



## 2022 年度報告

截至二零二二年十二月三十一日止財政年度

**思捷環球控股有限公司**

(於百慕達註冊成立之有限公司)

香港股份代號 00330

## 2022 Annual Report

Financial Year Ended 31 December 2022

**Esprit Holdings Limited**

(Incorporated in Bermuda with Limited Liability)

Hong Kong Stock Code 00330

# Corporate Information

## Executive Directors

- Ms. CHIU Christin Su Yi (Chairperson)
- Mr. PAK William Eui Won (Chief Executive Officer and Chief Operating Officer)
- 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

## Chief Financial Officer

- Mr. WONG Brian Shek Kae

## Company Secretary

- Ms. WONG Natasha Chi Yan (appointed with effect from 1 February 2023)
- Ms. FONG Yee Mei (resigned with effect from 1 February 2023)

## Principal bankers

- Citibank, N.A.
- Deutsche Bank AG
- Hang Seng Bank Limited
- Standard Chartered Bank (Hong Kong) Limited

## Auditor

- PricewaterhouseCoopers Certified Public Accountants Registered Public Interest Entity Auditor

## Principal legal advisor

- Reed Smith LLP

## Principal share registrar

MUFG Fund Services (Bermuda) Limited  
4th Floor North, Cedar House  
41 Cedar Avenue  
Hamilton HM 12  
Bermuda

## Hong Kong branch share registrar

Tricor Secretaries Limited  
17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong

## Registered office

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## Investor relations department

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## Website

[www.espritholdings.com](http://www.espritholdings.com)

## Share listing

Listing on The Stock Exchange of Hong Kong Limited since 1993  
Stock Code: 00330

Level 1 sponsored American  
Depository Receipt program  
since 2015  
Stock Code: ESPGY

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**Introduction**





## **William Pak**

Executive Director, Chief Executive Officer and Chief Operating Officer

Dear Readers,

2022 was a challenging year for the fashion retail industry. ESPRIT navigated through an unfavourable economic environment. Energy prices soared and triggered a large inflationary spike. This led to an increase in interest rates and currency volatility that in turn, affected consumer spending behaviour. Against this backdrop, the Group recorded a total revenue of HK\$7,063 million, a gross profit margin of 40.7%, and remained essentially debt free and recorded cash, bank balances and deposits in a total of HK\$2,012 million as at the end of 2022.

Despite occasional slowdown in our performance as impacted by external factors, the Company and the management team are consistently building a solid foundation for rebound. There are a series of exciting initiatives that happened in 2022 and new plans for 2023 are already in place. Highlights of these plans relating to Retail, Omnichannel, Marketing, and Product include:

**Relaunch in the US:** The Company moved its global creative headquarters to New York City (NYC) at the end of 2022. The new NYC headquarters host the brand's global design, branding, creative and marketing teams as well as a showroom and a photo studio. ESPRIT has redefined its global identity by distilling its brand origins into the three pillars – *Playful, Modern, and Cool*. The three brand pillars will be expressed through creative direction and branding efforts. ESPRIT celebrated its return to the US with a Los Angeles pop-up in Beverly Hills followed by a NYC pop-up in Soho – paving the path for the official ESPRIT brand relaunch set for mid-2023, with a focus on modernizing the brand heritage and values for today's consumer in a way that resonates across generations.

**Retail:** Company plans to open additional pop-up stores within 2023, building on the success of launching pop-up stores in NYC, Los Angeles, Hong Kong, and Seoul. The first flagship store in the US will be opened in Q3 2023 on the trendy Robertson Boulevard in Los Angeles. The Company is in the process of integrating a brand-new retail store design to both new and existing stores. The first revamp of an ESPRIT flagship store in Duesseldorf, Germany, its first redesign in more than ten years, is expected to be completed by mid-2023.

**Omnichannel:** The Company finalized its omnichannel strategy in 2022 to strengthen ESPRIT's omnichannel-commerce capabilities in building a highly personalized customer experience from 2023 onwards. Core elements within the omnichannel strategy includes omnichannel stores that utilize artificial intelligence, digital technology, and real-time data not only to support retail operations but, more importantly, to enrich the customer experience. The omnichannel platform also includes a new loyalty program, gamification elements and hyper personalized one-of-a-kind shopping experience that bridges offline and online seamlessly. Dedicated E-shops were launched in several new key markets including the US, Canada, Australia, South Korea, Hong Kong, Taiwan, Philippines, Thailand, and Singapore. ESPRIT mobile applications were also launched in several Asian countries to provide a seamless shopping experience.

**Product:** The Company vows to reposition ESPRIT back to its roots by focusing on design, fit and quality. The new product design translates the brand DNA of playful, modern, and cool into product directions with an emphasis on premium fabric quality. This is achieved by streamlining the existing suppliers and through internal cross functional collaboration between design, product planning, and sourcing. In addition to developing new fits that are relevant for all silhouettes, existing fit blocks have been closely examined and reviewed to provide the best fit and ensure consistency.

Despite facing unprecedented challenges in the business world, our teams were able to respond quickly to these changing market issues. The on-going initiatives and plans for 2023 mentioned above are strategic opportunities planned for the growth of the brand, and there continues to be a focus on driving operating efficiency and reducing the cost base. The Company has a firm financial footing with a healthy balance sheet and combined with the strong leadership and dedication from our staff, this forms a solid platform to build towards a brighter and more successful future. Thank you for your support, and I look forward to sharing our progress with you in the years ahead.

Sincerely,

**William Pak**  
Executive Director, Chief Executive Officer, and Chief Operating Officer

April 2023

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**Management Discussion  
and Analysis**



# 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 re-establish 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 (for the year ended 31 December 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 converted by 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

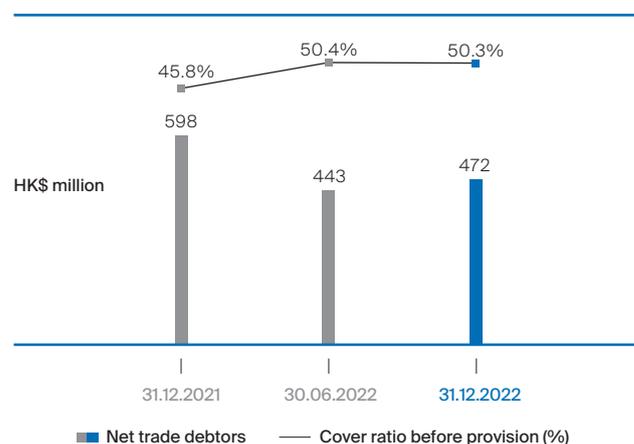
As at 31 December 2022, the inventory balance amounted to HK\$1,777 million (31 December 2021: HK\$1,413 million). On a year-on-year basis, the value of inventories grew by 26%. This was mainly due to the increase in the value of existing inventories from the release of COVID-19 related provisions. Due 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 (for the year ended 31 December 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

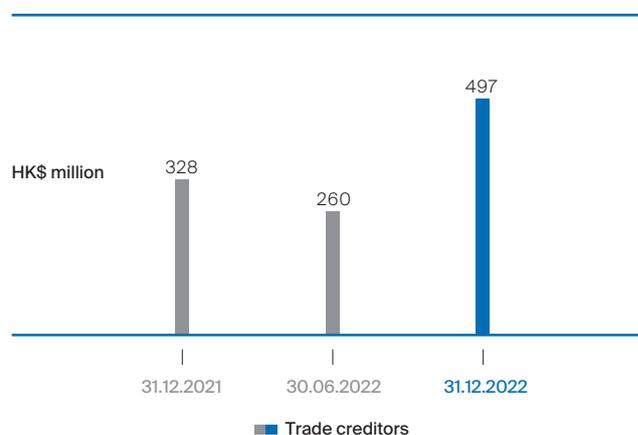
As at 31 December 2022, net trade debtors amounted to HK\$472 million which showed a drop of HK\$126 million or 21% from HK\$598 million in the Corresponding Year. This development was due to the more proactive management of trade debtor balances and decrease in revenue during the Year. The provision 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.



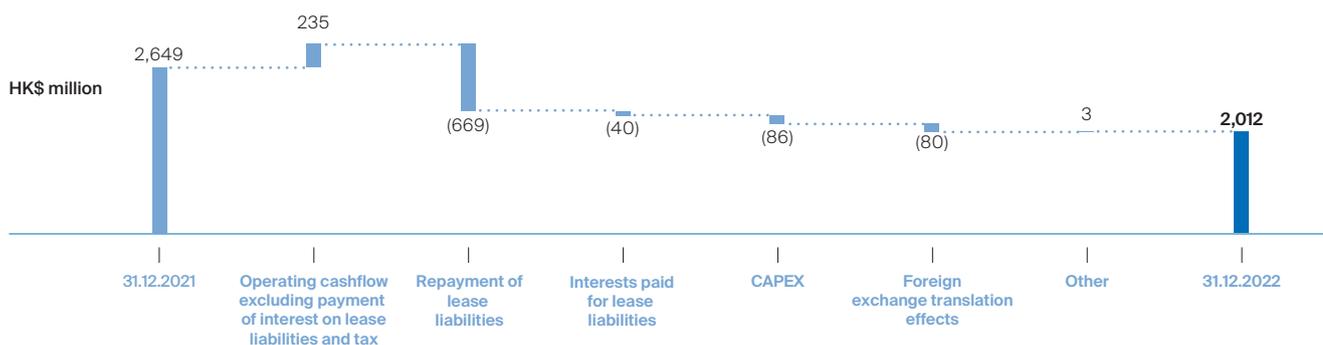
## LIQUIDITY AND FINANCIAL RESOURCES ANALYSIS

### 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 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).

### Significant Investment and Material Acquisitions and Disposals

Save for those disclosed in this report, there were no other significant investments held, nor were there material acquisitions or disposals of subsidiaries during the Year (for the year ended 31 December 2021: nil).

### Charges on Group Assets and Contingent Liabilities

As at 31 December 2022, save for those disclosed in this report, the Company has not charged its assets and the Company did not have significant contingent liabilities (31 December 2021: nil).

### Foreign Exchange Risk

The Group operates internationally and is exposed to 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 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 the 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. 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. 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	Actual use of net proceeds up to 31 December 2021	Remaining balance of unutilized net proceeds as at 31 December 2021	Actual use of net proceeds for the year ended 31 December 2022	Remaining balance of unutilized net proceeds as at 31 December 2022
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
<b>Information technology and transformation expenses:</b>					
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)	-
<b>Administrative and other expenses:</b>					
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)	-	-	-
<b>Total</b>	<b>689</b>	<b>(501)</b>	<b>188</b>	<b>(188)</b>	<b>-</b>

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 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 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 report, 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 revive 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.

3

**Corporate Governance**



# Corporate Governance Report

The Company is committed to achieving high standards of corporate governance. The Company's Corporate Governance Code adopted by the Board of the Company sets out a range of governance principles and practices to direct and guide the business conducts and affairs of the Group. It aims at providing greater transparency, quality of disclosure as well as more effective risk management and internal control. The execution and enforcement of the Company's corporate governance system is monitored by the Board. The Board will review the current practices at least annually, and make appropriate changes where considered necessary. We believe our commitment in high standard practices will translate into long-term value and ultimately maximizing returns to shareholders. Management pledge to building long-term interests for shareholders via, for example, conducting business in a socially responsible and professional manner.

The Board has reviewed the corporate governance practices of the Company. The Company has applied the principles of, and complied with, the applicable code provisions of the CG Code as set out in Appendix 14 of the Listing Rules during the Year.

## BOARD OF DIRECTORS

### Composition of the Board

The Directors of the Company during the Year and up to the date of this report are:

#### Executive Directors

- Ms. CHIU Christin Su Yi  
*(Chairperson)*
- Mr. PAK William Eui Won  
*(Chief Executive Officer and Chief Operating Officer)*
- 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

## Meetings attended/held

The Board conducts at least four regular Board meetings a year and additional meetings are held as and when required to discuss significant events or important issues. Sufficient notice is given for regular Board meetings to all Directors enabling them to attend and reasonable notice will be given in case of special Board meetings. The Group ensures that

appropriate and sufficient information is provided to Board members in a timely manner to keep them abreast of the Group's latest developments thereby assisting them in the discharge of their duties.

The individual attendance records of each Director at the Board meetings, Board Committees meetings and general meetings of the Company during the Year is set out in the table below:

	Board	Independent Non-executive Directors	Audit Committee	Nomination Committee	Remuneration Committee	Risk Management Committee	General Committee	Annual General Meeting
<b>Executive Directors<sup>1</sup></b>								
CHIU Christin Su Yi	4/4	1/1		1/1	1/1		1/1	1/1
PAK William Eui Won	4/4			1/1	1/1		1/1	1/1
SCHLANGMANN Wolfgang Paul Josef	4/4						0/1	1/1
WRIGHT Bradley Stephen	1/4					1/3	0/1	1/1
<b>Independent Non-executive Directors<sup>1</sup></b>								
CHUNG Kwok Pan	4/4	1/1	4/4		1/1	3/3		1/1
GILES William Nicholas	4/4	1/1	4/4	1/1	1/1	3/3		1/1
HA Kee Choy Eugene	4/4	1/1	4/4			3/3		1/1
LIU Hang-so	2/4	0/1		0/1	0/1			1/1
LO Kin Ching Joseph	4/4	1/1	4/4	1/1				1/1

### Note

- None of the Directors attended the meetings by his/her alternate.

## Board meetings and minutes

The Board conducts meetings on a regular and on ad hoc basis of at least four times a year to discuss the overall strategy as well as the operational and financial performance of the Group, and to review and approve the Group's annual and interim results. The Board members are served with notice of at least fourteen days for a regular Board meeting and provided with all agendas and adequate information for their review at least three days before the meetings. For all other Board meetings, reasonable notice should be given.

Minutes of the Board meetings and Board Committees meetings have been recorded in sufficient detail including any matters considered in the meetings, decisions reached and concerns or queries raised by the Directors or dissenting views expressed. Draft and final versions of minutes of meetings of the Board and Board Committees are sent to the Directors or Board Committee members for comments and records respectively within a reasonable time after the meetings. Minutes of meetings of the Board and Board Committees are kept by the Company Secretary, which are open for inspection following reasonable notice by any Director.

## Clear distinction between the responsibilities of the Board and management

The Board oversees the overall management of the Group, including oversight of the Group's operations, whilst allowing management substantial autonomy to run and develop the business.

The management of the Group is responsible for making decisions relating to daily operation of the Group. Decisions reserved for the Board are mainly related to:

- the long-term objectives and strategy of the Group;
- monitoring the performance of management;
- ensuring that appropriate and effective risk management and internal control systems are established and maintained to enable risks to be assessed and managed;
- monitoring the quality and timeliness of external reporting;
- monitoring the policies and practices on the compliance with applicable laws and regulations; and
- approving the Company's policies and practices on corporate governance.

## Board independence

The Company currently has five Independent Non-executive Directors, representing more than one-third of the Board. At least one of the Independent Non-executive Directors has the appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10 of the Listing Rules. The Company has received annual confirmation of independence from each Independent Non-executive Director as set out in Rule 3.13 of the Listing Rules and continues to consider each of them to be independent.

To ensure that independent views and input are available to the Board, the Company established the following mechanism:

- The Company has been steered by a Board, comprising at least one-third of Independent Non-Executive Directors. Currently, the Independent Non-executive Directors represent more than one-third of the Board.
- Members of all governance related committees are Independent Non-executive Directors.
- In the event that an Independent Non-executive Director has served more than nine years, such Director's further appointment should be subject to a separate resolution to be approved by shareholders. The circular to shareholders accompanying that resolution should state why the Board (or the Nomination Committee) believes that the Director is still independent and the discussion of the Board (or the Nomination Committee) in arriving such determination.
- In assessing the independence of the Independent Non-executive Directors, the Nomination Committee and the Board would consider the character and the judgment demonstrated by the Director's contribution to the Board during the years of services, the relationship with the Group other than being a Director, the past and present directorships and important appointments of the Director outside the Group.
- The Company has established a policy enabling all Directors to seek independent professional advice in appropriate circumstances, at the Company's expense, in order to assist the relevant Director(s) to discharge their duties to the Company as and when requested or necessary.

## Board effectiveness

The Directors come from diverse business and professional backgrounds appropriate to the requirement of the business of the Company. The Board endeavours to support the expansion of the Board membership by identifying appropriate candidates who will bring further skills, insights and value to the business so that we have a well-balanced composition of Executive Directors and Non-executive Directors.

Gender	 Male (78%)
	 Female (22%)
Ethnicity	 Asian (67%)
	 Non-Asian (33%)
Age	 Over 60 years old (33%)
	 41 to 60 years old (67%)
Length of service	 More than 2 years (44%)
	 Below 2 years (56%)

Note: ( ) denotes relevant percentage out of the total number of Directors

## Continuous professional development

Each newly appointed Director receives comprehensive, formal and tailored induction program to ensure that he/she has an overview of the business and operations of the Group and a proper understanding of the Company's Corporate Governance Code, his/her responsibilities and obligations under the Listing Rules and applicable laws and regulatory requirements.

Continuous professional development programs are provided for Directors to develop and refresh their knowledge, skills and understanding of the business and markets in which the Group operates. All Directors were provided with the Company and industry news, monthly updates, research reports and other reading materials of the Group's business and the industry and regulatory environments in which the Group operates.

Participation in Director's continuous professional development programs during the Year is summarized as follows:

	Attended seminar(s)/ conference(s)/ forum(s)	Read journal(s)/ update(s)/ article(s)/ material(s)
<b>Executive Directors</b>		
CHIU Christin Su Yi	✓	✓
PAK William Eui Won	✓	✓
SCHLANGMANN Wolfgang Paul Josef	✓	✓
WRIGHT Bradley Stephen		✓
<b>Independent Non-executive Directors</b>		
CHUNG Kwok Pan		✓
GILES William Nicholas	✓	✓
HA Kee Choy Eugene	✓	✓
LIU Hang-so		✓
LO Kin Ching Joseph	✓	✓
<b>Company Secretary</b>		
FONG Yee Mei (Resigned on 1 February 2023)	✓	✓

## Chairperson and Chief Executive Officer

During the Year, the Chairperson of the Board and the Chief Executive Officer were Ms. CHIU Christin Su Yi and Mr. PAK William Eui Won respectively. The role of the Board's Chairperson is to provide leadership in order to enable the Board to discharge its function effectively while the Chief Executive Officer focuses on managing and controlling the business of the Group. The roles of the Board's Chairperson and Chief Executive Officer are clearly outlined to ensure there is a key distinction between the two positions and are exercised by different individuals.

Biographical details of the Chairperson of the Board and the Chief Executive Officer are set out in the section headed "Directors and Senior Management Profile" on pages 44 to 47 of this report. Save as disclose in this report, the Chairperson, the Chief Executive Officer and other Directors do not have any financial, business, family or other material/relevant relationships with each other.

### **Non-executive Directors**

During the Year, the Non-executive Directors (all of whom are independent) provided the Group with a wide range of expertise and experience. Their active participation in the Board meetings and Board Committees meetings brought independent judgment on issues relating to the Group's strategy, performance and management process, taking into account the interests of all shareholders of the Company.

Under Bye-law 84 of the Company's Bye-laws, all Directors, including Non-executive Directors, are subject to retirement by rotation and re-election in the annual general meeting (the "AGM") of the Company and each Director is effectively appointed under an average term of not more than three years.

### **Directors' responsibilities for the consolidated financial statements**

The Directors are responsible for overseeing the preparation of the consolidated financial statements for the Year, to ensure that they give a true and fair view of the state of affairs of the Group and of its earnings and cash flows for the Year. In respect of the consolidated financial statements for the Year, the Directors are satisfied that management have selected appropriate accounting policies, applied them consistently in accordance with the International Financial Reporting Standards and made judgments and estimates that are prudent and reasonable. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

The Directors are responsible for ensuring the maintenance of proper accounting records, safeguarding of the assets of the Company and taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Auditor's responsibilities for the consolidated financial statements**

The statement by the auditor regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on pages 50 to 53 of this report.

### **Directors' securities transactions**

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 Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 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 Year.

### **Board committees**

To oversee particular aspects of the Company's affairs and to assist in the execution of its responsibilities, the Board has established five Board Committees, namely the Audit Committee, the Nomination Committee, the Remuneration Committee, the Risk Management Committee and the General Committee. Terms of reference of the Audit Committee, the Nomination Committee and the Remuneration Committee are available on the respective websites of the Company and HKExnews. The terms of reference are updated from time to time with reference to corporate governance practices in the market and under the Listing Rules. A summary of the membership and responsibilities and duties of each Board Committee performed during the Year is included below.

## Audit Committee

### Members:

- Mr. LO Kin Ching Joseph (*Chairperson*)  
(*Independent Non-executive Director*)
- Mr. CHUNG Kwok Pan  
(*Independent Non-executive Director*)
- Mr. GILES William Nicholas  
(*Independent Non-executive Director*)
- Mr. HA Kee Choy Eugene  
(*Independent Non-executive Director*)

Responsibilities include, amongst other things, the following:

- provide an independent review of the effectiveness of the financial reporting process including the adequacy of the resources, qualifications, experience of staff of the accounting, internal audit and financial reporting function, and their training programs and budget;
- review the internal control system, including the whistleblowing arrangements;
- review the financial information of the Company;
- oversee the audit process and the Company's relations with the auditors; and
- perform other duties as assigned by the Board.

The Audit Committee currently comprises four Independent Non-executive Directors. The Audit Committee met four times during the Year. The attendance record of the Audit Committee members is recorded in the "Meetings attended/held" section above. The Audit Committee is provided with sufficient resources to discharge its duties and meets regularly with management, internal auditors and external auditors and reviews their reports. The Audit Committee also has established a whistleblowing policy and system. Chief Financial Officer, external auditors and internal auditors are invited to attend the meetings to answer questions raised by the Audit Committee.

Duties performed during the Year include, amongst other things, the following:

- reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control, and financial reporting matters including the review of the audited results of the Group for the Year;
- reviewed the nature, scope and findings of internal and external audits, and the Company's treasury activities, tax issues and liquidity; and
- reviewed the fees for audit and non-audit services to the external auditors.

The Board did not deviate from the recommendations of the Audit Committee on the selection, appointment, resignation or dismissal of external auditors.

### Auditor's remuneration

The Audit Committee has reviewed the fees for audit and non-audit services to the external auditors for the Year. A summary of which is as follows:

	For the financial year ended 31 December 2022	For the financial year ended 31 December 2021
	HK\$ million	HK\$ million
<b>Nature of the services</b>		
Audit services	16	21
Non-audit services <sup>1</sup>	5	5
	<b>21</b>	<b>26</b>

#### Note

1. The non-audit services rendered by external auditors during the Year include services related to government subsidies, tax advisory and other services.

## Internal audit

The Company's internal audit team (the "Internal Audit") reports directly to the Audit Committee. Internal Audit is responsible for performing regular and systematic reviews of the risk management and internal control systems. The reviews provide reasonable assurance that the risk management and internal control systems continue to operate satisfactorily and effectively within the Group and the Company. Where specialist skills are required, Internal Audit may engage an outside professional firm to assist them in their reviews. The attainment of such objectives involves the following activities being carried out by Internal Audit:

- reviewing and appraising the soundness, adequacy and application of operational, financial, compliance and other controls and promoting effective internal control in the Group and the Company;
- appraising the risk management system to ensure the full compliance with the requirements under the risk management policy (the "Risk Management Policy") adopted by the Board;
- ascertaining the extent of compliance with established policies, procedures and statutory requirements;
- ascertaining the extent to which the Group's and the Company's assets are accounted for, managed, and safeguarded from losses of all kinds;
- appraising the reliability and usefulness of information for reporting to management;
- recommending improvements to the existing systems of risk management and internal control; and
- carrying out investigations and special reviews requested by management and/or the Audit Committee.

## Nomination Committee

### Members:

- Ms. CHIU Christin Su Yi (*Chairperson*)  
(*Executive Director*)
- Mr. PAK William Eui Won  
(*Executive Director*)
- Mr. GILES William Nicholas  
(*Independent Non-executive Director*)
- Ms. LIU Hang-so  
(*Independent Non-executive Director*)
- Mr. LO Kin Ching Joseph  
(*Independent Non-executive Director*)

Responsibilities include, amongst other things, the following:

- review and recommend the structure, size and composition of the Board;
- review and monitor the implementation of the board diversity policy (the "Board Diversity Policy") to ensure its effectiveness (more information on the diversity of the Board is set out in the "Board diversity policy" section below);
- identify and recommend individuals suitably qualified to become Board member(s), selection of candidates for nomination to the Board will be based on merit and contribution the candidates will bring to the Board with due regard to the Board Diversity Policy;
- assess the independence of Independent Non-executive Directors;
- recommend to the Board on relevant matters relating to the appointment or re-election of Directors and succession planning for Directors;
- keep under review the leadership needs of the organization with a view to ensure the Company can compete effectively in the marketplace; and
- make recommendations concerning membership of the Board Committees, including the Audit Committee, the Nomination Committee, the Remuneration Committee, the Risk Management Committee and the General Committee.

The Nomination Committee is chaired by the Chairperson of the Board. It currently comprises three Independent Non-executive Directors and two Executive Directors. During the Year, the Nomination Committee held one meeting. The attendance record of the Nomination Committee members is set out in the "Meetings attended/held" section above.

Duties performed during the Year:

- reviewed the structure, size and composition of the Board;
- assessed the independence of the Independent Non-executive Directors;
- reviewed the implementation of the Board Diversity Policy; and
- provided recommendation to the Board on the re-election of Directors standing for re-election at 2022 AGM.

### Board diversity policy

The Board has adopted a Board Diversity Policy setting out the approach to achieve diversity on the Board with the aims of enhancing the quality of its performance and ensuring orderly succession for appointments. The Company considers aspects of board diversity including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills and knowledge. The ultimate decision will be based on merit and contribution that the individual will bring to the Board. The implementation of the Board Diversity Policy has been reviewed and monitored regularly by the Nomination Committee to ensure its effectiveness. Any required revisions of the Board Diversity Policy will be recommended by the Nomination Committee to the Board for consideration and approval.

### Gender Diversity

The Company's Board Diversity Policy was consistently implemented. As at the date of this report, the Board comprises nine Directors, two of which are female. The Board considers that the gender diversity in respect of the Board taking into account the business model and specific needs of the Group is satisfactory. The Board targets to maintain at least the current level of female representation, with the goal of achieving gender parity. The Company believes the balance of gender in the Board would bring innovation and different perspectives to the Board, thus in considering the Board's succession, gender diversity is one of the key factors for the Company to select suitable candidate as a Director.

As at 31 December 2022, approximately 17.61% of the Group's workforce (including senior management) is male and approximately 82.39% is female. Same as the gender diversity of the Board, the Company targets to avoid a single gender workforce. Opportunities for employment, training and career development are equally opened to all eligible employees without discrimination. The Group has also taken, and continues to take steps to promote diversity at all levels of its workforce and will review the gender diversity of the workforce regularly in accordance with the business development of the Group.

### Nomination policy

The Board has adopted a nomination policy setting out the key nomination criteria and principles of the Company for nomination of Directors. The Nomination Committee is responsible for reviewing the structure, size and composition (including gender, balance of skills, knowledge, experience and diversity of perspectives) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy. It shall identify individuals suitably qualified to become Board member(s) and select or make recommendations to the Board on the selection of individuals nominated for directorships. In identifying suitable candidates, the Nomination Committee shall consider the candidates on merit and contribution the candidate will bring to the Board with due regard to the Board Diversity Policy. It has to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors in particular the Chairperson of the Board and the Chief Executive Officer. The Nomination Committee shall take into account the challenges and opportunities facing the Company and therefore, what skills and expertise are needed on the Board in the future.

### Nomination procedures

The Nomination Committee is delegated by the Board to identify suitable candidates and evaluate potential candidates based on the Board Diversity Policy.

Once opportunity for Board appointment is identified, there will be scheduled interviews with the suitable candidate. Results of the interviews will be put forward to the Nomination Committee for consideration. The recommendations of the Nomination Committee will be put forward to the Board for consideration and approval.

In case of re-appointments of members of the Board at the AGM, the Nomination Committee will review the profile of the members of the Board who have offered themselves for re-appointment to consider their suitability in light of the strategy of the Company as well as the structure, size and composition of the Board at that time. The Nomination Committee will then make recommendations for the Board's consideration and the Board will, at its discretion, make recommendations to the shareholders.

## Remuneration Committee

### Members:

- Mr. GILES William Nicholas (*Chairperson*)  
(*Independent Non-executive Director*)
- Ms. CHIU Christin Su Yi  
(*Executive Director*)
- Mr. PAK William Eui Won  
(*Executive Director*)
- Mr. CHUNG Kwok Pan  
(*Independent Non-executive Director*)
- Ms. LIU Hang-so  
(*Independent Non-executive Director*)

Responsibilities include, amongst other things, the following:

- make recommendations to the Board on the Group's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- determine specific remuneration packages of all individual Executive Directors and senior management;
- review and approve the compensation payable to Executive Directors and senior management for any loss or termination of their office or appointment;
- make recommendations to the Board on the remuneration packages of individual Executive Directors and Non-executive Directors;
- review and approve management's remuneration proposals with reference to the Board's corporate goals and objectives;
- review the design of share incentive schemes for approval by the Board and shareholders; and
- ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration.

The Remuneration Committee currently comprises three Independent Non-executive Directors and two Executive Directors. During the Year, the Remuneration Committee held one meeting. The attendance record of the Remuneration Committee members is set out in the "Meetings attended/held" section above.

During the Year, the Remuneration Committee reviewed the director's fees of individual Executive Directors and Independent Non-executive Directors.

## Remuneration policy

The fundamental policy of the Group's remuneration and incentive scheme is to link total compensation of Executive Directors, senior management and employees with reference to the corporate goals and objectives set by the Board. Remuneration package is performance-based and takes into account business performance, market practice and competitive market conditions in order to attract, motivate and retain talent. The Remuneration Committee should consult the Chairperson of the Board and/or the Chief Executive Officer about the remuneration proposals for other Executive Directors. The recommended remuneration package comprises salaries, bonus opportunities and long-term incentive plans.

Non-executive Directors are compensated with the aim to fairly represent their efforts and time dedicated to the Board and Board Committee matters and reference is made to the level of remuneration for Non-executive Directors of listed companies with global operation.

Details of remuneration of Directors and senior management, as well as the five highest-paid employees of the Group during the Year are set out in the financial section on pages 89 to 92 of this report.

## Risk Management Committee

### Members:

- Mr. GILES William Nicholas (*Chairperson*)  
(*Independent Non-executive Director*)
- Mr. WRIGHT Bradley Stephen  
(*Executive Director*)
- Mr. CHUNG Kwok Pan  
(*Independent Non-executive Director*)
- Mr. HA Kee Choy Eugene  
(*Independent Non-executive Director*)

Responsibilities include, amongst other things, the following:

- review the effectiveness of the Group's risk management function;
- review and assess the Group's risk appetite annually;
- review and monitor the Group's risk profiles and ensure an appropriate risk control environment is enforced and maintained;

- review and assess the methodologies employed by management to identify, measure, manage and/or control risks that may have an impact on the business in accordance with the Group's risk appetite and the Risk Management Policy;
- review risk management report, which shall include, amongst other things, a confirmation from management on the effectiveness of the risk management system;
- review and assess the Risk Management Policy; and
- review and assess the Company's environmental, social and governance strategy and reporting.

The Risk Management Committee currently comprises three Independent Non-executive Directors and one Executive Director. The Risk Management Committee met three times during the Year. The attendance record of the Risk Management Committee members is set out in the "Meetings attended/held" section above.

Duties performed during the Year:

- reviewed the risk management report; and
- reviewed the key performance indicators of environmental, social and governance report.

The report and recommendations have been submitted to the Board and follow-up action has been taken based on recommendations, which will be monitored by the Board.

The Board has adopted the Risk Management Policy with key objective of ensuring a consistent basis for measuring, controlling, monitoring and reporting risks across the Group at all levels to support the achievement of the organization's strategic objective. It ensures the implementation of a structured risk management framework across the Group, where the responsibilities for identifying, assessing, and managing risks will be shared with frontline staff or business unit owners on an ongoing basis.

More information about risk management practices of the Group can be found in the "Risk Management and Internal Control" section below.

## General Committee

### Members:

- Ms. CHIU Christin Su Yi  
*(Executive Director)*
- Mr. PAK William Eui Won  
*(Executive Director)*
- Mr. SCHLANGMANN Wolfgang Paul Josef  
*(Executive Director)*
- Mr. WRIGHT Bradley Stephen  
*(Executive Director)*

Responsibilities include, amongst other things, the following:

Discuss, consider and approve routine corporate administrative matters of the Company such as:

- routine administration of the share incentive schemes of the Company;
- issue of new shares upon exercise of share options granted under the share option schemes adopted by the Company;
- implement share repurchase strategy upon approval by the Board in accordance with the delegated authority;
- determine at the request of management any person or persons who may be regarded as "relevant employees" pursuant to the Guidelines Regarding Securities Transactions by Employees of the Company;
- respond to routine enquiries from the Stock Exchange relating to the continuing obligations of the Company under the Listing Rules;
- issue statements regarding unusual movements in price and/or trading volume of the shares of the Company; and
- other administrative matters.

The General Committee currently comprises four Executive Directors. During the Year, the General Committee held one meeting. The attendance record of the General Committee members is set out in the "Meetings attended/held" section above.

Duties performed during the Year:

- approved the change of signing arrangement of bank accounts.

## CORPORATE GOVERNANCE FUNCTION

The Board has from time to time reviewed the Company's corporate governance policies and practices and duties of various Board Committees. The Board has not established a corporate governance committee but has performed its duties in respect of the corporate governance functions, including:

- to determine, review and develop the Company's policies and practices on corporate governance;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; and
- to review and monitor the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

During the Year, the Board has performed the corporate governance duties in accordance with the CG Code.

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for review the risk management and internal control systems to ensure their effectiveness. Risk management is an existing practice of the Company. Previously, the Company's annual high-level risk assessment exercises were conducted to evaluate the Company's high-level risks. Currently, the Company has implemented the Risk Management Policy to formally outline its risk management and internal control systems used to identify, evaluate and manage significant risks in form of a "Three Lines of Defense Model". Such systems are aiming at providing reasonable, though not absolute, assurance against material misstatement or loss and to manage rather than eliminate the risk of failure to achieve business objectives.

### First line of defense

The systems begin with management, made up of business unit owners who identify, assess, mitigate and monitor risks as an integral part of the Group's day-to-day operations. Documentation and reporting of the individual risks and their respective risk ratings and controls are done in the form of risk registers which are updated regularly. Members of the senior management whom the business unit owners report into review the risk registers and escalate key risks under their purview to the risk manager.

In addition, management confirms that they have:

- reviewed the risk registers of relevant business units across the Group;
- assessed and documented risks in the risk registers based on the methodologies and the risk parameters stated in the Risk Management Policy; and
- completed the risk registers, established relevant controls, and considered the risk appetite to be appropriate for the Group based on their best knowledge.

Thus, management collectively owns, manages and oversees a magnitude of risks, which represent the first line of defense in the "Three Lines of Defense Model".

### Second line of defense

The risk manager is responsible for the implementation and maintenance of risk management processes across the Group. The risk manager should provide training to management on risk assessment methodologies, reviews the Risk Management Policy, and facilitates a regular risk assessment process and timely communication to the Risk Management Committee. Based on management's assessments, the risk manager selects the top ten risks of the Group in consultation with the Chief Executive Officer, and reports to the Risk Management Committee. This is the second line of defense in the "Three Lines of Defense Model".

### Third line of defense

Internal Audit independently appraises the risk management and internal control systems and reports the results and its opinion to the Audit Committee. This process represents the third line of defense in the "Three Lines of Defense Model".

### Procedures for the handling and dissemination of inside information

The Group is committed to complying with Listing Rules, the Securities and Futures Ordinance and other regulatory requirements in relation to the disclosure of inside information. To prevent uneven, inadvertent or selective dissemination of inside information, procedures for the handling and dissemination of inside information are as follows:

- When an employee becomes aware of any actual or potential inside information, he/she must immediately inform his/her department head, who will assess the circumstances and, if considered appropriate, escalate and report it to the management team.
- Meeting of the management team shall be convened to conduct preliminary assessment of the information received.
- The management team reviews and decides whether the information must be disclosed, as well as when and how the information shall be released. If considered appropriate, the management team shall make recommendations to the Board.
- The Board reviews the recommendations of the management team and approves the issue of an announcement and any other documents as appropriate.

### Governing bodies

The Risk Management Committee in turn reports to the Board, which determines the Company's risk appetite, evaluates the level of risk the Company is facing and actions should take and monitors and addresses top risks regularly.

Based on the report from the Audit Committee, the Board considers the risk management and internal control systems to be satisfactory for the Year and operating effectively and adequately according to the Risk Management Policy.

### COMPANY SECRETARY

The Company Secretary is responsible for, among other things, ensuring that Board procedures are observed, and that the Company's Bye-laws, applicable laws, relevant rules and regulations are complied with. She assists the Chairperson of the Board and the Board in implementing and strengthening corporate governance practices and processes of the Company. All Directors have access to the advice and services of the Company Secretary.

The Company Secretary assists the Chairperson of the Board in ensuring efficient information flow within the Board and Board Committees and between Directors and senior management. She is responsible for facilitating induction program of new Directors and the continuous professional development of existing Directors. She assists the Chairperson of the Board and Chairperson of the Board Committees in the development of the agendas for the Board meetings and Board Committee meetings. She also attends and prepares minutes for Board meetings and Board Committee meetings.

During the Year, the Company Secretary of the Company, has attended relevant professional seminars to update her skills and knowledge. She has complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

### DIVIDEND POLICY

The Board has adopted a dividend policy (the "Dividend Policy") for the Company. The Dividend Policy aims at providing reasonable and sustainable returns to the shareholders of the Company whilst maintaining a position of financial stability which allows the Company to take advantage of any investment and expansion opportunities that may arise from time to time. The Board maintains the dividend payout ratio of 60% of basic earnings per share. In deciding whether to propose a dividend and in determining the dividend amount, the Board will take into account the Company's earnings performance, financial position, investment and funding requirements, and future prospects. The Board will regularly review the Dividend Policy and will amend and/or modify the Dividend Policy if necessary.

## SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

### Shareholders' communication policy

The Company has adopted a shareholders' communication mechanism to ensure that shareholders, and in appropriate circumstances, the investment community at large, are provided with ready, equal and timely access to balanced and understandable information about the Company (including its financial performance, strategic goals and plans, material developments, governance and risk profile), in order to enable shareholders to exercise their rights in an informed manner, and to allow shareholders and the investment community to engage actively with the Company.

Having reviewed the implementation and effectiveness of different channels of communication available to the Shareholders, and with reference to the Shareholders' participation and feedbacks in meetings and corporate activities, the Company considered the shareholders' communication mechanism described above effective during the Year.

### Proactive investor relations

To ensure our investors have a better understanding of the Company, our management engages in a proactive investor relations program. Our Investor Relations Department communicates with research analysts and institutional investors in an on-going manner. In addition, our Executive Director(s) meet with research analysts and the press after our results announcements, attend major investors' conferences, participate in international non-deal roadshows, and host Investor Relations Day and Analysts Day to communicate the Company's financial performance and strategic priorities.

### Enquiries of shareholders

Enquiries of shareholders can be sent to the Company either by email at [esprit-ir@esprit.com](mailto:esprit-ir@esprit.com) or by post to the Company's principal place of business in Hong Kong at 27th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong. Shareholders can also make enquiries to the Board directly at the general meetings of the Company.

### How shareholders can convene a special general meeting

Shareholders holding at the date of the deposit of the requisition not less than one-tenth of the voting rights, on a one vote per share basis, in the share capital of the Company can at all times, by a written requisition to the Board or the Company Secretary to require a special general meeting ("SGM") to be called by the Board for the transaction of any business or resolution specified in such requisition or to add resolution to the agenda of a general meeting. Such requisition shall be deposited at the Company's principal place of business in Hong Kong at 27th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong; and such meeting shall be held within two months after the deposit of such requisition. Upon receiving a valid requisition from shareholder(s), the Board shall within twenty-one days of such deposit proceed to convene a SGM. If within twenty-one days of such deposit the Board fails to proceed to convene such SGM, the requisitioner(s), or any of them representing more than one half of the total voting rights of all of them, themselves may convene a SGM, but any SGM so convened shall not be held after the expiration of three months from twenty-one days of the deposit.

### Procedures for putting forward proposals at general meeting

Shareholders representing either not less than one-twentieth of the total voting rights of all shareholders having a right to vote at the AGM at the date of the requisition or who are not less than 100 shareholders can submit a written requisition to the Board or the Company Secretary to propose a resolution at the AGM. The written requisition must state the resolution, accompanied by a statement of not more than one thousand words with respect to the matter referred to in the proposed resolution or the business to be dealt with at the AGM and contain the signatures of all the requisitionist(s) (which may be contained in one document or in several documents in like form). Such requisition shall be deposited at the Company's principal place of business in Hong Kong at 27th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong (i) not less than six weeks before the AGM in the case of a requisition requiring notice of a resolution; and (ii) not less than one week before the AGM in the case of any other requisition and be accompanied by a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement given by the requisitionist(s) to all shareholders in accordance with the requirements under the applicable laws and rules. Provided that if, after a copy of the requisition requiring notice of a resolution has been deposited at the Company's headquarters, an AGM is called for a date six weeks or less after the copy has been deposited, the copy though not deposited within the time required shall be deemed to have been properly deposited for the purposes thereof.

Shareholders who wish to put forward proposals at SGMs may achieve so by means of convening a SGM following the procedures as set out in the paragraph above.

If a shareholder wishes to propose a person other than a retiring Director for election as a Director at a general meeting, the shareholder should follow the "Procedures for Shareholders to Propose a Person for Election as a Director", which is posted on the website of the Company.

### Voting by poll

The Company's shareholders are adequately informed of their rights and the procedures to demand voting by poll in general meetings at which their approvals are sought through disclosure in the Company's circulars to shareholders.

At the annual general meeting ("2022 AGM") held on 29 June 2022, the Chairperson of the meeting demanded voting by poll on all resolutions put forth at the meeting. The detailed procedures for conducting a poll were explained to the shareholders on commencement of the 2022 AGM. Tricor Secretaries Limited, the Company's branch share registrar in Hong Kong, was appointed as the scrutineer for voting by poll at the 2022 AGM to ensure the votes were properly counted.

### Transparency and disclosure

The Company recognizes the importance of interim and non-selective disclosure of information. Latest information of the Company including annual and interim reports, announcements and press releases, constitutional documents, presentations, and webcasts are updated on the Company's Investor Relations website (<https://www.esprit.com/en/company/investor-relations>) in a timely manner.

The Company actively distributes information on the annual and interim results, and through email alerts. In addition, a results briefing is organized to ensure that members of the public have access to first-hand information on the results announcements.

Maintaining a two-way communication with shareholders is one of the main goals of the Company and the Company's AGM is one platform for shareholders to exchange views directly with the Board. Poll results are made publicly available on the same day of the meeting, typically within a few hours, to ensure the timely disclosure of information.

## Constitutional documents

The Company adopted a new set of amended and restated bye-laws of the Company on 29 June 2022. Please refer to the circular of the Company dated 28 April 2022 for the details of the amendments to the bye-laws of the Company. A latest version of the amended and restated bye-laws of the Company is available on the Company's website and the Stock Exchange's website.

Save as disclosed above, there was no other change in the constitutional document during the Year.

## AMERICAN DEPOSITARY RECEIPT PROGRAM

The Company has established a Level 1 sponsored American Depositary Receipt program with details as stated hereunder.

<b>Symbol</b>	ESPGY
<b>CUSIP</b>	29666V204
<b>ISIN</b>	US29666V2043
<b>Ratio</b>	2 ordinary shares: 1 ADR
<b>Country</b>	Hong Kong
<b>Effective Date</b>	05 January 2015
<b>Depository</b>	Deutsche Bank Trust Company Americas

## OTHER STAKEHOLDERS

In addition to its investors, the Company is concerned about other stakeholders and for years has factored in corporate social responsibility into every business decision to the extent practicable. The ESG Report (as defined below) is available on the Stock Exchange's website and the Company's website.

## Report of the Directors

The Directors present the annual report and the audited consolidated financial statements of the Group for the Year.

### PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of the principal subsidiaries are shown in note 7 to the consolidated financial statements. 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.

### RESULTS

The results of the Group for the Year are set out in the consolidated statement of profit or loss on page 54 of this report and in the accompanying notes to the consolidated financial statements.

The Directors maintain the dividend payout ratio of 60% of basic earnings per share. As the Group recorded a loss for the Year, the Board has not recommended the distribution of a final dividend (for the year ended 31 December 2021: nil). The Board will constantly monitor and review the situation in the coming future. Relevant information is set out in note 3.3.2 to the consolidated financial statements.

### RESERVES

Movements in reserves of the Group and the Company during the Year are set out in the consolidated statement of changes in equity on page 57 of this report and in note 2.10.2 to the consolidated financial statements respectively. As at 31 December 2022, there were no distributable reserves available to the shareholders.

### BUSINESS REVIEW

A fair review of the business of the Group as required pursuant to Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the “Companies Ordinance”), comprising an analysis of the Group’s performance using financial key performance indicators during the Year, description of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the Year as well as indication of likely future development in the business of the Group are set out in the section headed “Management Discussion and Analysis” on pages 8 to 17 of this report.

### ENVIRONMENT, SOCIAL AND GOVERNANCE (“ESG”) PERFORMANCE

The Board is committed to achieving sustainable development and protection of the environment and engaging ESG considerations as an integral part of its business operations and investment of the Company. The Board reviewed its strategic priorities against ESG-related risks and ensured appropriate and effective ESG risk management and internal control systems are in place. The Group conducts regular reviews of all operating procedures. Raw materials are taken through risk assessment protocols to mitigate risks and the Group also implements targeted strategies when addressing them. The Company’s strategy in ESG management is achieved by applying sustainable practices across various departments, making efficient use of resources, and promoting green awareness within the Group. The Company has stringent sourcing policies and in 2022, fabric material from sustainable sources accounted for 56%. Animal welfare also has been a key concern for the Company. The Company continues to retrieve carbon footprint information from its suppliers and sourcing agents, with the aim that such gathering of data will allow the Company to require carbon footprint reductions from its suppliers. ESPRIT has successfully accomplished the Green Button company assessment in April 2022. The Green Button is a government-run certification label for sustainable textiles, developed by the Federal Ministry for Economic Cooperation and Development.

The Board will continue to improve its management approach and implement strategies and processes to evaluate, prioritize, and manage material ESG-related issues by continuously monitoring legislations and due diligence standards to create a transparent and sustainable supply chain. At ESPRIT, the Risk Management Committee of the Board and the brand's internal ESG Taskforce is responsible for sustainability, environmental risks, and governance. Details of the Group's ESG practice and performance can be found in the Company's ESG Report for the Year. The report is prepared in accordance to the ESG Reporting Guide as set out in Appendix 27 to the Listing Rules, which is available on the Company's website ([www.esprit.com/en/company](http://www.esprit.com/en/company)) and the Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)).

### Compliance with laws and regulations

The Group recognizes the importance of compliance with legal and regulatory requirements and any non-compliance with such requirements could have an adverse impact on the Group's operation. The Group has been implemented system and staff resources to ensure ongoing compliance with laws and regulations. As at the date of this report, the Company has complied with those related to all the relevant laws and regulations, including business ethics, health and safety, employees, customers, and environment, that have a significant impact on the operations of the Group in all material respects.

### Key relationship with Employees, Customers and Suppliers

The Group embraces human resources as one of its most valuable assets, and highly values the personal development of its employees. We help our employees identify and reach their professional goals and provide them skills and knowledges for discharging their duties at work through our technical and soft skills training programs. These programs are available to our team members regardless of where they are on their professional journey, whether they are in the early days of a first job, or established professionals. We want to give everyone the opportunity to continuously grow and develop their skills.

The Group values the views and opinions of all customers through various means and channels to understand customer trends and needs and regularly analyses and makes changes based on customer preference. The Group also conducts comprehensive tests and checks to ensure that only safe and quality products are enjoyed by the customers.

The Group encompasses working relationships with suppliers to meet our customers' needs in an effective and efficient manner. The departments work closely to make sure the tendering and procurement process is conducted in an open, fair, and just manner. The Group's requirements and standards are also well-communicated to suppliers before the commencement of a project.

Details on our relationships with various stakeholders are disclosed in the ESG Report issued by the Company separately.

### Employees and Remuneration Policy

Our employees play a key role in our success and how we fulfill our responsibilities to shareholders, society, and the environment. The Group continues to invest in our people, ensuring that they are equipped with the right knowledge, skills and experiences to match the Group's needs. The Group's remuneration policy is to ensure fair and competitive packages based on business needs and industry practice. The Company aims to provide incentives to Directors, senior management and employees to perform at their highest levels as well as to attract, retain and motivate the very best people. Remuneration will be determined by taking into consideration factors such as market and economic situation, inflation, employment conditions elsewhere in the Group and salaries paid by comparable companies. Furthermore, the remuneration package of the Directors are determined by the Remuneration Committee, having regard to the salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group. In addition, performance-based assessment such as individual's potential and contribution to the Group, time commitment and responsibilities undertaken will all be considered.

The Group also provides other staff benefits including mandatory provident fund and medical insurance. The Company also operates a discretionary share option scheme and a discretionary share award scheme to motivate employees' performance and loyalty.

### Long-term incentive schemes

The Company has a share option scheme and a share award scheme at different times to recognize the contribution of certain employees and help to retain them for the Group's operations and further development. For details, please refer to the sections of "Share option schemes" and "Share award scheme" below.

### SHARE CAPITAL

During the Year, no ordinary share of the Company of HK\$0.10 each was issued.

Details of movements in share capital of the Company are set out in note 2.10.1 to the consolidated financial statements.

### FINANCIAL SUMMARY

A summary of the consolidated results and the consolidated balance sheet of the Group for the last ten financial years is set out on pages 116 to 119 of this report respectively.

### PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the Year are set out in note 2.6.2 to the consolidated financial statements.

### PENSION SCHEMES

Particulars of pension schemes of the Group are set out in notes 2.3.2 and 2.9.3 to the consolidated financial statements.

### PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2022 are set out in note 7 to the consolidated financial statements.

### CHARITABLE DONATIONS

During the Year, the Group made charitable donations totaling HK\$3 million.

### MAJOR CUSTOMERS AND SUPPLIERS

During the Year, less than 30% of the Group's sales were attributable to the five largest customers and less than 30% of the Group's purchases were attributable to the Group's five largest suppliers.

### EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Company during the Year or subsisted at the end of the Year, save for the 2009 Share Option Scheme, the 2018 Share Option Scheme and the New Share Award Scheme, all as defined and detailed in sections of "Share option schemes" and "Share award scheme" below.

### DIRECTORS

The Directors of the Company during the Year and up to the date of this report are:

#### Executive Directors

- Ms. CHIU Christin Su Yi  
(Chairperson)
- Mr. PAK William Eui Won  
(Chief Executive Officer and Chief Operating Officer)
- 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

Under bye-law 84(1) of the Company's Bye-laws, one-third of the Directors must retire, thus becoming eligible for re-election at each AGM. Furthermore, any Director who was not elected or re-elected at any of the preceding two AGMs must retire, thus becoming eligible for re-election at the AGM. Accordingly, Mr. CHUNG Kwok Pan, Mr. GILES William Nicholas and Ms. LIU Hang-so will retire from office by rotation at the forthcoming AGM and being eligible, will offer themselves for re-election at the forthcoming AGM. The biographical details of the retiring Directors will be set out in a circular to shareholders of the Company to assist shareholders in making an informed decision on their re-election. None of the Directors standing for re-election at the forthcoming AGM has a service contract with any member of the Group which is not determinable by the relevant employer within one year without payment of compensation (other than statutory compensation).

#### **CHANGES IN DIRECTORSHIP AND OTHER CHANGES IN DIRECTORS INFORMATION**

There is no change of information of Directors, as notified to the Company, subsequent to the date of the Interim Report for the six months ended 30 June 2022 pursuant to Rule 13.51B(1) of the Listing Rules.

#### **DIRECTORS' EMOLUMENTS**

Particulars of the remuneration of the Directors and senior management for the Year disclosed pursuant to section 383 of the Companies Ordinance and Appendix 16 of the Listing Rules are set out in note 4.1.1 to the consolidated financial statements. In addition to offering competitive remuneration packages and discretionary bonuses to Directors, the Company may also grant share options to Directors and eligible employees based on individual performance as an incentive. The emoluments of the Directors are determined based on the operating results of the Group, individual performance and/or prevailing market conditions. Information about the remuneration policy of the Group is set out in the section headed "Corporate Governance Report" on pages 20 to 34 of this report. No Directors of the Company or its subsidiaries waived or agreed to waive any emoluments.

#### **MATERIAL CONTRACTS**

As the Company does not have any controlling shareholder (as defined in the Listing Rules), no contract of significance had been entered into during the Year between the Company or any of its subsidiaries and a controlling shareholder or its subsidiaries.

#### **DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS**

No transaction, arrangement and contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of or at any time during the Year save as disclosed in section of "Related party transactions and connected transactions" below.

#### **SERVICE CONTRACTS**

Ms. CHIU Christin Su Yi, Mr. PAK William Eui Won, Mr. SCHLANGMANN Wolfgang Paul Josef and Mr. WRIGHT Bradley Stephen have entered into respective directorship/service contract with the Company while the other Directors have not entered into any service contract with the Company or any member of the Group. No Director has an unexpired service contract which is not determinable by the Company within one year without payment of compensation other than normal statutory compensation.

#### **PERMITTED INDEMNITY PROVISION**

The Company's Bye-laws provide that the Directors, secretary and other officers of the Company for the time being shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty. Such provisions were in force during the course of the Year and remained in force as of the date of this report.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2022, none of the Directors and chief executive of the Company or their respective associates had any interests or short positions, whether beneficial or non-beneficial, in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code contained in Appendix 10 of the Listing Rules.

## SHARE OPTION SCHEMES

### 2009 Share Option Scheme

The Company adopted a share option scheme on 10 December 2009, which was terminated on 5 December 2018. Notwithstanding its termination, the share options which were 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. Particulars of the 2009 Share Option Scheme are set out in note 4.2.1 to the consolidated financial statements. A summary of the movements of the outstanding share options under the 2009 Share Option Scheme during the Year is as follows:

	Date of Grant (dd/mm/yyyy)	Exercise Price (HK\$)	Adjusted Exercise Price (HK\$)	Vesting Date (dd/mm/yyyy)	Exercise Period (dd/mm/yyyy)	Number of share options							
						As at 01/01/2022	Granted	Transferred in	Exercised	Transferred out	Lapsed/ Forfeited	As at 31/12/2022	
Employees	12/12/2012	12.320	11.710	12/12/2015	12/12/2015 - 11/12/2022	473,307	-	-	-	-	473,307	-	
	11/03/2013	10.040	9.550	11/03/2016	11/03/2016 - 10/03/2023	189,322	-	-	-	-	94,661	94,661	
					11/03/2017	11/03/2017 - 10/03/2023	63,108	-	-	-	-	31,554	31,554
					11/03/2018	11/03/2018 - 10/03/2023	63,108	-	-	-	-	31,554	31,554
	04/11/2013	14.180	13.480	04/11/2016	04/11/2016 - 03/11/2023	836,175	-	-	-	-	336,573	499,602	
					04/11/2017	04/11/2017 - 03/11/2023	42,072	-	-	-	-	42,072	-
					04/11/2018	04/11/2018 - 03/11/2023	42,072	-	-	-	-	42,072	-
	30/06/2014	11.000	10.460	30/06/2017	30/06/2017 - 29/06/2024	189,323	-	-	-	-	-	189,323	
					30/06/2018	30/06/2018 - 29/06/2024	63,107	-	-	-	-	-	63,107
					30/06/2019	30/06/2019 - 29/06/2024	63,107	-	-	-	-	-	63,107
	31/10/2014	10.124	9.630	31/10/2017	31/10/2017 - 30/10/2024	1,498,804	-	-	-	-	368,127	1,130,677	
	13/10/2015	6.550	6.230	13/10/2018	13/10/2018 - 12/10/2025	1,472,510	-	-	-	-	420,717	1,051,793	
	31/10/2016	6.870	6.530	31/10/2019	31/10/2019 - 30/10/2026	1,525,100	-	-	-	-	420,717	1,104,383	
	07/11/2017	4.650	4.420	07/11/2020	07/11/2020 - 06/11/2027	1,472,511	-	-	-	-	473,307	999,204	
	25/06/2018	2.660	2.530	25/06/2021	25/06/2021 - 24/06/2028	1,893,227	-	-	-	-	683,665	1,209,562	
	28/09/2018	1.884	1.790	28/09/2021	28/09/2021 - 27/09/2028	1,051,793	-	-	-	-	-	1,051,793	
	In aggregate						10,938,646	-	-	-	-	3,418,326	7,520,320

## SHARE OPTION SCHEMES (CONTINUED)

### 2009 Share Option Scheme (Continued)

	Date of Grant (dd/mm/yyyy)	Exercise Price (HK\$)	Adjusted <sup>1</sup> Exercise Price (HK\$)	Vesting Date (dd/mm/yyyy)	Exercise Period (dd/mm/yyyy)	Number of share options						
						As at 01/01/2022	Granted	Transferred in	Exercised	Transferred out	Lapsed/ Forfeited	As at 31/12/2022
Others <sup>2</sup>	12/12/2012	12.320	11.710	12/12/2015	12/12/2015 - 11/12/2022	105,179	-	-	-	-	105,179	-
	11/03/2013	10.040	9.550	11/03/2016	11/03/2016 - 10/03/2023	4,764,621	-	-	-	-	-	4,764,621
				11/03/2017	11/03/2017 - 10/03/2023	1,483,028	-	-	-	-	-	1,483,028
				11/03/2018	11/03/2018 - 10/03/2023	1,483,028	-	-	-	-	-	1,483,028
	04/11/2013	14.180	13.480	04/11/2016	04/11/2016 - 03/11/2023	841,434	-	-	-	-	-	841,434
	31/10/2014	10.124	9.630	23/03/2015	23/03/2015 - 30/10/2024	105,179	-	-	-	-	-	105,179
				31/10/2017	31/10/2017 - 30/10/2024	841,434	-	-	-	-	-	841,434
	13/10/2015	6.550	6.230	13/10/2018	13/10/2018 - 12/10/2025	105,179	-	-	-	-	-	105,179
	31/10/2016	6.870	6.530	31/10/2019	31/10/2019 - 30/10/2026	105,179	-	-	-	-	-	105,179
	07/11/2017	4.650	4.420	07/11/2020	07/11/2020 - 06/11/2027	105,179	-	-	-	-	-	105,179
	25/06/2018	2.660	2.530	25/06/2021	25/06/2021 - 24/06/2028	210,358	-	-	-	-	-	210,358
	28/09/2018	1.884	1.790	28/09/2021	28/09/2021 - 27/09/2028	2,629,481	-	-	-	-	-	2,629,481
	In aggregate					12,779,279	-	-	-	-	105,179	12,674,100
<b>Total</b>						<b>23,717,925</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,523,505</b>	<b>20,194,420</b>

#### Notes:

1. The exercise price per Share payable upon exercise of the outstanding share options granted under the 2009 Share Option Scheme was adjusted on 21 April 2021 as a result of the Rights Issue. Details of the adjustments were set out in the announcement of the Company dated 20 April 2021.
2. Former employees/directors of the Group who were the employees/directors of the Group at the time of the relevant grants.
3. No share options granted under the 2009 Share Option Scheme were exercised or canceled during the Year.
4. No share option was granted to the suppliers of the Group during the Year.

## SHARE OPTION SCHEMES (CONTINUED)

### 2018 Share Option Scheme

The Company adopted a share option scheme on 5 December 2018. 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. Particulars of the 2018 Share Option Scheme are set out in note 4.2.1 to the consolidated financial statements. A summary of the movements of the outstanding share options under the 2018 Share Option Scheme during the Year is as follows:

	Date of Grant (dd/mm/yyyy)	Exercise Price (HK\$)	Adjusted <sup>1</sup> Exercise Price (HK\$)	Vesting Date (dd/mm/yyyy)	Exercise Period (dd/mm/yyyy)	Number of share options						
						As at 01/01/2022	Granted	Transferred in	Exercised	Transferred out	Forfeited	As at 31/12/2022
Employees	10/12/2019	1.604	1.530	19/09/2022	19/09/2022 - 09/12/2029	3,050,199	-	-	-	-	999,204	2,050,995
		1.604	1.530	10/12/2022	10/12/2022 - 09/12/2029	315,538	-	-	-	-	-	315,538
	In aggregate					3,365,737	-	-	-	-	999,204	2,366,533
Others <sup>2</sup>	10/12/2019	1.604	1.530	19/09/2022	19/09/2022 - 09/12/2029	525,896	-	-	-	-	-	525,896
<b>Total</b>						<b>3,891,633</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>999,204</b>	<b>2,892,429</b>

#### Notes:

- The exercise price per Share payable upon exercise of the outstanding share options granted under the 2018 Share Option Scheme was adjusted on 21 April 2021 as a result of the Rights Issue. Details of the adjustments were set out in the announcement of the Company dated 20 April 2021.
- Former employees/directors of the Group, who were the employees/directors of the Group at the time of the relevant grant.
- No share options granted under the 2018 Share Option Scheme were exercised or canceled during the Year.
- No share option was granted to the suppliers of the Group during the Year.

## SHARE AWARD SCHEME

The Company adopted a share award scheme on 6 July 2021. During the Year, there is no movement of awarded shares for the New Share Award Scheme. Particulars of the New Share Award Scheme are set out in note 4.2.2 to the consolidated financial statements.

## ACCOUNTING TREATMENT FOR SHARE OPTIONS AND AWARDED SHARES

Details of accounting treatment for share options and awarded shares of the Company are set out in note 4.2 to the consolidated financial statements.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Year or at the end of the Year was the Company or its subsidiaries a party to any arrangement that enabled the Directors of the Company or any of their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2022, the following shareholders had interests or short positions in the shares and underlying shares of the Company which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholders	Capacity	Number of shares (Long position)	Approximate percentage of aggregate interest to total issued share capital
LO Ki Yan Karen ("Ms. LO") (Note 1)	Beneficial owner	425,614,200	27.92%
	Interest in a controlled corporation	364,782,600	
North Point Talent Limited (Note 1)	Beneficial owner	364,782,600	12.89%

Note:

- Ms. LO is the sole shareholder of North Point Talent Limited. Therefore, Ms. LO was deemed to be interested in the 364,782,600 shares held by North Point Talent Limited.

Save as disclosed hereinabove, the Company has not been notified by any person who had interest or short position in the shares or underlying shares of the Company as at 31 December 2022 which were required to be notified to the Company pursuant to Part XV of the SFO or which are recorded in the register required to be kept by the Company under section 336 of the SFO.

## 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 Year.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws.

## PUBLIC FLOAT

As at the date of this report, based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company maintained sufficient public float as required under the Listing Rules.

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year.

## CONNECTED TRANSACTIONS

- Bright Majestic Limited ("Bright Majestic"), as the landlord, and Esprit Regional Distribution Limited ("ERDL"), an indirectly wholly-owned subsidiary of the Company, as the tenant, entered into a tenancy agreement dated 19 May 2022 in respect of the whole floor of 29th Floor of China United Centre, No. 28 Marble Road, North Point, Hong Kong ("29/F Premises") for a term of two years commencing from 1 June 2022 and expiring on 31 May 2024 (both days inclusive) at a monthly rental of HK\$313,236.

As at the date of this report, Ms. LO indirectly holds 82.19% equity interests in Bright Majestic. Ms. LO is a substantial shareholder of the Company, hence a connected person of the Company. Therefore, Bright Majestic is an associate of Ms. LO and is a connected person of the Company. Details of the above connected transaction was disclosed in the Company's announcement dated 19 May 2022.

- (2) Silver Target Limited (“Silver Target”), as the landlord, and ERDL, as the tenant, entered into a tenancy agreement dated 23 June 2022 in respect of the whole floor of 31st Floor of China United Centre, No. 28 Marble Road, North Point, Hong Kong (“31/F Premises”) for a term of two years commencing from 1 July 2022 and expiring on 30 June 2024 (both days inclusive) at a monthly rental of HK\$337,860.

As at the date of this report, Ms. LO indirectly holds 82.19% equity interests in Silver Target. Therefore, Silver Target is an associate of Ms. LO and is a connected person of the Company. Details of the above connected transaction was disclosed in the Company’s announcement dated 23 June 2022.

- (3) Wealth Elegant Investments Limited (“Wealth Elegant”), as the landlord, and ERDL, as the tenant, entered into a tenancy agreement dated 12 October 2022 in respect of the whole floor of 26th Floor of China United Centre, No. 28 Marble Road, North Point, Hong Kong (“26/F Premises”) for a term of two years commencing from 1 November 2022 and expiring on 31 October 2024 (both days inclusive) at a monthly rental of HK\$335,610.

As at the date of this report, Ms. LO indirectly holds 82.19% equity interests in Wealth Elegant. Therefore, Wealth Elegant is an associate of Ms. LO and is a connected person of the Company. Details of the above connected transactions were disclosed in the Company’s announcement dated 12 October 2022.

- (4) Reference is made to a tenancy agreement dated 23 November 2021 in respect of the whole floor of 9th Floor of E-Trade Plaza and car parking space nos. 222, 223 and 224 on 2nd Floor of E-Trade Plaza, 24 Lee Chung Street, Chai Wan, Hong Kong (“E-Trade Plaza Premises”) entered into between Golden Lake Property Limited (“Golden Lake Property”), as the landlord, and ERDL, as the tenant (“E-Trade Plaza Tenancy Agreement”). Golden Lake Property leased E-Trade Plaza Premises to ERDL for a term of two years commencing from 1 December 2021 and expiring on 30 November 2023 (both days inclusive) at a monthly rental of HK\$190,000.

On 12 October 2022, ERDL, as the tenant, and Golden Lake Property, as the landlord, mutually agreed to early terminate the remaining lease term of the E-Trade Plaza Tenancy Agreement with effect from 12 October 2022 and ERDL had returned the E-Trade Plaza premises to Golden Lake Property on an “as is” basis and the full amount of rental deposit of HK\$380,000 had been refunded to ERDL.

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules and save as disclosed above, there were no other transactions which need to be disclosed as connected transaction in accordance with the requirements of the Listing Rules.

## RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details of the significant related party transactions undertaken in the normal course of business are provided under note 4.1 to the consolidated financial statements. Save as disclosed in the announcements of the Company dated 19 May 2022, 23 June 2022 and 12 October 2022 regarding connected transactions in relation to tenancy agreements, none of these related party transactions constitutes a connected transaction as defined in the Listing Rules.

## CORPORATE GOVERNANCE

Particulars of the Company’s corporate governance practices are set out on pages 20 to 34 of this report.

## AUDITOR

The consolidated financial statements have been audited by PricewaterhouseCoopers who are due to retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM.

There has been no change in the auditors of the Company for the preceding three years.

On behalf of the Board  
**ESPRIT HOLDINGS LIMITED**

CHIU Christin Su Yi  
*Chairperson*

Hong Kong, 30 March 2023

## Directors and Senior Management Profile

### EXECUTIVE DIRECTORS

**Ms. CHIU Christin Su Yi**, aged 43, is the Chairperson of the Board and Executive Director of the Company. She has been an Executive Director of the Company since July 2020. She became Acting Executive Chairperson of the Board since January 2021 and was re-designated as Chairperson of the Board with effect from 30 August 2021. She is Chairperson of the Nomination Committee, a member of the Remuneration Committee and the General Committee of the Board, a director of certain subsidiaries of the Company and a trustee of a charitable trust of the Company. Ms. CHIU has extensive experience in corporate finance, securities law matters and regulatory issues. She advises financial institutions, both private and public corporations, hedge funds and private equity funds on securities trading and compliance matters. She is the spouse of Mr. PAK William Eui Won who is an Executive Director, Chief Executive Officer and Chief Operating Officer of the Company. She graduated from the University of Alberta with a Juris Doctor degree and from McMaster University with a Bachelor of Arts degree, summa cum laude. Ms. CHIU is admitted as an attorney at law in the State of New York in United States, and a barrister and solicitor in the Province of British Columbia in Canada.

**Mr. PAK William Eui Won**, aged 43, has been appointed as an Executive Director and Chief Operating Officer of the Company since September 2021. He has become interim Chief Executive Officer of the Company with effect from 26 October 2021 until his re-designation as Chief Executive Officer of the Company with effect from 1 March 2022. He is a member of the Nomination Committee, the Remuneration Committee and the General Committee of the Board. He holds a Master of Laws degree in U.S. taxation from the University of Washington School of Law, a Juris Doctor's degree from the University of British Columbia Faculty of Law, and an Economics and Commerce degree from the

University of British Columbia Faculty of Arts. Mr. PAK is an attorney licensed by the New York State Bar. He is the spouse of Ms. CHIU Christin Su Yi who is an Executive Director of the Company and the Chairperson of the Board. Mr. PAK is a seasoned executive with extensive operating and management experience. He has over a decade of experience and made a successful career in leading companies in the financial services and fund management industry. His industry expertise also includes technology, alternative energy, mining and real estate. He is experienced in identifying and revitalizing underperforming areas and driving favourable results while ensuring sustainable growth. Prior to embarking on a career in the financial industry, Mr. PAK was a lawyer in the investment funds practice at White & Case's New York and Hong Kong offices. He has substantive experience in the establishment and representation of both U.S. and international private investment funds. Before joining White & Case, Mr. PAK worked in the mergers & acquisitions department in the San Francisco office of a major international firm where he provided transactional tax advisory services for mergers and acquisitions, reorganisations and spin-offs.

**Mr. SCHLANGMANN Wolfgang Paul Josef**, aged 69, has been appointed as an Executive Director of the Company since October 2021. He is a member of the General Committee of the Board. He joined the Group as a consultant since December 2020 and is currently European Recovery Chairman and Senior Advisor to the Board. He holds a Master's Degree in Business Administration from Bochum University in Germany. Mr. SCHLANGMANN has over 40 years of experience in the fashion industry with an extensive history of successful brand revitalization strategies. He served as chief executive officer of s.Oliver Asia and s.Oliver Turkey prior to founding his own garment and sourcing services business.

**Mr. WRIGHT Bradley Stephen**, aged 57, has been appointed as an Executive Director of the Company since December 2021. He is a member of the Risk Management Committee and the General Committee of the Board. He has thirty-three years of experience serving in the Hong Kong Police Force. Mr. WRIGHT joined the then Royal Hong Kong Police Force in 1988 as an inspector of Police and attained the rank of chief superintendent of Police when he reached the prescribed retirement age.

In the early years of his career, Mr. WRIGHT worked in a variety of uniform frontline policing roles such as a patrol subunit commander, police tactical unit platoon officer, assistant divisional commander, and a senior staff inspector at Police headquarters. In the late 1990s to early 2000s, Mr. WRIGHT worked in the field of training and professional development before moving to command the Kowloon Internal Investigation Office. In the last ten years of his career Mr. WRIGHT took up a number of command posts, leading up to 1,200 officers, including district commander Marine Outer Waters District, chief superintendent support and district commander, Mong Kok District from 2018 until retirement. Throughout his career, Mr. WRIGHT was frequently recognized and was awarded five commanding officer's commendations, one commissioners' commendation and in the 2021 Hong Kong Special Administrative Region Government honour's list was awarded the Police Meritorious Service Medal ("PMSM").

Mr. WRIGHT graduated from London University School of Oriental and African Studies in 1987 and obtained a Bachelor of Arts, with honours in History and Politics. Committed to lifelong learning, he has continued his learning and has not only completed but also excelled in various trainings including the HKUST Leadership and Public Policy Programme, Ivey Business School – Advanced Public Policy and Management, Stakeholders Engagement in a Volatile Environment and Public Sector Accountability, and University of Michigan – Strategic Innovation just to name a few.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. CHUNG Kwok Pan**, aged 59, has been appointed as an Independent Non-executive Director of the Company since July 2020. He is a member of the Audit Committee, the Remuneration Committee and the Risk Management Committee of the Board. He has been responsible for the business management of Chungweiming Knitting Factory Limited since early 1988. In early 2022, he formed Hong Kong Carbon Trading Centre ("HKCTC") as the founder & CEO. HKCTC helps all kinds and sizes of industrial companies in how to reduce the carbon emission in order to help the world's climate change. Mr. CHUNG also has several social positions, including honorary life chairman of Hong Kong Apparel Society Limited, a member of the honorary general committee of The Chinese Manufacturers' Association of Hong Kong, an advisor of New Territories General Chamber of Commerce, chairman of Design Discipline Advisory Board of Vocational Training Council, chairman of Fashion Industry Training Advisory Committee, Education Bureau of the Hong Kong Special Administrative Region ("Hong Kong") and a member of Carbon Market Opportunities Working Group of Financial Services Development Council ("FSDC"). He was also a member of the 5th and 6th Legislative Council of Hong Kong (Textile and Garment Sector), and a member of the 9th Guangdong Provincial Committee of the Chinese People's Political Consultative Conference in 2005.

Mr. CHUNG obtained a Bachelor's degree in Quantity Surveying from Robert Gordon's Institute of Technology, Scotland (currently known as Robert Gordon University, Aberdeen) in July 1986 and a Master's degree in Business Administration from the University of Stirling, Scotland, United Kingdom in May 1988.

He served as an independent non-executive director of SFund International Holdings Limited (formerly known as Hanbo Enterprises Holdings Limited) (stock code: 1367) from June 2014 to November 2016. He has served as an independent non-executive director of High Fashion International Limited (stock code: 608) since July 2019, an independent non-executive director of Planetree International Development Limited (stock code: 613) since April 2020 and an independent non-executive director of Legendary Group Limited (formerly known as L&A International Holdings Limited) (Stock code: 8195) since June 2021. These companies are listed on The Stock Exchange of Hong Kong Limited.

**Mr. GILES William Nicholas**, aged 60, has been appointed as an Independent Non-executive Director of the Company since December 2020. He is Chairman of the Remuneration Committee and the Risk Management Committee, and a member of the Audit Committee and the Nomination Committee of the Board. He is a senior consultant with Lee Law Firm. Mr. GILES has over thirty years of extensive experience in practising law as a specialist in large-scale commercial litigation, insolvency work, restructuring and regulatory investigations. Mr. GILES has acted in numerous cases in the High Court and Court of Appeal concerning civil fraud, white-collar crime, financial services, employment, commercial contracts and shareholder disputes. Mr. GILES has also acted as liquidator of more than 70 companies and has served as an independent non-executive director of Blue River Holdings Limited (formerly known as PYI Corporation Limited) (a company listed on the Main Board of the Stock Exchange of Hong Kong Limited, stock code: 498) since February 2021.

Mr. GILES was admitted as a solicitor in England & Wales in 1987 and in Hong Kong in 1990. Prior to that, Mr. GILES had obtained a Bachelor of Laws degree (Hons) from The University of Sheffield in 1984.

**Mr. HA Kee Choy Eugene**, aged 66, has been appointed as an Independent Non-executive Director of the Company since December 2021. He is a member of the Audit Committee and the Risk Management Committee of the Board. Mr. HA holds a Master's Degree in Business Administration. He is a fellow member of the Association of Chartered Certified Accountants. He possesses over 30 years of experience in the finance and banking industry and acts or/and acted as director of a number of private and listed companies in Hong Kong. He is the director of a certified public accountants corporate practice in Hong Kong.

Mr. HA is currently an independent non-executive director of Touyun Biotech Group Limited (stock code: 1332), which is listed on The Stock Exchange of Hong Kong Limited. He was an independent non-executive director of several Hong Kong publicly listed companies, including International Entertainment Corporation (stock code: 1009) from May 2017 to March 2022, Planetree International Development Limited (stock code: 613) from April 2019 to December 2020 and Longhui International Holdings Limited (stock code: 1007) from January 2016 to August 2020.

**Ms. LIU Hang-so**, aged 58, has been appointed as an Independent Non-executive Director of the Company since January 2021. She is a member of the Nomination Committee and the Remuneration Committee of the Board. Ms. LIU is a veteran of the consumer goods sector with a specialty in luxury goods. In addition to her strong retail knowledge covering Greater China, Asia Pacific, USA, Japan, Europe and India, she has deep expertise in government affairs, policy and regulation. Ms. LIU is currently the first president for the strategically important China market of DFS Group Limited ("DFS"). She oversees all of DFS' operations in Mainland China, including the Times DF x DFS Haikou Mission Hills Duty-Free complex (深圳免税xDFS海口觀瀾湖免税購物城), which was opened in January 2021 by DFS in partnership with Shenzhen Duty Free Group. Prior to joining DFS, she spent 13 years of her career in a leading luxury jeweler DeBeers Forevermark, where she was chief executive officer from 2019 to 2021, which was a global role based out of China. She also worked previously with Boston Consulting Group in Hong Kong, as a vice president for merchandising manager for Louis Vuitton in Hong Kong, and as general manager for LVMH Watches and Jewelry in Taiwan. Ms. LIU obtained a Bachelor of Arts Degree in Liberal Arts and Sciences from University of Illinois at Chicago in 1986.

**Mr. LO Kin Ching Joseph**, aged 66, has been appointed as an Independent Non-executive Director of the Company since January 2020. He is Chairman of the Audit Committee and a member of the Nomination Committee of the Board. Mr. LO is a chartered certified accountant, fellow member of the Association of Chartered Certified Accountants, United Kingdom, and a certified public accountant, fellow member of the Hong Kong Institute of Certified Public Accountants. He joined Deloitte Touche Tohmatsu (“Deloitte”) in 1980 and was a partner since 1988 until his retirement in 2016. He was chairman of Deloitte Hong Kong from 2006 to 2014 and chairman of Deloitte China from 2008 to 2014. He has 40 years of professional experience in providing auditing, financial advisory, restructuring, insolvency, mergers and acquisitions and initial public offering services.

Mr. LO is a member of the Court of the Hong Kong Polytechnic University, a member of the Hospital Governing Committee of MacLehose Medical Rehabilitation Centre, a member of the College Council of Chu Hai College of Higher Education, Hong Kong, a committee member of the Hong Kong Arts Development Council Fund; a director of Hong Kong Design Centre Limited, and a member of the Finance Committee of M+ Museum. He is an independent non-executive director of ZA Bank Limited. He served as a member of the Standing Commission on Civil Service Salaries and Conditions of Service, Hong Kong from 2013 to 2019. He was a member of the Committee of Overseers of Wu Yee Sun College, the Chinese University of Hong Kong, a member of 10th and 11th of Hebei Provincial Committee of the Chinese People’s Political Consultative Conference (“CPPCC”), an advisor to the China Accounting Standards Committee of the Ministry of Finance of China and a member of the Hospital Governing Committee of Queen Mary Hospital and Tsan Yuk Hospital, Hong Kong. Mr. LO was the chairman and executive director of Bisu Technology Group International Limited (currently known as China Carbon Neutral Development Group Limited) (a company listed on the Main Board of The Stock Exchange of Hong Kong Limited, stock code: 1372) from March 2017 to June 2018. He was also an independent non-executive director of Radisson Hospitality AB (a company formerly listed on the Stock Exchange of Stockholm, Sweden) from May 2017 to March 2019.

## SENIOR MANAGEMENT

Various businesses and functions of the Company are respectively under the direct responsibilities of the Executive Directors who are regarded as senior management of the Company.

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**Financial Section**



# INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Esprit Holdings Limited  
(incorporated in Bermuda with limited liability)

## OPINION

### What we have audited

The consolidated financial statements of Esprit Holdings Limited (the "Company") and its subsidiaries (the "Group") which are set out on pages 54 to 113, comprise:

- the consolidated balance sheet as at 31 December 2022;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies and other explanatory information.

### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Trademarks impairment
- Impairment of right-of-use assets
- Valuation of inventories at net realizable value

## Key Audit Matter

### Trademarks impairment

Refer to note 2.6.1 "Intangible assets" and Accounting Policies note 6.7 and Critical Accounting Estimates and Judgments in note 3.1.1 to the consolidated financial statements.

The Group has trademarks of HK\$1,482 million in the consolidated balance sheet as at 31 December 2022.

Trademark with an indefinite useful life is required to be assessed for impairment at least annually or when an impairment indicator exists.

In determining the recoverable amount of trademarks arrived at the Relief-from-Royalty Method, certain assumptions such as budgeted sales, royalty rates, discount rates and terminal growth rate are required in the discounted cash flow calculations.

Based on their assessment, management concluded that the trademarks were not impaired as at 31 December 2022.

We focused on this area since the assessment for impairment of trademarks requires significant management judgment on the key assumptions used.

### Impairment of right-of-use assets

Refer to note 2.6.3 "Right-of-use assets" and Accounting Policies note 6.8 and Critical Accounting Estimates and Judgments in note 3.1.2 to the consolidated financial statements.

The Group has right-of-use assets of HK1,630 million in the consolidated balance sheet as at 31 December 2022.

Management performed an impairment assessment on the right-of-use assets as at 31 December 2022. Management considers each store to be a cash generating unit and has performed a review of the trading results of its stores for the year to assess whether there is a need for an impairment provision on right-of-use assets.

The carrying amounts of the relevant cash-generating units are compared with the corresponding recoverable amounts in the context of the impairment test. The recoverable amounts are calculated on the basis of higher of fair value less cost of disposal or value in use by using discounted cash flow model. Based on results of the impairment test, an impairment loss on right-of-use assets of HK\$65 million is recognised.

We focused on this area because there are significant judgments and estimates made by management in determining the impairment provision on the right-of-use assets.

### Valuation of inventories at net realizable value

Refer to note 2.7.1 "Inventories" and Accounting Policies note 6.12 and Critical Accounting Estimates and Judgments in note 3.1.3 to the consolidated financial statements.

The Group has net inventories balance of HK\$1,777 million as at 31 December 2022.

Inventories are carried in the consolidated financial statements at the lower of cost and net realizable value.

The net realizable value of inventories in the fashion and apparel industry is difficult to estimate and could be impacted by changes in the economic condition of countries where the Group operates, as well as changes in customer tastes and competitor actions in response to changes in market conditions.

We focused on this area due to the inherent complexity and judgment in estimating the amount of inventory provisions required.

## How our audit addressed the Key Audit Matter

We obtained an understanding of management's assessment of carrying value of trademarks and our procedures in relation to this assessment included:

- Evaluating management's assessment on whether any event or change in circumstances may indicate a change in the expected useful life of trademarks;
- Involving our valuation expert to evaluate the appropriateness of the valuation methodology on trademarks;
- Evaluating the process by which management's future cash flow forecasts were prepared;
- Comparing historical actual results to those budgeted to assess the quality of management's forecasting;
- Reconciling input data to the approved business plan; and
- Evaluating the reasonableness of the key assumptions including budgeted sales, royalty rates, discount rates and terminal growth rate with reference to the historical financial data, available industry and market data and future business direction and business plan of management.

We considered the estimates made by management in respect of the determination of the recoverable amount are supportable based on the available evidence.

We obtained an understanding of management's assessment of the carrying value of the right-of-use assets and our procedures in relation to this assessment included:

- Evaluating the process by which management's future cash flow forecasts were prepared;
- Comparing historical actual results to those budgeted to assess the quality of management's forecasting;
- Reconciling input data to the approved business plan; and
- Evaluating the reasonableness of the key assumptions including budgeted sales, gross profit margin, discount rates and terminal growth rate with reference to the historical financial data, available industry and market data and future business direction and business plan of management.

We considered the estimates made by management in respect of the impairment provisions on right-of-use assets are supportable based on the available evidence.

We obtained an understanding of the key procedures implemented by management in estimating the net realizable value of inventories and periodic reviews of inventory obsolescence.

We tested a sample of inventory items categorized into different seasons of the year to test whether the inventories were correctly categorized in terms of the ageing of inventories and recalculated the mathematical accuracy of the provision made. We examined the Group's historical trading patterns of inventories sold at full price, inventories marked down during sales periods and inventories for clearance sales in outlets.

We assessed the reasonableness of the provisions by comparing management's projections on current trends and demands for the remaining inventories, with reference to historical sales experience and related margins in each of these channels. We considered the estimates made by management in respect of the inventories provisions are supportable based on the available evidence.

## OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Group's financial reporting process.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Chan Sung Lai, Arthur.

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 30 March 2023

## CONSOLIDATED FINANCIAL STATEMENTS

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

HK\$ million	Notes	For the year ended 31 December 2022	For the year ended 31 December 2021
<b>Revenue</b>	2.2	<b>7,063</b>	<b>8,316</b>
Cost of purchases		(4,185)	(4,274)
<b>Gross profit</b>		<b>2,878</b>	<b>4,042</b>
Staff costs	2.3.2	(1,150)	(1,146)
Occupancy costs		(287)	(255)
Logistics expenses		(496)	(538)
Marketing and advertising expenses		(503)	(446)
Depreciation of property, plant and equipment	2.6.2	(102)	(135)
Depreciation of right-of-use assets	2.3.3	(569)	(542)
Impairment loss on property, plant and equipment	2.6.2	(3)	-
Write-back of provision for inventories, net	2.3.1	296	140
Write-back of provision/(provision) for impairment of trade debtors, net	2.7.2	25	(35)
Impairment loss on right-of-use assets	2.3.4	(65)	(15)
Other operating costs	2.3.5	(666)	(654)
<b>Operating (loss)/profit</b>		<b>(642)</b>	<b>416</b>
Share of losses from joint venture	2.6.5	(1)	-
Interest income		5	2
Finance costs	2.3.6	(45)	(32)
<b>(Loss)/profit before taxation</b>		<b>(683)</b>	<b>386</b>
Taxation	2.4	19	(5)
<b>(Loss)/profit attributable to shareholders of the Company</b>		<b>(664)</b>	<b>381</b>
		<b>For the year ended 31 December 2022</b>	<b>For the year ended 31 December 2021</b>
<b>Basic and diluted (loss)/profit per share</b>	4.3	<b>HK\$(0.23)</b>	<b>HK\$0.15</b>

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

HK\$ million	Notes	For the year ended 31 December 2022	For the year ended 31 December 2021
<b>(Loss)/profit attributable to shareholders of the Company</b>		<b>(664)</b>	<b>381</b>
<b>Other comprehensive income</b>			
<b>Item that will not be reclassified to profit or loss:</b>			
Remeasurements of retirement defined benefit obligations, net of tax	2.9.3	13	10
		<b>13</b>	<b>10</b>
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Foreign exchange translation loss		(231)	(197)
		<b>(231)</b>	<b>(197)</b>
<b>Total comprehensive (loss)/income for the year attributable to shareholders of the Company, net of tax</b>		<b>(882)</b>	<b>194</b>

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

## CONSOLIDATED BALANCE SHEET

HK\$ million	Notes	As at 31 December 2022	As at 31 December 2021
<b>Non-current assets</b>			
Intangible assets	2.6.1	1,595	1,727
Property, plant and equipment	2.6.2	317	368
Right-of-use assets	2.6.3	1,630	2,033
Financial assets at fair value through profit or loss	2.6.4	3	4
Interest in joint venture	2.6.5	2	-
Debtors, deposits and prepayments	2.6.6	365	416
Deferred tax assets	2.5.1	62	42
		<b>3,974</b>	<b>4,590</b>
<b>Current assets</b>			
Inventories	2.7.1	1,777	1,413
Debtors, deposits and prepayments	2.7.2	884	1,365
Tax receivable		18	30
Cash, bank balances and deposits	2.7.3	2,012	2,649
		<b>4,691</b>	<b>5,457</b>
<b>TOTAL ASSETS</b>		<b>8,665</b>	<b>10,047</b>
<b>Current liabilities</b>			
Creditors and accrued charges	2.8.1	1,612	1,497
Lease liabilities	2.8.2	474	566
Provisions	2.8.3	145	132
Tax payable		229	253
		<b>2,460</b>	<b>2,448</b>
<b>Net current assets</b>		<b>2,231</b>	<b>3,009</b>
<b>Total assets less current liabilities</b>		<b>6,205</b>	<b>7,599</b>
<b>Equity</b>			
Share capital	2.10.1	283	283
Reserves		3,952	4,834
		<b>4,235</b>	<b>5,117</b>
<b>Non-current liabilities</b>			
Lease liabilities	2.9.2	1,578	2,066
Retirement defined benefit obligations	2.9.3	5	18
Deferred tax liabilities	2.5.1	387	398
		<b>1,970</b>	<b>2,482</b>
<b>TOTAL LIABILITIES</b>		<b>4,430</b>	<b>4,930</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>8,665</b>	<b>10,047</b>

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Approved by the Board of Directors on 30 March 2023:

CHIU Christin Su Yi  
Executive Director

PAK William Eui Won  
Executive Director

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

HK\$ million	Share capital	Share premium	Employee share-based payment reserve	Remeasurements of retirement defined benefit obligations	Contributed surplus	Translation reserve	Capital reserve	Accumulated losses	Total Equity
<b>At 31 December 2021</b>	<b>283</b>	<b>8,583</b>	<b>902</b>	<b>3</b>	<b>7</b>	<b>684</b>	<b>1</b>	<b>(5,346)</b>	<b>5,117</b>
Exchange translation	-	-	-	-	-	(231)	-	-	(231)
Remeasurements of retirement defined benefit obligations (note 2.9.3)	-	-	-	13	-	-	-	-	13
Loss attributable to shareholders of the Company	-	-	-	-	-	-	-	(664)	(664)
<b>Total comprehensive income, net of tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13</b>	<b>-</b>	<b>(231)</b>	<b>-</b>	<b>(664)</b>	<b>(882)</b>
<b>At 31 December 2022</b>	<b>283</b>	<b>8,583</b>	<b>902</b>	<b>16</b>	<b>7</b>	<b>453</b>	<b>1</b>	<b>(6,010)</b>	<b>4,235</b>

HK\$ million	Share capital	Share premium	Employee share-based payment reserve	Shares held for Old Share Award Scheme	Remeasurements of retirement defined benefit obligations	Contributed surplus	Translation reserve	Capital reserve	Accumulated losses	Total Equity
<b>At 31 December 2020</b>	<b>189</b>	<b>7,988</b>	<b>913</b>	<b>(39)</b>	<b>(7)</b>	<b>7</b>	<b>881</b>	<b>1</b>	<b>(5,694)</b>	<b>4,239</b>
Exchange translation	-	-	-	-	-	-	(197)	-	-	(197)
Remeasurements of retirement defined benefit obligations (note 2.9.3)	-	-	-	-	10	-	-	-	-	10
Profit attributable to shareholders of the Company	-	-	-	-	-	-	-	-	381	381
<b>Total comprehensive income, net of tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10</b>	<b>-</b>	<b>(197)</b>	<b>-</b>	<b>381</b>	<b>194</b>
Transactions with owners										
Issue of rights issues	94	595	-	-	-	-	-	-	-	689
Employee share-based compensation benefits (note 4.2)	-	-	(11)	-	-	-	-	-	-	(11)
Disposal of shares held for Old Share Award Scheme (note)	-	-	-	39	-	-	-	-	(33)	6
<b>Total transactions with owners</b>	<b>94</b>	<b>595</b>	<b>(11)</b>	<b>39</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(33)</b>	<b>684</b>
<b>At 31 December 2021</b>	<b>283</b>	<b>8,583</b>	<b>902</b>	<b>-</b>	<b>3</b>	<b>7</b>	<b>684</b>	<b>1</b>	<b>(5,346)</b>	<b>5,117</b>

Note: During the year ended 31 December 2021, the Board resolved to terminate the Old Share Award Scheme on 23 April 2021. A total of 7,818,589 shares of the Company were sold by the trustee. The net proceeds from disposal of shares held for Old Share Award Scheme was HK\$6 million. HK\$33 million was made from share held for Old Share Award Scheme to accumulated losses in respect of the shares whose selling prices were lower than the costs.

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

## CONSOLIDATED STATEMENT OF CASH FLOWS

HK\$ million	Notes	For the year ended 31 December 2022	For the year ended 31 December 2021
<b>Cash flows from operating activities</b>			
Cash generated from operations	2.11	235	569
Overseas tax refund, net		4	16
Interest on lease liabilities paid	2.11	(40)	(25)
<b>Net cash generated from operating activities</b>		<b>199</b>	<b>560</b>
<b>Cash flows from investing activities</b>			
Purchase of intangible assets, property, plant and equipment		(86)	(45)
Proceeds from disposal of plant and equipment	2.11	1	4
Net proceeds from disposal of club debenture		-	4
Capital injection into joint venture		(3)	-
Interest received		5	1
<b>Net cash used in investing activities</b>		<b>(83)</b>	<b>(36)</b>
<b>Cash flows from financing activities</b>			
Net proceeds from rights issue		-	689
Repayment of bank loan	2.11	-	(9)
Disposal of shares held for Old Share Award Scheme		-	6
Repayment of lease liabilities	2.11	(669)	(715)
Interest paid		(4)	(3)
<b>Net cash used in financing activities</b>		<b>(673)</b>	<b>(32)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(557)</b>	<b>492</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>2,648</b>	<b>2,270</b>
<b>Effect of change in exchange rates</b>		<b>(80)</b>	<b>(114)</b>
<b>Cash and cash equivalents at end of year</b>		<b>2,011</b>	<b>2,648</b>
<b>Analysis of balances of cash and cash equivalents</b>			
Bank balances and cash		1,700	2,648
Bank deposits		312	1
<b>Cash, bank balances and deposits</b>	2.7.3	<b>2,012</b>	<b>2,649</b>
Less: bank deposits with maturities of more than three months		(1)	(1)
		<b>2,011</b>	<b>2,648</b>

For the year ended 31 December 2022, the total cash outflow for leases amounted to HK\$709 million (for the year ended 31 December 2021: HK\$740 million).

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

### 1.1. Group structure

Esprit Holdings Limited (the “Company”) and its subsidiaries (together the “Group”) are principally engaged in retail and wholesale distribution and licensing of quality fashion and non-apparel products designed under its own internationally renowned ESPRIT brand name. The Company is the ultimate parent of the Group.

The Company is a limited liability company incorporated in Bermuda. The registered address is Clarendon House, Church Street, Hamilton HM 11, Bermuda. The Company has its primary listing on The Stock Exchange of Hong Kong Limited (stock code: 00330).

These consolidated financial statements are presented in millions of Hong Kong Dollars, unless otherwise stated.

These consolidated financial statements have been approved for issue by the Board of Directors on 30 March 2023.

Please refer to note 7 for the principal subsidiaries.

### 1.2. Basis of the preparation

#### 1.2.1. 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. GENERAL INFORMATION (CONTINUED)

### 1.3. 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”).

### 1.4. 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.

### 1.5. 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. GENERAL INFORMATION (CONTINUED)

### 1.6. New standards and interpretations not yet adopted by the Group

<b>Not early adopted</b>	<b>Effective for accounting periods beginning on or after</b>	<b>New standards or amendments</b>
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. PERFORMANCE FOR THE YEAR

### 2.1. 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.

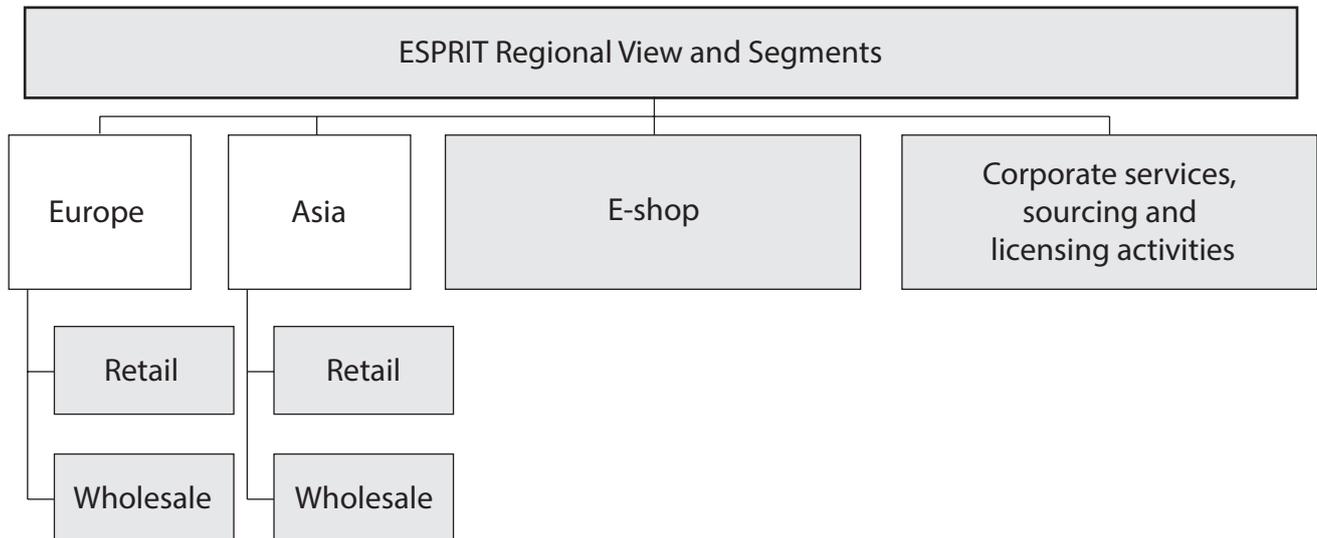
The Group has identified segments for internal and external reporting based on the regional structure of the Group and on the basis of the sales channel.

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.

## 2. PERFORMANCE FOR THE YEAR (CONTINUED)

### 2.1. Segment information (Continued)

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.

## 2. PERFORMANCE FOR THE YEAR (CONTINUED)

### 2.1. Segment information (Continued)

For the year ended 31 December 2022

	Europe	Asia	E-shop	Corporate services, sourcing, licensing and others	Group
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
<b>Total revenue</b>					
Retail	1,744	1	-	-	1,745
Wholesale	2,639	-	-	-	2,639
E-shop	-	-	2,558	-	2,558
Licensing and others	-	-	-	3,622	3,622
<b>Total</b>	<b>4,383</b>	<b>1</b>	<b>2,558</b>	<b>3,622</b>	<b>10,564</b>
Inter-segment revenue	-	-	-	(3,501)	(3,501)
<b>Revenue from external customers</b>					
Retail	1,744	1	-	-	1,745
Wholesale	2,639	-	-	-	2,639
E-shop	-	-	2,558	-	2,558
Licensing and others	-	-	-	121	121
<b>Total</b>	<b>4,383</b>	<b>1</b>	<b>2,558</b>	<b>121</b>	<b>7,063</b>
<b>Operating (loss)/profit</b>					
Retail	(371)	(19)	-	-	(390)
Wholesale	318	-	-	-	318
E-shop	-	-	(33)	-	(33)
Licensing and others	-	-	-	(537)	(537)
<b>Total</b>	<b>(53)</b>	<b>(19)</b>	<b>(33)</b>	<b>(537)</b>	<b>(642)</b>
Share of losses from joint venture					(1)
Interest income					5
Finance costs					(45)
<b>Loss before taxation</b>					<b>(683)</b>
<b>Depreciation<sup>1</sup></b>					
Retail	(409)	(8)	-	-	(417)
Wholesale	(27)	-	-	-	(27)
E-shop	-	-	(50)	-	(50)
Licensing and others	-	-	-	(177)	(177)
<b>Total</b>	<b>(436)</b>	<b>(8)</b>	<b>(50)</b>	<b>(177)</b>	<b>(671)</b>
<b>Impairment loss<sup>2</sup></b>					
Retail	(68)	-	-	-	(68)
<b>Total</b>	<b>(68)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(68)</b>
<b>Capital expenditure<sup>3</sup></b>					
Retail	(8)	(6)	-	-	(14)
Wholesale	(6)	(8)	-	-	(14)
E-shop	-	-	(28)	-	(28)
Licensing and others	-	-	-	(30)	(30)
<b>Total</b>	<b>(14)</b>	<b>(14)</b>	<b>(28)</b>	<b>(30)</b>	<b>(86)</b>

<sup>1</sup> Depreciation includes depreciation of property, plant and equipment and right-of-use assets.

<sup>2</sup> Impairment loss relates to impairment loss on property, plant and equipment and right-of-use assets.

<sup>3</sup> Capital expenditure includes property, plant and equipment and intangible assets.

## 2. PERFORMANCE FOR THE YEAR (CONTINUED)

### 2.1. Segment information (Continued)

For the year ended 31 December 2021

	Europe	Asia	E-shop	Corporate services, sourcing, licensing and others	Group
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
<b>Total revenue</b>					
Retail	1,730	-	-	-	1,730
Wholesale	2,853	-	-	-	2,853
E-shop	-	-	3,621	-	3,621
Licensing and others	-	-	-	4,004	4,004
<b>Total</b>	<b>4,583</b>	<b>-</b>	<b>3,621</b>	<b>4,004</b>	<b>12,208</b>
Inter-segment revenue	-	-	-	(3,892)	(3,892)
<b>Revenue from external customers</b>					
Retail	1,730	-	-	-	1,730
Wholesale	2,853	-	-	-	2,853
E-shop	-	-	3,621	-	3,621
Licensing and others	-	-	-	112	112
<b>Total</b>	<b>4,583</b>	<b>-</b>	<b>3,621</b>	<b>112</b>	<b>8,316</b>
<b>Operating (loss)/profit</b>					
Retail	(209)	-	-	-	(209)
Wholesale	285	-	-	-	285
E-shop	-	-	609	-	609
Licensing and others	-	-	-	(269)	(269)
<b>Total</b>	<b>76</b>	<b>-</b>	<b>609</b>	<b>(269)</b>	<b>416</b>
Interest income					2
Finance costs					(32)
<b>Profit before taxation</b>					<b>386</b>
<b>Depreciation<sup>1</sup></b>					
Retail	(435)	-	-	-	(435)
Wholesale	(27)	-	-	-	(27)
E-shop	-	-	(68)	-	(68)
Licensing and others	-	-	-	(147)	(147)
<b>Total</b>	<b>(462)</b>	<b>-</b>	<b>(68)</b>	<b>(147)</b>	<b>(677)</b>
<b>Impairment loss<sup>2</sup></b>					
Retail	(15)	-	-	-	(15)
<b>Total</b>	<b>(15)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(15)</b>
<b>Capital expenditure<sup>3</sup></b>					
Retail	(3)	-	-	-	(3)
Wholesale	(3)	-	-	-	(3)
E-shop	-	-	(13)	-	(13)
Licensing and others	-	-	-	(26)	(26)
<b>Total</b>	<b>(6)</b>	<b>-</b>	<b>(13)</b>	<b>(26)</b>	<b>(45)</b>

<sup>1</sup> Depreciation includes depreciation of property, plant and equipment and right-of-use assets.

<sup>2</sup> Impairment loss only relates to right-of-use assets.

<sup>3</sup> Capital expenditure includes property, plant and equipment and intangible assets.

## 2. PERFORMANCE FOR THE YEAR (CONTINUED)

### 2.1. Segment information (Continued)

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 <sup>1</sup>	2,668	2,943
<b>Total</b>	<b>3,542</b>	<b>4,128</b>

<sup>1</sup> 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.

### 2.2. Revenue

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

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
<b>Retail and Wholesale</b>		
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
<b>Europe total</b>	<b>4,383</b>	<b>4,583</b>
Hong Kong and South Korea	1	-
<b>Asia total</b>	<b>1</b>	<b>-</b>
<b>Retail and Wholesale total</b>	<b>4,384</b>	<b>4,583</b>
<b>E-shop</b>		
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
<b>E-shop total</b>	<b>2,558</b>	<b>3,621</b>
<b>Licensing and others</b>		
Germany	60	48
Others	61	64
<b>Licensing and others total</b>	<b>121</b>	<b>112</b>
<b>Revenue total</b>	<b>7,063</b>	<b>8,316</b>

## 2. PERFORMANCE FOR THE YEAR (CONTINUED)

### 2.3. Major profit or loss items

The Group has identified a number of items which are material due to the significance of their nature and/or amount. These are listed separately here to provide a better understanding of the financial performance of the Group.

#### 2.3.1. Write-back of provision for inventories, net

The net realizable value test on inventories was performed at balance sheet date. During the year ended 31 December 2022, we have recognized a net write-back of provision on inventories. Write-downs and reversals are included in write-back of provision for inventories, net; other inventory expenses are directly shown as “cost of purchases” in the statement of profit or loss.

HK\$ million	For the year ended 31 December 2022	For the year ended 31 December 2021
Write-back of provision for inventories, net	296	140

Note: 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.

#### 2.3.2. Staff costs

HK\$ million	For the year ended 31 December 2022	For the year ended 31 December 2021
Salaries and wages	877	867
Severance payments	30	24
Social security costs and other staff costs	226	251
Pensions costs of defined contribution plans <sup>1</sup>	13	13
Pensions costs of defined benefit plan (note 2.9.3)	4	2
Employee share-based compensation benefits	-	(11)
<b>Total staff costs</b>	<b>1,150</b>	<b>1,146</b>

#### <sup>1</sup> Defined contribution plan in Hong Kong

The Group principally participates in defined contribution plans. In Hong Kong, the Group participates in the Mandatory Provident Fund Scheme operated by HSBC Provident Fund Trustee (Hong Kong) Limited. For the year ended 31 December 2022, contributions at a fixed rate of 5.0% (for the year ended 31 December 2021: 5.0%) of the employee’s relevant income, subject to a cap of monthly relevant income of HK\$30,000 (for the year ended 31 December 2021: HK\$30,000) per employee, are made to the scheme and are vested immediately. The Group also operates several defined contribution retirement plans for its overseas subsidiaries and pays contributions to publicly or privately administered pension plans on a mandatory, contractual or voluntary basis. Contributions to the schemes by the Group and employees are calculated at fixed percentages of employees’ basic salaries or at agreed fixed amounts. Under the defined contribution scheme in some countries, where employees leave the scheme prior to the full vesting of the employer’s contributions, the amount of forfeited contributions is used to reduce the contributions payable by the Group. During the year ended 31 December 2022, the Group did not have any contributions forfeited in accordance with the schemes’ rules (for the year ended 31 December 2021: nil) which have been applied towards the contributions payable by the Group.

#### 2.3.3. Depreciation of right-of-use assets

The consolidated statement of profit or loss comprised the following depreciation charges relating to leases:

HK\$ million	For the year ended 31 December 2022	For the year ended 31 December 2021
<b>Depreciation of right-of-use assets</b>		
Buildings	565	537
Motor vehicles	4	4
Other	-	1
<b>Total depreciation of right-of-use assets</b>	<b>569</b>	<b>542</b>

#### 2.3.4. Impairment loss on right-of-use assets

The Group completed an impairment test in accordance with IAS 36 “Impairment of Assets” for its right-of-use assets by comparing the recoverable amount of the cash-generating unit (“CGU”) (individual stores) to its carrying amount as at 31 December 2022.

The valuation uses cash flow projections based on financial estimates covering a four-year period. The estimated value in use of the CGU by retail store was determined using a pre-tax discount rate of 11.9%-18.9% (2021: 8.4%-14.4%) which are country-specific rates. Beyond the four-year period, the cash flows are extrapolated using a constant projection of cash flows.

## 2. PERFORMANCE FOR THE YEAR (CONTINUED)

### 2.3. Major profit or loss items (Continued)

#### 2.3.4. Impairment loss on right-of-use assets (Continued)

The impairment loss attributable to the individual CGUs was allocated to the assets in the CGU on a pro rata basis based on the carrying amount of each asset in the CGU but only to the highest of its fair value less cost of disposal, value in use and zero.

For right-of-use assets, the fair value less cost of disposal was estimated. As no quoted prices exists, fair value less cost of disposal was assessed by discounting asset-specific market rents for remaining contracts duration with consideration of specific incremental borrowing rates. Market rent and incremental borrowing rate are predominantly estimated on external sources or latest contracts in place.

Total impairment loss recognized for the year ended 31 December 2022 amounted to HK\$65 million (for the year ended 31 December 2021: HK\$15 million) and is included in “impairment loss on right-of-use assets”.

HK\$ million	Recoverable amount	Carrying amount	Impairment loss for the year ended 31 December 2022
Impairment loss on right-of-use assets	1,565	1,630	(65)

HK\$ million	Recoverable amount	Carrying amount	Impairment loss for the year ended 31 December 2021
Impairment loss on right-of-use assets	2,018	2,033	(15)

### 2.3.5. Other operating costs

HK\$ million	For the year ended 31 December 2022	For the year ended 31 December 2021
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
Travelling-related expenses	27	24
Samples	34	50
Insurance	24	25
Telecommunications	11	14
Governmental grants (note)	(37)	(160)
Audit fee	16	21
Bank charge and transaction fees	30	33
Amortization of intangible assets	43	27
Repair and maintenance	26	29
Loss on disposal of property, plant and equipment	4	5
Loss on disposal of club debenture	-	4
Loss/(gain) on the change of fair value of financial assets	1	(1)
Others	65	39
<b>Total other operating costs</b>	<b>666</b>	<b>654</b>

Note: 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 (for the year ended 31 December 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.

## 2. PERFORMANCE FOR THE YEAR (CONTINUED)

### 2.3. Major profit or loss items (Continued)

#### 2.3.6. 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
<b>Total finance costs</b>	<b>45</b>	<b>32</b>

### 2.4. Taxation

Amount recognized in the consolidated statement of profit or loss:

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

For the year ended 31 December 2022, Hong Kong profits tax is calculated at 16.5% (for the year ended 31 December 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.

### 2.5. Reconciliation of effective tax rate

The tax on the Group's (loss)/profit before taxation differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the Group's subsidiaries. The effective tax rate for the year ended 31 December 2022 was 2.8% (for the year ended 31 December 2021: 1.3%).

HK\$ million	For the year ended 31 December 2022	For the year ended 31 December 2021
<b>(Loss)/profit before taxation</b>	<b>(683)</b>	<b>386</b>
<b>Tax calculated at applicable tax rates</b>	<b>(215)</b>	<b>120</b>
Expenses not deductible for tax purposes	16	25
Non-taxable income	(13)	(32)
Tax effect of tax losses not recognized	236	19
Utilization of previously unrecognized tax losses	(16)	(113)
Recognition of previously unrecognized tax losses	(22)	-
Over-provision for prior years, net	(5)	(14)
<b>Tax (credit)/expense</b>	<b>(19)</b>	<b>5</b>

## 2. PERFORMANCE FOR THE YEAR (CONTINUED)

### 2.5. Reconciliation of effective tax rate (Continued)

#### 2.5.1. Movement in deferred tax balances

The following are the deferred tax assets/(liabilities) recognized and movements thereon for the year ended 31 December 2022 and the year ended 31 December 2021:

HK\$ million	Accelerated accounting/tax depreciation	Elimination of unrealized profits	Intangible assets	Tax losses	Other deferred tax assets	Other deferred tax liabilities	Total
At 1 January 2021	-	46	(423)	-	5	(14)	(386)
(Charged)/credited to profit or loss	(14)	(6)	31	-	-	-	11
Exchange difference recognized in equity	-	(3)	21	-	-	1	19
At 31 December 2021	(14)	37	(371)	-	5	(13)	(356)
(Charged)/credited to profit or loss	(5)	(7)	9	22	5	(8)	16
Exchange difference recognized in equity	1	(2)	14	-	2	-	15
At 31 December 2022	(18)	28	(348)	22	12	(21)	(325)

Deferred tax assets and liabilities are netted off when the taxes relate to the same tax authority and where offsetting is legally enforceable.

The following amounts, determined after appropriate offsetting, are shown separately on the consolidated balance sheet:

HK\$ million	As at 31 December 2022	As at 31 December 2021
Deferred tax assets	62	42
Deferred tax liabilities	(387)	(398)
Deferred tax liability, net	(325)	(356)

At 31 December 2022, the Group had unused tax losses of approximately HK\$3,186 million (31 December 2021: HK\$2,582 million) available for offset against future taxable profits. Deferred tax asset of HK\$22 million has been recognized in respect of tax losses. Unrecognized tax losses include losses in the amount of approximately HK\$570 million (31 December 2021: HK\$470 million) that will expire in the next one to ten years. Other losses may be carried forward indefinitely.

For temporary differences associated with investments in subsidiaries in the amount of HK\$1,174 million (31 December 2021: HK\$192 million), no deferred income tax liabilities have been recognized. Such amounts are permanently reinvested.

#### 2.5.2. IFRIC 23 - uncertain tax positions

The Group assessed potentially uncertain tax treatments and whether additional tax payments may occur in regard to current tax matters. The effect of this uncertainty has been reflected in the income tax calculation by recognizing an additional tax liability, which is based on the assumption that taxable income might differ from the Group's assessment on tax position in some countries. The Group recognized uncertain tax liabilities of HK\$76 million as at 31 December 2022 (31 December 2021: HK\$80 million).

## 2. PERFORMANCE FOR THE YEAR (CONTINUED)

### 2.6. Non-current assets

#### 2.6.1. Intangible assets

The movement of the intangible assets are shown in the table below.

HK\$ million	Trademarks	Switzerland and Italy Goodwill	Intangible assets under development	Software	Customer relationships	Total
<b>Cost</b>						
At 1 January 2022	1,575	57	-	51	70	1,753
Exchange translation	(93)	(1)	-	(2)	(4)	(100)
Addition	-	-	10	-	-	10
<b>At 31 December 2022</b>	<b>1,482</b>	<b>56</b>	<b>10</b>	<b>49</b>	<b>66</b>	<b>1,663</b>
<b>Amortization</b>						
At 1 January 2022	-	-	-	(8)	(18)	(26)
Exchange translation	-	-	-	-	1	1
Amortization charge	-	-	-	(10)	(33)	(43)
<b>At 31 December 2022</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(18)</b>	<b>(50)</b>	<b>(68)</b>
<b>Net book value</b>						
<b>At 31 December 2022</b>	<b>1,482</b>	<b>56</b>	<b>10</b>	<b>31</b>	<b>16</b>	<b>1,595</b>
<b>Cost</b>						
At 1 January 2021	1,701	58	-	44	75	1,878
Exchange translation	(126)	(1)	-	(5)	(5)	(137)
Addition	-	-	-	12	-	12
<b>At 31 December 2021</b>	<b>1,575</b>	<b>57</b>	<b>-</b>	<b>51</b>	<b>70</b>	<b>1,753</b>
<b>Amortization</b>						
At 1 January 2021	-	-	-	-	-	-
Exchange translation	-	-	-	1	-	1
Amortization charge	-	-	-	(9)	(18)	(27)
<b>At 31 December 2021</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(8)</b>	<b>(18)</b>	<b>(26)</b>
<b>Net book value</b>						
<b>At 31 December 2021</b>	<b>1,575</b>	<b>57</b>	<b>-</b>	<b>43</b>	<b>52</b>	<b>1,727</b>

#### Trademarks

In accordance with IAS 36 "Impairment of Assets", the Group completed its annual impairment test for ESPRIT trademarks by comparing the recoverable amount of the CGU (the Group product line) to its carrying amount as at 31 December 2022. The Group conducted an internal valuation of the ESPRIT trademarks as one corporate asset based on a value in use calculation as of 31 December 2022. The valuation uses cash flow projections based on corporate plan covering a four-year period, expected royalty rates deriving from the ESPRIT trademarks of 4.0% (31 December 2021: 4.0%) and a pre-tax discount rate between 17.3 – 18.8% (31 December 2021: 14.1 – 14.6%). The cash flows beyond the planning period are extrapolated using a constant projection of cash flows. This growth rate does not exceed the long-term average growth rate for apparel

markets in which the Group operates and is in line with base rate (risk-free rate) assumptions. The Group concluded its annual impairment test for ESPRIT trademarks resulting in no additional impairment amount.

#### Sensitivity analysis

As at 31 December 2022, a possible change of the discount rate by 2.95% or the change of the royalty margin by 0.48% would not cause the carrying amount to exceed the recoverable amount.

As at 31 December 2021, a possible change of the discount rate by 1.00% or the change of the royalty margin by 0.55% would not cause the carrying amount to exceed the recoverable amount.

## 2. PERFORMANCE FOR THE YEAR (CONTINUED)

### 2.6. Non-current assets (Continued)

#### 2.6.1. Intangible assets (Continued)

##### Switzerland and Italy Goodwill

In accordance with IAS 36 “Impairment of Assets”, the Group completed its annual impairment test for goodwill allocated to the Group’s Switzerland and Italy CGUs by comparing their recoverable amount to their carrying amount as at the date of the balance sheet. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each CGU, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. The recoverable amount of the CGU is determined based on a value in use calculation. The key assumptions used in the estimation of the value in use are set out below. These key assumptions are based on historical data and include management’s assumptions of future trends in the relevant industry.

	Switzerland and Italy CGU	
	As at 31 December 2022	As at 31 December 2021
Discount rate (pre-tax)	12.73%-14.60%	8.43%-10.77%
Projected EBITDA <sup>1</sup> -margin	32.70%	31.70%

<sup>1</sup> Earnings before interest, taxes, depreciation and amortization (“EBITDA”).

The discount rate is a pre-tax measure estimated based on the rate of government bonds issued by the government in the relevant markets and in the same currency as the cash flows, adjusted for a risk premium to reflect both the increased risk of investing in equities generally and the systematic risk of the specific CGU.

The cash flow projections included specific estimates for four years. Beyond four-year period, the cash flows are extrapolated using a constant projection of cash flows.

Budgeted EBITDA was based on the Group’s expectations of future economic development.

Regarding goodwill allocated to the Switzerland and Italy CGU in the amount of HK\$56 million (31 December 2021: HK\$57 million), the recoverable amount (value in use) of the CGU was assessed to be higher than its carrying amount. Thus, no impairment loss incurred.

As at 31 December 2022, a reasonably possible change of the discount rate by 2.8 % or the EBITDA margin by 7.0% would not cause the carrying amount to exceed the recoverable amount.

As at 31 December 2021, a reasonably possible change of the discount rate by 1.0% or the EBITDA margin by 0.5% would not cause the carrying amount to exceed the recoverable amount.

#### 2.6.2. Property, plant and equipment

Property, plant and equipment consists of the following:

HK\$ million	Lease hold improvements and fixtures	Plant and machinery	Furniture and office equipment	Motor vehicles	Construction in progress	Total
<b>Costs</b>						
At 1 January 2022	729	250	367	6	2	1,354
Exchange translation	(32)	(15)	(15)	-	3	(59)
Additions	19	-	19	-	38	76
Disposals	(58)	-	(31)	(1)	(1)	(91)
<b>At 31 December 2022</b>	<b>658</b>	<b>235</b>	<b>340</b>	<b>5</b>	<b>42</b>	<b>1,280</b>
<b>Depreciation and Impairment</b>						
At 1 January 2022	(623)	(46)	(312)	(5)	-	(986)
Exchange translation	27	3	12	-	-	42
Depreciation for the year	(36)	(38)	(27)	(1)	-	(102)
Impairment loss for the year	(3)	-	-	-	-	(3)
Disposals	58	-	27	1	-	86
<b>At 31 December 2022</b>	<b>(577)</b>	<b>(81)</b>	<b>(300)</b>	<b>(5)</b>	<b>-</b>	<b>(963)</b>
<b>Net book value at 31 December 2022</b>	<b>81</b>	<b>154</b>	<b>40</b>	<b>-</b>	<b>42</b>	<b>317</b>

## 2. PERFORMANCE FOR THE YEAR (CONTINUED)

### 2.6. Non-current assets (Continued)

#### 2.6.2. Property, plant and equipment (Continued)

HK\$ million	Buildings	Leasehold improvements and fixtures	Plant and machinery	Furniture and office equipment	Motor vehicles	Construction in progress	Total
<b>Costs</b>							
At 1 January 2021	4	600	284	415	4	18	1,325
Exchange translation	(4)	147	(29)	(18)	3	(2)	97
Additions	-	17	-	14	1	1	33
Disposals	-	(39)	(5)	(55)	(2)	-	(101)
Transfer	-	4	-	11	-	(15)	-
<b>At 31 December 2021</b>	<b>-</b>	<b>729</b>	<b>250</b>	<b>367</b>	<b>6</b>	<b>2</b>	<b>1,354</b>
<b>Depreciation and Impairment</b>							
At 1 January 2021	(4)	(469)	(13)	(330)	-	-	(816)
Exchange translation	4	(153)	11	13	(2)	-	(127)
Depreciation for the year	-	(38)	(44)	(50)	(3)	-	(135)
Disposals	-	37	-	55	-	-	92
<b>At 31 December 2021</b>	<b>-</b>	<b>(623)</b>	<b>(46)</b>	<b>(312)</b>	<b>(5)</b>	<b>-</b>	<b>(986)</b>
<b>Net book value at 31 December 2021</b>	<b>-</b>	<b>106</b>	<b>204</b>	<b>55</b>	<b>1</b>	<b>2</b>	<b>368</b>

#### 2.6.3. Right-of-use assets

Right-of-use assets consists of the following:

HK\$ million	As at 31 December 2022	As at 31 December 2021
Buildings	1,619	2,015
Motor vehicles	6	5
Other	5	13
<b>Right-of-use assets total</b>	<b>1,630</b>	<b>2,033</b>

The following table shows the movements of the right-of-use assets:

HK\$ million	Cost	Accumulated depreciation	Impairment loss	Net book value
<b>At 1 January 2022</b>	<b>2,837</b>	<b>(756)</b>	<b>(48)</b>	<b>2,033</b>
Exchange translation	(46)	(12)	(45)	(103)
Additions	466	-	-	466
Disposals	(308)	98	78	(132)
Depreciation for the year	-	(569)	-	(569)
Impairment loss for the year	-	-	(65)	(65)
<b>At 31 December 2022</b>	<b>2,949</b>	<b>(1,239)</b>	<b>(80)</b>	<b>1,630</b>

HK\$ million	Cost	Accumulated depreciation	Impairment loss	Net book value
<b>At 1 January 2021</b>	<b>3,118</b>	<b>(408)</b>	<b>(448)</b>	<b>2,262</b>
Exchange translation	(328)	94	90	(144)
Additions	786	-	-	786
Disposals	(739)	100	325	(314)
Depreciation for the year	-	(542)	-	(542)
Impairment loss for the year	-	-	(15)	(15)
<b>At 31 December 2021</b>	<b>2,837</b>	<b>(756)</b>	<b>(48)</b>	<b>2,033</b>

## 2. PERFORMANCE FOR THE YEAR (CONTINUED)

### 2.6. Non-current assets (Continued)

#### 2.6.4. Financial assets at fair value through profit or loss

The movements of the carrying amount of the club debentures and investment in equity securities are demonstrated in the following table.

HK\$ million	As at 31 December 2022	As at 31 December 2021
<b>Balance at beginning of year</b>	<b>4</b>	<b>11</b>
Change in fair value	(1)	1
Disposal	-	(8)
<b>Balance at end of year</b>	<b>3</b>	<b>4</b>

As at 31 December 2022, the Group holds

- club debentures with a fair value of HK\$3 million (31 December 2021: HK\$4 million) categorized as a Level 3 fair value based on the valuation of open market quotes. The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. Neither during this year nor during the last year there have been any transfers.
- an amount of HK\$21,000 (31 December 2021: HK\$25,000) of listed shares is categorized as Level 1 fair value.

The following table shows a breakdown of the total (loss)/gain recognized in respect of Level 3 fair values (club debentures). All positions except for the club debentures are measured at amortized costs, therefore no further fair value categories are relevant for the Group.

HK\$ million	For the year ended 31 December 2022	For the year ended 31 December 2021
<b>(Loss)/gain included in other operating costs</b>		
Change in fair value (unrealized)	(1)	1

### Sensitivity analysis

Reasonably possible changes at the reporting date to one of the significant unobservable inputs (holding other inputs constant) would have the following effects.

HK\$ million	Impact on profit or loss	
	increase	decrease
<b>31 December 2022</b>		
Membership quotation (10.0% movement)	1	(1)
<b>31 December 2021</b>		
Membership quotation (10.0% movement)	1	(1)

#### 2.6.5. Interest in joint venture

On 29 April 2022, the Group acquired 50% equity interest of the joint venture which is shown in the table below.

Name of joint venture	Place of incorporation/operation	Attributable equity interest to the Group	Issued and fully paid share capital	Principal activities
Sew Solution Limited	Hong Kong	50%	HK\$7,000,000	wholesale garment knitting

## 2. PERFORMANCE FOR THE YEAR (CONTINUED)

### 2.6. Non-current assets (Continued)

#### 2.6.5. Interest in joint venture (Continued)

The movement of the carrying amount of the interest in joint venture is shown in the table below.

HK\$ million	For the year ended 31 December 2022
At 1 January 2022	-
Additions	3
Share of loss for the year	(1)
At 31 December 2022	2

The following table shows the commitments to joint venture.

HK\$ million	As at 31 December 2022
Committed borrowing to joint venture	50

#### 2.6.6. Non-current debtors, deposits and prepayments

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
<b>Total</b>	<b>365</b>	<b>416</b>

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

### 2.7. Current assets

#### 2.7.1. Inventories

HK\$ million	As at 31 December 2022	As at 31 December 2021
Finished goods	1,746	1,392
Consumables	31	21
<b>Inventories total</b>	<b>1,777</b>	<b>1,413</b>

#### 2.7.2. Current debtors, deposits and prepayments

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)
<b>Net trade debtors</b>	<b>472</b>	<b>598</b>
Deposits	27	9
Prepayments	114	403
Right-of-return assets	112	101
Other debtors and receivables	159	254
<b>Total</b>	<b>884</b>	<b>1,365</b>

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

The following table provides information about the exposure to credit risk and expected credit losses for trade debtors:

As at 31 December 2022 HK\$ million	Trade debtors gross carrying amount by overdue	Provision for credit-impaired trade debtors	Provision for non credit-impaired trade debtors	Expected credit losses total
To 0 days	341	6	-	6
1-30 days	92	3	-	3
31-60 days	19	3	1	4
61-90 days	6	3	1	4
Over 90 days	94	48	15	63
<b>Total</b>	<b>552</b>	<b>63</b>	<b>17</b>	<b>80</b>

As at 31 December 2021 HK\$ million	Trade debtors gross carrying amount by overdue	Provision for credit-impaired trade debtors	Provision for non credit-impaired trade debtors	Expected credit losses total
To 0 days	523	9	1	10
1-30 days	26	-	4	4
31-60 days	66	2	9	11
61-90 days	11	4	4	8
Over 90 days	166	69	92	161
<b>Total</b>	<b>792</b>	<b>84</b>	<b>110</b>	<b>194</b>

Provisions for doubtful debts have been measured at an amount equal to lifetime expected credit losses.

## 2. PERFORMANCE FOR THE YEAR (CONTINUED)

### 2.7. Current assets (Continued)

#### 2.7.2. Current debtors, deposits and prepayments (Continued)

Loss rates are based on actual credit loss experience over the past five years. These rates have been multiplied by country-specific scalar factors to reflect differences between economic conditions during the year over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the trade receivables.

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

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade debtors.

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
<b>Total</b>	<b>472</b>	<b>598</b>

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:

HK\$ million	As at 31 December 2022	As at 31 December 2021
<b>Balance at beginning of year</b>	<b>194</b>	<b>254</b>
Utilization	(76)	(79)
(Write-back of provision)/provision for impairment of trade debtors, net	(25)	35
Exchange translation	(13)	(16)
<b>Balance at end of year</b>	<b>80</b>	<b>194</b>

#### 2.7.3. Cash, bank balances and deposits

Cash, bank balances and deposits include the following for the purposes of the consolidated statement of cash flows:

HK\$ million	As at 31 December 2022	As at 31 December 2021
Bank balances and cash	1,700	2,648
Bank deposits with maturities within three months	311	-
Bank deposits with maturities of more than three months	1	1
<b>Total</b>	<b>2,012</b>	<b>2,649</b>

The effective interest rate on cash, bank balances and deposits for the year was determined to be 0.2% (for the year ended 31 December 2021: 0.0%) per annum.

## 2.8. Current liabilities

### 2.8.1. 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
<b>Total</b>	<b>1,612</b>	<b>1,497</b>

## 2. PERFORMANCE FOR THE YEAR (CONTINUED)

### 2.8. Current liabilities (Continued)

#### 2.8.1. Creditors and accrued charges (Continued)

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
<b>Total</b>	<b>497</b>	<b>328</b>

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

#### 2.8.2. Current lease liabilities

HK\$ million	As at 31 December 2022	As at 31 December 2021
Current lease liabilities	474	566

The maturity analysis is included in note 3.2.3.

#### 2.8.3. 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
<b>Provision total</b>	<b>145</b>	<b>132</b>

Reinstatement provision of HK\$89 million (31 December 2021: HK\$84 million) is accounted by the estimated cost for reinstating the status of lease property. Restructuring provision of HK\$4 million (31 December 2021: HK\$13 million) represent 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)
<b>Balance at end of year</b>	<b>145</b>	<b>132</b>

### 2.9. Non-current liabilities

#### 2.9.1. Bank loans

As at 31 December 2022 there are no outstanding bank loans (31 December 2021: nil). During the year ended 31 December 2021, the Group's subsidiaries in Switzerland have fully settled the bank loans of HK\$9 million (CHF 1 million).

#### 2.9.2. Non-current lease liabilities

HK\$ million	As at 31 December 2022	As at 31 December 2021
Non-current lease liabilities	1,578	2,066

The maturity analysis is included in note 3.2.3.

#### 2.9.3. Retirement defined benefit obligations

The Group's subsidiaries in Switzerland participate in a defined benefit plan which defines the pension benefit that an employee will receive on retirement as a lump-sum or annuity, which depends on several factors such as age of the employee, years of services and salary. The subsidiaries have obligations to provide participating employees with the benefit.

The subsidiaries meet their obligations via entering into contracts with an insurance provider, who is responsible for the investments of the assets and guarantees vested benefit amount to members. Any asset-liability matching strategies are the responsibility of the insurance provider. Risks such as actuarial risk and investment risk are covered by the insurance. The subsidiaries face counterparty risk which occurs when the insurer is unable to meet its obligations and also the risk of insurance contract being cancelled.

## 2. PERFORMANCE FOR THE YEAR (CONTINUED)

### 2.9. Non-current liabilities (Continued)

#### 2.9.3. Retirement defined benefit obligations (Continued)

The retirement benefit plans accounted for as defined benefit plans are valued using the Projected Unit Credit Cost Method to determine the present value of the defined benefit obligation and the related service costs. Under this method, the determination is based on actuarial calculations which include assumptions about demographics, salary increases as well as interest and inflation rates. The plans are valued by independent qualified actuaries, Willis Towers Watson Switzerland at 31 December 2022.

(a) The amounts recognized in the consolidated balance sheet are as follows:

HK\$ million	As at 31 December 2022	As at 31 December 2021
Present value of funded obligations	84	89
Fair value of plan assets	(79)	(71)
<b>Net defined benefit obligations</b>	<b>5</b>	<b>18</b>

The latest actuarial valuations indicate a funding level of 94.1% (31 December 2021: 79.8%).

(b) The movements in the net defined benefit obligations over the year are as follows:

HK\$ million	Present value of obligations	Fair Value of plan assets	Total
<b>At 1 January 2022</b>	<b>89</b>	<b>(71)</b>	<b>18</b>
Current service cost	4	-	4
	4	-	4
Remeasurements:			
Gain from change in financial assumptions	(13)	-	(13)
Exchange translation	4	(1)	3
Contributions:			
Employers	-	(4)	(4)
Payment from plans:			
Benefit payments	-	(3)	(3)
<b>At 31 December 2022</b>	<b>84</b>	<b>(79)</b>	<b>5</b>

HK\$ million	Present value of obligations	Fair Value of plan assets	Total
<b>At 1 January 2021</b>	<b>104</b>	<b>(73)</b>	<b>31</b>
Current service cost	2	-	2
	2	-	2
Remeasurements:			
Gain from change in financial assumptions	(10)	-	(10)
Exchange translation	-	2	2
Contributions:			
Employers	-	4	4
Plan participants	-	3	3
Payment from plans:			
Benefit payments	(7)	(7)	(14)
<b>At 31 December 2021</b>	<b>89</b>	<b>(71)</b>	<b>18</b>

## 2. PERFORMANCE FOR THE YEAR (CONTINUED)

### 2.9. Non-current liabilities (Continued)

#### 2.9.3. Retirement defined benefit obligations (Continued)

There were no plan amendments, curtailments or settlements during the year.

The fair value of the plan assets comprises:

	As at 31 December 2022				As at 31 December 2021			
	Quoted	Unquoted	Total	% of Total	Quoted	Unquoted	Total	% of Total
Insurance Contracts	-	79	79	100%	-	71	71	100%

The weighted average duration of retirement defined benefit obligations is 15 years (31 December 2021: 15 years).

Employer and employee saving contributions are defined in terms of an age-related sliding scale of percentage of the insured salary. The subsidiaries expected to make contribution of HK\$3 million to their retirement defined benefit plan in 2023 (HK\$3 million to their retirement defined benefit plan in 2022).

The significant actuarial assumptions are as follows:

	As at 31 December 2022	As at 31 December 2021
Discount rate	2.20%	0.20%
Expected future salary increases	1.25%	1.00%

The sensitivity of the defined benefit obligations to changes in actuarial assumptions is:

	As at 31 December 2022		
	(Decrease)/increase in defined benefit obligations		
	Change in assumption	Increase in assumption	Decrease in assumption
		HK\$ million	HK\$ million
Discount rate	0.25%	(1)	1
Expected future salary increases	0.25%	-	-

	As at 31 December 2021		
	(Decrease)/increase in defined benefit obligations		
	Change in assumption	Increase in assumption	Decrease in assumption
		HK\$ million	HK\$ million
Discount rate	0.25%	(2)	3
Expected future salary increases	0.25%	1	-

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligations to significant actuarial assumptions the same method has been applied as when calculating the pension liability recognized within the balance sheet.

## 2. PERFORMANCE FOR THE YEAR (CONTINUED)

### 2.10. Equity

#### 2.10.1. Share Capital

	Number of shares of HK\$0.10 each million	HK\$ million
<b>Authorized:</b>		
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
<b>Issued and fully paid:</b>		
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) 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) 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.

#### 2.10.2. Reserves

A description of the nature and purpose of each reserve is provided below.

##### Employee share-based payments reserve

The share-based payments reserve is used to recognize:

- the grant date fair value of options issued to employees but not exercised
- the grant date fair value of shares issued to employees
- the grant date fair value of deferred shares granted to employees but not yet vested

##### Remeasurement of retirement defined benefit obligations

Remeasurements of retirement defined benefit obligations comprise:

- actuarial gains and losses
- the return on plan assets, excluding amounts included in net interest on the net defined benefit liability/(asset) and
- any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability/(asset).

For further information refer to note 2.9.3.

## 2. PERFORMANCE FOR THE YEAR (CONTINUED)

### 2.10. Equity (Continued)

#### 2.10.2. Reserves (Continued)

##### Contributed surplus

The contributed surplus of the Company represents the difference between the underlying net tangible assets of the subsidiaries acquired by the Company and the nominal amount of the share capital issued by the Company arising from the Group reorganization which became effective on 17 November 1993 and the excess of the value of the shares acquired over the nominal value of the shares issued for the acquisition of Esprit Far East Limited and its subsidiaries on 10 January 1997. Contributed surplus is available for distribution to shareholders under the laws of Bermuda.

##### Translation reserve

Exchange differences arising on translation of the foreign controlled entity are recognized in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

##### Capital reserve

The capital reserve of the Group represents a non-distributable reserve set aside by a subsidiary according to relevant statutory requirements.

No dividends have been declared and paid by the Company during the year (for the year ended 31 December 2021: nil).

##### Shares held for Old Share Award Scheme

The consideration paid by the Company through the Old Share Award Scheme trustee for purchasing the Company's shares from the market, including any directly attributable incremental cost, is presented as "Shares held for Old Share Award Scheme" and the amount is deducted from total equity. The Group recognizes the impact of the revision of original estimates, if any, in the consolidated statement of profit or loss, and a corresponding adjustment to equity. For further information refer to note 4.2.2.

## 2.11. Notes to consolidated statement of cash flows

Reconciliation of (loss)/profit before taxation to cash generated from operations:

HK\$ million	For the year ended 31 December 2022	For the year ended 31 December 2021
<b>(Loss)/profit before taxation</b>	<b>(683)</b>	<b>386</b>
<b>Adjustments for:</b>		
Interest income	(5)	(2)
Finance costs	45	32
Depreciation of property, plant and equipment	102	135
Depreciation of right-of-use assets	569	542
Impairment loss on property, plant and equipment	3	-
Impairment loss on right-of-use assets	65	15
Loss on disposal of property, plant and equipment <sup>1</sup>	4	5
Loss on disposal of club debenture	-	4
Write-back of provision for inventories, net	(296)	(140)
(Write-back of provision)/provision for impairment of trade debtors, net	(25)	35
Share of losses from joint venture	1	-
Loss/(gain) on the change of fair value of financial assets	1	(1)
Write-back of employee share-based compensation benefits	-	(11)
Amortization of customer relationships	33	18
Amortization of software	10	9
<b>(Loss)/profit before taxation after adjustments</b>	<b>(176)</b>	<b>1,027</b>
<b>Change in working capital</b>		
(Increase)/decrease in inventories	(68)	30
Decrease in debtors, deposits and prepayments	557	204
Increase/(decrease) in creditors and accrued charges	21	(694)
Effect of foreign exchange rate changes	(99)	2
<b>Cash generated from operations</b>	<b>235</b>	<b>569</b>

## 2. PERFORMANCE FOR THE YEAR (CONTINUED)

### 2.11. Notes to consolidated statement of cash flows (Continued)

<sup>1</sup> In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprised:

HK\$ million	For the year ended 31 December 2022	For the year ended 31 December 2021
Net book value	5	9
Loss on disposal of property, plant and equipment	(4)	(5)
<b>Proceeds from disposal of property, plant and equipment</b>	<b>1</b>	<b>4</b>

#### Cash flow from financing activities

The table below shows the reconciliation of movements of liabilities to cash flows arising from financing activities:

HK\$ million	Lease liabilities	Total
<b>Balance at 1 January 2022</b>	<b>2,632</b>	<b>2,632</b>
Repayment of lease liabilities	(709)	(709)
– repayments of lease liabilities	(669)	(669)
– interests	(40)	(40)
Exchange translation	(137)	(137)
Other changes	266	266
– Additions	450	450
– Interest expense	40	40
– Disposals	(224)	(224)
<b>Balance at 31 December 2022</b>	<b>2,052</b>	<b>2,052</b>

HK\$ million	Bank loans	Lease liabilities	Total
<b>Balance at 1 January 2021</b>	<b>9</b>	<b>3,056</b>	<b>3,065</b>
Repayment from bank loans	(9)	-	(9)
Repayment of lease liabilities	-	(740)	(740)
– repayments of lease liabilities	-	(715)	(715)
– interests	-	(25)	(25)
Exchange translation	-	(185)	(185)
Other changes	-	501	501
– Additions	-	741	741
– Interest expense	-	25	25
– Disposals	-	(265)	(265)
<b>Balance at 31 December 2021</b>	<b>-</b>	<b>2,632</b>	<b>2,632</b>

## 2. PERFORMANCE FOR THE YEAR (CONTINUED)

### 2.12. Balance sheet and reserve movement of the Company

#### 2.12.1. Balance sheet of the Company

HK\$ million	As at 31 December 2022	As at 31 December 2021
<b>Non-current assets</b>		
Investments in subsidiaries	1,335	1,335
	<b>1,335</b>	<b>1,335</b>
<b>Current assets</b>		
Amounts due from subsidiaries	2,977	3,057
Cash, bank balances and deposits	36	892
	<b>3,013</b>	<b>3,949</b>
<b>Current liabilities</b>		
Amounts due to subsidiaries	103	149
Accrued charges	11	18
	<b>114</b>	<b>167</b>
<b>Net current assets</b>	<b>2,899</b>	<b>3,782</b>
<b>Total assets less current liabilities</b>	<b>4,234</b>	<b>5,117</b>
<b>Equity</b>		
Share capital	283	283
Reserves	3,951	4,834
	<b>4,234</b>	<b>5,117</b>

Approved by the Board of Directors on 30 March 2023.

CHIU Christin Su Yi  
Executive Director

PAK William Eui Won  
Executive Director

#### 2.12.2. Reserve movement of the company

HK\$ million	Share premium	Employee share-based payment reserve	Shares held for Old Share Award Scheme	Contributed surplus	Accumulated losses	Total Equity
<b>At 1 January 2022</b>	<b>8,583</b>	<b>902</b>	-	<b>474</b>	<b>(5,125)</b>	<b>4,834</b>
Loss attributable to shareholders	-	-	-	-	(883)	(883)
<b>At 31 December 2022</b>	<b>8,583</b>	<b>902</b>	-	<b>474</b>	<b>(6,008)</b>	<b>3,951</b>
<b>At 1 January 2021</b>	<b>7,988</b>	<b>913</b>	<b>(39)</b>	<b>474</b>	<b>(3,305)</b>	<b>6,031</b>
Loss attributable to shareholders	-	-	-	-	(1,787)	(1,787)
Issue of right issues	595	-	-	-	-	595
Disposal of shares held for Old Share Award Scheme	-	-	39	-	(33)	6
Employee share-based compensation benefits	-	(11)	-	-	-	(11)
<b>At 31 December 2021</b>	<b>8,583</b>	<b>902</b>	-	<b>474</b>	<b>(5,125)</b>	<b>4,834</b>

### 3. CRITICAL ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are discussed below.

#### 3.1. Estimates and judgements

##### 3.1.1. Useful life and impairment of trademarks

###### Indefinite useful life

The Group's acquired ESPRIT trademarks are classified as an indefinite-lived intangible asset in accordance with IAS 38 "Intangible Assets". This conclusion is supported by the fact that ESPRIT trademark legal rights are capable of being renewed indefinitely at insignificant cost and therefore are perpetual in duration, relate to a well-known and long-established fashion brand since 1968, and based on the future financial performance of the Group, they are expected to generate positive cash flows indefinitely. This view was supported by an independent professional appraiser, who was appointed by the Group to perform an assessment of the useful life of ESPRIT trademarks in accordance with the requirements set out in IAS 38. Having considered the factors specific to the Group, the appraiser opined that ESPRIT trademarks should be regarded as an intangible asset with an indefinite useful life. Under IAS 38, the Group re-evaluates the useful life of ESPRIT trademarks each year to determine whether events and circumstances continue to support the view of indefinite useful life for this asset. Having considered the current circumstances, relevant legal and regulatory factors and business plan, management considers the classification of the trademark as indefinite-lived intangible asset is appropriate.

#### Impairment

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

In accordance with IAS 36 "Impairment of Assets", the Group completed its annual impairment test for ESPRIT trademarks by comparing their recoverable amount to their carrying amount as at 31 December 2022 (see note 2.6.1).

##### 3.1.2. Impairment of right-of-use assets

In accordance with IAS 36 "Impairment of Assets", the Group assesses annually whether right-of-use assets have any indication of impairment. The Group estimates the recoverable amount of the asset if any such indication exists. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. The value in use calculation involves estimating the future cash inflows and outflows for a leasing contract to be derived from continuing use of the right-of-use asset and applying the appropriate discount rate to those future cash flows. The estimation of future cash flows and selection of discount rate require the use of judgments and estimates (note 2.3.4).

### 3. CRITICAL ESTIMATES AND JUDGEMENTS (CONTINUED)

#### 3.1. Estimates and judgements (Continued)

##### 3.1.3. Net realizable value of inventories

In accordance with IAS 2 “Inventories”, the Group estimates annually the net realizable value of inventories. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to changes in market conditions. Management reassesses these estimates at the end of each reporting period.

##### 3.1.4. Impairment of goodwill

In accordance with IAS 36 “Impairment of Assets”, the Group completed its annual impairment test for goodwill allocated to the Group’s various CGUs by comparing their recoverable amount to their carrying amount as at the date of the balance sheet (note 2.6.1).

##### 3.1.5. Impairment of property, plant and equipment

In accordance with IAS 36 “Impairment of Assets”, the Group assesses annually whether property, plant and equipment have any indication of impairment. The Group estimates the recoverable amount of the asset if any such indication exists. The recoverable amount is the higher of an asset’s fair value less costs of disposal and value in use. The value in use calculation involves estimating the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and applying the appropriate discount rate to those future cash flows. The estimation of future cash flows and selection of discount rate require the use of judgments and estimates.

##### 3.1.6. Determination of lease terms

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Group’s operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Group reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

##### 3.1.7. Income and other taxes

The Group is subject to income and other taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income and other taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes, as current liabilities, liabilities for anticipated tax audit issues based on estimates of whether additional taxes will eventually be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income and other taxes and deferred tax provisions in the year in which such determination is made.

### 3. CRITICAL ESTIMATES AND JUDGEMENTS (CONTINUED)

#### 3.1. Estimates and judgements (Continued)

##### 3.1.8. Provisions

##### Provisions for restructuring, reinstatement and legal cost

Provisions for restructuring represent 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.

Provisions for reinstatement and legal cost are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations

as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

#### 3.2. Financial risk management

##### 3.2.1. Foreign Exchange risk

As at 31 December 2022, the Group has not entered in any financial derivative transaction.

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro, US Dollar and Renminbi. Foreign exchange risk primarily arises from future commercial transactions and recognized monetary assets and liabilities that are denominated in currencies that are not the functional currencies of the Group's entities.

The Group's exposure to currency risk as reported to the management of the Group is as follows:

million	As at 31 December 2022			As at 31 December 2021		
	USD	EUR	RMB	USD	EUR	RMB
Trade receivables	-	-	-	-	-	-
Trade payables	(38)	-	-	(19)	-	-
<b>Foreign exchange exposure</b>	<b>(38)</b>	<b>-</b>	<b>-</b>	<b>(19)</b>	<b>-</b>	<b>-</b>

The following significant exchange rates have been applied.

	As at 31 December 2022		As at 31 December 2021	
	Average Rate	Spot rate	Average Rate	Spot rate
USD	7.8303	7.7962	7.7725	7.7994
EUR	8.2534	8.3122	9.1983	8.8330
RMB(CNY)	1.1660	1.1192	1.2048	1.2236

The impact on the Group's post-tax profit or loss and total comprehensive income in response to a 1.0% strengthening in Euro and Renminbi against US Dollar in relation to monetary items and derivative financial instruments in existence at the date of the balance sheet, with all other variables held constant, would have been:

HK\$ million	As at 31 December 2022	As at 31 December 2021
<b>Euro against US Dollar</b>		
Impact on post-tax profit; gain	2	-
<b>Renminbi against US Dollar</b>		
Impact on post-tax profit; gain	-	-

### 3. CRITICAL ESTIMATES AND JUDGEMENTS (CONTINUED)

#### 3.2. Financial risk management (Continued)

##### 3.2.2. Credit risk

The Group's credit risk is primarily attributable to trade and other debtors and deposits with banks.

There is no significant concentration of credit risk with respect to trade debtors as the Group has a large number of internationally dispersed customers. The Group has policies in place to ensure that wholesale sales of products are made to customers with an appropriate credit history. Sales to retail customers are made in cash, bank transfer or by credit card. The Group grants credit for a period which is usually 30 to 60 days to certain wholesale and franchise customers. The Group holds securities as collaterals over the trade debtors. The Group manages the credit risk mainly by purchasing credit guarantee insurance and arranging the trade debtors to be covered by letters of credit or bank guarantees. Individual risk limits are set based on internal ratings in accordance with limits set by management. The utilization of credit limits is regularly monitored.

The Group has a "Group Credit Control Policy" in place to promote good practice in credit control procedures across the Group and protect and limit the Group's overall exposure to credit risks. This policy provides the general principle to guide the credit management process by setting forth the general acceptable practices for limiting credit exposures and in particular, the establishment of the regional and country credit limit for control of credit.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade debtors. To measure the expected credit losses, trade debtors have been grouped based on shared credit risk characteristics and the days past due.

The Group considers the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis during the year. To assess whether there is a significant increase in credit risk, the Group compares risk of a default occurring on the assets as at year end date with the risk of default as at the date of initial recognition.

The Group reviews regularly the recoverable amount of each other debtor to ensure that adequate impairment losses are made for irrecoverable amounts. Over the term of the financial assets, the Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of debtors. The historical loss rates are based on the payment profiles of sales over the last five years and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted by a scalar factor to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. Scalar factors are based on projected non-performing loans ("NPL") ratios for all countries in which the Group sells its goods and services. Expected changes of NPL ratios due to the Pandemic are based on macroeconomic scenario projections from the International Monetary Fund.

The credit risk on deposits with banks is limited because the Group mainly places the deposits in banks with high credit rating and management does not expect any losses from non-performance by banks.

### 3. CRITICAL ESTIMATES AND JUDGEMENTS (CONTINUED)

#### 3.2. Financial risk management (Continued)

##### 3.2.3. Liquidity risk

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows, by keeping sufficient available cash on the bank accounts. The Group's liquidity needs have been funded through internal resources, using a Cash Pooling scheme and intercompany loans. Bank facilities have been in place only for guarantees and letter of credits which were already backed by cash collaterals since February 2019. No major overdraft or term loans with the banks were in place. Due to the above mentioned funding

through internal resources there was no major impact on the business except that further cash collaterals for outstanding bank guarantees had to be provided to the banks.

The table below analyzes the Group's financial liabilities into relevant maturity groupings based on the remaining period at the date of the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

HK\$ million	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount
<b>At 31 December 2022</b>						
Trade creditors	497	-	-	-	497	497
Lease liabilities	663	480	833	281	2,257	2,052
<b>At 31 December 2021</b>						
Trade creditors	328	-	-	-	328	328
Lease liabilities	735	596	1,101	364	2,796	2,632

##### 3.2.4. Interest rate risk

The interest rate profile of the Group's interest-bearing financial instruments is as follows:

HK\$ million	As at 31 December 2022		As at 31 December 2021	
	Carrying amount	Interest rate (%)	Carrying amount	Interest rate (%)
<b>Fixed-rate instruments</b>				
Cash, bank balances and deposits	2,012	0.2	2,649	0.0
Lease liabilities	2,052	2.1	2,632	2.1

There are no variable-rate instruments for the period (31 December 2021: nil).

##### Fair value sensitivity analysis for fixed-rate instruments

A change of 100 basis points in interest rates would have increased or decreased equity by HK\$32 million (31 December 2021: increase and decrease of 100 basis points interest rates would have increased equity by HK\$12 million and HK\$11 million). This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

The Group monitors closely its interest rate risk exposure.

### 3. CRITICAL ESTIMATES AND JUDGEMENTS (CONTINUED)

#### 3.2. Financial risk management (Continued)

##### 3.2.5. Net gains and losses from financial instruments

The following table shows net gains and losses by category of financial instruments including gains and losses from leases.

HK\$ million	For the year ended 31 December 2022	For the year ended 31 December 2021
Interest income from instruments at amortized costs and leases	5	2
From bank deposits	4	1
Others	1	1
<b>Total interest income</b>	<b>5</b>	<b>2</b>
HK\$ million	For the year ended 31 December 2022	For the year ended 31 December 2021
Interest expense from instruments at amortized costs and leases	45	32
From leases	40	26
Others	5	6
<b>Total finance costs</b>	<b>45</b>	<b>32</b>
Change in fair value of financial assets at fair value through profit or loss	(1)	1

#### 3.3. Capital management

##### 3.3.1. Risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group's capital structure consists of equity as shown in the consolidated balance sheet.

As at 31 December 2022 there are no bank loans outstanding for the Group (31 December 2021: nil).

##### 3.3.2. Dividends

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

#### 3.4. Acquisition of Assets

On 4 November 2022, the Group, through its wholly-owned subsidiary, entered into a deed of gift agreement with a donor, a company that is wholly-owned by a shareholder of the Company, to receive the entire issued share capital of Keen Champ Investments Limited ("Keen Champ") and its net assets, at zero consideration. 漢華(四川)農林有限公司, a wholly-owned subsidiary of Keen Champ, is incorporated in the People's Republic of China and holds the title estate right to the forest (the "forest") situated at 中國四川省巴中市南江縣(Sichuan Province in the People's Republic of China). The purpose of holding the title estate right to the forest is to manage the preservation of the forest which would in turn contribute to the betterment of the environment that is aligned to the Company's objective to support global environmental conservation. The Group did not incur any cost in relation to the transfer which was completed on 4 November 2022. This transfer is a de minimis transaction under the Listing Rule and is exempted from the connected transaction requirement.

The above transfer has been accounted for by the Group as acquisitions of assets as the entities transferred to the Group do not constitute a business.

The assets and liabilities arising from the transfer is as follows:

HK\$ million	Title estate rights to the forest
Net assets and liabilities	-
Purchase consideration	-
Cash and cash equivalents acquired	-
Cash outflow on transfer	-

## 4. FURTHER DETAILS

### 4.1. Related party transactions

Save as disclosed within note 4.1 and elsewhere in these consolidated financial statements, the Group had no other material related party transactions during the year.

#### 4.1.1. Directors' and senior management's emoluments

The directors' and senior management's emoluments for the year ended 31 December 2022 and 2021 are included in the tables below:

For the year ended 31 December 2022

HK\$ thousand	Fees <sup>15</sup>	Basic salaries, allowance and benefits in kind	Bonuses <sup>16</sup>	Inducement fee	Employee share-based compensation benefits	Provident fund contributions/retirement benefit costs	Compensation for loss of office	Total emoluments
CHIU Christin Su Yi <sup>1,4,5,6,7</sup>	2,400	18	-	-	-	-	-	2,418
PAK William Eui Won <sup>1,4,5,8</sup>	-	1,819	-	-	-	18	-	1,837
SCHLANGMANN Wolfgang Paul Josef <sup>19</sup>	-	1,500	-	-	-	-	-	1,500
WRIGHT Bradley Stephen <sup>16,10</sup>	-	1,181	-	-	-	18	-	1,199
LO Kin Ching Joseph <sup>2,3,4</sup>	735	-	-	-	-	-	-	735
CHUNG Kwok Pan <sup>2,3,5,6</sup>	480	-	-	-	-	-	-	480
GILES William Nicholas <sup>2,3,4,5,6</sup>	480	-	-	-	-	-	-	480
LIU Hang so <sup>2,4,5,11</sup>	480	-	-	-	-	-	-	480
HA Kee Choy Eugene <sup>2,3,6,12</sup>	480	-	-	-	-	-	-	480
<b>Total</b>	<b>5,055</b>	<b>4,518</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>36</b>	<b>-</b>	<b>9,609</b>

## 4. FURTHER DETAILS (CONTINUED)

### 4.1. Related party transactions (Continued)

#### 4.1.1. Directors' and senior management's emoluments (Continued)

For the year ended 31 December 2021

HK\$ thousand	Fees <sup>15</sup>	Basic salaries, allowance and benefits in kind	Bonuses <sup>16</sup>	Inducement fee	Employee share-based compensation benefits	Provident fund contributions/retirement benefit costs	Compensation for loss of office	Total emoluments
CHIU Christin Su Yi <sup>1,4,5,6,7</sup>	2,200	20	-	-	-	-	-	2,220
PAK William Eui Won <sup>1,4,5,8</sup>	-	490	-	-	-	6	-	496
SCHLANGMANN Wolfgang Paul Josef <sup>1,9</sup>	-	266	-	-	-	-	-	266
<i>(amount in EUR'000)</i>	-	29	-	-	-	-	-	29
WRIGHT Bradley Stephen <sup>1,6,10</sup>	-	16	-	-	-	-	-	16
DALEY Mark David <sup>14</sup>	-	8,310	797	-	-	-	-	9,107
<i>(amount in USD'000)</i>	-	1,069	102	-	-	-	-	1,171
WAN Yung Ting <sup>13</sup>	-	2,294	-	-	-	18	-	2,312
LO Kin Ching Joseph <sup>2,3,4</sup>	735	-	-	-	-	-	-	735
CHUNG Kwok Pan <sup>2,3,5,6</sup>	480	-	-	-	-	-	-	480
GILES William Nicholas <sup>2,3,4,5,6</sup>	480	-	-	-	-	-	-	480
LIU Hang so <sup>2,4,5,11</sup>	471	-	-	-	-	-	-	471
HA Kee Choy Eugene <sup>2,3,6,12</sup>	25	-	-	-	-	-	-	25
<b>Total</b>	<b>4,391</b>	<b>11,396</b>	<b>797</b>	<b>-</b>	<b>-</b>	<b>24</b>	<b>-</b>	<b>16,608</b>

<sup>1</sup> Executive Director

<sup>2</sup> Independent Non-executive Director

<sup>3</sup> Members of the Audit Committee (Mr. HA Kee Choy Eugene has been appointed as member with effect from 13 December 2021.)

<sup>4</sup> Members of the Nomination Committee (with effect from 1 January 2021, Ms. CHIU Christin Su Yi has been appointed as Chairperson and Mr. GILES William Nicholas has been appointed as member. Ms. LIU Hang-so has been appointed as member with effect from 8 January 2021. Mr. PAK William Eui Won has been appointed as member with effect from 23 September 2021.)

<sup>5</sup> Members of the Remuneration Committee (Ms. LIU Hang-so has been appointed as member with effect 8 January 2021. Mr. PAK William Eui Won has been appointed as member with effect from 23 September 2021.)

<sup>6</sup> Members of the Risk Management Committee (Ms. CHIU Christin Su Yi has resigned with effect from 1 January 2021. Mr. GILES William Nicholas has been appointed as Chairperson with effect from 1 January 2021. Dr. WAN Yung Ting has been appointed as member with effect from 1 January 2021 and has resigned with effect from 30 November 2021. Mr. HA Kee Choy Eugene has been appointed as member with effect from 13 December 2021. Mr. WRIGHT Bradley Stephen has been appointed as member with effect from 14 December 2021.)

<sup>7</sup> Ms. CHIU Christin Su Yi has been appointed as Acting Executive Chairperson of the Board with effect from 1 January 2021 and has been re-designated as Chairperson of the Board with effect from 30 August 2021.

## 4. FURTHER DETAILS (CONTINUED)

### 4.1. Related party transactions (Continued)

#### 4.1.1. Directors' and senior management's emoluments (Continued)

- <sup>8</sup> Mr. PAK William Eui Won has been appointed as Executive Director with effect from 23 September 2021.
- <sup>9</sup> Mr. SCHLANGMANN Wolfgang Paul Josef has been appointed as Executive Director with effect from 28 October 2021.
- <sup>10</sup> Mr. WRIGHT Bradley Stephen has been appointed as Executive Director with effect from 14 December 2021.
- <sup>11</sup> Ms. LIU Hang-so has been appointed as Independent Non-executive Director with effect from 8 January 2021.
- <sup>12</sup> Mr. HA Kee Choy Eugene has been appointed as Independent Non-executive Director with effect from 13 December 2021.
- <sup>13</sup> Dr. WAN Yung Ting has resigned with effect from 30 November 2021.
- <sup>14</sup> Mr. DALEY Mark David has resigned with effect from 26 October 2021.
- <sup>15</sup> The amount includes directors' fees of HK\$2.7 million paid to Independent Non-executive Directors during the year ended 31 December 2022 (for the year ended 31 December 2021: HK\$2.2 million).
- <sup>16</sup> There was no discretionary bonus paid to the directors during the year ended 31 December 2022 (for the year ended 31 December 2021: HK\$797.6 thousand).

#### Directors' retirement benefits

No retirement benefits were provided to or receivable by any director during the year ended 31 December 2022 (for the year ended 31 December 2021: nil).

#### Directors' termination benefits

No termination benefits were provided to or receivable by any director as compensation for the early termination of appointment during the year ended 31 December 2022 (for the year ended 31 December 2021: nil).

#### Consideration provided to third parties for making available directors' services

No consideration was provided to or receivable by third parties for making available directors' services during the year ended 31 December 2022 (for the year ended 31 December 2021: nil).

#### Information about loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors

There are no loans, quasi-loans or other dealings in favor of the directors, their controlled bodies corporate and connected entities during the year ended 31 December 2022 (for the year ended 31 December 2021: nil).

#### Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted as at 31 December 2022 or at any time during the year.

#### 4. FURTHER DETAILS (CONTINUED)

##### 4.1. Related party transactions (Continued)

##### 4.1.1. Directors' and senior management's emoluments (Continued)

###### Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2022 included nil (for the year ended 31 December 2021: one) directors whose emoluments are reflected in the analysis presented above in note 4.1.1. The emoluments payable to five (for the year ended 31 December 2021: four) individuals during the year ended 31 December 2022 are as follows:

HK\$ thousand	For the year ended 31 December 2022	For the year ended 31 December 2021
Salaries, housing and other allowances and benefits in kind	13,739	12,770
Bonuses	3,084	4,854
Write back of employee share-based compensation benefits	(9)	(4,895)
Pensions costs of defined contribution plans	187	176
Compensation for loss of office	13,205	12,080
<b>Total</b>	<b>30,206</b>	<b>24,985</b>

During the year ended 31 December 2022 as well as prior year, the Group did not pay the aforementioned five (for the year ended 31 December 2021: four) individuals any inducement to join or upon joining the Group.

The emoluments fell within the following bands:

Emoluments band	Number of individuals	
	For the year ended 31 December 2022	For the year ended 31 December 2021
HK\$2,000,001-HK\$3,000,000	1	-
HK\$3,000,001-HK\$4,000,000	2	-
HK\$4,000,001-HK\$5,000,000	-	1
HK\$5,000,001-HK\$6,000,000	1	-
HK\$6,000,001-HK\$7,000,000	-	1
HK\$7,000,001-HK\$8,000,000	-	2
HK\$14,000,001-HK\$15,000,000	1	-

##### 4.1.2. Transactions with related party

(1) Bright Majestic Limited ("Bright Majestic"), as the landlord, and Esprit Regional Distribution Limited ("ERDL"), an indirectly wholly-owned subsidiary of the Company, as the tenant, entered into a tenancy agreement dated 19 May 2022 in respect of the whole floor of 29th Floor of China United Centre, No. 28 Marble Road, North Point, Hong Kong ("29/F Premises") for a term of two years commencing from 1 June 2022 and expiring on 31 May 2024 (both days inclusive) at a monthly rental of HK\$313,236.

As at the date of this report, Ms. LO indirectly holds 82.19% equity interests in Bright Majestic. Ms. LO is a substantial shareholder of the Company, hence a connected person of the Company. Therefore, Bright Majestic is an associate of Ms. LO and is a connected person of the Company. Details of the above connected transaction was disclosed in the Company's announcement dated 19 May 2022.

(2) Silver Target Limited ("Silver Target"), as the landlord, and ERDL, as the tenant, entered into a tenancy agreement dated 23 June 2022 in respect of the whole floor of 31st Floor of China United Centre, No. 28 Marble Road, North Point, Hong Kong ("31/F Premises") for a term of two years commencing from 1 July 2022 and expiring on 30 June 2024 (both days inclusive) at a monthly rental of HK\$337,860.

As at the date of this report, Ms. LO indirectly holds 82.19% equity interests in Silver Target. Therefore, Silver Target is an associate of Ms. LO and is a connected person of the Company. Details of the above connected transaction was disclosed in the Company's announcement dated 23 June 2022.

(3) Wealth Elegant Investments Limited ("Wealth Elegant"), as the landlord, and ERDL, as the tenant, entered into a tenancy agreement dated 12 October 2022 in respect of the whole floor of 26th Floor of China United Centre, No. 28 Marble Road, North Point, Hong Kong ("26/F Premises") for a term of two years commencing from 1 November 2022 and expiring on 31 October 2024 (both days inclusive) at a monthly rental of HK\$335,610.

As at the date of this report, Ms. LO indirectly holds 82.19% equity interests in Wealth Elegant. Therefore, Wealth Elegant is an associate of Ms. LO and is a connected person of the Company. Details of the above connected transactions were disclosed in the Company's announcement dated 12 October 2022.

## 4. FURTHER DETAILS (CONTINUED)

### 4.1. Related party transactions (Continued)

#### 4.1.2. Transactions with related party (Continued)

(4) Reference is made to a tenancy agreement dated 23 November 2021 in respect of the whole floor of 9th Floor of E-Trade Plaza and car parking space nos. 222, 223 and 224 on 2nd Floor of E-Trade Plaza, 24 Lee Chung Street, Chai Wan, Hong Kong (“E-Trade Plaza Premises”) entered into between Golden Lake Property Limited (“Golden Lake Property”), as the landlord, and ERDL, as the tenant (“E-Trade Plaza Tenancy Agreement”). Golden Lake Property leased E-Trade Plaza Premises to ERDL for a term of two years commencing from 1 December 2021 and expiring on 30 November 2023 (both days inclusive) at a monthly rental of HK\$190,000.

On 12 October 2022, ERDL, as the tenant, and Golden Lake Property, as the landlord, mutually agreed to early terminate the remaining lease term of the E-Trade Plaza Tenancy Agreement with effect from 12 October 2022 and ERDL had returned the E-Trade Plaza premises to Golden Lake Property on an “as is” basis and the full amount of rental deposit of HK\$380,000 had been refunded to ERDL.

## 4.2. Share-based payments

HK\$ million	For the year ended 31 December 2022	For the year ended 31 December 2021
Write-back of employee share-based compensation benefits	-	(11)

### 4.2.1. Share option scheme

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.

### Summary of the major terms of the Share Option Schemes

The following is a summary of the major terms of the 2009 Share Option Scheme and the 2018 Share Option Scheme (collectively the “Share Option Schemes”) as required to be disclosed in accordance with the Listing Rules.

#### 4. FURTHER DETAILS (CONTINUED)

##### 4.2. Share-based payments (Continued)

###### 4.2.1. Share option scheme (Continued)

###### Purpose of the Share Option Schemes

The Share Option Schemes are share incentive schemes and are established to recognize and acknowledge the contributions that eligible persons have made or may make to the Group.

The Share Option Schemes provide eligible persons with an opportunity to have a personal stake in the Company with a view to:

- (i) motivating eligible persons to optimize their performance and efficiency for the benefit of the Group; and
- (ii) attracting and retaining or otherwise maintaining ongoing business relationships with eligible persons whose contributions are or will be beneficial to the long-term growth of the Group.

###### Participants of the Share Option Schemes

The Board of Directors may at its discretion grant share options to:

- (i) any director, employee, consultant, customer, supplier, agent, partner or adviser of or contractor to the Group or a company in which the Group holds an interest or a subsidiary of such company ("Affiliate"); or
- (ii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any director, employee, consultant, customer, supplier, agent, partner or adviser of or contractor to the Group or an Affiliate; or
- (iii) a company beneficially owned by any director, employee, consultant, customer, supplier, agent, partner, adviser of or contractor to the Group or an Affiliate.

###### Total number of shares available for issue under the Share Option Schemes and percentage of issued share capital as at 31 December 2022

The total number of shares available for issue upon exercise of all outstanding share options already granted under the Share Option Schemes is 23,086,849 shares (the 2009 Share Option Scheme: 20,194,420 shares and the 2018 Share Option Scheme: 2,892,429 shares), representing 0.82% (31 December 2021: 0.98%) of the issued share capital of the Company as at 31 December 2022.

The maximum number of shares available for issue upon exercise of share options not yet granted under the Share Option Schemes is 283,081,734 shares (the 2009 Share Option Scheme: nil and the 2018 Share Option Scheme: 283,081,734 shares), representing 10% (31 December 2021: 10%) of the issued share capital of the Company as at 31 December 2022.

###### Maximum entitlement of each participant under the Share Option Schemes

The maximum entitlement of each participant under the Share Option Schemes shall not exceed any limits that may be imposed under the Listing Rules from time to time as amended and in force.

No share options may be granted to any eligible persons which, if exercised in full, would result in the total number of shares issued and to be issued upon exercise of the share options already granted or to be granted to such eligible person under the Share Option Schemes or any other schemes of the Company (including exercised, canceled and outstanding share options) in the 12-month period up to and including the date of such new grant exceeding 1% of the issued share capital of the Company at the date of such new grant. Any grant of further share options above this limit is subject to certain requirements as stipulated in the Listing Rules.

## 4. FURTHER DETAILS (CONTINUED)

### 4.2. Share-based payments (Continued)

#### 4.2.1. Share option scheme (Continued)

##### Period within which the shares must be taken up under a share option under the Share Option Schemes

A share option is exercisable, subject to certain restrictions contained in the Share Option Schemes and the terms on which the share option is granted at any time during the applicable share option period which may be determined by the Board of Directors but which shall in no event be more than 10 years from the date of grant of the share option.

##### Minimum period for which a share option must be held before it can be exercised under the Share Option Schemes

There is no general requirement on the minimum period for which a share option must be held or the performance targets which must be achieved before a share option can be exercised under the Share Option Schemes. At the time of granting a share option, however, the Board of Directors may, on a case by case basis, make such grant subject to such conditions, restrictions or limitations in relation thereto, including the minimum period for which the share option must be held and/or the performance targets to be achieved, additional to those expressly set forth in the Share Option Schemes as the Board of Directors may in its absolute discretion determine.

##### Amount payable on application or acceptance of the share option and the period within which payments or calls must or may be made or loans for such purposes must be repaid under the Share Option Schemes

There is no amount payable on application or acceptance of the share option and the period within which payments or calls must or may be made or loans for such purposes must be repaid.

Vesting requirement of the options granted under the Share Option Schemes shall be subject to the terms on which the share options were granted, the provisions of the respective Share Option Schemes and the Listing Rules.

##### Basis of determining the subscription price under the Share Option Schemes

The price per share at which a grantee may subscribe for shares upon the exercise of a share option is determined by the Board of Directors and shall not be less than the highest of:

- (i) the closing price of the Company's shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant of the relevant share option, which must be a business day (as defined in the Listing Rules);
- (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the relevant share option; and
- (iii) the nominal value of the Company's share.

##### The remaining life of the 2009 Share Option Scheme

On 5 December 2018, the shareholders of the Company approved at the annual general meeting of the Company the termination of the 2009 Share Option Scheme and no further share options may be granted under the 2009 Share Option Scheme with effect thereof.

Details of the share options movement during the period and outstanding share options as at 31 December 2022 under the 2009 Share Option Scheme are as follows:

	As at 31 December 2022		As at 31 December 2021	
	Average exercise price	Number of share options	Average exercise price	Number of share options
Balance at beginning of year	7.318	23,717,925	5.877	48,145,000
Adjustment (note)	-	-	7.303	1,319,416
Lapsed during the year	-	(473,307)	-	(1,104,382)
Forfeited during the year	7.574	(3,050,198)	4.187	(24,642,109)
Balance at end of year	7.274	20,194,420	7.318	23,717,925

Note: Adjustment as a result of the rights issue with effect from 21 April 2021

## 4. FURTHER DETAILS (CONTINUED)

### 4.2. Share-based payments (Continued)

#### 4.2.1. Share option scheme (Continued)

#### The remaining life of the 2009 Share Option Scheme (Continued)

Share options outstanding at the end of the relevant periods have the following terms:

Expiry date	Exercise price (Note 1) HK\$	Number of share options outstanding		Expiry date	Exercise price (Note 1) HK\$	Number of share options outstanding	
		As at 31 December 2022	As at 31 December 2021			As at 31 December 2022	As at 31 December 2021
<b>Employees</b>				<b>Others (Note 2)</b>			
12 December 2022 *	12.320 (11.710 Note 1)	-	473,307	12 December 2022 *	12.320 (11.710 Note 1)	-	105,179
11 March 2023 *	10.040 (9.550 Note 1)	157,769	315,538	11 March 2023 *	10.040 (9.550 Note 1)	7,730,677	7,730,677
4 November 2023 *	14.180 (13.480 Note 1)	499,602	920,319	4 November 2023 *	14.180 (13.480 Note 1)	841,434	841,434
30 June 2024 *	11.000 (10.460 Note 1)	315,537	315,537	31 October 2024 *	10.124 (9.630 Note 1)	946,613	946,613
31 October 2024 *	10.124 (9.630 Note 1)	1,130,677	1,498,804	13 October 2025 *	6.550 (6.230 Note 1)	105,179	105,179
13 October 2025 *	6.550 (6.230 Note 1)	1,051,793	1,472,510	31 October 2026 *	6.870 (6.530 Note 1)	105,179	105,179
31 October 2026 *	6.870 (6.530 Note 1)	1,104,383	1,525,100	7 November 2027 *	4.650 (4.420 Note 1)	105,179	105,179
7 November 2027 *	4.650 (4.420 Note 1)	999,204	1,472,511	25 June 2028 *	2.660 (2.530 Note 1)	210,358	210,358
25 June 2028 *	2.660 (2.530 Note 1)	1,209,562	1,893,227	28 September 2028 *	1.884 (1.790 Note 1)	2,629,481	2,629,481
28 September 2028 *	1.884 (1.790 Note 1)	1,051,793	1,051,793			<b>12,674,100</b>	<b>12,779,279</b>
		<b>7,520,320</b>	<b>10,938,646</b>	<b>Total</b>		<b>20,194,420</b>	<b>23,717,925</b>
				Weighted average remaining contractual life of share options outstanding at end of the year		<b>2.4 years</b>	<b>3.5 years</b>

\* The share options listed above are vested as of the respective dates of the balance sheet

Note 1 : Adjustment for exercise price as a result of the rights issue with effect from 21 April 2021

Note 2: Former employees/directors of the Group who were the employees/directors of the Group at the time of the relevant grants

## 4. FURTHER DETAILS (CONTINUED)

### 4.2. Share-based payments (Continued)

#### 4.2.1. Share option scheme (Continued)

##### The remaining life of the 2018 Share Option Scheme

Share options may be granted to eligible persons under the 2018 Share Option Scheme for the period until 4 December 2028, unless there is early termination pursuant to the rules of 2018 Share Option Scheme.

Details of the share options movement during the period and outstanding share options as at 31 December 2022 under the 2018 Share Option Scheme are as follows:

	For the year ended 31 December 2022		For the year ended 31 December 2021	
	Average exercise price	Number of share options	Average exercise price	Number of share options
Balance at beginning of year	1.530	3,891,633	1.604	14,100,000
Adjustment	-	-	1.530	269,322
Forfeited during the year	1.530	(999,204)	1.570	(10,477,689)
Balance at end of year	1.530	2,892,429	1.530	3,891,633

Share options outstanding at the end of the period have the following terms:

Expiry date	Exercise price HK\$	Number of share options outstanding	
		As at 31 December 2022	As at 31 December 2021
<b>Employees</b>			
10 December 2029*	1.604 (1.530 Note 1)	2,366,533	3,365,737
<b>Others (Note 2)</b>			
10 December 2029*	1.604 (1.530 Note 1)	525,896	525,896
		<b>2,892,429</b>	<b>3,891,633</b>
Weighted average remaining contractual life of share options outstanding at end of the year		<b>6.9 years</b>	<b>7.9 years</b>

\* The share options listed above are vested as of the respective dates of the balance sheet

Note 1 : Adjustment for exercise price as a result of the rights issue with effect from 21 April 2021

Note 2 : Former employees/directors of the Group who were the employees/directors of the Group at the time of the relevant grants

#### 4.2.2. Share Award Scheme

The Board adopted the employees' share award Scheme on 17 March 2016 (the "Old Share Award Scheme"), which was terminated on 23 April 2021. The Company has adopted a new share award scheme on 6 July 2022 (the "New Share Award Scheme"), together with Old Share Award Scheme as the "Share Award Schemes".

##### Summary of the major terms of the Share Award Schemes

The following is a summary of the major terms of the Share Award Schemes.

##### Purpose of the Share Award Schemes

The purpose of the Old Share Award Scheme is to incentivize and retain selected senior management of the Group. The purpose of the New Share Award Scheme is to recognize the contributions by certain eligible participants (including any employee, consultant, executive of 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.

##### Participants of the Share Award Schemes

Pursuant to the rules relating to the Old Share Award Scheme, the Board of Directors selected any employees of the Group, including Executive Directors of the Company (the "Selected Employees") for participation in the Old Share Award Scheme and determine the awarded sums or the number of awarded shares. The Company appointed an independent trustee for the administration of the Old Share Award Scheme. The trustee purchased the relevant number of shares from the market out of the Company's funds paid to the trustee and held such shares on trust for the relevant Selected Employees until they were vested and delivered in accordance with the rules of the relevant scheme and the conditions of the award of such awarded shares (if any).

Pursuant to the rules relating to the New Share Award Scheme, the Board of Directors may at its discretion grant awarded shares to any employee, consultant, executive or officers, directors and senior management of any member of the Group who has contributed or may contribute to the growth and development of the Group.

## 4. FURTHER DETAILS (CONTINUED)

### 4.2. Share-based payments (Continued)

#### 4.2.2. Share Award Scheme (Continued)

#### Total number of shares available for award under the Share Award Schemes and percentage of issued share capital as at 31 December 2022

Since the Old Share Award Scheme had already been terminated in 2021, no more shares available for award under the Old Share Award Scheme.

The total number of shares available for award under the New Share Award Scheme is 283,081,734 shares, representing 10% of the issued shares of the Company as at 31 December 2022 (31 December 2021: 10%), subject to an annual limit equal to 3% of the Company's issued shares as at the adoption date of the New Share Award Scheme and the Listing Rules.

#### Maximum entitlement of each participant under the Share Award Schemes

Since the Old Share Award Scheme had already been terminated in 2021, no more shares available for award to any eligible participant under the Old Share Award Scheme.

The maximum entitlement of each eligible participant under the New Share Award Scheme shall not exceed 1% of the issued share capital of the Company as at the date of grant of the award.

Vesting requirement of the awarded shares granted under the Share Award Schemes shall be subject to the terms on which the awarded shares were granted, the provisions of the respective Share Award Schemes and the Listing Rules.

#### Remaining life of the Old Share Award Scheme

On 6 July 2021, the shareholders of the Company approved at the special general meeting of the Company the termination of the Old Share Award Scheme and no further share may be granted to eligible person under the Old Share Award Scheme with effect thereof.

Details of the awarded shares movement during the year ended 31 December 2022 and outstanding awarded shares as at 31 December 2022 under the Old Share Award Scheme are as follows:

Number of awarded shares	As at 31 December 2022	As at 31 December 2021
<b>Balance at beginning of year</b>	-	<b>2,000,000</b>
Lapsed during the year for awarded shares included forfeited and expired	-	(2,000,000)
<b>Balance at end of year</b>	-	-

During the year ended 31 December 2022, since the Old Share Award Scheme had already been terminated in July 2021, the trustee did not purchase any shares (for the year ended 31 December 2021: nil) of the Company on the Stock Exchange and no payment was made to the trustee to purchase any shares (for the year ended 31 December 2021: nil).

During the year ended 31 December 2021, a total of 7,818,589 shares of the Company were sold by the trustee due to the termination of the Old Share Award Scheme. The net proceeds from disposal of shares held for the Old Share Award Scheme was HK\$6 million. An equity movement of HK\$33 million was made from shares held for the Old Share Award Scheme to accumulated loss in respect of the shares whose selling prices were lower than the costs.

#### Remaining life of the New Share Award Scheme

Share may be granted to eligible persons under the New Share Award Scheme for the period until 6 July 2031, unless there is early termination pursuant to the rules of New Share Award Scheme.

During the year end 31 December 2022, there is no movement for the New Share Award Scheme (31 December 2021: nil). No awarded shares were granted in 2022 as the management believed that the timing for granting of awarded shares was not right in 2022.

The New Share Award Scheme shall be subject to the administration of the Board in accordance with the rules of the New Share Award Scheme and, unlike the Old Share Award Scheme, the Company does not hold any awarded shares pending the vesting date so no trustee has been appointed in respect of the New Share Award Scheme's administration.

### 4.3. (Loss)/profit per share

#### 4.3.1. 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
<b>(Loss)/profit attributable to shareholders of the Company (HK\$ million)</b>	<b>(664)</b>	<b>381</b>
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
<b>Basic (loss)/profit per share (HK\$ per share)</b>	<b>(0.23)</b>	<b>0.15</b>

#### 4.3.2. 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
<b>(Loss)/profit attributable to shareholders of the Company (HK\$ million)</b>	<b>(664)</b>	<b>381</b>
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
<b>Diluted (loss)/profit per share (HK\$ per share)</b>	<b>(0.23)</b>	<b>0.15</b>

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.

### 4.4. Auditor's remuneration

HK\$ million	For the year ended 31 December 2022	For the year ended 31 December 2021
<b>Nature of the services</b>		
Audit services	16	21
Non-audit services	5	5
<b>Auditor's remuneration total</b>	<b>21</b>	<b>26</b>

## 5. UNRECOGNIZED ITEMS

### 5.1. Commitments

HK\$ million	As at 31 December 2022	As at 31 December 2021
<b>Intangible assets</b>		
Contracted but not provided for	4	-

Note: Committed borrowing to joint venture is contracted but not provided for and is disclosed in note 2.6.5.

### 5.2. Events occurring after the reporting period

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 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 report, 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.

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 6.1. Principles of consolidation

#### 6.1.1. Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. When a business combination is achieved in stages, the Group remeasures its previously held interest in the acquiree at its fair value at the date when control is obtained, with any resulting gain or loss recognized in the statement of profit or loss.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously held equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the statement of profit or loss.

Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

#### 6.1.2. Separate financial Statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable. In addition, the contribution to the Company's Share Award Scheme Trust, a controlled entity, is stated at cost in "Contribution to Share Award Scheme Trust" first, and then will be transferred to the "Shares held for Share Award Scheme" under equity when the contribution is used for the acquisition for the shares of the Company.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiaries in the year the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

#### 6.1.3. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, have been identified as the executive directors that make strategic decisions.

#### 6.1.4. Interest in at equity interests in associates

Interests in equity-accounted investees are part of non-controlling interests ("associates"). Associates are all entities over which the Group has significant influence but not control. This is generally the case where the Group holds between 20% and 50% of the voting rights, but also in those cases where the major shareholder lost control (e.g. due to insolvency proceedings).

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 6.1. Principles of consolidation (Continued)

#### 6.1.4. Interest in at equity interests in associates (Continued)

Interests in associates are accounted for using the equity method. They are initially recognized at cost. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

#### 6.1.5. Foreign currency translation Functional and presentation currency

The consolidated financial statements are presented in Hong Kong Dollar (HK\$), which is Group's presentation currency.

#### Transactions and balances

Foreign currency transactions are translated into the presentation currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at 6 months end exchange rates, are generally recognized in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other operating costs.

#### 6.1.6. Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated automatically in the system with the closing rate at the date of that balance sheet,

- income and expenses for each statement of profit or loss and statement of comprehensive income are translated automatically in the system at monthly average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognized in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale. When an inter-company loan balance which forms part of the net investment in a foreign entity is repaid, such exchange differences are transferred to the statement of profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate. Exchange differences arising are recognized in equity.

### 6.2. Rounding of amounts

All amounts disclosed in the financial statements and notes have been rounded off to the nearest million currency units unless otherwise stated.

### 6.3. Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services, net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group. Goods and services are transferred to customers at a point in time. Revenue is recognized as follows:

#### 6.3.1. Sales of goods – wholesale

Sales of goods are recognized on the transfer of control of a product to the customer, which generally coincides with the time when the goods are delivered to the customer and title has been passed that the customer has the ability to direct the use of and obtain the benefit of the product.

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 6.3. Revenue recognition (Continued)

#### 6.3.2. Sales of goods – retail including e-shop

Sales of goods are recognized on sale of a product transferred to the customer in store or upon delivery. Retail sales are mainly paid by cash or by credit card.

Payment of the transaction price is due immediately when the customer purchases the products and takes delivery in store. It is the Group's policy to sell its products to the end customer with a right of return. Therefore, a refund liability (included in creditors and accrued charges) and a right to the returned goods (included in current debtors, deposits and prepayments) are recognized for the products expected to be returned. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method). Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognized will not occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.

#### 6.3.3. Customers loyalty program

The Group runs customer loyalty programs which award credit points upon sales of products to the loyal customers who have joined the programs. Portion of the consideration received from the sale of products is allocated to the credit points. Revenue of this portion of the consideration is deferred and will be recognized when the points are redeemed, expired or forfeited.

#### 6.3.4. Licensing income

Licensing income is recognized on an accrual basis in accordance with the substance of the relevant agreements.

### 6.4. Interest income

Interest income is recognized on a time proportion basis using the effective interest method.

### 6.5. Income Tax

The income tax expense or income for the year is the tax payable on the current year's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by deferred tax income or expenses resulting from changes in deferred tax assets and liabilities attributable from temporary differences and from unused tax losses.

The **current income tax charge** is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It accounts for liabilities, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

**Deferred tax expense** is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred tax expense is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred tax income and expense are determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

The **deferred tax liability** in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

**Deferred tax assets** are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

**Deferred tax liabilities** and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 6.5. Income Tax (Continued)

**Deferred tax assets** and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

**Current and deferred tax income or expense** is recognized in statement of profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

### 6.6. Impairment

#### 6.6.1. Impairment of receivables

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost and fair value through other comprehensive income (FVTOCI). The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Furthermore, the Group assessed at the end of each reporting period whether there was objective evidence that the Group will not be able to collect all the amounts due according to the original terms of receivables. A provision for impairment of trade receivables is established when the impact on the estimated future cash flows of the financial asset could be reliably estimated.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables, see note 2.7.2 for further details.

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are estimated based on the present value of the cash shortfalls between the cash flow receivable in accordance with the terms of the contract and the cash flow expected to receive. In measuring the expected credit losses, the Group takes into account reasonable and supportable

information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

For all other financial assets measured at amortized cost and at FVTOCI, the Group recognizes a loss allowance equal to twelve month expected credit loss unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime expected credit losses.

When there is a significant increase in credit risk or the proceeds receivables are not settled in accordance with the terms stipulated in the agreements, management consider these receivables as underperforming or non-performing and impairment is measured as lifetime expected credit loss.

#### 6.6.2. Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

For the purposes of assessing impairment, assets other than goodwill are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGUs")). Goodwill is allocated to CGUs for the purposes of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 6.6. Impairment (Continued)

#### 6.6.2. Impairment of non-financial assets (Continued)

An impairment loss recognized in prior years for an asset other than goodwill is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets' carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognized. Any goodwill impairment is recognized immediately as an expense and is not subsequently reversed.

### 6.7. Intangible assets

#### 6.7.1. Goodwill

Goodwill represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously held equity interest in the acquiree over the fair value of the identifiable net assets acquired. Goodwill on acquisitions of subsidiaries is included in intangible assets.

Goodwill included in intangible assets is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (note 2.1).

#### 6.7.2. Trademarks and licenses

Separately acquired trademarks and licenses are shown at historical cost. Trademarks with indefinite useful lives are carried at cost less accumulated impairment losses, if any. They are not amortized but are tested for impairment (note 2.6.1).

#### 6.7.3. Software

Software is stated at cost less any impairment losses and is amortized on the straight-line basis over the shorter of the estimated economic life.

#### 6.7.4. Customer relationships

Customer relationships acquired in a business combination are recognized at fair value at the acquisition date. The customer relationships have an expected life of 2 years and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over the expected life of the customer relationships.

### 6.8. Leases, right-of-use assets

#### Group as lessee

The Group leases various offices, warehouses, retail stores, equipment and motor vehicles. Rental contracts are typically made for fixed periods, but may have extension options as described below.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the Group, as a lessor. Leased assets may not be used as security for borrowing purposes.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 6.8. Leases, right-of-use assets (Continued)

#### Group as lessee (Continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each year.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

#### Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximize operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. If there is a significant event or significant changes in circumstances within its control the Group also reassesses whether it is reasonably certain to exercise the option.

#### Group as lessor

The Group sub-leases stores and has classified the sub-leases as operating leases. Amounts are shown under other non-current assets as well as other receivables.

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 6.9. Property, plant and equipment

Property, plant and equipment, other than freehold land, are stated at historical cost less accumulated depreciation and accumulated impairment losses (if any). Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to the statement of profit or loss during the reporting period in which they are incurred.

The depreciation methods and periods used by the Group are the following:

■ The principal annual rates are	
Buildings	3.3% – 5.0%
Plant and machinery	30.0%
Furniture and office equipment	10.0% – 33.3%
Motor vehicles	25.0% – 30.0%

- Freehold land is not depreciated. Leasehold land and leasehold improvements are depreciated over the initial lease terms. Fixtures are depreciated over the shorter of five years and their estimated useful lives on a straight-line basis. Depreciation on other assets is calculated using the straight-line method to write down their cost to their residual values over their estimated useful lives.
- No depreciation is provided for construction in progress until it is completed and ready for use.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 3.1.5).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in statement of profit or loss.

### 6.10. Investment properties

Investment properties are interests in land and buildings which are held for long term and/or for capital appreciation. Such properties are carried in the balance sheet at their fair values. Changes in fair values of investment properties are recognized directly in the statement of profit or loss in the reporting period in which they arise.

### 6.11. Investments and other financial assets

#### 6.11.1. Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVTOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

#### 6.11.2. Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade date, being the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 6.11. Investments and other financial assets (Continued)

#### 6.11.3. Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

#### Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortized cost:** Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other operating costs together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- **FVTOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other operating costs. Interest income from these financial assets is included in finance income using the

effective interest rate method. Foreign exchange gains and losses are presented in other operating costs and impairment expenses are presented as separate line item in the statement of profit or loss.

- **FVTPL:** Assets that do not meet the criteria for amortized cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognized in profit or loss and presented net within other operating costs in the reporting period in which it arises.

#### Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognized in other operating costs in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

### 6.12. Inventories

Inventories are stated at the lower of cost and net realizable value with cost being determined on a weighted average basis. Cost comprises the direct costs of merchandise, charges that have been incurred in bringing inventories to their current location and condition and the transfer from equity of any gains or losses on qualifying cash flow hedges relating to purchase of inventories. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

### 6.13. Trade receivables

Receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. If collection of receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are classified as non-current assets.

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 6.13. Trade receivables (Continued)

For trade receivables, the Group applies the simplified approach permitted under IFRS 9 which requires expected lifetime losses to be recognized from initial recognition of the receivables. Expected credit losses are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast economic conditions at the reporting date. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered for the estimation of the expected credit losses. Expected credit losses are remeasured at each reporting date to reflect changes in the financial asset's credit risk. Any change in the expected credit loss amount is recognized as an impairment loss or reversal of impairment loss in the statement of profit or loss, with corresponding adjustment to the carrying amount through a loss allowance account. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flow, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of provision is recognized in the statement of profit or loss. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to the statement of profit or loss.

Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due. Impairment losses on trade receivables are presented as net impairment losses within operating profit or loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

### 6.14. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

### 6.15. Trade creditors

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured. Invoices are issued on a monthly basis and are usually payable within 30 days. Trade and other payables are presented as current liabilities unless payment is not due within twelve months after the reporting period. Payables denominated in foreign currencies are translated at the year-end exchange rates. The resulting gains or losses are recorded in the consolidated statement of profit or loss, with the exception of the gains or losses resulting from the translation of inter-company long-term loans. The impacts of translation of these items have been reflected in other comprehensive income. They are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

### 6.16. Provisions

Provisions for legal claims, reinstatements and make good obligations are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 6.16. Provisions (Continued)

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

A provision for restructuring is recognized when the Group has approved a detailed and formal restructuring plan and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

### 6.17. Fair value estimation

IFRS 7 requires disclosure for financial instruments that are measured at fair value by level of the following fair value measurement hierarchy:

Level 1	Level 2	Level 3
quoted prices (unadjusted) in active markets for identical assets or liabilities.	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).	inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of financial instruments traded in active markets is based on quoted market prices at the date of the balance sheet. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

### 6.18. Financial guarantee contracts

A financial guarantee contract is a contract that requires the Company to make specified payments to reimburse the holder for a loss. It incurs because a specified debtor fails to make payments when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are initially recognized at fair value on the date the guarantee was given. Subsequently, the liabilities under such guarantees are measured at the higher of the best estimate of the expenditure required to settle any financial obligation arising at the date of the balance sheet and the initial measurement. These estimates are determined based on debtors' payment history, supplemented by the judgment of management of the Group.

### 6.19. Employee benefits

#### 6.19.1. Pension obligations

The Group principally participates in defined contribution plans and pays contributions to publicly or privately administered pension plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due and if applicable, are reduced by contributions forfeited by those employees who leave the scheme or the plan prior to vesting fully in the contributions.

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 6.19. Employee benefits (Continued)

#### 6.19.1. Pension obligations (Continued)

The Group also participates in defined benefit pension plan in a country in Europe. The asset or liability recognized in the balance sheet in respect of the defined benefit pension plan is the present value of the defined benefit obligations at the end of the reporting period less the fair value of plan assets. The defined benefit obligations are calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligations is determined by discounting the estimated future cash outflows using interest rates of government bonds and high-quality corporate bonds.

The current service cost of the defined benefit plan, recognized in the statement of profit or loss in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligations results from employee service in the current year, benefit changes, curtailments and settlements.

Past-service costs are recognized immediately in the statement of profit or loss. Changes in the present value of the defined benefit obligations resulting from plan amendments or curtailments are recognized immediately in the statement of profit or loss as past service costs.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligations and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit or loss.

Remeasurement arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the reporting period in which they arise.

#### 6.19.2. Share options

The Group operates an equity-settled, share-based compensation plan to grant share options to directors, employees and consultants of the Group in exchange for their services provided to the Group. The cost of equity-settled transactions with directors, employees and consultants is measured by reference to the fair

value at the date at which they are granted. The fair value of the share options granted is recognized as an expense over the relevant period of the service (the vesting period of the share options). The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of share options that are expected to be vested. The Group recognizes the impact of the revision of original estimates, if any, in the statement of profit or loss, and a corresponding adjustment to equity.

When the share options are exercised, the proceeds received net of any directly attributable transactions cost are credited to share capital and share premium.

The grant of share options by the Company over its equity instruments to the employees of subsidiaries is treated as a capital contribution. The fair value of employee services received, measured by reference to the fair value at the date of grant, is recognized over the vesting period as an increase to investment in subsidiaries with a corresponding credit to equity.

#### 6.19.3. Awarded shares

The Group operates an equity-settled, share-based compensation plan to grant awarded shares to directors and employees of the Group in exchange for their services provided to the Group. The cost of equity-settled transactions with directors and employees is measured by reference to the fair value at the date at which they are granted. The fair value of the awarded shares granted is recognized as an expense over the relevant period of the service (the vesting period of awarded shares). The total amount to be expensed over the vesting period is determined by reference to the fair value of the awarded shares granted; excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of awarded shares that are expected to be vested. The Group recognizes the impact of the revision of original estimates, if any, in the statement of profit or loss, and a corresponding adjustment to equity. The consideration paid by the Company through the Share Award Scheme trustee for purchasing the Company's shares from the market, including any directly attributable incremental cost, is presented as "Shares held for Share Award Scheme" and the amount is deducted from total equity.

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 6.19. Employee benefits (Continued)

#### 6.19.3. Awarded shares (Continued)

When the Share Award Scheme trustee transfers the Company's shares to the awardees upon vesting, the related costs of the awarded shares vested are credited to "Shares held for Share Award Scheme", with a corresponding adjustment to equity.

The grant of awarded shares by the Company over its equity instruments to the employees of subsidiaries is treated as a capital contribution. The fair value of employee services received, measured by reference to the fair value at the date of grant, is recognized over the vesting period as an increase to investment in subsidiaries with a corresponding credit to equity.

#### 6.19.4. Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the date of the balance sheet.

#### 6.19.5. Bonus plans

The Group recognizes a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

### 6.20. Dividends

Dividend distributions to the Company's shareholders are recognized as a liability in the Group's and the Company's financial statements in the reporting period in which the dividends are approved by the Company's shareholders.

### 6.21. Share Capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or share options are shown in equity as a deduction, net of tax, from the proceeds.

### 6.22. Loss/profit per share

#### 6.22.1. Basic loss/profit per share

Basic loss/profit per share is calculated by dividing:

- the loss/profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares (note 4.3).

#### 6.22.2. Diluted loss/profit per share

Diluted loss/profit per share adjusts the figures used in the determination of basic loss/profit per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

### 6.23. Government Grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

## 7. PRINCIPAL SUBSIDIARIES

The following are the principal subsidiaries as at 31 December 2022 which, in the opinion of the Directors, principally affect the results and net operating assets of the Group. To give details of other subsidiaries would in the opinion of the Directors result in particulars of excessive length. None of the subsidiaries had issued any debt securities at the end of the year.

Place of incorporation/ operation	Name of subsidiary	Attributable equity interest to the Group (note a)	Currency	Issued and fully paid share capital/ registered capital (note b)	Principal activities
Austria	Esprit Handelsgesellschaft mbH	100%	EUR	100,000	Wholesale and retail distribution of apparel and accessories
Belgium	Esprit Belgie Retail N.V.	100%	EUR	960,313	Retail distribution of apparel and accessories
Belgium	Esprit Belgie Wholesale N.V.	100%	EUR	100,000	Wholesale distribution of apparel and accessories
British Virgin Islands/ Hong Kong	Esprit Global Limited	100%	USD	500	Investment holding
British Virgin Islands/ Hong Kong	Esprit IP Limited	100%	USD	1	Holding and licensing of trademarks
British Virgin Islands/ Hong Kong	Esprit Assets Limited	100%	USD	1	Financial services
British Virgin Islands	Esprit China Distribution Limited	100%	USD	100	Investment holding
British Virgin Islands	Esprit EILP Limited	100%	USD	1	General partner of Esprit International, a California Limited Partnership
The People's Republic of China (note c)	思環貿易(上海)有限公司	100%	USD	35,000,000	Wholesale, retail, and e-commerce distribution of apparel and accessories
The People's Republic of China (note c)	創和捷商貿(北京)有限公司	100%	USD	5,000,000	Retail distribution of apparel and accessories
The People's Republic of China (note c)	普思埃商業(上海)有限公司	100%	USD	7,900,000	Retail distribution of apparel and accessories
Denmark	Esprit de Corp. Danmark A/S	100%	DKK	12,000,000	Wholesale and retail distribution of apparel and accessories
France	Esprit de Corp. France SAS	100%	EUR	5,201,760	Wholesale and retail distribution of apparel and accessories
Germany	Esprit Europe GmbH	100%	EUR	5,112,919	Management and control function; render of services to Esprit Group
Germany	Esprit Retail B.V. & Co. KG (limited partnership)	100%	EUR	5,000,000	Retail and e-commerce distribution of apparel and accessories
Germany	Esprit Wholesale GmbH	100%	EUR	5,000,000	Wholesale distribution of apparel and accessories
Germany	Esprit Europe Services GmbH	100%	EUR	2,700,000	Sourcing, purchase and sale of merchandise, distribution of merchandise and other logistic functions, including customs dealing and quality control; holding and licensing of trademarks; and treasury services to European group subsidiaries
Germany	Esprit Design & Product Development GmbH	100%	EUR	100,000	Provision of services to the worldwide Esprit Group in relation to the development of designs, styles and prototypes for the sales line of ESPRIT products
Germany	Esprit Card Services GmbH	100%	EUR	25,000	Issuance, accounting of and service in connection with Gift Card, as provided to certain European group subsidiaries and distribution partners in Europe

## 7. PRINCIPAL SUBSIDIARIES (CONTINUED)

Place of incorporation/operation	Name of subsidiary	Attributable equity interest to the Group (note a)	Currency	Issued and fully paid share capital/registered capital (note b)	Principal activities
Germany	Esprit Global Image GmbH	100%	EUR	25,000	Design and image directions; conceptualization and development of global uniform image; conceptualization and development of global image direction within product development
Hong Kong	Esprit Retail (Hong Kong) Limited	100%	HK\$	10,000	Retail distribution of apparel and accessories
Hong Kong	Esprit Regional Distribution Limited	100%	HK\$	10,000	Wholesale and e-commerce distribution of apparel and accessories and provision of services
Hong Kong	Esprit de Corp (Far East) Limited	100%	HK\$	1,200,000	Sourcing of apparel and accessories
Hong Kong	Million Success Resources Limited	100%	HK\$	2	Provision of the services to Esprit Group
Republic of Ireland	Esprit Ireland Distribution Ltd.	100%	EUR	100,000	Wholesale distribution of apparel and accessories
Italy	Esprit Italy Distribution S.R.L.	100%	EUR	12,750	Wholesale distribution of apparel and accessories
Luxembourg	Esprit Luxembourg S.à r.l.	100%	EUR	250,000	Retail distribution of apparel and accessories
Malaysia	Esprit de Corp (Malaysia) Sdn. Bhd.	100%	MYR	5,000,000	Retail distribution of apparel and accessories
The Netherlands	Esprit Europe Holdings B.V.	100%	EUR	30,000,000	Investment holding
The Netherlands	Esprit Europe B.V.	100%	EUR	1,500,000	Investment holding, wholesale and retail distribution of apparel and accessories, and licensing of trademarks
The Netherlands	Esprit Nederland B.V.	100%	EUR	250,000	Investment holding
The Netherlands	Esprit (Holdings II) B.V.	100%	EUR	414,000	Investment holding
Norway	Esprit AS	100%	NOK	30,001	Wholesale distribution of apparel and accessories
Poland	Esprit Poland Retail Sp. z o.o.	100%	PLN	5,147,200	Retail distribution of apparel and accessories
Singapore	Esprit Retail Pte Ltd	100%	SGD	3,000,000	Retail distribution of apparel and accessories
South Korea	Esprit Seoul Limited	100%	KRW	100,000,000	Retail and e-commerce distribution of apparel and accessories
Spain	Esprit de Corp (Spain) S.L.	100%	EUR	10,000	Wholesale distribution of apparel and accessories
Sweden	Esprit Sweden AB	100%	SEK	500,000	Wholesale and retail distribution of apparel and accessories
Switzerland	Esprit Switzerland Retail AG	100%	CHF	500,000	Retail distribution of apparel and accessories
Switzerland	Esprit Switzerland Distribution AG	100%	CHF	100,000	Wholesale distribution of apparel and accessories
United Kingdom	Esprit GB Limited	100%	GBP	1	Wholesale distribution of apparel and accessories
United States	Esprit International, a California Limited Partnership	100%	N/A	N/A	Holding and licensing of trademarks
United States	Esprit International (GP), Inc.	100%	USD	1,000	General partner of Esprit International, a California Limited Partnership
United States	Esprit US Retail Inc.	100%	USD	1	Retail and e-commerce distribution of apparel and accessories
United States	Esprit US Distributions Limited	100%	USD	1	Wholesale distribution of apparel and accessories and provision of services

note a): All subsidiaries were held indirectly by the Company (Esprit Holdings Limited), except Esprit Global Limited.

note b): All are ordinary share capital unless otherwise stated.

note c): Wholly foreign owned enterprise.

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**Ten-year Financial Summary**



## BALANCE SHEET

HK\$ million	As at 31 December 2022	As at 31 December 2021	As at 31 December 2020	As at 30 June 2020
<b>Non-current assets</b>				
Intangible assets	1,595	1,727	1,878	1,641
Property, plant and equipment	317	368	509	530
Right-of-use assets	1,630	2,033	2,262	2,206
Investment properties	-	-	-	-
Financial assets at fair value through profit or loss	3	4	11	10
Interest in joint venture	2	-	-	-
Other investments	-	-	-	-
Debtors, deposits and prepayments	365	416	392	345
Deferred tax assets	62	42	51	32
<b>Net current assets</b>	<b>2,231</b>	<b>3,009</b>	<b>1,623</b>	<b>712</b>
<b>Total assets less current liabilities</b>	<b>6,205</b>	<b>7,599</b>	<b>6,726</b>	<b>5,476</b>
<b>Equity</b>				
Share capital	283	283	189	189
Reserves	3,952	4,834	4,050	2,581
<b>Total equity</b>	<b>4,235</b>	<b>5,117</b>	<b>4,239</b>	<b>2,770</b>
<b>Non-current liabilities</b>				
Bank loans	-	-	9	8
Lease liabilities	1,578	2,066	2,010	2,467
Retirement defined benefit obligations	5	18	31	26
Deferred tax liabilities	387	398	437	205
<b>Total non-current liabilities</b>	<b>1,970</b>	<b>2,482</b>	<b>2,487</b>	<b>2,706</b>
<b>Total equity and non-current liabilities</b>	<b>6,205</b>	<b>7,599</b>	<b>6,726</b>	<b>5,476</b>

Notes:

- On 28 December 2020, the Board announced that the financial year end date of the Company has been changed from 30 June to 31 December commencing from the financial period ended 31 December 2020 in order to align its financial year end date with that of other global fashion brands and companies and to symbolize a new beginning of the Company, subsequent to the termination of the Protective Shield Proceedings of its six German subsidiaries.
- The Group adopted IFRS 16 with effect from 1 July 2019 and has changes its accounting policies in relation to lease liabilities. Under the transition methods chosen, the Group recognizes the cumulative effect of the initial application of IFRS 16 as an adjustment to the opening balance at equity at 1 July 2019. Comparative information in years earlier than 2020 is not restated and in accordance with the policies applicable in those years.
- The Group adopted IFRS 9 and IFRS 15 with effect from 1 July 2018 and has changed its accounting policies in relation to financial instruments and revenue recognition. Under the transition methods chosen, the Group recognizes the cumulative effect of the initial application of IFRS 9 and IFRS 15 as an adjustment to the opening balance of equity at 1 July 2018. Comparative information in years earlier than 2019 is not restated and in accordance with the policies applicable in those years.

	As at 30 June 2019	As at 30 June 2018	As at 30 June 2017	As at 30 June 2016	As at 30 June 2015	As at 30 June 2014
	2,050	2,063	2,851	2,902	3,031	5,670
	1,128	1,571	1,900	2,159	2,835	3,972
	-	-	-	-	-	-
	27	24	23	19	17	16
	12	-	-	-	-	-
	-	-	-	-	-	-
	-	7	7	7	7	7
	120	140	174	220	240	312
	559	524	822	745	649	615
	<b>3,101</b>	<b>5,005</b>	<b>6,091</b>	<b>5,829</b>	<b>5,718</b>	<b>6,979</b>
	<b>6,997</b>	<b>9,334</b>	<b>11,868</b>	<b>11,881</b>	<b>12,497</b>	<b>17,571</b>
	189	189	194	194	194	194
	6,524	8,837	11,349	11,203	11,704	16,717
	<b>6,713</b>	<b>9,026</b>	<b>11,543</b>	<b>11,397</b>	<b>11,898</b>	<b>16,911</b>
	-	-	-	-	-	-
	-	-	-	-	-	-
	31	26	-	-	-	-
	253	282	325	484	599	660
	<b>284</b>	<b>308</b>	<b>325</b>	<b>484</b>	<b>599</b>	<b>660</b>
	<b>6,997</b>	<b>9,334</b>	<b>11,868</b>	<b>11,881</b>	<b>12,497</b>	<b>17,571</b>

## STATEMENT OF PROFIT OR LOSS

HK\$ million	For the year ended 31 December 2022	For the year ended 31 December 2021	For the six months ended 31 December 2020	For the year ended 30 June 2020
Revenue	7,063	8,316	886	9,874
Operating (loss)/profit	(642)	416	(2,253)	(3,447)
Share of losses from joint venture	(1)	-	-	-
Share of results from associates	-	-	1,939	-
Loss on remeasurement	-	-	(69)	-
Interest income	5	2	2	54
Finance costs	(45)	(32)	(15)	(100)
<b>(Loss)/profit before taxation</b>	<b>(683)</b>	<b>386</b>	<b>(396)</b>	<b>(3,493)</b>
Taxation credit/(charge)	19	(5)	(18)	(499)
<b>(Loss)/profit attributable to shareholders of the Company</b>	<b>(664)</b>	<b>381</b>	<b>(414)</b>	<b>(3,992)</b>

Notes:

- On 28 December 2020, the Board announced that the financial year end date of the Company has been changed from 30 June to 31 December commencing from the financial period ended 31 December 2020 in order to align its financial year end date with that of other global fashion brands and companies and to symbolize a new beginning of the Company, subsequent to the termination of the Protective Shield Proceedings of its six German subsidiaries.

	For the year ended 30 June 2019	For the year ended 30 June 2018	For the year ended 30 June 2017	For the year ended 30 June 2016	For the year ended 30 June 2015	For the year ended 30 June 2014
	12,932	15,455	15,942	17,788	19,421	24,227
	(2,080)	(2,253)	(102)	(596)	(3,683)	361
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	49	58	44	40	45	55
	(35)	(31)	(48)	(29)	(29)	(37)
	<b>(2,066)</b>	<b>(2,226)</b>	<b>(106)</b>	<b>(585)</b>	<b>(3,667)</b>	<b>379</b>
	(78)	(328)	173	606	(29)	(169)
	<b>(2,144)</b>	<b>(2,554)</b>	<b>67</b>	<b>21</b>	<b>(3,696)</b>	<b>210</b>

# 6

## Glossary of Terms



# Glossary of Terms

## A

### ADR

American Depositary Receipt

### AGM

Annual General Meeting

## B

### Board

The Board of Directors

## C

### CAPEX

Capital expenditure

### CG Code

The Corporate Governance Code as set out in Appendix 14 of the Listing Rules

### CGUs

Cash-generating units

### Company or ESPRIT

Esprit Holdings Limited

### Constant Exchange Rate

Exchange rate for the Corresponding Period

### Corresponding Year

The year ended 31 December 2021

### Cover Ratio Before Provision

The amount of insured and guaranteed gross trade debtors including value-added tax over total gross trade debtors including value-added tax

## E

### E-shop

Online store

### ESG

Environmental, Social and Governance

## F

### FTE

Full time equivalent staff

### FVTOCI

Fair Value through other comprehensive income

### FVTPL

Fair value through profit or loss

### FX

Foreign exchange

## G

### Group

Esprit Holdings Limited and its subsidiaries

## H

### HKCO

Hong Kong Companies Ordinance

## I

### IAS

International Accounting Standards

### IASB

International Accounting Standards Board

### IESBA Code

International Ethics Standards Board of Accountants

### IFRS

International Financial Reporting Standards

### Inventory Turnover Days

Calculated as average inventory (excluding consumables) over average daily cost of goods sold

### ISAs

International Standards on Auditing

## L

### Listing Rules

The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited

## M

### Management

The management team of the Group

### Model Code

The Model Code for Securities Transaction by Directors of Listed Issuers

## N

### **New Share Award Scheme**

Employees' share award scheme of the Company adopted on 6 July 2021

## O

### **OCI**

Other comprehensive income

### **Old Share Award Scheme**

Employees' share award scheme of the Company adopted on 17 March 2016

## P

### **Pandemic**

COVID-19 pandemic

### **Prospectus**

Prospectus of the Company dated 26 March 2021 in relation to the Rights Issue

### **Protective Shield Proceedings**

Protective Shield Proceedings, a restructuring proceeding in self-administration, applied by the six German subsidiaries

## R

### **Rights Issue**

Rights issue on the basis of one rights share for every two Shares in issue at a subscription price of HK\$0.75 per rights share that was undertaken by the Company and completed on 20 April 2021, details of which are set out in the Company's announcements dated 27 January 2021, 2 March 2021 and 20 April 2021 and the Prospectus

## S

### **Selected Employees**

Any employees of the Company selected by the Board for participation in the Share Award Scheme

### **SFO**

The Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)

### **Share Award Schemes**

The Old Share Award Scheme and the New Share Award Scheme

### **Share(s)**

Ordinary share(s) in the share capital of the Company with a par value of HK\$0.1 each

### **Share Option Schemes**

The 2009 Share Option Scheme and the 2018 Share Option Scheme

### **Stock Exchange**

The Stock Exchange of Hong Kong Limited

### **The Year**

The year ended 31 December 2022

### **2009 Share Option Scheme**

Share option scheme of the Company adopted at an annual general meeting of the Company held on 10 December 2009 and terminated on 5 December 2018

### **2018 Share Option Scheme**

Share option scheme of the Company adopted at an annual general meeting of the Company held on 5 December 2018 and refreshed at a special general meeting of the Company held on 6 July 2021

ESPRIT

