ESPRIT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

STOCK CODE: 00330

ANNOUNCEMENT OF AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

AUDITED ANNUAL RESULTS

The board of directors (the "Board") of Esprit Holdings Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group" or "ESPRIT") for the year ended 31 December 2021 together with comparative figures for the six months ended 31 December 2020. The following financial information, including the comparative figures, has been prepared in accordance with International Financial Reporting Standards ("IFRS").

CONSOLIDATED FINANCIAL RESULTS

Consolidated Statement of Profit or Loss

HK$ million	*Notes*	**For the year ended 31 December 2021**	**For the six months ended 31 December 2020**
Continuing operations			
Revenue	*3*	**8,316**	885
Cost of purchases		**(4,274)**	(509)
Gross profit		**4,042**	376
Staff costs		**(1,146)**	(236)
Occupancy costs		**(255)**	(49)
Logistics expenses		**(538)**	(54)
Marketing and advertising expenses		**(446)**	(18)
Depreciation of property, plant and equipment		**(135)**	(22)
Depreciation of right-of-use assets		**(542)**	(97)
Impairment of property, plant and equipment		**–**	(7)
Write-back of provision/(provision) for inventories, net		**140**	(187)
Provision for impairment of trade debtors, net		**(35)**	(39)
Impairment loss on right-of-use assets		**(15)**	(6)
Loss on deconsolidation	*1.2*	**–**	(1,664)
Other operating costs		**(654)**	(708)
Operating profit/(loss) from continuing operations (EBIT/(LBIT))	*4*	**416**	(2,711)
Share of results from associates	*1.2*	**–**	1,939
Loss on remeasurement		**–**	(69)
Interest income	*5*	**2**	2
Finance costs	*6*	**(32)**	(15)
Profit/(loss) before taxation from continuing operations		**386**	(854)
Income tax expense	*7*	**(5)**	(18)
Profit/(loss) from continuing operations		**381**	(872)
Discontinued operations			
Profit from discontinued operations	*1.3*	**–**	458
Profit/(loss) attributable to shareholders of the Company		**381**	(414)
			(Adjusted)[1]
Basic and diluted profit/(loss) per share	*12*	**HK$0.15**	HK$(0.20)
– from continuing operations		**HK$0.15**	HK$(0.42)
– from discontinued operations		**–**	HK$0.22

[1] Adjustment as a result of the rights issue on 21 April 2021.

Consolidated Statement of Comprehensive Income

HK$ million	**For the year ended 31 December 2021**	For the six months ended 31 December 2020
Profit/(loss) from continuing operations	**381**	(872)
Profit from discontinued operations	**–**	458
Profit/(loss) attributable to shareholders of the Company	**381**	(414)
Other comprehensive income		
Item that will not be reclassified to profit or loss:		
Remeasurements of retirement defined benefit obligations, net of tax	**10**	(2)
	10	(2)
Items that may be reclassified subsequently to profit or loss:		
Exchange translation from continuing operations	**(197)**	251
Exchange translation from discontinued operations	**–**	(33)
Recycling of translation reserve	**–**	1,664
	(197)	1,882
Total comprehensive income for the year/period attributable to shareholders of the Company, net of tax	**194**	1,466

Consolidated Balance Sheet

HK$ million	*Notes*	**As at 31 December 2021**	As at 31 December 2020
Non-current assets			
Intangible assets		**1,727**	1,878
Property, plant and equipment		**368**	509
Right-of-use assets		**2,033**	2,262
Financial assets at fair value through profit or loss		**4**	11
Debtors, deposits and prepayments	*8*	**416**	392
Deferred tax assets		**42**	51
		4,590	5,103
Current assets			
Inventories		**1,413**	1,303
Debtors, deposits and prepayments	*8*	**1,365**	1,627
Tax receivable		**30**	45
Cash, bank balances and deposits		**2,649**	2,271
		5,457	5,246
TOTAL ASSETS		**10,047**	10,349
Current liabilities			
Creditors and accrued charges	*9*	**1,497**	2,074
Lease liabilities		**566**	1,046
Provisions	*10*	**132**	246
Tax payable		**253**	257
		2,448	3,623
Net current assets		**3,009**	1,623
Total assets less current liabilities		**7,599**	6,726
Equity			
Share capital	*11*	**283**	189
Reserves		**4,834**	4,050
		5,117	4,239
Non-current liabilities			
Bank loans		**–**	9
Lease liabilities		**2,066**	2,010
Retirement defined benefit obligations		**18**	31
Deferred tax liabilities		**398**	437
		2,482	2,487
TOTAL LIABILITIES		**4,930**	6,110
TOTAL EQUITY AND LIABILITIES		**10,047**	10,349

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF THE PREPARATION

1.1. Going Concern

During the year ended 31 December 2021, the Group recorded a net profit attributable to shareholders of HK$381 million and a net cash inflow of HK$492 million. The Group has net current assets of HK$3,009 million and no external borrowings as at 31 December 2021.

Given the continuing uncertainties around the COVID-19 pandemic (the "Pandemic"), the Group is closely monitoring the latest developments of the Pandemic and continuing to optimize its cost base and improve its product offering in order to generate sufficient cash from its operations. The Board has reviewed the cash flow forecast prepared by management covering a period of twelve months from 31 December 2021. The Directors are of the opinion that, after taking into consideration of the above measures and the available cash and bank balances, the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next twelve months from 31 December 2021. Accordingly, these financial statements have been prepared on a going concern basis.

1.2. Comparative figures

On 28 December 2020, the Board announced that the financial year end date of the Company has been changed from 30 June to 31 December commencing from the financial period ended 31 December 2020. Accordingly, the accompanying consolidated financial statements for the current financial period cover a period of twelve months from 1 January 2021 to 31 December 2021. The comparative figures, however, are for six months from 1 July 2020 to 31 December 2020, and hence are not directly comparable.

In addition, due to the Insolvency Proceedings took place by the Düsseldorf District Court of Germany (the "Insolvency Proceedings") in the period from 1 July 2020 to 30 November 2020, six Germany subsidiaries and their fourteen subsidiaries (together the "G20 Companies") were deconsolidated and accounted for as investments in associates during that period (the "Deconsolidation"), resulting in a loss on deconsolidation of HK$1,664 million due to recycling of the foreign exchange reserve in equity. Accordingly, during the period from 1 July 2020 to 30 November 2020, the results of the G20 Companies had been equity accounted for as share of results from associates in the Group's financial statements amounting to HK$1,939 million, which included the external debt relief from the Insolvency Proceedings of HK$1,365 million.

1.3. Discontinued operations

The Group has closed its business activities in Asia including China, Singapore, Malaysia, Taiwan, Hong Kong and Macau as part of its restructuring initiatives in 2020.

As at 31 December 2020, all business activities in Asia are closed and the Asia business is disclosed as discontinued operations.

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

HK$ million	**For the year ended 31 December 2021**	For the six months ended 31 December 2020
Revenue	**–**	1
Income	**–**	457
Profit before taxation	**–**	458
Income tax expense	**–**	–
Profit from discontinued operations, net of tax	**–**	458
Exchange translation from discontinued operations	**–**	(33)
		(Adjusted)[1]
Basic and diluted profit per share	**–**	HK$0.22

[1] Adjustment as a result of the rights issue on 21 April 2021 and refer to note 12 for basic and diluted profit/(loss) per share.

1.4. 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").

1.5. Historical cost convention

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for the following:

- certain financial assets and liabilities (including derivative instruments), and
- defined benefit pension plans – plan assets measured at fair value.

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

During the year ended 31 December 2021, the Group has adopted the following standards and amendments effective for the Group's reporting period beginning 1 January 2021:

Adopted	**Effective date**	**New standards or amendments**
IFRS 9, IAS 39, IFRS 7, IFRS 4, IFRS16 (Amendments)	1 January 2021	Interest Rate Benchmark Reform (Phase 2)
IFRS 4 (Amendments)	1 January 2021	Insurance Contracts deferral IFRS 9
IFRS 16 (Amendments)	1 January 2021	COVID-19-Related Rent Concessions

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

1.7. New standards and interpretations not yet adopted

Not early adopted	Effective for accounting periods beginning on or after	New standards or amendments
Annual Improvements to IFRS Standards 2018-2020	1 January 2022	Annual Improvements
IAS 16 (Amendments)	1 January 2022	Property, plant and equipment: proceeds before intended use
IAS 37 (Amendments)	1 January 2022	Onerous contracts – costs of fulfilling a contract
IFRS 3 (Amendments)	1 January 2022	Reference to the conceptual framework
IFRS 9 (Amendments)	1 January 2022	Fees in the '10 per cent' test for derecognition of financial liabilities
IFRS 17	1 January 2023	Insurance contracts
IAS 1 (Amendments)	1 January 2023	Classification of liabilities as current or non-current
IAS 1 (Amendments)	1 January 2023	Disclosure of accounting policies (Amendments to IAS 1 and IFRS Practice Statement 2)
IAS 8 (Amendments)	1 January 2023	Definition of accounting estimates
IAS 12 (Amendments)	1 January 2023	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
IFRS 10 and IAS 28 (Amendments)	A date to be determined by IASB	Sale or contribution of assets between an investor and its associate or joint venture

The accounting standards and interpretations above have been published that are not mandatory for the year ended 31 December 2021 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.

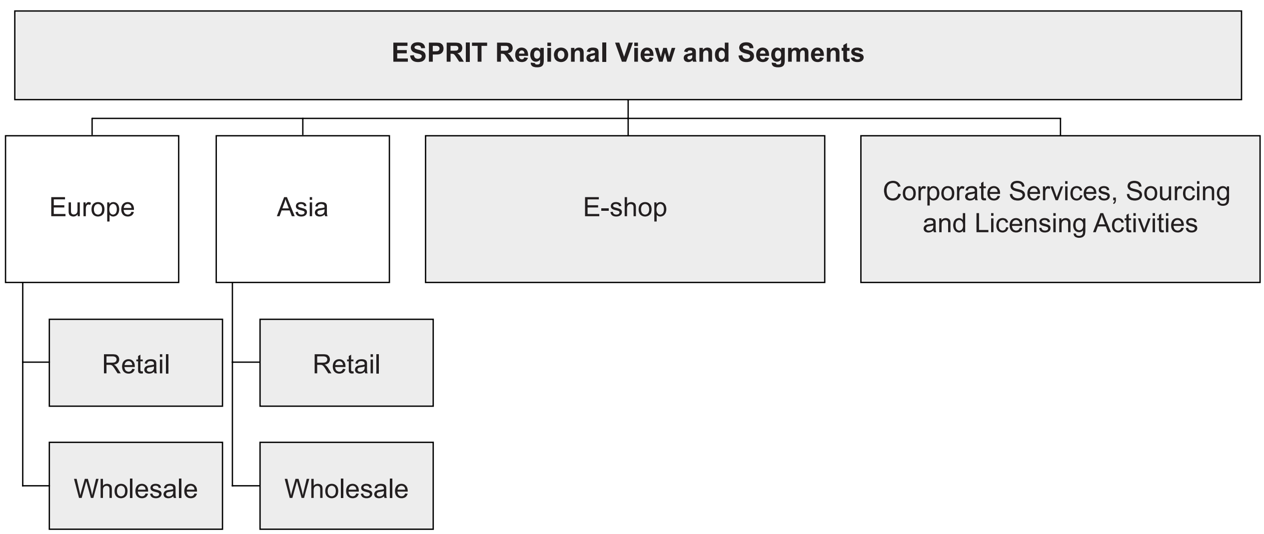
2. SEGMENT INFORMATION

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

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

Operating segments are reported in a manner consistent with the internal management reports provided to the chief operating decision-maker. The chief operating decision-maker who is responsible for assessing performance and allocating resources for the reporting segments has been identified as the Executive Directors of the Group. The Group has undergone transformation and reorganized their management and reporting. The operating segments Germany and Rest of Europe including America as reported previously have been aggregated to the segment Europe from 1 January 2021 onwards.

The operating segments are on a regional level in Europe, Asia as well as E-shop and corporate services, sourcing and licensing activities on a global level. 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.

For the year ended 31 December 2021

	Europe HK$ million	Asia HK$ million	E-shop HK$ million	Corporate services, sourcing, licensing and others HK$ million	Group HK$ million	Continued operations HK$ million	Discontinued operations HK$ million
Total revenue							
Retail	1,730	–	3,621	–	5,351		
Wholesale	2,853	–	–	–	2,853		
Licensing and others	–	–	–	4,004	4,004		
Total	4,583	–	3,621	4,004	12,208		
Inter-segment revenue	–	–	–	(3,892)	(3,892)		
Revenue from external customers							
Retail	1,730	–	3,621	–	5,351		
Wholesale	2,853	–	–	–	2,853		
Licensing and others	–	–	–	112	112		
Total	4,583	–	3,621	112	8,316	8,316	–
Segment results							
Retail	(209)	–	609	–	400		
Wholesale	285	–	–	–	285		
Licensing and others	–	–	–	(269)	(269)		
EBIT/(LBIT) of the Group	76	–	609	(269)	416	416	–
Interest income					2	2	–
Finance costs					(32)	(32)	–
Profit before taxation					386	386	–

For the year ended 31 December 2021

	Europe HK$ million	Asia HK$ million	E-shop HK$ million	Corporate services, sourcing, licensing and others HK$ million	Group HK$ million	Continued operations HK$ million	Discontinued operations HK$ million
Depreciation[1]							
Retail	(435)	–	(68)	–	(503)		
Wholesale	(27)	–	–	–	(27)		
Licensing and others	–	–	–	(147)	(147)		
Total	(462)	–	(68)	(147)	(677)	(677)	–
Impairment loss[2]							
Retail	(15)	–	–	–	(15)		
Total	(15)	–	–	–	(15)	(15)	–
Capital expenditure[3]							
Retail	(3)	–	(13)	–	(16)		
Wholesale	(3)	–	–	–	(3)		
Licensing and others	–	–	–	(26)	(26)		
Total	(6)	–	(13)	(26)	(45)	(45)	–

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 and intangible assets

For the six months ended 31 December 2020
(Restated)

	Europe HK$ million	Asia HK$ million	E-shop HK$ million	Corporate services, sourcing, licensing and others HK$ million	Group HK$ million	Continued operations HK$ million	Discontinued operations HK$ million
Total revenue							
Retail	374	1	197	–	572		
Wholesale	291	–	–	–	291		
Licensing and others	–	–	–	187	187		
Total	665	1	197	187	1,050		
Inter-segment revenue	–	–	–	(164)	(164)		
Revenue from external customers							
Retail	374	1	197	–	572		
Wholesale	291	–	–	–	291		
Licensing and others	–	–	–	23	23		
Total	665	1	197	23	886	885	1
Segment results							
Retail	(29)	(5)	(37)	–	(71)		
Wholesale	(73)	(1)	–	–	(74)		
Licensing and others	–	–	–	(238)	(238)		
(LBIT) /EBIT of the Group	(102)	(6)	(37)	(238)	(383)	(841)	458
Interest income					2	2	
Finance costs					(15)	(15)	
(Loss)/profit before taxation					(396)	(854)	458

Note: The operating segments Germany and Rest of Europe including America as reported previously have been aggregated to the segment Europe from 1 January 2021 onwards.

For the six months ended 31 December 2020
(Restated)

	Europe HK$ million	Asia HK$ million	E-shop HK$ million	Corporate services, sourcing, licensing and others HK$ million	Group HK$ million	Continued operations HK$ million	Discontinued operations HK$ million
Depreciation[1]							
Retail	(89)	–	(7)	–	(96)		
Wholesale	(9)	–	–	–	(9)		
Licensing and others	–	–	–	(16)	(16)		
Total	(98)	–	(7)	(16)	(121)	(119)	(2)
Impairment loss[2]							
Retail	(6)	–	–	–	(6)		
Licensing and others	–	–	–	(7)	(7)		
Total	(6)	–	–	(7)	(13)	(13)	–
Loss on deconsolidation							
Licensing and others	–	–	–	(1,664)	(1,664)	(1,664)	–
Loss on remeasurement							
Licensing and others	–	–	–	(69)	(69)	(69)	–
Share of results from associates							
Licensing and others	–	–	–	1,939	1,939	1,939	–
Capital expenditure[3]							
Retail	(1)	–	(4)	–	(5)		
Wholesale	(1)	–	–	–	(1)		
Licensing and others	–	–	–	(2)	(2)		
Total	(2)	–	(4)	(2)	(8)	(8)	–

1) Depreciation includes depreciation of property, plant and equipment and right-of-use assets.
2) Impairment loss includes impairments loss on property, plant and equipment and right-of-use assets.
3) Capital expenditure includes property, plant and equipment and intangible assets.

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

HK$ million	**As at 31 December 2021**	As at 31 December 2020
Hong Kong	**33**	2
Germany	**1,152**	1,480
Other countries[1]	**2,943**	3,167
Total	**4,128**	4,649

[1] Non-current assets located in other countries include intangible assets of HK$1,727 million (31 December 2020: HK$1,878 million). Other countries mainly include Switzerland, Austria, Netherlands and Belgium.

3. REVENUE

HK$ million	**For the year ended 31 December 2021**	For the six months ended 31 December 2020
Retail and Wholesale		
Europe	**4,583**	665
Asia	**–**	1
E-shop	**3,621**	197
Licensing and others	**112**	23
Revenue from external customers total	**8,316**	886
– from continuing operations	**8,316**	885
– from discontinued operations	**–**	1

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

HK$ million	**For the year ended 31 December 2021**	For the six months ended 31 December 2020
Retail and Wholesale		
Germany	**2,276**	117
Benelux	**635**	170
Switzerland	**473**	235
France	**350**	23
Austria	**318**	19
Spain	**148**	47
Finland	**118**	6
Sweden	**87**	3
Italy	**81**	40
Poland	**31**	2
United Kingdom	**38**	2
Denmark	**26**	1
Others	**2**	–
Europe total	**4,583**	665
Singapore	**–**	1
Asia total	**–**	1
Retail and Wholesale total	**4,583**	666
E-shop		
Germany	**2,099**	87
Benelux	**577**	43
France	**219**	22
Switzerland	**227**	8
Austria	**212**	13
Denmark	**41**	5
United Kingdom	**46**	3
Poland	**40**	3
Sweden	**41**	4
Czech Republic	**38**	2
Finland	**21**	1
Spain	**17**	2
Italy	**14**	1
Others	**29**	3
E-shop total	**3,621**	197

HK$ million	**For the year ended 31 December 2021**	For the six months ended 31 December 2020
Licensing and others		
Germany	**48**	3
Others	**64**	20
Licensing and others total	**112**	23
Revenue total	**8,316**	886
– from continuing operations	**8,316**	885
– from discontinued operations	**–**	1

4. OPERATING PROFIT/(LOSS) (EBIT/(LBIT))

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

HK$ million	**For the year ended 31 December 2021**	For the six months ended 31 December 2020
Staff costs		
– from continuing operations	**1,146**	236
– from discontinued operations	**–**	15
Occupancy costs		
– from continuing operations	**255**	49
– from discontinued operations	**–**	–
Write-back of provision/(provision) for inventories, net		
– from continuing operations	**(140)**	187
– from discontinued operations	**–**	(7)
Provision for impairment of trade debtors, net		
– from continuing operations	**35**	39
– from discontinued operations	**–**	(2)
Depreciation of property, plant and equipment		
– from continuing operations	**135**	22
– from discontinued operations	**–**	–
Depreciation of right-of-use assets		
– from continuing operations	**542**	97
– from discontinued operations	**–**	2
Impairment of property, plant and equipment		
– from continuing operations	**–**	7
– from discontinued operations	**–**	–
Impairment loss on right-of-use assets		
– from continuing operations	**15**	6
– from discontinued operations	**–**	–
IT expenses		
– from continuing operations	**322**	27
– from discontinued operations	**–**	–
Exchange difference		
– from continuing operations	**119**	(35)
– from discontinued operations	**–**	(6)
Legal and professional fees		
– from continuing operations	**90**	22
– from discontinued operations	**–**	1
Write-back of provision for restructuring		
– from continuing operations	**(88)**	(2)
– from discontinued operations	**–**	(1)
Packaging, postage and distribution		
– from continuing operations	**101**	9
– from discontinued operations	**–**	–
Governmental grants (note)		
– from continuing operations	**(160)**	(33)
– from discontinued operations	**–**	–

HK$ million	**For the year ended 31 December 2021**	For the six months ended 31 December 2020
Samples		
– from continuing operations	**50**	14
– from discontinued operations	**–**	–
Auditor's remuneration	**26**	22

Note: The Group has been awarded government grants in the amount of HK$229 million (thereof HK$74 million relating to staff costs) during the year ended 31 December 2021 (for the six months ended 31 December 2020: HK$33 million). These grants relate to government grants for fixed costs such as rental expenses, salaries and social security costs in respect of the Pandemic relief measures. The grants for salaries were netted with staff costs. The grants for fixed costs were shown as other operating income. The government grants are linked to conditions that have to be fulfilled to receive the funds and there are is sufficient likelihood that those conditions can be fulfilled.

5. INTEREST INCOME

HK$ million	**For the year ended 31 December 2021**	For the six months ended 31 December 2020
Interest income from banks	**1**	1
Others	**1**	1
Total interest income	**2**	2
– from continuing operations	**2**	2
– from discontinued operations	**–**	–

6. FINANCE COSTS

HK$ million	**For the year ended 31 December 2021**	For the six months ended 31 December 2020
Interest on lease liabilities	**26**	14
Imputed interest on financial assets and financial liabilities	**3**	1
Others	**3**	–
Total interest expenses	**32**	15
– from continuing operations	**32**	15
– from discontinued operations	**–**	–

7. TAXATION

Amounts recognized in consolidated statement of profit or loss:

HK$ million	**For the year ended 31 December 2021**	For the six months ended 31 December 2020
Current tax expense		
Income taxes – related to current year/period	**30**	4
Income taxes – related to prior years	**(14)**	–
Current tax total	**16**	4
Deferred tax expense		
Origination of temporary differences	**(11)**	14
Total income tax expense	**5**	18
– from continuing operations	**5**	18
– from discontinued operations	**–**	–

For the year ended 31 December 2021, Hong Kong profits tax is calculated at 16.5% (for the six months ended 31 December 2020: 16.5%) on the estimated assessable profit for the year, net of tax losses carried forward, if applicable.

Overseas (outside of Hong Kong) taxation has been calculated on the estimated assessable profit for the year ended 31 December 2021 at the rates of taxation prevailing in the countries in which the Group companies operate, net of tax losses carried forward, if applicable.

8. DEBTORS, DEPOSITS AND PREPAYMENTS

Non-current

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

HK$ million	**As at 31 December 2021**	As at 31 December 2020
Finance lease receivables	**–**	3
Deposits	**409**	380
Prepayments	**–**	1
Other debtors and receivables	**7**	8
Total	**416**	392

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

Current

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

HK$ million	**As at 31 December 2021**	As at 31 December 2020
Trade debtors	**792**	930
less: provision for impairment of trade debtors	**(194)**	(254)
Net trade debtors	**598**	676
Finance lease receivables	**–**	11
Deposits	**9**	9
Prepayments	**403**	609
Right-of-return assets	**101**	93
Other debtors and receivables	**254**	229
Total	**1,365**	1,627

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

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

HK$ million	**As at 31 December 2021**	As at 31 December 2020
0-30 days	**162**	379
31-60 days	**338**	126
61-90 days	**69**	61
Over 90 days	**29**	110
Total	**598**	676

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.

9. CREDITORS AND ACCRUED CHARGES

HK$ million	**As at 31 December 2021**	As at 31 December 2020
Trade creditors	**328**	502
Accruals	**595**	885
Return liabilities	**265**	257
Other creditors and payables	**309**	430
Total	**1,497**	2,074

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

HK$ million	**As at 31 December 2021**	As at 31 December 2020
0-30 days	**232**	220
31-60 days	**60**	109
61-90 days	**8**	25
Over 90 days	**28**	148
Total	**328**	502

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

10. PROVISIONS

Provisions consist of the following:

HK$ million	**As at 31 December 2021**	As at 31 December 2020
Restructuring	**13**	135
Reinstatement	**84**	101
Legal cost	**35**	10
Provision total	**132**	246

Restructuring provision of HK$13 million (31 December 2020: HK$135 million) represent the costs associated with restructuring measures taken in order to preserve the solvency and liquidity of the Group and its ongoing operations that have been negatively affected by the Pandemic. Estimated restructuring costs are based on the terms of the relevant contracts and mainly include costs for employee termination benefits that are based on a detailed plan agreed between management and employee representatives.

Movements in provisions are as follows:

HK$ million	**As at 31 December 2021**	As at 31 December 2020
Balance at beginning of year/period	**246**	357
Amounts used during the year/period	**(50)**	(23)
Additions	**32**	85
Releases	**(113)**	(198)
Reclassified from accruals	**27**	–
Exchange translation	**(10)**	25
Balance at end of year/period	**132**	246

11. SHARE CAPITAL

	Number of shares of HK$0.10 each million	HK$ million
Authorized:		
At 1 January 2021	**3,000**	**300**
Increase in authorized share capital (note d)	**27,000**	**2,700**
At 31 December 2021	**30,000**	**3,000**
At 1 July 2020 and 31 December 2020	3,000	300

	Number of shares of HK$0.10 each million	Nominal value HK$ million
Issued and fully paid:		
At 1 January 2021	**1,887**	**189**
Issue of rights shares (note a)	**944**	**94**
At 31 December 2021	**2,831**	**283**
At 1 July 2020 and 31 December 2020	1,887	189

Notes:

(a) Issue of rights shares

During the year ended 31 December 2021, 943,605,781 new shares of HK$0.10 each were issued and allotted under the rights issue at the subscription price of HK$0.75 each on the basis of one rights share for every two existing shares held by the shareholders on 25 March 2021.

(b) 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 shareholders' approval at the special general meeting of the Company held on 6 July 2021, the details of which were disclosed in the circular of the Company dated 15 June 2021.

(c) Awarded Shares

The Board of Directors has adopted the Employees' Share Award Scheme on 17 March 2016 (the "Old Share Award Scheme"), which was terminated on 23 April 2021. The Company has adopted a new share award scheme on 6 July 2021 (the "New Share Award Scheme", together with the Old Share Award Scheme as the "Share Award Schemes"). The purpose of the Old Share Award Scheme is to incentivize and retain selected senior management of the Group. The purpose of the New Share Award Scheme is to recognize the contributions by certain Eligible Participants (including any employee, consultant, executive or officers, directors and senior management of any member of the Group) and to provide them incentives; and to attract suitable personnel with relevant experience in the Group's business. The details of the New Share Award Scheme were disclosed in the circular of the Company dated 15 June 2021.

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

Details of the awarded shares movement during the year ended 31 December 2021 and outstanding awarded shares as at 31 December 2021 under the Old Share Award Scheme are as follows:

Number of awarded shares	**As at 31 December 2021**	As at 31 December 2020
Balance at beginning of year/period	**2,000,000**	2,095,270
Lapsed during the year/period for awarded shares included forfeited and expired	**2,000,000**	(95,270)
Balance at end of year/period	**–**	2,000,000

During the year end 31 December 2021, there is no movement for the New Share Award Scheme.

During the year ended 31 December 2021, the trustee did not purchase any shares (for the six months ended 31 December 2020: Nil shares) of the Company on the Stock Exchange. No payment was made to the trustee to purchase any shares (for the six months ended 31 December 2020: Nil).

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

(d) Authorized share capital

In the special general meeting on 6 July 2021, an increase in authorized share capital from HK$300,000,000 divided into 3,000,000,000 ordinary shares to HK$3,000,000,000 divided into 30,000,000,000 ordinary shares (ranking pari passu with the existing shares in all respects upon issue) has been resolved in this meeting. The memorandum of increase of share capital was delivered to the Registrar of Companies on 16 July 2021 according to the Companies Act 1981 of Bermuda.

12. PROFIT/(LOSS) PER SHARE

12.1. Basic

Basic profit/(loss) per share is calculated by dividing the profit/(loss) attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year/period less shares held for Share Award Scheme.

	For the year ended 31 December 2021	For the six months ended 31 December 2020 (Adjusted)[1]
Profit/(loss) attributable to shareholders of the Company (HK$ million)	**381**	(414)
Number of ordinary shares in issue at beginning of year/period (million)	**1,887**	1,887
Adjustment for issue of rights shares (million)	**712**	171
Adjustments for share held for Share Award Scheme (million)	**(3)**	(8)
Weighted average number of ordinary shares in issue less share held for Share Award Scheme (million)	**2,596**	2,050
Basic profit/(loss) per share (HK$ per share)	**0.15**	(0.20)
– from continuing operations (HK$ per share)	**0.15**	(0.42)
– from discontinued operations (HK$ per share)	**–**	0.22

1) Adjustment as a result of the rights issue on 21 April 2021.

12.2. Diluted

Diluted profit/(loss) per share is calculated based on dividing the profit/(loss) attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year/period (less shares held for Share Award Scheme) adjusted by the dilutive effect of share options and awarded shares.

	For the year ended 31 December 2021	For the six months ended 31 December 2020 (Adjusted)[1]
Profit/(loss) attributable to shareholders of the Company (HK$ million)	**381**	(414)
Weighted average number of ordinary shares in issues less shares held for Share Award Scheme (million)	**2,596**	2,050
Adjustments for share options and awarded shares (million)	**–**	–
Weighted average number of ordinary shares for diluted earnings per share (million)	**2,596**	2,050
Diluted profit/(loss) per share (HK$ per share)	**0.15**	(0.20)
– from continuing operations (HK$ per share)	**0.15**	(0.42)
– from discontinued operations (HK$ per share)	**–**	0.22

1) Adjustment as a result of the rights issue on 21 April 2021.

Diluted profit/(loss) per share for the year ended 31 December 2021 and six months ended 31 December 2020 was the same as the basic profit/(loss) per share since the share options and awarded shares are anti-dilutive for the periods presented.

13. DIVIDEND

The Board did not declare and recommend the distribution of any dividend for the year ended 31 December 2021 (for the six months ended 30 December 2020: Nil).

14. RELATED PARTIES

During the year ended 31 December 2021, Esprit Regional Distribution Limited, a wholly owned subsidiary of the Company, as the tenant, entered into the tenancy agreements (the “Tenancy Agreements”) with Golden Lake Property Limited, Hero Mode Limited, Filen Limited and CUCNP Holdings Limited (“CUCNP Holdings”) respectively, as the landlords.

As at 31 December 2021, each of Filen Limited and CUCNP Holdings is an indirect subsidiary of Terra Firma Holdings Limited, a company held by the trustee of a discretionary trust of which the immediate family member of Ms. LO Ki Yan Karen (“Ms. LO”) is a beneficiary. Ms. LO is a substantial shareholder of the Company, hence a connected person of the Company. Therefore, each of Filen Limited and CUCNP Holdings is an associate of the substantial shareholder of the Company and is a connected person of the Company. Each of Hero Mode Limited and Golden Lake Property Limited is indirectly wholly-owned by Ms. LO. Therefore, each of Hero Mode Limited and Golden Lake Property Limited is an associate of the substantial shareholder and is a connected person of the Company.

The terms and conditions of the Tenancy Agreements were disclosed in the announcement of the Company dated 25 January 2021 and 23 November 2021.

MANAGEMENT ANALYSIS

Business Overview

The results in this annual report are testament to the Company's collective efforts by devoted staff across ESPRIT offices and operations. It is also a clear reflection that the current management team (the "Management") has instituted the correct infrastructure and strategy to re-establish ESPRIT as a market leader.

The financial year ended 31 December 2021 (the "Current Year") was challenging for the Group and the Management. However, the Company has been showing signs of improvement and the Management is pleased to announce that the consolidated net profit before tax of the Group for the Current Year was approximately HK$386 million as compared to the consolidated net loss before tax of HK$396 million for the six months ended 31 December 2020 (the "Corresponding Period"). The improvement in financial results can be attributed to: (i) the improvement in sales with higher gross profit margin for the Current Year as compared to the Corresponding Period; (ii) the positive results of the implementation of efficient cost control measures by the Group; (iii) improved inventory management; and (iv) growth in E-commerce.

Starting in late 2020, the Group has begun migrating selected strategic functions from Germany back to Hong Kong, the Company's new global headquarters. This decision was made to create a stronger organizational balance and workplace synergy between the two offices. The migration exercise was undertaken when the present leadership team took over the reins of the Group under unfavourable circumstances:

1. The Group had just completed major restructuring activities resulted by the Protective Shield Proceedings (the "PSP");

2. Prior to the current Management, the Group had endured many years of unprofitable operations due to poor decision-making. Up until the Current Year, the Group had suffered four consecutive years of financial loss, beginning with the financial year ended 30 June 2018. During those four consecutive financial years, the Group recorded total losses attributable to shareholders of the Company of approximately HK$9.1 billion; and

3. The COVID-19 pandemic (the "Pandemic") disrupted the world's economy and supply chains. The retail brick and mortar stores have been suffering since 2020, with the Pandemic reshaping consumer buying behaviour and disruptions to shopping habits due to government enforced social distancing policies and lockdowns.

When the Management came on board, they immediately carried out rigorous and effective cost cutting measures such as:

1. closing unprofitable retail shops, optimizing rental agreements, and focusing on strategically important locations;

2. terminating unprofitable product lines;

3. instigating stringent inventory control measurements to ensure that inventory is kept at an optimal level.

The above measures greatly reduced operating costs and as a result, freed up resources to allow for the expansion of other profitable opportunities elsewhere. Furthermore, the Group's businesses have been restructured to contract non-remunerating segments while resources have been allocated to rewarding ones. To ensure there are enough resources to capture profitable opportunities and to grow businesses with good prospects, the Company undertook a 1-for-2 Rights Issue, raising approximately HK$689 million net cash proceeds as new equity.

Regarding the brand, the Management is determined to revive ESPRIT's former glory by sharpening its brand identity by placing more commitment to be eco-friendly and sustainable, improving customer experience, raising the quality and intrinsic value of its merchandise, and enhancing its product portfolio to fit with the Company's mission of making its customers "feel good to look good".

ESPRIT's avowed mission and long-standing commitment to sustainability is well known in the apparel industry. The Group has always been working to develop cutting-edge materials that set new standards towards the betterment of the environment. The Company further advanced its ESG strategies to establish ESPRIT as the pioneer in the industry through increasing the use of sustainable fibers and researching new innovative product options to support the circular fashion approach to ensure environmental awareness as a key message in its projects.

To achieve the above, the Management has identified 4 key pillars of growth for ESPRIT that are paramount to retaining loyalty of existing ESPRIT patrons and to attract new customers:

1. Sourcing and Procurement

The Company established new procedures for supplier selection with the aim to enhance ESPRIT's business growth in a sustainable manner. The Management decided to only select suppliers who are reputable and financially sound, possess a proven solid track record, and are willing to offer favourable terms.

Further tightening of quality control measures throughout the sourcing and procurement process help ensure that ESPRIT products represent consistent stellar quality.

The Management made substantial improvement to revamp ESPRIT's global logistics solution and is therefore able to minimize channel inventory, while boosting speed-to-market by streamlining and stamping out any current logistical inefficiencies. Embedded in the integrated solutions for global relaunch, the Company has ensured that its new logistics partners are capable of not only delivering the shortest path from factories to customers, but also able to offer an efficient aftersale service network.

2. Marketing and Product

The Company actively put extra attention and effort to revitalize the notion of spontaneity and joie-de-vivre back into ESPRIT's iconic brand image. These efforts are now visible in its store design, product offering, packaging, advertising look and feel, and outreach on social media. The Company is working on a new and enhanced digital brand platform to retain current customers and attract new customers – one that connects the audience closer to the ESPRIT brand through a common dialog.

The Company will continue to invest in proof of concept such as capsule collections and crossover collaborations to convey a more focused message on the brand's promise, which is to create joy in everything it does.

3. IT, Internet, and E-commerce

The Company has successfully achieved digital expansion through working with E-commerce Partners' Marketplaces. These partners have been carefully selected and are reputable, financially stable, and have excellent track records. Utilizing this approach, the Company further expanded into other markets through its partners' existing online presence. This brings convenience to customers by offering additional sales channels and enables ESPRIT to become a true omni-channel fashion brand.

ESPRIT came in first place in the E-fashion loading speed ranking. This was announced by TextilWirtschaft and Bagend, an E-commerce service provider based in Hamburg, who examined the 50 top-selling online stores in the fashion industry. Based on customer centric design and process flow, the entire shopping and purchasing experience is currently being revamped, and customer touch points will be reconfigured and elevated. The global E-shop will be optimized to provide customers with a unique shopping experience, while increasing conversion rate and the number of items purchased per transaction. The purchasing system for wholesale partners will be integrated to ensure a seamless merchandising experience and smooth delivery of products.

A global E-commerce expansion plan has been meticulously prepared with the aim to relaunch in previously exited markets and expand into various untapped regions of the world in order to unlock the full potential of the brand. Each individual E-shop website will be localized to match the local consumers' habits and preferences and the demographics in the target markets. Logistics arrangements are also being created with the goal of achieving a hassle-free shopping experience for the consumer.

4. The ESPRIT Brand Story

Rediscovering ESPRIT's prestigious and longstanding ESPRIT brand heritage is a cornerstone to the revival of the Company. By delving deeply into its roots, the Company has been re-engineering its DNA and placing it at the center of the ESPRIT name once again, as well as in its product and design. The brand's core product philosophy going forward is "comfort wear with a twist". The Company continues to put extra focus and emphasis on circular fashion – making sustainable clothing that is of high-quality using innovative fabrics that is also good for the environment. It is also striving to achieve a perfect balance between design and technology – one that provides comfortable, versatile wardrobe pieces that makes people feel happy and joyful for many years to come.

Some notable events for the Current Year included:

- Developed plans for ESPRIT's first fast-to-market product capsules;

- Successfully launched three globally exclusive capsule collections with a leading digital media company through its E-commerce platform;

- Refined its vendor base to ensure better product costing and quality as well as faster speed to market;

- Consolidated key vendor partners by reviewing the supplier base and refocusing them on their core capabilities. This also included engagement of new potential experts who have capabilities for innovations and in new countries of origins;

- Realigned marketing functions and created a new organizational structure to become internationally focused, in preparation for accelerated growth in 2022. These efforts included merging the digital and marketing departments for a more centralized and cohesive direction and execution;

- Adaptive and fast responses taken by the Company's Europe operations to challenges posed by government imposed social restrictions due to the Pandemic. Programs and promotions were undertaken to enable flexible and immediate adjustments to continuously changing social COVID-19 restrictions;

- Achieved healthy inventory levels despite another year of unpredictable developments due to the Pandemic. This was made possible by improvement on the tracking and forecasting of merchandise, quicker call-to-action to the ever-changing market restrictions such as disruptions to global supply chain;

- Accomplished digital transformation for key milestones (such as digital customer loyalty, digital sell-in, digital customer meetings, digital product meetings) and achieved efficiency gains resulting in significant savings in operating expenses;

- Tightened focus on creative design and storytelling. More specifically, the brand elevated the aesthetic and creative direction of its visual brand content across all channels by restoring ESPRIT's well-perceived iconic visuals with the introduction of a more understated, timeless yet modern brand images interlaced with a new and improved logo;

- Revised ESPRIT's GoToMarket strategy and created inspiring brand assets, available to wholesale customers first and later to the consumer and ad campaign level. The improved aesthetics created a coherent look and feel which is evident on ESPRIT social media channels resulting in increased engagement;

- Achieved high rate of conversions across channels;

- Successfully relaunched and rolled-out new E-shops in 29 countries throughout Europe, which builds a strong and sustainable foundation for future global expansion. Personalization of the digital customer journey has now been initiated and will prove to be the next milestone in customer acquisition and retention;

- Introduced live shopping events. This initiative was well accepted in Germany and has great potential to grow as a new and fast-growing sales channel in Germany and beyond; and

- Focused on a digital-first approach by increasing online orders via the new E2B wholesale platform. The Company's omnichannel services allowed partners to have better access to the brand's E-commerce stock pool and notification of their bestsellers.

FINANCIAL REVIEW

The financial year end date of the Company has been changed from 30 June to 31 December commencing from the financial period ended 31 December 2020. Due to the change of the fiscal year end date, the Corresponding Period covered a period of six months from 1 July 2020 to 31 December 2020. The comparative figures hence are not directly comparable.

Due to the Insolvency Proceedings (for details please refer to the Company's Annual Report for the six months ended 31 December 2020), six German subsidiaries and their fourteen subsidiaries (together the "G20 Companies") had to be deconsolidated from 1 July to 30 November 2020 (the "Deconsolidation"). During the period of Deconsolidation, the G20 Companies have been recognized in the Group's consolidated statement of profit or loss as share of results from associates.

Results of Operations

The following table summarizes the results of the Group for the financial year ended 31 December 2021 and six months ended 31 December 2020.

Consolidated Statement of Profit or Loss

	For the year ended 31 December 2021 *HK$ million*	For the six months ended 31 December 2020 *HK$ million*
Revenue	**8,316**	886
Cost of purchases	**(4,274)**	(517)
Gross profit	**4,042**	369
Gross profit margin	**48.6%**	41.6%
Staff costs	**(1,146)**	(251)
Occupancy costs	**(255)**	(49)
Logistics expenses	**(538)**	(54)
Marketing and advertising expenses	**(446)**	(18)
Depreciation of property, plant and equipment	**(135)**	(22)
Depreciation of right-of-use assets	**(542)**	(99)
Impairment loss on property, plant and equipment	**–**	(7)
Write-back of provision/(provision) for inventories, net	**140**	(180)
Provision for impairment of trade debtors, net	**(35)**	(37)
Impairment loss on right-of-use assets	**(15)**	(6)
Loss on deconsolidation	**–**	(1,664)
Other operating costs	**(654)**	(235)
Operating profit/(loss) (EBIT/(LBIT))	**416**	(2,253)
Share of results from associates	**–**	1,939
Loss on remeasurement	**–**	(69)
Interest income	**2**	2
Finance costs	**(32)**	(15)
Profit/(loss) before taxation	**386**	(396)
Income tax expense	**(5)**	(18)
Profit/(loss) attributable to shareholders of the Company	**381**	**(414)**

Note: This table summarizes the results of the Group including both continuing and discontinued operations.

Revenue Analysis

The Group is principally engaged in the retail (including E-shop) and wholesale distribution and licensing of quality fashion and non-apparel products designed under its own internationally renowned ESPRIT brand name. For the financial year ended 31 December 2021, the Group recorded revenue of HK$8,316 million (for six months ended 31 December 2020: HK$886 million).

Due to the Deconsolidation, the revenue for six months ended 31 December 2020 only contains the figures of the G20 Companies from December 2020 in which all operating businesses were consolidated in full. For the period from 1 July 2020 to 30 November 2020, only the operating subsidiaries in America, Netherlands, Switzerland, Spain and Luxembourg were included in the revenue of the Group.

The revenue of the Current Year was in the same level with that of 2020, when comparing against a like for like 12-month period and after removing impact of the Deconsolidation. Revenue in 2021 was again disrupted from lockdowns in the Company's major European markets during the first quarter and from increased restrictions on entry requirements into stores during the fourth quarter. In many retail stores, customers were legally required to provide proof of COVID-19 vaccination to gain entry.

Group Revenue Channel Mix

Group revenue is divided into 3 main channels: E-commerce, wholesale, and owned retail stores. In the Current Year, which was heavily affected by the Pandemic, each channel accounted for the Group's revenue in the ratio of 44:35:21 respectively.

E-commerce

As the ESPRIT brand website and third party E-commerce partners continued to trade during lockdowns, a large portion of sales were generated online. This business model allowed the Company to mitigate some of the negative impacts of the Pandemic in the retail segment.

Revenue in the E-commerce channel increased 1541% compared to the Corresponding Period. Due to the short fiscal year in 2020 and the Deconsolidation, only one month of E-commerce sales was included in the Corresponding Period. In actual terms, E-commerce was the best performing channel, having a low double-digit growth versus a like for like in 2020. The growth can be attributed to a natural customer shift to making purchases online due to entry restrictions to brick and mortar stores, a strategic increase in digital marketing efforts, and less number of returned purchases during the lockdown period. The Group remains confident that the Company will see further future growth in the E-commerce channel.

Wholesale Business

For the Current Year, wholesale revenue increased by 881% compared to the Corresponding Period. This was due to the short fiscal year in 2020 and the Deconsolidation. On a like for like basis, wholesale channel revenue saw single digit growth in the Current Year, and to a larger extent compared to the Company's retail operations. This can be attributed to a partial mix of wholesale customers in the online market, and partially due to the location of physical franchise stores compared to retail stores. The Pandemic has accelerated the future of work trends where many people work from home or remotely, which contributed to a decline in footfall in major cities, and increased traffic to local high streets. ESPRIT's franchise network has a larger mix of stores in local high street locations than in its portfolio of retail locations. The effects of the Pandemic also hampered revenues in ESPRIT's wholesale channel; however, the Company expects growth in 2022 as Pandemic related social restrictions gradually ease.

Retail Business

For the Current Year, retail revenue recorded an increase of 512% compared to the Corresponding Period. This was due to the short fiscal year in 2020 and the Deconsolidation. On a like for like basis, comparing the same number of retail locations year on year, retail revenues for the Current Year saw a small increase. The government-imposed restrictions placed on European retail stores in 2021 were of a similar magnitude to those in 2020. The retail business industry is expected to improve significantly in 2022 as pandemic related restrictions become more relaxed.

Gross Profit Margin

For the Current Year, gross profit margin was 48.6%, which is 7.0% points higher than the Corresponding Period. The primary reason for growth was having a smaller number of discounted products in the Company's retail business compared to the Corresponding Period. The lockdown in April 2020 and subsequent decline in foot traffic to retail stores generated excess stock levels. Several retail stores closed during the Insolvency Proceedings, and the amount of markdown stock was substantially increased in those respective stores during the last months of property lease. Sales generated from markdown products enabled some excess stock to be cleared, but profit margin was lower as a result. The gross profit margin was comparatively higher in the Current Year despite a second lockdown in Europe, which occurred from December 2020 through February 2021. The inventories ordered for the months impacted by the second lockdown was purchased at a lower volume, hence there was less excess stock and in turn, this generated a higher retail margin.

Operating Expenses

Although operating expenses increased 38% in the Current Year compared to the Corresponding Year, this was not a like for like comparable figure due to a short fiscal year, the Deconsolidation, and insolvency gains in the Corresponding Period. In actual terms, the Company saw a significant reduction in operating expenses compared to a like for like twelve month fiscal year 2020. This can be attributed to reasons such as reduction in headcount following the structuring activities during the Insolvency Proceedings, closures of unprofitable retail stores, government contribution to personnel costs during lockdown, government subsidies for loss of earnings during lockdown, reduction in stock write-off provision, and a reduction in professional fees incurred during the Insolvency Proceedings. The Group continues to maintain a tight control of all costs and expenditures, and the stricter cost approval process that was introduced during the Insolvency Proceedings continues to remain in place.

Retail Restrictions in European Markets

Retail stores in Germany were forced to close from 16 December 2020 to 7 March 2021, where the majority of the re-openings were on an appointment-only basis and for one customer per appointment. Even with strict retail policies, consumers still had an appetite for spending. There were lockdowns in Switzerland, Poland, Austria and France, and the Group's outlets encountered lower demand in markets which were allowed to open. In the second half of 2021, Europe had minor full-store lockdowns and local governments applied stricter entry restrictions to retail businesses. In the fourth quarter of 2021, Germany required people to present proof of vaccination to enter stores. Although these restrictions had a direct impact to turnover in-store, it consequently provided a positive boost to E-commerce.

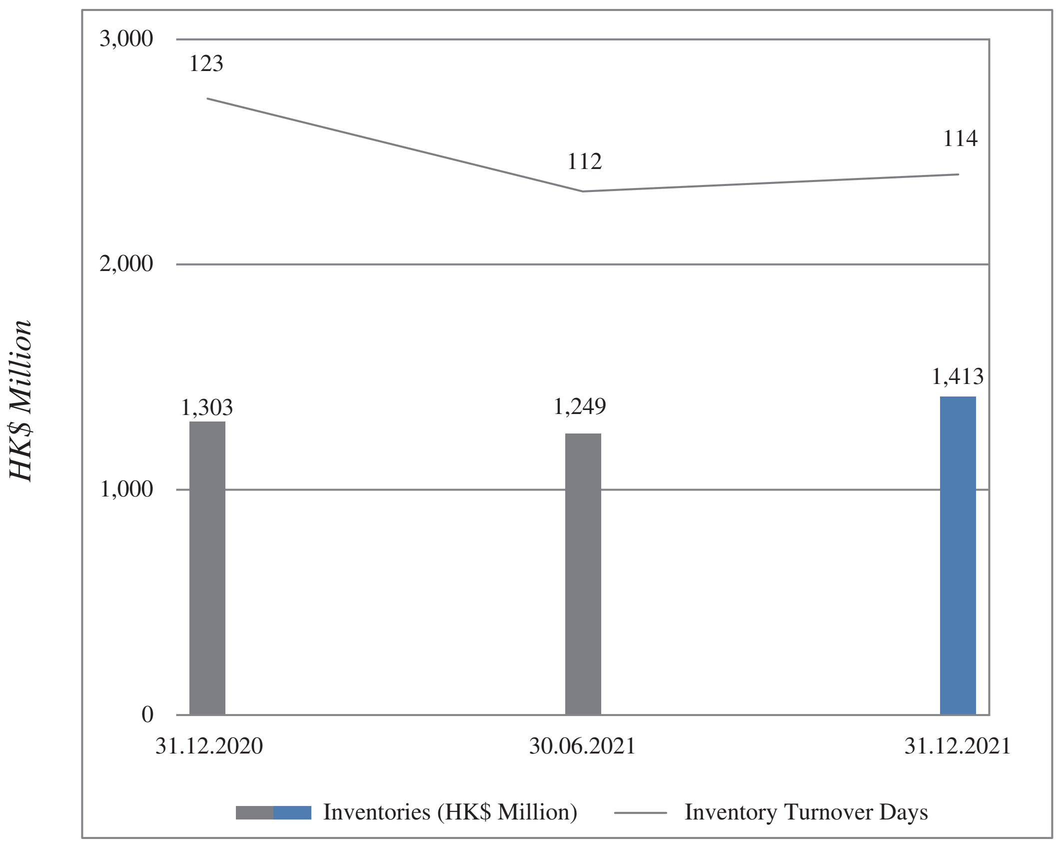
Working Capital Management

Retail restrictions imposed by many governments as part of the necessary countermeasures against the Pandemic have challenged the Company to further optimise its working capital management, particularly with respect to inventories and trade debtors.

Inventories

As at 31 December 2021, the inventory balance amounted to HK$1,413 million (31 December 2020: HK$1,303 million), representing an increase of HK$110 million (8% year on year). The increase was mainly due to the reduction of special stock provisions related to the Pandemic. The inventory balance before write downs increased by 2.8% and this was due to new merchandise for the Spring 2022 season.

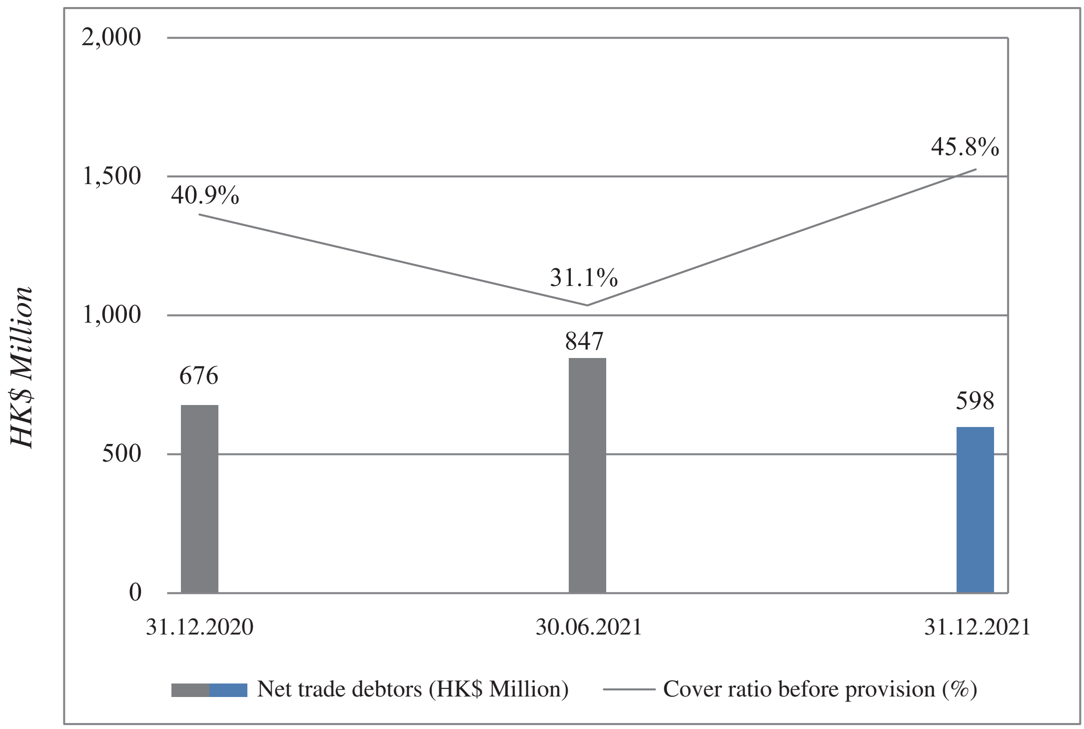
The inventory turnover days was 114 days as at 31 December 2021 and 112 days as at 30 June 2021, which was a notable achievement as compared to 123 days as at 31 December 2020.



Net Trade Debtors

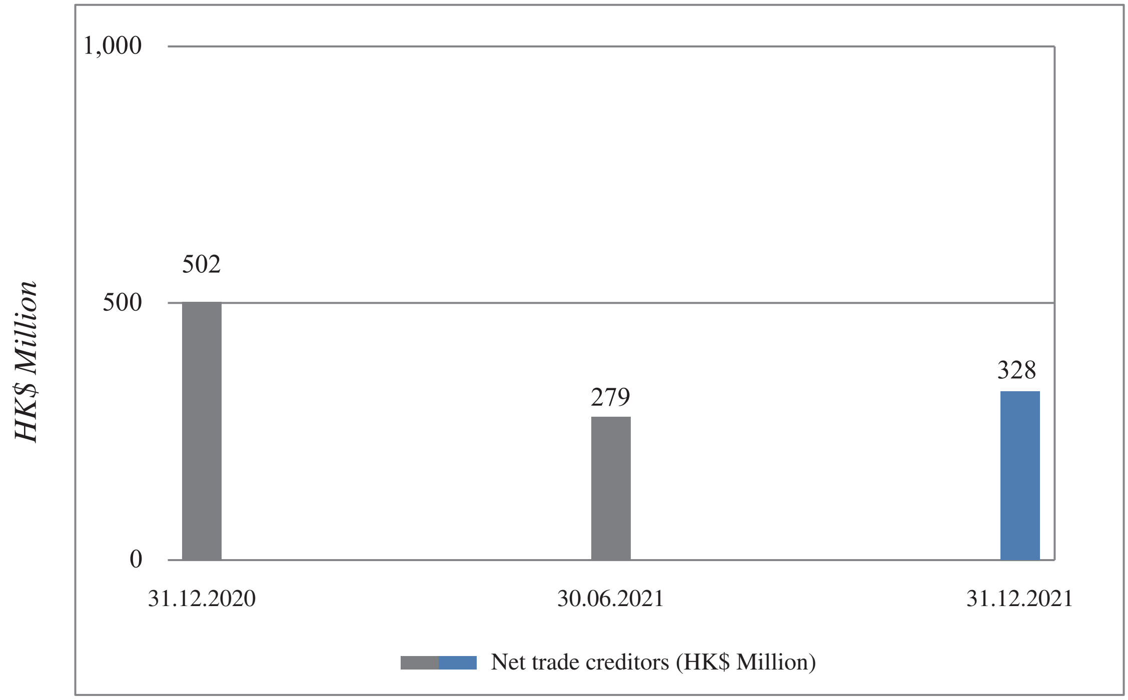
As at 31 December 2021, net trade debtors amounted to HK$598 million (31 December 2020: HK$676 million), representing a decrease of HK$78 million (12% year on year). The provision for impairment of trade debtors amounted to HK$194 million (31 December 2020: HK$254 million). In December 2020, trade debtors were unusually high due to the lockdown which occurred at the end of 2020.

The cover ratio of insured and guaranteed trade debtors (over gross trade debtors) as at 31 December 2021 increased to 45.8% (31 December 2020: 40.9%).



Net Trade Creditors

As at 31 December 2021, trade creditors was recorded at HK$328 million, which is a decrease of HK$174 million (or 35%) as compared to HK$502 million as at 31 December 2020.



LIQUIDITY AND FINANCIAL RESOURCES ANALYSIS

Net Cash

As at 31 December 2021, the Group recorded cash, bank balances and cash equivalents totalling HK$2,649 million (31 December 2020: HK$2,271 million), representing a net cash increase of HK$378 million.

The cash position was mainly affected by the following items:

1) Good operating performance of the business resulted in a net cash inflow of HK$569 million including working capital changes.

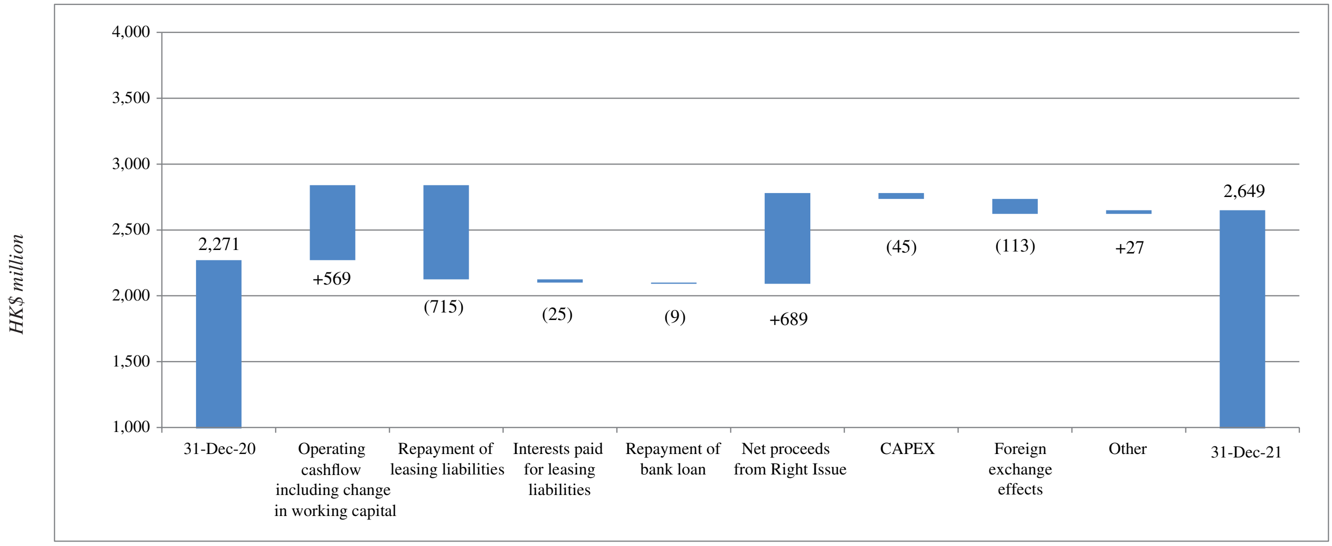
2) Repayment of leasing liabilities of HK$715 million and interests paid for leasing liabilities of HK$25 million resulted in total cash outflow of HK$740 million.

3) As at 31 December 2020, the Group had Pandemic related interest-free borrowings of HK$9 million (CHF1 million) in Switzerland. After repayment of the bank loans by the subsidiaries in 2021, the Group is now debt free.

4) Proceeds from the Rights Issue has increased the cash balance by HK$689 million.

5) The Group invested HK$45 million in capital expenditure ("CAPEX") for the Current Year, as compared to HK$8 million in the Corresponding Period. The biggest part of investments were software, IT and warehouse equipment.

Cash Flow Bridge for the year ended 31 December 2021



Foreign Exchange Risk

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

To minimize the Group's 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 FX risk arising from future commercial transactions, the Group in the past entered into forward FX contracts with reputable financial institutions to hedge the FX risk.

Starting in March 2020, all credit lines was canceled due to the PSP and since then, no further forward Foreign Exchange contracts have been entered. Therefore, currency fluctuations could affect its margins and profitability. The Group has been continuously preparing for the resumption of hedging activities due to newly established credit lines.

Treasury Policy

Group Treasury's core task is to ensure the Group's solvency by managing its liquidity and banking relationships. Excess liquidity is managed by keeping it highly available. Other than adopting an in-house banking concept to fund the Group, there are currently no further funding initiatives with banks. Nevertheless, various options are being evaluated to cover future needs.

Human Resources

As at 31 December 2021, the Group employed approximately 2,260 full-time equivalent staff ("FTE") (31 December 2020: approximately 2,500 FTE).

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.

Dividends

As the Group recorded losses for an extensive period in the Group's recent past and this is the first financial year recording a profit since the financial year ended 30 June 2017, the Board does not recommend the distribution of a dividend for the year ended 31 December 2021 (for the six months ended 31 December 2020: Nil). The Board will constantly monitor and review the situation in the coming future.

Rights Issue

On 27 January 2021, the Company announced a proposed 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 to raise not less than HK$707.7 million before expenses by way of issuing not less than 943,605,781 rights shares (the "Rights Issue"). Details of the Rights Issue is mentioned in the announcements of the Company dated 27 January 2021 and 2 March 2021 and the prospectus of the Company dated 26 March 2021 (the "Prospectus").

The Rights Issue was over-subscribed and the rights shares were allotted and issued on 21 April 2021. The issued share capital of the Company was then increased from 1,887,211,562 shares to 2,830,817,343 shares. The net proceeds of the Rights Issue, after deducting the related expenses, was HK$689 million.

The details of the intended use of net proceeds as stated in the Prospectus, the actual use of net proceeds up to 31 December 2021 and the remaining balance of unutilized net proceeds are as follows:

		Intended use of net proceeds as stated in the Prospectus *HK$ million*	Actual use of net proceeds up to 31 December 2021 *HK$ million*	Remaining balance of unutilized net proceeds *HK$ million*
Information technology and transformation expenses:				
a.	Systems upgrade and data migration	70	22	48
b.	Development of new internal information technology resources	45	16	29
c.	Development of new overarching E-commerce sales channel	185	74	111
Administrative and other expenses:				
a.	Rental expenses	110	110	–
b.	Marketing and logistics expenses	90	90	–
c.	Utilities and maintenance expenses	19	19	–
d.	Salaries and remuneration	150	150	–
e.	Legal and professional expenses	20	20	–
Total		689	501	188

The remaining balance of unutilized net proceeds will be applied in accordance with the intended uses and is expected to be utilized as disclosed in the Prospectus.

IMPORTANT EVENTS OCCURRING AFTER THE PERIOD

Change of Management

Mr. PAK William Eui Won has been re-designated from Interim Chief Executive Officer of the Company to Chief Executive Officer of the Company with effect from 1 March 2022. His appointment as an Executive Director and Chief Operating Officer of the Company remains unchanged.

Russian Conflict in Ukraine

Developments due to the conflict in Ukraine caused by the Russian invasion in February 2022 does not have a material impact on ESPRIT's Financial Statements as of 31 December 2021 because the Company does not have a material risk exposure such as assets and/or cash in these respective countries. Furthermore, business in these countries is not significant to the Group. The range of potential consequences including, not limited to sanctions and countermeasures is currently unclear and cannot be forecasted in full by the Company at this current stage.

OUTLOOK

The Group believes that under the current Management and with the support from a team of dedicated staff, the Company is on the right track for continued profitable growth.

With mass vaccination programs well underway and the notion of "living with COVID" accepted in various countries around the world, the outlook for an economic rebound, particularly for the fashion retail industry, has generally changed to cautiously positive for the medium term.

Much like the Pandemic, there will always be external factors that may affect business which are largely out of the Company's control. One recent unsettling factor that may haunt the European economy is the recent conflict in Ukraine. The consequence and duration of this destabilizing event is difficult to predict and will very possibly add vulnerability to the general global economy.

The Group anticipates that the European economy will continue to be negatively affected by the lingering Pandemic through at least the first half of 2022. Negative effects on the already unstable logistics industry and supply chain is very likely, on top of increasing logistic service costs. There are also clear signs that the world economy may be further impacted by the war in Ukraine with increasing energy and commodity prices, Russia being a major and important supplier to the world, especially to Europe. The benchmark Brent crude already exceeded US$110 per barrel and is forecasted to go higher very soon.

As a result, the overall assumption for the general global economy in the short term is that higher energy and food prices would wear down consumer confidence and weaken household purchasing power. Investments would also be hit quickly afterwards. Consumer spending will focus significantly more on essentials and less on luxury, with an added regard on sustainability, quality and value.

Although there are major uncertainties in the short term, the Group will stay connected and agile to react promptly to unexpected challenges. The Company has already begun focusing on revitalizing the ESPRIT brand and capitalizing on the Company's 2021 performance for further expansion and greater profitability in 2022. The Management will continue to apply its 4-pillar principle approach in its business practices to ensure that the Company remains on the road map of success.

Notable initiatives that have taken place in the Current Year and will be developed further in 2022 includes:

1) Improvement in sourcing, product design and quality – to ensure that products receive good reception from consumers across all business segments and channels. This will in turn be reflected in greater revenue generation and improving margins;

2) Improvement in logistics and supply chain management – to ensure products are delivered to the right markets at the right time and with greater efficiency which then translates to lower costs;

3) Strategic investments and enhancements to the Company's IT and other digital areas – to allow ESPRIT to tap into the endless potential of E-commerce. The Group's new digital development will cover areas including product design to customer experience;

4) Renewal of ESPRIT's brand identity, product improvement, user friendly apps, stronger marketing and merchandising will enable the Company to retain customer loyalty and gain recognition from new customers;

5) Launching of numerous capsule collections across the world. The first of this launch was already introduced via online media and social platforms in late December 2021, called ARCHIVE RE-ISSUE. It features ESPRIT's archival silhouettes inspired from the 1980s with the intention to revive the brand's nostalgic style while paying tribute to ESPRIT's core philosophy in creating joy through laid-back, sustainable, and fashion-forward pieces;

6) Completing ESPRIT's full global E-commerce overhaul, inclusive of website function, design, logistics, and packaging – to adapt to a new generation of shoppers, ensuring omni-channel efficiency starting in Asia;

7) Building strategic partnerships with other leading E-retailers to expand footprint, wholesale revenue, and brand equity. It will also reposition ESPRIT to move away from fast fashion and migrate into the premium lifestyle brand category. ESPRIT will be investing in the use of innovative technology to enhance customer experience.

In Europe, the Group has substantial operations in its main areas of distribution and believes that there are untapped opportunities to consider. Examples of such opportunities include store design, merchandising, and marketing. Through continued efforts in cost controls and enhanced efficiencies, the Group is confident that it can deliver greater profitability in its European retail stores, E-commerce, and wholesale business.

The Company is on the right track in establishing distribution centers in Hong Kong and South Korea, which is currently targeted in the first half of 2022. The Group also plans to re-enter key markets in Asia and enter new markets such as South America and Middle America. Refining market-entry strategies throughout Asia and the United States is already underway. Completion of merchandising product planning to be launched in Hong Kong, Taiwan and Korean E-commerce websites is targeted for 2022. The Company is also reviewing opportunities to open a limited number of physical stores, outlets, and pop-up stores in these countries.

The ESPRIT brand is powerful and revered. The Management is committed to revive the brand's heritage, which has remained strong even with major setbacks in the recent decade. The prospects for the Group are bright and the Company has a solid financial foundation to capture opportunities as they arise. The Group sees itself in a good position to benefit from an eventual revival of the global economy despite glitches that may occur in the near term.

PUBLICATION OF ANNUAL REPORT

This audited results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (http://www.hkexnews.hk) and the Company (http://www.espritholdings.com), and the audited report of the Company for the financial year ended 31 December 2021 containing all the information required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") will be dispatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company on or before 30 April 2022.

ANNUAL GENERAL MEETING

The Company will hold an annual general meeting ("AGM") on Wednesday, 29 June 2022. Notice of the AGM will be published and dispatched to the shareholders of the Company in accordance with the Bye-laws of the Company and the Listing Rules.

CLOSURE OF REGISTERS OF MEMBERS

For determining the eligibility of shareholders to attend and vote at the AGM of the Company:

Latest time to lodge transfer documents for registration	At 4:30 pm on Thursday, 23 June 2022
Closure of Registers of Members	Friday, 24 June 2022 to Wednesday, 29 June 2022 (both dates inclusive)
Record date	Wednesday, 29 June 2022

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 AGM, 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 Independent Non-executive Directors. 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 financial year ended 31 December 2021 and has also met with the external auditor and discussed auditing, internal controls and financial reporting matters including the review of the quarterly updates and annual results of the Group, and the basis and accounting treatment thereof. The Audit Committee has agreed with the audited results of the Group for the financial year ended 31 December 2021 as set out in this announcement.

SCOPE OF WORK OF THE AUDITOR OF THE COMPANY

The figures in respect of the Group's statement of profit or loss, consolidated statement of comprehensive income, consolidated balance sheet and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary 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 year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or no assurance conclusion has been expressed by PricewaterhouseCoopers on the preliminary 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 financial year ended 31 December 2021.

CORPORATE GOVERNANCE

The Company has applied the principles of, and complied with the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules, as in effect from time to time, for the financial year ended 31 December 2021, except for code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election. However, Independent Non-executive Directors of the Company do not have a specific term of appointment. Under bye-law 87 of the Company's Bye-laws, all Directors, including Independent 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.

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 financial year ended 31 December 2021.

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

Hong Kong, 29 March 2022

Dates and times stated in this announcement refer to Hong Kong time unless otherwise specified.

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

Executive Directors:
Ms. CHIU Christin Su Yi
Mr. PAK William Eui Won
Mr. SCHLANGMANN Wolfgang Paul Josef
Mr. WRIGHT Bradley Stephen

Independent Non-executive Directors:
Mr. CHUNG Kwok Pan
Mr. GILES William Nicholas
Mr. HA Kee Choy Eugene
Ms. LIU Hang-so
Mr. LO Kin Ching Joseph

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.