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ESPRIT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 00330

**(1) CREDITORS' VOLUNTARY WINDING-UP OF SUBSIDIARIES
AND
(2) BUSINESS UPDATES**

This announcement is made by Esprit Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) on a voluntary basis to inform its shareholders (the “**Shareholders**”) and potential investors of the recent developments of the Group.

The board of directors of the Company (the “**Board**”) announces that on 29 July 2024, the shareholders of each of Esprit Regional Distribution Limited (“**HKRP**”) and Esprit Retail (Hong Kong) Limited (“**HKER**”), being the indirect wholly-owned subsidiaries of the Company (collectively, the “**Subsidiaries**”), resolved, after due and careful consideration, to place the respective Subsidiary into creditors’ voluntary liquidation as proposed by the board of directors of the Subsidiaries (the “**Liquidation**”).

LIQUIDATION OF THE SUBSIDIARIES

The Board wishes to inform the Shareholders and potential investors of the Company that on 29 July 2024, the board of directors of each Subsidiary resolved that:

- (a) a general meeting of the relevant Subsidiary be convened at which a resolution for voluntary winding-up will be proposed; and
- (b) a meeting of the creditors of the relevant Subsidiary be convened for the purposes of the Liquidation.

INFORMATION ABOUT THE SUBSIDIARIES

HKRP, a company incorporated in Hong Kong, is an indirect wholly-owned subsidiary of the Company and is primarily engaged in wholesale and e-commerce distribution of apparel and accessories and provision of services.

HKER, a company incorporated in Hong Kong, is an indirect wholly-owned subsidiary of the Company and is primarily engaged in retail distribution of apparel and accessories.

Based on the audited consolidated financial statements of the Group and the standalone management accounts of the Subsidiaries for the financial year ended 31 December 2023 (“FY2023”), the aggregate total revenue recorded by the Subsidiaries (after intra-group elimination) was approximately HK\$11.9 million, representing approximately 0.2% of the total revenue of the Group, and as at 31 December 2023 the aggregate total assets of the Subsidiaries were approximately HK\$61.7 million, representing approximately 1.1% of the total assets of the Group.

REASONS FOR THE LIQUIDATION OF THE SUBSIDIARIES

Recently, the financial situation of the Subsidiaries was greatly impacted by the insolvency proceedings of the Group’s companies, as well as the poor performance of the Group. Sourcing agents were engaged by HKRP to assist the Group in liaising with manufacturers. These sourcing agents also provided quality control and shipping arrangement services to the Group. The agency fees were usually settled directly by HKRP, who would then seek to recoup the costs from the relevant German subsidiaries of the Group. However, due to the circumstance that the German subsidiaries are currently going through insolvency proceedings, they did not have sufficient funds available to repay the agency fees to HKRP. As a result, HKRP was unable to recover the agency fees it had paid to the sourcing agents on behalf of the insolvent German subsidiaries.

Based on the current financial situation of the Subsidiaries, it became apparent that the Subsidiaries do not have sufficient funds to continue their respective business activities. Having considered the challenges faced by the Subsidiaries in carrying out their business operations going forward and in the view of the insolvency of the Subsidiaries, the shareholders of each Subsidiary resolved to approve and place the relevant Subsidiary into the Liquidation.

IMPACT TO THE GROUP

Following the commencement of the Liquidation of the Subsidiaries, the Company will no longer be considered to have control over the Subsidiaries. Accordingly, the financial results of the Subsidiaries will be deconsolidated from those of the Group.

In addition, as disclosed in the announcements of the Company dated 3 June 2024, 27 June 2024 and 22 July 2024 regarding the insolvency proceedings, self-administration proceedings or preventive restructuring proceedings of certain subsidiaries of the Company (collectively, the “**Relevant EU Entities**”), the financial results of the Relevant EU Entities have been deconsolidated from those of the Group already.

Based on the audited consolidated financial statements of the Group and the standalone management accounts of the Subsidiaries and the Relevant EU Entities for FY2023, the aggregate total revenue generated by the Subsidiaries, together with the total revenue generated by the Relevant EU Entities (after intra-group elimination) was approximately HK\$5,847 million, representing approximately 98.9% of the total revenue of the Group, and as at 31 December 2023, the aggregate total assets of the Subsidiaries, together with the total assets of the Relevant EU Entities, were approximately HK\$4,697 million, representing approximately 81.5% of the total assets of the Group.

Upon completion of the Liquidation, the Subsidiaries will be wound up, and the current business operations carried out by the Subsidiaries will cease.

Further announcement(s) will be made by the Company if there is any material progress in connection with the Liquidation of the Subsidiaries as and when appropriate in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

BUSINESS UPDATES

The Company remains committed to maintaining the global presence of the Esprit brand. Recognizing that Esprit’s brand equity is the Company’s most valuable asset, the management of the Company has decided to prioritize the expansion of its licensing operations and will transform to become an intellectual property (“**IP**”) management company. According to the audited financial statements of the Group for FY2023, the Group’s licensing revenue reached HK\$121 million. With the right strategic partners in place, there is significant growth potential in this licensing-focused business model.

The licensing model offers several key advantages over the traditional retail, wholesale, or e-commerce approaches:

- **Capital Efficiency:** Licensing allows the Company to leverage its brand without the substantial capital expenditure required for manufacturing, distribution, and retail operations. This results in a more asset-light and scalable business model.
- **Stable Revenue Streams:** Licensing generates predictable royalty income, which is more insulated from volatility of demand fluctuations compared to the fluctuating profits associated with retail and wholesale operations.

- **Operational Efficiency:** By transferring production, distribution, and inventory management to licensees, the Company can focus its resources on strategic IP management and marketing.
- **Diversification:** Instead of relying on a single global licensee or operator, the Company can strategically partner with regional players. These partnerships with strong local and regional operators can enhance market penetration, as they possess a deep understanding of local distribution channels, regulatory requirements, and the ability to develop tailored products catering to the preferences of local customers.

Furthermore, each geographic region can further be segmented into individual product categories, where specialized operators in each segment can ensure product quality and efficiency. This approach has the potential to drive revenue growth in a way that a single, generalized operator may not be able to achieve.

The Company is already actively engaged in discussions with potential partners to develop strategic licensing opportunities for Esprit's IP. By carefully selecting the right licensing partners and leveraging the advantages of the licensing model, the Company aims to maximize the monetization of Esprit's global brand in a sustainable manner.

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
WONG Natasha Chi Yan
Company Secretary

Hong Kong, 29 July 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