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ESPRIT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

STOCK CODE: 00330

ANNOUNCEMENT OF AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

AUDITED ANNUAL RESULTS

The board of directors (the "Board") of Esprit Holdings Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group" or "ESPRIT") for the year ended 31 December 2022 (the "Year") together with the comparative figures for the year ended 31 December 2021 (the "Corresponding Year"). The following financial information, including the comparative figures, has been prepared in accordance with International Financial Reporting Standards ("IFRS").

CONSOLIDATED FINANCIAL RESULTS

Consolidated Statement of Profit or Loss

HK$ million	*Notes*	**For the year ended 31 December 2022**	For the year ended 31 December 2021
Revenue	*3*	**7,063**	8,316
Cost of purchases		**(4,185)**	(4,274)
Gross profit		**2,878**	4,042
Staff costs		**(1,150)**	(1,146)
Occupancy costs		**(287)**	(255)
Logistics expenses		**(496)**	(538)
Marketing and advertising expenses		**(503)**	(446)
Depreciation of property, plant and equipment		**(102)**	(135)
Depreciation of right-of-use assets		**(569)**	(542)
Impairment loss on property, plant and equipment		**(3)**	–
Write-back of provision for inventories, net	*4*	**296**	140
Write-back of provision/(provision) for impairment of trade debtors, net		**25**	(35)
Impairment loss on right-of-use assets		**(65)**	(15)
Other operating costs		**(666)**	(654)
Operating (loss)/profit	*4*	**(642)**	416
Share of losses from joint venture		**(1)**	–
Interest income	*5*	**5**	2
Finance costs	*6*	**(45)**	(32)
(Loss)/profit before taxation		**(683)**	386
Taxation	*7*	**19**	(5)
(Loss)/profit attributable to shareholders of the Company		**(664)**	381

		For the year ended 31 December 2022	For the year ended 31 December 2021
Basic and diluted (loss)/profit per share	*12*	**HK$(0.23)**	HK$0.15

Consolidated Statement of Comprehensive Income

HK$ million	**For the year ended 31 December 2022**	For the year ended 31 December 2021
(Loss)/profit attributable to shareholders of the Company	**(664)**	381
Other comprehensive income		
Item that will not be reclassified to profit or loss:		
Remeasurements of retirement defined benefit obligations, net of tax	**13**	10
	13	10
Items that may be reclassified subsequently to profit or loss:		
Foreign exchange translation loss	**(231)**	(197)
	(231)	(197)
Total comprehensive (loss)/income for the year attributable to shareholders of the Company, net of tax	**(882)**	194

Consolidated Balance Sheet

HK$ million	*Notes*	**As at 31 December 2022**	As at 31 December 2021
Non-current assets			
Intangible assets		**1,595**	1,727
Property, plant and equipment		**317**	368
Right-of-use assets		**1,630**	2,033
Financial assets at fair value through profit or loss		**3**	4
Interest in joint venture		**2**	–
Debtors, deposits and prepayments	*8*	**365**	416
Deferred tax assets		**62**	42
		3,974	4,590
Current assets			
Inventories		**1,777**	1,413
Debtors, deposits and prepayments	*8*	**884**	1,365
Tax receivable		**18**	30
Cash, bank balances and deposits		**2,012**	2,649
		4,691	5,457
TOTAL ASSETS		**8,665**	10,047
Current liabilities			
Creditors and accrued charges	*9*	**1,612**	1,497
Lease liabilities		**474**	566
Provisions	*10*	**145**	132
Tax payable		**229**	253
		2,460	2,448
Net current assets		**2,231**	3,009
Total assets less current liabilities		**6,205**	7,599
Equity			
Share capital	*11*	**283**	283
Reserves		**3,952**	4,834
		4,235	5,117
Non-current liabilities			
Lease liabilities		**1,578**	2,066
Retirement defined benefit obligations		**5**	18
Deferred tax liabilities		**387**	398
		1,970	2,482
TOTAL LIABILITIES		**4,430**	4,930
TOTAL EQUITY AND LIABILITIES		**8,665**	10,047

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF THE PREPARATION

1.1. Going Concern

During the year ended 31 December 2022, the Group recorded a net loss attributable to shareholders of the Company of HK$664 million and a net cash outflow of HK$557 million. The Group has net current assets of HK$2,231 million and no interest-bearing external borrowings as at 31 December 2022.

The Group is closely monitoring the cash flow position 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 31 December 2022. The Directors are of the opinion that, after taking into consideration of the above measures and the available cash and bank balances as at 31 December 2022, the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next twelve months from 31 December 2022. Accordingly, these financial statements have been prepared on a going concern basis.

1.2. Compliance with IFRS and HKCO

The 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 (Chapter 622 of the Laws of Hong Kong) ("HKCO").

1.3. Historical cost convention

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for the following:

- certain financial assets and liabilities, and
- defined benefit pension plans – plan assets measured at fair value.

1.4. Amended standards and interpretations adopted by the Group

During the year ended 31 December 2022, the Group has adopted the following accounting standards and amendments effective for the Group's reporting period beginning on 1 January 2022:

Adopted	Effective date	New standards or amendments
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
IAS 37 (Amendments)	1 January 2022	Onerous Contracts – Costs of Fulfilling a Contract
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

These amendments listed above did not result in any material impact on the Group's consolidated financial statements.

1.5. New standards and interpretations not yet adopted by the Group

Not early adopted	Effective for accounting periods beginning on or after	New standards or amendments
IFRS 17 and IFRS 17 (Amendments)	1 January 2023	IFRS 17 Insurance Contracts and Amendments to IFRS 17 Insurance Contracts
IAS 1 (Amendments)	1 January 2023	Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
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 and IAS 28 (Amendments)	A date to be determined by IASB	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
IFRS 16	1 January 2024	Lease Liability in a Sale and Leaseback
IAS 1 (Amendments)	1 January 2024	Non-Current Liabilities with Covenants
IAS 1 (Amendments)	1 January 2024	Classification of Liabilities as Current or Non-current

These standards and interpretations listed above have been published that are not mandatory for the year ended 31 December 2022 and have not been early adopted by the Group. These standards and interpretations are not expected to have a material impact on the Group in the future reporting periods and on foreseeable future transactions.

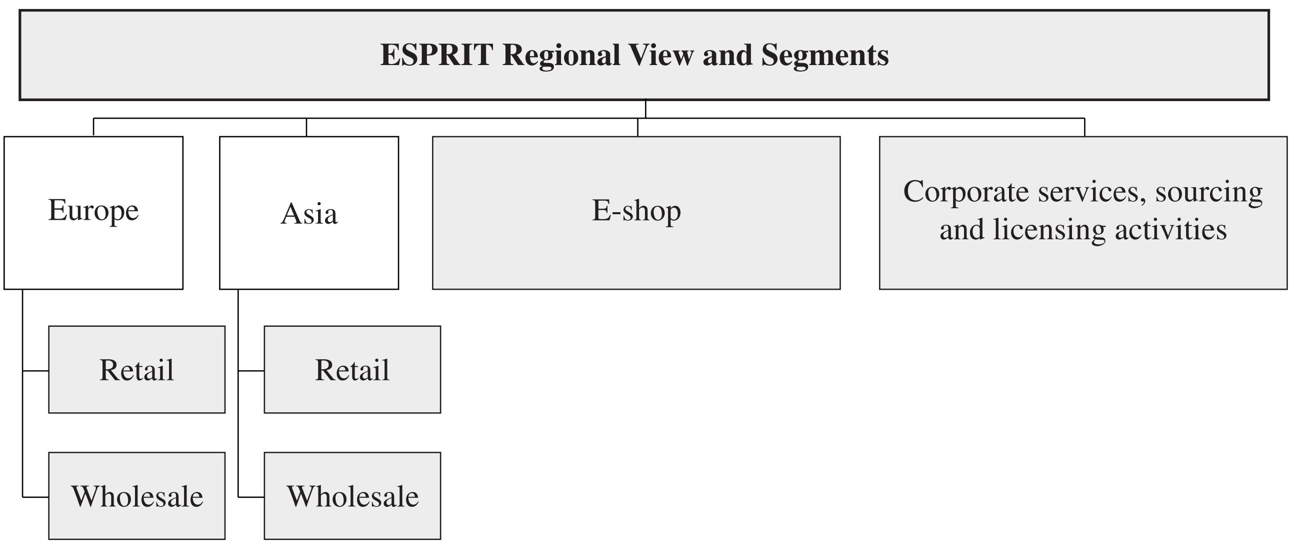
2. SEGMENT INFORMATION

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.

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.

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 Company.

The operating segments are on a regional level in Europe, Asia as well as E-shop and corporate services, sourcing and licensing activities on a global level. Operating segment for Europe has included America. 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 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.

For the year ended 31 December 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	**1,744**	**1**	**–**	**–**	**1,745**
Wholesale	**2,639**	**–**	**–**	**–**	**2,639**
E-shop	**–**	**–**	**2,558**	**–**	**2,558**
Licensing and others	**–**	**–**	**–**	**3,622**	**3,622**
Total	**4,383**	**1**	**2,558**	**3,622**	**10,564**
Inter-segment revenue	**–**	**–**	**–**	**(3,501)**	**(3,501)**
Revenue from external customers					
Retail	**1,744**	**1**	**–**	**–**	**1,745**
Wholesale	**2,639**	**–**	**–**	**–**	**2,639**
E-shop	**–**	**–**	**2,558**	**–**	**2,558**
Licensing and others	**–**	**–**	**–**	**121**	**121**
Total	**4,383**	**1**	**2,558**	**121**	**7,063**
Operating (loss)/profit					
Retail	**(371)**	**(19)**	**–**	**–**	**(390)**
Wholesale	**318**	**–**	**–**	**–**	**318**
E-shop	**–**	**–**	**(33)**	**–**	**(33)**
Licensing and others	**–**	**–**	**–**	**(537)**	**(537)**
Total	**(53)**	**(19)**	**(33)**	**(537)**	**(642)**
Share of losses from joint venture					**(1)**
Interest income					**5**
Finance costs					**(45)**
Loss before taxation					**(683)**

For the year ended 31 December 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	**(409)**	**(8)**	**–**	**–**	**(417)**
Wholesale	**(27)**	**–**	**–**	**–**	**(27)**
E-shop	**–**	**–**	**(50)**	**–**	**(50)**
Licensing and others	**–**	**–**	**–**	**(177)**	**(177)**
Total	**(436)**	**(8)**	**(50)**	**(177)**	**(671)**
Impairment loss[2]					
Retail	**(68)**	**–**	**–**	**–**	**(68)**
Total	**(68)**	**–**	**–**	**–**	**(68)**
Capital expenditure[3]					
Retail	**(8)**	**(6)**	**–**	**–**	**(14)**
Wholesale	**(6)**	**(8)**	**–**	**–**	**(14)**
E-shop	**–**	**–**	**(28)**	**–**	**(28)**
Licensing and others	**–**	**–**	**–**	**(30)**	**(30)**
Total	**(14)**	**(14)**	**(28)**	**(30)**	**(86)**

1 Depreciation includes depreciation of property, plant and equipment and right-of-use assets.
2 Impairment loss relates to impairment loss on property, plant and equipment and right-of-use assets.
3 Capital expenditure includes property, plant and equipment and intangible assets.

For the year ended 31 December 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	1,730	–	–	–	1,730
Wholesale	2,853	–	–	–	2,853
E-shop	–	–	3,621	–	3,621
Licensing and others	–	–	–	4,004	4,004
Total	4,583	–	3,621	4,004	12,208
Inter-segment revenue	–	–	–	(3,892)	(3,892)
Revenue from external customers					
Retail	1,730	–	–	–	1,730
Wholesale	2,853	–	–	–	2,853
E-shop	–	–	3,621	–	3,621
Licensing and others	–	–	–	112	112
Total	4,583	–	3,621	112	8,316
Operating (loss)/profit					
Retail	(209)	–	–	–	(209)
Wholesale	285	–	–	–	285
E-shop	–	–	609	–	609
Licensing and others	–	–	–	(269)	(269)
Total	76	–	609	(269)	416
Interest income					2
Finance costs					(32)
Profit before taxation					386

For the year ended 31 December 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	(435)	–	–	–	(435)
Wholesale	(27)	–	–	–	(27)
E-shop	–	–	(68)	–	(68)
Licensing and others	–	–	–	(147)	(147)
Total	(462)	–	(68)	(147)	(677)
Impairment loss[2]					
Retail	(15)	–	–	–	(15)
Total	(15)	–	–	–	(15)
Capital expenditure[3]					
Retail	(3)	–	–	–	(3)
Wholesale	(3)	–	–	–	(3)
E-shop	–	–	(13)	–	(13)
Licensing and others	–	–	–	(26)	(26)
Total	(6)	–	(13)	(26)	(45)

1 Depreciation includes depreciation of property, plant and equipment and right-of-use assets.
2 Impairment loss only relates to right-of-use assets.
3 Capital expenditure includes property, plant and equipment and intangible assets.

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

HK$ million	**As at 31 December 2022**	As at 31 December 2021
Hong Kong	**38**	33
Germany	**836**	1,152
Other countries[1]	**2,668**	2,943
Total	**3,542**	4,128

1 Non-current assets located in other countries include intangible assets of HK$1,595 million (31 December 2021: HK$1,727 million). Other countries mainly include France, Switzerland, Austria, Netherlands and Belgium.

3. REVENUE

HK$ million	**For the year ended 31 December 2022**	For the year ended 31 December 2021
Retail and Wholesale		
Europe	**4,383**	4,583
Asia	**1**	–
E-shop	**2,558**	3,621
Licensing and others	**121**	112
Revenue from external customers total	**7,063**	8,316

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

HK$ million	**For the year ended 31 December 2022**	For the year ended 31 December 2021
Retail and Wholesale		
Germany	**2,254**	2,276
Benelux	**569**	635
Switzerland	**399**	473
France	**331**	350
Austria	**307**	318
Spain	**155**	148
Finland	**122**	118
Italy	**81**	81
Sweden	**70**	87
Poland	**37**	31
United Kingdom	**35**	38
Denmark	**21**	26
Others	**2**	2
Europe total	**4,383**	4,583
Hong Kong and South Korea	**1**	–
Asia total	**1**	–
Retail and Wholesale total	**4,384**	4,583

HK$ million	**For the year ended 31 December 2022**	For the year ended 31 December 2021
E-shop		
Germany	**1,392**	2,099
Benelux	**376**	577
France	**144**	219
Switzerland	**213**	227
Austria	**167**	212
Denmark	**29**	41
United Kingdom	**43**	46
Poland	**51**	40
Sweden	**30**	41
Czech Republic	**35**	38
Finland	**18**	21
Spain	**15**	17
Italy	**20**	14
Others	**25**	29
E-shop total	**2,558**	3,621
Licensing and others		
Germany	**60**	48
Others	**61**	64
Licensing and others total	**121**	112
Revenue total	**7,063**	8,316

4. OPERATING (LOSS)/PROFIT

This is stated after charging and (crediting) the following:

HK$ million	**For the year ended 31 December 2022**	For the year ended 31 December 2021
Staff costs	**1,150**	1,146
Occupancy costs	**287**	255
Logistics expenses	**496**	538
Marketing and advertising expenses	**503**	446
Depreciation of property, plant and equipment	**102**	135
Depreciation of right-of-use assets	**569**	542
Impairment loss on property, plant and equipment	**3**	–
Write-back of provision for inventories, net *(Note 1)*	**(296)**	(140)
(Write-back of provision)/provision for impairment of trade debtors, net	**(25)**	35
Impairment loss on right-of-use assets	**65**	15
Information technology expenses	**286**	322
Write-back of provision for restructuring	**(6)**	(88)
Net foreign exchange translation losses	**48**	119
Legal and professional fees	**52**	90
Packaging, postage and distribution	**42**	101
Amortization of intangible assets	**43**	27
Governmental grants *(Note 2)*	**(37)**	(160)
Samples	**34**	50
Repair and maintenance	**26**	29
Insurance	**24**	25
Travelling-related expenses	**27**	24
Loss on disposal of property, plant and equipment	**4**	5
Auditor's remuneration	**21**	26

Note 1: The Group has recognized a net write-back of provision of inventories of HK$289 million due to the fading effects of the COVID-19 pandemic (the "Pandemic") in major markets where the Group operates in and HK$7 million due to the Group's improvement in inventory management.

Note 2: The Group has been awarded government grants in the amount of HK$40 million (including HK$3 million relating to staff costs) during the year ended 31 December 2022 (2021: HK$229 million including HK$69 million relating to staff costs). These grants relate to government grants for fixed costs such as rental expenses, salaries and social security costs in respect of the Pandemic relief measures. The grants for salaries were netted with staff costs. The grants for fixed costs were shown as other operating income. The government grants are linked to conditions that have to be fulfilled to receive the funds and there is sufficient likelihood that those conditions can be fulfilled.

5. INTEREST INCOME

HK$ million	**For the year ended 31 December 2022**	For the year ended 31 December 2021
Interest from bank deposits	**4**	1
Others	**1**	1
Total interest income	**5**	2

6. FINANCE COSTS

HK$ million	**For the year ended 31 December 2022**	For the year ended 31 December 2021
Interest on lease liabilities	**40**	26
Imputed interest on financial assets and financial liabilities	**1**	3
Others	**4**	3
Total finance costs	**45**	32

7. TAXATION

Amounts recognized in consolidated statement of profit or loss:

HK$ million	**For the year ended 31 December 2022**	For the year ended 31 December 2021
Current tax		
Overseas tax		
Provision for the current year	**2**	30
Over-provision in prior years	**(5)**	(14)
	(3)	16
Deferred tax		
Other origination and temporary differences	**(16)**	(11)
Total tax (credit)/charge	**(19)**	5

For the year ended 31 December 2022, Hong Kong profits tax is calculated at 16.5% (2021: 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 ended 31 December 2022 at the rates of taxation prevailing in the countries in which the Group companies operate, net of tax losses carried forward, if applicable.

8. DEBTORS, DEPOSITS AND PREPAYMENTS

Non-current

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

HK$ million	**As at 31 December 2022**	As at 31 December 2021
Deposits	**360**	409
Prepayments	**1**	–
Other debtors and receivables	**4**	7
Total	**365**	416

Deposits mainly include underlying cash for rent guarantees which has been pledged as collateral for drawn credit facilities.

Current

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

HK$ million	**As at 31 December 2022**	As at 31 December 2021
Trade debtors	**552**	792
less: provision for impairment of trade debtors	**(80)**	(194)
Net trade debtors	**472**	598
Deposits	**27**	9
Prepayments	**114**	403
Right-of-return assets	**112**	101
Other debtors and receivables	**159**	254
Total	**884**	1,365

The carrying amounts of debtors, deposits and prepayments approximate their fair values.

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

HK$ million	**As at 31 December 2022**	As at 31 December 2021
0-30 days	**308**	162
31-60 days	**90**	338
61-90 days	**31**	69
Over 90 days	**43**	29
Total	**472**	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.

9. CREDITORS AND ACCRUED CHARGES

HK$ million	**As at 31 December 2022**	As at 31 December 2021
Trade creditors	**497**	328
Accruals	**522**	595
Return liabilities	**236**	265
Other creditors and payables	**357**	309
Total	**1,612**	1,497

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

HK$ million	**As at 31 December 2022**	As at 31 December 2021
0-30 days	**346**	232
31-60 days	**137**	60
61-90 days	**7**	8
Over 90 days	**7**	28
Total	**497**	328

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

10. PROVISIONS

Provisions consist of the following:

HK$ million	**As at 31 December 2022**	As at 31 December 2021
Restructuring	**4**	13
Reinstatement	**89**	84
Legal cost	**52**	35
Total	**145**	132

Reinstatement provision of HK$89 million (2021: HK$84 million) is accounted by the estimated cost for reinstating the status of lease property. Restructuring provision of HK$4 million (2021: HK$13 million) represents the costs associated with restructuring measures taken in order to preserve the solvency and liquidity of the Group and its ongoing operations that have been negatively affected by the Pandemic. Estimated restructuring costs are based on the terms of the relevant contracts and mainly include costs for employee termination benefits that are based on a detailed plan agreed between management and employee representatives.

Movements in provisions are as follows:

HK$ million	**As at 31 December 2022**	As at 31 December 2021
Balance at beginning of year	**132**	246
Amounts used during the year	**(11)**	(50)
Additions	**42**	32
Releases	**(13)**	(113)
Reclassified from accruals	**1**	27
Exchange translation	**(6)**	(10)
Balance at end of year	**145**	132

11. SHARE CAPITAL

	Number of shares of HK$0.10 each million	HK$ million
Authorized:		
At 1 January 2022 and 31 December 2022	**30,000**	**3,000**
At 1 January 2021	3,000	300
Increase in authorized share capital (note a)	27,000	2,700
At 31 December 2021	30,000	3,000

	Number of shares of HK$0.10 each million	Nominal value HK$ million
Issued and fully paid:		
At 1 January 2022 and 31 December 2022	**2,831**	**283**
At 1 January 2021	1,887	189
Issue of rights shares (note b)	944	94
At 31 December 2021	2,831	283

The following transactions occurred in relation to the share capital of the Company:

(a) Increase 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) Issuance of rights shares

During the year ended 31 December 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 (the "2009 Share Option Scheme"). The 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 the 2009 Share Option Scheme and the Listing Rules.

The Company adopted a new share option scheme on 5 December 2018 (the "2018 Share Option Scheme"). The option mandate limit of the 2018 Share Option Scheme has been refreshed upon the shareholders' 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. No share options were granted in 2022 as the management believed that 2022 was not the right timing for granting share options.

(d) Awarded shares

The Board 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 under the Old Share Award Scheme are as follows:

	Number of awarded shares	
	As at 31 December 2022	As at 31 December 2021
Balance at beginning of year	**–**	2,000,000
Lapsed during the year for awarded shares included forfeited and expired	**–**	(2,000,000)
Balance at end of year	**–**	–

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 of 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 year end 31 December 2022, there was no movement for the New Share Award Scheme. There was no outstanding awarded shares under the New Share Award Scheme as at 31 December 2022. No awarded shares were granted in 2022 as the management believed that the timing for granting of awarded shares was not right in 2022.

12. (LOSS)/PROFIT PER SHARE

12.1. Basic

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

	For the year ended 31 December 2022	For the year ended 31 December 2021
(Loss)/profit attributable to shareholders of the Company (HK$ million)	**(664)**	381
Number of ordinary shares in issue at 1 January (million)	**2,831**	1,887
Adjustment for issue of rights shares (million)	**–**	712
Adjustments for share held for Old Share Award Scheme (million)	**–**	(3)
Weighted average number of ordinary shares in issue less shares held for Old Share Award Scheme (million)	**2,831**	2,596
Basic (loss)/profit per share (HK$ per share)	**(0.23)**	0.15

12.2. Diluted

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

	For the year ended 31 December 2022	For the year ended 31 December 2021
(Loss)/profit attributable to shareholders of the Company (HK$ million)	**(664)**	381
Weighted average number of ordinary shares in issues less shares held for Old Share Award Scheme (million)	**2,831**	2,596
Adjustments for share options and awarded shares (million)	**–**	–
Weighted average number of ordinary shares for diluted earnings per share (million)	**2,831**	2,596
Diluted (loss)/profit per share (HK$ per share)	**(0.23)**	0.15

Diluted (loss)/profit per share for the year ended 31 December 2022 and year ended 31 December 2021 was the same as the basic (loss)/profit per share since the share options and awarded shares had anti-dilutive effect.

13. DIVIDEND

The Board did not declare and recommend the distribution of any dividend for the year ended 31 December 2022 (2021: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The Year had been very difficult for the Group. The Group's performance was severely impacted by the unfavourable economic environment particularly in Germany and the rest of Europe, and the short-term detrimental effects of the Group's restructuring efforts, which is intended to ensure a brighter future for the Company. The Group recorded a loss attributable to the shareholders of the Company of HK$664 million, as compared to the profit attributable to the shareholders of the Company of HK$381 million for the Corresponding Year.

The Group recorded a total revenue of HK$7,063 million for the Year, as compared to the total revenue of HK$8,316 million for the Corresponding Year, which showed a drop of 15%.

The decrease of revenue in the Year in comparison to the Corresponding Year was mainly attributable to the following reasons: (i) stubbornly high inflation, resulting in both high interest rates as well as expectation for further interest rate hikes; (ii) high energy prices stemming from Germany's overreliance on natural gas from Russia, and the subsequent pressures on household living expenses; and (iii) the continuing conflict between Ukraine and Russia.

The above factors severely damaged consumer confidence and dampened consumers' spending appetite particularly in Germany and the rest of Europe where the Group primarily operates in, leading to the decrease of the Group's total revenue. The aforementioned will be discussed in more detail in other parts of this section.

For the Year, gross profit margin was 40.7%, which was 7.9% points lower than the Corresponding Year. The decline is due to the following reasons: (i) higher proportion of discounted products resulting from management's decision to reduce aged inventories in preparation for the Company's exciting brand relaunch, which contributed to almost half of the decline; (ii) the adverse conditions that led to the revenue decrease also affected consumer sentiment and exerted pressure on prices and led to a decrease in the gross profit margin; and (iii) the gross profit margin was negatively impacted by freight and exchange rates. The largest contributor to the margin decrease was the increased discounts to clear aged inventory, while the impact from freight cost increases and foreign exchange movements accounted for the majority of the remaining decrease in gross profit margin. The geopolitical backdrop and the volatile macroeconomic environment were factors beyond management's control.

The Board considers that the significant loss is mainly attributable to the decrease in revenue and the decrease in gross profit margin cited above, which in combination, led to the decrease of the gross profit of the Group to HK$2,878 million for the Year, as compared to the gross profit of the Group of HK$4,042 million for the Corresponding Year.

Notwithstanding the dire business environment for the Year, the Company is continuously striving to improve and enhance its operations, with a focus on achieving a brighter and more successful future. During the Year, the Group committed to its accelerated brand growth by establishing innovation and technology business hubs: ESPRIT Futura. The hubs combine both research and retail under the brand's ESPRIT Futura concept. The aim is to allow customers to interact with the brand through in-person apparel, online experience, and other engagement experiences. After the opening of ESPRIT Futura Amsterdam in September 2022, which is a centralized location for denim design and innovation, the Group has launched its second hub in New York City in the first quarter of 2023. ESPRIT Futura New York will house the Group's creative, brand, and marketing efforts. Hong Kong remains the Group's headquarters while Ratingen, Germany, continues to manage the Group's omni-channel business in Europe.

In the second half of 2022, the Company opened pop-up stores in key cities to drive brand recognition around the world. Hong Kong and Seoul was launched for Asia, while Los Angeles and New York City was strategically chosen to re-enter the North America market, in addition to launching a US E-Commerce site. The Company also began upgrading its retail stores in Europe starting with Germany's flagship store in Duesseldorf.

In terms of marketing, substantial investment was made to reclaim and reestablish ESPRIT's identity by distilling its brand origins into the three pillars: playful, modern, and cool. The brand story uses its DNA to start the conversation with focus on culture, to build a long-term customer relationship, and to reintroduce ESPRIT as aspirational, exciting, and current. Brand identity informs product design, styling, campaign photography, marketing, and all creative output of ESPRIT.

The Company continued its efforts to upgrade the brand's merchandise and to roll out collections of timely, limited edition, innovative, and fashion forward products. With the aim to improve ESPRIT's sourcing capabilities, the Company has been partnering with two world renowned sourcing agents. As specialists in sourcing and supply chain management, both agencies complement ESPRIT's existing infrastructure in Asia by supporting the brand's needs. The agencies also have the resources and capability to meet ESPRIT's strict social compliance standards. The Company can utilize the agencies' network of elevated factories that have more expertise, innovation, and higher efficiency to help the brand develop better quality products.

The Group also made substantial investment to upgrade the Company's information technology infrastructure and capabilities as part of the Group's overall modernization strategy. The key mission and mandate for the Digital team is to advance ESPRIT to the next level in the digital landscape through innovation, growth, and modernization including the revamping of CRM (the "customer relationship management") and OMS (the "order management system") to improve the understanding of ESPRIT customers to serve them better.

The Company made a significant achievement in the backend world of commerce with the digital ability to source and sell in new markets under a tight timeframe. Dedicated E-shop was launched in several new key markets including America, Canada, Australia, South Korea, Hong Kong, Taiwan, Philippines, Thailand, and Singapore. In addition to the E-shop, ESPRIT mobile applications was launched in several Asian markets to provide a seamless shopping experience for the customer including Australia, South Korea, Hong Kong, Taiwan, Philippines, Thailand, and Singapore. This success is attributable to the financial processing that was done and the ability to digitally conduct commercial activities through the ERP (the "enterprise resources planning") system. ERP is a system enables product sourcing, purchasing, logistics, storage, and distribution to various sales channels such as online, offline, retail and wholesale.

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. For the financial year ended 31 December 2022, the Group recorded a total revenue of HK$7,063 million (2021: HK$8,316 million). The revenue of the Year was below the level of Corresponding Year by 15%. The decline of revenue in the Year in comparison to the Corresponding Year was mainly attributable to the following reasons: (i) stubbornly high inflation, resulting in both high interest rates as well as expectation for further interest rate hikes; (ii) high energy prices stemming from Germany's overreliance on natural gas from Russia, and the subsequent pressures on household living expenses; and (iii) the continuing conflict between Ukraine and Russia. The above factors severely damaged consumer confidence and dampened consumers' spending appetite particularly in Germany and the rest of Europe where the Group primarily operates in, leading to the decrease of the Group's total revenue.

As Europe is the Group's major market, depreciation of the Euro against the Hong Kong dollar further eroded the total revenue in the translation to the reporting currency.

Group Revenue Channel Mix

Group revenue is divided into 4 main channels: wholesale, E-commerce, owned retail stores, and licensing. In the Year, each channel accounted for the Group's revenue in the ratio of 37:36:25:2 respectively.

Wholesale

Wholesale revenue experienced a drop of 8% from HK$2,853 million to HK$2,639 million in the Year and the business was impacted by the sluggish European market and weakened consumer sentiment. Wholesale partners placed their purchase orders based on their speculation of future market demands and were crystallized at approximately 6 to 9 months in advance of the in-season sales. The conflict between Ukraine and Russia in the first half of the Year severely impacted the order levels from the Company's wholesale partners.

E-commerce

Revenue in the E-commerce channel declined by 29% in the Year, with the figures falling from HK$3,621 million to HK$2,558 million. The decline was partly offset by the increase in retail channel as customer shifted back from online purchases during the Pandemic to physical retail stores. Moreover, return of goods was hindered in the heavier Pandemic periods in previous years with the concern of social distancing. However, this concern ceased in 2022 and the return of goods rebounded in the Year. Apart from E-commerce, the returns of purchase have experienced ramp-up across the other channels. If the revenue for the Year was to be translated by the exchange rate for the Corresponding Year (the "Constant Exchange Rate"), the revenue would have decreased by 21% from the Corresponding Year.

Retail

Retail revenue for the Year was HK$1,745 million, which remained consistent with the Corresponding Year's retail revenue of HK$1,730 million. Had the retail revenue for the Year been translated by the Constant Exchange Rate, the revenue would have increased by 11% from the Corresponding Year. The growth in the Year was benefited from the uplift of heavy COVID-19 restrictions imposed during 2021. This growth was partially constrained in the second half of 2022 by the shrunken consumer's spending in the mist of rising inflation.

Licensing

Licensing revenue recorded a growth of 8% compared to the Corresponding Year. The growth was mainly driven by a strong performance of the European shoe business, and the royalty income contributed by eyewear, watches, and jewellery category.

GROSS PROFIT MARGIN

For the Year, gross profit margin was 40.7%, equivalent to a 7.9% point decline versus Corresponding Year. The decline in gross profit margin was attributable to the deeper discounting activity during the last quarter of the Year with the intention to clear out aged inventory. This contributed to almost half of the decline. The remaining gross profit margin decline was mainly driven by 2 factors: increasing freight costs due to elevated energy prices and disruptions to the supply chain; and by the USD appreciation against the Euro as the majority of stock purchases were denominated in USD, while the majority of the Company's sales were denominated in Euro. The geopolitical backdrop and the volatile macroeconomic environment were factors beyond management's control.

OPERATING EXPENSES

Operating expenses for the Year were HK$3,520 million which was 3% lower than the Corresponding Year. The decrease was primarily attributable to the 8% reduction in logistics expenses. Furthermore, there were write-back of provision for inventories of HK$296 million and write-back of provision for impairment of trade debtors of HK$25 million for the Year. This was despite the ongoing wage inflation pressures under the threat of worker's strikes in Germany and other European markets. The decrease was partially offset by 13% increase in marketing and advertising expenses for brand development. The Group continues to maintain a tight control of all costs and expenditures, and the stricter cost approval process.

WORKING CAPITAL MANAGEMENT

Inventories

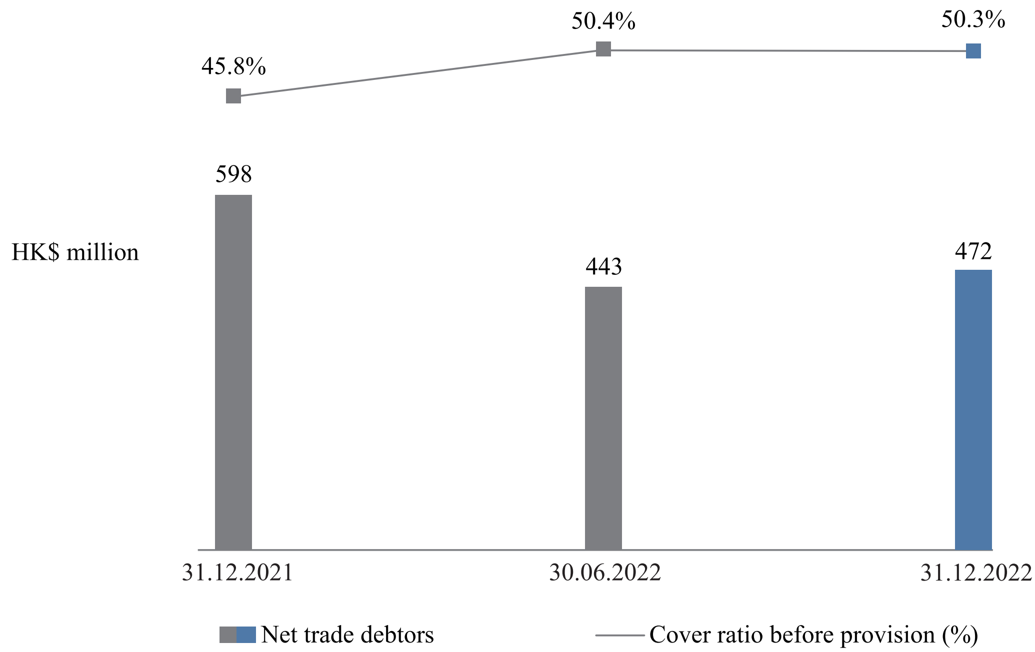
As at 31 December 2022, the inventory balance amounted to HK$1,777 million (31 December 2021: HK$1,413 million). On a year-on-year basis, the value of inventories grew by 26%. This was mainly due to the increase in the value of existing inventories from the release of COVID-19 related provisions. Due to the fading effects of the Pandemic in major markets where the Group operates in, the management has reassessed the estimated net realizable value of inventories in the Year, 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$296 million for the Year (2021: net write-back of provision for inventories of HK$140 million).

There was a significant effort to reduce aged inventory in preparation for the launch of the newly designed, higher quality product. By monetizing the unproductive inventory, the cash can be deployed more efficiently to drive the brand forward. These strategic moves can have a significant positive impact on the brand's profitability and sales growth by freeing up valuable resources that will be channeled into brand marketing, product design, and other growth initiatives. This can help the Group stay ahead of the competition and maintain a strong market position. Additionally, the launch of the new product can enhance the Company's gross profit margin, which in turn will bolster the brand's profitability and sales growth by offering consumers a higher quality product with better features, functionality and value.

Net Trade Debtors

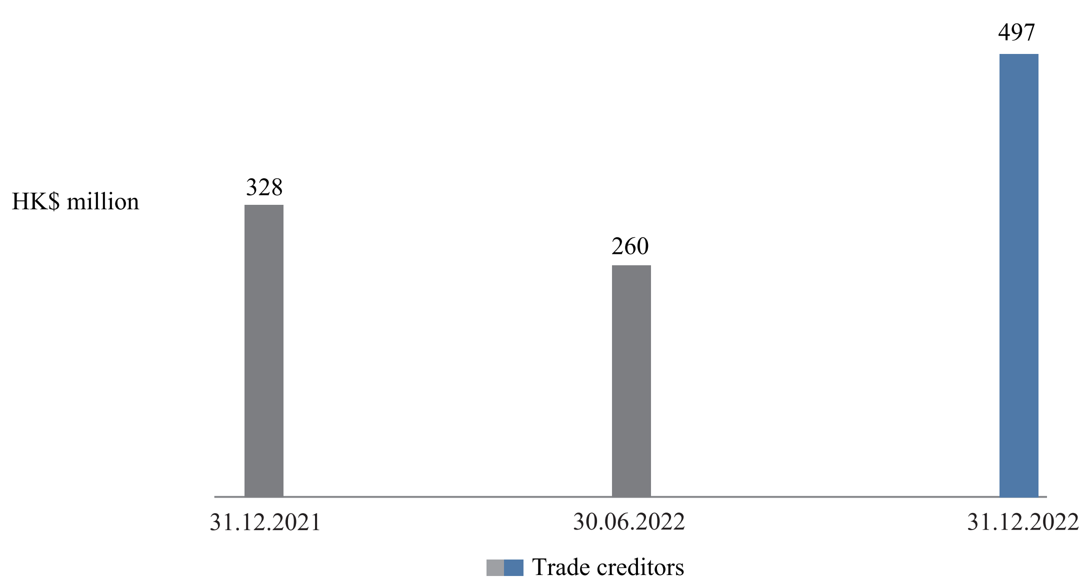
As at 31 December 2022, net trade debtors amounted to HK$472 million which showed a drop of HK$126 million or 21% from HK$598 million in the Corresponding Year. This development was due to the more proactive management of trade debtor balances and decrease in revenue during the Year. The provision for impairment of trade debtors as at 31 December 2022 amounted to HK$80 million (31 December 2021: HK$194 million), with a write-back of provision for impairment of trade debtors that amounted to HK$25 million for the Year (31 December 2021: provision for impairment of trade debtors of HK$35 million).

The cover ratio of insured and guaranteed trade debtors (over gross trade debtors) as at 31 December 2022 increased to 50.3% (31 December 2021: 45.8%).



Trade Creditors

As at 31 December 2022, trade creditors amounted to HK$497 million (31 December 2021: HK$328 million) which was a 52% rise from the Corresponding Year. This development was mainly due to the improvement of the trade terms with vendors.



LIQUIDITY AND FINANCIAL RESOURCES ANALYSIS

Net Cash

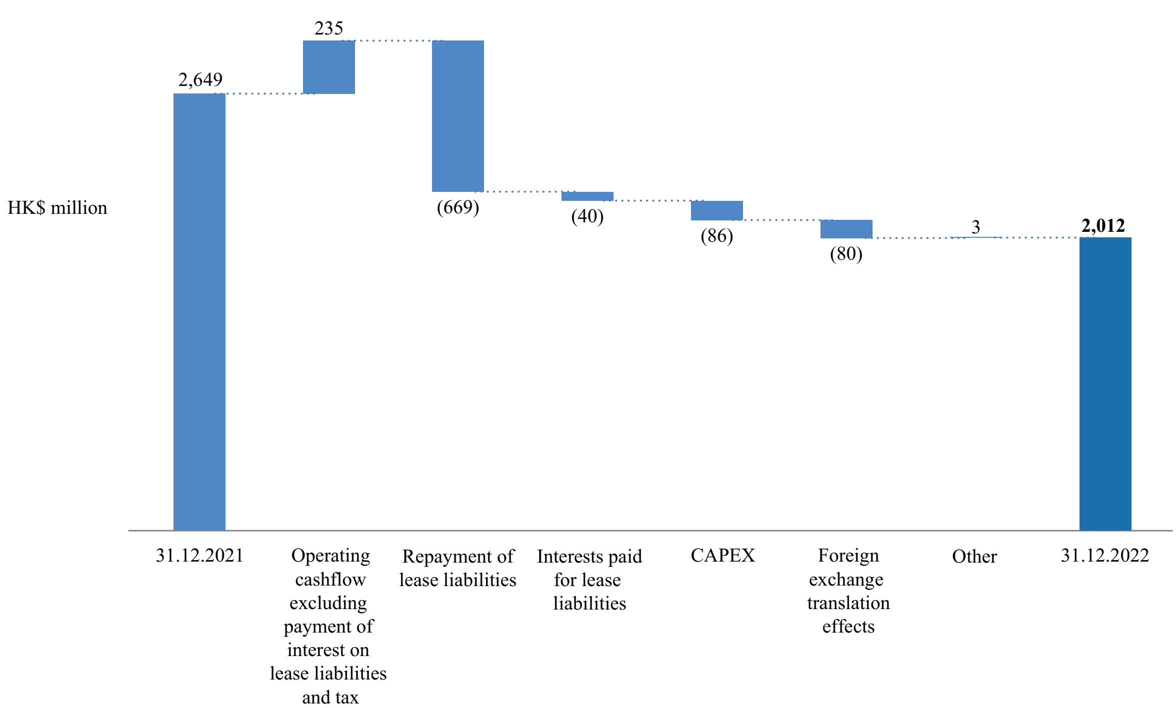
As at 31 December 2022, the Group remained essentially debt free and recorded cash, bank balances and deposits in a total of HK$2,012 million (31 December 2021: HK$2,649 million), resulting in a net cash decrease of HK$637 million. The cash position was mainly affected by following items:

1) operating performance of the business resulted in a net cash inflow of HK$235 million excluding payment of interest on lease liabilities and tax;

2) repayment of lease liabilities of HK$669 million and interests paid for lease liabilities of HK$40 million resulted in total cash outflow of HK$709 million; and

3) further decrease in cash position occurred through foreign exchange translation effects of HK$80 million and the capital expenditures (the "CAPEX") of HK$86 million.

Cash Flow Bridge for the Year Ended 31 December 2022



Total Interest-Bearing External Borrowings and Gearing Ratio

As at 31 December 2022, the Group had no interest-bearing external borrowings (31 December 2021: Nil). Therefore, the Group's gearing ratio as at 31 December 2022, as defined by a percentage of total interest-bearing external borrowings to total assets, was zero (31 December 2021: Zero).

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 FX markets caused by geopolitical events, the decision was made not to enter into hedging programs for the time being.

Treasury Policy

Core task of the treasury team of the Group 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 currently no further funding initiatives with banks. Nevertheless, various options are being evaluated to cover future needs.

NUMBER OF EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2022, the Group employed approximately 2,230 full time equivalent staff (“FTE”) (31 December 2021: approximately 2,260 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 intranet.

DIVIDEND

As the Group recorded a loss for the Year, the Board has determined that no final dividend will be declared and paid in respect of the Year. The Board will constantly monitor and review the situation in the coming future.

RIGHTS ISSUE

On 20 April 2021, the Company completed a rights issue of 943,605,781 shares on the basis of one rights share for every two shares in issue at a subscription price of HK$0.75 per rights share (the "Rights Issue"). Details of the Rights Issue is set out 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 net proceeds of the Rights Issue, after deducting the related expenses, was HK$689 million.

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 *HK$ million*	Actual use of net proceeds up to 31 December 2021 *HK$ million*	Remaining balance of unutilized net proceeds as at 31 December 2021 *HK$ million*	Actual use of net proceeds for the year ended 31 December 2022 *HK$ million*	Remaining balance of unutilized net proceeds as at 31 December 2022 *HK$ million*
Information technology and transformation expenses:					
a. Systems upgrade and data migration	70	(22)	48	**(48)**	**–**
b. Development of new internal information technology resources	45	(16)	29	**(29)**	**–**
c. Development of a new overarching E-commerce sales channel	185	(74)	111	**(111)**	**–**
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	**(188)**	**–**

As at 31 December 2022, all the net proceeds of the Rights Issue had been fully utilized in accordance with the intended uses as disclosed in the Prospectus. There has been no change in the use of net proceeds.

IMPORTANT EVENTS OCCURRING AFTER THE END OF THE FINANCIAL YEAR

Connected Transactions

As disclosed in the announcement of the Company dated 18 January 2023, two previous tenancy agreements dated 25 January 2021 entered into between Filen Limited ("Filen Limited") and CUCNP Holdings Limited ("CUCNP Holdings"), as the landlords, and Esprit Regional Distribution Limited ("ERDL"), an indirectly wholly-owned subsidiary of the Company, as the tenant, were both expired on 31 January 2023.

On 18 January 2023, ERDL entered into two tenancy agreements, as tenant, namely (i) the tenancy agreement with Filen Limited, as landlord, in respect of the renewal of tenancy of the whole floor of 13th Floor of China United Centre, No. 28 Marble Road, North Point, Hong Kong for a term of two years commencing from 1 February 2023 and expiring on 31 January 2025 (both days inclusive) at a monthly rental of HK$296,001; and (ii) the tenancy agreement with CUCNP Holdings, as landlord, in respect of the renewal of tenancy of the whole floor of 27th Floor of China United Centre, No. 28 Marble Road, North Point, Hong Kong for a term of two years commencing from 1 February 2023 and expiring on 31 January 2025 (both days inclusive) at a monthly rental of HK$302,049.

As at the date of this announcement, Ms. LO indirectly holds 82.19% equity interests in both Filen Limited and CUCNP Holdings. Ms. LO is a substantial shareholder of the Company, hence a connected person of the Company. Therefore, both Filen Limited and CUCNP Holdings are associates of Ms. LO and connected persons of the Company. Details of the above connected transactions was disclosed in the Company's announcement dated 18 January 2023.

OUTLOOK

The Company remains focused on restructuring its operations and business processes while building upon the brand's strong heritage. The Group's commitment to agility and connectedness enables prompt and effective responses to any unexpected challenges that may arise, demonstrating its resilience and readiness to adapt to changing circumstances and ensuring the continued success and growth of the brand.

The Company wishes to inform shareholders and the investment community that while the Company remains cautious and vigilant, its outlook for the future is positive in nature and expects the Company to rebound in 2023. The Company would also like to take this opportunity to recap initiatives undertaken during the Year and new plans for 2023. These notable developments provide a strong foundation to the Company's prospects going forward:

1) Retail: ESPRIT pop-up stores were launched in key cities to drive brand awareness around the world. The pop-up in New York City was planned to maintain a presence in New York while the Company secures a permanent New York City retail location. Additional pop-ups are planned for North America within the first half of 2023 and in Asia in Q4 of 2023.

   In terms of commercial expansion, the Company signed a lease for a 38,000 square foot of office space in the heart of Soho, New York City to host the brand's design, branding, creative, and marketing teams in America. This was a decision made when ESPRIT moved its creative headquarters to New York City at the end of 2022. The office will have approximately 100-120 full time employees once built out.

2) Omnichannel: The Company finalized its omnichannel strategy in 2022, which serves as milestones to strengthen ESPRIT's omnichannel-commerce capabilities in building a highly personalized customer experience from 2023 onwards. The strategy will be one of the key drivers for growth and an integral part of ESPRIT's bold plan for international retail expansion. Core elements within the omnichannel strategy includes the following:

   a. Fully integrated ESPRIT ecosystem: the ESPRIT ecosystem is a rich cross-channel platform that provides integrated offerings to cover consumers' needs as per their lifestyle. ESPRIT is building an integrated omnichannel solution that offers a seamless, consistent experience across the Company's various sales channels.

   b. Omnichannel stores of the future: the future of omnichannel retail is about integrating physical and digital elements in the shopping experience, to create more convenience, personalization, and efficiency. This involves the combination of both physical and digital to support an omnichannel customer journey. The store of the future is fully integrated with nearby stores and warehouses to enable customers to transact in a variety of ways. There also will be utilization of artificial intelligence, digital technology, and real-time data to provide a seamless customer experience and automation to support retail operations.

   c. Seamless implementation: state-of-the-art omnichannel implementation will be achieved through partnerships with the most advanced technology service providers, with ample knowledge of fundamental omnichannel business use cases and expertise in developing the required technical infrastructure.

All the points above support the launching of new omnichannel stores of the future in key markets and fashion capitals around the world.

3) Marketing: In 2022, the Company began renovating its flagship store in Duesseldorf, Germany, marking the first revamp of this ESPRIT store in more than ten years. The expected completion date of the renovation is middle of 2023. Renovations include construction works, revised assortment, instore signage, new changing rooms, and omnichannel experience. Immersive open window area on the store entrance provides more natural light which creates an inviting atmosphere for customers. It also creates a range of possibilities for future marketing campaigns within the store space as well as an additional project in the brand's retail portfolio.

   ESPRIT's upcoming 2023 Fall Winter campaign aims to attract new consumer segments with high value fashion campaigns. The goal is to attract a younger audience through authentic storytelling and dynamic content. The team will continue to improve ESPRIT's fashion DNA by collaborating with top profile talents, such as partnerships with famous photographers and production companies. The intent is to reclaim ESPRIT's fashion DNA and increase credibility and fashion footprint. The official ESPRIT brand relaunch is set for middle of 2023, with a focus on modernizing the brand heritage and values for today's consumer in a way that resonates across generations.

4) Product: Denim have always played a big part within ESPRIT. In September 2022, the Company established a Denim Innovation Center in ESPRIT Futura Amsterdam. Amsterdam is one of the global capitals for denim.

ESPRIT launched 24 in-season chase product collections of timely, limited edition, innovative, and fashion forward products. Notable examples include Archive Re-issue and Rest & Recreation. These collections revives ESPRIT's 1980's nostalgic styles and silhouettes and is inspired by the brand's archives from the 1980s and 1990s. It appeals to not only those who remember ESPRIT in the past, but also to younger generations who seek new and authentic looks.

There are exciting new plans for Product, including the creation and launch of new key fits for all markets starting in the 2023 Fall season. Examples of upcoming initiatives are:

a. Utilizing a single ESPRIT label starting in Q3 2023: this is a consolidation of existing ESPRIT labels such as Collection, Casual, and White Label into a single ESPRIT label. Benefits of the label consolidation include better customer experience with a more focused product assortment and branding, lower operating costs, and less complexity from carrying three labels within the same brand.

b. Denim relaunch: the Company will be relaunching denim with improved fit, fabric, and wash.

    i. Fit: ESPRIT has developed new fits that are commercial, relevant for all silhouettes, and staying consistent for a longer period. This is made possible by conducting thorough analysis of the brand's existing fit assortment, competitor analysis, and industry trends.

    ii. Fabric: Relevant teams have adopted new fabric technology that incorporates high elasticity with excellent recovery values.

    iii. Wash: Improved the wash range by offering more color variety. This improvement creates a more dynamic line with less duplication. The Denim Innovation Team will be partnering with leading denim manufacturers to use washing techniques that can reduce waste and the amount of water used.

The Company further enhanced its sourcing vendor base. This arrangement aims to improve product quality, speed to market, and supply chain flexibility. It also minimizes the number of vendors to ensure efficient and optimal vendor management. The goal is to use better mills, yarn suppliers, and factories and selecting vendors who are strong in specific product categories. Diversifying production to more countries lowers the risk of having a majority volume of goods made in a few selected markets. As a result, the Company can better manage overall manufacturing risks, increase speed-to-market, and benefit from sourcing better quality products.

5) Sustainability: At ESPRIT, the goal and intention is to create and produce responsibly from concept to finish. Whenever possible, the Company chooses 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 resources along the supply chain. ESPRIT also participates in various multi-stakeholder industry initiatives and organizations that fosters dialogue with governments and civil society. Topics covered include due diligence, workers' participation, training and awareness, assessments, audits and verifications, and occupational health and safety. With laws and regulations regarding sustainability in constant change around the world, the Company will continue to work closely with its suppliers and industry partners to meet environmental and social compliance and governance standards.

6) Information Technology: The key mission and mandate for the Digital team is to advance ESPRIT to the next level in the digital landscape through innovation, growth, and modernization.

   The Digital team aims to equip the Company's online and offline sales channels with enhanced omnichannel capabilities to conduct targeted campaigns that build stronger connection with customers. The continual data consolidation and analysis processes provide ESPRIT with a way of utilizing valuable data to gain more insight into the Company's business and a more in depth understanding of the ESPRIT customer. This ultimately allows ESPRIT to provide better customer experience in an efficient manner.

   The on-going initiatives and new plans for 2023 mentioned above are strategic opportunities planned for the growth of the brand. The Company has a firm financial footing with a healthy balance sheet, which allows it to invest whenever good opportunities arise. This, combined with strong and dynamic leadership, an omnichannel strategy plan for growth, and a committed team, forms a solid platform on which to build towards a brighter and more successful future.

PUBLICATION OF ANNUAL REPORT

This audited results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (https://www.hkexnews.hk) and the Company (https://www.esprit.com/en/company), and the audited report of the Company for the financial year ended 31 December 2022 containing all the information required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company on or before 30 April 2023.

ANNUAL GENERAL MEETING

The Company will hold an annual general meeting (the "AGM") on Monday, 19 June 2023. Notice of the AGM will be published and dispatched to the shareholders of the Company in accordance with the Bye-laws of the Company and the Listing Rules.

CLOSURE OF REGISTERS OF MEMBERS

For determining the eligibility of shareholders to attend and vote at the AGM of the Company:

Latest time to lodge transfer documents for registration	At 4:30 pm on Tuesday, 13 June 2023
Closure of Registers of Members	Wednesday, 14 June 2023 to Monday, 19 June 2023 (both dates inclusive)
Record date	Monday, 19 June 2023

During the above closure period, no transfer of shares of the Company will be effected. To be eligible to attend and vote at the forthcoming AGM, all transfer forms, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than the aforementioned latest time.

AUDIT COMMITTEE

The Audit Committee currently comprises four Independent Non-executive Directors, namely Mr. CHUNG Kwok Pan, Mr. GILES William Nicholas, Mr. HA Kee Choy Eugene and Mr. LO Kin Ching Joseph. The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group, the internal control procedures, the audited results of the Company for the financial year ended 31 December 2022 and has also met with the external auditor and discussed auditing, internal controls and financial reporting matters including the review of the quarterly updates and annual results of the Group, and the basis and accounting treatment thereof. The Audit Committee has agreed with the audited results of the Group for the financial year ended 31 December 2022 as set out in this announcement.

SCOPE OF WORK OF THE AUDITOR OF THE COMPANY

The figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated balance sheet and the related notes thereto for the financial year ended 31 December 2022 as set out in this results announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the same period. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or no assurance conclusion has been expressed by PricewaterhouseCoopers on this results announcement.

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 financial year ended 31 December 2022.

CORPORATE GOVERNANCE

Throughout the year ended 31 December 2022, the Company has applied the principles of, and complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules.

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") as set out in Appendix 10 of the Listing Rules.

The Company has made specific enquiry with all the Directors and all of them confirmed that they have complied with the required standard set out in the Model Code for the financial year ended 31 December 2022.

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

Hong Kong, 30 March 2023

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

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.