ESPRIT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

STOCK CODE: 00330

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

INTERIM RESULTS

The board of directors (the "Board") of Esprit Holdings Limited (the "Company") announces the unaudited condensed consolidated interim financial information, along with selected explanatory notes, of the Company and its subsidiaries (the "Group" or "ESPRIT") for the six months ended 30 June 2022 (the "Period") as follows:

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

Condensed Consolidated Statement of Profit or Loss

	Notes	**Unaudited for the six months ended 30 June 2022 HK$ million**	Unaudited for the six months ended 30 June 2021 HK$ million
Revenue	*2*	**3,626**	3,872
Cost of purchases		**(1,967)**	(2,057)
Gross profit		**1,659**	1,815
Staff costs		**(603)**	(539)
Occupancy costs		**(132)**	(143)
Logistics expenses		**(246)**	(276)
Marketing and advertising expenses		**(233)**	(220)
Depreciation of property, plant and equipment		**(53)**	(69)
Depreciation of right-of-use assets		**(268)**	(243)
Impairment loss on property, plant and equipment		**(2)**	–
Write-back of provision for inventories, net		**289**	82
Write-back of provision/(provision) for impairment of trade debtors, net	*9*	**33**	(33)
Impairment loss on right-of-use assets		**–**	(16)
Net foreign exchange translation (losses)/gains		**(99)**	87
Other operating costs		**(337)**	(281)
Operating profit	*3*	**8**	164
Interest income	*4*	**1**	1
Finance costs	*5*	**(21)**	(27)
(Loss)/profit before taxation		**(12)**	138
Taxation	*6*	**25**	(17)
Profit attributable to shareholders of the Company		**13**	121
Profit per share			
– Basic and diluted	*8*	**HK$0.004**	HK$0.051

Condensed Consolidated Statement of Comprehensive Income

	Unaudited for the six months ended 30 June 2022 HK$ million	Unaudited for the six months ended 30 June 2021 HK$ million
Profit attributable to shareholders of the Company	**13**	121
Other comprehensive income		
Item that may be reclassified subsequently to profit or loss:		
Foreign exchange translation	**(199)**	(85)
Total comprehensive income for the period attributable to shareholders of the Company, net of tax	**(186)**	36

Condensed Consolidated Balance Sheet

	Notes	Unaudited As at 30 June 2022 HK$ million	Audited As at 31 December 2021 HK$ million
Non-current assets			
Intangible assets		**1,583**	1,727
Property, plant and equipment		**303**	368
Right-of-use assets		**1,769**	2,033
Financial assets at fair value through profit or loss		**3**	4
Interest in joint venture		**3**	–
Debtors, deposits and prepayments		**380**	416
Deferred tax assets		**83**	42
		4,124	4,590
Current assets			
Inventories		**1,594**	1,413
Debtors, deposits and prepayments	*9*	**1,196**	1,365
Tax receivable		**30**	30
Cash, bank balances and deposits		**2,342**	2,649
		5,162	5,457
TOTAL ASSETS		**9,286**	10,047
Current liabilities			
Creditors and accrued charges	*10*	**1,373**	1,497
Lease liabilities		**478**	566
Provisions		**109**	132
Tax payable		**250**	253
		2,210	2,448
Net current assets		**2,952**	3,009
Total assets less current liabilities		**7,076**	7,599
Equity			
Share capital	*11*	**283**	283
Reserves		**4,648**	4,834
		4,931	5,117
Non-current liabilities			
Lease liabilities		**1,744**	2,066
Retirement defined benefit obligations		**17**	18
Deferred tax liabilities		**384**	398
		2,145	2,482
TOTAL LIABILITIES		**4,355**	4,930
TOTAL EQUITY AND LIABILITIES		**9,286**	10,047

Notes to the Condensed Consolidated Interim Financial Information

1. BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information ("interim financial information") on pages 2 to 16 for the six months ended 30 June 2022 have been prepared in accordance with the International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The interim financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2021.

1.1 Use of judgement and estimates

While preparing the interim financial information, the management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense.

The significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

1.2 Going concern

During the six months ended 30 June 2022, the Group recorded a net profit attributable to shareholders of HK$13 million and a net cash outflow of HK$205 million. The Group has net current assets of HK$2,952 million and no external borrowings as at 30 June 2022.

Given the continuing uncertainties around the COVID-19 pandemic (the "Pandemic"), the Group is closely monitoring the latest developments of the Pandemic and continuing to optimize its cost base and improve its product offering in order to generate sufficient cash from its operations. The Board has reviewed the cash flow forecast prepared by management covering a period of twelve months from 30 June 2022. The Directors are of the opinion that, after taking into consideration of the above measures and the available cash and bank balances, the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next twelve months from 30 June 2022. Accordingly, the interim financial information has been prepared on a going concern basis.

1.3 Measurement of fair values

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Only market observable parameter.
Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

1. BASIS OF PREPARATION (CONTINUED)

1.4 New and amended standards and interpretations adopted by the Group

In the current period, the Group has adopted the following IAS and International Financial Reporting Standards ("IFRS") effective for the Group's financial year beginning 1 January 2022:

Adopted	Effective date	New standards or amendments
IAS 37 (Amendments)	1 January 2022	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to IFRS Standards 2018-2020	1 January 2022	Annual Improvements related to IFRS 1, IFRS 9, IFRS 16 and IAS 41
IAS 16 (Amendments)	1 January 2022	Property, Plant and Equipment: Proceeds before Intended Use
IFRS 3 (Amendments)	1 January 2022	Reference to the Conceptual Framework
IFRS 9 (Amendments)	1 January 2022	Fees in the "10 Per Cent" Test for Derecognition of Financial Liabilities

The amendments listed above did not have material impact on the Group's financial performance for the six months ended 30 June 2022 and financial position as at 30 June 2022.

1.5 New standards and interpretations not yet adopted

Not early adopted	Effective for accounting periods beginning on or after	New standards or amendments
IAS 1 (Amendments)	1 January 2023	Classification of Liabilities as Current or Non-current
IAS 1 (Amendments)	1 January 2023	Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
IFRS 17 (Amendments)	1 January 2023	IFRS 17 Insurance Contracts and Amendments to IFRS 17 Insurance Contracts
IAS 8 (Amendments)	1 January 2023	Definition of Accounting Estimates
IAS 12 (Amendments)	1 January 2023	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
IFRS 10, IAS 28 (Amendments)	A date to be determined by IASB	Sales or Contributions of Assets between an Investor and its Associate/Joint Venture

The accounting standards and interpretations above have been published but are not mandatory for the six months ended 30 June 2022 and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2. REVENUE AND 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 Europe, Asia, America and via E-shop platforms.

	Unaudited for the six months ended 30 June 2022 HK$ million	Unaudited for the six months ended 30 June 2021 HK$ million
Revenue from external customers		
Europe	**2,200**	1,859
E-shop	**1,366**	1,967
Licensing and others	**60**	46
Total	**3,626**	3,872

Operating segments are reported in a manner consistent with the internal management reports provided to the chief operating decision-maker. The chief operating decision-maker who is responsible for assessing performance and allocating resources for the reporting segments has been identified as the Executive Directors of the Group. Operating segment for Europe has included America.

	Unaudited for the six months ended 30 June 2022				
	Europe HK$ million	**Asia HK$ million**	**E-shop HK$ million**	**Corporate services, sourcing, licensing and others HK$ million**	**Group HK$ million**
Total revenue					
Retail	**854**	**–**	**1,366**	**–**	**2,220**
Wholesale	**1,346**	**–**	**–**	**–**	**1,346**
Licensing and others	**–**	**–**	**–**	**1,675**	**1,675**
Total	**2,200**	**–**	**1,366**	**1,675**	**5,241**
Inter-segment revenue	**–**	**–**	**–**	**(1,615)**	**(1,615)**
Revenue from external customers					
Retail	**854**	**–**	**1,366**	**–**	**2,220**
Wholesale	**1,346**	**–**	**–**	**–**	**1,346**
Licensing and others	**–**	**–**	**–**	**60**	**60**
Total	**2,200**	**–**	**1,366**	**60**	**3,626**
Segment results					
Retail	**(155)**	**(3)**	**85**	**–**	**(73)**
Wholesale	**155**	**–**	**–**	**–**	**155**
Licensing and others	**–**	**–**	**–**	**(74)**	**(74)**
Operating profit/(loss) of the Group	**–**	**(3)**	**85**	**(74)**	**8**
Interest income					**1**
Finance costs					**(21)**
Loss before taxation					**(12)**

2. REVENUE AND SEGMENT INFORMATION (CONTINUED)

	Unaudited for the six months ended 30 June 2022				
	Europe HK$ million	Asia HK$ million	E-shop HK$ million	Corporate services, sourcing, licensing and others HK$ million	Group HK$ million
Depreciation[1]					
Retail	**194**	**1**	**25**	**–**	**220**
Wholesale	**15**	**–**	**–**	**–**	**15**
Licensing and others	**–**	**–**	**–**	**86**	**86**
Total	**209**	**1**	**25**	**86**	**321**
Impairment loss[2]					
Retail	**2**	**–**	**–**	**–**	**2**
Total	**2**	**–**	**–**	**–**	**2**
Capital expenditure[3]					
Retail	**4**	**1**	**–**	**–**	**5**
Wholesale	**4**	**–**	**–**	**–**	**4**
Licensing and others	**–**	**–**	**–**	**11**	**11**
Total	**8**	**1**	**–**	**11**	**20**

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

2) Impairment loss includes impairment loss on property, plant and equipment.

3) Capital expenditure includes property, plant and equipment and investment in the joint venture.

2. REVENUE AND SEGMENT INFORMATION (CONTINUED)

	Unaudited for the six months ended 30 June 2021				
	Europe HK$ million	Asia HK$ million	E-shop HK$ million	Corporate services, sourcing, licensing and others HK$ million	Group HK$ million
Total revenue					
Retail	574	–	1,967	–	2,541
Wholesale	1,285	–	–	–	1,285
Licensing and others	–	–	–	1,700	1,700
Total	1,859	–	1,967	1,700	5,526
Inter-segment revenue	–	–	–	(1,654)	(1,654)
Revenue from external customers					
Retail	574	–	1,967	–	2,541
Wholesale	1,285	–	–	–	1,285
Licensing and others	–	–	–	46	46
Total	1,859	–	1,967	46	3,872
Segment results					
Retail	(215)	–	375	–	160
Wholesale	105	–	–	–	105
Licensing and others	–	–	–	(101)	(101)
Operating profit/(loss) of the Group	(110)	–	375	(101)	164
Interest income					1
Finance costs					(27)
Profit before taxation					138

2. REVENUE AND SEGMENT INFORMATION (CONTINUED)

	Unaudited for the six months ended 30 June 2021				
	Europe HK$ million	Asia HK$ million	E-shop HK$ million	Corporate services, sourcing, licensing and others HK$ million	Group HK$ million
Depreciation[1]					
Retail	200	–	38	–	238
Wholesale	12	–	–	–	12
Licensing and others	–	–	–	62	62
Total	212	–	38	62	312
Impairment loss[2]					
Retail	16	–	–	–	16
Total	16	–	–	–	16
Capital expenditure[3]					
Retail	2	–	11	–	13
Wholesale	1	–	–	–	1
Licensing and others	–	–	–	4	4
Total	3	–	11	4	18

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

2) Impairment loss includes impairment loss on right-of-use assets.

3) Capital expenditure includes property, plant and equipment and intangible assets.

3. OPERATING PROFIT

	Unaudited for the six months ended 30 June 2022 HK$ million	Unaudited for the six months ended 30 June 2021 HK$ million
This is stated after charging and (crediting) the following:		
Staff costs	**603**	539
Occupancy costs	**132**	143
Logistics expenses	**246**	276
Marketing and advertising expenses	**233**	220
Depreciation of property, plant and equipment	**53**	69
Depreciation of right-of-use assets	**268**	243
Impairment loss on property, plant and equipment	**2**	–
Write-back of provision for inventories, net (note)	**(289)**	(82)
(Write-back of provision)/provision for impairment of trade debtors, net	**(33)**	33
Impairment on right-of-use assets	**–**	16
Net foreign exchange translation losses/(gains)	**99**	(87)
Government grants	**(32)**	(70)
Write-back of provision for restructuring	**(5)**	(77)
Information technology expenses	**156**	163
Legal and professional fees	**23**	70
Samples	**21**	22
Packaging, postage and distribution	**20**	16
Amortization of intangible assets	**22**	3
Repair and maintenance	**13**	14
Insurance	**12**	11
Travelling expenses	**12**	10
Loss on disposal of property, plant and equipment	**4**	5

Note: The management has reassessed the estimate of the net realizable value of inventories as at 30 June 2022, which were based on the current market condition and the historical experience of selling products of similar nature. Therefore, the Group has recognized a net write-back of provision for inventories of HK$289 million for the six months ended 30 June 2022 (2021: HK$82 million).

4. INTEREST INCOME

	Unaudited for the six months ended 30 June 2022 HK$ million	Unaudited for the six months ended 30 June 2021 HK$ million
Interest from bank deposits	**1**	1
Total interest income	**1**	1

5. FINANCE COSTS

	Unaudited for the six months ended 30 June 2022 HK$ million	Unaudited for the six months ended 30 June 2021 HK$ million
Interest on lease liabilities	**17**	24
Others	**4**	3
Total finance costs	**21**	27

6. TAXATION

	Unaudited for the six months ended 30 June 2022 HK$ million	Unaudited for the six months ended 30 June 2021 HK$ million
Current tax		
Overseas taxation		
Provision for current period	**16**	18
Over-provision for prior years	**–**	(16)
	16	2
Deferred tax		
Current period net (credit)/charge	**(41)**	15
Total taxation	**(25)**	17

Hong Kong profits tax is calculated at 16.5% (2021: 16.5%) on the estimated assessable profit for the period, net of tax losses carried forward, if applicable.

Overseas (outside of Hong Kong) taxation has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group companies operate, net of tax losses carried forward, if applicable.

7. INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2022 (2021: Nil).

8. PROFIT PER SHARE

Basic

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

	Unaudited for the six months ended 30 June 2022	Unaudited for the six months ended 30 June 2021
Profit attributable to shareholders of the Company (HK$ million)	**13**	**121**
Number of ordinary shares in issue at 1 January (million)	**2,831**	1,887
Adjustment for issue of rights shares (million)	**–**	478
Adjustment for shares held for Share Award Scheme (million)	**–**	(7)
Weighted average number of ordinary shares in issue less shares held for Share Award Scheme (million)	**2,831**	2,358
Basic profit per share (HK$ per share)	**0.004**	0.051

Diluted

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

	Unaudited for the six months ended 30 June 2022	Unaudited for the six months ended 30 June 2021
Profit attributable to shareholders of the Company (HK$ million)	**13**	121
Weighted average number of ordinary shares in issue less shares held for Share Award Scheme (million)	**2,831**	2,358
Adjustments for share options and awarded shares (million)	**–**	–
Weighted average number of ordinary shares for diluted earnings per share (million)	**2,831**	2,358
Diluted profit per share (HK$ per share)	**0.004**	0.051

Diluted profit per share for the six months ended 30 June 2022 was the same as the basic profit per share since the share options and awarded shares had anti-dilutive effect.

9. CURRENT DEBTORS, DEPOSITS AND PREPAYMENTS

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

	Unaudited As at 30 June 2022 HK$ million	Audited As at 31 December 2021 HK$ million
Trade debtors	**555**	792
less: provision for impairment of trade debtors	**(112)**	(194)
Net trade debtors	**443**	598
Deposits	**16**	9
Prepayments	**408**	403
Right-of-return assets	**81**	101
Other debtors and receivables	**248**	254
Total	**1,196**	1,365

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

	Unaudited As at 30 June 2022 HK$ million	Audited As at 31 December 2021 HK$ million
0-30 days	**280**	162
31-60 days	**50**	338
61-90 days	**56**	69
Over 90 days	**57**	29
Total	**443**	598

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.

Movements in provision for impairment of trade debtors are as follows:

	Unaudited for the six months ended 30 June 2022 HK$ million	Unaudited for the six months ended 30 June 2021 HK$ million
Balance at beginning of the period	**194**	254
Utilization	**(38)**	(70)
Release	**(50)**	(13)
Addition	**17**	46
Exchange translation	**(11)**	(8)
Balance at end of the period	**112**	209

10. CREDITORS AND ACCRUED CHARGES

	Unaudited As at 30 June 2022 HK$ million	Audited As at 31 December 2021 HK$ million
Trade creditors	**260**	328
Accruals	**519**	595
Return liabilities	**214**	265
Other creditors and payables	**380**	309
Total	**1,373**	1,497

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

	Unaudited As at 30 June 2022 HK$ million	Audited As at 31 December 2021 HK$ million
0-30 days	**237**	232
31-60 days	**9**	60
61-90 days	**13**	8
Over 90 days	**1**	28
Total	**260**	328

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

11. SHARE CAPITAL

	Number of shares of HK$0.10 each million	**Unaudited HK$ million**
Authorized:		
At 1 January 2022 and 30 June 2022 (Note a)	**30,000**	**3,000**
At 1 January 2021 and 30 June 2021	3,000	300

	Number of shares of HK$0.10 each million	**Unaudited Nominal value HK$ million**
Issued and fully paid:		
At 1 January 2022 and 30 June 2022	**2,831**	**283**
At 1 January 2021	1,887	189
Issue of rights shares (Note b)	944	94
At 30 June 2021	2,831	283

11. SHARE CAPITAL (CONTINUED)

Notes:

(a) Increased in authorized share capital

In the special general meeting on 6 July 2021, an increase in authorized share capital from HK$300,000,000 divided into 3,000,000,000 ordinary shares to HK$3,000,000,000 divided into 30,000,000,000 ordinary shares (ranking pari passu with the existing shares in all respects upon issue) has been resolved in that meeting. The memorandum of increase of share capital was delivered to the Registrar of Companies on 16 July 2021 according to the Companies Act 1981 of Bermuda.

(b) Issue of rights shares

During the six months ended 30 June 2021, 943,605,781 new shares of HK$0.10 each were issued and allotted under the rights issue at the subscription price of HK$0.75 each on the basis of one rights share for every two existing shares held by the shareholders of the Company on 25 March 2021.

(c) Share options

The Company adopted a share option scheme on 10 December 2009 ("2009 Share Option Scheme"). 2009 Share Option Scheme was terminated on 5 December 2018, notwithstanding that the share options which have been granted and remained outstanding shall continue to be valid and exercisable subject to and in accordance with the terms on which the share options were granted, the provisions of 2009 Share Option Scheme and the Listing Rules.

The Company adopted a new share option scheme on 5 December 2018 ("2018 Share Option Scheme"). The option mandate limit of 2018 Share Option Scheme has been refreshed upon the shareholder's approval at the special general meeting of the Company held on 6 July 2021, the details of which were disclosed in the circular of the Company dated 15 June 2021.

(d) Awarded shares

The Board of Directors has adopted the Employees' share award scheme on 17 March 2016 (the "Old Share Award Scheme"), which was terminated on 23 April 2021.

Details of the awarded shares movement during the period and outstanding awarded shares as at 30 June 2022 under the Old Share Award Scheme are as follows:

	Number of awarded shares	
	Unaudited for the six months ended 30 June 2022	Unaudited for the six months ended 30 June 2021
Balance at beginning of the period	**–**	2,000,000
Lapsed during the period for awarded shares included forfeited and expired	**–**	(2,000,000)
Balance at end of the period	**–**	–

The Company has adopted a new share award scheme on 6 July 2021 (the "New Share Award Scheme"). The purpose of the New Share Award Scheme is to recognize the contributions by certain Eligible Participants (including any employee, consultant, executive or officers, directors and senior management or any member of the Group), and to provide them incentives; and to attract suitable personnel with relevant experience in the Group's business. The details of the New Share Award Scheme were disclosed in the circular of the Company dated 15 June 2021.

During the six months ended 30 June 2022, there was no movement for the New Share Award Scheme.

12. RELATED PARTIES

During the six months ended 30 June 2022, Esprit Regional Distribution Limited, a wholly owned subsidiary of the Company, as the tenant, entered into the respective tenancy agreements (the "Tenancy Agreements") with Bright Majestic Limited and Silver Target Limited respectively, both as the landlords. The substantial shareholder of the Company namely Ms. LO Ki Yan Karen ("Ms. LO") indirectly holds 82.19% and 82.19% equity interests in Bright Majestic Limited and Silver Target Limited respectively. Therefore, each of Bright Majestic Limited and Silver Target Limited is an associate of Ms. LO and a connected person of the Company. The terms and conditions of the Tenancy Agreements were disclosed in the announcements of the Company dated 19 May 2022 and 23 June 2022. The Tenancy Agreements have been entered on normal commercial terms and in the ordinary and usual course of business of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

The Company faced many challenges in the first half of 2022. The Group believes its dynamic corporate structure, current management team (the "Management"), and dedicated staff at ESPRIT were the core reasons allowing the Company to navigate a tough environment and remain profitable during the six months ended 30 June 2022 (the "Period").

The strategies instituted by the Management team allowed the Company to act and respond quickly to uncertainties on the Company's business and operations, including supply chain disruptions, changes in economic conditions, increasing raw material prices, decrease in consumer confidence, discretionary spendings and escalating geopolitical tensions.

In Europe, the conflict in Ukraine has suppressed consumer spending appetite and the effects from Russian sanctions have resulted in escalating energy costs and food prices. The global economic environment has taken a toll from the high inflation and interest rate hikes, and has affected the foreign exchange market. The Euro weakness against the US Dollar had a material impact on the Company, as most of the Company's revenue is denominated in Euros, while the US dollar is the main currency used for majority of the Company's sourcing activities. Disruptions to the supply chain including logistics in the Company's principal sourcing regions have caused additional stress as well. The Company is actively and carefully monitoring the aforementioned issues and its effects on the operations of the Company, instigating measures to counter any detrimental effects thereto.

Despite the challenging conditions cited above, the Company is pleased to inform shareholders and stakeholders that its outlook is generally optimistic in nature and would like to share new initiatives which will be beneficial to the Company's prospects going forward, such as:

1) Stringent cost control and cost cutting through corporate re-structuring and related measures. The Company will also instigate measures to mitigate against foreign exchange translation fluctuation;

2) Closing unprofitable stores and outlets and renegotiating rental leases to ensure that the retail channel will re-emerge as a profitable and key segment for the Company;

3) Termination of product lines that have low gross profit margin, replacing them with collections and capsules with substantially higher margins. Our timely readjusting our sourcing will keep the obsolete inventories to a minimum level;

4) Significantly investing in rebuilding ESPRIT's brand equity, re-establishing and improving the ESPRIT brand image, retaining and regaining loyalties with long-time customers, and securing new customers, particularly the younger generation;

5) Revamping the Company's sales channels into an omni-channel structure with deeper focus on E-commerce to be more attractive and user-friendly;

6) The Group's continual improvement in inventory management, together with the fading effects of the Pandemic in Europe, allowed the Group to write back a substantial inventory provision, details of which are further disclosed in the Working Capital Management section about inventories;

7) Demonstrating the Company's well-known and longstanding commitment to be in the forefront of being a socially responsible corporate citizen in areas such as the environment and sustainability; and

8) Re-entering or increasing our presence in key Asian markets such as Hong Kong, Korea, Taiwan, and the Philippines, in the form of pop-up stores, proprietary websites and partners' portals. These were launched within a short period of time, despite Pandemic challenges – demonstrating ESPRIT's prowess, agility and efficiency.

The financial results of the Company which are discussed in greater detail below, demonstrates that with bold action, agility and hard work, the Company has taken consistent steps to move towards a brighter and more exciting future.

Furthermore, the Company has a financially strong and healthy balance sheet which allows it to invest whenever good opportunities arise. The strategies instituted by the Management mentioned in the 2021 Annual Report are starting to show consistent positive results and profitable growth, forming a solid platform for future expansion to new markets.

BUSINESS OVERVIEW

During the Period, the Group recorded an unaudited profit attributable to the shareholders of the Company of HK$13 million, a decrease of 89% as compared with the unaudited profit attributable to the shareholders of the Company of HK$121 million for the six months ended 30 June 2021 (the "Corresponding Period"). This is the second consecutive profitable half-year since the financial year ended 30 June 2017.

The decrease in profit in the Period in comparison to the Corresponding Period is mainly attributable to:

1) The decrease in revenue resulting in the corresponding drop of HK$156 million in gross profit; and

2) Foreign exchange translation losses of HK$99 million was incurred for the Period as compared to foreign exchange translation gains of HK$87 million for the Corresponding Period.

The aforementioned will be discussed in detail in other parts of this section.

REVENUE ANALYSIS

The Group is principally engaged in the retail (including E-shop), wholesale distribution and licensing of quality fashion and non-apparel products designed under its own internationally renowned ESPRIT brand name. The Group operates in Europe, Asia and the America through 4 main channels:

1) E-commerce

2) Wholesale

3) Owned Retail Stores

4) Licensing

Each channel accounted for the Group's revenue in the ratio of approximately 38:37:24:1 respectively during the Period.

The Group has recorded total revenue of HK$3,626 million for the Period, as compared to the total revenue of HK$3,872 million for the Corresponding Period, representing a decrease of 6%. The decrease in revenue was primarily due to the depreciation of the Euro against the Hong Kong dollar. If the revenue for the Period were to be translated by the exchange rate for the Corresponding Period (the "Constant Exchange Rate"), the revenue would be HK$3,934 million which would have been an increase of 2% from the Corresponding Period.

Offline channels improved significantly, where retail and wholesale revenue saw a double-digit growth compared with the Corresponding Period translated by Constant Exchange Rate. The growth attributed to fewer restrictions on entering physical stores compared to the height of the Pandemic. Contrary to this, E-commerce revenue saw a double-digit decline compared with the Corresponding Period translated by Constant Exchange Rate. Restrictions on stores in the Corresponding Period naturally pushed customers online and there was a decline in E-commerce sales in 2022 as customers returned to shop in physical stores.

GROSS PROFIT MARGIN

During the Period, gross profit margin was 45.8%, marginally lower than the corresponding figures of 46.9% for the Corresponding Period. The margin for the Period was depressed due to taxing operating environments detailed before. Freight costs impacted margins due to the rising cost of freight and the cost of measures to mitigate delays caused by global supply chain issues. The Group is committed to continuously enhance future margins of the Group's products through better quality products with greater intrinsic values, sourcing efficiencies and a focus on improvements to the full price/off price mix through improving brand equity and image, better planning, stronger marketing and by being more customer-centric ensuring a richer, more relevant product proposition.

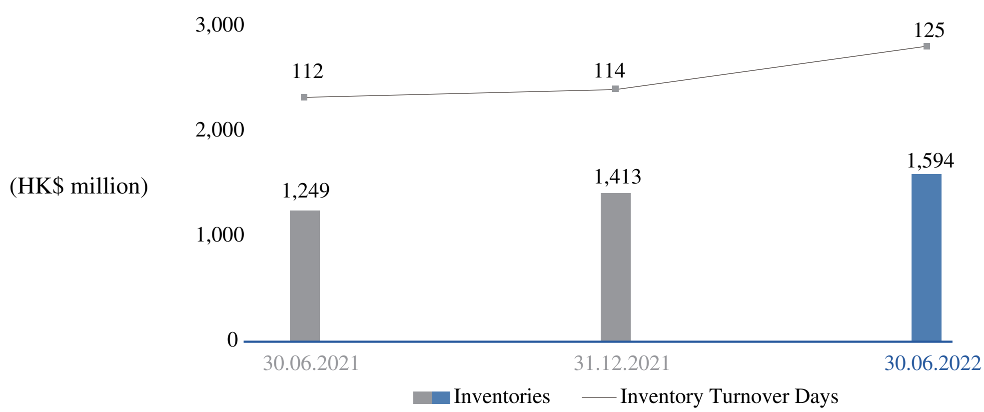
OPERATION EXPENSES

Operating expenses for the Period were HK$1,651 million which is in line with the Corresponding Period. The Group was impacted by foreign exchange translation losses of HK$99 million, compared to foreign exchange translation gains of HK$87 million in the Corresponding Period. This was offset with lower costs from operational efficiency, including the write-back of provision for inventories of HK$289 million and the write-back of provision for impairment of trade debtors of HK$33 million for the Period.

WORKING CAPITAL MANAGEMENT

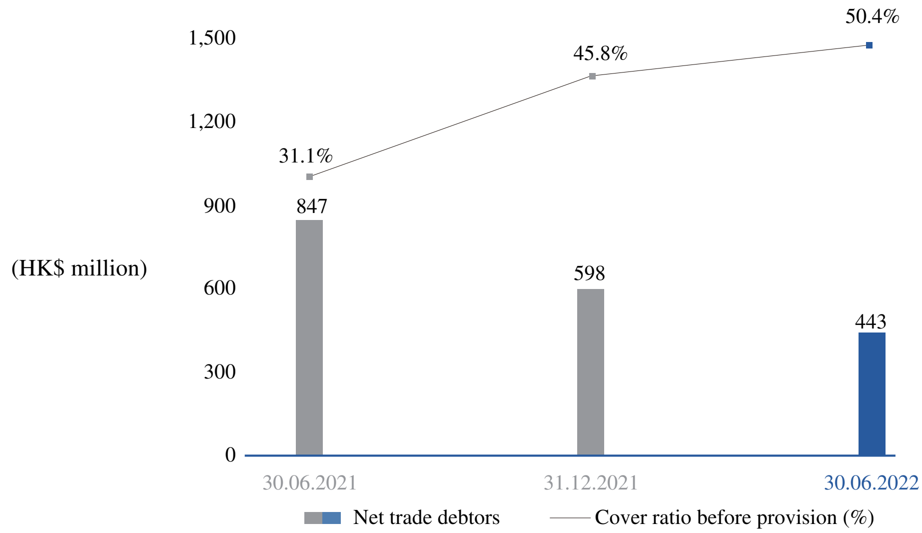
Inventories

The inventory balance as at 30 June 2022 amounted to HK$1,594 million (31 December 2021: HK$1,413 million). On a year-on-year basis (as compared to the corresponding figure as at 30 June 2021) the value of inventories increased by 28%. As a result, inventory turnover days reached 125 days as at 30 June 2022, which is higher than 114 days as at 31 December 2021. This is partly due to the increase in the value of the existing inventories from the release of COVID-19 related provisions previously recognised after the COVID-19 induced closure of sales points and expected reduction in business in prior years. Due to the Group's continual improvement in inventory management, together with the fading effects of the Pandemic in major markets where the Group operates in, the Management has reassessed the estimate of the net realizable value of inventories at the end of the Period, which were based on the current market condition and the historical experience of selling products of similar nature. Therefore, the Group has recognized a net write-back of provision for inventories of HK$289 million for the Period (2021: net write-back of provision for inventories of HK$82 million), which drives the increase in the inventory turnover days. As a result, the increase in inventory turnover days is not currently a significant concern.



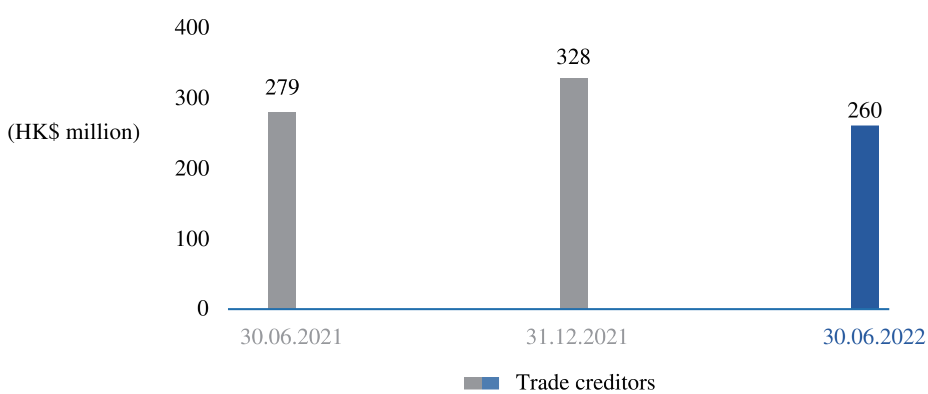
Net Trade Debtors

As at 30 June 2022, net trade debtors amounted to HK$443 million (31 December 2021: HK$598 million) which is a decrease by 26%. This development is mainly due to the decrease in E-commerce revenue during the Period. Write-back of provision for impairment of trade debtors amounted to HK$33 million for the Period. The cover ratio of insured and guaranteed trade debtors (over gross trade debtors) as at 30 June 2022 increased to 50.4% (31 December 2021: 45.8%).



Trade Creditors

As at 30 June 2022, trade creditors amounted to HK$260 million (31 December 2021: HK$328 million), which is a decrease of 21%. This development is partly due to seasonal factors of the Company's business and the improvement of the overall financial situation.



LIQUIDITY AND FINANCIAL RESOURCES ANALYSIS

Net Cash

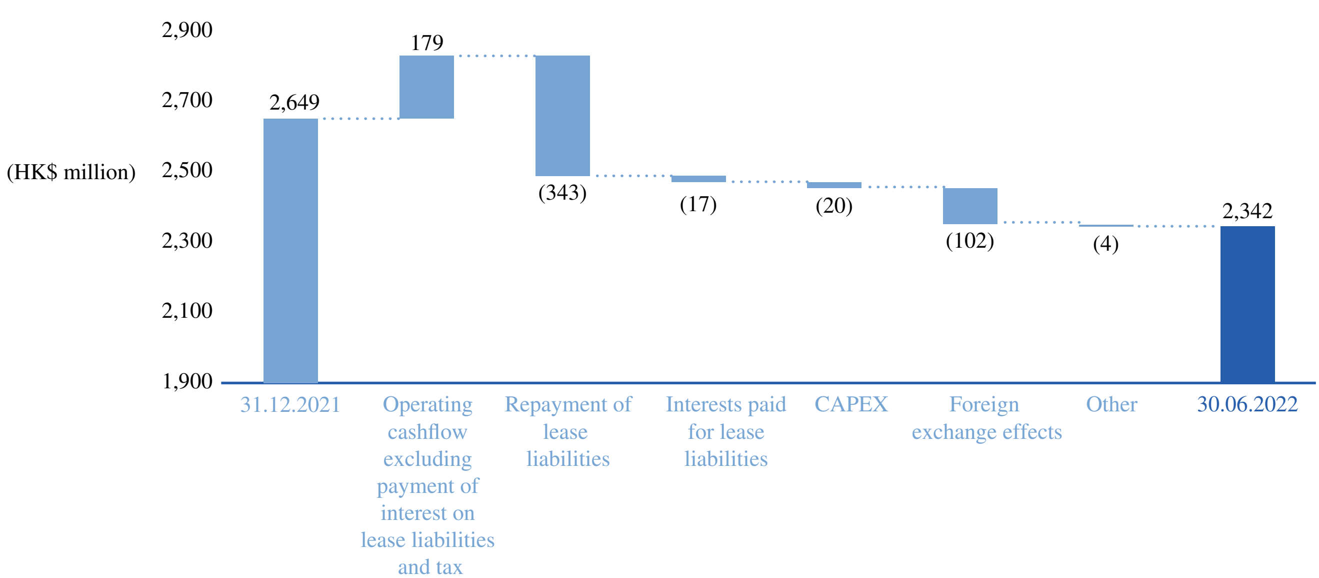
As at 30 June 2022, the Group remained essentially debt free and recorded cash, bank balances and deposits of in total HK$2,342 million (31 December 2021: HK$2,649 million), representing a net cash decrease of HK$307 million. The cash position was mainly affected by following items:

1) Operating performance of the business resulted in a net cash inflow of HK$179 million excluding payment of interest on lease liabilities and tax.

2) Repayment of lease liabilities of HK$343 million and interest paid for lease liabilities of HK$17 million resulted in total cash outflow of HK$360 million.

3) Further decrease in cash position occurred through foreign exchange translation effects of HK$102 million and the capital expenditures (the "CAPEX") of HK$20 million.

Cash Flow Bridge for the Six Months Ended 30 June 2022



Foreign Exchange Risk

The Group operates internationally and is exposed to foreign exchange ("FX") risk arising from various currency exposures, primarily with respect to the Euro and US Dollar. FX risk primarily arises from future commercial transactions and to a lesser extent from 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 FX exposure on costs for merchandize 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 FX risk arising from future commercial transactions, the Group in the past entered into forward FX contracts with reputable financial institutions to hedge the FX risk. Starting in March 2020, all credit lines were cancelled due to the Protective Shield Proceedings and since then, no further forward FX contracts have been entered. Therefore, currency fluctuations could affect the Group's margins and profitability. The Group has been continuously preparing for the resumption of hedging activities due to newly established credit lines. Due to high volatility and therefore heavy movements in the foreign exchange markets caused by geopolitical events, the decision was made not to enter into hedging programs for the time being.

Treasury Policy

Group Treasury's core task is to ensure the Group's solvency by managing its liquidity and banking relationships. Excess liquidity is managed by placing short term deposits at banks. Other than adopting an in-house banking concept to fund the Group, there are no further funding initiatives with banks. Nevertheless, various options are being evaluated to cover future needs. As a positive outcome of last year's result, additional banking partners could be found to support the Group's need.

Human Resources

As at 30 June 2022, the Group employed approximately 2,200 full time equivalent staff ("FTE") (30 June 2021: approximately 2,200 FTE). Competitive remuneration packages that consider 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.

INTERIM DIVIDEND

As the Group recorded losses for extensive periods in the Group's recent past and only a marginal profit for the six months ended 30 June 2022, the Board has resolved not to declare an interim dividend for the Period. The Board will constantly monitor and review the situation in the coming future.

RIGHTS ISSUE

On 27 January 2021, the Company announced a proposed rights issue on the basis of one rights share for every two shares in issue at a subscription price of HK$0.75 per rights share to raise not less than HK$707.7 million before expenses by way of issuing not less than 943,605,781 rights shares (the "Rights Issue"). Details of the Rights Issue is mentioned in the announcements of the Company dated 27 January 2021 and 2 March 2021 and the prospectus of the Company dated 26 March 2021 (the "Prospectus").

The Rights Issue was over-subscribed and completed on 20 April 2021. The issued share capital of the Company was increased from 1,887,211,562 Shares to 2,830,817,343 Shares.

As disclosed in the annual report of the Company for the year ended 31 December 2021, the net proceeds of the Rights Issue, after deducting the related expenses, was HK$689 million. The Board would like to provide an update on the expected timeline for utilizing the remaining balance of unutilized net proceeds as at 31 December 2021 and 30 June 2022 pursuant to paragraph 11(8) of Appendix 16 of the Listing Rules.

The details of the intended use of net proceeds as stated in the Prospectus, the actual use of net proceeds and the remaining balance of unutilized net proceeds are as follows:

		Intended use of net proceeds as stated in the Prospectus	**Actual use of net proceeds up to 31 December 2021**	**Remaining balance of unutilized net proceeds as at 31 December 2021**	**Actual use of net proceeds from 1 January 2022 to 30 June 2022**	**Remaining balance of unutilized net proceeds as at 30 June 2022**
		HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
Information technology and transformation expenses:						
a.	Systems upgrade and data migration	70	(22)	48	**(21)**	**27**
b.	Development of new internal information technology resources	45	(16)	29	**(17)**	**12**
c.	Development of new overarching E-commerce sales channel	185	(74)	111	**(69)**	**42**
Administrative and other expenses:						
a.	Rental expenses	110	(110)	–	**–**	**–**
b.	Marketing and logistics expenses	90	(90)	–	**–**	**–**
c.	Utilities and maintenance expenses	19	(19)	–	**–**	**–**
d.	Salaries and remuneration	150	(150)	–	**–**	**–**
e.	Legal and professional expenses	20	(20)	–	**–**	**–**
Total		689	(501)	188	**(107)**	**81**

With reference to the table above, out of the net proceeds from the Rights Issue, there were remaining approximately HK$188 million still unused as at 31 December 2021. A further approximately HK$107 million had been used for the 6 months ended 30 June 2022 leaving an outstanding balance of approximately HK$81 million unutilized as at 30 June 2022. Of these approximately HK$81 million, approximately HK$12 million is intended for "Development of new internal information technology resources" and approximately HK$42 million of "Development of new overarching E-commerce sales channel", it is expected those will be fully utilized by the end of 2022. As at 30 June 2022, there is an outstanding balance of approximately HK$27 million for "System upgrade and data migration" which is expected to be fully utilized by the first quarter of 2023. All of the already utilized net proceeds had been used and all the above remaining balance of unutilized net proceeds will be applied in accordance with the intended uses as disclosed in the Prospectus.

OUTLOOK

The Company is determined to march on towards consistent and sustainable profitable growth. The strategies implemented by the Management focuses on reviving the renowned ESPRIT brand, bringing satisfaction to customers through enjoyable and convenient shopping experience, and providing quality yet reasonably priced products. This will be followed through by a well thought-out omni-channel approach for sales delivery, adoption of the ESPRIT global taskforce into one common work culture and working seamlessly together to deliver the best to both retail and wholesale customers.

The Company remains cautiously confident and optimistic about the near future. While unsettling external factors (that are out of the Company's control) may somewhat affect the business, the Company will continue staying focused, connected, and agile to ensure it can adapt and react to the changing and challenging environment as efficiently as possible. ESPRIT is a unique retail brand with great history and tradition. The Company continues to look deep into its roots, the brand DNA, while building a bright and successful future. Looking to the near-term future, the Company has prepared numerous projects – some are already in progress and some are soon to be launched. Several notable examples include:

1. Cost control: continuation of stringent cost control measures commenced 2021, to free up resources for profitable expansion.

2. Omni-present brand: the rollout of a redefined brand identity highlights ESPRIT's missions and values, to be achieved through active collaborations with highly reputable industry creatives, cross brand partnerships, influencer design capsules, and sustainability events. ESPRIT Experium, a first-of-its-kind experiential space that transforms ordinary retail into a brand experience-led journey involving interactive and lifestyle elements, has been launched. This is where people are encouraged to create personal memories to cherish and share. Each ESPRIT Experium is to be created uniquely, combining iconic and modern ESPRIT elements with local inspirations. The first ESPRIT Experium was launched in Seoul in June 2022 and two more are set to launch in 2022 in other parts of the world.

3. Market re-entry: continuation of the Company's Asia expansion strategy with potential re-entry into markets including Japan, Singapore, Thailand, New Zealand and Australia.

4. Retail stores: upgrading retail stores and re-negotiating rents of numerous existing contracts with a concerted approach involving a variable percentage sales rental formula to revive the Company's retail segments, with the aim to bring back segment profitability. This will be complemented with a plan to increase digitalization of ESPRIT stores for better management and customer experience. On top of the on-going store assessment exercise and closure of unprofitable stores, the Company is considering the investment to upgrade existing stores as well as opening new owned or franchise stores in key strategic locations and fill any geographical coverage gap.

5. Omni-channel: continuation of the omni-channel strategy integration in both existing and new geographic locations in Asia, Europe and America.

6. Product: continuation of producing more first fast-to-market product capsules. The Company is expected to launch more than 28 capsules in 2022 in total. In addition to ESPRIT Collection and ESPRIT Casual, two completely new lines are anticipated to launch in spring 2023 – ESPRIT White Label for the young spirited and adventurous, and ESPRIT Black Label which focuses on premium fashion for a limited market.

7. Sourcing: while strengthening the brand's internal sourcing capabilities by recruiting experienced employees with deep knowledge of different product classes, the Company is already partnering with two globally renowned sourcing partners with complementary capabilities, for specific regions, to optimize the vendor portfolio and to enhance the products quality and values proposition for customers.

8. To improve our design capabilities in denim, we are in the process of establishing in Amsterdam, the global capital for denim, a Denim Innovation Design Centre, to centralise our denim design, merchandising and innovation to deliver better denim products to our customers.

9. Sustainability: at ESPRIT, the goal is to create responsibly from concept to finish, and whenever possible, using fibers and materials that are recyclable or regenerative to the environment. The brand's sustainability strategy on product is based on circularity principles, factoring in variables such as how ESPRIT designs and manufactures, how the materials are selected, and how the brand value human resources. As a pioneer of eco-fashion, the Company will continue to work closely with its suppliers to ensure what ESPRIT uses in its products are of the most sustainable options possible. Exciting events and projects are currently in progress to demonstrate the brand's connection to consumers and the investment community.

10. Digital: enhancements in the brand's digital look and feel, and user experience.

    a. Improving trading ability for the European website with a complete overhaul of its Customer Relationship Management system. This was planned together with an enhanced retail strategy to improve customers satisfaction and increase conversion rates across business channels.

    b. Upgrading internal digital capabilities to improve on all aspects of operating efficiencies and productivities including customer data collection, Customer Relationship Management, data analytics, global reach, order management, marketing management and logistics and supply chain management.

c. Putting ESPRIT at the forefront in digitalization for the retail and high fashion business by establishing an innovation hub in Amsterdam called ESPRIT Futura to focus on initiatives to drive business innovation and technology excellence worldwide.

d. The advancement of ESPRIT's digital and analytical capabilities aims to improve inventory management and outlet strategy to handle excess inventory without sacrificing profitability.

e. Launching website and digital commerce platforms in new markets.

The brand's return to Hong Kong and re-entry to Asia is one of the strategies in repositioning ESPRIT as an international brand with omnipresence and relevance to its customers. This combined with the improvements to ESPRIT product offering, marketing, digital content and more, aims to put the Company back on track to regaining market position and consistent sustainable growth.

AUDIT COMMITTEE

The Audit Committee currently comprises four Independent Non-executive Directors. The primary duties of the Audit Committee are to assist the Board in providing an independent view of the effectiveness of the financial reporting process and internal control system, to oversee the audit process and the Company's relations with the auditors, and to perform other duties as assigned by the Board.

During the six months ended 30 June 2022, the Audit Committee has reviewed with the management of the Company the accounting policies and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters.

The condensed consolidated interim financial information of the Company for the six months ended 30 June 2022 had not been audited but had been reviewed by the Audit Committee and the Company's auditor, PricewaterhouseCoopers.

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 six months ended 30 June 2022.

CORPORATE GOVERNANCE

The Company has applied the principles of, and complied with the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules for the six months ended 30 June 2022.

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 Transaction by Directors of Listed Issuers (the "Model Code").

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 six months ended 30 June 2022.

By order of the Board
Esprit Holdings Limited
CHIU Christin Su Yi
Chairperson

Hong Kong, 30 August 2022

Dates and times stated in this announcement refer to Hong Kong time unless otherwise specified.

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

Executive Directors:
Ms. CHIU Christin Su Yi
Mr. PAK William Eui Won
Mr. SCHLANGMANN Wolfgang Paul Josef
Mr. WRIGHT Bradley Stephen

Independent Non-executive Directors:
Mr. CHUNG Kwok Pan
Mr. GILES William Nicholas
Mr. HA Kee Choy Eugene
Ms. LIU Hang-so
Mr. LO Kin Ching Joseph