ESPRIT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

STOCK CODE: 00330

ANNOUNCEMENT OF AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

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 2023 (the "Year") together with the comparative figures for the year ended 31 December 2022 (the "Corresponding Year"). 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 2023**	For the year ended 31 December 2022
Revenue	*3*	**5,912**	7,063
Cost of purchases		**(3,404)**	(4,185)
Gross profit		**2,508**	2,878
Staff costs		**(1,281)**	(1,150)
Occupancy costs		**(317)**	(287)
Logistics expenses		**(469)**	(496)
Marketing and advertising expenses		**(596)**	(503)
Depreciation of property, plant and equipment		**(109)**	(102)
Depreciation of right-of-use assets		**(557)**	(569)
Impairment loss on property, plant and equipment		**(15)**	(3)
Impairment loss on right-of-use assets		**(344)**	(65)
Impairment loss on trademarks		**(396)**	–
Impairment loss on goodwill		**(61)**	–
(Provision)/write-back of provision for inventories, net		**(66)**	296
(Provision)/write-back of provision for impairment of trade debtors, net		**(64)**	25
Other operating costs		**(780)**	(666)
Operating loss	*4*	**(2,547)**	(642)
Share of losses from a joint venture		**(4)**	(1)
Interest income	*5*	**14**	5
Finance costs	*6*	**(46)**	(45)
Loss before taxation		**(2,583)**	(683)
Taxation	*7*	**244**	19
Loss attributable to shareholders of the Company		**(2,339)**	(664)

		For the year ended 31 December 2023	For the year ended 31 December 2022
Basic and diluted loss per share	*12*	**HK$(0.83)**	HK$(0.23)

Consolidated Statement of Comprehensive Income

HK$ million	**For the year ended 31 December 2023**	For the year ended 31 December 2022
Loss attributable to shareholders of the Company	**(2,339)**	(664)
Other comprehensive income		
Item that will not be reclassified to profit or loss:		
Remeasurements of retirement defined benefit obligations, net of tax	**(7)**	13
	(7)	13
Items that may be reclassified subsequently to profit or loss:		
Foreign exchange translation gains/(losses)	**77**	(231)
	77	(231)
Total comprehensive loss for the year attributable to shareholders of the Company, net of tax	**(2,269)**	(882)

Consolidated Balance Sheet

HK$ million	*Notes*	**As at 31 December 2023**	As at 31 December 2022
Non-current assets			
Intangible assets		**1,296**	1,595
Property, plant and equipment		**177**	317
Right-of-use assets		**1,280**	1,630
Financial assets at fair value through profit or loss		**3**	3
Interest in a joint venture		**47**	2
Debtors, deposits and prepayments	*8*	**344**	365
Deferred tax assets		**27**	62
		3,174	3,974
Current assets			
Inventories		**1,301**	1,777
Debtors, deposits and prepayments	*8*	**832**	884
Tax receivable		**20**	18
Cash, bank balances and deposits		**435**	2,012
		2,588	4,691
TOTAL ASSETS		**5,762**	8,665
Current liabilities			
Creditors and accrued charges	*9*	**1,307**	1,612
Lease liabilities		**766**	474
Provisions	*10*	**175**	145
Tax payable		**235**	229
		2,483	2,460
Net current assets		**105**	2,231
Total assets less current liabilities		**3,279**	6,205
Equity			
Share capital	*11*	**283**	283
Reserves		**1,683**	3,952
		1,966	4,235
Non-current liabilities			
Lease liabilities		**1,189**	1,578
Retirement defined benefit obligations		**11**	5
Deferred tax liabilities		**113**	387
		1,313	1,970
TOTAL LIABILITIES		**3,796**	4,430
TOTAL EQUITY AND LIABILITIES		**5,762**	8,665

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF THE PREPARATION

1.1. Going Concern

During the year ended 31 December 2023, the Group recorded a net loss attributable to shareholders of the Company of HK$2,339 million and a net cash outflow of HK$1,596 million. Whilst the Group had net current assets of HK$105 million and no interest-bearing external borrowings as at 31 December 2023, its cash, bank balances and deposits amounted to HK$435 million only as at the same date. The Group is experiencing recurring losses and challenging retail conditions in Europe, including weak consumer sentiment, inflationary concerns, declining sales, and increasing cost and liquidity pressures. The Group has decided to voluntarily apply for the commencement of the insolvency proceeding in respect of an indirect wholly-owned subsidiary of the Company in Switzerland and the insolvency filing was made in March 2024. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

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

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

1. The Board will consider improving the financial position of the Group and enlarging the capital base of the Company by conducting further fund-raising exercises, such as share placements, rights issues, or other methods, when necessary (the "Equity Fund Raising").

2. The Group continues to actively implement plans and measures to control operational and administrative costs through various channels, including but not limited to (i) optimizing and adjusting human resources; (ii) reorganizing the structure of each segment to cut non-profitable operations; (iii) streamlining logistics operations through human resources consolidation and productivity optimization via distribution center efficiency enhancement; and (iv) restraining capital expenditures, among others (the "Restructuring Plan").

3. The Group is committed to implementing plans and measures which prioritizes improving sales performance through strategic expansion into new markets, acquiring new wholesale customers, and actively exploring opportunities in overseas markets like the United States, with the aim of driving robust sales growth and fostering enduring sustainability for the business. (the "Business Expansion Plan").

4. The Group continues to enhance its stringent cash flow management, expedite the collection of receivables, and achieving better payment terms with trade vendors (the "Stringent Cash Flow Management").

1. BASIS OF THE PREPARATION (CONTINUED)

1.1. Going Concern (Continued)

The Board has reviewed the Group's cash flow forecast prepared by management covering a period of twelve months from 31 December 2023. After considering the plans and measures outlined above, the Board is of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due within twelve months from 31 December 2023. The Board is therefore of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, a significant uncertainty exists regarding the Group's ability to achieve its plans and measures as described above. The Group's ability to continue as a going concern would depend on the successful execution and completion of the Equity Fund Raising, Restructuring Plan, Business Expansion Plan and Stringent Cash Flow Management (collectively the "Plans and Measures"), all of which aim to provide the Group with adequate operating cash flows and additional equity funds to settle existing financial obligations, commitments, and future operating and capital expenditures.

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

1.2. Compliance with IFRS and HKCO

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board and interpretations issued by the IFRS Interpretations Committee applicable to companies reporting under IFRS and the disclosure requirements of the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong) ("HKCO").

1.3. Historical cost convention

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

- certain financial assets and liabilities, and
- defined benefit pension plans – plan assets measured at fair value.

1. BASIS OF THE PREPARATION (CONTINUED)

1.4. Amended standards and interpretations adopted by the Group

During the year ended 31 December 2023, the Group has adopted the following accounting standards and amendments effective for the Group's reporting period beginning on 1 January 2023:

Adopted	Effective date	New standards or amendments
IFRS 17 and IFRS 17 (Amendments)	1 January 2023	IFRS 17 Insurance Contracts and Amendments to IFRS 17 Insurance Contracts
IAS 1 (Amendments)	1 January 2023	Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
IAS 8 (Amendments)	1 January 2023	Definition of Accounting Estimates
IAS 12 (Amendments)	1 January 2023	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
IAS 12 (Amendments)	1 January 2023	International Tax Reform – Pillar Two Model Rules

These amendments listed above did not result in any material impact on the Group's consolidated financial statements.

1.5. New standards and interpretations not yet adopted by the Group

Not early adopted	Effective for accounting periods beginning on or after	New standards or amendments
IFRS 10 and IAS 28 (Amendments)	A date to be determined by IASB	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
IFRS 16	1 January 2024	Lease Liability in a Sale and Leaseback
IAS 1 (Amendments)	1 January 2024	Non-Current Liabilities with Covenants
IAS 1 (Amendments)	1 January 2024	Classification of Liabilities as Current or Non-current
IAS 7 and IFRS 7 (Amendments)	1 January 2024	Supplier Finance Arrangements
IAS 21 (Amendments)	1 January 2025	Lack of Exchangeability

These standards and interpretations listed above have been published that are not mandatory for the year ended 31 December 2023 and have not been early adopted by the Group. These standards and interpretations are not expected to have a material impact on the Group in the future reporting periods and on foreseeable future transactions.

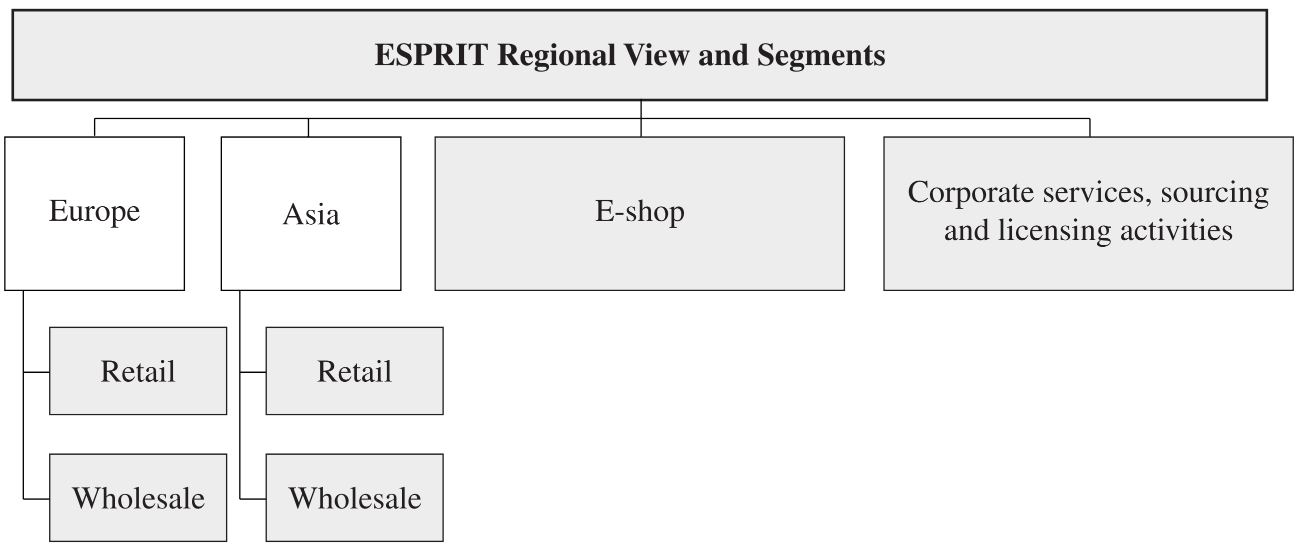
2. SEGMENT INFORMATION

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

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

Operating segments are reported in a manner consistent with the internal management reports provided to the chief operating decision-maker. The chief operating decision-maker who is responsible for assessing performance and allocating resources for the reporting segments has been identified as the Executive Directors of the Company.

The operating segments are on a regional level in Europe, Asia as well as E-shop and corporate services, sourcing and licensing activities on a global level. Operating segment for Europe has included America. The regions have been separated into retail and wholesale channel.



Inter-segment transactions are entered into under the normal commercial terms and conditions that would also be available to third parties.

2. SEGMENT INFORMATION (CONTINUED)

For the year ended 31 December 2023

	Europe *HK$ million*	Asia *HK$ million*	E-shop *HK$ million*	Corporate services, sourcing, licensing and others *HK$ million*	Group *HK$ million*
Total revenue					
Retail	**1,500**	**1**	**–**	**–**	**1,501**
Wholesale	**2,097**	**5**	**–**	**–**	**2,102**
E-shop	**–**	**–**	**2,184**	**–**	**2,184**
Licensing and others	**–**	**–**	**–**	**3,054**	**3,054**
Total	**3,597**	**6**	**2,184**	**3,054**	**8,841**
Inter-segment revenue	**–**	**–**	**–**	**(2,929)**	**(2,929)**
Revenue from external customers					
Retail	**1,500**	**1**	**–**	**–**	**1,501**
Wholesale	**2,097**	**5**	**–**	**–**	**2,102**
E-shop	**–**	**–**	**2,184**	**–**	**2,184**
Licensing and others	**–**	**–**	**–**	**125**	**125**
Total	**3,597**	**6**	**2,184**	**125**	**5,912**
Operating (loss)/profit					
Retail	**(990)**	**(43)**	**–**	**–**	**(1,033)**
Wholesale	**81**	**4**	**–**	**–**	**85**
E-shop	**–**	**–**	**(197)**	**–**	**(197)**
Licensing and others	**–**	**–**	**–**	**(1,402)**	**(1,402)**
Total	**(909)**	**(39)**	**(197)**	**(1,402)**	**(2,547)**
Share of losses from a joint venture					**(4)**
Interest income					**14**
Finance costs					**(46)**
Loss before taxation					**(2,583)**

Note: Figures for North America have not been separated out due to the region's limited financial contribution to the Group as the market is in the early stage of development.

2. SEGMENT INFORMATION (CONTINUED)

For the year ended 31 December 2023

	Europe *HK$ million*	Asia *HK$ million*	E-shop *HK$ million*	Corporate services, sourcing, licensing and others *HK$ million*	Group *HK$ million*
Depreciation[1]					
Retail	**(373)**	**(13)**	**–**	**–**	**(386)**
Wholesale	**(31)**	**–**	**–**	**–**	**(31)**
E-shop	**–**	**–**	**(54)**	**–**	**(54)**
Licensing and others	**–**	**–**	**–**	**(195)**	**(195)**
Total	**(404)**	**(13)**	**(54)**	**(195)**	**(666)**
Impairment loss[2]					
Retail	**(359)**	**–**	**–**	**–**	**(359)**
Licensing and others	**–**	**–**	**–**	**(457)**	**(457)**
Total	**(359)**	**–**	**–**	**(457)**	**(816)**
Capital expenditure[3]					
Retail	**(10)**	**(5)**	**–**	**–**	**(15)**
Wholesale	**(11)**	**(20)**	**–**	**–**	**(31)**
E-shop	**–**	**–**	**(23)**	**–**	**(23)**
Licensing and others	**–**	**–**	**–**	**(34)**	**(34)**
Total	**(21)**	**(25)**	**(23)**	**(34)**	**(103)**

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

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

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

2. SEGMENT INFORMATION (CONTINUED)

For the year ended 31 December 2022

	Europe *HK$ million*	Asia *HK$ million*	E-shop *HK$ million*	Corporate services, sourcing, licensing and others *HK$ million*	Group *HK$ million*
Total revenue					
Retail	1,744	1	–	–	1,745
Wholesale	2,639	–	–	–	2,639
E-shop	–	–	2,558	–	2,558
Licensing and others	–	–	–	3,622	3,622
Total	4,383	1	2,558	3,622	10,564
Inter-segment revenue	–	–	–	(3,501)	(3,501)
Revenue from external customers					
Retail	1,744	1	–	–	1,745
Wholesale	2,639	–	–	–	2,639
E-shop	–	–	2,558	–	2,558
Licensing and others	–	–	–	121	121
Total	4,383	1	2,558	121	7,063
Operating (loss)/profit					
Retail	(371)	(19)	–	–	(390)
Wholesale	318	–	–	–	318
E-shop	–	–	(33)	–	(33)
Licensing and others	–	–	–	(537)	(537)
Total	(53)	(19)	(33)	(537)	(642)
Share of losses from a joint venture					(1)
Interest income					5
Finance costs					(45)
Loss before taxation					(683)

2. SEGMENT INFORMATION (CONTINUED)

For the year ended 31 December 2022

	Europe *HK$ million*	Asia *HK$ million*	E-shop *HK$ million*	Corporate services, sourcing, licensing and others *HK$ million*	Group *HK$ million*
Depreciation[1]					
Retail	(409)	(8)	–	–	(417)
Wholesale	(27)	–	–	–	(27)
E-shop	–	–	(50)	–	(50)
Licensing and others	–	–	–	(177)	(177)
Total	(436)	(8)	(50)	(177)	(671)
Impairment loss[2]					
Retail	(68)	–	–	–	(68)
Total	(68)	–	–	–	(68)
Capital expenditure[3]					
Retail	(8)	(6)	–	–	(14)
Wholesale	(6)	(8)	–	–	(14)
E-shop	–	–	(28)	–	(28)
Licensing and others	–	–	–	(33)	(33)
Total	(14)	(14)	(28)	(33)	(89)

1 Depreciation includes depreciation of property, plant and equipment and right-of-use assets.
2 Impairment loss relates to impairment loss on property, plant and equipment and right-of-use assets.
3 Capital expenditure includes property, plant and equipment, intangible assets and investment in a joint venture.

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

HK$ million	**As at 31 December 2023**	As at 31 December 2022
Hong Kong	**31**	38
Germany	**703**	836
Other countries[1]	**2,019**	2,668
Total	**2,753**	3,542

1 Non-current assets located in other countries include intangible assets of HK$1,296 million (31 December 2022: HK$1,595 million). Other countries mainly include the United States, France, Switzerland, Austria, Netherlands and Belgium.

3. REVENUE

HK$ million	**For the year ended 31 December 2023**	For the year ended 31 December 2022
Retail and Wholesale		
Europe	**3,597**	4,383
Asia	**6**	1
E-shop	**2,184**	2,558
Licensing and others	**125**	121
Revenue from external customers total	**5,912**	7,063

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 2023**	For the year ended 31 December 2022
Retail and Wholesale		
Germany	**1,832**	2,254
Benelux	**497**	569
Switzerland	**319**	399
France	**259**	331
Austria	**250**	307
Spain	**134**	155
Finland	**102**	122
Italy	**81**	81
Sweden	**47**	70
Poland	**37**	37
United Kingdom	**17**	35
Denmark	**14**	21
Others (Note)	**8**	2
Europe total	**3,597**	4,383
Hong Kong and South Korea	**6**	1
Asia total	**6**	1
Retail and Wholesale total	**3,603**	4,384

Note: Others under Europe include revenue from other countries mainly the United States

3. REVENUE (CONTINUED)

HK$ million	**For the year ended 31 December 2023**	For the year ended 31 December 2022
E-shop		
Germany	**1,177**	1,392
Benelux	**309**	376
France	**115**	144
Switzerland	**206**	213
Austria	**146**	167
Denmark	**26**	29
United Kingdom	**26**	43
Poland	**58**	51
Sweden	**22**	30
Czech Republic	**28**	35
Finland	**17**	18
Spain	**15**	15
Italy	**14**	20
Others	**25**	25
E-shop total	**2,184**	2,558
Licensing and others		
Germany	**65**	60
Others	**60**	61
Licensing and others total	**125**	121
Revenue total	**5,912**	7,063

4. OPERATING LOSS

This is stated after charging and (crediting) the following:

HK$ million	**For the year ended 31 December 2023**	For the year ended 31 December 2022
Staff costs	**1,281**	1,150
Occupancy costs	**317**	287
Logistics expenses	**469**	496
Marketing and advertising expenses	**596**	503
Depreciation of property, plant and equipment	**109**	102
Depreciation of right-of-use assets	**557**	569
Impairment loss on property, plant and equipment	**15**	3
Impairment loss on right-of-use assets	**344**	65
Impairment loss on trademarks	**396**	–
Impairment loss on goodwill	**61**	–
Provision/(write-back of provision) for inventories, net	**66**	(296)
Provision/(write-back of provision) for impairment of trade debtors, net	**64**	(25)
Information technology expenses	**323**	286
Provision/(write-back of provision) for restructuring	**36**	(6)
Net foreign exchange translation (gains)/losses	**(51)**	48
Legal and professional fees	**21**	52
Packaging, postage and distribution	**31**	42
Amortization of intangible assets	**31**	43
Government grants (note)	**2**	(37)
Samples	**43**	34
Repair and maintenance	**27**	26
Insurance	**24**	24
Travelling-related expenses	**64**	27
Loss on disposal of property, plant and equipment	**–**	4
Auditor's remuneration	**18**	21

Note: The Group has net reversed government grants in the amount of HK$1 million (including HK$1 million income relating to staff costs) during the year ended 31 December 2023 (for the year ended 31 December 2022, the government grants amounted to HK$40 million income including HK$3 million relating to staff costs). These grants relate to government grants for fixed costs such as rental expenses, salaries and social security costs in respect of the Pandemic relief measures. The grants for salaries were netted with staff costs. The grants for fixed costs were shown as other operating income. The government grants are linked to conditions that have to be fulfilled to receive the funds and there is sufficient likelihood that those conditions can be fulfilled.

5. INTEREST INCOME

HK$ million	**For the year ended 31 December 2023**	For the year ended 31 December 2022
Interest income from bank deposits	**14**	4
Others	**–**	1
Total interest income	**14**	5

6. FINANCE COSTS

HK$ million	**For the year ended 31 December 2023**	For the year ended 31 December 2022
Interest on lease liabilities	**44**	40
Imputed interest on financial assets and financial liabilities	**–**	1
Others	**2**	4
Total finance costs	**46**	45

7. TAXATION

Amount recognized in the consolidated statement of profit or loss:

HK$ million	**For the year ended 31 December 2023**	For the year ended 31 December 2022
Current tax		
Overseas tax		
Provision for the current year	**–**	2
Over-provision in prior years	**–**	(5)
	–	(3)
Deferred tax		
Other origination and temporary differences	**(244)**	(16)
Total tax credit	**(244)**	(19)

For the year ended 31 December 2023, Hong Kong profits tax is calculated at 16.5% (for the year ended 31 December 2022: 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 2023 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 2023**	As at 31 December 2022
Deposits	**340**	360
Prepayments	**–**	1
Other debtors and receivables	**4**	4
Total	**344**	365

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

8. DEBTORS, DEPOSITS AND PREPAYMENTS (CONTINUED)

Current

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

HK$ million	**As at 31 December 2023**	As at 31 December 2022
Trade debtors	**645**	552
less: provision for impairment of trade debtors	**(129)**	(80)
Net trade debtors	**516**	472
Deposits	**37**	27
Prepayments	**106**	114
Right-of-return assets	**71**	112
Other debtors and receivables	**102**	159
Total	**832**	884

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 2023**	As at 31 December 2022
0-30 days	**278**	308
31-60 days	**119**	90
61-90 days	**53**	31
Over 90 days	**66**	43
Total	**516**	472

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 2023**	As at 31 December 2022
Trade creditors	**374**	497
Accruals	**474**	522
Return liabilities	**168**	236
Other creditors and payables	**291**	357
Total	**1,307**	1,612

9. CREDITORS AND ACCRUED CHARGES (CONTINUED)

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

HK$ million	**As at 31 December 2023**	As at 31 December 2022
0-30 days	**249**	346
31-60 days	**84**	137
61-90 days	**18**	7
Over 90 days	**23**	7
Total	**374**	497

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 2023**	As at 31 December 2022
Restructuring	**38**	4
Reinstatement	**107**	89
Legal cost	**30**	52
Total	**175**	145

Reinstatement provision of HK$107 million (31 December 2022: HK$89 million) is accounted by the estimated cost for reinstating the status of lease property. Restructuring provision of HK$38 million (31 December 2022: HK$4 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 poor economic environment. 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 2023**	As at 31 December 2022
Balance at beginning of year	**145**	132
Amounts used during the year	**(21)**	(11)
Additions	**62**	42
Releases	**(18)**	(13)
Reclassified from accruals	**–**	1
Exchange translation	**7**	(6)
Balance at end of year	**175**	145

11. SHARE CAPITAL

	Number of shares of HK$0.10 each million	HK$ million
Authorized:		
At 1 January 2023 and 31 December 2023	**30,000**	**3,000**
At 1 January 2022 and 31 December 2022	30,000	3,000

	Number of shares of HK$0.10 each million	Nominal value HK$ million
Issued and fully paid:		
At 1 January 2023 and 31 December 2023	**2,831**	**283**
At 1 January 2022 and 31 December 2022	2,831	283

The following transactions occurred in relation to the share capital of the Company:

(a) Share options

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

The Company adopted a new share option scheme on 5 December 2018 (the "2018 Share Option Scheme"). The option mandate limit of the 2018 Share Option Scheme has been refreshed upon the 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. During the year ended 31 December 2023, no share options were granted.

(b) Awarded shares

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

During the year ended 31 December 2023, there was no movement for the Share Award Scheme. There was no outstanding awarded shares under the Share Award Scheme as at 31 December 2023.

12. LOSS PER SHARE

12.1. 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.

	For the year ended 31 December 2023	For the year ended 31 December 2022
Loss attributable to shareholders of the Company (HK$ million)	**(2,339)**	(664)
Number of ordinary shares in issue at 1 January (million)	**2,831**	2,831
Weighted average number of ordinary shares in issue less shares held for Share Award Scheme (million)	**2,831**	2,831
Basic loss per share (HK$ per share)	**(0.83)**	(0.23)

12.2. 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.

	For the year ended 31 December 2023	For the year ended 31 December 2022
Loss attributable to shareholders of the Company (HK$ million)	**(2,339)**	(664)
Weighted average number of ordinary shares in issue less shares held for Share Award Scheme (million)	**2,831**	2,831
Adjustments for share options and awarded shares (million)	**–**	–
Weighted average number of ordinary shares for diluted earnings per share (million)	**2,831**	2,831
Diluted loss per share (HK$ per share)	**(0.83)**	(0.23)

Diluted loss per share for the year ended 31 December 2023 and year ended 31 December 2022 was the same as the basic loss per share since the share options and awarded shares had anti-dilutive effect.

13. DIVIDEND

The Board did not declare and recommend the distribution of any dividend for the year ended 31 December 2023 (for the year ended 31 December 2022: nil).

14 EVENT AFTER THE REPORTING PERIOD

The Group decided to voluntarily apply for the commencement of the insolvency proceeding in respect of Esprit Switzerland Retail AG ("ESRA"), an indirect wholly-owned subsidiary of the Company in Switzerland. The insolvency filing was made on 25 March 2024.

Accordingly, ESRA's financial information for the year ended 31 December 2023 was prepared on an alternative basis which involved reclassifying non-current assets and liabilities to current assets and liabilities, respectively, and writing down assets to their recoverable amounts. Among the adjustments made, right-of-use assets of HK$258 million was impaired, but the corresponding lease liabilities of HK$299 million was not adjusted. Inventories of HK$26 million was written down to the net realizable value.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is the extract of the independent auditor's report on the consolidated financial statements of the Group for the year ended 31 December 2023:

Disclaimer of Opinion

We do not express an opinion on the consolidated financial statements of the Group for the year ended 31 December 2023. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis of Disclaimer of Opinion

Scope limitation relating to appropriateness of the going concern basis of accounting

As disclosed in Note 1.2 to the consolidated financial statements, the Group reported a net loss attributable to shareholders of the Company of HK$2,339 million and a net cash outflow of HK$1,596 million during the year ended 31 December 2023, while the Group's cash, bank balances and deposits amounted to HK$435 million as at 31 December 2023. The Group is experiencing recurring losses and challenging retail conditions in Europe, including weak consumer sentiment, inflationary concerns, declining sales, and increasing cost and liquidity pressures. The Group has decided to voluntarily apply for the commencement of insolvency proceeding in respect of an indirect wholly-owned subsidiary of the Company in Switzerland and the insolvency filing was made in March 2024.

The above conditions, together with other matters described in Note 1.2 to the consolidated financial statements, indicate that a material uncertainty exists which may cast significant doubt about the Group's ability to continue as a going concern.

In view of such circumstances, the Board of Directors of the Company (the "Board") is in the process of implementing a number of plans and measures to improve the Group's liquidity and financial position which are set out in Note 1.2 to the consolidated financial statements. The Board has reviewed a cash flow forecast (the "Cash Flow Forecast") prepared by management covering a period of twelve months from 31 December 2023, which take into account these plans and measures. Based on such assessment, assuming the plans and measures can be successfully implemented as scheduled notwithstanding the inherent uncertainties associated with the outcome of these plans and measures, the Board is of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due within twelve months from 31 December 2023 and therefore, it is appropriate to prepare the consolidated financial statements on a going concern basis.

The appropriateness of the consolidated financial statements prepared on a going concern basis depends whether those plans and measures as set out in Note 1.2 can be successfully implemented. These measures include among others that (1) the Board will consider conducting further equity fund raising such as share placements, rights issues or other methods described in Note 1.2 as the "Equity Fund Raising" and (2) the Group will continue to actively implement plans and measures to control operational and administrative costs through various means described more fully in Note 1.2 as the "Restructuring Plan".

In respect of the “Equity Fund Raising”, we were advised by management that such fund raising measures are still at a preliminary stage and no firm fund raising plan has been submitted to the Board for consideration. Accordingly, we were unable to obtain sufficient appropriate audit evidence that we considered necessary to evaluate the Group’s ability to raise on a timely basis additional funding to the extent necessary based on the Cash Flow Forecast.

In respect of the “Restructuring Plan”, management was unable to provide us with sufficient information about the details of the Restructuring Plan including the detailed timetable and actions to be carried out, the detailed analyses and estimates of the costs of implementing the relevant actions as well as detailed estimates of the resulting cost savings. Accordingly, we were unable to obtain sufficient appropriate audit evidence that we considered necessary to evaluate the Group’s ability to reduce operating and administrative costs to the desired level within the period planned in the Cash Flow Forecast.

In view of the above scope limitation, there were no other alternative procedures that we could perform to satisfy ourselves that the Group would be able to implement its plans and measures, as a result, we were unable to obtain sufficient appropriate evidence we considered necessary to conclude whether the use of the going concern basis of accounting to prepare the consolidated financial statements is appropriate.

Should the Group fail to achieve the abovementioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down 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 non-current liabilities as current assets and current liabilities. The effects of these adjustments have not been reflected in the consolidated financial statements.

AUDIT COMMITTEE’S VIEW ON THE DISCLAIMER OF OPINION

The Audit Committee has duly reviewed the annual results of the Group as at 31 December 2023 as well as the auditor’s disclaimer of opinion due to scope limitation relating to appropriateness of the going concern basis of accounting with respect to the consolidated financial statements of the Group for the year ended 31 December 2023. The Audit Committee agreed with the views and concerns of the independent auditor and noted that the Company is in the progress of implementing the Plans and Measures to strengthen the Group’s capital base and maintain sufficient financing for future business development.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The Year was extremely difficult and distressing for the Group. The Group's performance was severely impacted by the unrelenting poor macroeconomic environment in Europe, particularly in Germany, the inability to reduce operating expenses due to long-standing historical structural issues and the short-term detrimental effects of the Group's restructuring efforts, which was intended to ensure a brighter future for the Company. The Group recorded a loss attributable to the shareholders of the Company of HK$2,339 million, as compared to a loss attributable to the shareholders of the Company of HK$664 million for the Corresponding Year.

The Group recorded a total revenue of HK$5,912 million for the Year, as compared to the total revenue of HK$7,063 million for the Corresponding Year, showing a decline of 16%.

The decrease of revenue in the Year in comparison to the Corresponding Year was mainly attributable to the following reasons: (i) the unfavorable macroeconomic environment in Europe, particularly in Germany, characterized by high interest rates as a reaction to high inflationary pressures; (ii) the on-going geopolitical tensions around the world, particularly the conflict in Ukraine; and (iii) high energy costs, particularly in Germany, which have been affecting consumer purchasing power.

The above factors combined severely hinders consumer confidence and limits discretionary spending particularly in Europe, where the Group primarily operates in, resulting in the decrease of the Group's total revenue. The aforementioned will be discussed in detail in other parts of this section.

For the Year, gross profit margin was 42.4%, equivalent to a 1.7% point ramp up versus the Corresponding Year. The modest rise in gross profit margin can be attributed in part to reduced year-end sales discounts and the favorable exchange rate of the USD compared to the Corresponding Year. This outcome was mainly influenced by the prevalent use of USD for purchasing stock, while Euro remained the dominant currency for the Company's sales. The Group upholds a steadfast commitment to continuously enhancing the gross margins of its products. This commitment is manifested through a dedicated focus on utilizing higher quality materials with enhanced intrinsic value, optimizing sourcing efficiencies, and elevating the brand perception.

The Board considers that the significant increase in loss is mainly attributable to the decrease in revenue cited above, leading to the decrease of the gross profit of the Group to HK$2,508 million for the Year, as compared to the gross profit of the Group of HK$2,878 million for the Corresponding Year. Additionally, there were write-back of provision for inventories and write-back of provision for impairment of trade debtors totaling approximately HK$321 million for the Corresponding Year while there were provisions on those two items of approximately HK$130 million for the Year. Furthermore, there was an impairment loss of HK$396 million on the trademarks and an impairment loss of HK$344 million on the right-of-use assets.

Despite the decrease in revenue, business units across the Company continue to strive for solid performance and the shared commitment amongst team members created worthy mention achievements. Below is a summary of some notable accomplishments in 2023.

Geographic Operational Structure

In the first quarter of the Year, the Group launched its second hub in New York City, which kickstarted the brand's mission to push the boundaries of authentic and intelligent fashion with mindfully designed collections. With a commitment to pioneering hyper-personalized consumer experiences, ESPRIT opened a global network of innovation headquarters. Design and creative is led out of the brand's Global Creative Hub in New York, Amsterdam office focuses on technology and denim innovation, Hong Kong remains as the Company's administrative headquarters office, while Ratingen, Germany, continues to manage the Group's omni-channel business in Europe. This structure enables the Group to retain operational flexibility and foster innovative ideas between offices, which translates into successful quality products.

Marketing

Brand marketing investment continued in 2023 to rebuild and elevate the ESPRIT brand. For the first time in decades, ESPRIT conducted a multi-regional brand campaign with a massive marketing push across various markets in Europe and North America. The Company launched new websites for the North America and Asian markets and refreshed the European websites. Across the US market, the Company continued to open immersive pop-up stores in the Soho neighbourhood of New York City, the Grove and Abbot Kinney in Los Angeles, and Aventura Mall in Miami and Chicago.

From a brand campaign point of view, the Company relaunched its denim program with a campaign featuring "real people" from the arts and creative industry in New York City. For the Fall 2023 brand campaign, the Company marked the return of advertising on traditional media platforms such as print advertisements and billboards in New York City, Los Angeles, Amsterdam, and Copenhagen, as well as on social media platforms including Instagram, TikTok, Facebook, and LinkedIn.

In collaboration with the Company's new premium department store partners, ESPRIT executed a marketing push in the Scandinavian region to support the first new elevated Shop-in-Shop experience at Illum Department Store in Copenhagen, Denmark. The Company also executed marketing partnerships during Art Basel in Miami, Copenhagen Fashion Week, and Amsterdam Fashion Week. The Company established a new partnership with Highsnobiety to support the brand relaunch in key European markets such as Berlin, Amsterdam, Paris, and Copenhagen.

Omnichannel

The Company achieved several significant milestones that positively impacted omnichannel business operations and customer satisfaction during the Year. Notably, the Company successfully launched a range of omnichannel services in North America, which includes Buy-Online-Return-In-Store, Endless Aisle/Order at Store, and Clientele/Personalized service. These services played a pivotal role in enhancing customer experience by fostering loyalty and boosting customer satisfaction. It also contributed to optimizing the brand's inventory management, resulting in increased sales opportunities, revenue, conversion rate, and improved sales team productivity.

Product

ESPRIT enhanced its product assortment by developing more elevated styles featuring ESPRIT American heritage aesthetics for the North America market, while also developing products that target existing customers in European markets. Improvements on product include utilizing elevated fabrics and materials, detailed trims, and improved craftmanship. The denim line showcased improved fit, innovative fabric, and fashion fits utilizing ESPRIT signature design details.

Sustainability

ESPRIT sustainability continues to communicate with internal business stakeholders, customers, suppliers, wholesale partners, and other business partners to gradually limit or reduce overall carbon emissions and energy consumption for the betterment of the environment. On social sustainability, ESPRIT participated in a collaboration project between the Fair Wear Foundation and the German Partnership for Sustainable Textiles (GPST) on a joint grievance mechanism and remedy approach in factories to enhance access to remedies for workers within the supply chain. The aim of this project is to create a jointly accessible grievance system on factory level, which allows workers to securely raise complaints or concerns, and to engage with local organizations through existing grievance communication channels. With the help of one of ESPRIT's sourcing agencies, the project was implemented in five pilot factories that ESPRIT works with – three units based in Bangladesh, and two units in India.

Retail

In the second quarter of the Year, the Retail team conducted strategic pop-up store testing in North America with the aim to identify and pinpoint prime locations, ideal shop sizes, store designs, and retail offerings suitable for ESPRIT. Insights gained from this exercise allows the team to refine the Company's retail rollout strategy to ensure successful expansion across the North American region in the future.

Wholesale

Strategic efforts by the ESPRIT team in the wholesale business led to the cultivation of pivotal partnerships with renowned retailers such as Illum, Nordstrom, Urban Outfitters, Magazin du Nord, and El Corte Ingles. The launch of the Printemp pop-up further elevated ESPRIT's brand exposure and market presence, complemented by successful participation in US trade shows, resulting in the acquisition of 46 new distribution points. The wholesale team demonstrated its commitment to innovation through tailored assortments, driving heightened engagement with its business partners.

Notable initiatives planned across departments for 2024 are mentioned in the Outlook section below.

REVENUE ANALYSIS

The Group is principally engaged in the retail (including E-shop), wholesale distribution, and licensing of quality fashion and non-apparel products designed under its own internationally renowned ESPRIT brand name. For the financial year ended 31 December 2023, the Group recorded a total revenue of HK$5,912 million (for the year ended 31 December 2022: HK$7,063 million). The revenue of the Year was below the level of Corresponding Year by 16%. The decline of revenue in the Year in comparison to the Corresponding Year was mainly attributable to the following reasons: (i) the unfavorable macroeconomic environment in Europe, particularly in Germany, characterized by high interest rates as a reaction to high inflationary pressures; (ii) the on-going geopolitical tensions around the world, particularly the conflict in Ukraine; and (iii) high energy costs, particularly in Germany, which have been affecting consumer purchasing power. The above factors combined severely hinders consumer confidence and limit discretionary spending, particularly in Europe, where the Group primarily operates in, resulting in the decrease of the Group's total revenue.

Group Revenue Channel Mix

Group revenue is divided into 4 main channels: E-commerce, wholesale, owned retail stores, and licensing. In the Year, each channel accounted for the Group's revenue in the ratio of 37:36:25:2 respectively.

E-commerce

Revenue in the E-commerce channel declined by 15% in the Year, with the figures falling from HK$2,558 million to HK$2,184 million. Despite a marginal decline in the return rate by 1% point versus the Corresponding Year, it only partially mitigated the impact of a double-digit percentage decrease in order intake compared to the Corresponding Year. The reduction in orders was attributed to a decline in E-commerce visitors, coupled with a lower conversion rate of visitors to customers as compared to the Corresponding Year. If the revenue for the Year was to be translated by the exchange rate for the Corresponding Year (the "Constant Exchange Rate"), the revenue would have decreased by 17% from the Corresponding Year.

Wholesale

Wholesale revenue experienced a drop of 20% from HK$2,639 million to HK$2,102 million in the Year and the business experienced the effects of a sluggish European market, particularly in Germany and a decline in consumer sentiment. Wholesale partners placed their purchase orders based on their speculation of future market demands and were crystallized at approximately 6 to 9 months in advance of the in-season sales. If the revenue for the Year was to be translated by the Constant Exchange Rate, the revenue would have decreased by 22% from the Corresponding Year.

Retail

Retail revenue for the Year was HK$1,501 million, which dropped by 14% with the Corresponding Year's retail revenue of HK$1,745 million. Based on a comparable store portfolio, the drop of revenue would be lower than 14% versus the Corresponding Year. The retail revenue translated by the Constant Exchange Rate would show decreased by 17% from the Corresponding Year.

Licensing

Licensing revenue remained relatively stable at HK$125 million compared to the Corresponding Year's licensing revenue of HK$121 million. Strong performance of the European shoe licensing business was mainly offset by losses in the kids clothes category which decreased by double-digit percentage for the Year.

GROSS PROFIT MARGIN

For the Year, gross profit margin was 42.4%, equivalent to a 1.7% point ramp up versus Corresponding Year. The modest rise in the gross profit margin can be attributed in part to reduced year-end sales discounts and the favorable exchange rate of the USD compared to the Corresponding Year. This outcome was mainly influenced by the prevalent use of USD for purchasing stock, while Euro remained the dominant currency for the Company's sales. The Group upholds a steadfast commitment to continuously enhancing the gross margins of its products. This commitment is manifested through a dedicated focus on utilizing higher quality materials with enhanced intrinsic value, optimizing sourcing efficiencies, and elevating the brand perception.

OPERATING EXPENSES

Operating expenses for the Year was HK$5,055 million which is 44% higher than the Corresponding Year. If the operating expenses for the Year were to be converted by the Constant Exchange Rate, the expenses would have increased by 40% from the Corresponding Year. The rise in figures was primarily attributed to the reversal of the provision for inventories, amounting to HK$296 million, in the Corresponding Year; coupled with impairment loss on right-of-use assets amounted to HK$344 million, impairment loss on trademarks amounted to HK$396 million and impairment loss on goodwill amounted to HK$61 million for the Year. ESPRIT made significant investments in 2023 towards enhancing its global workforce, particularly in the United States, and revitalizing consumer awareness of the ESPRIT brand. Consequently, staff costs, marketing and advertising expenses witnessed a growth of 11% and 18%. Moreover, logistics expenses experienced a decline of 5% due to reduced trade volumes. The Group remains committed to maintaining stringent control over all costs and expenditures, as well as enforcing a more rigorous cost approval process.

WORKING CAPITAL MANAGEMENT

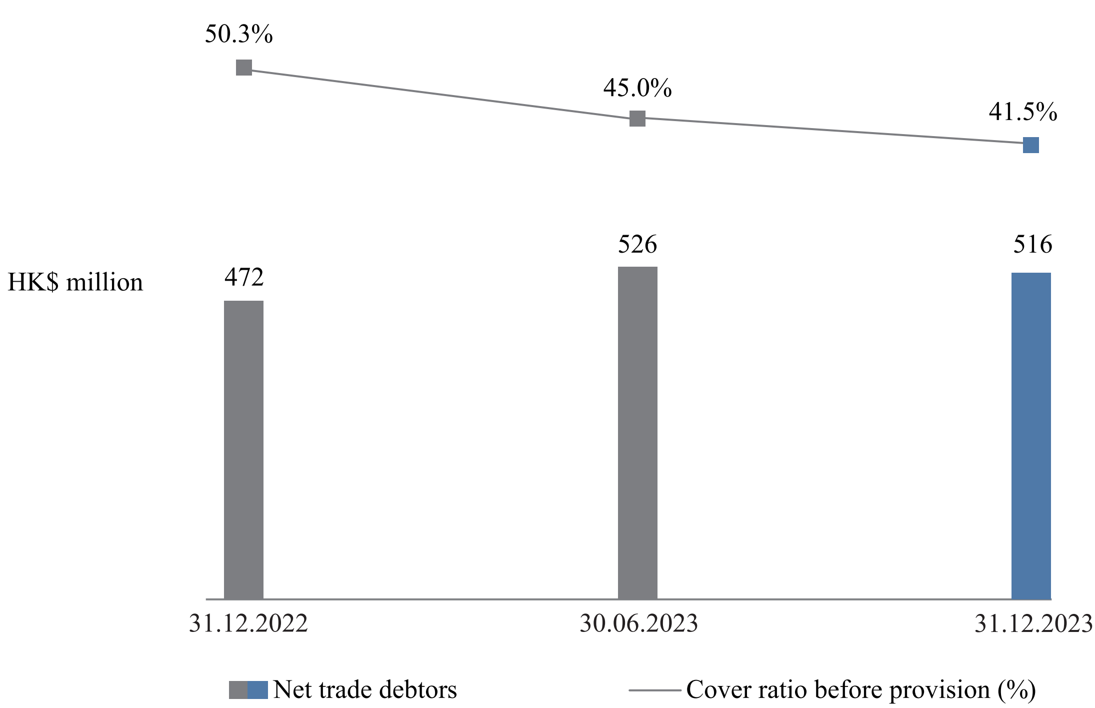
Inventories

As at 31 December 2023, the inventory balance amounted to HK$1,301 million (31 December 2022: HK$1,777 million). On a year-on-year basis, the value of inventories dropped by 27%. The Group's ongoing initiatives to reduce aged inventories, along with improved inventory management that allowed the Group to decrease the quantity of goods it needs to purchase, coupled with the provision amounting to HK$66 million for the Year, compared to a write-back of provision amounting to HK$296 million in the Corresponding Year, these have led to a decline in the inventory level as of 31 December 2023.

To optimize working capital requirements for inventory, cross-functional teams, including Sourcing, Product, and Logistics, have been working collaboratively. The Sourcing team plays a crucial role by participating in the early stages of product design, enabling them to gain a comprehensive understanding of the required materials for production. This early involvement allows them to secure materials in advance at favorable prices and in optimal quantities. Consequently, the Logistics team has sufficient time to organize delivery through a just-in-time system, minimizing inventory holding time and associated costs. As a result, the Group maintains inventory levels at an optimal level.

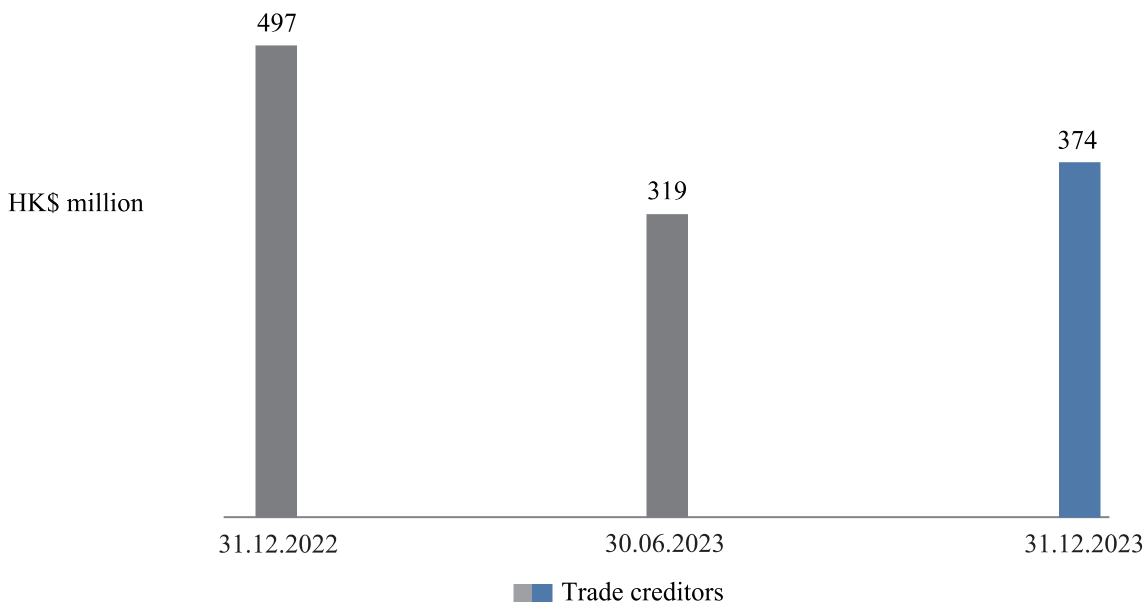
Net Trade Debtors

As at 31 December 2023, net trade debtors amounted to HK$516 million which showed an increase of HK$44 million or 9% from HK$472 million in the Corresponding Year. The temporary upsurge in trade debtor balance was mainly attributed to the IT system revamp conducted towards the end of the year, which had an impact on the dunning process and slowed down the debt collection. The trade debtor balance in January 2024 reverted back to a diminished level of HK$446 million. The provision for impairment of trade debtors as at 31 December 2023 amounted to HK$129 million (31 December 2022: HK$80 million). The cover ratio of insured and guaranteed trade debtors (over gross trade debtors) as at 31 December 2023 decreased to 41.5% (31 December 2022: 50.3%).



Trade Creditors

As at 31 December 2023, trade creditors amounted to HK$374 million (31 December 2022: HK$497 million) which was a 25% drop from the Corresponding Year. Due to improved inventory management, the Group was able to reduce the quantity of goods it needed to purchase. As a result, there were fewer purchases, which subsequently led to a decrease in trade creditors.



LIQUIDITY AND FINANCIAL RESOURCES ANALYSIS

Net Cash

As at 31 December 2023, the Group remained essentially debt free and recorded cash, bank balances and deposits in a total of HK$435 million (31 December 2022: HK$2,012 million), resulting in a net cash decrease of HK$1,577 million. The cash position was mainly affected by following items:

1) Operating performance of the business resulted in a net cash outflow of HK$754 million excluding payment of interests on lease liabilities and tax.

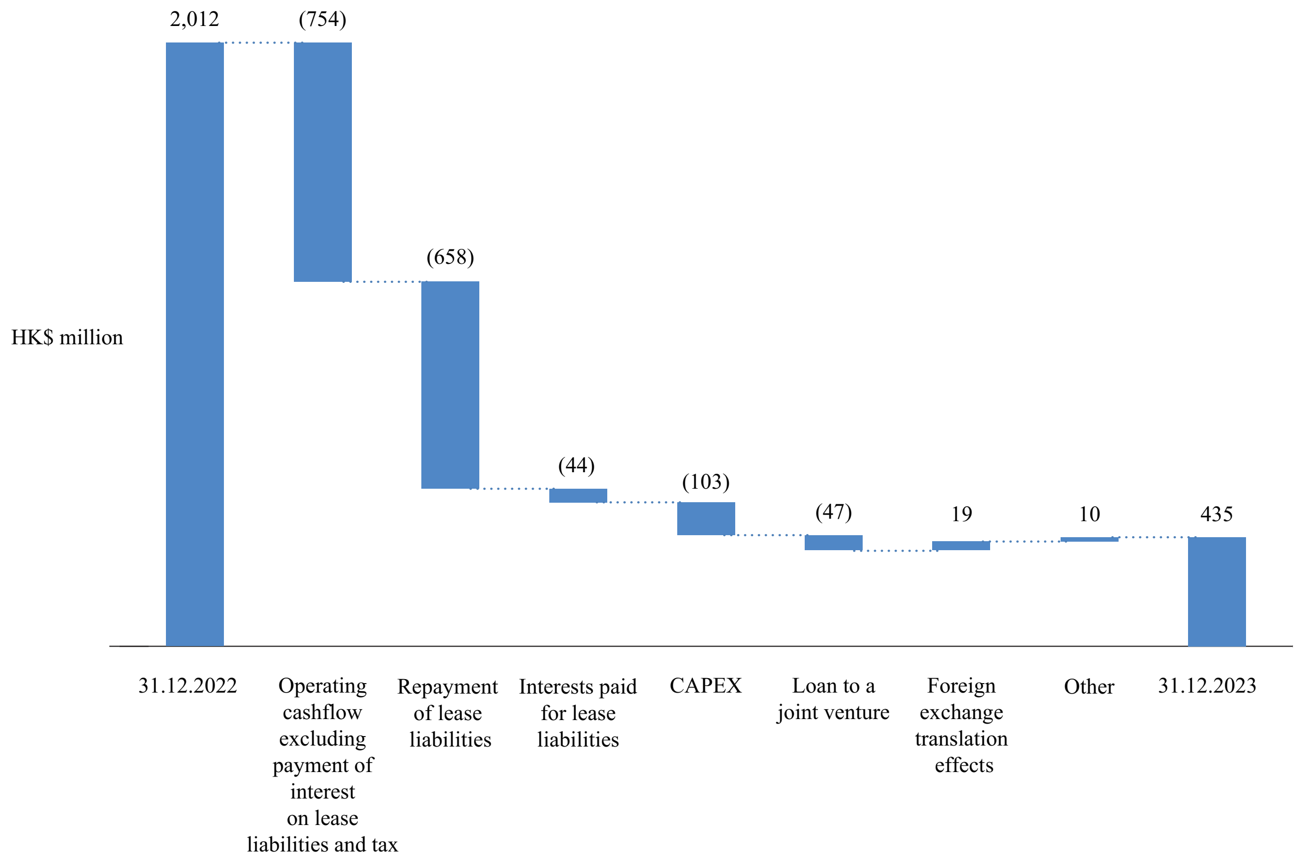
2) Repayment of lease liabilities of HK$658 million and interests paid for lease liabilities of HK$44 million resulted in total cash outflow of HK$702 million.

3) The Group invested HK$103 million in capital expenditure ("CAPEX") for the Year, as compared to HK$86 million in the Corresponding Year. The biggest part of investments were leasehold improvements, software and IT.

4) Further decrease in cash position occurred through a loan to a joint venture of HK$47 million.

5) Foreign exchange translation effects resulted in a cash inflow of HK$19 million.

Cash Flow Bridge for the Year Ended 31 December 2023



Total Interest-Bearing External Borrowings and Gearing Ratio

As at 31 December 2023, the Group had no interest-bearing external borrowings (31 December 2022: Nil). Therefore, the Group's gearing ratio as at 31 December 2023, as defined by a percentage of total interest-bearing external borrowings to total assets, was zero (31 December 2022: zero).

Significant Investment and Material Acquisitions and Disposals

Save for those disclosed in this announcement, there were no other significant investments held, nor were there material acquisitions or disposals of subsidiaries during the Year (for the year ended 31 December 2022: nil).

Charges on Group Assets and Contingent Liabilities

As at 31 December 2023, save for those disclosed in this announcement, the Company has not charged its assets and the Company did not have significant contingent liabilities (31 December 2022: nil).

Foreign Exchange Risk

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

To minimize the Group's FX exposure on costs for 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. Since no forward FX contracts have been entered into for the Year, currency fluctuations may affect the Group's margins and profitability. The Group has been continuously preparing for the resumption of hedging activities. Due to high volatility and therefore heavy movements in the foreign exchange markets caused by geopolitical events, the decision was made not to enter into hedging programs for the time being.

Treasury Policy

Core task of the Group's treasury team is to ensure the Group's solvency by managing its liquidity and banking relationships. Excess liquidity is managed by placing short term deposits at banks. Other than adopting an in-house banking concept to fund the Group, various options are being evaluated to cover future needs.

NUMBER OF EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2023, the Group employed approximately 2,335 full time equivalent staff ("FTE") (31 December 2022: approximately 2,230 FTE). Competitive remuneration packages that consider business performance, market practices and competitive market conditions are offered to employees in compensation for their contribution. All employees of the Group around the world are connected through the Group's intranet.

DIVIDEND

As the Group recorded a net loss for the Year, the Board has resolved that no final dividend will be declared and paid in respect of the Year. The Board will constantly monitor and review the situation in the coming future.

IMPORTANT EVENTS AFTER THE END OF THE YEAR

Change of Directors of the Company and Composition of the Committee Members of the Board

(i) Mr. STRIPPOLI Anthony Nicola has been appointed as an Executive Director of the Company and a member of the General Committee of the Board with effect from 20 February 2024. He is the Chief Operations Officer, Americas, of the Group since January 2024. For further details, please refer to the announcement of the Company dated 20 February 2024.

(ii) Mr. SCHLANGMANN Wolfgang Paul Josef has resigned as an Executive Director of the Company and a member of the General Committee of the Board with effect from 25 March 2024. For further details, please refer to the announcement of the Company dated 25 March 2024.

Insolvency Filing by a Switzerland Subsidiary

The directors (the "ESRA Board") of Esprit Switzerland Retail AG ("ESRA") (an indirect wholly-owned subsidiary of the Company) resolved, after due and careful consideration, (i) to apply for the commencement of the insolvency proceeding over ESRA's assets (the "Insolvency Filing") at the competent court of Switzerland; (ii) to approve the Insolvency Filing; and (iii) subsequently, the Insolvency Filing was made on 25 March 2024.

ESRA, a company incorporated in Switzerland, is an indirectly wholly-owned subsidiary of the Company and is primarily engaged in retail distribution of apparel and accessories in Switzerland. The Company is now focusing on a comprehensive reorganization and on strengthening its business with wholesale and franchise partners, as well as generating new momentum in E-commerce. The insolvency of ESRA and the closure of the stores belonging to ESRA was unavoidable.

The overall economic slowdown in combination with the sharp rise in energy and logistics costs, negative consumer sentiment in Europe and the long-term legacy high rents for the unsuitably sized stores ultimately made it unviable financially to continue the retail business as it is currently structured in Switzerland. In light of the aforementioned reasons, which leads to the tight liquidity situation of ESRA under the Europe retail business. The ESRA Board reported to the Board that ESRA has become cash flow insolvent and it is in the best interests of the Group to proceed with the Insolvency Filing for ESRA.

The Insolvency Filing shall have no direct material adverse impact on the Group and the business and operations of the Group remain normal. The Group will continue to evaluate all restructuring options and contingency plans in order to preserve value of the Group's business. For further details, please refer to the announcement of the Company dated 25 March 2024 and the clarification announcement of the Company dated 26 March 2024.

OUTLOOK

The Company wishes to inform shareholders and the investment community that the Company believes its experienced management team and dedicated staff across the business are capable to help the Company navigate the challenges in today's constantly evolving and challenging global market. The Company anticipates that global growth will continue to slow down in 2024 because of uncertainties in both the economic and geopolitical arena – pushing energy and commodity prices even higher. As a result, consumer spending will focus significantly more on essential needs, product quality, and sustainability standards.

The Company completed its brand revitalizing campaigns and will start capitalizing on the Company's 2023 business strategies for greater profitability in 2024. The Company would like to take this opportunity to recap initiatives undertaken during the Year and new plans for 2024.

1. Ecommerce: ESPRIT Ecommerce is working on launching a new, conversion-driving enhancement to its key online shopping pages to move customers through the engagement funnel more easily, which also reduces any friction between the browsing experience and purchasing function. In the EMEA market, the primary 2024 initiative will be launching a bestseller strategy which is designed to bridge the gap between ESPRIT's legacy customer base and the younger, more fashion-focused shopper that the brand is looking to acquire.

   Additionally, for both North America and EMEA Ecommerce sites, the Company will continue to optimize the quality of the brand's online product imagery and copywriting to best showcase the extraordinary fabrics and construction used in producing ESPRIT garments.

2. Marketing: in 2024, the marketing focus will center on rekindling the essence of the brand's iconic imagery and sensibility from the mid-1980s to the early 1990s, drawing inspiration from current fashion trends on TikTok and Instagram to drive relevance and engagement within the brand's target consumer communities.

3. Omnichannel: the team's accomplishments in 2023 and upcoming initiatives in 2024 demonstrate commitment in enhancing customer satisfaction, optimizing operations, and embracing innovative technologies.

   As the brand moves forward into the first half of 2024, the Company has exciting plans to elevate customers' experiences even further and leverage the power of digital advancements. One example is launching the digital fitting room in North America. This revolutionary concept enables customers to request different personalized sizes or styles and view complementary products directly in the fitting room, providing an immersive and convenient shopping experience. The Omnichannel team is actively working on implementing seamless omnichannel virtual experiences, which includes a virtual store where customers can explore and interact with ESPRIT products from the comfort of their home. Another initiative that's in the pipeline includes incorporating gamification elements to add fun and engagement to the shopping process.

4. Product: in 2024, customers will see a more focused assortment of styles that represent ESPRIT's brand DNA while following select fashion trends. The Product team also plan on exploring the increase of utilizing innovative fabrics, especially those that support sustainability, and the improvement on quality and craftmanship.

5. Retail: the Company is implementing strategies to facilitate a more seamless transition, optimizing retention, and customer satisfaction throughout the shopping experience. To elevate the customer experience and educate customers, the Company launched a comprehensive customer service and product knowledge facilitation program within ESPRIT retail and franchise locations worldwide. This initiative aims to ensure consistency across touchpoints, fostering brand loyalty, and driving long-term value.

   In the social media space, new followers were secured by captivating media content, amplifying outreach, and added customer interaction. This resulted in robust engagement metrics on the ESPRIT brand shop page, further solidifying connection with customers.

6. Sustainability: the Sustainability team believes that the future of sustainable fashion must be one of openness to innovative ideas that complements the brand, can adapt to the ever-changing market conditions, consumer needs and regulatory requirements. The Company is proud to announce that in December 2023, ESPRIT agreed to support the Denim Deal 2.0, a Europe-based initiative that brings together stakeholders from the garment industry. This initiative creates an exclusive network of denim specialists, aiming to share knowledge and be at the forefront of sustainable practices and innovation. This not only enables the participating brands to produce their denim products more sustainably and circular, but it also helps the Company to better prepare itself for the upcoming EU Extended Producer Responsibility (EPR) legislation, which comes into effect in the Netherlands starting 2025 and is already effective in France.

   With laws and regulations regarding sustainability in constant change around the world, especially in Europe, ESPRIT will continue to collaborate closely with its suppliers and industry partners to meet environmental, social compliance and governance standards.

7. Wholesale: in 2024, the introduction of ESPRIT's regional showroom concept in major US cities will help expand the brand's specialty store reach. The brand also partnered with Pivet Showroom in Chicago, Mix Showroom in Dallas, and is currently confirming partnerships in Los Angeles and Atlanta. These partnerships aims to broaden ESPRIT's distribution within key cities and continue to create brand awareness across America.

   Looking ahead in 2024, the Wholesale team is ready to capture emerging opportunities by expanding into untapped US markets such as Denver, San Francisco, Seattle, and Florida, further solidifying ESPRIT's position as a sought-after brand in the retail landscape.

The Company has and will continue to instigate restructuring measures to revive and improve the Company's capital and operations. Some of the restructuring efforts that the management of the Company is current exploring include, but are not limited to the following business areas:

(i) streamlining logistics operations through distribution centre efficiency enhancements resulting in human resources consolidation and productivity optimization;

(ii) rationalization of IT infrastructure through eliminating outdated software unsuitable for conducting the Group's current business and employing more agile software/system setups that is less costly but provide flexibility to scale in accordance with the Group's future growth trajectories;

(iii) reorganization of physical retail footprint through the elimination of unprofitable and non-brand relevant points of sale and concentrating/refocusing the Group's financial resources on brand significant locations.

Upon completion of the above, management is confident that the Company will be well positioned for path towards sustainable profitability going forward.

The ESPRIT brand's heritage remains vibrant and strong as a result of brand elevation strategies undertaken during the Year. The Group will continue to focus on rebuilding ESPRIT towards profitability, with the team in North America further expanding and diversifying the Group's business, and the teams in the Asian and European markets continuing its efforts to return ESPRIT to its original, elevated, and globally recognized brand position.

PUBLICATION OF ANNUAL REPORT

This audited results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (https://www.hkexnews.hk) and the Company (https://www.esprit.com/en/company), and the audited report of the Company for the Year 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 despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in April 2024.

ANNUAL GENERAL MEETING

The Company will hold an annual general meeting (the "AGM") on Wednesday, 19 June 2024. Notice of the AGM will be published and despatched 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, 13 June 2024
Closure of Registers of Members	Friday, 14 June 2024 to Wednesday, 19 June 2024 (both dates inclusive)
Record date	Wednesday, 19 June 2024

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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than the aforementioned latest time.

AUDIT COMMITTEE

The Audit Committee currently comprises four Independent Non-executive Directors, namely Mr. CHUNG Kwok Pan, Mr. GILES William Nicholas, Mr. HA Kee Choy Eugene and Mr. LO Kin Ching Joseph. The 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 2023 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 Year as set out in this announcement.

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 as set out in this results 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 same period. 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 this 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 Year.

CORPORATE GOVERNANCE

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transaction by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 of the Listing Rules.

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

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

Hong Kong, 27 March 2024

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

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

Executive Directors:
Ms. CHIU Christin Su Yi
Mr. PAK William Eui Won
Mr. STRIPPOLI Anthony Nicola
Mr. WRIGHT Bradley Stephen

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