ESPRIT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

STOCK CODE: 00330

ANNOUNCEMENT OF AUDITED RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

AUDITED 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 six months ended 31 December 2020 together with comparative figures for the year ended 30 June 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 six months ended 31 December 2020**	For the year ended 30 June 2020
Continuing operations			
Revenue	*2.2*	**885**	9,216
Cost of purchases		**(509)**	(5,109)
Gross profit		**376**	4,107
Staff costs		**(236)**	(1,513)
Occupancy costs		**(49)**	(315)
Logistics expenses		**(54)**	(554)
Marketing and advertizing expenses		**(18)**	(493)
Depreciation of property, plant and equipment		**(22)**	(374)
Depreciation of right-of-use assets		**(97)**	(880)
Impairment loss on property, plant and equipment		**(7)**	(205)
Write-downs of inventories to net realizable value, net		**(187)**	(292)
Provision for impairment of trade debtors, net		**(39)**	(55)
Impairment loss on right-of-use assets		**(6)**	(897)
Impairment loss on trademarks		**–**	(397)
Impairment loss on goodwill		**–**	(19)
Loss on deconsolidation	*1.3*	**(1,664)**	–
Other operating costs		**(708)**	(1,320)
Operating loss from continuing operations (LBIT)	*2.3*	**(2,711)**	(3,207)
Share of results from associates	*1.4*	**1,939**	–
Loss on remeasurement	*1.4*	**(69)**	–
Interest income		**2**	50
Finance costs	*2.4*	**(15)**	(87)
Loss before taxation from continuing operations		**(854)**	(3,244)
Income tax expense	*2.5*	**(18)**	(437)
Loss from continuing operations		**(872)**	(3,681)
Discontinued operations			
Profit/(loss) from discontinued operations	*1.5*	**458**	(311)
Loss attributable to shareholders of the Company		**(414)**	(3,992)
Loss per share from continuing operations			
– basic and diluted	*2.9*	**HK$(0.46)**	HK$(1.96)
Profit/(loss) per share from discontinued operations			
– basic and diluted	*2.9*	**HK$0.24**	HK$(0.16)

Consolidated Statement of Comprehensive Income

HK$ million	*Notes*	**For the six months ended 31 December 2020**	For the year ended 30 June 2020
Loss from continuing operations		**(872)**	(3,681)
Profit/(loss) from discontinued operations		**458**	(311)
Loss attributable to shareholders of the Company		**(414)**	(3,992)
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Remeasurements of retirement defined benefit obligations, net of tax		**(2)**	3
		(2)	3
Items that may be reclassified subsequently to profit or loss:			
Fair value loss on cash flow hedge, net of tax		**–**	(9)
Exchange translation from continuing operations		**251**	29
Exchange translation from discontinued operations		**(33)**	19
Recycling of translation reserve	*1.3*	**1,664**	–
		1,882	39
Total comprehensive income for the period/year attributable to shareholders of the Company, net of tax		**1,466**	(3,950)

Consolidated Balance Sheet

HK$ million	*Notes*	**As at 31 December 2020**	As at 30 June 2020
Non-current assets			
Intangible assets		**1,878**	1,641
Property, plant and equipment		**509**	530
Right-of-use assets		**2,262**	2,206
Financial assets at fair value through profit or loss		**11**	10
Debtors, deposits and prepayments	*2.6*	**392**	345
Deferred tax assets		**51**	32
		5,103	4,764
Current assets			
Inventories		**1,303**	1,265
Debtors, deposits and prepayments	*2.6*	**1,627**	1,453
Tax receivable		**45**	54
Cash, bank balances and deposits		**2,271**	2,288
		5,246	5,060
TOTAL ASSETS		**10,349**	9,824
Current liabilities			
Creditors and accrued charges	*2.7*	**2,074**	2,817
Lease liabilities		**1,046**	1,016
Provisions	*2.8*	**246**	357
Tax payable		**257**	158
		3,623	4,348
Net current assets		**1,623**	712
Total assets less current liabilities		**6,726**	5,476
Equity			
Share capital		**189**	189
Reserves		**4,050**	2,581
		4,239	2,770
Non-current liabilities			
Bank loans		**9**	8
Lease liabilities		**2,010**	2,467
Retirement defined benefit obligations		**31**	26
Deferred tax liabilities		**437**	205
		2,487	2,706
TOTAL LIABILITIES		**6,110**	7,054
TOTAL EQUITY AND LIABILITIES		**10,349**	9,824

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF THE PREPARATION

1.1. Basis of the preparation – going concern

Significant circumstances during the last 12 months

With the aim to restoring the Group's business back to profitability, in November 2018, the Group had come up with a strategic plan to strengthen Esprit's brand name, improve our product offering and pricing, optimize our distribution and costs base by closing the loss making parts of the business and becoming a leaner organization (the "Strategic Plan"). The positive development towards the Strategic Plan was interrupted by the outbreak of Covid-19 pandemic (the "Pandemic") at the beginning of 2020. By mid-March 2020, almost all brick and mortar stores in Europe had to be temporarily closed due to government-ordered lockdowns as part of public health measures implemented to slow down the spread of the Pandemic.

Given that a quick recovery of the economy, specifically the fashion industry, was not expected and the duration of the lockdown was unclear, the directors decided to protect the solvency and liquidity of the ongoing business and applied for Protective Shield Proceedings (the "PSP") for six major operating German subsidiaries (the "Subject Subsidiaries") at the insolvency court of Düsseldorf in Germany ("the Court") on 27 March 2020. A final resolution was passed by the Court to close the PSP proceedings on 30 November 2020 with debts relief of approximately HK$1,365 million concluded.

During April 2020, the Group begun implementation of restructuring plans and measures to close loss-making stores, renegotiate rents for the remaining stores, reduce headcount and other discretionary spending. As Europe gradually eased out of lockdown during the summer and autumn months of 2020, the Group's operations were again interrupted by the outbreak of the second wave of the Pandemic in Europe, whereby further lockdowns were imposed in many of the major countries in Europe from December 2020 onwards. While easing of lockdown measures were expected by the end of February 2021, the Group has noted emerging announcements during March 2021 of extensions of lockdown periods and/or other isolation measures due to the increasing severity of the Pandemic in some countries.

Going concern

During the six months ended 31 December 2020, the Group recorded a net loss attributable to shareholders of HK$414 million and a net cash outflow of HK$131 million. The Group is aware of the uncertainties around the future development of the Pandemic and that further temporary lockdowns or other isolation measures could be imposed by governments in major markets where the Group operates. Strict lockdown measures (including those impacting retail stores) for extended periods may negatively affect the financial condition of the Group. These circumstances and uncertainties may cast a significant doubt over the Group's ability to continue as a going concern.

In view of such circumstances and the uncertainties relating to the possible impact of the Pandemic, the Board has reviewed the Group's cash flow forecast prepared by management covering a period of twelve months from 31 December 2020. The Directors are of the opinion that, after taking into consideration of the following plans and measures, the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next twelve months from 31 December 2020:

(i) the Group has announced on 27 January 2021 a proposed rights issue of with net proceeds of not less than approximately HK$689 million and the prospectus documents relating to the rights issue were issued to shareholders on 26 March 2021 ("2021 Rights Issue"). On 27 January 2021, the Company has entered into an underwriting agreement whereby the underwriter has conditionally agreed to underwrite the rights issue. The Group expects to receive the proceeds from the proposed 2021 Rights Issue during April 2021;

(ii) the Group remains cautious and management is closely monitoring the latest developments of the Pandemic, including the further lockdown measures, which may adversely impact revenues in the major markets that the Group operates in. In such eventuality, the Group will reassess the impact of the Pandemic on the Group's operations and to adjust its strategies for the Group's business accordingly in order to generate sufficient cash from its operations and to further preserve cash levels;

(iii) the Group will finalize the process to optimize the cost base of its business and implement cost reduction measures, including negotiating with landlords on loss-making store closures, rent reductions on remaining stores, reducing headcount and other discretionary spending; and

(iv) the Group will continue to work on its Strategic Plan to strengthen Esprit's brand identity and improve product offering and pricing to restore the Group's profitability.

Notwithstanding, significant uncertainties exist as to whether the Group is able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the following:

(i) the successful completion of the proposed 2021 Rights Issue and timely receipt of the proceeds from the proposed rights issue;

(ii) the Group's ability to successfully adjust its strategies to mitigate the implications of these uncertainties and further impacts from the Pandemic, including the further lockdown measures in the major markets that the Group operates in, in order to generate sufficient cash from its operations and to further preserve cash levels;

(iii) the successful implementation of the Group's costs optimization and reduction measures, including negotiating with landlords on loss-making stores closures, rent reductions on remaining stores, reducing headcount and other discretionary spending; and

(iv) the successful implementation of Group's Strategic Plan to strengthen Esprit's brand identity and improving product offering and pricing to restore the Group's profitability.

Should the Group be unable to achieve the abovementioned plans and measures and operate as a going concern, adjustments would have to be made to reduce the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

1.2. Change of fiscal year

On 28 December 2020, the Board announced that the financial year end date of the Company has been changed from 30 June to 31 December commencing from the financial period ended 31 December 2020 in order to align its financial year end date with that of other global fashion brands and companies and to symbolize a new beginning of the Company, subsequent to the termination of the PSP of its Subject Subsidiaries. Accordingly, the accompanying consolidated financial statements for the current financial period cover a period of six months from 1 July 2020 to 31 December 2020. The comparative figures, however, are for twelve months from 1 July 2019 to 30 June 2020, and hence are not directly comparable.

1.3. Insolvency Proceedings and deconsolidation of Protective Shield Companies

On 1 July 2020, the Court in Düsseldorf ordered the commencement of the Insolvency Proceedings and allowed the Subject Subsidiaries to continue under self-administration process ("debtor in possession format") under the continued supervision of the custodian who has been appointed by the Court and confirmed by the creditors' assembly.

During the Insolvency Proceedings the Company put its restructuring plans into practice which have been established and decided upon during the PSP (as being the preliminary Insolvency Proceedings) for the Subject Subsidiaries. Restructuring took place in regard to re-organization in the back-office and retail area and resulted in reduction of headcounts and store closures. In parallel the Group managed to re-negotiate leasing contracts in order to significantly optimize its cost base.

In accordance with section 13 subsection (2) of the German Insolvency Code, the Company lost the right to terminate the Insolvency Proceedings for the Subject Subsidiaries after 1 July 2020. Upon commencement of the Insolvency Proceedings on 1 July 2020, the Subject Subsidiaries were no longer under control of the Company, the consolidation method for the Subject Subsidiaries and their fourteen subsidiaries is changed from full consolidation to equity method until the Insolvency Proceedings were finalized. Without the right to terminate the Insolvency Proceedings as a crucial prerequisite in order to put the Company in a position to exercise power, the Company derecognized the assets and liabilities of the Subject Subsidiaries and its fourteen subsidiaries from its consolidated financial statements, to account them as "investments in associated companies" and retaining gain or loss associated with the loss of control attributable to the former controlling interest.

The Subject Subsidiaries have submitted on 28 September and 7 October 2020 their insolvency plans to the Court in Düsseldorf which is required for the preservation and continuation of the legal entities in order to restructure them during the Insolvency Proceedings as self-administration proceedings. The second creditors' meetings ("creditors' assemblies") held for the creditors' voting on the insolvency plans took place on 29 and 30 October 2020. During these meetings, the insolvency plans for all Subject Subsidiaries have been approved by the creditors and thereafter confirmed by the Court in Düsseldorf.

As of 30 November 2020, the Court in Düsseldorf has terminated the Insolvency Proceedings. With the decision of the creditors' assembly and the final court decision, the Company gains back the control according to IFRS 10 over the Subject Subsidiaries and their fourteen subsidiaries and consolidates them in full again. In the wake of the "re-consolidation" of the Subject Subsidiaries and their fourteen subsidiaries the fair value of the previously held interests of associated companies had to be evaluated. The remeasurement of the previously held interests as at 30 November 2020 resulted a loss of HK$69 million.

With the finalization of the PSP an external debt relief of HK$1,365 million has been realized. As the Subject Subsidiaries were accounted for under the equity method at the point of time when the debt relief was reached, the gain is part of the share of results from associates.

Result from deconsolidation

Whereas the Company lost control over the six Subject Subsidiaries and their fourteen subsidiaries (the "G20 companies") during the PSP, the G20 companies were accounted for under the equity method from 1 July until 30 November 2020 according to IAS 28. The effects from the deconsolidation on the consolidated financial statements are as follows as at 1 July 2020:

HK$ million	**At 1 July 2020**
Carrying amount of net assets	1,909
Fair value of investments in associates	1,909
Difference	–
Recycling of translation reserves	1,664
Loss on deconsolidaiton	1,664

1.4 Purchase price allocation

Upon finalization of the Insolvency Proceedings, the Company regained control to the Subject Subsidiaries with effect from 30 November 2020. The reconsolidation of the G20 companies took place on 1 December 2020 and the Company effected a first time consolidation of the G20 companies in according with IFRS 3 (including applying purchase price allocation). A remeasurement of the Company's previously recognized equity-investment in G20 companies was carried out. The remeasurement on the acquisition date resulted in a loss of HK$69 million in profit or loss.

HK$ million	
Investment in associated companies (G20 companies) as at 1 July 2020	**1,909**
Share of results from assoicates (1 July – 30 November 2020)[1]	**1,939**
Exchange translation[2]	**47**
Investment in associated companies (G20 companies) as at 30 November 2020	**3,895**
Fair value of associated companies as at 30 November 2020	**3,826**
Loss on remeasurement	**69**

1 The revenue and net profit from the associated companies during the period from 1 July 2020 to 30 November 2020 amounted to HK$3,287 million and HK$574 million respectively. The external debt relief on HK$1,365 million has been recorded.

2 Gain in amount of HK$47 million previously recognized in other comprehensive income were recycled to profit or loss at the time the equity method was discounted.

Recognized amounts of identifiable assets acquired and liabilities assumed at fair value composed of:

HK$ million	
Assets	
Intangible assets	1,075
Property, plant and equipment	459
Right-of-use assets	1,691
Deferred tax assets	55
Other non-current assets	351
Inventories	1,263
Debtors, deposits and prepayments	1,609
Tax receivable	21
Cash, bank balances and deposits	1,533
Intercompany balances	262
Other current assets	3
Liabilities	
Lease liabilities	(2,189)
Creditors and accrued charges	(1,767)
Tax payable	(198)
Deferred tax liabilities	(342)
Total net assets recognized	**3,826**

Purchase Price Allocation ("PPA") during first time consolidation of the G20 companies

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

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

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

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

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

There were no transfers between levels of the fair value hierarchy during the period.

1.5. Discontinued operations

The Group decided to close its business activities in Asia including China, Singapore, Malaysia, Taiwan, Hong Kong and Macau as part of its restructuring initiatives in April 2020 and the Asia business is disclosed as discontinued operations.

The financial performance referring to the discontinued operations is presented in the following table:

HK$ million	**For the six months ended 31 December 2020**	For the year ended 30 June 2020
Revenue	**1**	658
Income/(expenses)	**457**[1]	(907)
Profit/(loss) before taxation	**458**	(249)
Income tax expense	**–**	(62)
Profit/(loss) from discontinued operations, net of tax	**458**	(311)
Exchange translation from discontinued operations	**33**	(19)
Basic and diluted profit/(loss) per share	**HK$0.24**	HK$(0.16)

[1] It consists of net income of intercompany debt relief with continuing operations of HK$467 million (30 June 2020: HK$583 million) and write-back of inventory provision of HK$7 million (30 June 2020: HK$13 million). The remaining amount refers to operating expenses in discontinued operations.

1.6. 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").

1.7. 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),
- certain classes of investment property – measured at fair value, and
- defined benefit pension plans – plan assets measured at fair value.

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

During the period, the Group has adopted the following standards and amendments effective for the Group's reporting period beginning 1 July 2020:

Adopted	New standards or amendments
IAS 1 and IAS 8 (Amendments)	Definition of Material
IFRS 3 (Amendments)	Definition of Business
IFRS 9, IAS 39 and IFRS 7 (Amendments)	Interest Benchmark Reform
Conceptual Framework for Financial Reporting 2018	Revised conceptual Framework for Financial Reporting
IFRS 16 (Amendments)	COVID-19 related rent concessions

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

1.9. New standards and interpretations not yet adopted

Not early adopted	Effective for accounting periods beginning on or after	New standards or amendments
IFRS 3 (Amendments)	1 January 2022	Reference to the conceptual framework
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 9 (Amendments)	1 January 2022	Fees in the '10 per cent' test for derecognition of financial liabilities
IAS 41 (Amendments)	1 January 2022	Taxation in fair value measurements
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
IFRS 10 and IAS 28 (Amendments)	Deferred effectivity	Sale or contribution of assets between an investor and its associate or joint venture

The new accounting standards and interpretations above have been published that are not mandatory for the six months ended 31 December 2020 and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the future reporting periods and on foreseeable future transactions.

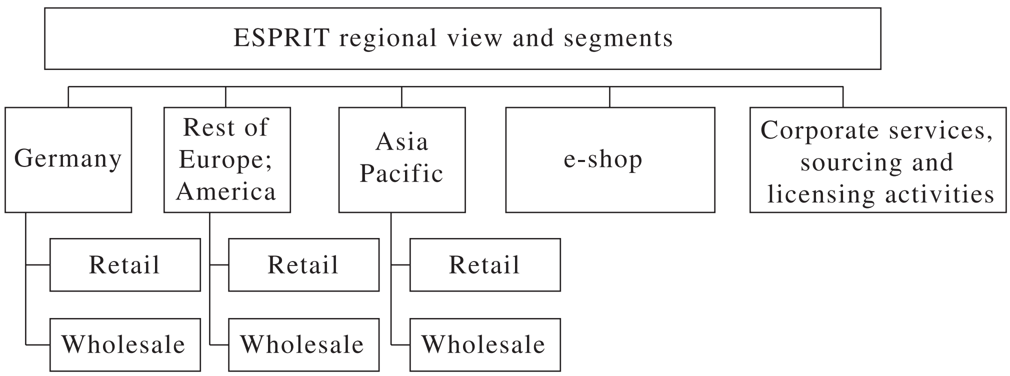
2. PERFORMANCE FOR THE YEAR

2.1. Segment information

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

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

The operating segments are on a regional level in Germany, Rest of Europe including America, Asia Pacific as well as e-shop and corporate services, sourcing and licensing activities on a global level. Furthermore, the regions have been separated into retail and wholesale channel.



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

The Group markets its products under two brands, namely "Esprit" and "edc", both of which offer apparel and lifestyle products for women, men and kids. Products are categorized into three major groups: Women (Esprit and edc), Men (Esprit and edc), and Lifestyle and others. All products are represented in the segments.

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

For the six months ended 31 December 2020

HK$ million	Germany	Rest of Europe Including America	Asia Pacific	e-shop	Corporate services, sourcing, licensing and others	Group	Continuing operations	Discontinued operations
Revenue								
Retail	39	335	1	197	–	572		
Wholesale	78	213	–	–	–	291		
Licensing and others	–	–	–	–	187	187		
Total revenue	117	548	1	197	187	1,050		
– Inter-segment revenue	–	–	–	–	164	164		
– Revenue from external customers	117	548	1	197	23	886	885	1
Retail	39	335	1	197	–	572		
Wholesale	78	213	–	–	–	291		
Licensing and others	–	–	–	–	23	23		
Segment results								
Retail	5	(34)	(5)	(33)	–	(67)		
Wholesale	(23)	(47)	–	–	(4)	(74)		
Licensing and others	–	–	–	–	(448)	(448)		
(LBIT)/EBIT of the underlying operation	(18)	(81)	(5)	(33)	(452)	(589)	(1,047)	458
Loss on deconsolidation								
Licensing and others	–	–	–	–	(1,664)	(1,664)		
Total loss on deconsolidation	–	–	–	–	(1,664)	(1,664)	(1,664)	–
Loss on remeasurement								
Licensing and others	–	–	–	–	(69)	(69)		
Total loss on remeasurement	–	–	–	–	(69)	(69)	(69)	–
Share of results from associates								
Licensing and others	–	–	–	–	1,939	1,939		
Total share of results from associates	–	–	–	–	1,939	1,939	1,939	–
(LBIT)/EBIT of the Group	(18)	(81)	(5)	(33)	(246)	(383)	(841)	458
Interest income						2	2	–
Finance costs						(15)	(15)	–
(Loss)/profit before taxation ((LBT)/PBT)						(396)	(854)	458

For the six months ended 31 December 2020

HK$ million	Germany	Rest of Europe including America	Asia Pacific	e-shop	Corporate services, sourcing, licensing and others	Group	Continuing operations	Discontinued operations
Depreciation[1]								
Retail	–	(94)	–	(1)	–	(95)		
Wholesale	(1)	(8)	–	–	–	(9)		
Licensing and others	–	–	–	–	(17)	(17)		
Total depreciation	(1)	(102)	–	(1)	(17)	(121)	(119)	(2)
Impairment loss[2]								
Retail	–	(6)	–	–	–	(6)		
Licensing and others	–	–	–	–	(7)	(7)		
Total impairment loss	–	(6)	–	–	(7)	(13)	(13)	–
Capital expenditure[3]								
Retail	–	(1)	–	(4)	–	(5)		
Wholesale	–	(1)	–	–	–	(1)		
Licensing and others	–	–	–	–	(2)	(2)		
Total capital expenditure	–	(2)	–	(4)	(2)	(8)	(8)	–

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

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

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

For the year ended 30 June 2020

HK$ million	Germany	Rest of Europe Including America	Asia Pacific	e-shop	Corporate services, sourcing, licensing and others	Group	Continuing operations	Discontinued operations
Revenue								
Retail	1,493	1,300	488	3,284	–	6,565		
Wholesale	1,777	1,375	59	–	–	3,211		
Licensing and others	–	–	–	–	4,790	4,790		
Total revenue	3,270	2,675	547	3,284	4,790	14,566		
– Inter-segment revenue	–	–	–	–	4,692	4,692		
– Revenue from external customers	3,270	2,675	547	3,284	98	9,874	9,216	658
Retail	1,493	1,300	488	3,284	–	6,565		
Wholesale	1,777	1,375	59	–	–	3,211		
Licensing and others	–	–	–	–	98	98		
Segment results								
Retail	(264)	(272)	61	333	1	(141)		
Wholesale	290	48	4	–	(4)	338		
Licensing and others	–	–	–	–	(1,304)	(1,304)		
(LBIT)/EBIT of the underlying operation	26	(224)	65	333	(1,307)	(1,107)	(1,081)	(26)
Impairment loss on property, plant and equipment								
Retail	(159)	(43)	(11)	(2)	–	(215)		
Wholesale	–	–	(1)	–	–	(1)		
Licensing and others	–	–	–	–	(25)	(25)		
Total impairment loss on property, plant and equipment	(159)	(43)	(12)	(2)	(25)	(241)	(205)	(36)
Impairment loss on right-of-use assets								
Retail	(418)	(476)	(16)	–	–	(910)		
Wholesale	–	(3)	–	–	–	(3)		
Licensing and others	–	–	–	–	(12)	(12)		
Total impairment loss on right-of-use assets	(418)	(479)	(16)	–	(12)	(925)	(897)	(28)
Impairment loss on trademarks								
Licensing and others	–	–	–	–	(397)	(397)		
Total impairment loss on trademarks	–	–	–	–	(397)	(397)	(397)	–
Impairment loss on goodwill								
Licensing and others	–	–	–	–	(19)	(19)		
Total impairment loss on goodwill	–	–	–	–	(19)	(19)	(19)	–
Other one-off costs								
Retail	(68)	–	(74)	–	(2)	(144)		
Wholesale	(7)	(45)	–	–	–	(52)		
Licensing and others	–	–	–	–	(562)	(562)		

For the year ended 30 June 2020

HK$ million	Germany	Rest of Europe Including America	Asia Pacific	e-shop	Corporate services, sourcing, licensing and others	Group	Continuing operations	Discontinued operations
Total other one-off costs	(75)	(45)	(74)	–	(564)	(758)	(608)	(150)
(LBIT)/EBIT of the Group	(626)	(791)	(37)	331	(2,324)	(3,447)	(3,207)	(240)
Interest income						54	50	4
Finance costs						(100)	(87)	(13)
Loss before taxation (LBT)						(3,493)	(3,244)	(249)

For the year ended 30 June 2020

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

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

2 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 2020**	As at 30 June 2020
Hong Kong	**2**	4
Germany	**1,480**	1,432
Other countries[1]	**3,167**	2,941
Total	**4,649**	4,377

[1] Non-current assets located in other countries include intangible assets of HK$1,878 million (30 June 2020: HK$1,641 million).

2.2. Revenue

HK$ million	**For the six months ended 31 December 2020**	For the year ended 30 June 2020
Retail and Wholesale		
Germany	**117**	3,270
Rest of Europe including America	**548**	2,675
Asia Pacific	**1**	547
e-shop	**197**	3,284
Licensing and others	**23**	98
Revenue from external customers total	**886**	9,874
– from continuing operations	**885**	9,216
– from discontinued operations	**1**	658

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 six months ended 31 December 2020**	For the year ended 30 June 2020
Retail and Wholesale		
Germany total	**117**	3,270
Benelux	**170**	743
Switzerland	**235**	463
France	**23**	392
Austria	**19**	365
Spain	**47**	156
Finland	**6**	139
Sweden	**3**	115
Italy	**40**	80
Poland	**2**	39
United Kingdom	**2**	37
Denmark	**1**	30
Others	**–**	116
Rest of Europe including America total	**548**	2,675
China	**–**	180
Singapore	**1**	99
Hong Kong	**–**	89
Taiwan	**–**	84
Malaysia	**–**	77
Macau	**–**	18
Asia Pacific total	**1**	547
Retail and Wholesale	**666**	6,492
e-shop		
Germany	**87**	1,881
Benelux	**43**	495
France	**22**	194
Switzerland	**8**	189
Austria	**13**	179
China	**–**	79
Denmark	**5**	38
United Kingdom	**3**	35
Poland	**3**	32
Sweden	**4**	31
Finland	**1**	21
Spain	**2**	16
Italy	**1**	9
Others	**5**	85
e-shop total	**197**	3,284

HK$ million	**For the six months ended 31 December 2020**	For the year ended 30 June 2020
Licensing and others		
Rest of Europe	**20**	68
Germany	**3**	30
Licensing and others total	**23**	98
Revenue total	**886**	9,874
– from continuing operations	**885**	9,216
– from discontinued operations	**1**	658

2.3. Operating loss (LBIT)

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

HK$ million	**For the six months ended 31 December 2020**	For the year ended 30 June 2020
Impairment loss on trademarks		
– from continuing operations	**–**	397
Impairment loss on goodwill		
– from continuing operations	**–**	19
Impairment loss on property, plant and equipment		
– from continuing operations	**7**	205
– from discontinued operations	**–**	36
Impairment loss on right-of-use assets		
– from continuing operations	**6**	897
– from discontinued operations	**–**	28
Write-downs of inventories to net realizable value, net		
– from continuing operations	**187**	292
– from discontinued operations	**(7)**	(13)
Staff costs		
– from continuing operations	**236**	1,513
– from discontinued operations	**15**	255
Occupancy costs		
– from continuing operations	**49**	315
– from discontinued operations	**–**	79
Depreciation of property, plant and equipment		
– from continuing operations	**22**	374
– from discontinued operations	**–**	17
Depreciation of right-of-use assets		
– from continuing operations	**97**	880
– from discontinued operations	**2**	92
Provision for impairment of trade debtors, net		
– from continuing operations	**39**	55
– from discontinued operations	**(2)**	6
Auditor's remuneration	**22**	16

2.4. Finance costs

HK$ million	**For the six months ended 31 December 2020**	For the year ended 30 June 2020
Interest on lease liabilities	**14**	93
Imputed interest on financial assets and financial liabilities	**1**	7
Total	**15**	100
– from continuing operations	**15**	87
– from discontinued operations	**–**	13

2.5. Taxation

Amounts recognized in consolidated statement of profit or loss

HK$ million	**For the six months ended 31 December 2020**	For the year ended 30 June 2020
Current tax expense		
Income taxes – related to current period	**4**	90
Income taxes – related to prior years	**–**	(51)
Current tax total	**4**	39
Deferred tax expense		
Origination of temporary differences	**14**	460
Total income tax expense	**18**	499
– from continuing operations	**18**	437
– from discontinued operations	**–**	62

For the six months ended 31 December 2020, Hong Kong profits tax is calculated at 16.5% (for the year ended 30 June 2020: 16.5%) on the estimated assessable profit for the period, net of tax losses carried forward, if applicable.

Overseas (outside of Hong Kong) taxation has been calculated on the estimated assessable profit for the six months ended 31 December 2020 at the rates of taxation prevailing in the countries in which the Group companies operate, net of tax losses carried forward, if applicable.

2.6. Debtors, deposits and prepayments

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

HK$ million	**As at 31 December 2020**	As at 30 June 2020
Finance lease receivables	**3**	36
Deposits	**380**	299
Financial Instruments	**383**	335
Prepayments	**1**	1
Other debtors and receivables	**8**	9
Non-financial instruments	**9**	10
Total	**392**	345

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

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

HK$ million	**As at 31 December 2020**	As at 30 June 2020
Trade debtors	**930**	979
less: provision for impairment of trade debtors	**(254)**	(213)
Net trade debtors	**676**	766
Finance lease receivables	**11**	35
Deposits	**9**	15
Financial instruments	**696**	816
Prepayments	**609**	439
Right-of-return assets	**93**	69
Other debtors and receivables	**229**	129
Non-financial instruments	**931**	637
Total	**1,627**	1,453

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

HK$ million	**As at 31 December 2020**	As at 30 June 2020
0-30 days	**379**	393
31-60 days	**126**	133
61-90 days	**61**	61
Over 90 days	**110**	179
Total	**676**	766

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.

2.7. Creditors and accrued charges

HK$ million	**As at 31 December 2020**	As at 30 June 2020
Trade creditors	**502**	1,011
Financial instruments	**502**	1,011
Accruals	**885**	989
Return liabilities	**257**	177
Other creditors and payables	**430**	640
Non-financial instruments	**1,572**	1,806
Total	**2,074**	2,817

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

HK$ million	**As at 31 December 2020**	As at 30 June 2020
0-30 days	**220**	164
31-60 days	**109**	99
61-90 days	**25**	189
Over 90 days	**148**	559
Total	**502**	1,011

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

2.8. Provisions

Provisions consist of the following:

HK$ million	**As at 31 December 2020**	As at 30 June 2020
Restructuring	**135**	225
Reinstatement	**101**	122
Litigation	**10**	10
Provision total	**246**	357

Restructuring provision of HK$135 million (30 June 2020: HK$225 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	**For the six months ended 31 December 2020**	For the year ended 30 June 2020
At the beginning of the period/year	**357**	1,094
Adjustment due to IFRS 16	**–**	(775)
Restated at the beginning of the period	**357**	319
Amounts used during the period/year	**(23)**	(127)
Additions	**85**	260
Releases	**(198)**	(94)
Exchange translation	**25**	(1)
At the end of the period/year	**246**	357

2.9. Loss per share

2.9.1. 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 period/year less shares held for Share Award Scheme.

	For the six months ended 31 December 2020	For the year ended 30 June 2020
Loss attributable to shareholders of the Company (HK$ million)	**(414)**	(3,992)
Number of ordinary shares in issue (million)	**1,887**	1,887
Adjustments for shares held for Share Award Scheme (million)	**(8)**	(8)
Weighted average number of ordinary shares in issue less shares held for Share Award Scheme (million)	**1,879**	1,879
Basic (loss)/profit per share (HK$ per share)	**(0.22)**	(2.12)
– from continuing operations (HK$ per share)	**(0.46)**	(1.96)
– from discontinued operations (HK$ per share)	**0.24**	(0.16)

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

	For the six months ended 31 December 2020	For the year ended 30 June 2020
Loss attributable to shareholders of the Company (HK$ million)	**(414)**	(3,992)
Weighted average number of ordinary shares in issues less shares held for Share Award Scheme (million)	**1,879**	1,879
Adjustments for share options and awarded shares (million)	**–**	–
Weighted average number of ordinary shares for diluted earnings per share (million)	**1,879**	1,879
Diluted (loss)/profit per share (HK$ per share)	**(0.22)**	(2.12)
– from continuing operations (HK$ per share)	**(0.46)**	(1.96)
– from discontinued operations (HK$ per share)	**0.24**	(0.16)

Diluted loss per share for the six months ended 31 December 2020 and year ended 30 June 2020 was the same as the basic loss per share since the share options and awarded shares are antidilutive for the periods presented.

2.10. Dividends

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

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the period from 1 July 2020 to 31 December 2020 in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material Uncertainty Related to Going Concern

We draw your attention to Note 1.2.1 to the consolidated financial statements, which states that the Group recorded a net loss attributable to shareholders of HK$414 million and a net cash outflow of HK$131 million for the six months ended 31 December 2020. The Group's revenue and net profit for the six months ended 31 December 2020 were adversely affected by the Coronavirus 2019 pandemic (the "Pandemic"). The Pandemic continues to negatively affect the markets in which the Group operates and consequently the Group's ability to continue as a going concern is dependent on the Group's adjustment of its strategies to mitigate the further impact of the Pandemic, which depends upon the successful issuance of the 2021 Rights Issue, the successful implementation of the Group's cost optimisation and reduction measures and the Group's Strategic Plan. These events or conditions, along with other matters as set forth in Note 1.2.1 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

The six months ended 31 December 2020 (the "Period") was taxing and challenging for the Group. The Covid-19 pandemic (the "Pandemic") sent most industries to a standstill. The global retail market was damaged as a result of disruption to normal consumer behavior caused by government enforced social distancing practices and lockdowns. Many prestigious retail brands with storied histories had fallen by the way-side, with several brands having to close a large number of stores to keep business afloat. For the Period, the Group also experienced a business downturn like its peers. Due to the second wave of the Pandemic and lockdowns in many European countries at the end of the fiscal year, the sales of the Group were once again negatively affected. Retail stores were closed for several weeks, leading to a further significant loss in sales.

During the Period, Esprit navigated turbulent waters including (i) The Protective Shield Proceedings (the "PSP"), which six German subsidiaries (the "Subject Subsidiaries") had already entered into on 27 March 2020 and (ii) the second wave of retail restrictions imposed in several European countries starting December 2020. In view of the above, the Group accelerated its strategy of cost cutting, closure of unprofitable stores, termination of low return on investment product lines, and engaged in a series of corporate restructuring activities. The Group ensured that it would still provide sufficient incentives and resources for future developments in profitable operations such as building its e-commerce platform. This development resonates with the Group's commitment to make consumers "feel good to look good". Despite the highly challenging circumstances, Esprit continued its efforts to sharpen its brand identity with a continual commitment to sustainability, improve customer experience, and enhance its product portfolio.

The businesses of the Company for the short fiscal year were in line with management's business plan from July to September 2020. Sales were 8.5% ahead of budget driven by a strong demand. Key reasons for the strong performance were a good marketing campaign and the discounting employed in order to clear the excess inventory that were resulted from April's lockdown. Another important factor contributing to the encouraging results was the rapidly improving e-commerce business.

Operating expenses were for the most part considerably lower than the prior year, which was due mainly to the management's strong commitment to its restructuring plan and stringent cost control measures.

Insolvency Proceedings in Germany

In order to protect the solvency and liquidity of the Group (most notably the European subsidiaries) and the ongoing business, the Group had applied for the PSP, a restructuring proceeding in self-administration, pursuant to section 270b of the German Insolvency Act on 27 March 2020 for the six Subject Subsidiaries. The PSP enabled a large restructuring of operations in Germany. The proceedings took place by the Düsseldorf District Court of Germany ("the Insolvency Proceedings"). Additionally, experienced Protective Shield advisors were contracted to support the PSP.

The PSP served to protect the Subject Subsidiaries from individual creditors, while the management of the Group defined a restructuring plan to enable the Group's acceleration of the transformation into a smaller, much leaner organization. As part of the PSP, approximately 600 Full-Time-Employees ("FTE") left the Company, 24 stores were closed by 31 December 2020, 13 additional stores will close in 2021, and a significant amount of third party liabilities were waived. Since the last reporting date, a total of approximately 900 FTEs left the Company. The PSP resulted in a significant improvement of the Company's competitive position.

The creditors approved the restructuring plans proposed by the management in their meetings on 29 to 30 October 2020 followed by court's approval on 30 November 2020. The proceedings was closed on 30 November 2020 after the formal court approval.

The PSP had a significant influence on the Group financials for the Period because the six Subject Subsidiaries and their fourteen international subsidiaries, in total twenty legal entities ("G20 Companies") representing approximately 90% of the Group's third party revenue, had to be deconsolidated for the five months of July to November 2020, and were reconsolidated only after the end of the Insolvency Proceedings on 1 December 2020. The result of the G20 Companies during the period of deconsolidation has been recognized in the Group's consolidated statement of profit or loss as share of results from associates.

In addition to the closure of Esprit's stores in Asia during the year ended 30 June 2020 ("FY19/20"), the joint venture agreement with Mulsanne Group Holdings Limited was also terminated on 30 July 2020 due to a material breach of terms by the contract partner.

During the fall of 2020 in Europe, with Covid-19 infections again on the rise, several European markets began to introduce restrictions on retail sectors considered as a non-essential in nature. Almost all bricks and mortar locations were impacted by some form of lockdown in December 2020 and this continued into the first quarter of 2021.

The Company responded vigorously to this challenge by making use of its furloughing schemes, optimizing further its already highly sophisticated inventory management practice, negotiating rent sharing arrangements with its landlords and making use of all available government assistance.

FINANCIAL REVIEW

Results of Operations

The following table summarizes the results of the Group including both continuing and discontinued operations.

Consolidated Statement of Profit or Loss HK$ million	**For the six months ended 31 December 2020**	For the year ended 30 June 2020
Revenue	**886**	9,874
Cost of purchases	**(517)**	(5,563)
Gross profit	**369**	4,311
	41.6%	43.7%
Staff costs	**(251)**	(1,768)
Occupancy costs	**(49)**	(394)
Logistics expenses	**(54)**	(572)
Marketing and advertising expenses	**(18)**	(516)
Depreciation of property, plant and equipment	**(22)**	(391)
Depreciation of right-of-use assets	**(99)**	(972)
Impairment loss of property, plant and equipment	**(7)**	(241)
Write-downs of inventories to net realizable value, net	**(180)**	(279)
Provision for impairment of trade debtors, net	**(37)**	(61)
Impairment loss on right-of-use assets	**(6)**	(925)
Impairment loss on trademark	**–**	(397)
Impairment loss on goodwill	**–**	(19)
Loss on deconsolidation	**(1,664)**	–
Other operating costs	**(235)**	(1,223)
Operating loss (LBIT)	**(2,253)**	(3,447)
Share of results from associates	**1,939**	–
Loss on remeasurement	**(69)**	–
Interest income	**2**	54
Finance costs	**(15)**	(100)
Loss before taxation	**(396)**	(3,493)
Income tax expense	**(18)**	(499)
Loss attributable to shareholders of the Company	**(414)**	(3,992)

Revenue Analysis

The Group recorded revenue from both continuing and discontinued operations of approximately HK$886 million (FY19/20: HK$9,874 million). The above table summarizes that the decline was mainly an effect of the following reasons.

The accompanying consolidated financial statements for the current financial period covered a period of six months from 1 July 2020 to 31 December 2020. The comparative figures, however, are for twelve months from 1 July 2019 to 30 June 2020, and hence are not directly comparable.

Upon commencement of the Insolvency Proceedings on 1 July 2020, the G20 Companies were no longer under the control of the Group and the Group lost the right to terminate the Insolvency Proceedings based on section 13 subsection (2) of the German Insolvency Code. For the period of five months from 1 July 2020 to 30 November 2020, the G20 Companies had been accounted for as associated companies, and that the performance of the G20 Companies does not form part of the operating result of the Group for the Period and is disclosed as "share of results from associates".

The Group also derecognized the individual assets and liabilities of the G20 Companies from the consolidated financial statements, and accounted them as "investments in associated companies".

The revenue from both continuing and discontinued operations only contains the figures 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 Luxemburg were together forming the revenue of the Group. A like-for-like comparison for the previous reporting period would result in revenue of approximately HK$1,470 million. The difference of approximately HK$584 million is largely due to the December 2020 lockdown in major European markets.

Due to the second lockdown in Europe, sales for the upcoming financial year are expected to lower considerably and a recovery period back to pre-Pandemic sales levels is not expected to take place in the near future. However, the Group is positive about market potential beyond the containment of the Pandemic.

Group Revenue Channel Mix

Group revenue is divided into 3 main channels: e-commerce, Wholesale, and owned Retail stores. In the Period, which is heavily affected by the Pandemic, each channel accounted for the Group's revenue in the ratio of 40:33:27 respectively.

As our own brand website and 3rd party e-commerce partners continued to trade during lockdown, a large portion of our sales were generated online, this business model allowed us to mitigate some of the negative impacts of the Pandemic in the retail segment.

Retail business in Europe

Retail sales (excluding outlet discount stores) in Europe recorded a decline of 37% as compared to the FY19/20. The lockdown restrictions imposed by various governments in Europe from November 2020 have heavily impacted the Group's sales in the Period.

In the summer of 2020, at the ease of the April's lockdown, the Group has taken a strategic decision to clear the excess stocks, which includes clearing 65% of the outlet stock (those stocks have completed a full season in retail stores and is held over for sale one year later in our outlet discount stores).

Wholesale business in Europe

The wholesale channel also suffered from government restrictions and traffic decline. Net sales declined 31% year-on-year. In summer, the sales of this channel is troubled by the cancelled orders for Spring Summer stock, but the sales was gradually recovered in September and October. With many European countries re-imposed lockdown measures in November and Germany re-entered into lockdown again in December, the wholesale channel's sales was again heavily affected. The measures in Europe also led to supply chain problems which affected sales in other markets.

E-commerce business in Europe

As a result of lockdown measures, the Group's sales through the Esprit e-shop and 3rd party platforms performed comparatively better than other channels, and there was an overall improvement comparing to the pervious financial years. By moving our sale channel online, the Group is benefited from the lower number of return products and an increased efficiency of operating expenses, which led to a 17% improvement in operating profit year-on-year in the e-commerce channel.

Gross Profit Margin

Gross profit margin was 44.3% (excluding Purchase Price Allocation), which is 4.6% lower than previous year (excluding foreign exchange changes). This was primarily caused by the inventory clearance action taken in the retail segment which aimed to reduce overstocks resulting from the April's lockdown, and by additional discounts given to wholesale customers to mitigate cancellation risk. The group remains committed to enhance future margins of the Group's products through providing high quality products with reasonable but higher full sales price. As a result of this strategy, at 31 December 2020, the Group has achieved a comparatively clean stock position, which provides a firm foundation for the benefit of future sales growth.

Operating Expenses

Operating Expenses were approximately 27% lower than last year. The continuous decline is a positive result of management's execution of the 2020 restructuring plan. Personnel costs were approximately 28% lower on year-on-year basis, which was achieved by restructuring our German support centre and closure of retail outlets. Other operating expenses, such as marketing, IT and travel were reduced by approximately one third in the Period. As the management has responded proactively to the new challenges under the Pandemic, it is expected that these costs would be even lower in the upcoming financial year. Only the spending on professional fees has been increased as compared to last year figures (which included the fees for the German insolvency proceedings).

One-off Items

The Pandemic triggered impairment testing which had been performed for intangible assets, fixed assets and right-of-use assets by applying the business plan which took into account the Pandemic impacts with low economic activity and also the restructuring measures. Impairment of property, plant and equipment and right-of-use assets of HK$7 million and HK$6 million was recognized. The net realizable value test led to write-downs of approximately HK$180 million for inventories and provision for impairment of trade debtors of approximately HK$37 million based on expected credit loss allowance, including both continuing and discontinued operations.

Working Capital Management and the Pandemic

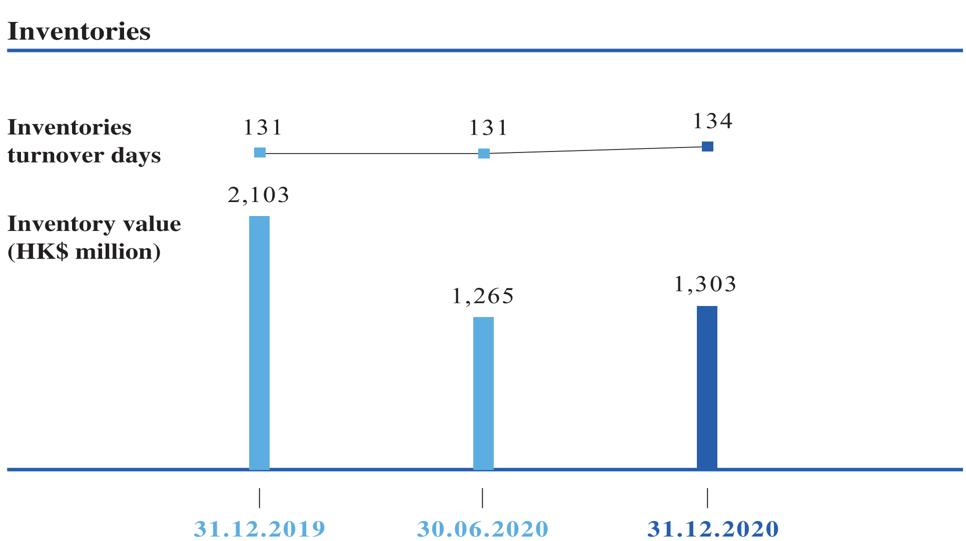
Retail restrictions imposed by many governments as part of the necessary countermeasures against the Pandemic have challenged us to further optimize our working capital management, particularly with respect to inventories and trade debtors.

Inventories

The inventory balance amounted to HK$1,303 million (30 June 2019: HK$1,265 million) representing a slightly increased by HK$38 million (an increase of 3% compared to FY19/20). On a year-on-year basis (as comparing to the figure on 31 December 2019), the inventories are reduced by HK$800 million (a decrease of 38%).

The inventory turnover days were 134 days, as compared to 131 days in June 2020 and 133 days in June 2019 respectively. The deterioration in turnover is attributed by the lockdown measures.

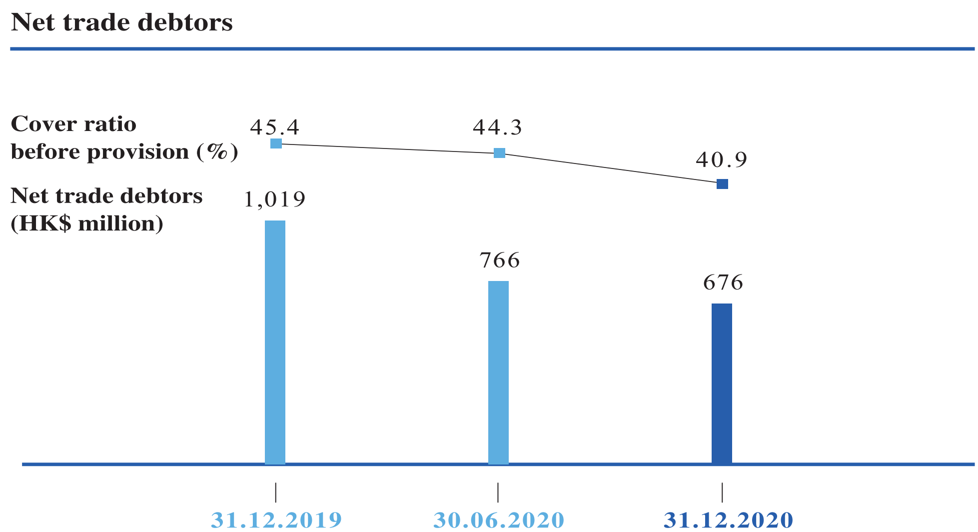
The overstock caused by store closures in the Pandemic has resulted an impairment on inventory, which is amounted to HK$180 million, including both continuing and discontinued operations.



Net trade debtors

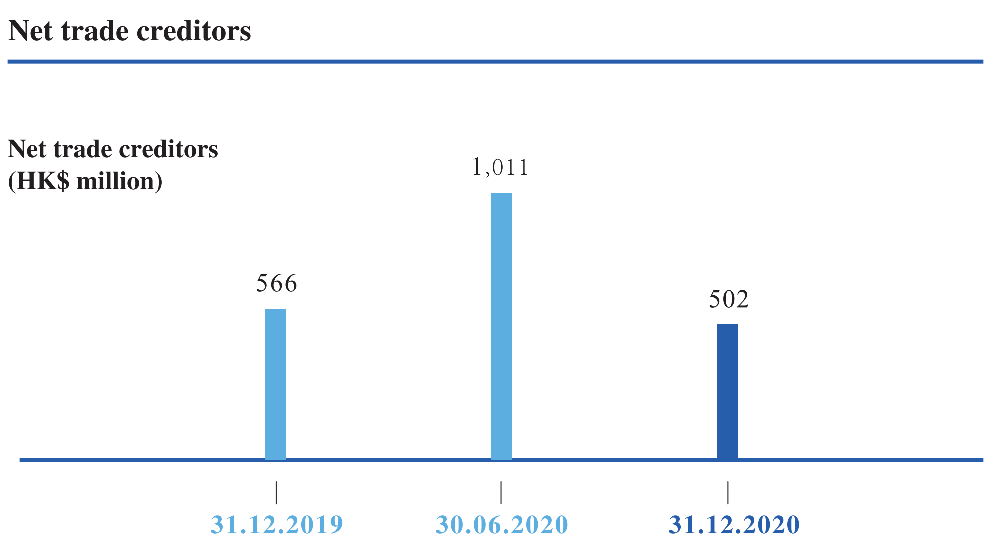
Net trade debtors was amounted to HK$676 million (FY19/20: HK$766 million), which is a decrease of 11.6% (by HK$90 million) as compared to FY19/20 due to lower sales and increased provisions for bad debt. The provisions for doubtful debts amounted to HK$37 million for the Period including both continuing and discontinued operations.

The cover ratio of insured/guaranteed trade receivables as of December 2020 is decreased to 40.9% (FY19/20: 44.3%).



Net trade creditors

Trade creditors is recorded at HK$502 million, which is decreased by HK$509 million (or 50.4%) as compared to FY19/20. This is mainly due to the debt relief granted under PSP.



Liquidity and Financial Resources Analysis

Net Cash: As at 31 December 2020, the Group remained nearly debt free with a HK$9 million loan so that cash, bank balances and cash equivalents were totalling HK$2,271 million (30 June 2020: HK$2,288 million), representing a net cash utilization of HK$17 million as compared with HK$994 million in FY19/20.

The cash position was mainly affected by the following items:

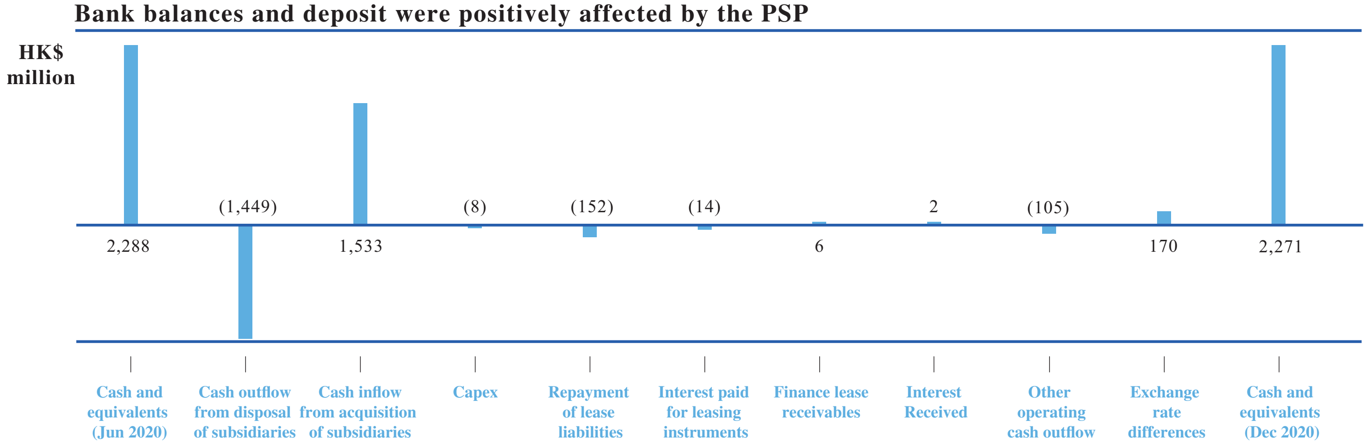
Payment out: lease payments in the total sum of HK$166 million (which combined of HK$152 million for lease repayments and HK$14 million for interests); other operating payments (HK$106 million).

Payment in: leasing payments received as lessor from subleasing of HK$6 million; a net cash inflow effect from deconsolidation and reconsolidation of the G20 Companies of HK$84 million; and exchange rate differences of HK$170 million.

CAPEX: The Group invested HK$8 million in CAPEX in the Period (FY19/20: HK$115 million), representing a decrease of 93.0% year-on-year (FY19/20: -29.4%). The biggest part of investments went into existing stores in Europe including the e-shop.

Total External Borrowings: As at 31 December 2020, the Group had pandemic related HK$9 million interest-free borrowings in Switzerland (CHF1 million; FY19/20: CHF1 million), repayable before 2025. As at 31 December 2020, the Group's gearing ratio was 18.7%.

Bank balances and deposit were positively affected by the PSP



Foreign Exchange Risk

The Group operates internationally and is exposed to Foreign Exchange risk arising from various currency exposures, primarily with respect to the Euro and US Dollar. Foreign Exchange 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 Foreign Exchange risk arising from future commercial transactions, the Group in the past entered into forward Foreign Exchange contracts with reputable financial institutions to hedge the Foreign Exchange risk.

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

Treasury policy

Group Treasury's core task is to ensure the Group's solvency by managing its liquidity and banking relationship. Excess liquidity is managed by utilizing short term banking. Other than adopting an in-house banking concept to fund the Group, along with receiving pandemic related loans for the Swiss entities, there are currently no further financing initiatives with banks. Nevertheless, various options are being evaluated in order to cover future needs.

Human resources

As at 31 December 2020, the Group employed approximately 2,500 FTE (30 June 2020: over 3,400 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.

Dividend

As the Group recorded a loss for the six months ended 31 December 2020, the Board does not recommend the distribution of a dividend for the six months ended 31 December 2020 (FY19/20: Nil).

IMPORTANT EVENTS OCCURRING AFTER THE PERIOD

Rights Issue

With the recent losses incurred by the Group (approximately HK$3,992 million for year ended 30 June 2020 and approximately HK$2,144 million for year ended 30 June 2019), the Group's equity and liquidity position was increasingly being imperiled with the Debt Equity ratio as at 30 June 2020 approaching 2.55. Cash had dropped by approximately HK$1 billion thus severely hampering the Group's liquidity. This greatly limits resources needed for business revival.

A Rights Issue on the basis of one Rights Share for every two Existing Shares was launched with the underwriting agreement executed and announced on 27 January 2021. The Rights Issue will raise not less than approximately HK$707 million in gross proceeds with net proceeds estimated to be not less than approximately HK$689 million. Completion is expected in April 2021. The prospectus has been dispatched to Shareholders and other related work is progressing and on schedule. The proceeds from the Rights Issue will significantly improve the Group's financial position and places the Group on a good springboard to take advantage of a future recovery in the global economy and the retail market. For further details, please refer to the prospectus of the Company dated 26 March 2021.

Retail Restrictions in European markets

Retail stores in Germany were forced to close from 16 December 2020 to 7 March 2021, where 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. At the time of writing, retail restrictions had extended through the remainder first quarter of 2021 where although these restrictions had a direct impact to turnover in-store, it consequently provided a positive boost to e-commerce.

The Group, with many of management's recent efforts and counter-measures starting to take effect, is now better equipped to deal with the challenges brought by the Pandemic, especially at the anniversary of the first restrictions:

1. A Pandemic project team has scheduled meetings twice per week to discuss updated social restriction policies and to devise mitigating actions.

2. Stock levels are under better control, with lower purchases and faster reactions to discount slow moving lines. At the end of December 2020, stock units were approximately 40% lower than the same period last year.

3. Negotiations are open with all landlords where stores have been forced to close, with the goal to share the burden (approximately 50% with landlords).

4. All available government support have been applied for, whenever deemed beneficial to the company overall. These include short time working allowances and loss of earnings subsidies.

5. There is considerable focus on our digital channels which have enabled us to reach our customers when physical locations are closed. With our marketing strategy, we are committed to staying at the forefront of our customer minds, especially during lockdown. In addition to driving growth in digital sales, we are exceeding expectations in physical locations when markets are permitted to reopen.

6. Cash management remains under constant scrutiny, with regular forecasts and scenario planning based on possible lockdown scenarios. Year to date the Group is ahead of cash flow expectations formulated when second wave lockdowns were announced.

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

With effect from 1 January 2021,

(i) Dr. OR Ching Fai Raymond has resigned as non-executive Chairman and non-executive Director, chairman of the nomination committee of the Board (the "Nomination Committee") and member of the general committee of the Board (the "General Committee");

(ii) Mr. LEE Ka Sze Carmelo has resigned as independent non-executive Director, chairman of the risk management committee of the Board (the "Risk Management Committee") and member of the Nomination Committee and the remuneration committee of the Board (the "Remuneration Committee");

(iii) Ms. CHIU Christin Su Yi has been appointed as acting executive Chairman and chairman of the Nomination Committee and resigned as member of the Risk Management Committee;

(iv) Mr. DALEY Mark David has been appointed as member of the General Committee;

(v) Dr. WAN Yung Ting has been appointed as member of the Risk Management Committee and the General Committee; and

(vi) Mr. GILES William Nicholas has been appointed as chairman of the Risk Management Committee and member of the Nomination Committee.

For further details, please refer to the announcement of the Company dated 24 December 2020.

With effect from 8 January 2021,

(i) Mr. TSCHIRNER Marc Andreas has resigned as executive Director and member of the General Committee;

(ii) Ms. LIU Hang-so has been appointed as independent non-executive Director and member of the Nomination Committee and the Remuneration Committee.

For further details, please refer to the announcement of the Company dated 8 January 2021.

OUTLOOK

With the introduction of mass vaccination programs around the world, the outlook for an economic rebound has generally changed to cautiously positive for the medium term. Despite the disruption to retail activity caused by government enforced social restrictions, consumers' desire and willingness to indulge themselves is evident. The remainder of 2021 will demonstrate how quickly and strongly private consumption will return. The European economy is anticipated to start the new fiscal year on a weak footing. Experts do not foresee the global apparel industry to return to previous levels in the near future, especially with developments in the macro economic environment difficult to assess at present. The overall assumption is that spending will be considerably lower with a much higher regard on sustainability, quality and value.

Though there still are uncertainties in the future, the Group has already begun focusing on the growth and profitability of the Esprit brand. The Company has major opportunities in existing areas of distribution, Europe, and endless potential through the development of a world-class digital platform. The relative ratio of online transaction to traditional spending in physical stores has been rising for some time and this behavior drastically accelerated since the start of the Pandemic in 2020. It is envisaged that digital consumption trend will continue to increase in the post-Pandemic world. Additionally, social disruption caused by the Pandemic gave the retail industry an urgent incentive to reshape its supply chain management and achieve favorable cost re-alignments. The management of the Group has been actively pursuing such opportunities.

The Company's new digital development will cover areas including the digital design of products to strengthening retail customer experience. These enhancements, combined with the relaunch of Esprit's brand positioning, will create better consistency across all touchpoints however the customer chooses to interact with the brand. It will also strengthen the Company's ability to deliver joy and outstanding sustainable value-for-money products to customers around the world.

The Company will continue its long-standing commitment to sustainability and the communities that support the brand, as it relates to all aspects of the business. The Company's goal of being fully sustainable is reinforced by the new management team along with a renewed effort to support the development and growth of the manufactures and processes that create Esprit products. The Company has recruited textile experts and will be working through-out the network to develop cutting-edge materials that will set new standards. The initial focus is within the Company's network of manufacturers in China and management expects the Company's relationships within in the market to only strengthen as not only enhancing the manufacturing network but also look to relaunching the brand.

The Company will continue to take proactive and strategic steps to tackle immediate challenges, including but not limited to:

(i) the recent reorganization that has streamlined the Group's structure, allowing significant cost savings and long-term value for its stakeholders. Although measures such as shop closures and the reduction of wholesale customers have reduced revenue – these measures have helped to increase the Group's overall profitability;

(ii) the roll-out of the Group's global growth strategy. This involves the migration of several strategic functions from Germany to Hong Kong, the new global headquarters, which in effect will create a better organizational balance and synergy between the two offices;

(iii) strengthening the Company's core European business, licensing, and customer base;

(iv) redefining the brand's positioning and instilling the sense of joy that customers feel when they purchase products made with high-quality sustainable materials;

(v) the Rights Issue to shore up the Group's financials and to replenish liquidity;

(vi) enhancing human resources of the Group and its leadership;

(vii) the re-alignment of the Company's product lines and repositioning the Esprit brand as a great value premium lifestyle label;

(viii) making strategic changes to physical stores in terms of location and creating a new retail look;

(ix) improving and shortening the Group's response time to unexpected changes in the market and retail trends; and

(x) revamping the Group's e-commerce platform as a key channel for future sales growth. The newly enhanced digital infrastructure will enable global scaling and business expansion.

The Esprit brand is powerful and the brand's heritage remains strong. The Group will continue to focus on re-building Esprit towards profitability within the next two years. The prospects for the Company are bright, and the Group sees itself in a good position to benefit from a revival of the global economy.

PUBLICATION OF ANNUAL REPORT

This audited results announcement is published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.espritholdings.com), and the audited report of the Company for the six months ended 31 December 2020 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 and published on the respective websites of the Stock Exchange and the Company on or before 30 April 2021.

ANNUAL GENERAL MEETING

The Company will hold an annual general meeting on Tuesday, 22 June 2021. Notice of the forthcoming annual general meeting will be published and despatched to the Shareholders in accordance with the Bye-laws of the Company and the Listing Rules as soon as practicable.

CLOSURE OF REGISTERS OF MEMBERS

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

Latest time to lodge transfer documents for registration	At 4:30 pm on Wednesday, 16 June 2021
Closure of Registers of Members	Thursday, 17 June 2021 to Tuesday, 22 June 2021 (both dates inclusive)
Record date	Tuesday, 22 June 2021

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

AUDIT COMMITTEE

The Audit Committee currently comprises three 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 six months ended 31 December 2020 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 six months ended 31 December 2020 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 six months ended 31 December 2020 as set out in this announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the six months ended 31 December 2020. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this audited 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 six months ended 31 December 2020.

CORPORATE GOVERNANCE

The Company has applied the principles of, and complied with the Corporate Governance Code and Corporate Governance Report (the "Code") as set out in Appendix 14 of the Listing Rules for the six months ended 31 December 2020, except for the following matters:

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

For the period from 24 July 2020 to 28 July 2020

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

- the Company must appoint independent non-executive Directors representing at least one-third of the Board under Rule 3.10A of the Listing Rules; and

- the Remuneration Committee must be chaired by an independent non-executive Director and must be comprised of a majority of independent non-executive Directors under Rule 3.25 of the Listing Rules.

With effect from 29 July 2020, Mr. CHUNG Kwok Pan has been appointed as an independent non-executive Director and member of the Audit Committee and the Remuneration Committee, and Ms. ZERBIB Sandrine Suzanne Eleonore Agar (resigned with effect from 24 December 2020), who was the then member of the Remuneration Committee, had been re-designated as the chairman of the Remuneration Committee. Following such appointment and change of composition of the committee members of the Board, the then Board comprised eleven Directors including five executive Directors, two non-executive Directors and four independent non-executive Directors. As a result, the Company has complied with the requirements under (i) Rule 3.10A of the Listing Rules regarding the composition of the Board; and (ii) Rule 3.25 of the Listing Rules regarding to the composition of the Remuneration Committee.

Further, under code provision A.6.7 of the Code, independent non-executive Directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders. Due to medical reason, Mr. FRIEDRICH Jürgen Alfred Rudolf, a non-executive Director (who retired at the conclusion of the annual general meeting of the Company on 18 December 2020 ("2020 AGM")) was unable to attend 2020 AGM.

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 six months ended 31 December 2020.

By Order of the Board
CHIU Christin Su Yi
Acting Executive Chairman

Hong Kong, 31 March 2021

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. DALEY Mark David
Dr. WAN Yung Ting

Independent Non-executive Directors:
Mr. CHUNG Kwok Pan
Mr. GILES William Nicholas
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.