–	–	–	–	2	2		
Total write back of provision for closure costs of operations in Australia and New Zealand	–	–	23	–	2	25	25	–
(LBIT)/EBIT of the group	(500)	(218)	(121)	671	(1,912)	(2,080)	(1,946)	(134)
Interest income						49	46	3
Finance costs						(35)	(18)	(17)
Loss before taxation (LBT)						(2,066)	(1,918)	(148)

[1] One-off costs that are mainly related to restructuring.

For the year ended 30 June 2019
(Restated)
(Unaudited)

HK$ million	Germany	Rest of Europe including America	Asia Pacific	e-shop	Corporate services, sourcing, licensing and others	Group	– Continuing operations	– Discontinued operations
Depreciation								
Retail	(52)	(52)	(26)	(12)	–	(142)		
Wholesale	(9)	(9)	(2)	–	–	(20)		
Licensing and others	–	–	–	–	(293)	(293)		
Total depreciation	(61)	(61)	(28)	(12)	(293)	(455)	(418)	(37)
Capital expenditure								
Retail	(27)	(31)	(11)	(12)	(6)	(87)		
Wholesale	(6)	(5)	(9)	–	(4)	(24)		
Licensing and others	–	–	(4)	–	(48)	(52)		
Total capital expenditure	(33)	(36)	(24)	(12)	(58)	(163)	(138)	(25)

Non-current assets other than deferred tax assets and financial instruments are located in the following countries:

HK$ million	**As at 30 June** **2020** **(Unaudited)**	2019
Hong Kong	**4**	19
Germany	**1,432**	906
Other countries[1]	**2,941**	2,280
Total	**4,377**	3,205

[1] Non-current assets located in other countries include intangible assets of HK$1,641 million (2019: HK$2,050 million).

3.2. Revenue

HK$ million	**(Unaudited) For the year ended 30 June** **2020**	2019 (Restated)
Retail and Wholesale[2]		
Germany	**3,270**	4,426
Rest of Europe including America	**2,675**	3,559
Asia Pacific[1]	**547**	1,102
e-shop	**3,284**	3,728
Licensing and others	**98**	117
Revenue from external customers total	**9,874**	12,932
– from continuing operations	9,216	11,681
– from discontinued operations	658	1,251

[1] Discontinued operations consist of Asia Pacific excluding Australia and New Zealand and parts of e-shop.

[2] Includes also revenues from outlets.

Revenue from external customers is attributed to the following countries based on the location in which the sales originated:

HK$ million	(Unaudited) For the year ended 30 June **2020**	2019 (Restated)
Retail and Wholesale[1]		
Germany[2] total	**3,270**	4,426
Benelux	**743**	1,113
Switzerland	**463**	572
France	**392**	531
Austria	**365**	470
Spain	**156**	189
Finland	**139**	173
Sweden	**115**	151
Italy	**80**	105
Poland	**39**	55
United Kingdom	**37**	50
Denmark	**30**	34
Others[3]	**116**	116
Rest of Europe including America total	**2,675**	3,559
China	**180**	380
Singapore	**99**	185
Malaysia	**77**	140
Taiwan	**84**	120
Hong Kong[4]	**89**	183
Macau	**18**	59
Australia and New Zealand	**–**	35
Asia Pacific total[6]	**547**	1,102
Retail and Wholesale[1]	**6,492**	9,087
e-shop		
Germany	**1,881**	2,232
Benelux	**495**	509
France	**194**	205
Austria	**179**	199
Switzerland	**189**	190
China	**79**	101
United Kingdom	**35**	45
Poland	**32**	35
Denmark	**38**	34
Sweden	**31**	32
Finland	**21**	27
Spain	**16**	19
Italy	**9**	9
Australia and New Zealand	**–**	1
Others	**85**	90
e-shop total	**3,284**	3,728
Licensing and others		
Rest of Europe[5]	**68**	87
Germany	**30**	30
Licensing and others total	**98**	117
Revenue total	**9,874**	12,932
– from continuing operations	9,216	11,681
– from discontinued operations	658	1,251

1 Includes also revenues from outlets.

2 Germany revenue includes wholesale revenue from other European countries mainly Russia, Bosnia-Herzegovina and Romania.

3 Others under Rest of Europe include revenue from other countries mainly Chile and Colombia.

4 Hong Kong revenue includes wholesale revenue from other countries mainly Thailand, Philippines and India.

5 Revenue from Rest of Europe represents licensing income that comes from Asia Pacific, Europe other than Germany and America.

6 Discontinued operations consist of Asia Pacific excluding Australia and New Zealand and parts of e-shop.

3.3. Operating loss (LBIT)

LBIT is arrived at after charging and (crediting) the followings:

	(Unaudited)	
	For the year ended 30 June	
HK$ million	**2020**	2019 (Restated)
Impairment loss on trademarks		
– from continuing operations	**397**	–
Impairment loss on goodwill		
– from continuing operations	**19**	–
Impairment loss on property, plant and equipment		
– from continuing operations	**205**	105
– from discontinued operations	**36**	5
Impairment loss on right-of-use assets		
– from continuing operations	**897**	–
– from discontinued operations	**28**	–
Write-downs of inventories to net realizable value, net		
– from continuing operations	**292**	182
– from discontinued operations	**(13)**	(41)
Staff costs		
– from continuing operations	**1,513**	2,487
– from discontinued operations	**255**	319
Occupancy costs		
– from continuing operations	**315**	1,732
– from discontinued operations	**79**	356
Depreciation of plant, property and equipment		
– from continuing operations	**374**	418
– from discontinued operations	**17**	37
Depreciation of right-of-use assets		
– from continuing operations	**880**	–
– from discontinued operations	**92**	–
Provision for impairment of trade debtors, net		
– from continuing operations	**55**	16
– from discontinued operations	**6**	4
Auditor's remuneration	**16**	14

3.4. Finance costs

HK$ million	**(Unaudited) For the year ended 30 June** **2020**	2019 (Restated)
Interest on lease liabilities	**93**	–
Imputed interest on financial assets and financial liabilities	**7**	35
Total	**100**	35
– from continuing operations	87	18
– from discontinued operations	13	17

3.5. Taxation

Amounts recognized in the unaudited consolidated statement of profit or loss

HK$ million	**(Unaudited) For the year ended 30 June** **2020**	2019 (Restated)
Current tax expense		
Income taxes – related to current year	**90**	134
Income taxes – related to prior years	**(51)**	–
Current tax total	**39**	134
Deferred tax expense		
Origination and reversal of temporary differences, tax losses and changes of tax rates	**460**	(56)
Total income tax expense	**499**	78
– from continuing operations	437	65
– from discontinued operations	62	13

Hong Kong profits tax is calculated at 16.5% (2019: 16.5%) on the estimated assessable profit for the year, net of tax losses carried forward, if applicable.

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, net of tax losses carried forward, if applicable.

3.6. Discontinued operations

The financial performance and cash flow information referring to the discontinued operations are presented in the following table:

HK$ million	**(Unaudited) For the year ended 30 June 2020**	2019 (Restated)
Revenue	**658**	1,251
Expenses	**(907)**	(1,399)
Loss before taxation	**(249)**	(148)
Income tax expense	**(62)**	(13)
Loss from discontinued operations, net of tax	**(311)**	(161)
Exchange translation from discontinued operations	**19**	(2)
Basis and diluted loss per share	**HK$(0.16)**	HK$(0.09)

HK$ million	**(Unaudited) For the year ended 30 June 2020**	2019 (Restated)
Net cash used in operating activities	**(266)**	(43)
Net cash generated from/(used in) investing activities	**81**	(47)
Net cash used in financing activities	**(186)**	–

3.7. Debtors, deposits and prepayments

Non-current debtors, deposits and prepayments consist of the following financial and non-financial positions:

HK$ million	**As at 30 June 2020 (Unaudited)**	2019
Finance lease receivables	**36**	–
Deposits	**299**	68
Financial Instruments	**335**	68
Prepayments	**1**	38
Other debtors and receivables	**9**	14
Non-financial instruments	**10**	52
Total	**345**	120

Current debtors, deposits and prepayments consist of the following financial and non-financial positions:

HK$ million	**As at 30 June 2020 (Unaudited)**	2019
Trade debtors	**979**	1,205
less: provision for impairment of trade debtors	**(213)**	(179)
Net trade debtors	**766**	1,026
Finance lease receivables	**35**	–
Derivatives	**–**	7
Deposits	**15**	24
Financial instruments	**816**	1,057
Prepayments	**439**	126
Right-of-return assets	**69**	88
Other debtors and receivables	**129**	228
Non-financial instruments	**637**	442
Total	**1,453**	1,499

The aging analysis by invoice date of trade debtors net of provision for impairment is as follows:

HK$ million	**As at 30 June 2020 (Unaudited)**	2019
0-30 days	**393**	725
31-60 days	**133**	113
61-90 days	**61**	74
Over 90 days	**179**	114
Total	**766**	1,026

The Group's sales to retail customers are made in cash, bank transfer or by credit card. The Group also grants credit period, which is usually 30 to 60 days to certain wholesale and franchise customers.

3.8. Creditors and accrued charges

HK$ million	As at 30 June **2020** **(Unaudited)**	2019
Trade creditors	**1,011**	425
Financial instruments	**1,011**	425
Accruals	**989**	1,113
Return liabilities	**177**	202
Other creditors and payables	**640**	610
Non-financial instruments	**1,806**	1,925
Total	**2,817**	2,350

The aging analysis by invoice date of trade creditors is as follows:

HK$ million	As at 30 June **2020** **(Unaudited)**	2019
0-30 days	**164**	335
31-60 days	**99**	54
61-90 days	**189**	27
Over 90 days	**559**	9
Total	**1,011**	425

The carrying amounts of creditors and accrued charges approximate their fair values.

3.9. Provisions

Provisions consist of the followings:

HK$ million	As at 30 June **2020** **(Unaudited)**	2019
Restructuring[1]	**225**	940
Reinstatement[2]	**122**	144
Litigation[2]	**10**	10
Total	**357**	1,094

1 As at 30 June 2019, only restructuring provisions have been presented as "provision for store closure and leases". As at 1 July 2019, provisions for store closure have been reclassified because of first-time adoption of IFRS 16.

2 Provisions for reinstatement and litigation have been included as "Provisions" in the unaudited consolidated balance sheet for the year. Prior year balances which were included as "creditors and accrued charges" are presented accordingly for consistency.

4. LOSS PER SHARE

4.1. Basic

Basic loss per share is calculated by dividing the loss attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year less shares held for Share Award Scheme.

	(Unaudited) 2020	2019 (Restated)
Loss attributable to shareholders of the Company (HK$ million)	**(3,992)**	(2,144)
Number of ordinary shares in issue at 1 July (million)	**1,887**	1,887
Adjustment for shares held for Share Award Scheme (million)	**(8)**	(8)
Weighted average number of ordinary shares in issue less shares held for Share Award Scheme (million)	**1,879**	1,879
Basic loss per share (HK$ per share)	**(2.12)**	(1.14)
– from continuing operations (HK$ per share)	**(1.96)**	(1.05)
– from discontinued operations (HK$ per share)	**(0.16)**	(0.09)

4.2. Diluted

Diluted loss per share is calculated based on dividing the loss attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year (less shares held for Share Award Scheme) adjusted by the dilutive effect of share options and awarded shares.

	(Unaudited) 2020	2019 (Restated)
Loss attributable to shareholders of the Company (HK$ million)	**(3,992)**	(2,144)
Weighted average number of ordinary shares in issue less shares held for Share Award Scheme (million)	**1,879**	1,879
Adjustments for shares options and award shares (million)	**–**	–
Weighted average number of ordinary shares for diluted earnings per shares (million)	**1,879**	1,879
Diluted loss per share (HK$ per share)	**(2.12)**	(1.14)
– from continuing operations (HK$ per share)	**(1.96)**	(1.05)
– from discontinued operations (HK$ per share)	**(0.16)**	(0.09)

Diluted loss per share for the year ended 30 June 2020 and 30 June 2019 was the same as the basic loss per share since the share options and awarded shares are antidilutive for the years presented.

5. DIVIDENDS

The Board did not declare and recommend the distribution of any dividend for the year ended 30 June 2020 (2019: nil).

MANAGEMENT DISCUSSION AND ANALYSIS
(all figures unaudited)

Overview

In general, the financial performance of the Group during FY19/20 was split into two. During the first half of the year, the Group continued the execution of the strategic plan presented in 2018 to restore Esprit to sustainable growth and profitability. A plan characterized by measures to become a leaner organization with a smaller physical store footprint. These strategic goals have been put in place to slow the rate of sales decline, increase the mix of full price sales and lower operating expenses.

Core elements of the product strategy are to sharpen Esprit's brand identity with a commitment to sustainability, enhance the customer experience and improve the product portfolio. Other key elements include resizing the retail business in terms of volume and geography, a best-in-class approach to serve the Group's wholesale partners and strengthening the profitable e-commerce business.

Besides, Esprit worked on a leaner organization with more efficient reporting lines and a new management structure. Consequently, the Executive Management team was optimized, and the Board was enhanced by the appointment of Johannes Schmidt-Schultes as new Group Chief Financial Officer in October 2019.

Esprit's efforts to reshape its business were successful with the half-year financial results in line with the Group's expectations. Group LBIT adjusted for foreign exchange ("FX") fluctuations improved by HK$1.4 billion compared to the first half of FY18/19. Across the European business the Group achieved strong gross margin growth, significant improvement in the mix of full price sales, sales growth in like-for-like stores and a large reduction in operating expenses.

As a result, LBITDA of underlying operations in the first half of FY19/20 was close to breakeven at HK$(15) million. These early signs of improvement in different aspects of the underlying operations made the management confident that they were on the right track.

Further positive effects were starting to be visible in the second half of the financial year, but the promising development was sharply interrupted by the outbreak of COVID-19 (the "Pandemic"). Initially the Asian markets and supply chains were affected as early as January 2020. By mid-March, almost all brick and mortar stores in Europe had to be temporarily closed due to government-ordered lockdowns as part of public health measures implemented to slow down the spread of the Pandemic. E-commerce revenue remained the only revenue driver while salaries, rents and operating costs continued to accrue.

As a proactive and forward-looking measure to protect the solvency and liquidity of the Group (most notably the European subsidiaries) and the ongoing business, the Group applied for protective shield proceedings (the "Protective Shield Proceedings"), a restructuring proceeding in self-administration, pursuant to section 270b of the German Insolvency Act on 27 March 2020 for the six German subsidiaries (the "Subject Subsidiaries"). The Protective Shield Proceedings enabled a large restructuring of operations in Germany held under the custodianship of Dr. Biner Bähr from the renowned law firm "White & Case". The appointment took place by the Düsseldorf District Court of Germany (the "Court"). Additionally, experienced Protective Shield advisors were contracted to support the Protective Shield Proceedings.

Protective Shield Proceedings serve to protect the Subject Subsidiaries from individual creditors while the management of the Group has worked out an advanced restructuring plan based on the strategic plan of 2018. This allowed an acceleration of the plan for the Company to transform into a smaller, leaner organisation to face the uncertain times ahead. For further details, please refer to the paragraph headed "Important events occurring after the Reporting Period – Updates on the restructuring initiatives of the Group" below in this announcement.

In addition, to focus resources and recalibrate operations in order to cope with the challenges of the Pandemic most effectively, the Group decided on further restructuring measures in April. It was decided to close all business in Singapore, Malaysia, Taiwan, Hong Kong and Macau as part of its restructuring initiatives.

As a consequence, all 56 stores in Asia, outside of mainland China, were closed by the end of June 2020. The Group had already taken the decision to wind down its China business while entering into a joint venture agreement (the "JV Agreement") with Mulsanne Group Holdings Ltd ("MGH Ltd") in December 2019, for the purpose of trading under the Esprit brand in China. However, the JV agreement was terminated on 30 July 2020 due to a material breach of terms by the contract partner. As of 30 June 2020, all retail stores and trading outlets in China are closed and the Group is currently formulating a new strategy.

Therefore, as of 30 June 2020, the management has disclosed the Asian business as "discontinued operations" in the unaudited consolidated financial statements of the Group in this announcement.

In the fourth quarter of FY19/20 the Pandemic heavily affected the business. All stores in Germany and also in other European countries were only allowed to re-open in mid-May. A similar schedule also applied to many other European countries. FY19/20 ended negatively with significant impairments and one-off costs for the annual reporting.

Unaudited Results of Operations

The following table summarizes the unaudited results of the Group for FY19/20 and FY18/19. The Group adopted the new accounting standard IFRS 16, recognizing all lease contracts (former IAS 17) as right-of-use assets and lease liabilities on the unaudited consolidated balance sheet.

Results of Operations (Unaudited figures)

	2020	2019	change %
	HK$ million	*HK$ million*	
Revenue	**9,874**	12,932	(23.65)%
Cost of purchase	**(5,563)**	(6,431)	(13.49)%
Gross profit	**4,311**	6,501	(33.69)%
Gross profit margin	***43.7%***	*50.3%*	
Staff costs [1]	**(1,768)**	(2,806)	(37.00)%
Occupancy costs	**(394)**	(2,088)	(81.11)%
Logistics expenses	**(572)**	(821)	(30.38)%
Marketing and advertising expenses	**(516)**	(634)	(18.63)%
Depreciation of property, plant and equipment	**(391)**	(455)	(13.98)%
Depreciation of right-of-use assets	**(972)**	–	n/a
Provision for store closures and leases, net [2]	**–**	(895)	(100.00)%
Impairment loss on property, plant and equipment	**(241)**	(110)	119.32%
Write back of provision for closure costs of operations in Australia and New Zealand	**–**	25	(100.00)%
Write-downs of inventories to net realizable value, net	**(279)**	(141)	98.43%
Provision for impairment of trade debtors, net	**(61)**	(20)	203.16%
Impairment loss on right-of-use assets	**(925)**	–	n/a
Impairment loss on trademarks	**(397)**	–	n/a
Impairment loss on goodwill	**(19)**	–	n/a
Other operating costs	**(1,223)**	(636)	92.30%
LBIT of the Group	**(3,447)**	(2,080)	65.74%
Thereof exceptional items			
Write-downs of inventory to net realizable value, net	**(343)**	(159)	
Provision for impairment of trade debtors, net	**(45)**	–	
Impairment loss on property, plant and equipment	**(241)**	(110)	
Impairment loss on right-of-use assets	**(925)**	–	
Impairment loss on trademarks and goodwill	**(416)**	–	
Restructuring plans [3]	**(299)**	(1,224)	
Protective Shield Proceedings	**(71)**	–	
Subtotal	**(2,340)**	(1,493)	
LBIT of the underlying operation	**(1,107)**	(587)	

1 includes a release of provision for restructuring

2 provision for store closures and leases is zero due to first time adoption of IFRS 16

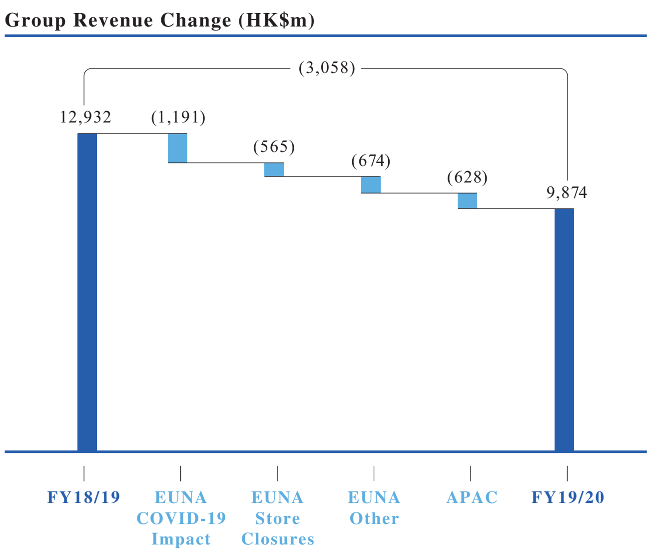
3 includes one-off costs in relation to staff reduction plans and provision for store closures (FY18/19: included one-off costs in relation to staff reduction plans and provision for store closures and onerous leases and write back of provision for closure costs of operations in Australia and New Zealand)

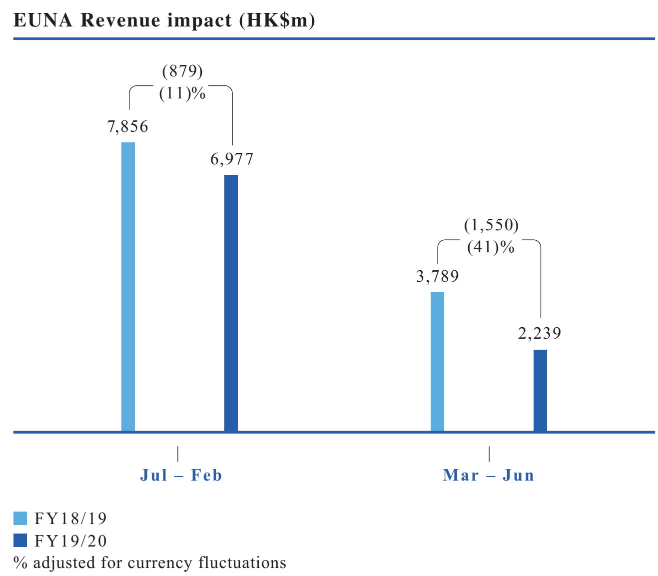
Revenue Analysis (Unaudited figures)

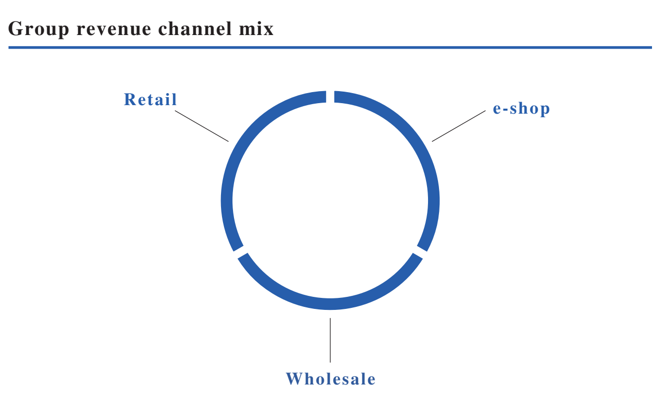
In FY19/20 the Group recorded revenue of HK$9.9 billion (FY18/19: HK$12.9 billion). When adjusted for FX fluctuations this equates a decline of 21% year-on-year.

The second half of FY19/20 was significantly impacted by the Pandemic. Europe and North America ("EUNA") revenue declined 41% year-on-year in March to June 2020, compared with 11% decline in July 2019 to February 2020. Compulsory store closures began mid-March 2020 and continued until mid-May 2020. After reopening, demand in the market remained suppressed compared to levels experienced at the height of the Pandemic.

HK$1.2 billion of the sales deterioration occurred due to the Pandemic and subsequent drop in consumer demand, HK$0.6 billion was due to the reduction in retail space in EUNA and HK$0.6 billion due to decline in the Asia Pacific region ("APAC") business. The decline in the APAC was caused by store closures and like-for-like underperformance.







Group revenue is divided into 3 main channels; Wholesale, e-commerce and owned Retail stores. Each channel accounts for approximately one third of revenue.

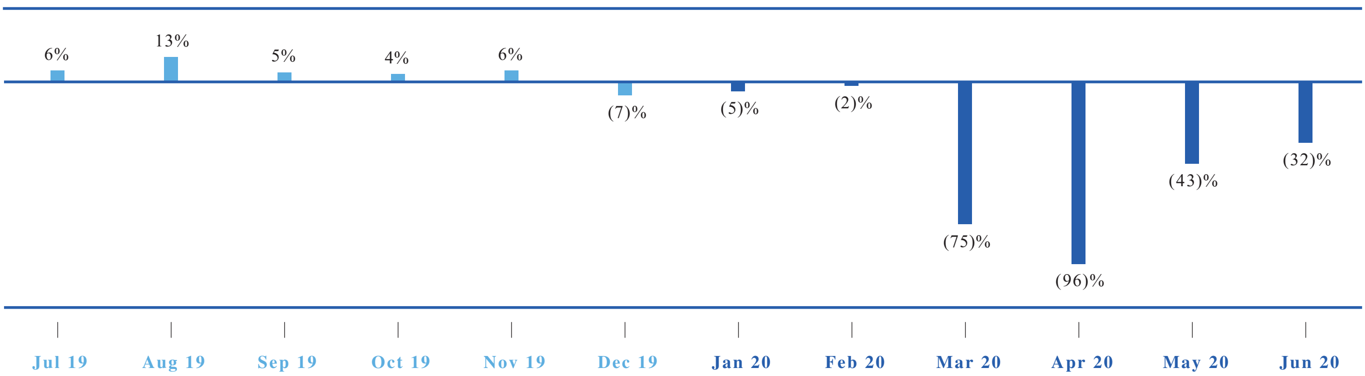
This business model allowed us to mitigate some of the impacts of the Pandemic, as our own brand website and 3rd party e-commerce partners continued to trade during lockdown.

Retail business in Europe

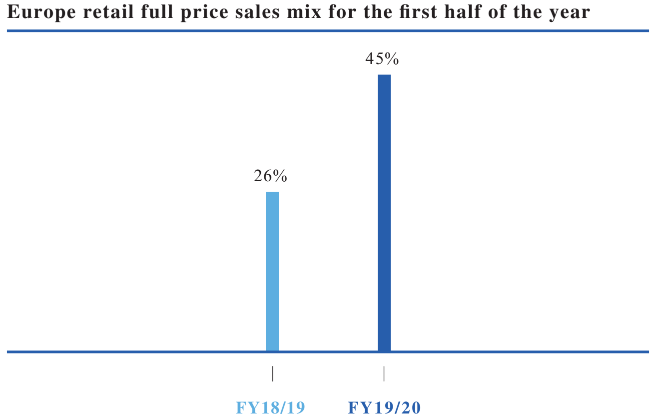
Sales in retail Europe declined 29% year-on-year in FY19/20, and in the first half declined by 13%. The Group has reduced its retail footprint over the last two years in order to reduce operating costs and focus on profitable trading spaces. Management further optimized the store portfolio during the financial period FY19/20. Further store closures are expected to occur in the financial year ending 30 June 2021 ("FY20/21").

In FY19/20, the Group changed the promotional strategy in order to deliver increased full price sales and gross margin. This involved reducing mid-season promotions in favor of end of season markdown events. In retail this proved to be successful, as the Group saw 5 months of like-for-like growth and a 19% increase in mix of units sold at full price. The Group is confident that this is the right strategy for its retail business and that positive results would have continued into the second half without the Pandemic.

Europe retail year-on-year gross profit by month (excludes outlet stores)

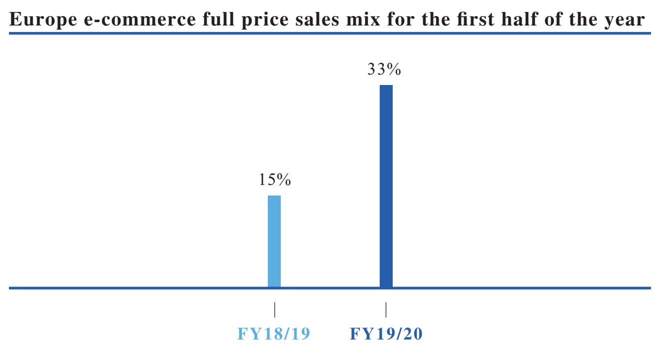


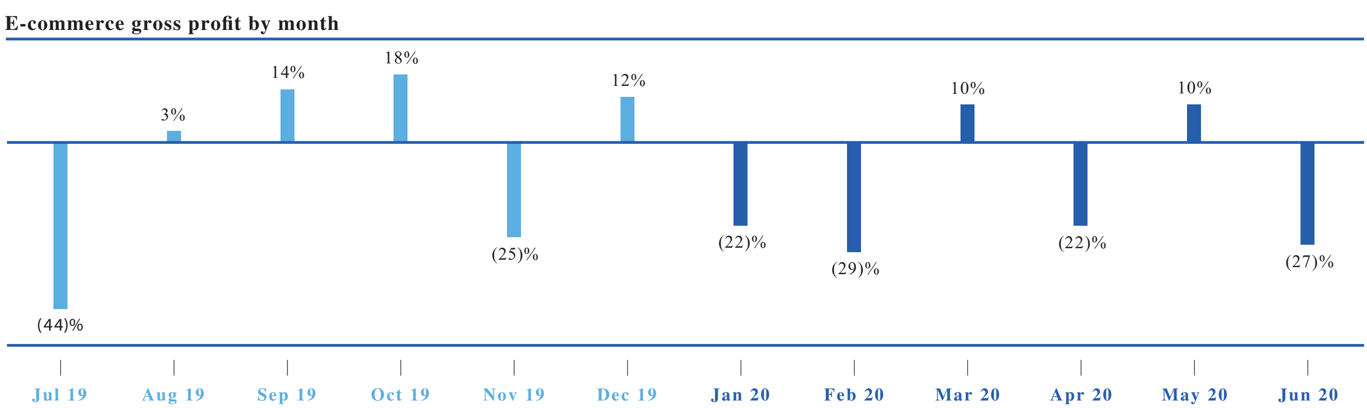
Europe retail full price sales mix for the first half of the year



e-commerce business in Europe

Sales through the Esprit e-shop and 3rd party marketplaces declined 9% year-on-year in FY19/20. The full prices sales strategy saw positive results in some months but proved more erratic on a channel where discounting is the fundamental way to drive traffic. This was particularly noticeable across November, Black Friday and during the Pandemic where management had to compete with high levels of discounting amongst other brands. Regardless, management is confident of the long-term benefits of the lower discounting strategy and will focus on fewer, better targeted promotions going forward.

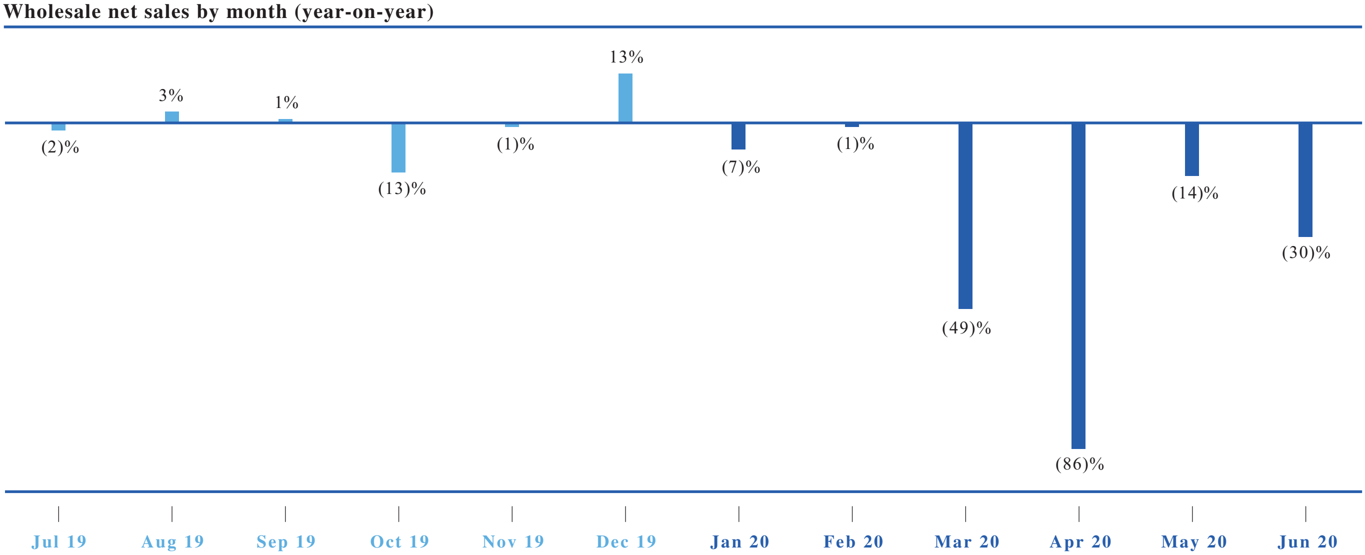




Wholesale business in Europe

In the last two years, the Group has adjusted its strategy to have a greater focus on the wholesale business and wholesale partners. The Group will deliver long term revenue growth by working with wholesale partners to ensure they are profitable. The strategy proved successful. In the first half year of FY19/20, wholesale revenue declined just 0.9% year-on-year (in local currency terms) despite a 13% decline in the customer base.

Wholesale net sales by month (year-on-year)



Profitability analysis (Unaudited figures)

Gross profit margin

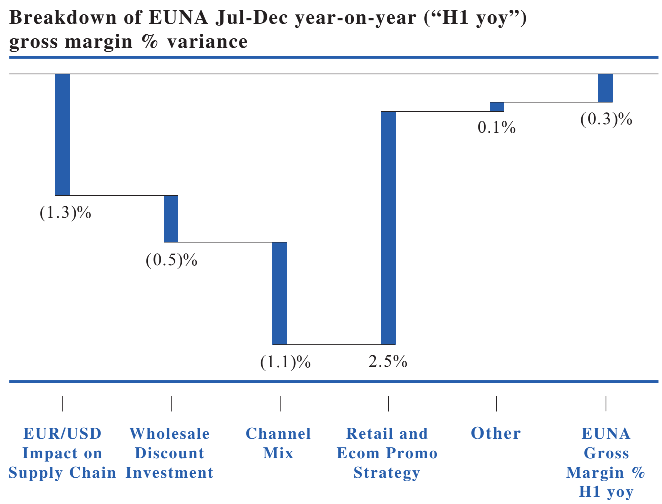
Group gross profit margin was 43.7% which is a decline of 6.7% year-on-year in local currency terms ("LCY"). Closure of APAC operations impacted the Group's gross margin by 1.8% year-on-year.

The gross profit margin in EUNA dropped 5.0% year-on-year. The second half of FY19/20 was heavily impacted by the Pandemic. Significant discounting was prevalent across high streets due to excess stock and suppressed demand in the market. Esprit had to temporarily suspend the reduced promotions strategy in order to remain competitive. Some of the risk was mitigated through stock order cancellations, which amounted to approximately 30% of orders.

The gross profit margin in EUNA in the first half of FY19/20 was indicative of the success of the reduced promotions strategy. Whilst the gross margin fell 0.3% in the year, the promotion strategy led to an overall 2.5% increase in gross margin in EUNA. This was offset by a 1.3% impact from the weakening EUR/USD rate and a 1.1% drop from channel mix due to closure of physical retail stores, the channel where gross margin percentage is the highest. There was also a 0.5% investment in gross margin in the wholesale channel, in order to reduce some stock returns and promote the Esprit brand for the benefit of future sales growth.

Group gross margin variance adjusted for local currencies

	FY19/20	FY18/19	vs %Pts LCY
Total Group	**43.7%**	50.3%	-6.7%
Jul-Dec	**49.2%**	51.3%	-2.2%
Jan-Jun	**36.0%**	49.2%	-13.2%
EUNA	**43.9%**	48.8%	-5.0%
Jul-Dec	**48.5%**	48.7%	-0.3%
Jan-Jun	**37.7%**	48.9%	-11.3%
APAC	**40.2%**	64.1%	-24.2%
Jul-Dec	**57.0%**	72.1%	-14.9%
Jan-Jun	**12.1%**	53.0%	-41.7%



Operating expenses (Unaudited figures)

Operating expenses were HK$7.8 billion, 9% lower than last year. This includes exceptional items of HK$2.3 billion. Excluding exceptional items, expenses for FY19/20 were 23% lower than FY18/19.

Staff cost has declined HK$1.0 billion, that is a 37% drop year-on-year. Approximately one quarter of this decline can be attributed to store closures and there has also been a significant streamlining of operations in the remaining store portfolio and in all support and central functions as part of the first phase of the transformation project. The second phase of restructuring in FY20/21 will see a further decline in staff costs. The Group has taken bold steps to reduce headcount to ensure that Esprit will return to profitability even in an uncertain market after the Pandemic.

The decline in occupancy costs of 81% was primarily driven by the change in accounting treatment of leases under IFRS 16. Lease expenses are now reflected as depreciations of right-of-use assets and interest expenses on lease liabilities. However, in real cash terms there has been a decline of 14% in occupancy costs in Europe, driven by store closures, and the centralization of German support center functions into one office in Ratingen. Also, a significant occupancy reduction will be seen in FY20/21 as a number of stores are earmarked for closure.

Logistics costs declined 31% mainly due to IFRS 16 accounting changes and cost line reclassifications. In real terms, logistics costs declined 5.6% year-on-year despite an increase in the mix of sales from e-commerce. This was due to a change in working relationship with our e-commerce logistics supplier, enabling greater scrutiny of costs and efficiency improvements.

Marketing spend was reduced by 19%. This was mainly driven by a reduction in customer relationship management (CRM) spend. As part of the Group's strategy to drive full price sales, there were fewer promotional vouchers mailed out to customers. The number of postal mails to customers also declined as a result of our strategy to shift CRM activity online.

Exceptional items

The Pandemic had a significant negative effect on the assessment of exceptional items and their impact on the results of the FY 19/20 as the business planning assumptions of the Group are based on a macroeconomic outlook which rather assumes uncertain market development and consumers' behavior than a clear growth path. Overall, the Group will focus on its key markets and the downsizing of the business with the closure of loss-making stores and non-performing business.

The Group estimates a sales decline which is driven by an uncertain outlook in the wholesales area, a decrease in retail business due to store closures in Germany and the closure of the Asia business activities. The Group expects a reduced profitability within the next financial year because of the ongoing restructuring process as well as riding out the uncertainty about the further impact of the Pandemic. The Group is convinced that the restructuring is necessary to return the business to profitability in FY21/22.

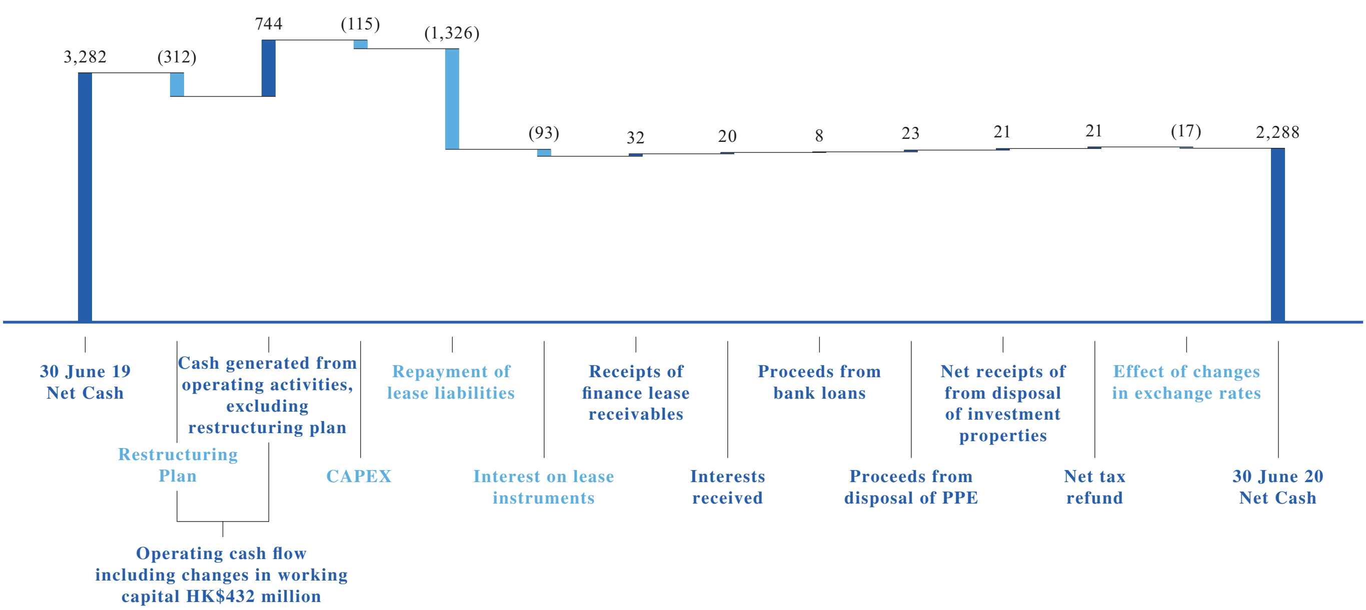
The Group's forward-looking planning scenario assumes low economic activity and a low Group profitability. By applying these assumptions, the Group had to record impairment and one-off-effects which are amounting in total to HK$2,340 million. The biggest part is attributable to impairments for goodwill and trademarks, impairments for right-of-use assets, property, plant and equipment, inventories and receivables (totaling HK$1,970 million), other exceptional items have been assessed for restructuring measures (personnel expenses and retail closures costs with an amount of HK$299 million) and insolvency proceedings in Germany (HK$71 million). However, the Group expects to end the insolvency proceedings in autumn 2020.

Liquidity and Financial Resources Analysis (Unaudited figures)

Net Cash: As at 30 June 2020, the Group remained nearly debt free with a HK$8 million loan so that cash, bank balances and deposits were totalling HK$2,288 million (30 June 2019: HK$3,282 million), representing a net cash utilization of HK$994 million as compared with HK$1,239 million in FY18/19.

The cash utilization was mainly used for financing activities totalling HK$1,326 million, for the Restructuring Plans totalling HK$312 million and for operating activities excluding restructuring totalling generated cash inflow of HK$744 million. The Group invested HK$115 million in capital expenditure ("CAPEX").

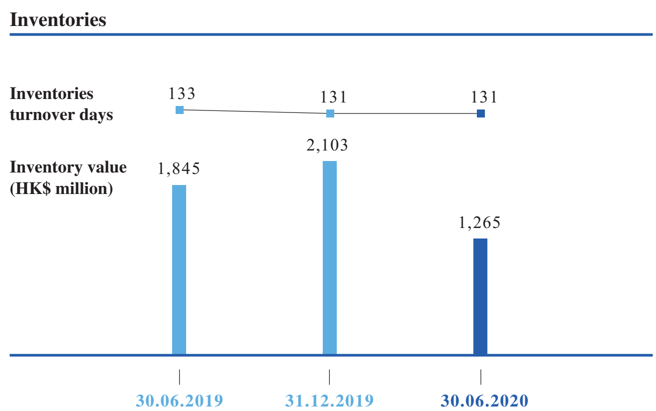
Cash utilization (HK$ million)



Inventories: The inventory balance amounted to HK$1,265 million (30 June 2019: HK$1,845 million), representing a year-on-year decrease of 31.4%. In terms of units, the total inventory at the end of June 2020 was 23.5 million pieces, a year-on-year decrease of 16.9% as compared to the 28.3 million pieces at the end of June 2019.

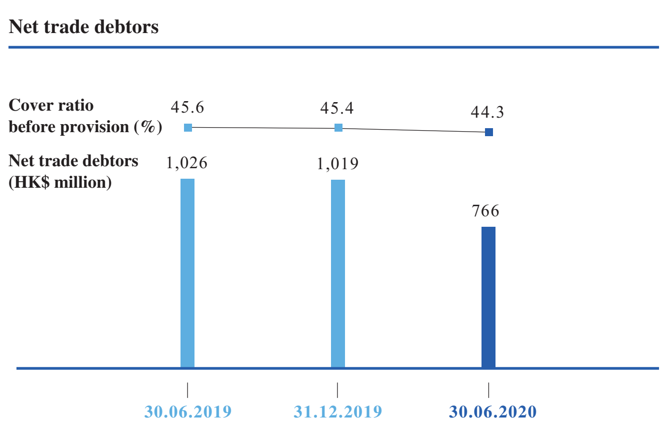
The decrease is also due to write-downs the management has assessed in regard to overstock from the lockdown period and in anticipation of an expected reduced economic scenario and planned store closures which will result in weakening customer demand, decreased stores and outlet capacities, less selling space, decreasing prices and higher return rates.

Inventory turnover days were 131 days, an improvement of two days as compared with a year ago (30 June 2019: 133 days), mainly driven by the Group's new tools and processes to support business as well as tighter inventory control.



Trade debtors: Net Trade debtors was HK$766 million (FY18/19: HK$1,026 million), which is a decrease of 25.3% compared to the same period last year due to lower sales and increased provisions for bad debts (HK$213 million in FY19/20 compared to HK$179 million in FY18/19).

The cover ratio before provision (the amount of insured and secured gross trade debtors including VAT over total gross trade debtors including VAT) decreased to 44.3% (FY18/19: 45.6%).



CAPEX: The Group invested HK$115 million in CAPEX in FY19/20 (FY18/19: HK$163 million), representing a decrease of 29.4% year-on-year. The biggest part of investments went into existing stores in Europe including the e-shop.

	For the year ended 30 June	
HK$ million	**2020**	2019
Existing stores and refurbishment	**62**	31
New stores	**1**	36
IT projects	**14**	30
Office & others	**38**	66
Purchase of property, plant and equipment and intangible assets	**115**	163

Total Interest-Bearing External Borrowings: As at 30 June 2020, the Group had COVID-19 related HK$8 million borrowings in Switzerland, repayable in 5 years (30 June 2019: Nil).

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, US Dollar and Renminbi. Foreign exchange risk primarily arises from future commercial transactions and recognized monetary assets and liabilities that are denominated in currencies that are not the functional currencies of the Group's entities.

To minimize the Group's foreign exchange exposure on costs for merchandise produced for Europe in Asia, majority of the suppliers in Asia were asked to quote and settle in US Dollar. In addition, to manage the foreign exchange risk arising from future commercial transactions, the Group in the past entered into forward foreign exchange contracts with reputable financial institutions to hedge the foreign exchange risk.

In March 2020, all credit lines have been cancelled due to the Protection Shield Proceedings and since then no further forward foreign exchange contracts have been concluded. Therefore, currency fluctuations could affect its margins and profitability. Once the Protective Shield Proceedings are finalized, the Group will secure foreign exchange risk again.

Human resources

As at 30 June 2020, the Group employed approximately 3,400 full-time equivalent staff (as at 30 June 2019: over 4,900) around the globe.

Competitive remuneration packages that take into account business performance, market practices and competitive market conditions are offered to employees in compensation for their contribution. All employees of the Group around the world are connected through the Group's global intranet.

Dividend

The Board maintains the dividend payout ratio of 60% of basic earnings per share. As the Group recorded a loss for the year ended 30 June 2020, the Board does not recommend the distribution of a final dividend for the year ended 30 June 2020 (FY18/19: Nil).

IMPORTANT EVENTS OCCURRING AFTER THE REPORTING PERIOD

Updates on the restructuring initiatives of the Group

(A) Updates on the Protective Shield Proceedings

As disclosed in the announcements of the Company dated 27 March 2020 and 1 July 2020, the Subject Subsidiaries had applied for the Protective Shield Proceedings. In August 2020, the creditors' assemblies of the Subject Subsidiaries discussed the Protective Shield Proceedings.

Due to the factors, including but not limited to, that (i) ongoing negotiations with works' councils of one of the Subject Subsidiaries; (ii) delayed submission of the insolvency bookkeeping documentation by the service provider for insolvency proceeding; (iii) the requirement to deliver copies of the Restructuring Plans to creditors based outside of Germany; and (iv) limited availability of the Court during the COVID-19 pandemic, the submission of the Restructuring Plans to the Court has been delayed. The Restructuring Plans are subject to the approval of the creditors and the Court. It is currently expected that the creditors' meeting for approving the Restructuring Plans will be held at the Court in October 2020.

(B) Updates on the Restructuring Plans

As disclosed in the announcement of the Company dated 1 July 2020, the key elements of the Restructuring Plans include "headcount and salary reduction", "store portfolio optimization" and "cost reduction". The progress of the implementation of the Restructuring Plans in respect of the key elements mentioned above as at the date of this announcement are as follows:

Headcount and salary reduction

The Group has continued with the global headcount reduction plan as planned in order to transform the Group into a leaner organization.

Store portfolio optimization

To continue with the Group's effort to streamline its business operations and to minimize costs and expenses, the Group has closed all its retail stores in Asia (including the PRC) and closed certain stores in Europe that underperformed. Furthermore, in view of the increasing popularity of online shopping in recent years, the Group is also developing its online shopping platform and has launched instore assisted selling app in various retail stores in Europe. The Group is also testing its new salesforce e-commerce platform, which is expected to be launched in the first quarter of 2021.

Cost reduction

The Group is in the process of re-negotiating the contracts with its service provider in order to obtain more favorable terms and further reduce its costs. Furthermore, the Group is also forming more strategic partnerships with different companies in order to further increase its revenue.

Apart from the above, the Group has also taken other initiatives to reduce its costs of production, which include: (i) streamlining of corporate structure of the Company; (ii) increasing the usage of digital tools to reduce its travelling expenses; and (iii) optimizing the supply and choice of supplier strategy of the Group.

Further details on the progress of Protective Shield Proceedings and the implementation of the Restructuring Plans will be disclosed in the annual report of the Company for the year ended 30 June 2020.

Change of Directors and composition of the committee members of the Board

With effect from 21 July 2020,

(i) Mr. Marc Andreas TSCHIRNER, Ms. CHIU Su Yi Christin and Mr. Hung Wai WONG have been appointed as executive Directors;

(ii) Ms. CHIU Su Yi Christin has been appointed as member of the remuneration committee of the Company (the "Remuneration Committee") and the general committee of the Board (the "General Committee"); and

(iii) Mr. Marc Andreas TSCHIRNER and Mr. Hung Wai WONG have been appointed as members of the General Committee.

For further details, please refer to the announcement of the Company dated 21 July 2020.

With effect from 24 July 2020, Dr. Martin WECKWERTH has resigned as an independent non-executive Director, chairman of the Remuneration Committee and a member of the Audit Committee. For further details, please refer to the announcement of the Company dated 26 July 2020.

Furthermore, with effect from 29 July 2020,

(i) Mr. CHUNG Kwok Pan has been appointed as an independent non-executive Director and a member of the Audit Committee and the Remuneration Committee; and

(ii) Ms. Sandrine Suzanne Eleonore Agar ZERBIB has been re-designated as chairman of the Remuneration Committee.

For further details, please refer to the announcement of the Company dated 29 July 2020.

New substantial shareholder

In July 2020, Ms. LO Ki Yan Karen became the Company's new substantial shareholder, who, as at the date of this announcement, directly and indirectly held 438,671,700 shares in aggregate, representing approximately 23.2% of the total issued share capital of the Company.

Termination of the JV Agreement

On 30 July 2020, the Group, through its legal advisor, has issued a notice of termination to MGH Ltd to terminate the JV Agreement, as MGH Ltd has failed to establish the joint venture company and has constituted a material breach of the terms of the JV Agreement. The Group has also demanded the payment of RMB50 million (the "Liquidated Damages") by MGH Ltd to the Group pursuant to the liquidated damages clause of the JV Agreement. For further details, please refer to the announcements of the Company dated 1 December 2019 and 30 July 2020.

On 3 September 2020, MGH Ltd, through its legal advisor, has informed the Group that it would terminate the JV Agreement pursuant to the relevant laws and regulations in the PRC with immediate effect. As at the date of this announcement, there is no update on the payment of the Liquidated Damages.

Save as disclosed in this announcement, no important events affecting the Group have occurred since the end of the Reporting Period.

OUTLOOK

The global economic development is highly dependent on how quickly the Pandemic can be stopped by finding a vaccine. A quick return to global pre-crisis levels is currently not expected.

In Germany, Esprit's most important market, short-time work and governmental support for companies withheld the rise in unemployment during the lockdown. The second half of calendar year 2020 will show if the financial assistance package as well as the reduced value-added tax will re-stimulate private consumption.

The European Union has instituted financial support to stimulate economic activity.

A weak European economy and an expected increase in unemployment could have an adverse impact on consumer sentiment. Experts do not see the textile industry going back to previous levels soon. The overall assumption is that consumption will be lower with a higher focus on quality and sustainability.

Esprit sees itself well prepared with its strategic focus on affordable premium products of high quality and a focus on sustainability.

The Group's restructuring plan focuses on creating long-term value for its stakeholders. Measures like shop closures and the reduction of wholesale customers will reduce revenue but these measures are expected to increase the Group's profitability. Other positive measures include an extension of the Group's e-commerce business, a better sales pricing, a reduced product portfolio and further cost optimization.

Developments in the economic environment remain difficult to assess at present. It is therefore not possible to make a comprehensive quantitative forecast for FY20/21. The first quarter FY20/21 is already promising and encourages the Group to strictly follow the Restructuring Plans to re-build Esprit towards profitability within the next two years. The current financial focus of the Group includes consistent cost and working capital management as well as cash flow generation.

REVIEW OF THE UNAUDITED ANNUAL RESULTS

The Group has been pursuing a number of measures to improve the Group's liquidity and financial position and to finance its operations. The unaudited consolidated financial statements of the Group for the financial year ended 30 June 2020 have been prepared on a going concern basis. Depending on the exact outcome of the Protective Shield Proceedings (e.g. the exact debt relief to be granted by the creditors), the basis of preparation of the financial statements may be affected and adjustments may need to be made.

As a result of the delay in the Protective Shield Proceedings, the unaudited annual results contained in this announcement have been reviewed by the Audit Committee but have not yet been agreed by the Auditor in accordance with Rule 13.49(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The financial results of the Group for the financial year ended 30 June 2020 is expected to be finalised upon completion of the Protective Shield Proceedings, which is currently expected to be on or before 31 October 2020.

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to (i) the audited consolidated annual results for the year ended 30 June 2020 as agreed by the Auditor and the material differences (if any) as compared with the unaudited consolidated annual results contained in this announcement; (ii) the proposed date on which the next annual general meeting of the Company will be held; and (iii) the record date in order to ascertain shareholders' eligibility to attend and vote at the next annual general meeting.

PUBLICATION OF ANNUAL REPORT

The Company currently expects that the annual report for the year ended 30 June 2020 will be despatched to the shareholders and published on the websites of The Stock Exchange of Hong Kong Limited and the Company by the end of October 2020.

AUDIT COMMITTEE

The Audit Committee currently comprises four non-executive Directors (three of whom are independent). The Audit Committee has reviewed the accounting principles and practices adopted by the Group, and has also discussed auditing, internal controls and financial reporting matters including the review of the quarterly updates, interim results and unaudited annual results of the Group, and the basis and accounting treatment thereof. The unaudited annual results of the Group for the year ended 30 June 2020 have been reviewed and agreed by the Audit Committee.

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 Reporting Period.

CORPORATE GOVERNANCE

The Company has applied the principles of, and complied with the Corporate Governance Code and Corporate Governance Report (the "Code") as set out in Appendix 14 of the Listing Rules for the year ended 30 June 2020, except for the following matters:

Under code provision A.4.1 of the Code, non-executive Directors should be appointed for a specific term, subject to re-election. However, non-executive Directors of the Company do not have specific term of appointment. Under bye-law 87 of the Memorandum of Association and New Bye-Laws of the Company, all Directors, including non-executive Directors, are subject to retirement by rotation and re-election in the annual general meeting of the Company and each Director is effectively appointed under an average term of not more than three years.

For the period from 5 December 2019 to 14 January 2020

The Company failed to meet the following requirements for the period from 5 December 2019 to 14 January 2020 resulting from the retirement of Mr. Alexander Reid HAMILTON and Mr. Norbert Adolf PLATT, being the then independent non-executive Directors, on 5 December 2019:

- the Board must include at least three independent non-executive Directors under Rule 3.10(1) of the Listing Rules;
- at least one of the independent non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10(2) of the Listing Rules;
- the Audit Committee must be comprised of a minimum of three non-executive Directors, at least one of whom is an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules. Furthermore, the majority of the Audit Committee members must be independent non-executive Directors and the Audit Committee must be chaired by an independent non-executive Director under Rule 3.21 of the Listing Rules;
- the Remuneration Committee must be chaired by an independent non-executive Director under Rule 3.25 of the Listing Rules; and
- the Nomination Committee should comprise a majority of independent non-executive Directors under code provision A.5.1 of the Code.

Following the appointment of Mr. Joseph LO Kin Ching as an independent non-executive Director, chairman of the Audit Committee and a member of the Nomination Committee, and Dr. Martin WECKWERTH as an independent non-executive Director, chairman of the Remuneration Committee and a member of the Audit Committee, all with effect from 15 January 2020, the Board comprises of eight Directors including three executive Directors, one non-executive Director and four independent non-executive Directors, one of whom has appropriate professional qualifications or accounting or related financial management expertise. As a result, the Company has complied with the requirements under (i) Rule 3.10(1) of the Listing Rules regarding the composition of the Board; (ii) Rule 3.10(2) of the Listing Rules regarding the professional qualifications of an independent non-executive Director; (iii) Rule 3.21 of the Listing Rules regarding the composition of the Audit Committee; (iv) Rule 3.25 of the Listing Rules regarding the composition of the Remuneration Committee; and (v) code provision A.5.1 of the Code regarding the composition of the Nomination Committee after the appointment of Mr. LO and Dr. WECKWERTH become effective.

For the period from 24 July 2020 to 28 July 2020

Dr. WECKWERTH has resigned as an independent non-executive Director, chairman of the Remuneration Committee and a member of the Audit Committee with effect from 24 July 2020. As a result, the Company failed to meet the following requirements for the period from 24 July 2020 to 28 July 2020:

- the Company must appoint independent non-executive Directors representing at least one-third of the Board under Rule 3.10A of the Listing Rules; and

- the Remuneration Committee must be chaired by an independent non-executive Director and must be comprised of a majority of independent non-executive Directors under Rule 3.25 of the Listing Rules.

With effect from 29 July 2020, Mr. CHUNG Kwok Pan has been appointed as an independent non-executive Director and a member of the Audit Committee and the Remuneration Committee, and Ms. Sandrine Suzanne Eleonore Agar ZERBIB, who is a member of the Remuneration Committee, has been re-designated as the chairman of the Remuneration Committee. Following such appointment and change of composition of the committee members of the Board, the Board comprises eleven Directors including five executive Directors, two non-executive Directors and four independent non-executive Directors. As a result, the Company has complied with the requirements under (i) Rule 3.10A of the Listing Rules regarding the composition of the Board; and (ii) Rule 3.25 of the Listing Rules regarding to the composition of the Remuneration Committee.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in Appendix 10 of the Listing Rules.

The Company has made specific enquiry with all Directors and all of them confirmed that they have complied with the required standard set out in the Model Code for the year ended 30 June 2020.

The financial information contained herein in respect of the unaudited annual results of the Group have not been audited and have not been agreed with the Company's auditor. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises the following Directors:

Executive Directors:
Mr. Anders Christian KRISTIANSEN
(Group Chief Executive Officer)
Dr. Johannes Georg SCHMIDT-SCHULTES
(Group Chief Financial Officer)
Mr. Marc Andreas TSCHIRNER
(Group Chief Operating Officer)
Ms. CHIU Su Yi Christin
(Group Legal and Public Relations Officer)
Mr. Hung Wai WONG
(Group Chief Investment Officer)

Non-executive Directors:
Dr. Raymond OR Ching Fai
(Non-executive Chairman)
Mr. Jürgen Alfred Rudolf FRIEDRICH

Independent Non-executive Directors:
Mr. Carmelo LEE Ka Sze
Ms. Sandrine Suzanne Eleonore Agar ZERBIB
Mr. Joseph LO Kin Ching
Mr. CHUNG Kwok Pan

By Order of the Board
Ophelia LO Tik Man
Company Secretary

Hong Kong, 29 September 2020

Forward-Looking Statements

This announcement contains certain forward-looking statements. Such forward-looking statements are subject to various risks and uncertainties, including without limitation, statements relating to our plans to transform the Company's business, make significant investment in our businesses and achieve sustainable profitability in the future, and other risks and factors identified by us from time to time. Although the Group believes that the anticipations, beliefs, estimates, expectations and/or plan stated in this announcement are, to the best of its knowledge, true, actual events and/or results could differ materially. The Group cannot assure you that those current anticipations, beliefs, estimates, expectations and/or plan will prove to be correct and you are cautioned not to place undue reliance on such statements. The Group undertakes no obligation to publicly update or revise any forward-looking statements contained in this announcement, whether as a result of new information, future events or otherwise, except as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited or any other applicable laws and regulations. All forward-looking statements contained in this announcement are expressly qualified by these cautionary statements.