

ESPRIT

2024 中期報告

截至二零二四年六月三十日止六個月

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

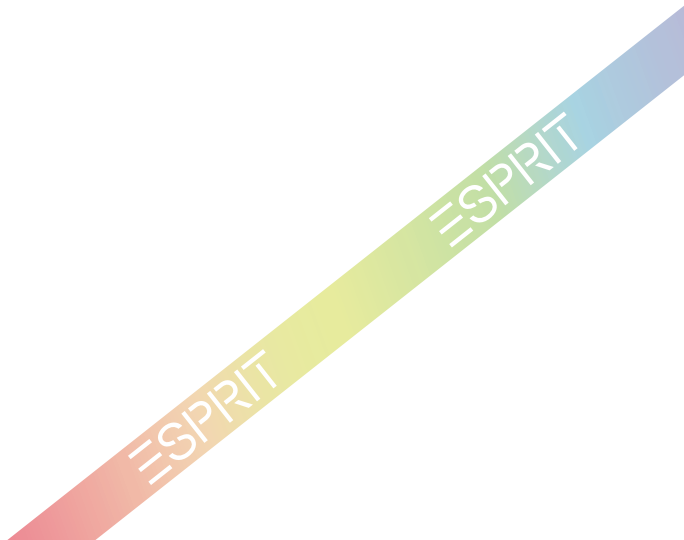
2024 Interim Report

For Six Months Ended 30 June 2024

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. STRIPPOLI Anthony Nicola (Chief Operating Officer, Americas)
- 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

- Mr. NGAI Wai Kin (appointed with effect from 11 September 2024)
- Ms. WONG Natasha Chi Yan (resigned with effect from 11 September 2024)

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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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



Contents

Management Discussion and Analysis	2
Financial Section	
Interim Financial Information	9
Notes to the Condensed Consolidated Interim Financial Information	14
Other Information	30
Glossary of Terms	35

Management Discussion and Analysis

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

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

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

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

While the Company currently ceased most of its retail, wholesale and E-commerce operations, it remains committed to maintaining Esprit's global brand presence and is dedicated to retaining and enhancing Esprit's brand equity, which is recognized as the Company's most valuable asset. The Company's strategy going forward is to prioritize the expansion of its licensing operations and to transform itself into an intellectual property ("IP") management company. The Company is currently in active discussions with various potential strategic partners to develop licensing opportunities for Esprit's IP. By carefully selecting the right licensing partners and leveraging the advantages of the licensing model, the Company aims to maximize the monetization of Esprit's global brand in a sustainable manner.

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

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

BUSINESS OVERVIEW

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

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

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

REVENUE ANALYSIS

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

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

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

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

GROSS PROFIT MARGIN

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

OPERATING EXPENSES

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

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

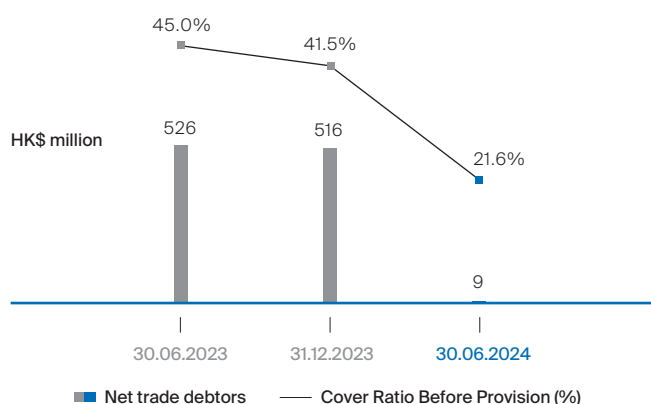
WORKING CAPITAL MANAGEMENT

Inventories

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

Net Trade Debtors

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



Trade Creditors

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



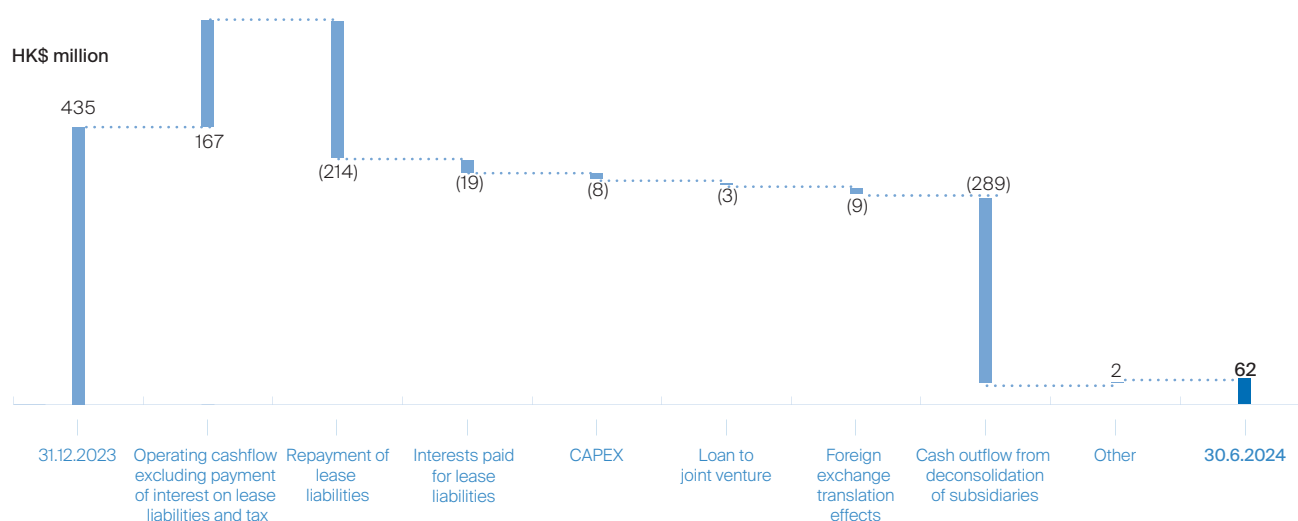
LIQUIDITY AND FINANCIAL RESOURCES ANALYSIS

Net Cash

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

- operating performance of the business resulted in a net cash inflow of HK\$167 million, excluding payment of interest on lease liabilities and tax;
- repayment of lease liabilities of HK\$214 million and interest paid for lease liabilities of HK\$19 million resulted in a total cash outflow of HK\$233 million;
- further decrease in cash position occurred through capital expenditures (the "CAPEX") of HK\$8 million;
- a loan to a joint venture amounted to HK\$3 million;
- foreign exchange translation effects which resulted in a cash outflow of HK\$9 million; and
- deconsolidation of subsidiaries resulted in HK\$289 million cash outflow.

Cash Flow Bridge for the Six Months Ended 30 June 2024



Total Interest-Bearing External Borrowings and Gearing Ratio

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

Significant Investment and Material Acquisitions and Disposals

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

Charges on Group Assets and Contingent Liabilities

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

NUMBER OF EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2024, the Group employed approximately 538 full time equivalent staff ("FTE") (30 June 2023: approximately 2,250 FTE). Competitive remuneration packages that consider business performance, market practices and competitive market conditions are offered to employees in compensation for their contribution. All employees of the Group around the world are connected through the Group's global intranet.

INTERIM DIVIDEND

As the Group recorded a net loss for the Period, the Board has resolved not to declare an interim dividend for the Period. The Board will constantly monitor and review the situation in the coming future.

IMPORTANT EVENTS AFTER THE END OF THE PERIOD

Insolvency Filing by a Dutch Subsidiary

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

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

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

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

Creditors’ Voluntary Winding-Up of Hong Kong Subsidiaries

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

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

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

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

OUTLOOK

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

Licensing Revenue and Growth Potential

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

Key Advantages of the Licensing Model

1. **Capital Efficiency:** Licensing allows the Company to leverage its brand without the substantial capital expenditure required for manufacturing, distribution, and retail operations. This results in a more asset-light and scalable business model.
2. **Stable Revenue Streams:** Licensing generates more predictable royalty income, which is better insulated from the volatility of demand fluctuations. This is in contrast to the greatly fluctuating profits associated with retail and wholesale operations.
3. **Operational Efficiency:** By transferring production, distribution, and inventory management to licensees, the Company can focus its resources on strategic IP management and brand marketing.
4. **Diversification:** The Company can strategically partner with regional players in different geographic regions and product categories. By leveraging the local market knowledge and specialized expertise of these partners, this approach can enhance market penetration and drive revenue growth. It also reduces reliance on a single global licensee or operator.

Ongoing Partnership Discussions

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

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

INTERIM FINANCIAL INFORMATION

The board of directors (the “Board”) of Esprit Holdings Limited (the “Company”) announces the unaudited condensed consolidated interim financial information, along with selected explanatory notes, of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2024 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

HK\$ million	Notes	Unaudited for the six months ended 30 June 2024	Unaudited for the six months ended 30 June 2023
Revenue	2	1,557	3,025
Cost of purchases		(905)	(1,673)
Gross profit		652	1,352
Staff costs		(533)	(632)
Occupancy costs		(113)	(158)
Logistics expenses		(162)	(241)
Marketing and advertising expenses		(72)	(242)
Depreciation of property, plant and equipment	11	(34)	(58)
Depreciation of right-of-use assets	10	(161)	(277)
Provision for inventories, net		(1,053)	(37)
Provision for impairment of trade debtors, net	14	(308)	(10)
Impairment loss on trademarks		(534)	-
Impairment loss on property, plant and equipment	11	(134)	-
Impairment loss on right-of-use assets	10	(1,053)	(5)
Gain on deconsolidation		3,651	-
Net foreign exchange translation (losses)/gains		(47)	9
Other operating costs		(184)	(404)
Operating loss	3	(85)	(703)
Share of losses from a joint venture	12	-	(1)
Interest income	4	1	9
Finance costs	5	(22)	(23)
Loss before taxation		(106)	(718)
Taxation	6	50	4
Loss attributable to shareholders of the Company		(56)	(714)
Loss per share			
- Basic and diluted	8	HK\$(0.020)	HK\$ (0.252)

The notes on pages 14 to 29 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

The notes on pages 14 to 29 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED BALANCE SHEET

HK\$ million	Notes	Unaudited As at 30 June 2024	Audited As at 31 December 2023
Non-current assets			
Intangible assets	9	361	1,296
Property, plant and equipment	11	3	177
Right-of-use assets	10	107	1,280
Financial assets at fair value through profit or loss		2	3
Interest in a joint venture	12	50	47
Debtors, deposits and prepayments		20	344
Deferred tax assets		-	27
		543	3,174
Current assets			
Inventories	13	8	1,301
Debtors, deposits and prepayments	14	67	832
Tax receivable		15	20
Cash, bank balances and deposits	15	62	435
		152	2,588
Non-current assets classified as held for sale	16	209	-
		361	2,588
TOTAL ASSETS		904	5,762
Current liabilities			
Creditors and accrued charges	17	334	1,307
Lease liabilities	19	241	766
Provisions	18	12	175
Tax payable		30	235
		617	2,483
Net current (liabilities)/assets		(256)	105
Total assets less current liabilities		287	3,279
Equity			
Share capital	20	283	283
Reserves		(169)	1,683
		114	1,966
Non-current liabilities			
Lease liabilities	19	100	1,189
Retirement defined benefit obligations		-	11
Deferred tax liabilities		73	113
		173	1,313
TOTAL LIABILITIES		790	3,796
TOTAL EQUITY AND LIABILITIES		904	5,762

The notes on pages 14 to 29 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited for the six months ended 30 June 2024									
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
At 31 December 2023	283	8,583	902	9	7	530	1	(8,349)	1,966
Foreign exchange translation	-	-	-	-	-	181	-	-	181
Recycling of translation reserve	-	-	-	-	-	(1,967)	-	-	(1,967)
Release of capital reserve	-	-	-	-	-	-	(1)	-	(1)
Remeasurements of retirement defined benefit obligations	-	-	-	(9)	-	-	-	-	(9)
Loss attributable to shareholders of the Company	-	-	-	-	-	-	-	(56)	(56)
Total comprehensive loss, net of tax	-	-	-	(9)	-	(1,786)	(1)	(56)	(1,852)
At 30 June 2024	283	8,583	902	-	7	(1,256)	-	(8,405)	114

Unaudited for the six months ended 30 June 2023									
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
At 31 December 2022	283	8,583	902	16	7	453	1	(6,010)	4,235
Foreign exchange translation	-	-	-	-	-	81	-	-	81
Loss attributable to shareholders of the Company	-	-	-	-	-	-	-	(714)	(714)
Total comprehensive loss, net of tax	-	-	-	-	-	81	-	(714)	(633)
At 30 June 2023	283	8,583	902	16	7	534	1	(6,724)	3,602

The notes on pages 14 to 29 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

HK\$ million	Unaudited for the six months ended 30 June 2024	Unaudited for the six months ended 30 June 2023
Cash flows from operating activities		
Cash generated from/(used in) operations	167	(263)
Interest paid for lease liabilities	(19)	(22)
Overseas tax paid, net	(2)	(4)
Net cash generated from/(used in) operating activities	146	(289)
Cash flows from investing activities		
Purchase of intangible assets, property, plant and equipment	(8)	(68)
Net cash outflow for deconsolidation of subsidiaries	(289)	-
Capital injection into a joint venture	-	(2)
Loan to a joint venture	(3)	(43)
Proceeds from disposal of property, plant and equipment	2	1
Interest received	2	9
Net decrease in bank deposits with maturities of more than three months	1	-
Net cash used in investing activities	(295)	(103)
Cash flows from financing activities		
Repayment of lease liabilities	(214)	(326)
Net cash used in financing activities	(214)	(326)
Net decrease in cash and cash equivalents	(363)	(718)
Cash and cash equivalents at beginning of period	434	2,011
Effect of change in exchange rates	(9)	20
Cash and cash equivalents at end of period	62	1,313
Analysis of balances of cash and cash equivalents		
Bank balances and cash	59	1,117
Bank deposits	3	197
Cash, bank balances and deposits	62	1,314
Less: bank deposits with maturities of more than three months	-	(1)
	62	1,313

For the six months ended 30 June 2024, the total cash outflow for leases amounted to HK\$233 million (for the six months ended 30 June 2023: HK\$348 million).

The notes on pages 14 to 29 form an integral part of this condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information (“Interim Financial Information”) on pages 9 to 29 for the six months ended 30 June 2024 was prepared in accordance with the International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The Interim Financial Information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2023.

1.1 Use of judgement and estimates

While preparing the Interim Financial Information, the Management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense.

The significant judgements made by the Management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

1.2 Going concern

During the six months ended 30 June 2024, the Group recorded a net loss attributable to shareholders of approximately HK\$56 million and a net cash outflow of approximately HK\$363 million. The Group has net current liabilities of approximately HK\$256 million and no external borrowings as at 30 June 2024. Its cash, bank balances and deposits amounted to approximately HK\$62 million only as at 30 June 2024.

The Group has been battling extremely high costs due to inflation, interest rates and energy prices, the after-effects of the coronavirus pandemic and the consequences of international conflicts, all of which have weakened the Group’s financial situation. The situation worsened by the burden of legacy costs, such as high rents of long-term leases of unsuitably sized stores, labor costs of overly bloated workforce and expenses related to an overcapacity logistic setup.

All of these factors made it financially unviable to continue the business as it currently structured, and hence led to the insolvency filings, self-administration proceedings filings and preventive restructuring filing made by the relevant European subsidiaries.

In view of such circumstances, in assessing whether the Group will have sufficient financial resources to continue as a going concern, the Management has carefully considered the current and anticipated future liquidity of the Group, financial resources available to the Group as well as the Group’s ability to achieve positive cash flows from operations in the short and long terms.

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

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

1. BASIS OF PREPARATION (CONTINUED)

1.2 Going concern (Continued)

2. The Group continues to actively implement plans and measures to control operational and administrative costs, including but not limited to (i) transitioning the Company into a non-capital-intensive intellectual property management company; (ii) converting to a lean organizational structure by consistently optimizing and adjusting human resources; and (iii) restraining capital expenditures and implementing stringent cost control measures (the “Cost Control Measures”).
3. Restructuring loss making companies and companies with negative asset values to reduce liabilities where possible (the “Restructuring Measures”).

The Board has reviewed the Group’s cash flow forecast prepared by the Management covering a period of twelve months from 30 June 2024. After considering the financial resources available to the Company, and the plans and measures outlined above, the Board is of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due within twelve months from 30 June 2024. The Board is therefore of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, a significant uncertainty exists regarding the Group’s ability to achieve the Fund Raising Plans, Cost Control Measures, and Restructuring Measures (collectively the “Plans and Measures”), the successful execution and completion of which may impact the Group’s ability to continue as a going concern.

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

1.3 Measurement of fair values

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Only market observable parameter.

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

1. BASIS OF PREPARATION (CONTINUED)

1.4 Deconsolidation of subsidiaries

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

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

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

Result from deconsolidation

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

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

HK\$ million	At the date of deconsolidation
Carrying amount of net liabilities	1,684
Recycling of translation reserve	1,967
Gain on deconsolidation	3,651

1.5 New and amended standards and interpretations adopted by the Group

In the current period, the Group has adopted the following IAS and International Financial Reporting Standards (“IFRS”) effective for the Group’s financial year beginning from 1 January 2024:

Adopted	Effective date	New standards or amendments
IFRS 16	1 January 2024	Lease Liability in a Sale and Leaseback
IAS 1 (Amendments)	1 January 2024	Non-Current Liabilities with Covenants
IAS 1 (Amendments)	1 January 2024	Classification of Liabilities as Current or Non-current
IAS 7 and IFRS 7 (Amendments)	1 January 2024	Supplier Finance Arrangements

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

1. BASIS OF PREPARATION (CONTINUED)

1.6 New standards and interpretations not yet adopted

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

The accounting standards and interpretations listed above have been published but are not mandatory for the six months ended 30 June 2024 and have not been early adopted by the Group. These standards and interpretations are not expected to have any material impact on the Group in the current or future reporting periods and in foreseeable future transactions.

2. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in retail and wholesale distribution and licensing of quality fashion and non-apparel products designed under its own internationally-known ESPRIT brand name in Europe, Asia, America and via E-shop platforms.

Operating segments are reported in a manner consistent with the internal management reports provided to the chief operating decision-maker. The chief operating decision-maker who is responsible for assessing performance and allocating resources for the reporting segments has been identified as the executive directors of the Company. Operating segment for Europe has included America. The regions have been separated into retail and wholesale channel.

HK\$ million	Unaudited for the six months ended 30 June 2024	Unaudited for the six months ended 30 June 2023
Retail and Wholesale		
Europe	917	1,865
Asia	7	3
E-shop	584	1,095
Licensing and others	49	62
Revenue from external customers, total	1,557	3,025

2. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Unaudited for the six months ended
30 June 2024

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

2. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Unaudited for the six months ended
30 June 2024

HK\$ million	Europe ⁴	Asia	E-shop	Corporate services, sourcing, licensing and others	Group
Depreciation¹					
Retail	(85)	-	-	-	(85)
Wholesale	(14)	-	-	-	(14)
E-shop	-	-	(20)	-	(20)
Licensing and others	-	-	-	(76)	(76)
Total	(99)	-	(20)	(76)	(195)
Provision for inventories, net					
Retail	(25)	-	-	-	(25)
Licensing and others	-	-	-	(1,028)	(1,028)
Total	(25)	-	-	(1,028)	(1,053)
Provision for impairment of trade debtors, net					
Wholesale	(18)	-	-	-	(18)
E-shop	-	-	13	-	13
Licensing and others	-	-	-	(303)	(303)
Total	(18)	-	13	(303)	(308)
Impairment loss²					
Retail	(324)	-	-	-	(324)
Licensing and others	-	-	-	(1,397)	(1,397)
Total	(324)	-	-	(1,397)	(1,721)
Capital expenditure³					
Retail	(2)	-	-	-	(2)
E-shop	-	-	(3)	-	(3)
Licensing and others	-	-	-	(3)	(3)
Total	(2)	-	(3)	(3)	(8)

¹ Depreciation includes depreciation of property, plant and equipment and right-of-use assets.

² Impairment loss includes impairment loss on property, plant and equipment, right-of-use assets and trademarks.

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

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

2. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Unaudited for the six months ended
30 June 2023

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

2. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Unaudited for the six months ended
30 June 2023

HK\$ million	Europe ⁴	Asia	E-shop	Corporate services, sourcing, licensing and others	Group
Depreciation¹					
Retail	(186)	(9)	-	-	(195)
Wholesale	(15)	-	-	-	(15)
E-shop	-	-	(27)	-	(27)
Licensing and others	-	-	-	(98)	(98)
Total	(201)	(9)	(27)	(98)	(335)
Provision for inventories, net					
Retail	1	-	-	-	1
Licensing and others	-	-	-	(38)	(38)
Total	1	-	-	(38)	(37)
Provision for impairment of trade debtors, net					
Wholesale	(3)	-	-	-	(3)
E-shop	-	-	(7)	-	(7)
Total	(3)	-	(7)	-	(10)
Impairment loss²					
Retail	(5)	-	-	-	(5)
Total	(5)	-	-	-	(5)
Capital expenditure³					
Retail	(5)	(4)	-	-	(9)
Wholesale	(3)	(20)	-	-	(23)
E-shop	-	-	(12)	-	(12)
Licensing and others	-	-	-	(26)	(26)
Total	(8)	(24)	(12)	(26)	(70)

¹ Depreciation includes depreciation of property, plant and equipment and right-of-use assets.

² Impairment loss includes impairment loss on right-of-use assets.

³ Capital expenditure includes property, plant and equipment, intangible assets and investment in a joint venture.

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

3. OPERATING LOSS

HK\$ million	Unaudited for the six months ended 30 June 2024	Unaudited for the six months ended 30 June 2023
This is stated after charging and (crediting) the following:		
Staff costs	533	632
Occupancy costs	113	158
Logistics expenses	162	241
Marketing and advertising expenses	72	242
Depreciation of property, plant and equipment (Note 11)	34	58
Depreciation of right-of-use assets (Note 10)	161	277
Provision for inventories, net (Note a)	1,053	37
Provision for impairment of trade debtors, net (Note 14)	308	10
Impairment loss on trademarks	534	-
Impairment loss on property, plant and equipment (Note 11)	134	-
Impairment loss on right-of-use assets (Note 10)	1,053	5
Gain on deconsolidation	(3,651)	-
Net foreign exchange translation losses/(gains)	47	(9)
Government grants	-	(1)
Provision/(write-back of provision) for restructuring, net	4	(1)
Information technology expenses	117	159
Legal and professional fees	55	29
Samples	28	26
Packaging, postage and distribution	10	15
Amortization of intangible assets (Note 9)	6	22
Repair and maintenance	10	11
Insurance	8	11
Travelling expenses	15	29

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

4. INTEREST INCOME

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

5. FINANCE COSTS

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

6. TAXATION

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

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

Overseas (outside of Hong Kong) taxation has been calculated on the estimated assessable profit for the six months ended 30 June 2024 at the rates of taxation prevailing in the countries in which the Group companies operate, net of tax losses carried forward, if applicable.

6. TAXATION (CONTINUED)

Pillar Two model rules

The Organization for Economic Co-operation and Development (OECD)/G20 Inclusive Framework on Base Erosion and Profit Shifting published the Pillar Two model rules designed to address the tax challenges arising from the digitalization of the economy.

It is unclear if the Pillar Two model rules create additional temporary differences, whether to remeasure deferred taxes for the Pillar Two model rules and which tax rate to use to measure deferred taxes. In response to this uncertainty, on 23 May 2023, the IASB issued amendments to IAS 12 'Income taxes' introducing a mandatory temporary exception to the requirements of IAS 12 under which a company does not recognize or disclose information about deferred tax assets and liabilities related to the proposed OECD/G20 BEPS Pillar Two model rules. The Group applied the temporary exception at 30 June 2024.

Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions the Group operates. The legislation will be effective for the Group's financial year beginning 1 January 2024. The Group is in scope of the enacted or substantively enacted legislation and has preliminarily assessed the potential exposure based on the latest available tax filings, the country-by-country reporting, and the most recent financial statements for the constituent entities in the Group.

In some of the jurisdictions, the transitional safe harbor relief applies. Based on the assessment carried out so far, some jurisdictions may have an effective tax rate lower than 15%. Since most of these jurisdictions may result in operating losses, the Group currently does not expect exposure to Pillar Two top-up tax in the next reporting period.

7. INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2024 (for the six months ended 30 June 2023: Nil).

8. LOSS PER SHARE

Basic

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

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

Diluted

Diluted loss per share is calculated based on dividing the loss attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the period of the six months ended 30 June 2024 (less shares held for share award scheme) adjusted by the dilutive effect of share options and awarded shares.

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

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

9. INTANGIBLE ASSETS

HK\$ million	Unaudited for the six months ended 30 June 2024	Unaudited for the six months ended 30 June 2023
Balance at beginning of the period	1,296	1,595
Exchange translation	(40)	40
Reclassified from property, plant and equipment	-	43
Additions	3	34
Amortization charge for the period	(6)	(22)
Impairment loss for period	(534)	-
Deconsolidation of subsidiaries	(149)	-
Classified as held for sale	(209)	-
Balance at end of the period	361	1,690

10. RIGHT-OF-USE ASSETS

HK\$ million	Unaudited for the six months ended 30 June 2024	Unaudited for the six months ended 30 June 2023
Balance at beginning of the period	1,280	1,630
Exchange translation	(27)	41
Additions	120	349
Disposals	(40)	(93)
Depreciation for the period	(161)	(277)
Impairment loss for the period	(1,053)	(5)
Deconsolidation of subsidiaries	(12)	-
Balance at end of the period	107	1,645

11. PROPERTY, PLANT AND EQUIPMENT

HK\$ million	Unaudited for the six months ended 30 June 2024	Unaudited for the six months ended 30 June 2023
Balance at beginning of the period	177	317
Exchange translation	(4)	6
Reclassified to intangible assets	-	(43)
Additions	5	34
Disposals	(5)	(1)
Depreciation for the period	(34)	(58)
Impairment loss for the period	(134)	-
Deconsolidation of subsidiaries	(2)	-
Balance at end of the period	3	255

12. INTEREST IN A JOINT VENTURE

The Group's interest in a joint venture 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/ registered capital	Principal activities
Sew Solution Limited	Hong Kong	50%	HK\$10,000,000	wholesale garment knitting

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

HK\$ million	Unaudited for the six months ended 30 June 2024	Unaudited for the six months ended 30 June 2023
Balance at beginning of the period	47	2
Additions	-	2
Losses for the period	-	(1)
	-	1
Loan to joint venture		
- Interest-free, secured and repayable on demand	3	43
Balance at end of the period	50	46

The following table shows the commitments to joint venture.

HK\$ million	Unaudited as at 30 June 2024	Audited as at 31 December 2023
Committed borrowing to joint venture	-	3

13. INVENTORIES

HK\$ million	Unaudited As at 30 June 2024	Audited As at 31 December 2023
Finished goods	8	1,268
Consumables	-	33
Inventories total	8	1,301

14. CURRENT DEBTORS, DEPOSITS AND PREPAYMENTS

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

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

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

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

The Group's sales to retail customers are made in cash, bank transfer or by credit card. The Group also grants credit period, which is usually 30 to 60 days to certain wholesale and franchise customers.

Movements in provision for impairment of trade debtors are as follows:

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

15. CASH, BANK BALANCES AND DEPOSITS

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

HK\$ million	Unaudited As at 30 June 2024	Audited As at 31 December 2023
Bank balances and cash	59	389
Bank deposits with maturities within three months	3	45
Bank deposits with maturities of more than three months	-	1
Total	62	435

16. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

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

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

17. CREDITORS AND ACCRUED CHARGES

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

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

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

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

18. PROVISIONS

Provisions consist of the following:

HK\$ million	Unaudited As at 30 June 2024	Audited As at 31 December 2023
Restructuring	1	38
Reinstatement	2	107
Legal Cost	9	30
Provision total	12	175

Reinstatement provision of HK\$2 million (31 December 2023: HK\$107 million) is accounted by the estimated cost for reinstating the status of leased properties. Legal cost provision of HK\$9 million (31 December 2023: HK\$30 million) represents the probable obligations under litigation claims lodged against or will be lodged against the Group and legal fees in connection with services concerning legal matters. Restructuring provision of HK\$1 million (31 December 2023: HK\$38 million) represents the costs associated with restructuring measures taken in order to preserve the solvency and liquidity of the Group and its ongoing operations. 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 the Management and employee representatives.

19. LEASE LIABILITIES

HK\$ million	Unaudited for the six months ended 30 June 2024	Unaudited for the six months ended 30 June 2023
Balance at beginning of the period	1,955	2,051
Exchange translation	(53)	52
Additions	139	351
Interest expense	21	22
Repayments of lease liabilities	(233)	(348)
Disposal	(33)	(103)
Deconsolidation of subsidiaries	(1,455)	-
Balance at end of the period	341	2,025
Current liabilities	241	465
Non-current liabilities	100	1,560
Lease liabilities total	341	2,025

20. SHARE CAPITAL

	Number of shares of HK\$0.10 each million	Unaudited HK\$ million
Authorized:		
At 1 January 2024 and 30 June 2024	30,000	3,000
At 1 January 2023 and 30 June 2023	30,000	3,000
Number of shares of HK\$0.10 each million		Unaudited Nominal value HK\$ million
Issued and fully paid:		
At 1 January 2024 and 30 June 2024	2,831	283
At 1 January 2023 and 30 June 2023	2,831	283

20. SHARE CAPITAL (CONTINUED)

(a) Share options

The Company adopted a share option scheme on 10 December 2009 (the “2009 Share Option Scheme”). The 2009 Share Option Scheme was terminated on 5 December 2018, notwithstanding that the share options which have been granted and remained outstanding shall continue to be valid and exercisable subject to and in accordance with the terms on which the share options were granted, the provisions of the 2009 Share Option Scheme and the Listing Rules.

The Company adopted a new share option scheme on 5 December 2018 (the “2018 Share Option Scheme”). The option mandate limit of the 2018 Share Option Scheme has been refreshed upon the shareholder’s approval at the special general meeting of the Company held on 6 July 2021, the details of which were disclosed in the circular of the Company dated 15 June 2021. No share options were granted during the six months ended 30 June 2024.

(b) Awarded shares

The Company adopted a share award scheme on 6 July 2021 (the “Share Award Scheme”). The purpose of the Share Award Scheme is to recognize the contributions by certain eligible participants (including any employee, consultant, executive or officer, director and senior management of any member of the Group), and to provide them incentives; and to attract suitable personnel with relevant experience in the Group’s business. The details of the Share Award Scheme were disclosed in the circular of the Company dated 15 June 2021.

During the six months ended 30 June 2024, there was no movement of awarded shares for the Share Award Scheme (30 June 2023: nil). Moreover, there were no outstanding awarded shares under the Share Award Scheme as at 30 June 2024. As at 1 January 2024 and 30 June 2024, the number of awarded shares available for grant under the Share Award Scheme is nil and nil respectively. No awarded shares were granted during the six months ended 30 June 2024.

21. CAPITAL COMMITMENTS

HK\$ million	Unaudited As at 30 June 2024	Audited As at 31 December 2023
Property, plant and equipment - contracted but not provided for	-	12

Note: Committed borrowing to joint venture is contracted but not provided for and is shown in note 12.

22. RELATED PARTIES

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

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

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

23. DERECOGNITION OF ASSETS

The deed of gift (the “Deed of Gift”) was entered on 4 November 2022 with a donor, a company that is wholly-owned by a shareholder of the Company (“The Donor”), 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 was to manage the preservation of the Forest which would in turn contribute to the betterment of the environment that was aligned to the Company’s objective to support global environmental conservation.

On 5 June 2024, the Group, through its wholly-owned subsidiary, entered into a deed of reassignment with the Donor (the “Deed of Reassignment”) to revoke the Deed of Gift as the aforementioned purpose of holding the title estate right was not achieved to the satisfaction of both parties. Upon entering the Deed of Reassignment, the Group lost control over Keen Champ and its net assets. Accordingly, Keen Champ and its net assets were derecognised at no consideration. No cash inflow or outflow was generated as a result of this reassignment.

24. EVENT AFTER THE REPORTING PERIOD

Insolvency Filing by a Dutch Subsidiary

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

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

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

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

24. EVENT AFTER THE REPORTING PERIOD (CONTINUED)

Creditors' Voluntary Winding-Up of Hong Kong Subsidiaries

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

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

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

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

Other Information

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

As at 30 June 2024, none of the Directors and chief executives of the Company or their respective associates had any interests or short positions, whether beneficial or non-beneficial, in the shares, underlying shares and 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 C3 of the Listing Rules.

SHARE OPTION SCHEMES

2009 Share Option Scheme

The Company adopted the 2009 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. A summary of the movements of the outstanding share options under the 2009 Share Option Scheme during the Period is as follows:

	Date of Grant (dd/mm/yyyy)	Exercise Price (HK\$)	Adjusted ¹ Exercise Price (HK\$)	Vesting Date (dd/mm/yyyy)	Exercise Period (dd/mm/yyyy)	Number of share options							
						As at 01/01/2024	Granted	Transferred in	Exercised	Transferred out	Lapsed	Forfeited	As at 30/06/2024
Employees	31/10/2014	10.124	9.630	31/10/2017	31/10/2017 - 30/10/2024	709,960	-	-	-	-	-	157,769	552,191
	13/10/2015	6.550	6.230	13/10/2018	13/10/2018 - 12/10/2025	788,845	-	-	-	-	-	315,538	473,307
	31/10/2016	6.870	6.530	31/10/2019	31/10/2019 - 30/10/2026	1,051,793	-	-	-	-	-	315,538	736,255
	07/11/2017	4.650	4.420	07/11/2020	07/11/2020 - 06/11/2027	946,614	-	-	-	-	-	368,127	578,487
	25/06/2018	2.660	2.530	25/06/2021	25/06/2021 - 24/06/2028	1,104,382	-	-	-	-	-	368,127	736,255
	In aggregate					4,601,594	-	-	-	-	-	1,525,099	3,076,495

SHARE OPTION SCHEMES (CONTINUED)

2009 Share Option Scheme (Continued)

	Date of Grant (dd/mm/yyyy)	Exercise Price (HK\$)	Adjusted ¹ Exercise Price (HK\$)	Vesting Date (dd/mm/yyyy)	Exercise Period (dd/mm/yyyy)	Number of share options							
						As at 01/01/2024	Granted	Transferred in	Exercised	Transferred out	Lapsed	Forfeited	As at 30/06/2024
Others ²	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	-	-	-	-	-	-
	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					4,101,989	-	-	-	-	-	-	4,101,989
Total						8,703,583	-	-	-	-	-	1,525,099	7,178,484

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, lapsed or cancelled during the Period.
4. No share options were granted to the suppliers of the Group during the Period.

SHARE OPTION SCHEMES (CONTINUED)

2018 Share Option Scheme

The Company adopted the 2018 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. A summary of the movements of the outstanding share options under the 2018 Share Option Scheme during the Period is as follows:

	Date of Grant (dd/mm/yyyy)	Exercise Price (HK\$)	Adjusted ¹ Exercise Price (HK\$)	Vesting Date (dd/mm/yyyy)	Exercise Period (dd/mm/yyyy)	Number of share options							
						As at 01/01/2024	Granted	Transferred in	Exercised	Transferred out	Lapsed	Forfeited	As at 30/06/2024
Employees	10/12/2019	1.604	1.530	19/09/2022	19/09/2022 - 09/12/2029	1,314,741	-	-	-	-	-	368,127	946,614
		1.604	1.530	10/12/2022	10/12/2022 - 09/12/2029	315,538	-	-	-	-	-	-	315,538
	In aggregate					1,630,279	-	-	-	-	-	368,127	1,262,152
Others ²	10/12/2019	1.604	1.530	19/09/2022	19/09/2022 - 09/12/2029	525,896	-	-	-	-	-	-	525,896
Total						2,156,175	-	-	-	-	-	368,127	1,788,048

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, lapsed or cancelled during the Period.
- No share options were granted to the suppliers of the Group during the Period.
- The number of share options available for grant under the 2018 Share Option Scheme mandate as at 1 January 2024 and 30 June 2024 is 283,081,734 respectively.
- As no options were granted during the Period, the number of Shares that may be issued in respect of options granted under the 2018 Share Option Scheme during the Period divided by the weighted average number of Shares in issue for the Period is nil.

SHARE AWARD SCHEME

The Company adopted the Share Award Scheme on 6 July 2021. During the six months ended 30 June 2024, there was no movement of awarded shares for the Share Award Scheme. Moreover, there were no outstanding awarded shares under the Share Award Scheme as at 30 June 2024. As at 1 January 2024 and 30 June 2024, the number of awarded shares available for grant under the Share Award Scheme is nil and nil respectively. The number of Shares that may be issued in respect of awards granted under the Share Award Scheme during the Period divided by the weighted average number of Shares for the Period is nil.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Saved as disclosed in this interim report, at no time during the Period was the Company or any of its subsidiary a party to any arrangement that enabled the Directors of the Company 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 30 June 2024, 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	28.23%
	Interest in a controlled corporation	373,523,450	
North Point Talent Limited (Note 1)	Beneficial owner	364,782,600	12.89%
Planetree Securities Limited (Note 2)	Beneficial owner	1,250,000	0.04%
Green River Associates Limited (Note 2)	Beneficial owner	7,490,850	0.26%

Notes:

- 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.
- Planetree Securities Limited and Green River Associates Limited are the subsidiary and associate of Planetree International Development Limited, HK stock code 613 ("Planetree"), respectively where Ms. LO is the substantial shareholder of Planetree and was deemed to be interested in the 1,250,000 shares and 7,490,850 shares held by Planetree Securities Limited and Green River Associates Limited, respectively.

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 30 June 2024 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.

AUDIT COMMITTEE

The Audit Committee currently comprises four Independent Non-executive Directors, namely Mr. CHUNG Kwok Pan, Mr. GILES William Nicholas, Mr. HA Kee Choy Eugene and Mr. LO Kin Ching Joseph. The primary duties of the Audit Committee are to assist the Board in providing an independent view of the effectiveness of the financial reporting process and internal control system, to review the financial information of the Company, to oversee the audit process and the Company's relations with the auditors, and to perform other duties as assigned by the Board.

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

The condensed consolidated interim financial information of the Company for the Period had not been audited but had been reviewed by the Audit Committee.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's shares during the Period.

CORPORATE GOVERNANCE

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

MODEL CODE FOR SECURITIES

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.

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

AMERICAN DEPOSITARY RECEIPT PROGRAM

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

Symbol	ESPGY
CUSIP	29666V204
ISIN	US29666V2043
Ratio	2 ordinary shares: 1 ADR
Country	Hong Kong
Effective Date	5 January 2015
Depository	Deutsche Bank Trust Company Americas

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my gratitude to all our staff for their diligence and dedication, plus my sincere appreciation to all customers, business partners and the shareholders for their continuing supports.

On behalf of the Board
Esprit Holdings Limited

CHIU Christin Su Yi
Chairperson

Hong Kong, 28 August 2024

Glossary of Terms

A

ADR

American Depositary Receipt

B

Board

The Board of Directors

C

CAPEX

Capital expenditure

Company or ESPRIT

Esprit Holdings Limited

Corresponding Period

The six months ended 30 June 2023

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

Esprit Macao

Esprit Macao Sole Shareholder Limited

F

FTE

Full time equivalent staff

FX

Foreign exchange

G

Group

Esprit Holdings Limited and its subsidiaries

H

HKRP

Esprit Regional Distribution Limited

HKER

Esprit Retail (Hong Kong) Limited

I

IAS

International Accounting Standards

IP

Intellectual Property

IFRS

International Financial Reporting Standards

Interim Financial Information

Unaudited condensed consolidated interim financial information

L

Listing Rules

The Rules Governing the Listing of Securities on the Stock Exchange

M

Management

The management team

Model Code

The Model Code for Securities Transaction by Directors of Listed Issuers

N

NLEB

Esprit Europe B.V.

P

Pandemic

COVID-19 pandemic

Period

The six months ended 30 June 2024

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

SFO

The Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)

Share Award Scheme

Share award scheme of the Company adopted at a special general meeting of the Company held on 6 July 2021

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

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

