ESPRIT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

STOCK CODE: 00330

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024

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") for the six months ended 30 June 2024 (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 2024** ***HK$ million***	Unaudited for the six months ended 30 June 2023 *HK$ million*
Revenue	*2*	**1,557**	3,025
Cost of purchases		**(905)**	(1,673)
Gross profit		**652**	1,352
Staff costs		**(533)**	(632)
Occupancy costs		**(113)**	(158)
Logistics expenses		**(162)**	(241)
Marketing and advertising expenses		**(72)**	(242)
Depreciation of property, plant and equipment		**(34)**	(58)
Depreciation of right-of-use assets		**(161)**	(277)
Provision for inventories, net		**(1,053)**	(37)
Provision for impairment of trade debtors, net	*10*	**(308)**	(10)
Impairment loss on trademarks		**(534)**	–
Impairment loss on property, plant and equipment		**(134)**	–
Impairment loss on right-of-use assets		**(1,053)**	(5)
Gain on deconsolidation		**3,651**	–
Net foreign exchange translation (losses)/gains		**(47)**	9
Other operating costs		**(184)**	(404)
Operating loss	*3*	**(85)**	(703)
Share of losses from a joint venture		**–**	(1)
Interest income	*4*	**1**	9
Finance costs	*5*	**(22)**	(23)
Loss before taxation		**(106)**	(718)
Taxation	*6*	**50**	4
Loss attributable to shareholders of the Company		**(56)**	(714)
Loss per share			
– Basic and diluted	*8*	**HK$(0.020)**	HK$(0.252)

Condensed Consolidated Statement of Comprehensive Income

	Unaudited for the six months ended 30 June 2024 ***HK$ million***	Unaudited for the six months ended 30 June 2023 *HK$ million*
Loss attributable to shareholders of the Company	**(56)**	(714)
Other comprehensive income		
Item that may be reclassified subsequently to profit or loss:		
Foreign exchange translation gains	**181**	81
Recycling of translation reserve	**(1,967)**	–
Release of capital reserve	**(1)**	–
Remeasurements of retirement defined benefit obligations, net of tax	**(9)**	–
Total comprehensive loss for the period attributable to shareholders of the Company, net of tax	**(1,852)**	(633)

Condensed Consolidated Balance Sheet

	Notes	**Unaudited As at 30 June 2024 HK$ million**	Audited As at 31 December 2023 HK$ million
Non-current assets			
Intangible assets		**361**	1,296
Property, plant and equipment		**3**	177
Right-of-use assets		**107**	1,280
Financial assets at fair value through profit or loss		**2**	3
Interest in a joint venture		**50**	47
Debtors, deposits and prepayments		**20**	344
Deferred tax assets		**–**	27
		543	3,174
Current assets			
Inventories		**8**	1,301
Debtors, deposits and prepayments	*10*	**67**	832
Tax receivable		**15**	20
Cash, bank balances and deposits		**62**	435
		152	2,588
Non-current assets held for sale	*9*	**209**	–
		361	2,588
TOTAL ASSETS		**904**	5,762
Current liabilities			
Creditors and accrued charges	*11*	**334**	1,307
Lease liabilities		**241**	766
Provisions		**12**	175
Tax payable		**30**	235
		617	2,483
Net current (liabilities)/assets		**(256)**	105
Total assets less current liabilities		**287**	3,279
Equity			
Share capital	*12*	**283**	283
Reserves		**(169)**	1,683
		114	1,966
Non-current liabilities			
Lease liabilities		**100**	1,189
Retirement defined benefit obligations		**–**	11
Deferred tax liabilities		**73**	113
		173	1,313
TOTAL LIABILITIES		**790**	3,796
TOTAL EQUITY AND LIABILITIES		**904**	5,762

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 19 for the six months ended 30 June 2024 was 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 2023.

1.1 Use of judgement and estimates

While preparing the Interim Financial Information, the management of the Company (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 2024, the Group recorded a net loss attributable to shareholders of the Company of approximately HK$56 million and a net cash outflow of approximately HK$363 million. The Group has net current liabilities of approximately HK$256 million and no external borrowings as at 30 June 2024. Its cash, bank balances and deposits amounted to approximately HK$62 million only as at 30 June 2024.

The Group has been battling extremely high costs due to inflation, interest rates and energy prices, the after-effects of the coronavirus pandemic and the consequences of international conflicts, all of which have weakened the Group's financial situation. The situation worsened by the burden of legacy costs, such as high rents of long-term leases of unsuitably sized stores, labor costs of overly bloated workforce and expenses related to an overcapacity logistic setup. All of these factors made it financially unviable to continue the business as it currently structured, and hence led to the insolvency filings, self-administration proceedings filings and preventive restructuring filing made by the relevant European subsidiaries. In view of such circumstances, in assessing whether the Group will have sufficient financial resources to continue as a going concern, the Management has carefully considered the current and anticipated future liquidity of the Group, financial resources available to the Group as well as the Group's ability to achieve positive cash flows from operations in the short and long terms.

1. BASIS OF PREPARATION (CONTINUED)

1.2 Going Concern (continued)

In order to improve the liquidity and to ensure sufficient financing for future business development, the Group is in the process of implementing the following plans and measures:

1. The Company has been and will continue to actively explore various options to raise capital, including but not limited to pursuing licensing opportunities, setting up joint ventures and disposal of a portion of the Company's assets (the "Fund Raising Plans").

2. The Group continues to actively implement plans and measures to control operational and administrative costs, including but not limited to (i) transitioning the Company into a non-capital-intensive intellectual property management company; (ii) converting to a lean organizational structure by consistently optimizing and adjusting human resources; and (iii) restraining capital expenditures and implementing stringent cost control measures (the "Cost Control Measures").

3. Restructuring loss making companies and companies with negative asset values to reduce liabilities where possible (the "Restructuring Measures").

The Board has reviewed the Group's cash flow forecast prepared by the Management covering a period of twelve months from 30 June 2024. After considering the financial resources available to the Company, and the plans and measures outlined above, the Board is of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due within twelve months from 30 June 2024. The Board is therefore of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. Notwithstanding the above, a significant uncertainty exists regarding the Group's ability to achieve the Fund Raising Plans, Cost Control Measures, and Restructuring Measures (collectively the "Plans and Measures"), the successful execution and completion of which may impact the Group's ability to continue as a going concern.

Should the Group fail to achieve the Plans and Measures, it might not be able to continue operation as a going concern, and adjustments would have to be made to the consolidated financial statements of the Group to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effect of these adjustments had not been reflected on the consolidated financial statements of the Group for the Period.

1. BASIS OF PREPARATION (CONTINUED)

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.

1.4 Deconsolidation of subsidiaries

References are made to the announcements (collectively, the "Announcements") of the Company (i) dated 25 March 2024 in relation to the insolvency filing made by Esprit Switzerland Retail AG; (ii) dated 8 April 2024 in relation to the insolvency filing made by Esprit Belgie Retail N.V.; (iii) dated 15 May 2024 in relation to the self-administration proceedings filings made by Esprit Europe GmbH, Esprit Europe Services GmbH, Esprit Wholesale GmbH, Esprit Card Services GmbH, Esprit Design & Product Development GmbH, Esprit Global Image GmbH, and Esprit Retail B.V. & Co. KG (collectively, the "German Subsidiaries"); (iv) dated 31 May 2024 in relation to the preventive restructuring filing made by Esprit de Corp. Danmark A/S; and (v) dated 27 June 2024 in relation to the insolvency filing made by Esprit Switzerland Distribution AG.

As of the respective dates of the Swiss, Belgian, German and Denmark insolvency courts handing down their orders for the commencement of the insolvency proceedings, the self-administration proceedings or the preventive restructuring proceedings over the assets of the relevant entity, the Company is no longer considered to have control over such entity and its subsidiaries (collectively, the "Relevant EU Entities").

Esprit Macao Sole Shareholder Limited ("Esprit Macao"), an indirect wholly-owned subsidiary of the Company, had ceased its business operations in 2017, and all its outstanding external liabilities were settled in 2022. As a result, the shareholder of Esprit Macao resolved to dissolve and liquidate Esprit Macao on 29 December 2023. Subsequently, Esprit Macao was dissolved and liquidated on 25 March 2024.

Result from deconsolidation

Whereas the Company lost control over the Relevant EU Entities and the liquidation of Esprit Macao, the financial results of these subsidiaries have been deconsolidated from those of the Group.

The effects from the deconsolidation on the consolidated financial statements for the Period are as follows:

	At the date of deconsolidation ***HK$ million***
Carrying amount of net liabilities	1,684
Fair value of investments in associates	–
Difference	1,684
Recycling of translation reserve	1,967
Gain on deconsolidation	3,651

1. BASIS OF PREPARATION (CONTINUED)

1.5 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 from 1 January 2024:

Adopted	Effective date	New standards or amendments
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
IAS 7 and IFRS 7 (Amendments)	1 January 2024	Supplier Finance Arrangements

Adoption of the IFRS and amendments listed above did not have any material impact on the Group's financial performance for the six months ended 30 June 2024 and its financial position as at 30 June 2024.

1.6 New standards and interpretations not yet adopted

Not early adopted	Effective for accounting periods beginning on or after	New standards or amendments
IAS 21 (Amendments)	1 January 2025	Lack of Exchangeability
IFRS 9 and IFRS 7 (Amendments)	1 January 2026	Classification and Measurement of Financial Instruments
IFRS 18	1 January 2027	Presentation and Disclosure in Financial Statements
IFRS 19	1 January 2027	Subsidiaries without Public Accountability: Disclosures
IFRS 10, IAS 28 (Amendments)	A date to be determined by IASB	Sale or Contribution of Assets between an Investor and its Associate/Joint Venture

The accounting standards and interpretations listed above have been published but are not mandatory for the six months ended 30 June 2024 and have not been early adopted by the Group. These standards and interpretations are not expected to have any material impact on the Group in the current or future reporting periods and in 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 2024 ***HK$ million***	Unaudited for the six months ended 30 June 2023 *HK$ million*
Retail and Wholesale		
Europe	**917**	1,865
Asia	**7**	3
E-shop	**584**	1,095
Licensing and others	**49**	62
Revenue from external customers, total	**1,557**	3,025

2. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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. Operating segment for Europe has included America. The regions have been separated into retail and wholesale channel.

	Unaudited for the six months ended 30 June 2024				
	Europe[4] *HK$ million*	Asia *HK$ million*	E-shop *HK$ million*	Corporate services, sourcing, licensing and others *HK$ million*	Group *HK$ million*
Total revenue					
Retail	375	1	–	–	376
Wholesale	542	6	–	–	548
E-shop	–	–	584	–	584
Licensing and others	–	–	–	744	744
Total	917	7	584	744	2,252
Inter-segment revenue	–	–	–	(695)	(695)
Revenue from external customers					
Retail	375	1	–	–	376
Wholesale	542	6	–	–	548
E-shop	–	–	584	–	584
Licensing and others	–	–	–	49	49
Total	917	7	584	49	1,557
Operating (loss)/profit					
Retail	(567)	(1)	–	–	(568)
Wholesale	(34)	–	–	–	(34)
E-shop	–	–	(54)	–	(54)
Licensing and others	–	–	–	571	571
Total	(601)	(1)	(54)	571	(85)
Share of losses from a joint venture					–
Interest income					1
Finance costs					(22)
Loss before taxation					(106)

2. REVENUE AND SEGMENT INFORMATION (CONTINUED)

	Unaudited for the six months ended 30 June 2024				
	Europe[4]	Asia	E-shop	Corporate services, sourcing, licensing and others	Group
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
Depreciation[1]					
Retail	**(85)**	**–**	**–**	**–**	**(85)**
Wholesale	**(14)**	**–**	**–**	**–**	**(14)**
E-shop	**–**	**–**	**(20)**	**–**	**(20)**
Licensing and others	**–**	**–**	**–**	**(76)**	**(76)**
Total	**(99)**	**–**	**(20)**	**(76)**	**(195)**
Provision for inventories, net					
Retail	**(25)**	**–**	**–**	**–**	**(25)**
Licensing and others	**–**	**–**	**–**	**(1,028)**	**(1,028)**
Total	**(25)**	**–**	**–**	**(1,028)**	**(1,053)**
Provision for impairment of trade debtors, net					
Wholesale	**(18)**	**–**	**–**	**–**	**(18)**
E-shop	**–**	**–**	**13**	**–**	**13**
Licensing and others	**–**	**–**	**–**	**(303)**	**(303)**
Total	**(18)**	**–**	**13**	**(303)**	**(308)**
Impairment loss[2]					
Retail	**(324)**	**–**	**–**	**–**	**(324)**
Licensing and others	**–**	**–**	**–**	**(1,397)**	**(1,397)**
Total	**(324)**	**–**	**–**	**(1,397)**	**(1,721)**
Capital expenditure[3]					
Retail	**(2)**	**–**	**–**	**–**	**(2)**
E-shop	**–**	**–**	**(3)**	**–**	**(3)**
Licensing and others	**–**	**–**	**–**	**(3)**	**(3)**
Total	**(2)**	**–**	**(3)**	**(3)**	**(8)**

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, right-of-use assets and trademarks.

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

4 Figures for North America have not been separated out due to the region's limited financial contribution to the Group.

2. REVENUE AND SEGMENT INFORMATION (CONTINUED)

	Unaudited for the six months ended 30 June 2023				
	Europe[4] *HK$ million*	Asia *HK$ million*	E-shop *HK$ million*	Corporate services, sourcing, licensing and others *HK$ million*	Group *HK$ million*
Total revenue					
Retail	756	1	–	–	757
Wholesale	1,109	2	–	–	1,111
E-shop	–	–	1,095	–	1,095
Licensing and others	–	–	–	1,584	1,584
Total	1,865	3	1,095	1,584	4,547
Inter-segment revenue	–	–	–	(1,522)	(1,522)
Revenue from external customers					
Retail	756	1	–	–	757
Wholesale	1,109	2	–	–	1,111
E-shop	–	–	1,095	–	1,095
Licensing and others	–	–	–	62	62
Total	1,865	3	1,095	62	3,025
Operating (loss)/profit					
Retail	(303)	(20)	–	–	(323)
Wholesale	18	–	–	–	18
E-shop	–	–	(46)	–	(46)
Licensing and others	–	–	–	(352)	(352)
Total	(285)	(20)	(46)	(352)	(703)
Share of losses from a joint venture					(1)
Interest income					9
Finance costs					(23)
Loss before taxation					(718)

2. REVENUE AND SEGMENT INFORMATION (CONTINUED)

	Unaudited for the six months ended 30 June 2023				
	Europe[4] *HK$ million*	Asia *HK$ million*	E-shop *HK$ million*	Corporate services, sourcing, licensing and others *HK$ million*	Group *HK$ million*
Depreciation[1]					
Retail	(186)	(9)	–	–	(195)
Wholesale	(15)	–	–	–	(15)
E-shop	–	–	(27)	–	(27)
Licensing and others	–	–	–	(98)	(98)
Total	(201)	(9)	(27)	(98)	(335)
Provision for inventories, net					
Retail	1	–	–	–	1
Licensing and others	–	–	–	(38)	(38)
Total	1	–	–	(38)	(37)
Provision for impairment of trade debtors, net					
Wholesale	(3)	–	–	–	(3)
E-shop	–	–	(7)	–	(7)
Total	(3)	–	(7)	–	(10)
Impairment loss[2]					
Retail	(5)	–	–	–	(5)
Total	(5)	–	–	–	(5)
Capital expenditure[3]					
Retail	(5)	(4)	–	–	(9)
Wholesale	(3)	(20)	–	–	(23)
E-shop	–	–	(12)	–	(12)
Licensing and others	–	–	–	(26)	(26)
Total	(8)	(24)	(12)	(26)	(70)

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, intangible assets and investment in a joint venture.
4 Figures for North America have not been separated out due to the region's limited financial contribution to the Group.

3. OPERATING LOSS

	Unaudited for the six months ended 30 June 2024 ***HK$ million***	Unaudited for the six months ended 30 June 2023 *HK$ million*
This is stated after charging and (crediting) the following:		
Staff costs	**533**	632
Occupancy costs	**113**	158
Logistics expenses	**162**	241
Marketing and advertising expenses	**72**	242
Depreciation of property, plant and equipment	**34**	58
Depreciation of right-of-use assets	**161**	277
Provision for inventories, net (Note a)	**1,053**	37
Provision for impairment of trade debtors, net	**308**	10
Impairment loss on trademarks	**534**	–
Impairment loss on property, plant and equipment	**134**	–
Impairment loss on right-of-use assets	**1,053**	5
Gain on deconsolidation	**(3,651)**	–
Net foreign exchange translation losses/(gains)	**47**	(9)
Government grants	**–**	(1)
Provision/(write-back of provision) for restructuring, net	**4**	(1)
Information technology expenses	**117**	159
Legal and professional fees	**55**	29
Samples	**28**	26
Packaging, postage and distribution	**10**	15
Amortization of intangible assets	**6**	22
Repair and maintenance	**10**	11
Insurance	**8**	11
Travelling expenses	**15**	29

Note a: The Management has reassessed the estimate of the net realizable value of inventories as at 30 June 2024, which were based on the current situation of those subsidiaries which had initiated insolvency proceedings, the self-administration proceedings and the preventive restructuring proceedings as mentioned in note 1.4, the current market condition and the historical experience of selling products of similar nature. Therefore, the Group has recognized a net addition of provision for inventories of HK$1,053 million for the six months ended 30 June 2024 (for the six months ended 30 June 2023: net addition of HK$37 million).

4. INTEREST INCOME

	Unaudited for the six months ended 30 June 2024 ***HK$ million***	Unaudited for the six months ended 30 June 2023 *HK$ million*
Interest from bank deposits	**1**	9
Total interest income	**1**	9

5. FINANCE COSTS

	Unaudited for the six months ended 30 June 2024 ***HK$ million***	Unaudited for the six months ended 30 June 2023 *HK$ million*
Interest on lease liabilities	**21**	22
Others	**1**	1
Total finance costs	**22**	23

6. TAXATION

	Unaudited for the six months ended 30 June 2024 ***HK$ million***	Unaudited for the six months ended 30 June 2023 *HK$ million*
Current tax		
Overseas taxation		
Provision for current period	**–**	2
Under-provision for prior years	**1**	–
	1	2
Deferred tax		
Other origination and temporary differences	**(51)**	(6)
Total taxation credit	**(50)**	(4)

Hong Kong profits tax is calculated at 16.5% (for the six months ended 30 June 2023: 16.5%) on the estimated assessable profit for the six months ended 30 June 2024, net of tax losses carried forward, if applicable.

Overseas (outside of Hong Kong) taxation has been calculated on the estimated assessable profit for the six months ended 30 June 2024 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 2024 (for the six months ended 30 June 2023: Nil).

8. LOSS PER SHARE

Basic

Basic loss per share is calculated by dividing the loss attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the period less shares held for share award scheme.

	Unaudited for the six months ended 30 June 2024	Unaudited for the six months ended 30 June 2023
Loss attributable to shareholders of the Company (HK$ million)	**(56)**	(714)
Number of ordinary shares in issue at 1 January (million)	**2,831**	2,831
Weighted average number of ordinary shares in issue less shares held for share award scheme (million)	**2,831**	2,831
Basic loss per share (HK$ per share)	**(0.020)**	(0.252)

Diluted

Diluted loss per share is calculated based on dividing the loss attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the period of the six months ended 30 June 2024 (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 2024	Unaudited for the six months ended 30 June 2023
Loss attributable to shareholders of the Company (HK$ million)	**(56)**	(714)
Weighted average number of ordinary shares in issue less shares held for share award scheme (million)	**2,831**	2,831
Weighted average number of ordinary shares for diluted earnings per share (million)	**2,831**	2,831
Diluted loss per share (HK$ per share)	**(0.020)**	(0.252)

Diluted loss per share for the six months ended 30 June 2024 was the same as the basic loss per share since the share options and awarded shares had anti-dilutive effect.

9. NON-CURRENT ASSETS HELD FOR SALE

	Unaudited As at 30 June 2024 *HK$ million*	Audited As at 31 December 2023 *HK$ million*
Non-current assets held for sale – Trademarks	**209**	–

In June 2024, the Group intended to sell certain trademarks which were originally registered for the retail, wholesales and licensing businesses. The trademarks were consequently present as non-current assets held for sale in the consolidated financial statements. The trademarks were measured at the lower of their carrying amount and fair value less costs to sell at the time of the reclassification.

10. CURRENT DEBTORS, DEPOSITS AND PREPAYMENTS

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

	Unaudited As at 30 June 2024 *HK$ million*	Audited As at 31 December 2023 *HK$ million*
Trade debtors	**23**	645
less: provision for impairment of trade debtors	**(14)**	(129)
Net trade debtors	**9**	516
Deposits	**5**	37
Prepayments	**26**	106
Right-of-return assets	**2**	71
Other debtors and receivables	**25**	102
Total	**67**	832

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

	Unaudited As at 30 June 2024 *HK$ million*	Audited As at 31 December 2023 *HK$ million*
0-30 days	**1**	278
31-60 days	**–**	119
61-90 days	**3**	53
Over 90 days	**5**	66
Total	**9**	516

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 2024 *HK$ million*	Unaudited for the six months ended 30 June 2023 *HK$ million*
Balance at beginning of the period	**129**	80
Utilization	**(2)**	(15)
Provision for impairment of trade debtors, net	**308**	10
Exchange translation	**(24)**	1
Deconsolidation of subsidiaries	**(397)**	–
Balance at end of the period	**14**	76

11. CREDITORS AND ACCRUED CHARGES

	Unaudited As at 30 June 2024 ***HK$ million***	Audited As at 31 December 2023 *HK$ million*
Trade creditors	**79**	374
Accruals	**79**	474
Return liabilities	**5**	168
Other creditors and payables	**171**	291
Total	**334**	1,307

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

	Unaudited As at 30 June 2024 ***HK$ million***	Audited As at 31 December 2023 *HK$ million*
0-30 days	**26**	249
31-60 days	**22**	84
61-90 days	**–**	18
Over 90 days	**31**	23
Total	**79**	374

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

12. SHARE CAPITAL

	Number of shares of HK$0.10 each million	**Unaudited** ***HK$ million***
Authorized:		
At 1 January 2024 and 30 June 2024	**30,000**	**3,000**
At 1 January 2023 and 30 June 2023	30,000	3,000

	Number of shares of HK$0.10 each million	**Unaudited Nominal value** ***HK$ million***
Issued and fully paid:		
At 1 January 2024 and 30 June 2024	**2,831**	**283**
At 1 January 2023 and 30 June 2023	2,831	283

12. SHARE CAPITAL (CONTINUED)

(a) 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 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. No share options were granted during the six months ended 30 June 2024 as the Management believed that it was not the right timing to grant share options in 2024.

(b) Awarded shares

The Company adopted a share award scheme on 6 July 2021 (the "Share Award Scheme"). The purpose of the Share Award Scheme is to recognize the contributions by certain eligible participants (including any employee, consultant, executive or officer, director 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 Share Award Scheme were disclosed in the circular of the Company dated 15 June 2021.

During the six months ended 30 June 2024, there was no movement for the Share Award Scheme (30 June 2023: nil). No awarded shares were granted during the six months ended 30 June 2024 as the Management believed that it was not the right timing to grant awarded shares in 2024.

13. RELATED PARTIES

As disclosed in the announcement of the Company dated 19 May 2022, a tenancy agreement was entered into between an indirectly wholly-owned subsidiary of the Company (the "Lessee"), as the tenant, and Bright Majestic Limited ("Bright Majestic"), as the landlord, in respect of the whole floor of 29th Floor of China United Centre, No. 28 Marble Road, North Point, Hong Kong (the "29th Premises") which will expire on 31 May 2024; and the announcement of the Company dated 12 October 2022, a tenancy agreement was entered into between the Lessee, as the tenant, and Wealth Elegant Investment Limited ("Wealth Elegant"), as the landlord, in respect of the whole floor of 26th Floor of China United Centre, No. 28 Marble Road, North Point, Hong Kong (the "26th Premises") which will expire on 31 October 2024.

On 28 May 2024, the Lessee entered into two tenancy agreements, as tenant, namely (i) the tenancy agreement with Bright Majestic, as landlord, in respect of the renewal of tenancy of the 29th Premises for a term of two years and one month commencing from 1 June 2024 and expiring on 30 June 2026 (both days inclusive) at a monthly rental of HK$313,236; and (ii) the tenancy agreement with Wealth Elegant, as landlord, in respect of the renewal of tenancy of the 26th Premises for a term of one year and eight months commencing from 1 November 2024 and expiring on 30 June 2026 (both days inclusive) at a monthly rental of HK$335,610.

As at the date of this announcement, Ms. LO Ki Yan Karen ("Ms. LO") indirectly holds 82.19% equity interests in both Bright Majestic and Wealth Elegant. Ms. LO is a substantial shareholder of the Company, hence a connected person of the Company. Therefore, both Bright Majestic and Wealth Elegant are associates of Ms. LO and connected persons of the Company. Details of the above connected transactions were disclosed in the Company's announcement dated 28 May 2024.

14. EVENT AFTER THE REPORTING PERIOD

Insolvency Filing by a Dutch Subsidiary

The board of directors of Esprit Europe B.V. ("NLEB"), being an indirect wholly-owned subsidiary of the Company, resolved, after due and careful consideration, (i) to apply for the commencement of the insolvency proceeding over NLEB's assets (the "Insolvency Filing") at the District Court of Amsterdam, the Netherlands; and (ii) subsequently, the Insolvency Filing was made on 22 July 2024.

NLEB, a company incorporated in the Netherlands, is an indirectly wholly-owned subsidiary of the Company and is primarily engaged in wholesale and retail distribution of apparel and accessories, and licensing of trademarks in the Netherlands. Other than being the shareholder of the entities which are currently under insolvency proceedings, self-administration proceedings or preventive restructuring proceedings as disclosed in the announcements of the Company dated 3 June 2024 and 27 June 2024, NLEB is also the shareholder of Esprit Nederland B.V., Esprit Luxembourg S.à.r.l., Esprit De Corp. (Spain), S.L., and every day counts Limited.

As of the date of this announcement, the financial results of NLEB, together with the financial results of its subsidiaries, had been deconsolidated from those of the Group.

The Company has no control over the insolvency proceedings. The Company is given to understand that upon completion of the insolvency proceedings, NLEB will be wound up, and the current business operations carried out by NLEB will cease. For further details, please refer to the announcement of the Company dated 22 July 2024.

Creditors' Voluntary Winding-Up of Hong Kong Subsidiaries

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 "HK Subsidiaries"), resolved, after due and careful consideration, to place the respective HK Subsidiaries into creditors' voluntary liquidation as proposed by the board of directors of the HK Subsidiaries (the "Liquidation").

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.

As of the date of this announcement, the financial results of the HK Subsidiaries had been deconsolidated from those of the Group. Upon completion of the Liquidation, the HK Subsidiaries will be wound up, and the current business operations carried out by the HK Subsidiaries will cease. For further details, please refer to the announcement of the Company dated 29 July 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

The Company experienced a taxing and unsatisfactory first half of 2024, resulting in a net loss of approximately HK$56 million for the Period as compared to a net loss of approximately HK$714 million for the six months ended 30 June 2023 (the "Corresponding Period"). However, this reduction in the net loss was primarily resulted from a one-off gain on deconsolidation of approximately HK$3,651 million. Gross sales for the Period were approximately HK$1,557 million versus approximately HK$3,025 million for the Corresponding Period, representing a decrease of approximately 49%. Gross profit for the Period was approximately HK$652 million versus approximately HK$1,352 million for the Corresponding Period, representing a decrease of approximately 52%. Operating loss for the Period was approximately HK$85 million versus approximately HK$703 million for the Corresponding Period, representing a decrease of approximately of 88%. There was an impairment loss on trademarks, right-of-use assets, and property, plant, and equipment totaling approximately HK$1,721 million, along with provisions for inventories and the impairment of trade debtors totaling HK$1,361 million, versus HK$47 millions for the Corresponding Period. Due to the reasons of deconsolidation stated below, the operating performance of the Company for the Period is therefore not directly comparable with that in the Corresponding Period.

As disclosed in the Company's announcements dated 25 March 2024, 8 April 2024, 15 May 2024, 31 May 2024, 3 June 2024 and 27 June 2024, a Switzerland subsidiary, a Belgium subsidiary, seven German subsidiaries, a Denmark subsidiary and another Switzerland subsidiary of the Company had made insolvency filings, self-administration proceedings filings, and preventive restructuring filing at the competent courts respectively. The financial results of these subsidiaries have been deconsolidated from those of the Company for the Period.

Subsequent to the Period, as disclosed in the Company's announcement dated 22 July 2024, a Dutch subsidiary of the Company made insolvency filing. As of the date of this announcement, all of the Company's European subsidiaries are under various forms of insolvency proceedings and the financial results of these subsidiaries had been deconsolidated from those of the Group.

As disclosed in the Company's announcement dated 29 July 2024, two Hong Kong subsidiaries of the Company had also been placed into creditors' voluntary liquidation. As of the date of this announcement, the financial results of these two Hong Kong subsidiaries had been deconsolidated from those of the Group.

While the Company currently ceased most of its retail, wholesale and E-commerce operations, it remains committed to maintaining Esprit's global brand presence and is dedicated to retaining and enhancing Esprit's brand equity, which is recognized as the Company's most valuable asset. The Company's strategy going forward is to prioritize the expansion of its licensing operations and to transform itself into an intellectual property ("IP") management company. The Company is currently in active discussions with various potential strategic 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.

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 management team has begun the transition by reducing legacy business infrastructure and personnel to limit overall costs and preserve cash. By focusing on a licensing business model and pivoting towards becoming an asset-light intellectual property management company, it is expected that the Company will generate a more predictable revenue stream.

BUSINESS OVERVIEW

During the Period, the Group recorded an unaudited net loss attributable to the shareholders of the Company of HK$56 million, as compared with the unaudited net loss attributable to the shareholders of the Company of HK$714 million for the Corresponding Period.

The significant reduction of loss during the Period in comparison to the Corresponding Period is mainly attributable to a one-off gain of approximately HK$3,651 million from the Group's restructuring and deconsolidation of the European subsidiaries, which was partly offset by the one-off (i) impairment loss on trademarks, impairment loss on right-of-use assets, and impairment loss on property, plant, and equipment totaling approximately HK$1,721 million, and (ii) provision for inventories and provision for impairment of trade debtors totaling approximately HK$1,361 million.

Apart from the above, a significant 49% decline in revenue has been observed across channels as a result of the challenging business landscape outlined above, accompanied by a reduction in gross profit margins due to deeper sales discount. The aforementioned will be discussed in detail in this announcement.

REVENUE ANALYSIS

The Group has recorded a total revenue of HK$1,557 million for the Period, as compared to the total revenue of HK$3,025 million for the Corresponding Period, representing a decrease of approximately 49%. The drop was mainly due to the self-administration proceedings filings initiated by the German subsidiaries, which was located at the key operation location of the Company, resulting in a shorter operational period of 4.5 months during the Period as opposed to 6 months in the Corresponding Period.

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

Each channel accounted for the Group's revenue in the ratio of approximately 38:35:24:3 respectively during the Period.

The Group experienced a decline in performance across all its channels given the challenging business environment with elevated inflation, interest rates, and energy costs, in addition to the lingering impacts of the pandemic and geo-political conflicts. Revenue from E-commerce was reduced by 47%, wholesale dropped by 51%, and owned retail stores decreased by 50%. Licensing and others recorded a decline at a lesser percentage of 21%.

GROSS PROFIT MARGIN

During the Period, gross profit margin was 41.9%, which is 2.8% points lower compared to the gross profit margin of 44.7% during the Corresponding Period. The key factor was the deeper sales discount offered under the sluggish market environment which arose after the Group's restructuring.

OPERATING EXPENSES

Operating expenses for the Period was approximately HK$737 million which is 64% lower than the operating expenses of approximately HK$2,055 million of the Corresponding Period. This reduction was primarily due to the self-administration proceedings filings initiated by the German subsidiaries, resulting in a shorter operational period of 4.5 months as opposed to 6 months in the Corresponding Period.

Apart from the deconsolidation factor, marketing expenses recorded a significant drop compared to the Corresponding Period, attributable to a strategic shift in brand marketing focus. During the Corresponding Period, the Group heavily invested in brand elevation and repositioning itself within the competitive fashion industry. Additionally, logistics expenses were notably reduced as a result of implementing cost-saving measures.

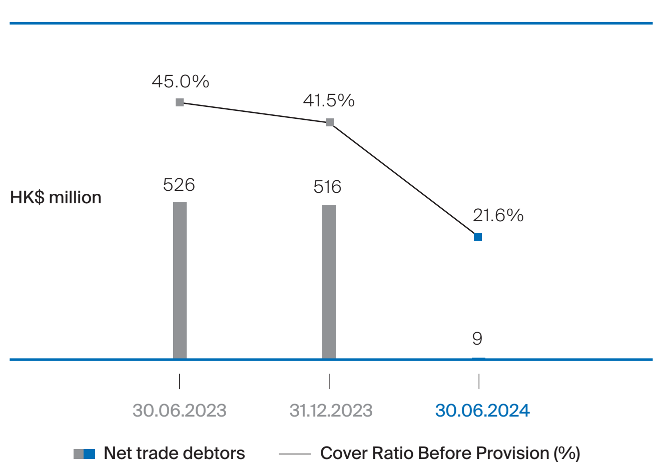
WORKING CAPITAL MANAGEMENT

Inventories

The inventory balance as at 30 June 2024 amounted to HK$8 million (31 December 2023: HK$1,301 million). On a year-on-year basis (as compared to the corresponding figure of HK$1,522 million as at 30 June 2023), the value of inventories decreased by 99% due to the factors that majority of goods were stored in the European subsidiaries and the respective inventory levels were carved out from the Group as a result of the deconsolidation of these European subsidiaries.

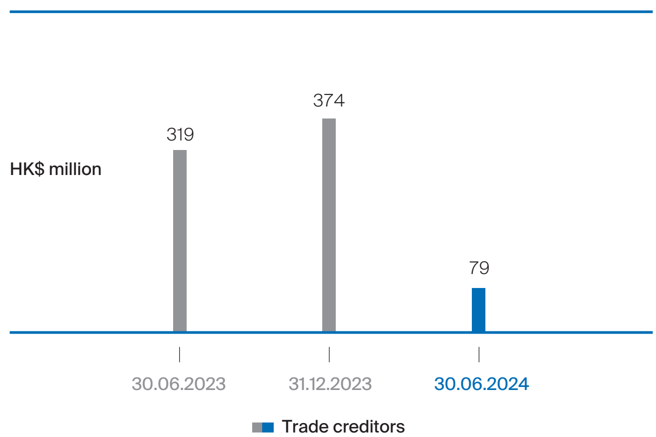
Net Trade Debtors

As at 30 June 2024, net trade debtors amounted to HK$9 million (31 December 2023: HK$516 million), representing a decrease of approximately 98%. This decrease was mainly due to the factors that most of trade debtors were booked under the European subsidiaries and the debtors were carved out from the Group as a result of the deconsolidation of these European subsidiaries.



Trade Creditors

As at 30 June 2024, trade creditors amounted to HK$79 million (31 December 2023: HK$374 million), representing a decrease of approximately 79%. Trade creditors were primarily booked under the European subsidiaries and were carved out from the Group as part of the deconsolidation of those European subsidiaries.



LIQUIDITY AND FINANCIAL RESOURCES ANALYSIS

Net Cash

As at 30 June 2024, the Group remained essentially debt free and recorded cash, bank balances and deposits of HK$62 million in total (31 December 2023: HK$435 million), representing a net cash decrease of HK$373 million. The cash position was mainly affected by the following items (cash movement included those European subsidiaries prior to deconsolidation):

1) operating performance of the business resulted in a net cash inflow of HK$167 million, excluding payment of interest on lease liabilities and tax;

2) repayment of lease liabilities of HK$214 million and interest paid for lease liabilities of HK$19 million resulted in a total cash outflow of HK$233 million;

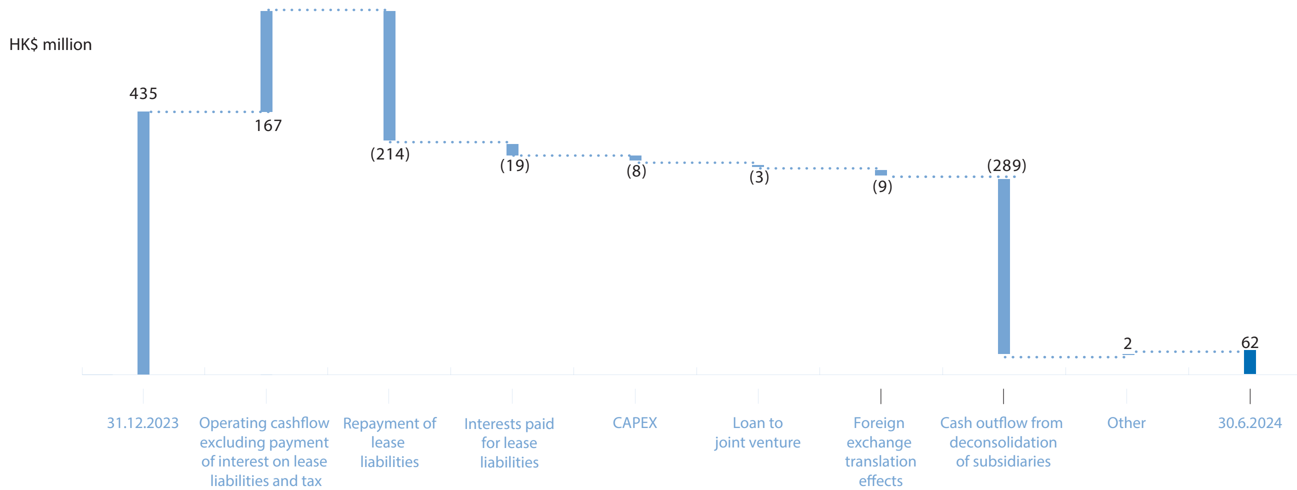
3) further decrease in cash position occurred through capital expenditures (the "CAPEX") of HK$8 million;

4) a loan to a joint venture amounted to HK$3 million;

5) foreign exchange translation effects which resulted in a cash outflow of HK$9 million; and

6) deconsolidation of subsidiaries resulted in HK$289 million cash outflow.

Cash Flow Bridge for the Six Months Ended 30 June 2024



Total Interest-Bearing External Borrowings and Gearing Ratio

As at 30 June 2024, the Group had no interest-bearing external borrowings (31 December 2023: nil). Therefore, the Group's gearing ratio as at 30 June 2024, as defined by a percentage of total interest – bearing external borrowings to total assets, was zero (31 December 2023: zero).

Significant Investment and Material Acquisitions and Disposals

As disclosed in the Company's announcements dated 25 March 2024, 8 April 2024, 15 May 2024, 31 May 2024, 3 June 2024 and 27 June 2024, a Switzerland subsidiary, a Belgium subsidiary, seven German subsidiaries, a Denmark subsidiary and another Switzerland subsidiary of the Company had made insolvency filings, self-administration proceedings filings, and preventive restructuring filings at the competent courts respectively.

Charges on Group Assets and Contingent Liabilities

As at 30 June 2024, save for those disclosed in this announcement, the Company did not have significant contingent liabilities (31 December 2023: nil). The Group has charged a loan owed by the joint venture amounting to approximated HK$50 million and has charged the entire shares of a subsidiary, to secure a HK$20 million loan facility as at 30 June 2024 (31 December 2023: nil). The HK$20 million loan facility remained undrawn as of 30 June 2024.

NUMBER OF EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2024, the Group employed approximately 538 full time equivalent staff ("FTE") (30 June 2023: approximately 2,250 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 a net loss for the Period, 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.

IMPORTANT EVENTS AFTER THE END OF THE PERIOD

Insolvency Filing by a Dutch Subsidiary

The board of directors of Esprit Europe B.V. ("NLEB"), being an indirect wholly-owned subsidiary of the Company, resolved, after due and careful consideration, (i) to apply for the commencement of the insolvency proceeding over NLEB's assets (the "Insolvency Filing") at the District Court of Amsterdam, the Netherlands; and (ii) subsequently, the Insolvency Filing was made on 22 July 2024.

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As of the date of this announcement, the financial results of NLEB, together with the financial results of its subsidiaries, had been deconsolidated from those of the Group.

The Company has no control over the insolvency proceedings. The Company is given to understand that upon completion of the insolvency proceedings, NLEB will be wound up, and the current business operations carried out by NLEB will cease. For further details, please refer to the announcement of the Company dated 22 July 2024.

Creditors' Voluntary Winding-Up of Hong Kong Subsidiaries

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 "HK Subsidiaries"), resolved, after due and careful consideration, to place the respective HK Subsidiaries into creditors' voluntary liquidation as proposed by the board of directors of the HK Subsidiaries (the "Liquidation").

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.

As of the date of this announcement, the financial results of the HK Subsidiaries had been deconsolidated from those of the Group. Upon completion of the Liquidation, the HK Subsidiaries will be wound up, and the current business operations carried out by the HK Subsidiaries will cease. For further details, please refer to the announcement of the Company dated 29 July 2024.

OUTLOOK

The Company continues to be dedicated to preserving the worldwide reach and availability of Esprit's brand, recognizing it as the Company's most valuable asset. Therefore, the Company decided to prioritize the expansion of its licensing operations. This strategic shift will transform the Company into an IP management company, focusing on maximizing the monetization of the Esprit's brand through licensing arrangements.

Licensing Revenue and Growth Potential

According to the Company's audited financial statements for the year ended 31 December 2023, the Group's licensing revenue reached HK$121 million. The Management believes there is significant growth potential in its licensing-focused business model by partnering with the right strategic partners.

Key Advantages of the Licensing Model

1. 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.

2. Stable Revenue Streams: Licensing generates more predictable royalty income, which is better insulated from the volatility of demand fluctuations. This is in contrast to the greatly fluctuating profits associated with retail and wholesale operations.

3. Operational Efficiency: By transferring production, distribution, and inventory management to licensees, the Company can focus its resources on strategic IP management and brand marketing.

4. Diversification: The Company can strategically partner with regional players in different geographic regions and product categories. By leveraging the local market knowledge and specialized expertise of these partners, this approach can enhance market penetration and drive revenue growth. It also reduces reliance on a single global licensee or operator.

Ongoing Partnership Discussions

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

Overall, the Company's shift towards a licensing-focused business model represents a strategic move to capitalize on the value of Esprit's brand while optimizing its operations and financial performance.

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 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 Period, the Audit Committee has reviewed with the Management the accounting policies and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters.

The Audit Committee has reviewed the condensed consolidated interim financial information of the Company for the Period and has recommended its adoption by the Board.

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 Period.

CORPORATE GOVERNANCE

The Company has applied the principles of, and complied with the applicable code provisions of the Corporate Governance Code as set out in Appendix C1 of the Listing Rules for the Period.

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 C3 of the Listing Rules.

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

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Company (https://www.esprit.com/en/company) and the Stock Exchange of Hong Kong Limited (https://www.hkexnews.hk). The 2024 interim report of the Company will be dispatched to the shareholders of the Company and published on the aforesaid websites in September 2024.

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

Hong Kong, 28 August 2024

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. 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