ESPRIT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 00330

SUPPLEMENTAL INFORMATION IN RELATION TO INSOLVENCY FILINGS, SELF-ADMINISTRATION PROCEEDINGS FILINGS AND PREVENTIVE RESTRUCTURING FILING OF CERTAIN SUBSIDIARIES

References are made to the announcements (collectively, the "**Announcements**") of Esprit Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") (i) dated 25 March 2024 in relation to the Insolvency Filing made by ESRA; (ii) dated 8 April 2024 in relation to the Insolvency Filing made by BEBR; (iii) dated 15 May 2024 in relation to the Self-administration Proceedings Filings made by DEEG, DEES, DEWG, DECS, DEPD, DEEA and DERB (collectively, the "**German Subsidiaries**"); and (iv) dated 31 May 2024 in relation to the Preventive Restructuring Filing made by DKDA. Unless the context requires otherwise, capitalized terms used in this announcement shall have the same meaning as those defined in the Announcements.

The Board wishes to provide supplemental information to the Announcements.

IMPACT TO THE COMPANY'S FINANCIAL POSITION

As of the respective dates of the Swiss, Belgian and German insolvency courts handing down their orders for the commencement of insolvency proceedings over the assets of ESRA and BEBR and for the commencement of self-administration proceedings over the assets of the German Subsidiaries respectively, the Company is no longer considered to have control over these entities and their respective subsidiaries (the "**Relevant EU Entities**"). Accordingly, the financial results of the

Relevant EU Entities, as more particularly set out below, have been deconsolidated from those of the Group:

(i) ESRA;

(ii) BEBR (which is also a subsidiary of DEEG, a German Subsidiary); and

(iii) the German Subsidiaries, together with all the other subsidiaries of DEEG, including Esprit de Corp. France SAS, Esprit GB Limited, Esprit Handelsgesellschaft mbH, Esprit Europe Holdings B.V., Esprit GB Retail Limited, Esprit Belgie Wholesale N.V., DKDA (including its branch, namely FIDA), Esprit Sweden AB, Esprit A/S and Esprit Poland Retail Sp.z o.o.. DKDA applied for the commencement of the preventive restructuring proceedings on 31 May 2024, which automatically extends to FIDA unless local creditors decide to move such Finland branch into a territorial insolvency process. The other subsidiaries of DEEG may also be subject to insolvency proceedings in the future.

The Relevant EU Entities are significant to the Group's financial position. Based on the audited consolidated financial statements of the Group and the standalone management accounts of each Relevant EU Entity for the financial year ended 31 December 2023 ("**FY2023**"), the aggregate total revenue generated by the Relevant EU Entities (after intra-group elimination) was approximately HK$5,261 million, representing approximately 89% of the total revenue of the Group, and as at 31 December 2023, the aggregate total assets of the Relevant EU Entities were approximately HK$4,276 million, representing approximately 74% of the total assets of the Group. As at the date of this announcement, the Group has remaining subsidiaries in North America, Asia and certain countries in Europe (including Switzerland, Spain, Italy, Luxembourg and the Netherlands), which are currently engaged in retail (including E-Shop), wholesale distribution, and/or licensing of apparel and non-apparel products designed under the "ESPRIT" brand name.

The initiation of the foregoing proceedings is expected to significantly reduce the Group's operating loss. The Relevant EU Entities have been posing significant operating loss. Based on the standalone management accounts of each Relevant EU Entity for FY2023, the aggregate operating costs (after intra-group elimination) of the Relevant EU Entities for FY2023 amounted to approximately HK$3 billion, which is the primary reason the Group as a whole recorded significant losses for FY2023. Most of the operating costs are attributable to legacy costs that cannot be reduced or otherwise effectively managed in the short term, such as high rents of long-term lease for the unsuitably sized stores, labor costs of overly bloated workforce and expenses related to an overcapacity logistic setup. The management of the Company has considered that it is unlikely for the Relevant EU Entities to be able to generate sufficient revenue to cover their respective operating costs and other liabilities. Their operations are not sustainable and there is limited prospect of turning their business around. In the circumstances, the initiation of the relevant proceedings is an appropriate means to alleviate the continued losses of the Group. It is expected that the Company will be able to cut down significant operating costs, conserve financial resources and redirect those funds towards more productive uses, such as investing in operations, products development, or other strategic initiatives.

IMPACT TO THE COMPANY'S BUSINESS OPERATIONS

The Company has no control over the insolvency proceedings, the self-administration proceedings or the preventive restructuring proceedings. The Company is given to understand that (i) upon completion of the insolvency proceedings, ESRA and BEBR will be wound up, and the current business operations carried out by ESRA and BEBR will cease; (ii) upon completion of the self-administration proceedings, the German Subsidiaries may be wound up, and the current business operations carried out by the German Subsidiaries may cease, or alternatively, the assets and business of the German Subsidiaries may be sold to an investor; and (iii) the aim of the preventive restructuring proceedings is to restructure the business of DKDA, so that all or part of its business may be able to continue operations after the successful completion of the process.

The key intangible assets of the Group, being the intellectual property rights associated with the "ESPRIT" brand, are currently owned by the Company's other subsidiaries. It is not the current intention of the Company to permanently exit from the European market and the Company is formulating preliminary plans to rebuild its business operations in Europe. Recognizing an opportune juncture, the Company's current intention is to gradually exit the unprofitable retail business in Europe and pivot towards a new business model centered on wholesale and e-commerce by leveraging its well-established brand presence and influence in the European market and substantial customer base. The key strategic initiatives are discussed below:

- ***Financing through various channels***. The management of the Company is actively seeking financing through various channels with a view to improving the financial position of the Group and enlarging the capital base of the Company. Certain investors have indicated their interest in partnering with the Company to rebuild the Group's European business. Based on the Company's preliminary business plan, the funding raised will be mainly utilised in two key areas:

  (i) payment to suppliers to secure a sustainable supply chain and avoid disruption in the wholesale business; and

  (ii) rebuild of the Group's new operational infrastructure system.

- ***Enhancing efficiency and overall performance across its European operations***. With the benefit of valuable insights gained from its past experiences, the Company is committed to a multifaceted strategic initiative aimed at enhancing efficiency and overall performance across its European operations. As a key component of this strategy, the Company intends to refine its operational approach and optimize its organizational structure and is designing a leaner group structure and organization structure to assume and manage its European wholesale and e-commerce business. Additionally, the Company is evaluating the establishment of a new, more flexible and scalable European distribution center that would allow the Group to effectively manage operating costs. The logistics team of the Company has conducted extensive market research and site visits, and explored more than six facilities in the Netherlands as potential locations for such distribution center. To prepare for the re-launch of the e-commerce business, a new, cost-effective IT system infrastructure and e-commerce platform underpinned by standardized and scalable technology solutions is under design.

- ***Relationships with key stakeholders***. Fostering strong relationships with key stakeholders, including suppliers, wholesale partners, and operational partners, is another crucial pillar of the Company's strategic plan in Europe. The aim is to rebuild trust, credibility, and long-term partnerships. On one hand, the Company is actively communicating with the existing wholesale partners and franchisees regarding the future business plan. On the other hand, the Company is prioritizing timely delivery of products to key partners, minimizing the impact of the relevant proceedings on such partners, which are important to the Group's operations. Concurrently, the Company will undertake multifaceted efforts to develop strategically important relationships with business partners, thereby expanding its customer base.

- ***Cost control measures***. The Company is implementing stringent cost control measures to optimize resource allocation and maximize cost-effectiveness. Such key measures include:

  (i) steady annual reductions in cost of goods sold and overall operating expenses through continuous process improvements, automation, and inventory optimization;

  (ii) comprehensive review of organizational structure with a view to managing or eliminating any redundant or unnecessary roles to improve efficiency; and

  (iii) optimizing supply chain costs through several key strategies, including supplier consolidation to leverage economies of scale, strategic sourcing to obtain more favorable terms, and optimization of logistics operations through human resources consolidation and productivity optimization via distribution center efficiency enhancement.

In addition, as disclosed in the Company's 2023 annual report, the Group is also committed to implementing plans and measures which prioritize improving sales performance through strategic expansion into new markets, acquiring new wholesale customers, and actively exploring opportunities in overseas markets like the United States, with the aim of driving robust sales growth and fostering enduring sustainability for the business of the Group as a whole.

By implementing the foregoing, the Company is confident that it will overcome the challenges it is currently facing and gradually establish a solid foundation for sustainable growth.

The management of the Company is weighing various plans and options available to the Company and will take the most appropriate way forward in the best interests of the Company and the shareholders of the Company as a whole.

Further announcement(s) will be made by the Company if there is any material progress in connection with the insolvency proceedings of ESRA and BEBR, the self-administration proceedings of the German Subsidiaries and the preventive restructuring proceedings of DKDA as and when appropriate in accordance with the Listing Rules.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 3 June 2024

Dates 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. STRIPPOLI Anthony Nicola
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