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ESPRIT

ESPRIT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

STOCK CODE: 00330

ANNOUNCEMENT OF AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2020

AUDITED ANNUAL RESULTS

Reference is made to the announcement dated 29 September 2020 of Esprit Holdings Limited (the “Company”, together with its subsidiaries, the “Group”) in respect of the preliminary announcement of unaudited annual results (the “Unaudited Results Announcement”) for the financial year ended 30 June 2020 (the “Reporting Period” or “FY19/20”) and the announcement dated 16 October 2020 of the Company in respect of the delay in publication of audited annual results announcement and dispatch of annual report of the Company for the Reporting Period. Unless otherwise stated, the terms used in this announcement shall have the same meaning as adopted in the above announcements.

The board (the “Board”) of directors (the “Directors”) of the Company is pleased to announce that the Company’s auditor, PricewaterhouseCoopers, has completed its audit of the consolidated financial results of the Group for the Reporting Period, and that the audited consolidated financial results of the Group for the Reporting Period, together with the comparative figures for the year ended 30 June 2019 (“FY18/19”), which have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as below.

**Consolidated financial results
for the financial year ended 30 June 2020**

Consolidated statement of profit or loss

<i>HK\$ million</i>		For the year ended 30 June	
	<i>Notes</i>	2020	2019 (Restated)
Continuing operations			
Revenue	3.2	9,216	11,681
Cost of purchases		<u>(5,109)</u>	<u>(5,707)</u>
Gross profit		4,107	5,974
Staff costs		(1,513)	(2,487)
Occupancy costs		(315)	(1,732)
Logistics expenses		(554)	(779)
Marketing and advertising expenses		(493)	(593)
Depreciation of property, plant and equipment		(374)	(418)
Depreciation of right-of-use assets		(880)	–
Provision for store closures and leases, net		–	(866)
Impairment loss on property, plant and equipment		(205)	(105)
Write back of provision for closure costs of operations in Australia and New Zealand		–	25
Write-downs of inventories to net realizable value, net		(292)	(182)
Provision for impairment of trade debtors, net		(55)	(16)
Impairment loss on right-of-use assets		(897)	–
Impairment loss on trademarks		(397)	–
Impairment loss on goodwill		(19)	–
Other operating costs		<u>(1,320)</u>	<u>(767)</u>
Operating loss from continuing operations (LBIT)	3.3	(3,207)	(1,946)
Interest income		50	46
Finance costs	3.4	<u>(87)</u>	<u>(18)</u>
Loss before taxation from continuing operations		(3,244)	(1,918)
Income tax expense	3.5	<u>(437)</u>	<u>(65)</u>
Loss from continuing operations		(3,681)	(1,983)
Discontinued operations			
Loss from discontinued operations	3.6	<u>(311)</u>	<u>(161)</u>
Loss attributable to shareholders of the Company		<u>(3,992)</u>	<u>(2,144)</u>
Loss per share from continuing operations			
– basic and diluted	4	HK\$(1.96)	HK\$(1.05)
Loss per share from discontinued operations			
– basic and diluted	4	<u>HK\$(0.16)</u>	<u>HK\$(0.09)</u>

Consolidated statement of comprehensive income

<i>HK\$ million</i>	For the year ended	
	30 June 2020	2019 (Restated)
Loss from continuing operations	(3,681)	(1,983)
Loss from discontinued operations	(311)	(161)
Loss attributable to shareholders of the Company	(3,992)	(2,144)
Other comprehensive income		
Item that will not be reclassified to profit or loss:		
Remeasurements of retirement defined benefit obligations, net of tax	3	(4)
	3	(4)
Items that may be reclassified subsequently to profit or loss:		
Fair value loss on cash flow hedge, net of tax	(9)	(40)
Exchange translation from continuing operations	29	(128)
Exchange translation from discontinued operations	19	(2)
	39	(170)
Total comprehensive income for the year attributable to shareholders of the Company, net of tax	(3,950)	(2,318)

Consolidated balance sheet

HK\$ million	Notes	As at 30 June 2020	2019
Non-current assets			
Intangible assets		1,641	2,050
Property, plant and equipment		530	1,128
Right-of-use assets		2,206	–
Investment properties		–	27
Financial assets at fair value through profit or loss		10	12
Debtors, deposits and prepayments	3.7	345	120
Deferred tax assets		32	559
		<u>4,764</u>	<u>3,896</u>
Current assets			
Inventories		1,265	1,845
Debtors, deposits and prepayments	3.7	1,453	1,499
Tax receivable		54	80
Cash, bank balances and deposits		2,288	3,282
		<u>5,060</u>	<u>6,706</u>
TOTAL ASSETS		<u>9,824</u>	<u>10,602</u>
Current liabilities			
Creditors and accrued charges	3.8	2,817	2,350
Lease liabilities		1,016	–
Provisions	3.9	357	1,094
Tax payable		158	161
		<u>4,348</u>	<u>3,605</u>
Net current assets		<u>712</u>	<u>3,101</u>
<i>Total assets less current liabilities</i>		<u>5,476</u>	<u>6,997</u>
Equity			
Share capital		189	189
Reserves		2,581	6,524
		<u>2,770</u>	<u>6,713</u>
Non-current liabilities			
Bank loans		8	–
Lease liabilities		2,467	–
Retirement defined benefit obligations		26	31
Deferred tax liabilities		205	253
		<u>2,706</u>	<u>284</u>
TOTAL LIABILITIES		<u>7,054</u>	<u>3,889</u>
TOTAL EQUITY AND LIABILITIES		<u>9,824</u>	<u>10,602</u>

Notes:

1. BASIS OF THE PREPARATION

1.1. Basis of the preparation – going concern

Significant circumstances in the current year

With an aim to restoring the Group's business back to profitability, in November 2018, the Group had come up with a strategic plan to strengthen the Group's brand name, improve the product offering and pricing and optimize the distribution and costs base by closing the loss making parts of the business, including the discontinuation of the Asian business during the financial year (refer to note 1.2), and becoming a leaner organisation ("Strategic Plan"). The half year financial results for the period from 1 July 2019 to 31 December 2019 were in line with the Group's expectations with regards to improvement in the mix of full price sales, stabilisation of wholesales business and significant reduction in operating expenses. However, this development was interrupted by the outbreak of COVID-19 (the "Pandemic") at the beginning of 2020. Initially, the Asian markets and certain supply chains were affected starting from January 2020. By March 2020, almost all the brick and mortar retail stores in Europe had to be temporarily closed due to mandatory lockdowns imposed by governments as part of public health measures to slow down the spread of the Pandemic. As a consequence of the lockdown store kept closed from March 2020 to May 2020 and the Group's revenues declined sharply while inventories increased, whereas expenses and cash outflow for rent and salaries continued during the lockdown period.

Protective Shield Proceedings

Given that a quick recovery of the economy, specifically the fashion industry, was not expected and the duration of the lockdown was unclear, the management decided to protect the solvency and liquidity of the ongoing business and applied for Protective Shield Proceedings (the "PSP") for six German subsidiaries (the "Subject Subsidiaries") at the insolvency court of Düsseldorf in Germany ("the Court") on 27 March 2020.

In the creditors' assemblies during 29 and 30 October 2020, a vast majority of the creditors voted for and approved all the insolvency plans of the Subject Subsidiaries. These approved plans are expected to become effective on 14 November 2020. As based on the favorable outcomes of the creditors' assemblies and advice from the Group's legal counsels, it is virtually certain that there will not be any successful appeal against these plans during the two weeks appeal period. Thus, by the end of November 2020, a final decision will be passed by the Court to terminate the PSP proceedings.

Consequentially, the Group is estimated to be relieved of debts of approximately HK\$1,852 million. The Group is implementing restructuring plans and measures to close loss-making stores, renegotiate rents for the remaining stores, reduce headcount and other discretionary spending and we expect to complete most of these plans and measures by end November 2020.

During the Reporting Period, the Group recorded a net loss attributable to shareholders of HK\$3,992 million and a net cash outflow of HK\$923 million. Included in current liabilities (under creditors and accrued charges) and in lease liabilities as at 30 June 2020 were approximately HK\$1,944 million of debts frozen by the abovementioned PSP application. The PSP has been successful subsequent to the balance sheet date, thus enabling the Group to better face the challenges of continued uncertainties from the Pandemic. The Group is aware of the uncertainties around the future development of the Pandemic and that new temporary lockdowns or other isolation measures could be imposed by governments in major markets where the Group operates.

Going Concern

Strict lockdown measures including retail stores for longer periods may negatively affect the economic situation of the Group. These circumstances and uncertainties may cast a significant doubt over the Group's ability to continue as a going concern. In view of such circumstances and the uncertainties relating to the possible impact of the Pandemic, the Board of Directors have reviewed the Group's cash flow forecast prepared by management covering a period of twelve months from 30 June 2020, which has already assumed the approved PSP waiver of debts. The management are of the opinion that, after taking into consideration of the following plans and measures, the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next twelve months from 30 June 2020:

- (i) The Group remains cautious and management is closely monitoring the latest developments of the Pandemic, including the emergence of further lockdown measures, which may adversely impact revenues in the major markets that the Group operates in. In such eventuality, the Group will reassess the impact of the Pandemic on the Group's operations and to adjust its strategies for the Group's business accordingly in order to generate sufficient cash from its operations and to further preserve cash levels;
- (ii) The Group will finalize the process to optimize the cost base of its business and implement cost reduction measures, including negotiating with landlords on loss-making store closures, rent reductions on remaining stores, reducing headcount and other discretionary spending;
- (iii) The Group will continue to work on its Strategic Plan to strengthen the Group's brand identity and improve product offering and pricing to restore the Group's profitability.

Notwithstanding the above, significant uncertainties exist which may result in adverse implications on the Group's operations. Whether the Group will be able to continue as a going concern would depend upon the following:

- (i) the Group's ability to successfully adjust its strategies to mitigate the implications of these uncertainties and further impacts from the Pandemic, including the emergence of further lockdown measures in the major markets that the Group operates in, in order to generate sufficient cash from its operations and to further preserve cash levels;
- (ii) the successful implementation of the Group's costs optimization and reduction measures, including negotiating with landlords on loss-making stores closures, rent reductions on remaining stores, reducing headcount and other discretionary spending;
- (iii) the successful implementation of Group's Strategic Plan to strengthen the Group's brand identity and improving product offering and pricing to restore the Group's profitability.

Should the Group be unable to achieve the abovementioned plans and measures and operate as a going concern, adjustments would have to be made to reduce the carrying values 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 current liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

1.2. Discontinued operations

The Group decided to close its business activities in Asia including China, Singapore, Malaysia, Taiwan, Hong Kong and Macau as part of its restructuring initiatives.

As at 30 June 2020, all business activities in Asia are closed and the Asia business is disclosed as discontinued operations. The comparative consolidated statement of profit or loss and consolidated statement of comprehensive income have been restated to show the discontinued operations separately from continuing operations.

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 (“HKCO”).

1.4. Historical cost convention

The consolidated financial statements of the Group have been prepared on a historical cost basis.

1.5. New and amended standards and interpretations adopted by the Group

In the current year, the Group has adopted the following standards and amendments effective for the Group’s reporting period beginning 1 July 2019:

Adopted	New standards or amendments
IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
IAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement
IAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures
IFRS 9 (Amendments)	Prepayment Features with Negative Compensation
IFRSs (Amendments)	Annual Improvements to IFRSs 2015-2017 Cycle

The Group had to change its accounting policies as a result of adopting IFRS 16. The Group elected to adopt the new rules retrospectively but recognized the cumulative effect of initially applying the new standard on 1 July 2019. Please refer to note 2.

Furthermore, the Group has adopted the requirements of IFRIC 23.

The other amendments listed above did not have any material impact on the Group’s consolidated financial statements.

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 1 and IAS 8 (Amendments)	1 January 2020	Definition of Material
IFRS 3 (Amendments)	1 January 2020	Definition of Business
IFRS 9, IAS 39 and IFRS 7 (Amendments)	1 January 2020	Interest Benchmark Reform
Conceptual Framework for Financial Reporting 2018	1 January 2020	Revised conceptual Framework for Financial Reporting
IFRS 16 (Amendments)	1 June 2020	COVID-19 related rent concessions
IFRS 17	1 January 2021	Insurance contracts
IFRS 10 and IAS 28 (Amendments)	To be determined	Sales or contribution of Assets between an investor and its associate or joint venture

The new accounting standards and interpretations above have been published but are not mandatory for the financial year ended 30 June 2020 and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the future reporting periods and on foreseeable future transactions.

2. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES – IFRS 16 LEASES

This note explains the impact of the adoption of IFRS 16 Leases on the Group's consolidated financial statements.

The Group has adopted IFRS 16 Leases retrospectively from 1 July 2019, but has not restated comparatives for prior year, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening balance of consolidated balance sheet on 1 July 2019.

On adoption of IFRS 16, the Group recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019, less prepaid rents. Right-of-use assets were measured and recognized at the initial measurement of the lease liabilities less impairment together with the restoration costs. For sublease classified as a finance lease, finance lease receivable was measured and recognized at the present value of the remaining lease receivables. Lease liabilities and finance lease receivables are classified as non-current liabilities and assets unless payments are within 12 months from the date of the consolidated balance sheet. The weighted average lessee's incremental borrowing rate applied to lease liabilities at the date of initial application was 2.1%.

2.1. Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics,
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review,
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

2.2. Measurement of lease liabilities

Set out below is a reconciliation of the operating lease commitments disclosed at 30 June 2019 to lease liabilities recognized on 1 July 2019:

<i>HK\$ million</i>	At 1 July 2019
Opening lease commitments disclosed at 30 June 2019	5,578
Discounted using the Group's weighted average incremental borrowing rate of 2.1%	5,233
Add: Lease components of service contracts not included in operating lease commitments	8
Less: Non-lease components included under operating lease commitments	(129)
Prepaid rent and others	(9)
	<hr/>
Lease liabilities recognized at 1 July 2019	5,103
Comprising	
Current lease liabilities	1,249
Non-current lease liabilities	3,854
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2.3. Measurement of right-of-use assets

The associated right-of-use assets for leases were measured using the modified retrospective approach at the amount equal to the initial measurement of lease liabilities, adjusted by the impairment together with the restoration costs.

2.4. Adjustments recognized in the consolidated balance sheet on 1 July 2019

The change in accounting policy affected the following items in the consolidated balance sheet on 1 July 2019:

<i>HK\$ million</i>	30 June 2019 As previously reported	Impact on initial adoption of IFRS 16	1 July 2019
Non-current assets			
Right-of-use assets	–	4,304	4,304
Property, plant and equipment	1,128	(8)	1,120
Debtors, deposits and prepayments	120	27	147
Current Assets			
Debtors, deposits and prepayments	1,499	18	1,517
Current Liabilities			
Creditors and accrued charges	2,350	13	2,363
Provisions	1,094	(775)	319
Lease liabilities	–	1,249	1,249
Non-current liabilities			
Lease liabilities	–	3,854	3,854
Equity			
Reserves	6,524	–	6,524

2.5. Lessor accounting

The Group sub-leases stores and has classified the sub-leases as finance leases.

The following table sets out a maturity analysis of the finance lease receivables as at the end of the year.

<i>HK\$ million</i>	As at 30 June 2020
Less than one year	35
One to two years	23
Two to five years	16
Total undiscounted finance lease receivables	74
Unearned finance income	(3)
Net finance lease receivables	71

Movement of the finance lease receivables were as follows:

<i>HK\$ million</i>	2020
At 1 July	88
Additions	16
Interest income	2
Lease payments received	(34)
Exchange translation	(1)
	<hr/>
At 30 June	71
– non-current	36
– current	35
	<hr/> <hr/>

2.6. Amounts recognized in the consolidated statement of profit or loss from leases

<i>HK\$ million</i>	For the year ended 30 June 2020
Impairment of right-of-use assets	925
Depreciation of right-of-use assets	972
Interest income	2
Interest expense (included in finance costs)	93
Expense relating to variable lease payments not included in lease liabilities (included in occupancy costs)	62
Income from sub-leases	34

The total cash outflow for leases during the year was HK\$1,481 million.

3. PERFORMANCE FOR THE YEAR

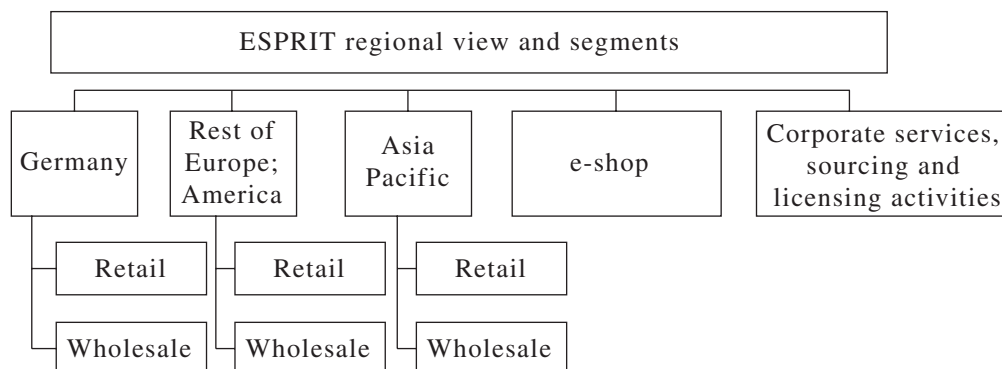
3.1. Segment information

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 Germany, Rest of Europe and America, Asia Pacific 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.

The operating segments are on a regional level Germany, Rest of Europe including America, Asia Pacific as well as e-shop and corporate services, sourcing and licensing activities on a global level.

Furthermore, 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 unrelated 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. All products are represented in the segments.

The judgments made by management in applying the aggregation especially of rest of Europe and America are based on the regional organization of the Group. As the main business comes from Germany it has been necessary to apply an own segment. The Rest of Europe includes also America as both regions have similar economic characteristics and are only separated because of the importance of the German business.

For the year ended 30 June 2020

<i>HK\$ million</i>	Germany	Rest of Europe Including America	Asia Pacific ¹	e-shop ¹	Corporate services, sourcing, licensing and others	Group	- Continuing operations	- Discontinued operations
Revenue								
Retail	1,493	1,300	488	3,284	-	6,565		
Wholesale	1,777	1,375	59	-	-	3,211		
Licensing and others	-	-	-	-	4,790	4,790		
Total revenue	3,270	2,675	547	3,284	4,790	14,566		
- Inter-segment revenue	-	-	-	-	4,692	4,692		
- Revenue from external customers	3,270	2,675	547	3,284	98	9,874	9,216	658
Retail	1,493	1,300	488	3,284	-	6,565		
Wholesale	1,777	1,375	59	-	-	3,211		
Licensing and others	-	-	-	-	98	98		
Segment results								
Retail	(264)	(272)	61	333	1	(141)		
Wholesale	290	48	4	-	(4)	338		
Licensing and others	-	-	-	-	(1,304)	(1,304)		
EBIT/(LBIT) of the underlying operation²	26	(224)	65	333	(1,307)	(1,107)	(1,081)	(26)
One-off costs³								
Impairment loss of property, plant and equipment								
Retail	(159)	(43)	(11)	(2)	-	(215)		
Wholesale	-	-	(1)	-	-	(1)		
Licensing and others	-	-	-	-	(25)	(25)		

For the year ended 30 June 2020

<i>HK\$ million</i>	Germany	Rest of Europe Including America	Asia Pacific ¹	e-shop ¹	Corporate services, sourcing, licensing and others	Group	- Continuing operations	- Discontinued operations
Total impairment loss on property, plant and equipment	(159)	(43)	(12)	(2)	(25)	(241)	(205)	(36)
Impairment loss on right-of-use assets								
Retail	(418)	(476)	(16)	-	-	(910)		
Wholesale	-	(3)	-	-	-	(3)		
Licensing and others	-	-	-	-	(12)	(12)		
Total impairment loss on right-of-use assets	(418)	(479)	(16)	-	(12)	(925)	(897)	(28)
Impairment loss on trademarks								
Licensing and others	-	-	-	-	(397)	(397)		
Total impairment loss on trademarks	-	-	-	-	(397)	(397)	(397)	-
Impairment loss on goodwill								
Licensing and others	-	-	-	-	(19)	(19)		
Total impairment loss on goodwill	-	-	-	-	(19)	(19)	(19)	-
Other one-off costs								
Retail	(68)	-	(74)	-	(2)	(144)		
Wholesale	(7)	(45)	-	-	-	(52)		
Licensing and others	-	-	-	-	(562)	(562)		
Total other one-off costs	(75)	(45)	(74)	-	(564)	(758)	(608)	(150)
(LBIT) /EBIT of the Group	(626)	(791)	(37)	331	(2,324)	(3,447)	(3,207)	(240)
Interest income						54	50	4
Finance costs						(100)	(87)	(13)
Loss before taxation (LBT)						(3,493)	(3,244)	(249)

¹ Discontinued operations consist of Asia Pacific excluding Australia and New Zealand and parts of e-shop.

² LBIT without one-off costs effect.

³ One-off costs that are mainly related to restructuring and COVID-19.

For the year ended 30 June 2020

<i>HK\$ million</i>	Germany	Rest of Europe including America	Asia Pacific	e-shop	Corporate services, sourcing, licensing and others	Group	- Continuing operations	- Discontinued operations
Depreciation ⁴								
Retail	(345)	(418)	(95)	(68)	-	(926)		
Wholesale	(11)	(35)	(1)	-	(1)	(48)		
Licensing and others	-	-	-	-	(389)	(389)		
Total depreciation	(356)	(453)	(96)	(68)	(390)	(1,363)	(1,254)	(109)
Capital expenditure ⁵								
Retail	(10)	(28)	(3)	(27)	-	(68)		
Wholesale	(2)	(2)	-	-	-	(4)		
Licensing and others	(1)	-	(7)	-	(35)	(43)		
Total capital expenditure	(13)	(30)	(10)	(27)	(35)	(115)	(100)	(15)

⁴ Depreciation includes depreciation of property, plant and equipment and right-of-use assets.

⁵ Capital expenditure includes property, plant and equipment and intangible assets.

For the year ended 30 June 2019
(Restated)

<i>HK\$ million</i>	Germany	Rest of Europe including America	Asia Pacific	e-shop	Corporate services, sourcing, licensing and others	Group	- Continuing operations	- Discontinued operations
Revenue								
Retail	2,226	1,805	1,003	3,728	-	8,762		
Wholesale	2,200	1,754	99	-	-	4,053		
Licensing and others	-	-	-	-	5,776	5,776		
Total revenue	4,426	3,559	1,102	3,728	5,776	18,591		
- Inter-segment revenue	-	-	-	-	5,659	5,659		
- Revenue from external customers	4,426	3,559	1,102	3,728	117	12,932	11,681	1,251
Retail	2,226	1,805	1,003	3,728	-	8,762		
Wholesale	2,200	1,754	99	-	-	4,053		
Licensing and others	-	-	-	-	117	117		
Segment results								
Retail	(150)	(132)	(101)	679	-	296		
Wholesale	477	122	5	-	-	604		
Licensing and others	-	-	-	-	(1,487)	(1,487)		

For the year ended 30 June 2019
(Restated)

<i>HK\$ million</i>	Germany	Rest of Europe including America	Asia Pacific	e-shop	Corporate services, sourcing, licensing and others	Group	- Continuing operations	- Discontinued operations
EBIT/(LBIT) of the underlying operation	327	(10)	(96)	679	(1,487)	(587)	(528)	(59)
One-off costs¹								
Provision for store closures and leases, net								
Retail	(686)	(174)	(35)	-	-	(895)		
Total provision for store closures and leases, net	(686)	(174)	(35)	-	-	(895)	(860)	(35)
One-off costs in relation to staff reduction plans								
Retail	(74)	9	(3)	(7)	-	(75)		
Wholesale	(1)	(5)	(1)	-	-	(7)		
Licensing and others	-	-	-	-	(272)	(272)		
Total one-off costs in relation to staff reduction plans	(75)	4	(4)	(7)	(272)	(354)	(324)	(30)
Inventory provision								
Retail	-	-	(4)	(1)	-	(5)		
Licensing and others	-	-	-	-	(154)	(154)		
Total inventory provision	-	-	(4)	(1)	(154)	(159)	(154)	(5)
Impairment loss of property, plant and equipment								
Retail	(66)	(33)	(5)	-	-	(104)		
Wholesale	-	(5)	-	-	-	(5)		
Licensing and others	-	-	-	-	(1)	(1)		
Total impairment loss of property, plant and equipment	(66)	(38)	(5)	-	(1)	(110)	(105)	(5)

For the year ended 30 June 2019
(Restated)

<i>HK\$ million</i>	Germany	Rest of Europe including America	Asia Pacific	e-shop	Corporate services, sourcing, licensing and others	Group	- Continuing operations	- Discontinued operations
Write back of provision for closure costs of operations in Australia and New Zealand								
Retail	-	-	23	-	-	23		
Licensing and others	-	-	-	-	2	2		
Total write back of provision for closure costs of operations in Australia and New Zealand	<u>-</u>	<u>-</u>	<u>23</u>	<u>-</u>	<u>2</u>	<u>25</u>	<u>25</u>	<u>-</u>
(LBIT) /EBIT of the group	<u>(500)</u>	<u>(218)</u>	<u>(121)</u>	<u>671</u>	<u>(1,912)</u>	<u>(2,080)</u>	<u>(1,946)</u>	<u>(134)</u>
Interest income						49	46	3
Finance costs						(35)	(18)	(17)
Loss before taxation (LBT)						<u>(2,066)</u>	<u>(1,918)</u>	<u>(148)</u>

¹ One-off costs that are mainly related to restructuring.

For the year ended 30 June 2019
(Restated)

<i>HK\$ million</i>	Germany	Rest of Europe including America	Asia Pacific	e-shop	Corporate services, sourcing, licensing and others	Group	- Continuing operations	- Discontinued operations
Depreciation								
Retail	(52)	(52)	(26)	(12)	-	(142)		
Wholesale	(9)	(9)	(2)	-	-	(20)		
Licensing and others	-	-	-	-	(293)	(293)		
Total depreciation	<u>(61)</u>	<u>(61)</u>	<u>(28)</u>	<u>(12)</u>	<u>(293)</u>	<u>(455)</u>	<u>(418)</u>	<u>(37)</u>
Capital expenditure								
Retail	(27)	(31)	(11)	(12)	(6)	(87)		
Wholesale	(6)	(5)	(9)	-	(4)	(24)		
Licensing and others	-	-	(4)	-	(48)	(52)		
Total capital expenditure	<u>(33)</u>	<u>(36)</u>	<u>(24)</u>	<u>(12)</u>	<u>(58)</u>	<u>(163)</u>	<u>(138)</u>	<u>(25)</u>

Non-current assets other than deferred tax assets and financial instruments are located in the following countries:

<i>HK\$ million</i>	As at 30 June	
	2020	2019
Hong Kong	4	19
Germany	1,432	906
Other countries ¹	2,941	2,280
Total	4,377	3,205

¹ Non-current assets located in other countries include intangible assets of HK\$1,641 million (2019: HK\$2,050 million).

3.2. Revenue

<i>HK\$ million</i>	For the year ended 30 June	
	2020	2019 (Restated)
Retail and Wholesale¹		
Germany	3,270	4,426
Rest of Europe including America	2,675	3,559
Asia Pacific ²	547	1,102
e-shop	3,284	3,728
Licensing and others	98	117
Revenue from external customers total	9,874	12,932
– from continuing operations	9,216	11,681
– from discontinued operations	658	1,251

¹ Includes also revenues from outlets.

² Discontinued operations consist of Asia Pacific excluding Australia and New Zealand and parts of e-shop.

Revenue from external customers is attributed to the following countries based on the location in which the sales originated:

<i>HK\$ million</i>	For the year ended 30 June	
	2020	2019 (Restated)
Retail and Wholesale¹		
Germany² total	3,270	4,426
Benelux	743	1,113
Switzerland	463	572
France	392	531
Austria	365	470
Spain	156	189
Finland	139	173
Sweden	115	151
Italy	80	105
Poland	39	55
United Kingdom	37	50
Denmark	30	34
Others ³	116	116
Rest of Europe including America total	2,675	3,559
China	180	380
Singapore	99	185
Hong Kong ⁴	89	183
Taiwan	84	120
Malaysia	77	140
Macau	18	59
Australia and New Zealand	–	35
Asia Pacific total⁶	547	1,102
Retail and Wholesale¹	6,492	9,087
e-shop		
Germany	1,881	2,232
Benelux	495	509
France	194	205
Switzerland	189	190
Austria	179	199
China	79	101
Denmark	38	34
United Kingdom	35	45
Poland	32	35
Sweden	31	32
Finland	21	27
Spain	16	19
Italy	9	9
Australia and New Zealand	–	1
Others	85	90
e-shop total	3,284	3,728

<i>HK\$ million</i>	For the year ended 30 June	
	2020	2019 (Restated)
Licensing and others		
Rest of Europe ⁵	68	87
Germany	30	30
	<hr/>	<hr/>
Licensing and others total	98	117
	<hr/>	<hr/>
Revenue total	9,874	12,932
– from continuing operations	9,216	11,681
– from discontinued operations	658	1,251
	<hr/> <hr/>	<hr/> <hr/>

¹ Includes also revenues from outlets.

² Germany revenue includes wholesale revenue from other European countries mainly Russia, Bosnia-Herzegovina and Romania.

³ Others under Rest of Europe include revenue from other countries mainly Chile and Colombia.

⁴ Hong Kong revenue includes wholesale revenue from other countries mainly Thailand, Philippines and India.

⁵ Revenue from Rest of Europe represents licensing income that comes from Asia Pacific, Europe other than Germany and America.

⁶ Discontinued operations consist of Asia Pacific excluding Australia and New Zealand and parts of e-shop.

3.3. Operating loss (LBIT)

LBIT is arrived at after charging and (crediting) the followings:

<i>HK\$ million</i>	For the year ended 30 June	
	2020	2019 (Restated)
Impairment loss on trademarks		
– from continuing operations	397	–
Impairment loss on goodwill		
– from continuing operations	19	–
Impairment loss on property, plant and equipment		
– from continuing operations	205	105
– from discontinued operations	36	5
Impairment loss on right-of-use assets		
– from continuing operations	897	–
– from discontinued operations	28	–
Write-downs of inventories to net realizable value, net		
– from continuing operations	292	182
– from discontinued operations	(13)	(41)
Staff costs		
– from continuing operations	1,513	2,487
– from discontinued operations	255	319
Occupancy costs		
– from continuing operations	315	1,732
– from discontinued operations	79	356
Depreciation of plant, property and equipment		
– from continuing operations	374	418
– from discontinued operations	17	37
Depreciation of right-of-use assets		
– from continuing operations	880	–
– from discontinued operations	92	–
Provision for impairment of trade debtors, net		
– from continuing operations	55	16
– from discontinued operations	6	4
Auditor's remuneration	16	14
	<u>16</u>	<u>14</u>

3.4. Finance costs

<i>HK\$ million</i>	For the year ended 30 June	
	2020	2019 (Restated)
Interest on lease liabilities	93	–
Imputed interest on financial assets and financial liabilities	7	35
	<u>7</u>	<u>35</u>
Total	100	35
– from continuing operations	87	18
– from discontinued operations	13	17
	<u>13</u>	<u>17</u>

3.5. Taxation

Amounts recognized in the consolidated statement of profit or loss

<i>HK\$ million</i>	For the year ended 30 June	
	2020	2019 (Restated)
Current tax expense		
Income taxes – related to current year	90	134
Income taxes – related to prior years	(51)	–
Current tax total	<u>39</u>	<u>134</u>
Deferred tax expense		
Origination and reversal of temporary differences, tax losses and changes of tax rates	460	(56)
Total income tax expense	499	78
– from continuing operations	437	65
– from discontinued operations	<u>62</u>	<u>13</u>

Hong Kong profits tax is calculated at 16.5% (2019: 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 at the rates of taxation prevailing in the countries in which the Group companies operate, net of tax losses carried forward, if applicable.

3.6. Discontinued operations

The financial performance and cash flow information referring to the discontinued operations are presented in the following table:

<i>HK\$ million</i>	For the year ended 30 June	
	2020	2019 (Restated)
Revenue	658	1,251
Expenses	(907)	(1,399)
Loss before taxation	(249)	(148)
Income tax expense	(62)	(13)
Loss from discontinued operations, net of tax	<u>(311)</u>	<u>(161)</u>
Exchange translation from discontinued operations	19	(2)
Basis and diluted loss per share	HK\$(0.16)	HK\$(0.09)

<i>HK\$ million</i>	For the year ended 30 June	
	2020	2019 (Restated)
Net cash used in operating activities	(266)	(43)
Net cash generated from/(used in) investing activities	81	(47)
Net cash used in financing activities	(186)	–

3.7. Debtors, deposits and prepayments

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

<i>HK\$ million</i>	As at 30 June	
	2020	2019
Finance lease receivables	36	–
Deposits	299	68
Financial Instruments	335	68
Prepayments	1	38
Other debtors and receivables	9	14
Non-financial instruments	10	52
Total	345	120

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

<i>HK\$ million</i>	As at 30 June	
	2020	2019
Trade debtors	979	1,205
less: provision for impairment of trade debtors	(213)	(179)
Net trade debtors	766	1,026
Finance lease receivables	35	–
Derivatives	–	7
Deposits	15	24
Financial instruments	816	1,057
Prepayments	439	126
Right-of-return assets	69	88
Other debtors and receivables	129	228
Non-financial instruments	637	442
Total	1,453	1,499

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

<i>HK\$ million</i>	As at 30 June 2020	2019
0-30 days	393	725
31-60 days	133	113
61-90 days	61	74
Over 90 days	179	114
Total	766	1,026

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.

3.8. Creditors and accrued charges

<i>HK\$ million</i>	As at 30 June 2020	2019
Trade creditors	1,011	425
Financial instruments	1,011	425
Accruals	989	1,113
Return liabilities	177	202
Other creditors and payables	640	610
Non-financial instruments	1,806	1,925
Total	2,817	2,350

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

<i>HK\$ million</i>	As at 30 June 2020	2019
0-30 days	164	335
31-60 days	99	54
61-90 days	189	27
Over 90 days	559	9
Total	1,011	425

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

3.9. Provisions

Provisions consist of the followings:

<i>HK\$ million</i>	As at 30 June	
	2020	2019
Restructuring ¹	225	940
Reinstatement ²	122	144
Litigation ²	10	10
Total	<u>357</u>	<u>1,094</u>

¹ As at 30 June 2019, only restructuring provisions have been presented as “provision for store closure and leases”. As at 1 July 2019, provisions for store closure have been reclassified because of first-time adoption of IFRS 16.

² Provisions for reinstatement and litigation have been included as “Provisions” in the consolidated balance sheet for the year. Prior year balances which were included as “creditors and accrued charges” are presented accordingly for consistency.

4. LOSS PER SHARE

4.1. 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 year less shares held for Share Award Scheme.

	2020	2019 (Restated)
Loss attributable to shareholders of the Company (HK\$ million)	<u>(3,992)</u>	<u>(2,144)</u>
Number of ordinary shares in issue at 1 July (million)	1,887	1,887
Adjustment for shares held for Share Award Scheme (million)	<u>(8)</u>	<u>(8)</u>
Weighted average number of ordinary shares in issue less shares held for Share Award Scheme (million)	<u>1,879</u>	<u>1,879</u>
Basic loss per share (HK\$ per share)	(2.12)	(1.14)
– from continuing operations (HK\$ per share)	(1.96)	(1.05)
– from discontinued operations (HK\$ per share)	<u>(0.16)</u>	<u>(0.09)</u>

4.2. 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 year (less shares held for Share Award Scheme) adjusted by the dilutive effect of share options and awarded shares.

	2020	2019 (Restated)
Loss attributable to shareholders of the Company (HK\$ million)	<u>(3,992)</u>	<u>(2,144)</u>
Weighted average number of ordinary shares in issue less shares held for Share Award Scheme (million)	1,879	1,879
Adjustments for shares options and award shares (million)	<u>–</u>	<u>–</u>
Weighted average number of ordinary shares for diluted earnings per shares (million)	<u>1,879</u>	<u>1,879</u>
Diluted loss per share (HK\$ per share)	(2.12)	(1.14)
– from continuing operations (HK\$ per share)	(1.96)	(1.05)
– from discontinued operations (HK\$ per share)	<u>(0.16)</u>	<u>(0.09)</u>

Diluted loss per share for the year ended 30 June 2020 and 30 June 2019 was the same as the basic loss per share since the share options and awarded shares are antidilutive for the years presented.

5. DIVIDENDS

The Board did not declare and recommend the distribution of any dividend for the year ended 30 June 2020 (2019: nil).

EXTRACT OF INDEPENDENT AUDITOR’S REPORT

The following is the extract of the independent auditor’s report from the external auditor of the Company:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2020, 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.

Material Uncertainty Related to Going Concern

We draw your attention to note 1.2.1 to the consolidated financial statements, which states that the Group recorded a net loss attributable to shareholders of HK\$3,992 million and a net cash outflow of HK\$923 million for the financial year ended 30 June 2020. The Group’s revenue and net profit for the year ended 30 June 2020 were adversely affected by the Coronavirus 2019 pandemic (the “Pandemic”). This resulted in the Group’s decision to apply for Protective Shield Proceedings for certain subsidiaries at the insolvency court in Germany, whereby the majority of the creditors voted for and approved the insolvency plans on 29 and 30 October 2020, resulting in a debt relief of approximately HK\$1,852 million. The Pandemic continues to negatively affect the markets in which the Group operates and consequently the Group’s ability to continue as a going concern is dependent on the Group’s adjustment of its strategies to mitigate the possible further impact of the Pandemic, and the successful implementation of the Group’s cost optimization and reduction measures and the Group’s Strategic Plan. These events or conditions, along with other matters as set forth in note 1.2.1 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt over the Group’s ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

In general, the financial performance of the Group during FY19/20 was split into two. During the first half of the year, the Group continued the execution of the strategic plan presented in 2018 to restore Esprit to sustainable growth and profitability. A plan characterized by measures to become a leaner organization with a smaller physical store footprint. These strategic goals have been put in place to slow the rate of sales decline, increase the mix of full price sales and lower operating expenses.

Core elements of the product strategy are to sharpen Esprit's brand identity with a commitment to sustainability, enhance the customer experience and improve the product portfolio. Other key elements include resizing the retail business in terms of volume and geography, a best-in-class approach to serve the Group's wholesale partners and strengthening the profitable e-commerce business.

Besides, Esprit worked on a leaner organization with more efficient reporting lines and a new management structure. Consequently, the Executive Management team was optimized, and the Board was enhanced by the appointment of Johannes Schmidt-Schultes as new Group Chief Financial Officer in October 2019.

Esprit's efforts to reshape its business were successful with the half-year financial results in line with the Group's expectations. Group LBIT adjusted for Foreign Exchange ("FX") fluctuations improved by HK\$1.4 billion compared to the first half of FY 18/19. Across the European business, the Group achieved strong gross margin growth, significant improvement in the mix of full price sales, sales growth in like-for-like stores and a large reduction in operating expenses.

As a result, LBITDA of underlying operations in the first half of FY19/20 was close to breakeven at HK\$(15) million. These early signs of improvement in different aspects of the underlying operations made the management confident that they were on the right track.

Further positive effects were starting to be visible in the second half of the financial year, but the promising development was sharply interrupted by the outbreak of COVID-19 ("the Pandemic"). Initially the Asian markets and supply chains were affected as early as January 2020. By mid-March, almost all brick and mortar stores in Europe had to be temporarily closed due to government-ordered lockdowns as part of public health measures implemented to slow down the spread of the Pandemic. E-commerce revenue remained the only revenue driver while salaries, rents and operating costs continued to accrue.

As a proactive and forward-looking measure to protect the solvency and liquidity of the Group (most notably the European subsidiaries) and the ongoing business, the Group applied for Protective Shield Proceedings (the "Proceedings"), a restructuring proceeding in self-administration, pursuant to section 270b of the German Insolvency Act on 27 March 2020 for the six German subsidiaries (the "Subject Subsidiaries"). The Protective Shield Proceedings enabled a large restructuring of operations in Germany held under the custodianship of Dr. Biner Bähr from the renowned law firm "White & Case". The appointment took place by the Düsseldorf District Court of Germany (the "Court"). Additionally, experienced Protective Shield advisors were contracted to support the Protective Shield Proceedings.

Protective Shield Proceedings serve to protect the Subject Subsidiaries from individual creditors while the management of the Group has worked out an advanced restructuring plan based on the strategic plan of 2018. This allowed an acceleration of the plan for the Company to transform into a smaller, leaner organization to face the uncertain times ahead. For further details, please refer to the paragraph headed “Important Events Occurring After the Reporting Period – Updates on the restructuring initiatives of the Group” below in this chapter.

In addition, to focus resources and recalibrate operations in order to cope with the challenges of the Pandemic most effectively, the Group decided on further restructuring measures in April. It was decided to close all business in Singapore, Malaysia, Taiwan, Hong Kong and Macau as part of its restructuring initiatives.

As a consequence, all 56 stores in Asia, outside of mainland China, were closed by the end of June 2020. The Group had already taken the decision to wind down its China business while entering into a joint venture agreement (the “JV Agreement”) with Mulsanne Group Holdings Ltd (“MGH Ltd”) in December 2019, for the purpose of trading under the Esprit brand in China. However, the JV Agreement was terminated on 30 July 2020 due to a material breach of terms by the contract partner. As of 30 June 2020, all retail stores and trading outlets in China are closed and the Group is currently formulating a new strategy.

Therefore, as of 30 June 2020, the management has disclosed the Asian business as “discontinued operations”.

In the fourth quarter of FY19/20 the Pandemic heavily affected the business. All stores in Germany were only allowed to re-open in mid-May. A similar schedule also applied to many other European countries. FY19/20 ended negatively with significant impairments and one-off costs for the annual reporting.

Results of Operations

The following table summarizes the results of the Group for FY19/20 and FY18/19. The Group adopted the new accounting standard IFRS 16, recognizing all lease contracts (former IAS 17) as right-of-use assets and lease liabilities on the consolidated balance sheet.

Results of Operations

	Year ended 30 June		change %
	2020 <i>HK\$ million</i>	2019 <i>HK\$ million</i>	
Revenue	9,874	12,932	(23.65)
Cost of purchases	(5,563)	(6,431)	(13.49)
Gross profit	4,311	6,501	(33.69)
<i>Gross profit margin</i>	43.7%	50.3%	
Staff costs ¹	(1,768)	(2,806)	(37.00)
Occupancy costs	(394)	(2,088)	(81.11)
Logistics expenses	(572)	(821)	(30.38)
Marketing and advertising expenses	(516)	(634)	(18.63)
Depreciation of property, plant and equipment	(391)	(455)	(13.98)
Depreciation of right-of-use assets	(972)	–	n/a
Provision for store closures and leases, net ²	–	(895)	(100.00)
Impairment loss on property, plant and equipment	(241)	(110)	119.32
Write back of provision for closure costs of operations in Australia and New Zealand	–	25	(100.00)
Write-downs of inventories to net realizable value, net	(279)	(141)	98.43
Provision for impairment of trade debtors, net	(61)	(20)	203.16
Impairment loss on right-of-use assets	(925)	–	n/a
Impairment loss on trademarks	(397)	–	n/a
Impairment loss on goodwill	(19)	–	n/a
Other operating costs	(1,223)	(636)	92.30
LBIT of the Group	(3,447)	(2,080)	65.74
Thereof exceptional items			
Write-downs of inventory to net realizable value, net	(343)	(159)	
Provision of impairment of trade debtors, net	(45)	–	
Impairment loss on property, plant and equipment	(241)	(110)	
Impairment loss on right-of-use assets	(925)	–	
Impairment loss on trademarks and goodwill	(416)	–	
Restructuring plans ³	(299)	(1,224)	
Protective Shield Proceedings	(71)	–	
Subtotal	(2,340)	(1,493)	
LBIT of the underlying operation	(1,107)	(587)	

1 Includes a release of provision for restructuring.

2 Provision for store closures and leases is zero due to first time adoption of IFRS 16.

3 Includes one-off costs in relation to staff reduction plans and provision for store closures (FY18/19: included one-off costs in relation to staff reduction plans and provision for store closures and onerous leases and write back of provision for closure costs of operations in Australia and New Zealand).

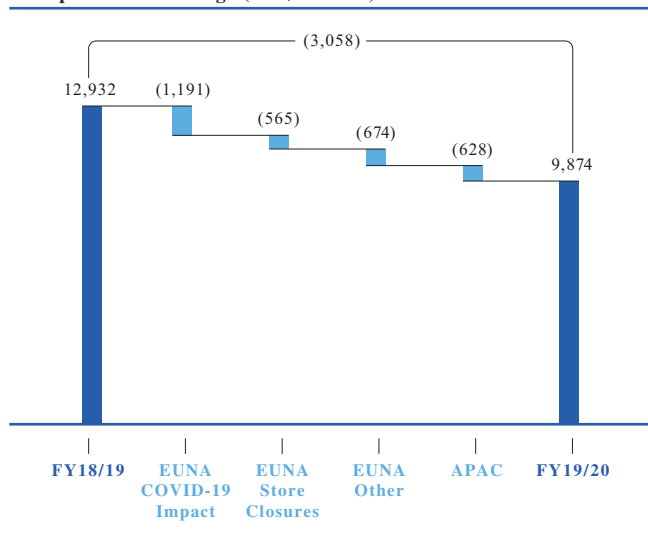
Revenue Analysis

In FY19/20, the Group recorded revenue of HK\$9.9 billion (FY18/19: HK\$12.9 billion). When adjusted for FX fluctuations this equates a decline of 21% year-on-year.

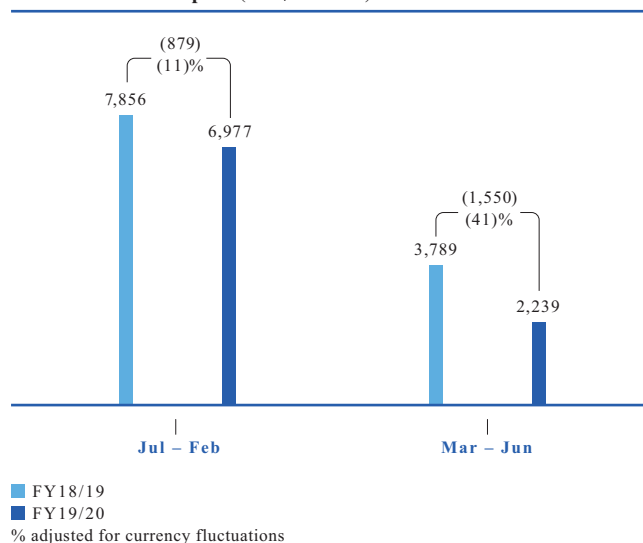
The second half of FY19/20 was significantly impacted by the Pandemic. Europe and North America (“EUNA”) revenue declined 41% year-on-year in March to June 2020, compared with 11% decline in July 2019 to February 2020. Compulsory store closures began mid-March 2020 and continued until mid-May 2020. After reopening, demand in the market remained suppressed compared to levels experienced at the height of the Pandemic.

HK\$1.2 billion of the sales deterioration occurred due to the Pandemic and subsequent drop in consumer demand, HK\$0.6 billion was due to the reduction in retail space in EUNA and HK\$0.6 billion due to decline in the Asia Pacific region (“APAC”) business. The decline in the APAC was caused by store closures and like-for-like underperformance.

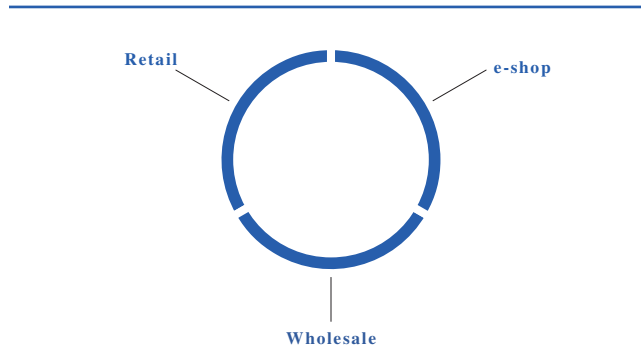
Group Revenue Change (HK\$ million)



EUNA Revenue Impact (HK\$ million)



Group Revenue Channel Mix



Group revenue is divided into 3 main channels: Wholesale, e-commerce and owned Retail stores. Each channel accounts for approximately one third of revenue.

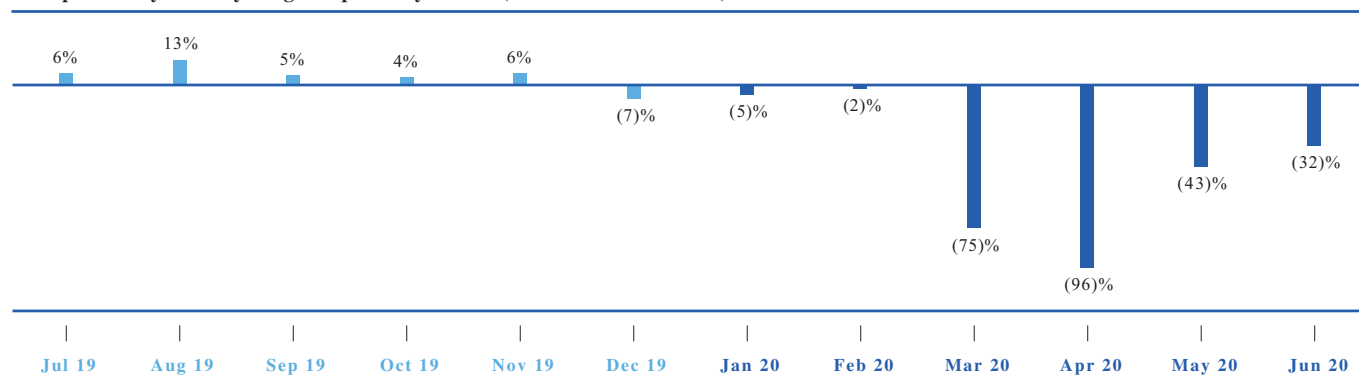
This business model allowed us to mitigate some of the impacts of the Pandemic, as our own brand website and 3rd party e-commerce partners continued to trade during lockdown.

Retail business in Europe

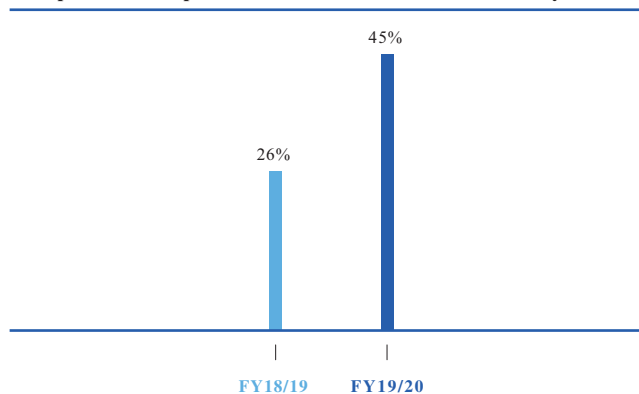
Sales in retail Europe declined 29% year-on-year in FY19/20, and in the first half by 13%. The Group has reduced its retail footprint over the last two years in order to reduce operating costs and focus on profitable trading spaces. Management further optimized the store portfolio during the financial period FY19/20. Further store closures are expected to occur in financial year ending 30 June 2021 (“FY20/21”).

In FY19/20, the Group changed the promotional strategy in order to deliver increased full price sales and gross margin. This involved reducing mid-season promotions in favor of end of season markdown events. In retail this proved to be successful, as the Group saw 5 months of like-for-like growth and a 19% increase in mix of units sold at full price. The Group is confident that this is the right strategy for its retail business and that positive results would have continued into the second half without the Pandemic.

Europe retail year-on-year gross profit by month (excludes outlet stores)



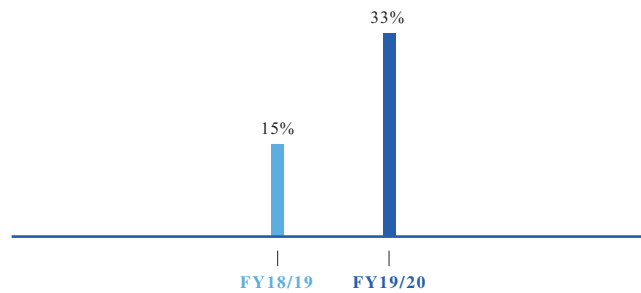
Europe retail full price sales mix for the first half of the year



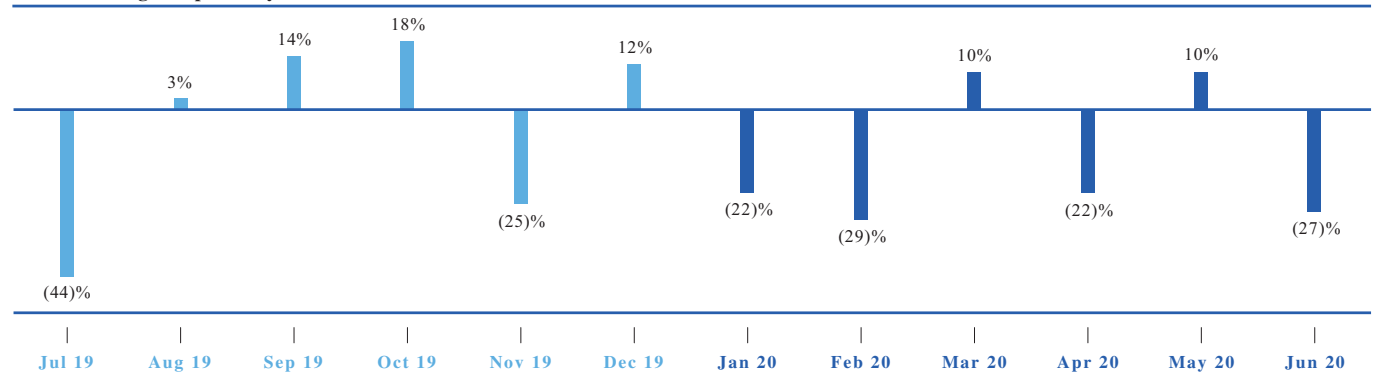
e-commerce business in Europe

Sales through the Esprit e-shop and 3rd party marketplaces declined 9% year-on-year in FY19/20. The full prices sales strategy saw positive results in some months but proved more erratic on a channel where discounting is the fundamental way to drive traffic. This was particularly noticeable across November, Black Friday and during the Pandemic where management had to compete with high levels of discounting amongst other brands. Regardless, management is confident of the long-term benefits of the lower discounting strategy and will focus on fewer, better targeted promotions going forward.

Europe e-commerce full price sales mix for the first half of the year



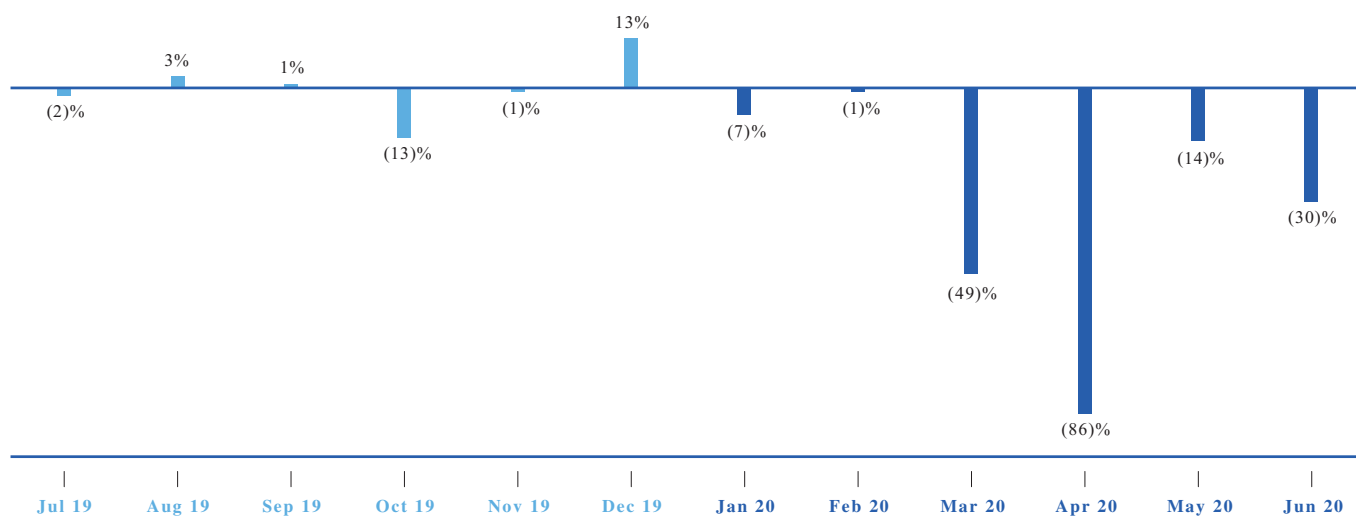
E-commerce gross profit by month



Wholesale business in Europe

In the last two years, the Group has adjusted its strategy to have a greater focus on the wholesale business and wholesale partners. The Group will deliver long term revenue growth by working with wholesale partners to ensure they are profitable. The strategy proved successful. In the first half year of FY19/20, wholesale revenue declined just 0.9% year-on-year (in local currency terms) despite a 13% decline in the customer base.

Wholesale net sales by month (year-on-year)



Profitability Analysis

Gross profit margin

Group gross profit margin was 43.7% which is a decline of 6.7% year-on-year in local currency terms (“LCY”). Closure of APAC operations impacted the Group’s gross margin by 1.8% year-on-year.

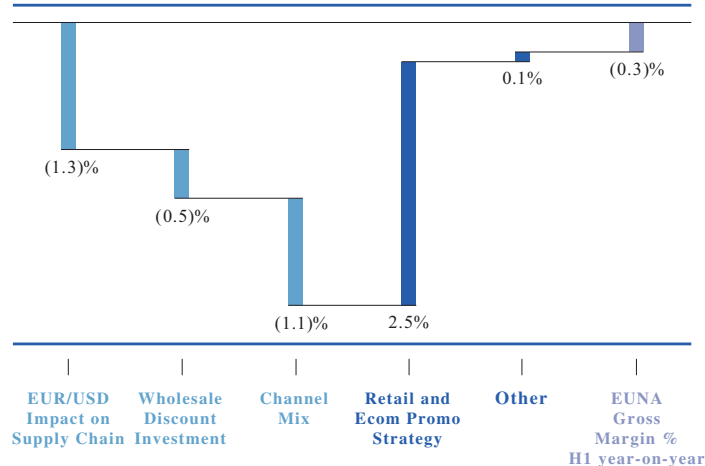
The gross profit margin in EUNA dropped 5.0% year-on-year. The second half of FY19/20 was heavily impacted by the Pandemic. Significant discounting was prevalent across high streets due to excess stock and suppressed demand in the market. Esprit had to temporarily suspend the reduced promotions strategy in order to remain competitive. Some of the risk was mitigated through stock order cancellations, which amounted to approximately 30% of orders.

The gross profit margin in EUNA in the first half of FY 19/20 was indicative of the success of the reduced promotions strategy. Whilst the gross margin fell 0.3% in the year, the promotion strategy led to an overall 2.5% increase in gross margin in EUNA. This was offset by a 1.3% impact from the weakening EUR/USD rate and a 1.1% drop from channel mix due to closure of physical retail stores, the channel where gross margin percentage is the highest. There was also a 0.5% investment in gross margin in the wholesale channel, in order to reduce some stock returns and promote the Esprit brand for the benefit of future sales growth.

Group gross margin variance adjusted for local currencies

	FY19/20	FY18/19	vs %Pts LCY
Total Group	43.7%	50.3%	(6.7)%
Jul – Dec	49.2%	51.3%	(2.2)%
Jan – Jun	36.0%	49.2%	(13.2)%
EUNA	43.9%	48.8%	(5.0)%
Jul – Dec	48.5%	48.7%	(0.3)%
Jan – Jun	37.7%	48.9%	(11.3)%
APAC	40.2%	64.1%	(24.2)%
Jul – Dec	57.0%	72.1%	(14.9)%
Jan – Jun	12.1%	53.0%	(41.7)%

Breakdown of EUNA Jul – Dec (“H1”) year-on-year gross profit margin % variance



Operating expenses

Operating expenses were HK\$7.8 billion, 9% lower than last year. This includes exceptional items of HK\$2.3 billion. Excluding exceptional items, expenses for FY19/20 were 23% lower than FY18/19.

Staff cost has declined HK\$1.0 billion, that is 37% drop year-on-year. Approximately one quarter of this decline can be attributed to store closures and there has also been a significant streamlining of operations in the remaining store portfolio and in all support and central functions as part of the first phase of the transformation project. The second phase of restructuring in FY20/21 will see a further decline in staff costs. The Group has taken bold steps to reduce headcount to ensure that Esprit will return to profitability even in an uncertain market after the Pandemic.

The decline in occupancy costs of 81% was primarily driven by the change in accounting treatment of leases under IFRS 16. Lease expenses are now reflected as depreciations of right-of-use assets and interest expenses on lease liabilities. However, in real cash terms there has been a decline of 14% in occupancy costs in Europe, driven by store closures, and the centralization of German support center functions into one office in Ratingen. Also, a significant occupancy reduction will be seen in FY20/21 as a number of stores are earmarked for closure.

Logistics costs declined 31% mainly due to IFRS 16 accounting changes and cost line reclassifications. In real terms, logistics costs declined 5.6% year-on-year despite an increase in the mix of sales from e-commerce. This was due to a change in working relationship with our e-commerce logistics supplier, enabling greater scrutiny of costs and efficiency improvements.

Marketing spend was reduced by 19%. This was mainly driven by a reduction in customer relationship management (“CRM”) spend. As part of the Group’s strategy to drive full price sales, there were fewer promotional vouchers mailed out to customers. The number of postal mails to customers also declined as a result of our strategy to shift CRM activity online.

Exceptional items

The Pandemic had a significant negative effect on the assessment of exceptional items and their impact on the results of the FY19/20 as the business planning assumptions of the Group are based on a macroeconomic outlook which rather assumes uncertain market development and consumers’ behavior than a clear growth path. Overall, the Group will focus on its key markets and the downsizing of the business with the closure of loss-making stores and non-performing business.

The Group estimates a sales decline which is driven by an uncertain outlook in the wholesales area, a decrease in retail business due to store closures in Germany and the closure of the Asia business activities. The Group expects a reduced profitability within the next financial year because of the ongoing restructuring process as well as riding out the uncertainty about the further impact of the Pandemic. The Group is convinced that the restructuring is necessary to return the business to profitability in FY21/22.

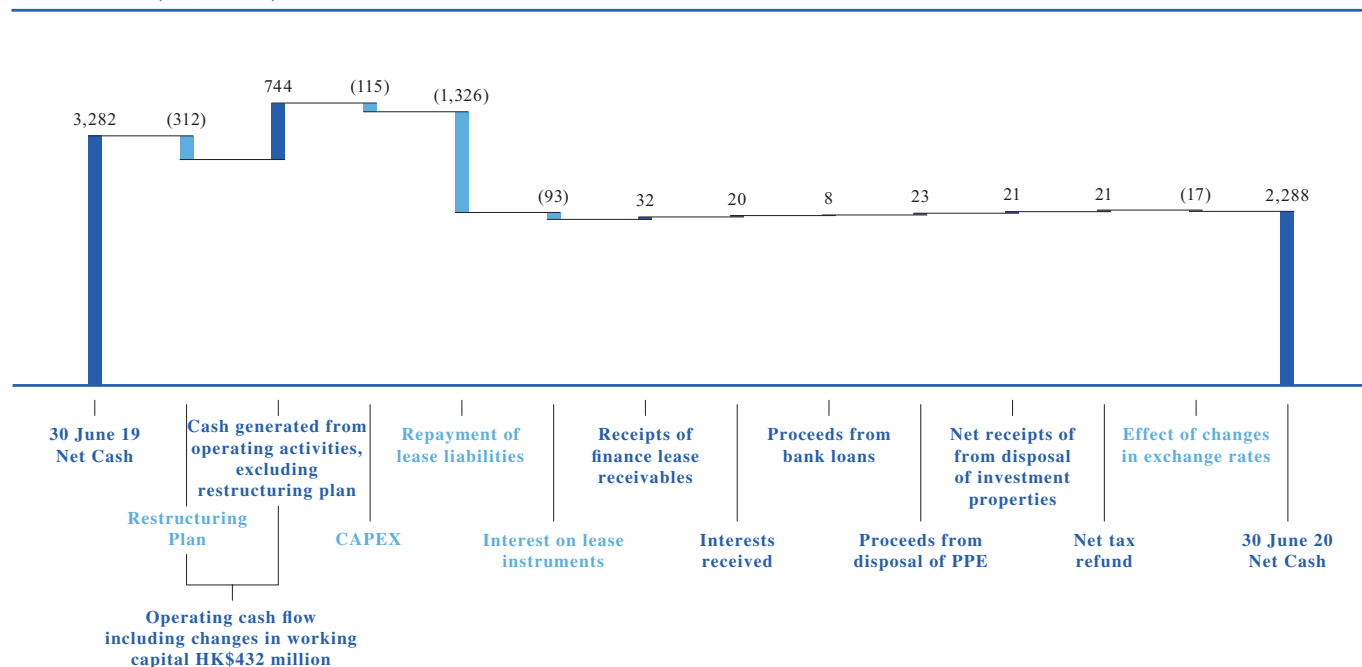
The Group’s forward-looking planning scenario assumes low economic activity and a low Group profitability. By applying these assumptions, the Group had to record impairment and one-off effects which are amounting in total to HK\$2,340 million. The biggest part is attributable to impairments for goodwill and trademarks, impairments for right-of-use assets, property, plant and equipment, inventories and receivables (totaling HK\$1,970 million), other exceptional items have been assessed for restructuring measures (personnel expenses and retail closures costs with an amount of HK\$299 million) and insolvency proceedings in Germany (HK\$71 million). However, the Group expects to terminate the insolvency proceedings by the end of November 2020.

Liquidity and Financial Resources Analysis

Net Cash: As at 30 June 2020, the Group remained nearly debt free with a HK\$8 million loan so that cash, bank balances and deposits were totaling HK\$2,288 million (30 June 2019: HK\$3,282 million), representing a net cash utilization of HK\$994 million as compared with HK\$(1,239) million in FY18/19.

The cash utilization was mainly used for financing activities totaling HK\$(1,326) million, for the Restructuring Plans totaling HK\$(312) million and for operating activities excluding restructuring totaling generated cash inflow of HK\$744 million. The Group invested HK\$115 million capital expenditure (“CAPEX”).

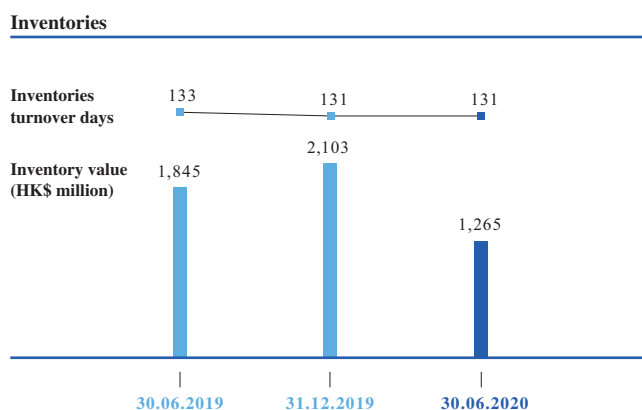
Cash utilization (HK\$ million)



Inventories: The inventory balance amounted to HK\$1,265 million (30 June 2019: HK\$1,845 million), representing a year-on-year decrease of 31.4%. In terms of units, the total inventory at the end of June 2020 was 23.5 million pieces, a year-on-year decrease of 16.9% as compared to the 28.3 million pieces at the end of June 2019.

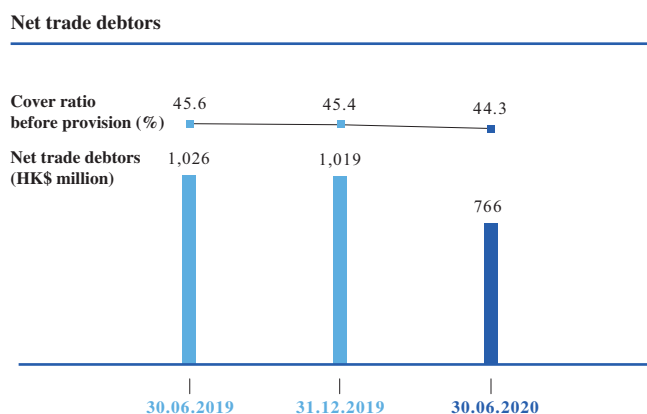
The decrease is also due to write-downs the management has assessed in regard to overstock from the lockdown period and in anticipation of an expected reduced economic scenario and planned store closures which will result in weakening customer demand, decreased stores and outlet capacities, less selling space, decreasing prices and higher return rates.

Inventory turnover days were 131 days, an improvement of two days as compared with a year ago (30 June 2019: 133 days), mainly driven by the Group's new tools and processes to support business as well as tighter inventory control.



Trade Debtors: Net trade debtors was HK\$766 million (FY18/19: HK\$1,026 million), which is a decrease of 25.3% compared to the same period last year due to lower sales and increased provisions for bad debts (HK\$213 million in FY19/20 compared to HK\$179 million in FY18/19).

The cover ratio before provision (the amount of insured and secured gross trade debtors including VAT over total gross trade debtors including VAT) decreased to 44.3% (FY18/19: 45.6%).



CAPEX: The Group invested HK\$115 million in CAPEX in FY19/20 (FY18/19: HK\$163 million), representing a decrease of 29.4% year-on-year. The biggest part of investments went into existing stores in Europe including the e-shop.

<i>HK\$ million</i>	For the year ended 30 June	
	2020	2019
Existing stores and refurbishment	62	31
New stores	1	36
IT projects	14	30
Office & others	38	66
Purchase of property, plant and equipment and intangible assets	<u>115</u>	<u>163</u>

Total External Borrowings: As at 30 June 2020, the Group had COVID-19 related HK\$8 million interest-free borrowings in Switzerland (CHF1 million; 2019: nil), repayable in 5 years (30 June 2019: Nil). As at 30 June 2020, the Group's gearing ratio was 43.4%, which was calculated as net financial debt ((lease liabilities + bank loans) – (cash, bank balances and deposits) divided by equity).

Foreign Exchange Risk

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.

To minimize the Group's Foreign Exchange exposure on costs for merchandise 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 Foreign Exchange risk arising from future commercial transactions, the Group in the past entered into forward Foreign Exchange contracts with reputable financial institutions to hedge the Foreign Exchange risk.

In March 2020, all credit lines have been canceled due to the Protective Shield Proceedings and since then no further forward Foreign Exchange contracts have been concluded. Therefore, currency fluctuations could affect its margins and profitability. Once the insolvency proceedings are finalized the Group will secure Foreign Exchange risk again.

Treasury policy

In FY19/20, Esprit centralized treasury and other finance functions in Germany according to its restructuring plan. Group treasury function and policy will be therefore aligned accordingly. The core task is ensuring the Group's solvency by state of the art cash/liquidity management and central bank relationship management. Excess liquidity is managed by using short term deposits at banks. Other than using an inhouse bank concept to fund the Group, there are currently no further financing initiatives with banks. Nevertheless, various options are evaluated in order to cover future needs. In addition, Group Treasury is taking care of the Foreign Exchange risk management, when derivative activities were suspended during the Protective Shields Proceedings due to the cancellation of banking facilities.

Human resources

As at 30 June 2020, the Group employed approximately 3,400 full-time equivalent staff (as at 30 June 2019: over 4,900) around the globe.

Competitive remuneration packages that take into account 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.

Dividend

The Board maintains the dividend payout ratio of 60% of basic earnings per share. As the Group recorded a loss for the year ended 30 June 2020, the Board does not recommend the distribution of a dividend for the year ended 30 June 2020 (FY18/19: Nil).

IMPORTANT EVENTS OCCURRING AFTER THE REPORTING PERIOD

Updates on the restructuring initiatives of the Group

(A) Updates on the Protective Shield Proceedings/Insolvency Proceedings in Self-Administration

As disclosed in the announcements of the Company dated 27 March 2020 and 1 July 2020, the Subject Subsidiaries had applied for the Protective Shield Proceedings. In August 2020, the creditors' assemblies of the Subject Subsidiaries discussed the Protective Shield Proceedings.

Due to the factors, including but not limited to, that (i) ongoing negotiations with works' councils of one of the Subject Subsidiaries; (ii) delayed submission of the insolvency bookkeeping documentation by the service provider for insolvency proceedings; (iii) the requirement to deliver copies of the Restructuring Plans to creditors based outside of Germany; and (iv) limited availability of the Court during the COVID-19 pandemic, the submission of the Restructuring Plans to the Court has been delayed. As disclosed in the announcement of the Company dated 1 November 2020, the creditors' meetings for approving the Restructuring Plans took place on 29 and 30 October 2020. During these meetings the Restructuring Plans have been approved by the creditors and confirmed by the Court. It is expected that a final resolution will be passed by the Court to terminate the insolvency proceedings by the end of November 2020.

The positive creditors' vote implies a debt relief for the Subject Subsidiaries which is estimated to be approximately HK\$1,852 million.

(B) Updates on the Restructuring Plans

As disclosed in the announcement of the Company dated 1 July 2020, the key elements of the Restructuring Plans include “headcount and salary reduction”, “store portfolio optimization” and “cost reduction”. The implementation of the Restructuring Plans has been progressing:

Headcount and salary reduction

The Group has continued with the global headcount reduction plan in order to transform the Group into a leaner organization. The conversation with the employees is still going on as planned.

Store portfolio optimization

To continue with the Group’s effort to streamline its business operations and to minimize costs and expenses, the Group has closed all its retail stores in Asia (including the PRC) and closed certain stores in Europe that underperformed. Furthermore, in view of the increasing popularity of online shopping in recent years, the Group is also developing its online shopping platform and has launched instore assisted selling app in various retail stores in Europe. The Group is also testing its new salesforce e-commerce platform, which is expected to be launched in the first quarter of 2021.

Cost reduction

The Group is in the process of re-negotiating the contracts with its service providers in order to obtain more favorable terms and further reduce its costs. Furthermore, the Group is also forming more strategic partnerships with different companies in order to further increase its revenue.

Apart from the above, the Group has also taken other initiatives to reduce its costs of production, which include: (i) streamlining of corporate structure of the Company; (ii) increasing the usage of digital tools to reduce its travelling expenses; and (iii) optimizing the supply and choice of supplier strategy of the Group.

Further details on the progress of Protective Shield Proceedings and the implementation of the Restructuring Plans will be disclosed in due course.

Extraordinary cancellation of quarterly reporting for the three months ended 30 September 2020

Pursuant to IFRS 10, equity method has been adopted for the Subject Subsidiaries since 1 July 2020. Upon the termination of the insolvency proceedings by the insolvency court, the Company will regain control over the Subject Subsidiaries and accordingly fully consolidate the Subject Subsidiaries (i.e. full consolidation method will be adopted) again.

The Directors are of the view that the reporting of the unaudited financial results of the Company for the three months ended 30 September 2020 with equity method will not provide meaningful information on the financial performance of the Group to the public. As such, the Company will extraordinarily cancel its voluntary reporting of the unaudited financial results for the three months ended 30 September 2020. The Company will resume the voluntary quarterly reporting upon completion of the insolvency proceedings.

Change of Directors and composition of the committee members of the Board

With effect from 21 July 2020,

- (i) Mr. Marc Andreas TSCHIRNER, Ms. CHIU Su Yi Christin and Mr. Hung Wai WONG have been appointed as executive Directors;
- (ii) Ms. CHIU Su Yi Christin has been appointed as member of the remuneration committee of the Company (the “Remuneration Committee”) and the general committee of the Board (the “General Committee”); and
- (iii) Mr. Marc Andreas TSCHIRNER and Mr. Hung Wai WONG have been appointed as members of the General Committee.

For further details, please refer to the announcement of the Company dated 21 July 2020.

With effect from 24 July 2020, Dr. Martin WECKWERTH has resigned as an independent non-executive Director, chairman of the Remuneration Committee and a member of the Audit Committee. For further details, please refer to the announcement of the Company dated 26 July 2020.

Furthermore, with effect from 29 July 2020,

- (i) Mr. CHUNG Kwok Pan has been appointed as an independent non-executive Director and a member of the Audit Committee and the Remuneration Committee; and
- (ii) Ms. Sandrine Suzanne Eleonore Agar ZERBIB has been re-designated as chairman of the Remuneration Committee.

For further details, please refer to the announcement of the Company dated 29 July 2020.

New substantial shareholder

In July 2020, Ms. LO Ki Yan Karen became the Company's new substantial shareholder, who, as at the date of this Report, directly and indirectly held 438,671,700 shares in aggregate, representing approximately 23.2% of the total issued share capital of the Company.

Termination of the JV Agreement

On 30 July 2020, the Group, through its legal advisor, has issued a notice of termination to MGH Ltd to terminate the JV Agreement, as MGH Ltd has failed to establish the joint venture company and has constituted a material breach of the terms of the JV Agreement. The Group has also demanded the payment of RMB50 million (the "Liquidated Damages") by MGH Ltd to the Group pursuant to the liquidated damages clause of the JV Agreement. For further details, please refer to the announcements of the Company dated 1 December 2019 and 30 July 2020.

On 3 September 2020, MGH Ltd, through its legal advisor, has informed the Group that it would terminate the JV Agreement pursuant to the relevant laws and regulations in the PRC with immediate effect. As at the date of this report, there is no update on the payment of the Liquidated Damages.

Save as disclosed in the Unaudited Results Announcement and this announcement, no important events affecting the Group have occurred since the end of the Reporting Period.

OUTLOOK

The global economic development is highly dependent on how quickly the Pandemic can be stopped by finding a vaccine. A quick return to global precrisis levels is currently not expected.

In Germany, Esprit's most important market, short-time work and governmental support for companies withheld the rise in unemployment during the lockdown. The second half of calendar year 2020 will show if the financial assistance package as well as the reduced value-added tax will re-stimulate private consumption.

The European Union has instituted financial support to stimulate economic activity.

A weak European economy and an expected increase in unemployment could have an adverse impact on consumer sentiment. Experts do not see the textile industry going back to previous levels soon. The overall assumption is that consumption will be lower with a higher focus on quality and sustainability.

Esprit sees itself well prepared with its strategic focus on affordable premium products of high quality and a focus on sustainability.

The Group's restructuring plan focuses on creating long-term value for its stakeholders. Measures like shop closures and the reduction of wholesale customers will reduce revenue but these measures are expected to increase the Group's profitability. Other positive measures include an extension of the Group's e-commerce business, a better sales pricing, a reduced product portfolio and further cost optimization.

Developments in the economic environment remain difficult to assess at present. It is therefore not possible to make a comprehensive quantitative forecast for FY20/21. The first quarter FY20/21 is already promising and encourages the Group to strictly follow the Restructuring Plans to re-build Esprit towards profitability within the next two years. The current financial focus of the Group includes consistent cost and working capital management as well as cash flow generation.

PUBLICATION OF ANNUAL REPORT

This audited annual results announcement is published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.esprit.com>), and the annual report of the Company for the Reporting Period containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company on or before 27 November 2020.

ANNUAL GENERAL MEETING

The Company will hold an annual general meeting on Friday, 18 December 2020. Notice of the forthcoming annual general meeting will be published and despatched to the Shareholders in accordance with the Bye-laws of the Company and the Listing Rules as soon as practicable.

CLOSURE OF REGISTERS OF MEMBERS

For determining the eligibility of shareholders to attend and vote at the forthcoming annual general meeting of the Company

Latest time to lodge transfer documents for registration At 4:30 pm on Monday, 14 December 2020

Closure of Registers of Members Tuesday, 15 December 2020 to Friday, 18 December 2020 (both dates inclusive)

Record date Friday, 18 December 2020

During the above closure period, no transfer of shares of the Company will be effected. To be eligible to attend and vote at the forthcoming annual general meeting, all transfer forms, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than the aforementioned latest time.

AUDIT COMMITTEE

The Audit Committee currently comprises four non-executive Directors (three of whom are independent). The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group, the internal control procedures, the audited results of the Company for the Reporting Period and has also met with the external auditor and discussed auditing, internal controls and financial reporting matters including the review of the quarterly updates, interim results and annual results of the Group, and the basis and accounting treatment thereof. The Audit Committee has agreed with the audited annual results of the Group for the year ended 30 June 2020 as set out in this announcement.

The Board announces that there is no material difference between the financial information of the unaudited annual results as disclosed in the Unaudited Results Announcement and that of the audited annual results of the Group as disclosed in this announcement for the Reporting Period.

Save as disclosed in this announcement, all the information contained in the Unaudited Results Announcement remains unchanged.

SCOPE OF WORK OF THE AUDITOR OF THE COMPANY

The figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated balance sheet and the related notes thereto for the year ended 30 June 2020 as set out in this announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the Reporting Period. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this annual results announcement.

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 Reporting Period.

CORPORATE GOVERNANCE

The Company has applied the principles of, and complied with the Corporate Governance Code and Corporate Governance Report (the "Code") as set out in Appendix 14 of the Listing Rules for the year ended 30 June 2020, except for the following matters:

Under code provision A.4.1 of the Code, non-executive Directors should be appointed for a specific term, subject to re-election. However, non-executive Directors of the Company do not have specific term of appointment. Under bye-law 87 of the Memorandum of Association and New Bye-laws of the Company, all Directors, including non-executive Directors, are subject to retirement by rotation and re-election in the annual general meeting of the Company and each Director is effectively appointed under an average term of not more than three years.

For the period from 5 December 2019 to 14 January 2020

The Company failed to meet the following requirements for the period from 5 December 2019 to 14 January 2020 resulting from the retirement of Mr. Alexander Reid HAMILTON and Mr. Norbert Adolf PLATT, being the then independent non-executive Directors, on 5 December 2019:

- the Board must include at least three independent non-executive Directors under Rule 3.10(1) of the Listing Rules;
- at least one of the independent non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10(2) of the Listing Rules;
- the Audit Committee must be comprised of a minimum of three non-executive Directors, at least one of whom is an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules. Furthermore, the majority of the Audit Committee members must be independent non-executive Directors and the Audit Committee must be chaired by an independent non-executive Director under Rule 3.21 of the Listing Rules;
- the Remuneration Committee must be chaired by an independent non-executive Director under Rule 3.25 of the Listing Rules; and
- the Nomination Committee should comprise a majority of independent non-executive Directors under code provision A.5.1 of the Code.

Following the appointment of Mr. Joseph LO Kin Ching as an independent non-executive Director, chairman of the Audit Committee and a member of the Nomination Committee, and Dr. Martin WECKWERTH as an independent non-executive Director, chairman of the Remuneration Committee and a member of the Audit Committee, all with effect from 15 January 2020, the Board comprises of eight Directors including three executive Directors, one non-executive Director and four independent non-executive Directors, one of whom has appropriate professional qualifications or accounting or related financial management expertise. As a result, the Company has complied with the requirements under (i) Rule 3.10(1) of the Listing Rules regarding the composition of the Board; (ii) Rule 3.10(2) of the Listing Rules regarding the professional qualifications of an independent non-executive Director; (iii) Rule 3.21 of the Listing Rules regarding the composition of the Audit Committee; (iv) Rule 3.25 of the Listing Rules regarding the composition of the Remuneration Committee; and (v) code provision A.5.1 of the Code regarding the composition of the Nomination Committee after the appointment of Mr. LO and Dr. WECKWERTH become effective.

For the period from 24 July 2020 to 28 July 2020

Dr. WECKWERTH has resigned as an independent non-executive Director, chairman of the Remuneration Committee and a member of the Audit Committee with effect from 24 July 2020. As a result, the Company failed to meet the following requirements for the period from 24 July 2020 to 28 July 2020:

- the Company must appoint independent non-executive Directors representing at least one-third of the Board under Rule 3.10A of the Listing Rules; and
- the Remuneration Committee must be chaired by an independent non-executive Director and must be comprised of a majority of independent non-executive Directors under Rule 3.25 of the Listing Rules.

With effect from 29 July 2020, Mr. CHUNG Kwok Pan has been appointed as an independent non-executive Director and a member of the Audit Committee and the Remuneration Committee, and Ms. Sandrine Suzanne Eleonore Agar ZERBIB, who is a member of the Remuneration Committee, has been re-designated as the chairman of the Remuneration Committee. Following such appointment and change of composition of the committee members of the Board, the Board comprises eleven Directors including five executive Directors, two non-executive Directors and four independent non-executive Directors. As a result, the Company has complied with the requirements under (i) Rule 3.10A of the Listing Rules regarding the composition of the Board; and (ii) Rule 3.25 of the Listing Rules regarding to the composition of the Remuneration Committee.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as 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 ended 30 June 2020.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises the following Directors:

Executive Directors:

Mr. Anders Christian KRISTIANSEN
(Group Chief Executive Officer)
Dr. Johannes Georg SCHMIDT-SCHULTES
(Group Chief Financial Officer)
Mr. Marc Andreas TSCHIRNER
(Group Chief Operating Officer)
Ms. CHIU Su Yi Christin
(Group Legal and Public Relations Officer)
Mr. Hung Wai WONG
(Group Chief Investment Officer)

Non-executive Directors:

Dr. Raymond OR Ching Fai
(Non-executive Chairman)
Mr. Jürgen Alfred Rudolf FRIEDRICH

Independent Non-executive Directors:

Mr. Carmelo LEE Ka Sze
Ms. Sandrine Suzanne Eleonore Agar ZERBIB
Mr. Joseph LO Kin Ching
Mr. CHUNG Kwok Pan

By Order of the Board
Ophelia LO Tik Man
Company Secretary

Hong Kong, 5 November 2020

Forward-Looking Statements

This announcement contains certain forward-looking statements. Such forward-looking statements are subject to various risks and uncertainties, including without limitation, statements relating to our plans to transform the Company's business, make significant investment in our businesses and achieve sustainable profitability in the future, and other risks and factors identified by us from time to time. Although the Group believes that the anticipations, beliefs, estimates, expectations and/or plan stated in this announcement are, to the best of its knowledge, true, actual events and/or results could differ materially. The Group cannot assure you that those current anticipations, beliefs, estimates, expectations and/or plan will prove to be correct and you are cautioned not to place undue reliance on such statements. The Group undertakes no obligation to publicly update or revise any forward-looking statements contained in this announcement, whether as a result of new information, future events or otherwise, except as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited or any other applicable laws and regulations. All forward-looking statements contained in this announcement are expressly qualified by these cautionary statements.