2020 Annual Report

Esprit Holdings Limited

For Six Months Ended 31 December 2020

Hong Kong Stock Code 00330

ESPRIT

Corporate Information

Executive Directors

- Ms. CHIU Christin Su Yi
  (Acting Executive Chairman)
  (appointed as Executive Director with effect from 21 July 2020 and Acting Executive Chairman with effect from 1 January 2021)
- Mr. DALEY Mark David
  (President and Chief Executive Officer)
  (appointed with effect from 24 December 2020)
- Dr. WAN Yung Ting
  (Chief Product Development Officer)
  (appointed with effect from 24 December 2020)
- Mr. TSCHIRNER Marc Andreas
  (Group Chief Operating Officer)
  (appointed with effect from 21 July 2020 and resigned with effect from 8 January 2021)
- Mr. WONG Hung Wai
  (Group Chief Investment Officer)
  (appointed with effect from 21 July 2020 and resigned with effect from 28 December 2020)
- Mr. KRISTIANSEN Anders Christian
  (Group Chief Executive Officer)
  (resigned as Executive Director with effect from 17 December 2020 and Group Chief Executive Officer with effect from 1 March 2021)
- Dr. SCHMIDT-SCHULTES Johannes Georg
  (Group Chief Financial Officer)
  (resigned as Executive Director with effect from 17 December 2020 and Group Chief Financial Officer with effect from 1 March 2021)

Non-executive Directors

- Dr. OR Ching Fai Raymond
  (Non-executive Chairman)
  (resigned with effect from 1 January 2021)
- Mr. FRIEDRICH Jürgen Alfred Rudolf
  (retired on 18 December 2020)

Independent Non-executive Directors

- Mr. CHUNG Kwok Pan
  (appointed with effect from 29 July 2020)
- Mr. GILES William Nicholas
  (appointed with effect from 24 December 2020)
- Ms. LIU Hang-so
  (appointed with effect from 8 January 2021)
- Mr. LO Kin Ching Joseph
- Mr. LEE Ka Sze Carmelo
  (resigned with effect from 1 January 2021)
- Ms. ZERBIB Sandrine Suzanne Eleonore Agar
  (resigned with effect from 24 December 2020)
- Dr. WECKWERTH Martin
  (resigned with effect from 24 July 2020)

Company Secretary

- Ms. LO Tik Man Ophelia

Principal bankers

- The Hongkong and Shanghai Banking Corporation Limited
- Deutsche Bank AG

Auditor

- PricewaterhouseCoopers
  Certified Public Accountants
  Registered Public Interest Entity Auditor

Principal legal advisor

- Dechert

Principal share registrar

MUFG Fund Services (Bermuda) Limited
4th Floor North, Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

Hong Kong branch share registrar

Tricor Secretaries Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Registered office

Clarendon House
Church Street
Hamilton HM 11
Bermuda

Hong Kong headquarters

27th Floor, China United Centre
28 Marble Road, North Point
Hong Kong
t: + 852 2765 4321
f: + 852 2362 5576

Global administrative headquarters

27th Floor, China United Centre
28 Marble Road, North Point
Hong Kong
t: + 852 2765 4321
f: + 852 2362 5576

For enquiries from investors and equity analysts, please contact:

Investor relations department

27th Floor, China United Centre
28 Marble Road, North Point
Hong Kong

Ms. Jennifer Lui
t: + 852 3198 0771
e: Jennifer.Lui@esprit.com
esprit-ir@esprit.com

Website

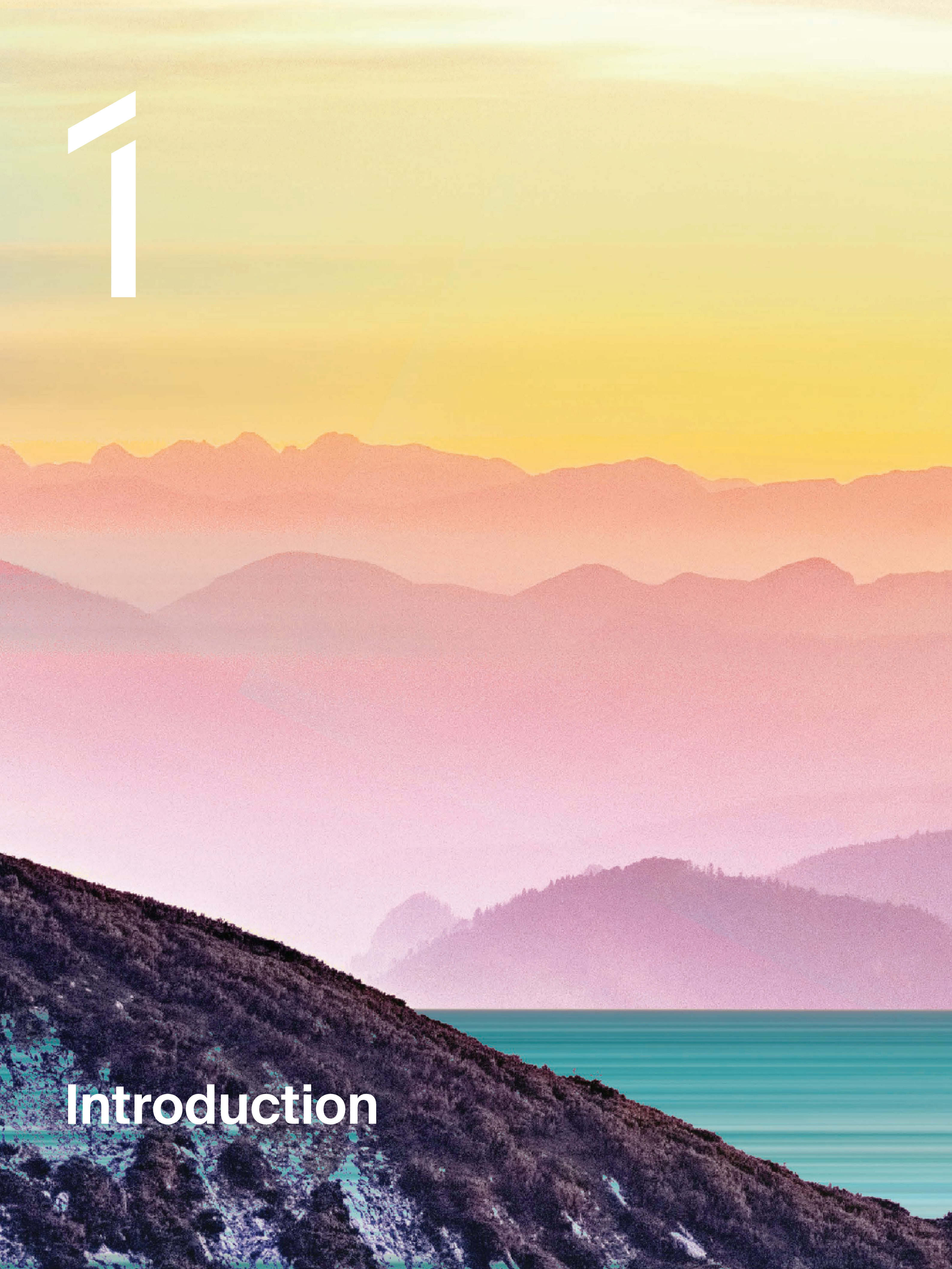
www.espritholdings.com

Share listing

Listing on The Stock Exchange of Hong Kong Limited since 1993
Stock Code: 00330

Level 1 sponsored American Depository Receipt program since 2015
Stock Code: ESPGY

Contents



1

Introduction

Introduction

Forward Focused

The 2020 fiscal year continued to pose challenges for the entire world, from the economy, environment, health, and to daily livelihood. However, as the famous expression states: with challenges also come opportunities. The Company went through numerous changes including transformation, restructuring, and the Protective Shield Proceedings. This was strategically executed with an eye on the future - the future for the brand, the business, the customer, and the Esprit team. The need to implement long-term sustainable strategies to capture consumer opportunities in a post-pandemic world is a must across all industries. The Company's ability to deliver outstanding products offering great value to its customers will be a core competency, and on this note, the Company looks forward to what lies ahead.

Hong Kong

After the implementation of strategic restructuring activities, the leadership of the Company has been relocated to Hong Kong - the global administrative headquarters. The new management team will strategically drive and execute the global growth plan to enable the Company to regain its position in the fashion industry. An improved cost structure, which is now based in Hong Kong, ensures consistency across the board. The opportunity in the EU is large and the Company has begun evaluating other markets as well. While Hong Kong will set the future and tone of the brand, operations in Germany and Europe are core to the Company's business. Management's knowledge of the industry and understanding of the Asian and German working cultures are crucial to the continual success in the Company's European business, and for the brand as a whole.

Digital Footprint

Infrastructure and performance issues with the old digital platform have been addressed and are currently undergoing redevelopment. The improved digital team is committed to being best-in-class and has been reviewing all areas of the business, from the customer loyalty program and social media enhancements to digital design and virtual store experiences. The Company's new digital B2B platform has been designed to improve services including information sharing and connectivity with wholesale, franchise, and license partners.

Esprit Culture and Brand Story

The Company recently performed an extensive analysis and overview of its 50-year strong brand. The entrepreneurial drive and trendsetting spirit that was once synonymous with the brand has been lost over the years. In the 1970s and 1980s, the brand's earlier years, the Company was open to be daring, risk taking, and pushing ideas forward that were controversial even during its time. With the new management team in Europe and Hong Kong, the Company has already begun the process of revitalizing the brand and recommitting to its core ethos. This also involves setting new standards with a continuous focus on diversity, equity, and inclusion. The Company believes it is time to reintroduce the brand's story in a modern context and put the brand and consumer at the forefront.

Future of Fashion

The Company strives to continuously produce clothing made with high-quality and innovative fabrics that are good for the environment and of exceptional value for money. Instead of simply following the latest fashion trends, the Company will continue to focus on perfecting comfortable and versatile wardrobe pieces that customers' desire – clothing that makes people feel happy and joyful. Updating classic must-have designs with lively seasonal colors will also give a burst of energy to timeless styles.

2

Sustainability

"The sustainability revolution is the single largest investment opportunity in history."

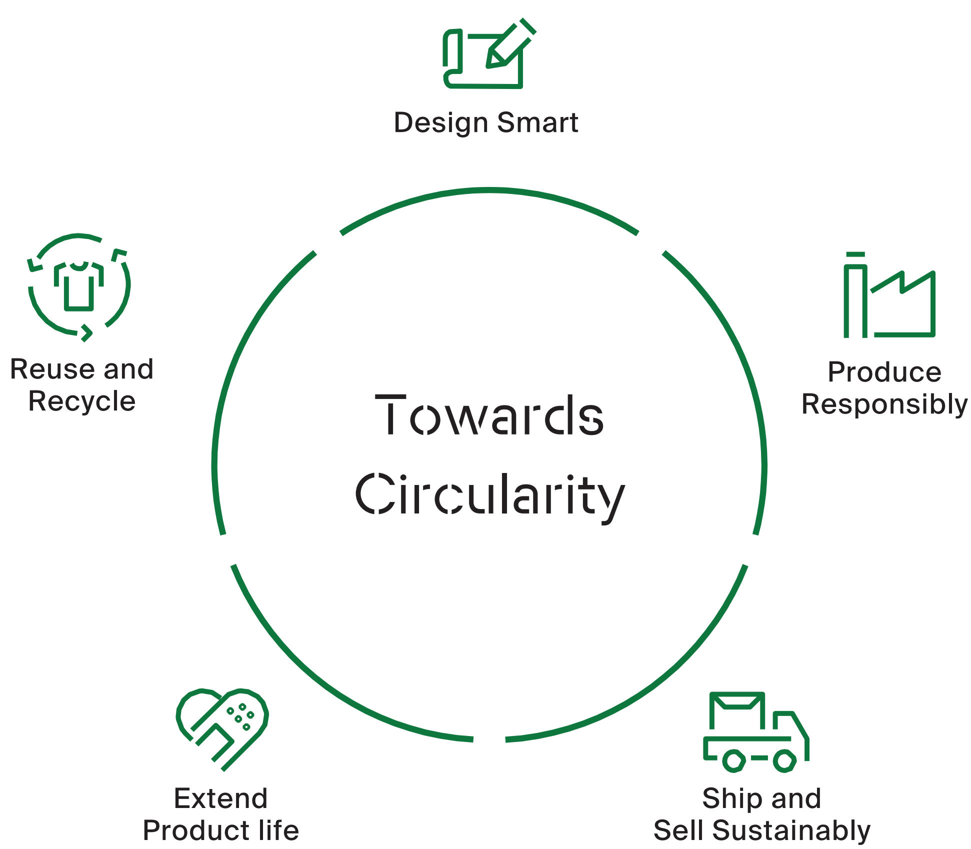
-Al Gore-

Sustainability

Towards Sustainability[1]

The Company's approach to business and to product creation is deeply rooted in its values of environmental sustainability and corporate social responsibility. This has been part of the Company's heritage and culture since the founding in San Francisco in the 1960s, and remains as its ethos today. The goal is to continue to be a leader in pushing these ideas to the forefront of the fashion industry. The Company's sustainability strategy builds upon circularity. The concept of a circular fashion rests on the respectful use of both material resources and human resources. In an inclusive, circular economy, growth will be based on human capital instead of the extraction of natural resources. Waste is no longer an option. The Company's goal is to create timeless and high quality garments in a way that is respectful to the planet. Moving towards circularity, the Company incorporates the United Nations Sustainable Development Goals in its sustainability strategy.

The Company is becoming more sustainable and is reaffirming its commitment to supporting the health and safety of the people who create and sell Esprit products throughout the value chain. The Company is proud of its achievements in increasing the use of sustainable materials and reducing waste. Approximately 69% of the garments are made with sustainable materials and the Company has started to replace single-use plastic polybags with plastic banderoles made with 30% recycled content wherever possible.



[1] More details to be found in the Esprit Sustainability Report 2019/20.

Sustainable Products

Smart design lays the foundation for a truly responsible product. When the Company thinks about responsible products, it focuses on the full lifecycle – from the initial concept, to the farm where the cotton is grown, to the hands that spin and sew, and to the systems that clean, sort, and transport the items.

At this stage, the focus is on material selection and using more sustainable fibers. The Company has set an ambitious target of using 100% sustainable materials in its garments by July 2023. It is proud to have already reached the 60% mark this year. Within this report, the focus is on the main fiber groups that make up approximately 95% of fiber share: cotton, synthetics and man-made cellulosic fibers.

Policies

The Company believes in measuring impact. Therefore, it has created milestone targets for July 2021 that helps drive the overall target of 100% sustainable materials by the end of 2023. Additionally the Policy on Raw Materials & Animal Welfare defines the key requirements.

Share of Sustainable Fibers

60%
Conventional Fibers

40%
Sustainable Fibers

What is a Sustainable Material?

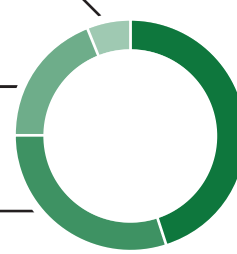
The Company considers 'sustainable materials' to include the following:

- Approved cotton options (organic, cotton in conversion recycled, BCI)
- Recycled and bio-based synthetics
- Approved man-made cellulosic fibers (MMCFs) based on production methods and feedstock source, with an emphasis on recycled inputs
- Animal-derived fibers that are certified organic, recycled, or responsible (e.g. Responsible Wool)
- Linen and hemp

Examples of materials that will be phased out by 2023 include:

- Conventional synthetics (polyester, nylon, acrylic)
- Conventional cotton
- Conventional viscose

Fiber Share Based on Shell Fabric
(July – December 2020)



As the above reviews the winter season only, there is a slight shift to less cotton and more synthetic fibers since more technical outerwear is sold in the winter months.

Cotton

Cotton makes up more than half of the Company's total fiber usage. Of this cotton, 83% is organically grown. Another 7.9% is sourced through the Better Cotton Initiative (BCI). The Company also incorporates recycled cotton which sets a higher focus in the future due to improved availability.

Cotton

Organic Cotton

- Organic cotton is grown without synthetic fertilizers and pesticides
- Organic farming practices maintain soil fertility and expand biologically diverse agriculture
- Organic cotton used in Esprit products are certified to either the Organic Content Standard (OCS) or Global Organic Textile Standard (GOTS)

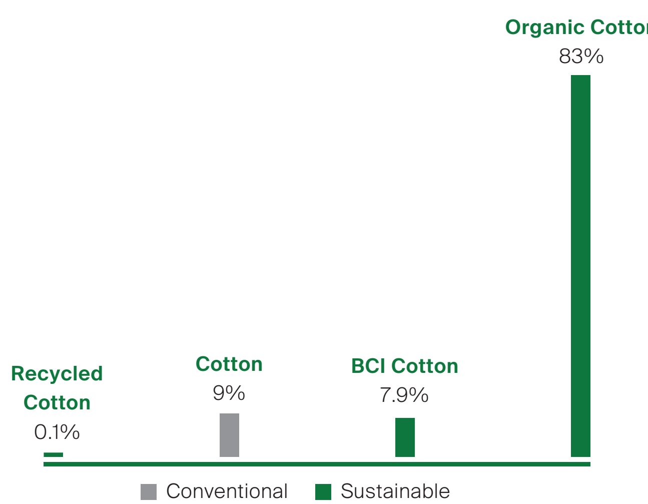
Better Cotton Initiative (BCI)

- Cotton is grown according to the Better Cotton Farming Standard, optimizing the use of synthetic fertilizers and pesticides
- Farmers are trained on how to best manage the environmental, social and economic aspects of cotton production
- The BCI system uses a Mass Balance approach which emphasizes improving the cotton available on the market

Recycled Cotton

- Cotton is collected from pre-consumer waste, such as cutting scraps, or post-consumer waste, such as garment donations
- Production of recycled cotton yarn requires very little water, and saves the water that would otherwise be required to grow new cotton
- Using recycled cotton keeps waste out of landfill and supports the development of a circular economy

Cotton Share



Synthetics

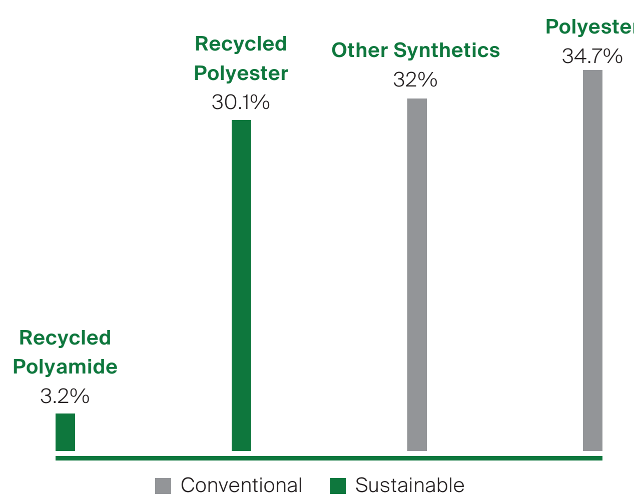
Polyester, polyamide and acrylic are the most commonly used synthetic fibers in Esprit products. Synthetic fibers have the advantages of being quick drying, and ideal for very cold and for very warm conditions. However, these fibers are usually derived from petroleum, which is not a renewable resource. Additionally, synthetic fibers do not decompose like natural fibers do. Therefore, the Company wants to keep the consumption of synthetic fibers at the lowest possible level – and why the goal is to select more sustainable options such as recycled polyester and recycled polyamide. In FY2020, the Company overachieved its milestone of 30% sustainable synthetics by 2021 by 3%.

Recycled Synthetics

- Recycled polyester is often made with old PET bottles, and sometimes from old garments
- Recycled polyamide is generally made from old fishing nets, carpet scraps and industrial plastic waste
- Esprit products are made with certified recycled synthetic fibers to either the Global Recycling Standard (GRS) or Recycled Claim Standard (RCS)

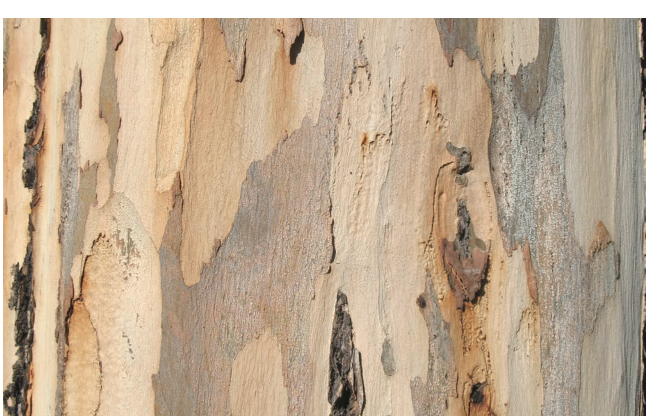
The Company used more than 27 million old PET bottles in its garments for AW season.

Synthetic Fiber Share



Man-made Cellulosic Fibers

At the end of May 2018, the Company committed to the Roadmap Towards Responsible Viscose as outlined by the Changing Markets Foundation. The Company also defined steps to further promote and improve the sustainable production of viscose and modal fibers. The goal towards this commitment is two-fold. First is to push the wider industry to adopt a closed-loop manufacturing process to minimize the use of harmful chemicals. Second is to promote transparency by mapping the viscose and modal supply chain down to the raw material level. In order to responsibly source cellulosic fabrics, the cellulose needs to come from properly managed forests, as opposed to endangered or old-growth forests. In September 2015, the Company partnered with Canopy, an environmental non-profit organization that ensures all feedstock for cellulose fibers, such as viscose, lyocell and modal, are not sourced from at-risk or old growth forests. The Company has therefore set up a policy together with Canopy and rely on the Canopy audits for cellulose fiber producers. The goal is to only use preferred man-made cellulosics by 2023, such as those mentioned here. In FY2020, the Company used 41.2% sustainable man-made cellulosics using a responsible wood source and sound manufacturing processes.



Man-made Cellulosic Fibers

LYOCELL

- Lyocell is a cellulose fiber mainly made from eucalyptus trees, which are fast growing and require minimal pesticides and no irrigation
- Lyocell is manufactured in a modern closed-loop process that captures and reuses processing solvents
- Lyocell fibers are biodegradable

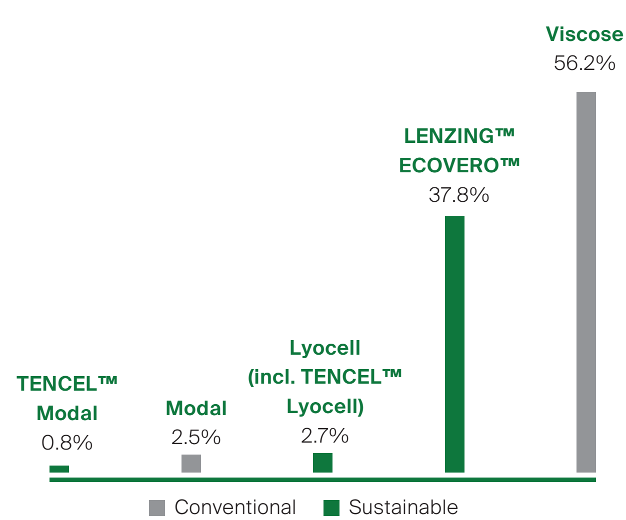
TENCEL™ Lyocell

- TENCEL™ is a trademark of Lenzing AG and comprises lyocell and modal fibers
- Cellulose feedstock is sourced only from sustainable wood sources (no use of wood from endangered forests)

LENZING™ ECOVERO™

- LENZING™ ECOVERO™ viscose has up to a 50% smaller footprint in terms of emissions and water use compared to generic viscose
- Cellulose feedstock is sourced from trees that are grown in certified, responsibly managed forests
- LENZING™ ECOVERO™ fibers are certified with the EU Ecolabel
- LENZING™ and ECOVERO™ are trademarks of Lenzing AG

Man-made Cellulose Fiber Share



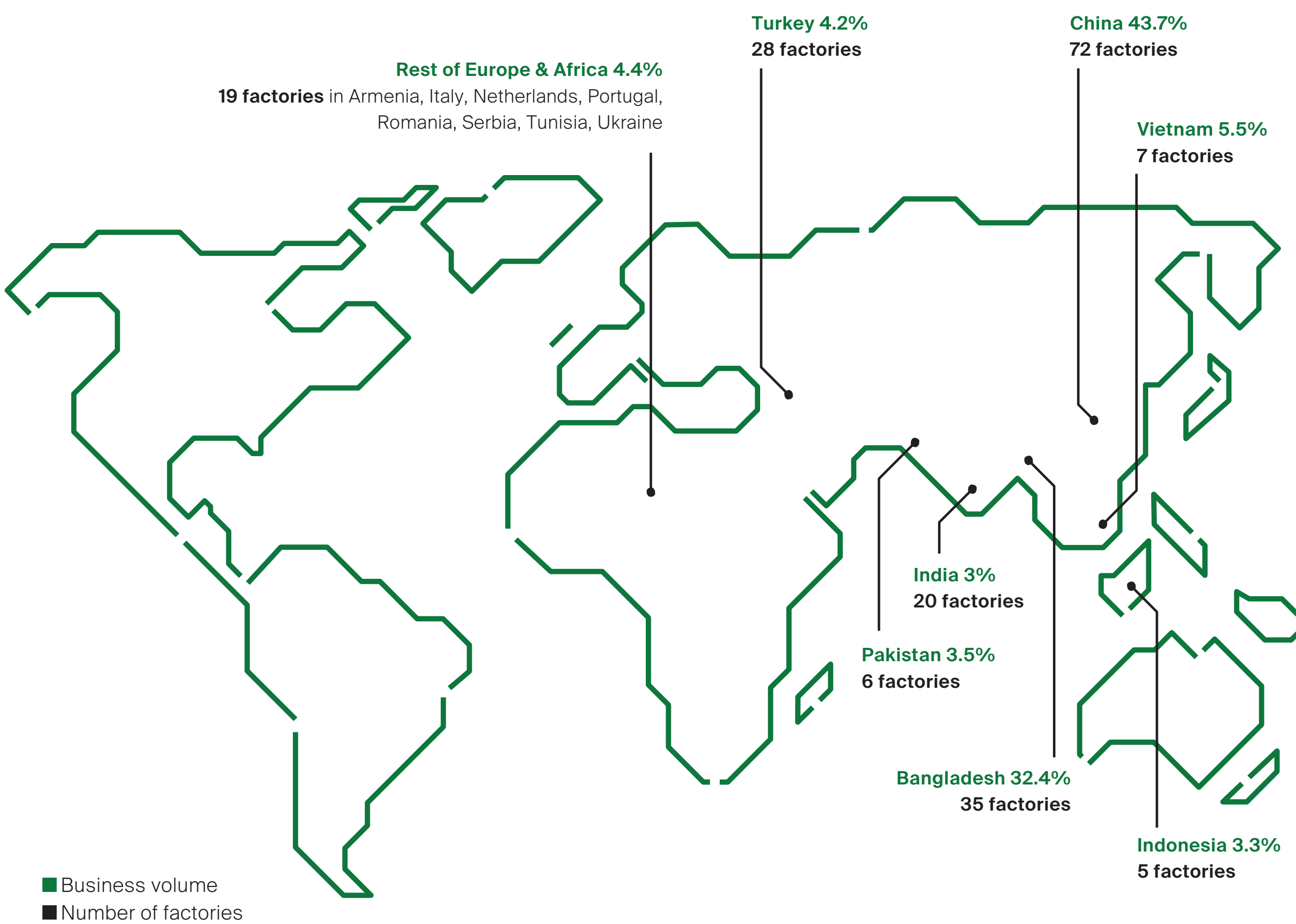
Transparency

Topic	Target by July 2021	FY2020
Transparency	Map and publish Tier 1 and Tier 2 suppliers every six months (ongoing)	100%
	Map and publish key Tier 3 suppliers every six months	33%

Supply chain transparency means more than knowing the manufacturing location – it also about knowing who the production partners are, how they work, and how to best support them to work in a clean, responsible and efficient way. The Company's network of suppliers spans across fifteen countries and includes hundreds of globally interlinked partners. In comparison to FY19/20, the Company has reduced the number of production countries by ten. The focus is on building long-term relationships with key supply chain partners and investing in one another's success. Before embarking on a relationship with any potential new suppliers, the Company requires the disclosure of direct suppliers' supply chain, going past Tier 1 direct suppliers to encompass suppliers' subcontractors (Tier 2) and fiber producers (Tier 3). The Company began publishing its supply chain partners on the Esprit website in 2016.

Where Esprit is Made

The production numbers are adjusted and reflected to cover the short fiscal year 2020. As China is an important production country for outerwear, the share is larger than usual. Other countries and regions that specialize more on light woven and summer styles have a lower share, such as India.



People

The Company wants its garments to be produced ethically and according to national and international legislation. The Supplier Code of Conduct is the foundation to ensure safe and fair working conditions in the factories where Esprit products are made. The Company believes in a collaborative approach to improving working conditions, and are active members of several industry initiatives to achieve this change, notably the Fair Labor Association.

Specific to the Company, there are strict requirements that suppliers must fulfill prior to production. In addition to the contracts with the garment suppliers, the Company also engages beyond Tier 1 to establish relationships with fabric suppliers and other partners further down the supply chain. In terms of compliance standards, the Company continues to work through Tier 1 partners: hence it is crucial that direct partners such as the garment vendors are in support of the brand in cascading the requirements through their own supply chains.

The Company has policies and partnerships to facilitate this alignment as well as audits to support and confirm it.

Policies

The Company is convinced that a strong policy framework is the base for a sustainability program. Therefore, it has several policies in place.

Policy on Human Rights

All of the Company's Social Standards are based from the October 2019 Policy on Human Rights, which clearly defines the ethical requirements in writing.

Supplier Code of Conduct

All factories producing Esprit garments must comply with the Company's Supplier Code of Conduct which is part of the basic supplier agreement that all suppliers must sign when they begin working with the Esprit brand. Detailed guidelines have been developed to help the suppliers to implement the Esprit Supplier Code of Conduct. These guidelines describe the internal processes that the suppliers must establish to meet the Company's social standards. The guidelines also include remediation measures that suppliers must immediately implement in the event of failure to meet the Company's standards.

Sourcing Policy

The Company's policy on Sourcing Practices sets forth its expectations on suppliers related to transparency, legal compliance, waste, greenhouse gas emissions, water, and chemical management, as well as minimum requirements.

Partners

The working conditions at suppliers' factories is a serious matter and partnerships is the best way to achieve a positive impact. The Company is a member of several industry initiatives which helps working with other companies and stakeholders to align strategic approaches and build collective momentum toward shared goals.

The Company works with the following multi-stakeholders and industry initiatives to achieve industry-wide improvements:

- Fair Labor Association
- ACT on Living Wage
- Bangladesh Accord on Fire and Building Safety
- German Partnership for Sustainable Textiles
- Dutch Agreement on Sustainable Garments and Textiles

Audits During the Pandemic

The Esprit social sustainability team regularly conducts both unannounced and announced audits at the Esprit manufacturing facilities to ensure that production lines operate in accordance with the Esprit "Supplier Code of Conduct". During the COVID-19 pandemic ("the Pandemic"), this approach has been very challenging due to restrictions on travel and visitation. Therefore, the Company has changed its way of auditing into a digital audit scheme to follow-up non-compliances while doing its best to support factories in making improvement. 14% of the audits were conducted digitally and via follow-ups. When challenges arise, the Company wishes to support its suppliers to improve while upholding a business relationship built on mutual respect, trust, and open communication. A Corrective Action Plan (CAP) is developed together with the suppliers after each (digital) audit.

Social Compliance Audit

Topic	Target	FY2020
Social compliance	All factories (Tier 1) have at least a C-rating (acceptable) in their social compliance audit (ongoing)	99%

Worker Code of Conduct

At the beginning of 2020, the Company began to implement a Worker Code of Conduct, according to the requirements of the Fair Labor Association. The Worker Code of Conduct is a shorter and simpler version of the Supplier Code of Conduct, aimed at informing workers of their rights. Due to the Pandemic, the Company could not fully implement this Code in factories as intended. However, this process will continue as soon as travel restriction policies are lifted. Currently, the Worker Code of Conduct is available in Bengali, Chinese, Hindi, Romanian, Turkish, Urdu and Vietnamese.

Grievance Mechanism

The Company also developed a grievance mechanism for key sourcing countries: Bangladesh, China and Turkey. The goal is to have direct and open communication channels with the workers should they need to address concerns. Local-language posters are placed on factory walls with multiple contact points to reach the local Sustainability Team.

Fair Pay

Low wages have been a problem in the apparel industry for many years. The industry is highly fragmented, with multiple competing brands often sharing factories. Systemic change therefore requires cooperation among competitors in the industry, as well as with governments, labor unions, workers, and factory owners. Production is scattered across the globe, which makes calculating a living wage in myriad locations a complex task. Reaching a consensus on the understanding of fair wages is one of the industry's biggest challenges.

To overcome this challenge, the Company joined other brands and the IndustriALL Global Union to form an initiative known as ACT (Action, Collaboration and Transformation). ACT seeks to address the problem of low wages in the apparel industry by promoting industry-wide and nation-wide collective bargaining agreements in key apparel exporting countries. Through their union representatives, workers can negotiate higher wages within agreements that address a range of concerns about working conditions while preserving the competitiveness of their industry.

While being aware of the respective local minimum wage requirements, the Company compiles wage data for the areas where Esprit products are made. The goal is to find out how much workers actually earn and take home, and to understand the basic cost of living in their communities. In 2020, the Company took a step further by working with the Fair Compensation Dashboard from the Fair Labor Association. The tool illustrates the discrepancy between actual wages and the various living wage calculations per region. The Company conducted a pilot program with eight factories to learn more about the practicability and best practices for a roll-out. There is a plan to include key suppliers into the analysis in 2021. Having actual data on wages in the factories will help to the Company identify risky places and find solutions together with its suppliers and merchandising teams.

Fire and Building Safety

The Company is one of the first fashion brands to sign the Bangladesh Accord on Fire and Building Safety, which was launched following the collapse of the Rana Plaza complex in 2013. The Accord is a broad coalition of brands, trade unions, civil society and factories, addressing fire and building safety in the ready-made-garment industry in Bangladesh through a legally-binding agreement with a five-year term.

The Company made a commitment to responsibly source from Bangladesh. There are still improvements that need to be made regarding fire and building safety in Bangladesh. As a consequence, the textile industry in Bangladesh is experiencing a substantial transformation in terms of fire safety and is improving its safety standards. This makes the Accord an essential part of the work in Bangladesh. The Company is committed to such cooperation in the future, even as the framework of the Accord continues to evolve and the Transition Accord comes into effect. During this transition period, the Company, along with a group of Accord member brands, agreed that it maintains the same roles and activities until May 2021. This means that brands will keep monitoring factories' progress on remediation of Fire, Electrical & Structural issues, and that a system has been established among member brands to ensure resolution of grievances raised through the Accord's grievance mechanism.

The Pandemic has limited the ability of the Company's partners to conduct third party audits in factories in person. Therefore, the remediation efforts currently stand at 95%.

Planet

The Company's goal to create a positive impact on the planet is by ensuring responsible management of resources (such as water), responsible selection and safe use of all production inputs (such as chemicals), and the control of all production outputs and emissions (such as wastewater, GHGs, and – eventually – the product itself).

Detox Commitment

In December of 2012, the Company signed the Greenpeace Detox Commitment, starting with the effort to phase out eleven groups of hazardous chemicals from its supply chain by 2020. To achieve "zero discharge of hazardous chemicals by 2020", the Company launched a major detox program within its supply chain. The program is based on building awareness and knowledge among wet processing suppliers about chemical and environmental management, process control and wastewater testing.

In support of this goal, the Company was among the first members of the Zero Discharge of Hazardous Chemicals Group (ZDHC). This group consisting of industry-leading brands and stakeholders has come together to develop tools and protocols to empower the entire supply chain and move the industry forward. The Company is proud to be part of this pioneering initiative, and to have a leadership role in the work to eliminate the discharge of hazardous chemicals in fashion manufacturing.

Company Standards

The Company has two important documents setting boundaries for the use of chemicals. While the Restricted Substances List (RSL) focuses on the amount of restricted chemicals in the final Esprit product and its packaging, the Manufacturing Restricted Substances List (MRSL), developed together with other brands within the ZDHC, focuses on hazardous chemicals that must be phased out from chemical formulations used in production. This includes chemical restrictions and limits for wastewater.

Audits During the Pandemic

Topic	Target	FY2020
Environmental assessments	100% of key wet process mills have been audited based on our audit protocol	26% (due to COVID -19 travel restrictions)

The Company has developed its own in-house assessment to cover environmental management and to make sure final garments as well as fabrics are made in a responsible way. These assessments allows the Company to understand the performance level of the suppliers in the supply chain and forms the baseline for continuous improvement. The audit protocol involves visiting factories to review processes and documents, observe activities, and talk with workers. Due to government imposed travel restrictions, only a fraction of the suppliers were audited in person. Once travel restrictions are lifted, the Company expects to continue its progress toward the 100% target. Results show that it is still important to verify data and support suppliers at the factory-level.

In FY2020, 68% of key wet processing mills tested their wastewater according to the ZDHC Wastewater Guidelines. The industry still has work to do in this area, and the Company cannot change the industry in a sustainable way alone. To build off of the progress made so far, the Company will continue to apply learnings to the broader goal of eliminating the discharge of hazardous chemicals, and will continue monitoring its factories with its own audit protocol.

Wastewater Testing

Topic	Target	FY2020
Wastewater testing	100% of wet processing mills test their wastewater according to the ZDHC Wastewater Guidelines	68%

In theory, suppliers utilizing the ZDHC Manufacturing Restricted Substances List can be confident that wastewater emitted after production is free of hazardous chemicals. However, it is not always that simple. Therefore, the Company has a wastewater testing program according to the ZDHC Wastewater Guidelines to ensure the water leaving each wet processing factory meets its requirements, and is safe for the environment and the community.

Ship and Sell Sustainably

When thinking about how to ship and sell sustainably, the Company considers issues such as waste and carbon footprint. Addressing each of these areas require partnerships with the suppliers and vendors, creative problem-solving, innovative materials, and detailed monitoring and measurement.

Waste

Given the large quantity of plastic waste in the world, the Company created a plan to reduce usage of polybag and to find new innovative packaging solutions. Tackling waste also requires a study on packaging since this is the main source of generating garbage, including cardboard and single-use plastics. While it is important to safeguard products when they are transported from the factory to the warehouse, and from the warehouse to the customer, all these packaging materials create more waste.

At some point during its lifecycle, nearly every garment is folded into a plastic polybag for the purpose of protection. Unfortunately, the end result causes more plastic waste.

The Company has found an innovative method to reduce plastic waste by folding garments in a different way, allowing staff to replace the polybag with a small strap. Although the strap is currently made of plastic, the Company has plans to replace it with decomposable materials in the near future.

In Spring 2020, the Company introduced plastic banderoles which includes 30% recycled content for non-crease sensitive pants. The use of these roll-packs for denim products has achieved a 55% – 86% reduction of plastic packaging per item (depending on the product). Moving forward, the Company plans to expand this innovation to other product categories to further reduce unnecessary plastic use.

For delicate products that require a polybag for the sake of product protection during logistic handling, the Company has introduced a smaller and lighter polybag that is made with 30% recycled content. In FY2020, the use of these lighter bags translate to a 40% reduction in plastic packaging for the same sales volume compared to the fiscal year ended 30 June 2020 (“FY19/20”).

3

Management Discussion and Analysis

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 fiscal 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

	For the six months ended 31 December 2020	For the year ended 30 June 2020
HK$ million		
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 advertizing expenses	(18)	(516)
Depreciation of property, plant and equipment	(22)	(391)
Depreciation of right-of-use assets	(99)	(972)
Impairment loss on 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 the performance of the G20 Companies does not form part of the operating result of the Group for the Period as it 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 Luxembourg 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 the Summer, the sales of this channel is troubled by the cancelled orders for Spring Summer stock, but the sales gradually recovered in September and October. With many European countries reimposing lockdown measures in November, and Germany put into lockdown again in December, the wholesale channel 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 previous financial years. By moving sales channels 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

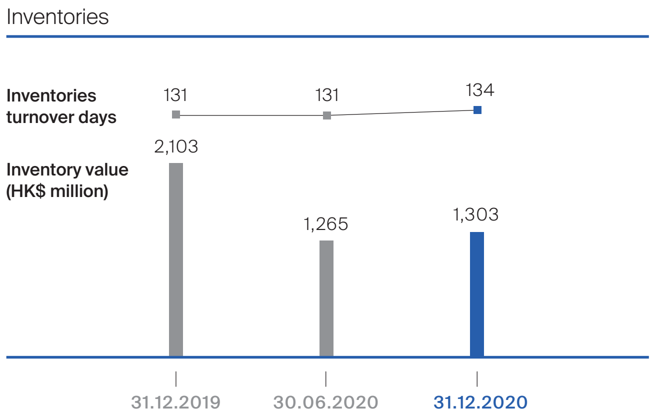
Retail restrictions imposed by many governments as part of the necessary countermeasures against the Pandemic have challenged us to further optimize our working capital management, particularly with respect to inventories and trade debtors.

Inventories

The inventory balance amounted to HK$1,303 million (30 June 2020: 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 131 days in December 2019 respectively. The deterioration in turnover is attributed by the lockdown measures.

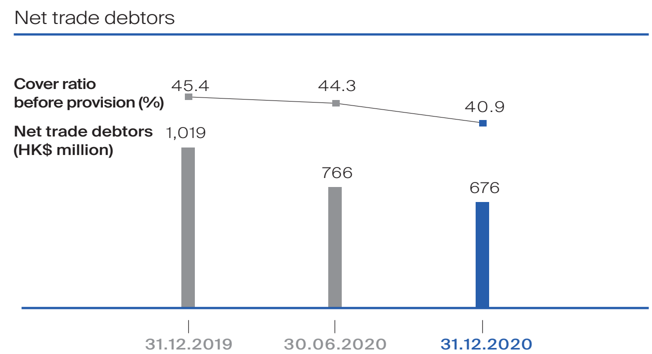
The overstock caused by store closures in the Pandemic has resulted an impairment on inventory, which is amounted to HK$180 million, including both continuing and discontinued operations.



Net Trade Debtors

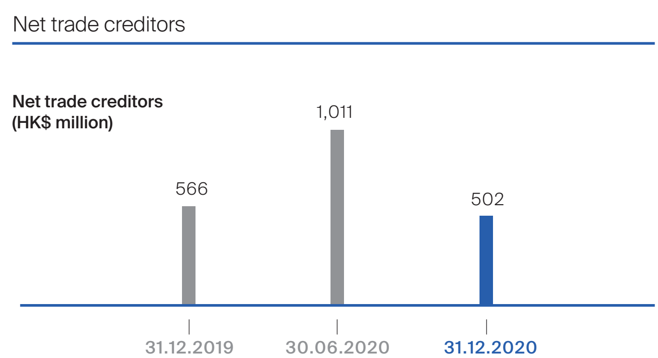
Net trade debtors was amounted to HK$676 million (FY19/20: HK$766 million), which is a decrease of 11.6% (by HK$90 million) as compared to FY19/20 due to lower sales and increased provisions for bad debt. The provisions for doubtful debts amounted to HK$37 million for the Period including both continuing 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 of HK$105 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.

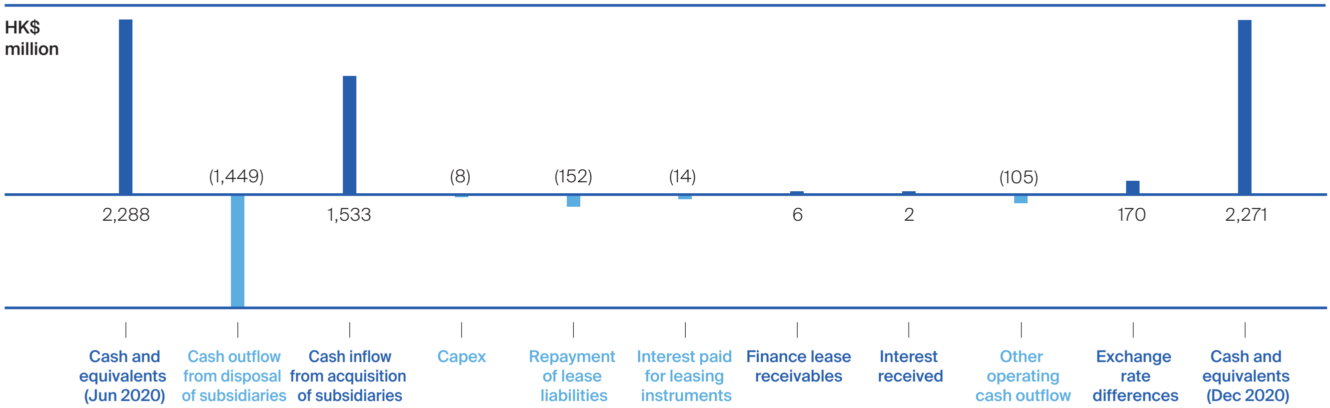
CAPEX

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 throughout 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 realignment 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 rebuilding 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.

4

Corporate Governance

Corporate Governance Report

Esprit is committed to achieving high standards of corporate governance. The Esprit Corporate Governance Code adopted by the board of directors (the "Board" or the "Director(s)") of the Company sets out a range of governance principles and practices to direct and guide the business conducts and affairs of the Company and its subsidiaries (the "Group"). It aims at providing greater transparency, quality of disclosure as well as more effective risk management and internal control. The execution and enforcement of the Company's corporate governance system is monitored by the Board. The Board will review the current practices at least annually, and make appropriate changes where considered necessary. We believe our commitment in high standard practices will translate into long-term value and ultimately maximizing returns to shareholders. Management pledge to building long-term interests for shareholders via, for example, conducting business in a socially responsible and professional manner.

The Board has reviewed the corporate governance practices of the Company. The Company has applied the principles of, and complied with, the applicable code provisions of the Corporate Governance Code and Corporate Governance Report ("CG Code") contained in Appendix 14 of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the period from 1 July 2020 to 31 December 2020 (the "Reporting Period"), except for certain deviations as specified with considered reasons for such deviations as explained below.

Board of Directors

Composition of the Board

The Directors of the Company during the Reporting Period and up to the date of this report are:

Executive Directors

- Ms. CHIU Christin Su Yi
  (Acting Executive Chairman)
  (appointed as Executive Director with effect from 21 July 2020 and Acting Executive Chairman with effect from 1 January 2021)
- Mr. DALEY Mark David
  (President and Chief Executive Officer)
  (appointed with effect from 24 December 2020)
- Dr. WAN Yung Ting
  (Chief Product Development Officer)
  (appointed with effect from 24 December 2020)
- Mr. TSCHIRNER Marc Andreas
  (Group Chief Operating Officer)
  (appointed with effect from 21 July 2020 and resigned with effect from 8 January 2021)
- Mr. WONG Hung Wai
  (Group Chief Investment Officer)
  (appointed with effect from 21 July 2020 and resigned with effect from 28 December 2020)
- Mr. KRISTIANSEN Anders Christian
  (Group Chief Executive Officer)
  (resigned as Executive Director with effect from 17 December 2020 and Group Chief Executive Officer with effect from 1 March 2021)
- Dr. SCHMIDT-SCHULTES Johannes Georg
  (Group Chief Financial Officer)
  (resigned as Executive Director with effect from 17 December 2020 and Group Chief Financial Officer with effect from 1 March 2021)

Non-executive Directors

- Dr. OR Ching Fai Raymond
  (Non-executive Chairman)
  (resigned with effect from 1 January 2021)
- Mr. FRIEDRICH Jürgen Alfred Rudolf
  (retired on 18 December 2020)

Independent Non-executive Directors

- Mr. CHUNG Kwok Pan
  (appointed with effect from 29 July 2020)
- Mr. GILES William Nicholas
  (appointed with effect from 24 December 2020)
- Ms. LIU Hang-so
  (appointed with effect from 8 January 2021)
- Mr. LO Kin Ching Joseph
- Mr. LEE Ka Sze Carmelo
  (resigned with effect from 1 January 2021)
- Ms. ZERBIB Sandrine Suzanne Eleonore Agar
  (resigned with effect from 24 December 2020)
- Dr. WECKWERTH Martin
  (resigned with effect from 24 July 2020)

Meetings attended/held

The Board conducts at least four regular Board meetings a year and additional meetings are held as and when required to discuss significant events or important issues. Sufficient notice is given for regular Board meetings to all Directors enabling them to attend and reasonable notice will be given in case of special Board meetings. The Group ensures that appropriate and sufficient information is provided to Board members in a timely manner to keep them abreast of the Group's latest developments thereby assisting them in the discharge of their duties.

The individual attendance records of each Director at the Board meetings, Board Committees meetings and general meetings of the Company during the Reporting Period is set out in the table below:

	Board	Independent Non-executive Directors[3]	Audit Committee	Nomination Committee	Remuneration Committee	Risk Management Committee[4]	General Committee[5]	Annual general meeting
Executive Directors[2]								
CHIU Christin Su Yi (appointed with effect from 21 July 2020)	8/8				3/3	0/0	0/0	1/1
DALEY Mark David (appointed with effect from 24 December 2020)	0/0							
WAN Yung Ting (appointed with effect from 24 December 2020)	0/0							
TSCHIRNER Marc Andreas (appointed with effect from 21 July 2020 and resigned with effect from 8 January 2021)	8/8						0/0	1/1
WONG Hung Wai (appointed with effect from 21 July 2020 and resigned with effect from 28 December 2020)	8/8						0/0	1/1
KRISTIANSEN Anders Christian (resigned with effect from 17 December 2020)	14/14				3/3		0/0	0/0
SCHMIDT-SCHULTES Johannes Georg (resigned with effect from 17 December 2020)	14/14					0/0	0/0	0/0
Non-executive Directors[2]								
OR Ching Fai Raymond (resigned with effect from 1 January 2021)	15/15	0/0		5/5			0/0	1/1
FRIEDRICH Jürgen Alfred Rudolf (retired on 18 December 2020)	12/14		2/3					0/1
Independent Non-executive Directors[1&2]								
CHUNG Kwok Pan (appointed with effect from 29 July 2020)	7/7	0/0	3/3		3/3	0/0		1/1
GILES William Nicholas (appointed with effect from 24 December 2020)	0/0	0/0	0/0		0/0			
LO Kin Ching Joseph	13/15	0/0	3/3	5/5				1/1
LEE Ka Sze Carmelo (resigned with effect from 1 January 2021)	15/15	0/0		5/5	3/3	0/0		1/1
ZERBIB Sandrine Suzanne Eleonore Agar (resigned with effect from 24 December 2020)	14/14	0/0	3/3		3/3	0/0		1/1
WECKWERTH Martin (resigned with effect from 24 July 2020)	8/8	0/0	0/0		0/0			0/0

Notes:
1 Ms. LIU Hang-so was appointed as Independent Non-executive Director with effect from 8 January 2021.
2 None of the Directors attended the meetings by his/her alternate.
3 Due to significant change of the composition of the Board, there was no Independent Non-executive Directors' meeting with the Chairman of the Board in the short interval of the Reporting Period.
4 Please refer to the section of "Risk Management Committee" on page 42.
5 Please refer to the section of "General Committee" on pages 42 and 43.

Board meetings and minutes

The Board conducts meetings on a regular and on ad hoc basis of at least four times a year to discuss the overall strategy as well as the operational and financial performance of the Group, and to review and approve the Group's annual and interim results. The Board members are served with notice of at least fourteen days for a regular Board meeting and provided with all agendas and adequate information for their review at least three days before the meetings. For all other Board meetings, reasonable notice should be given.

Minutes of the Board meetings and Board Committees meetings have been recorded in sufficient detail including any matters considered in the meetings, decisions reached and concerns or queries raised by the Directors or dissenting views expressed. Draft and final versions of minutes of meetings of the Board and Board Committees are sent to the Directors or Board Committee members for comments and records respectively within a reasonable time after the meeting. Minutes of meetings of the Board and Board Committees are kept by the Company Secretary, which are open for inspection following reasonable notice by any Director.

Clear distinction between the responsibilities of the Board and management

The Board oversees the overall management of the Group, including oversight of the Group's operations, whilst allowing management substantial autonomy to run and develop the business.

The management of the Group will be responsible for making decisions relating to daily operation of the Group. Decisions reserved for the Board are mainly related to:

- the long-term objectives and strategy of the Group;
- monitoring the performance of management;
- ensuring that appropriate and effective risk management and internal control systems are established and maintained to enable risks to be assessed and managed;
- monitoring the quality and timeliness of external reporting;
- monitoring the policies and practices on the compliance with applicable laws and regulations; and
- approving the Company's policies and practices on corporate governance.

Board independence

The Company currently has four Independent Non-executive Directors, representing more than one-third of the Board. At least one of the Independent Non-executive Directors has the appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10 of the Listing Rules. The Company has received confirmation of independence from each Independent Non-executive Director as set out in Rule 3.13 of the Listing Rules and continues to consider each of them to be independent. In addition, no controlling shareholder is present on the Board ensuring decisions are made fairly and without conflicts of interest.

In assessing the independence of the Independent Non-executive Directors, the Nomination Committee and the Board would consider the character and the judgment demonstrated by the Director's contribution to the Board during the years of services, the relationship with the Group other than being a Director, the past and present directorships and important appointments of the Director outside the Group. Further appointment of an Independent Non-executive Director who serves more than nine years shall be subject to a separate resolution to be approved by the shareholders.

Board effectiveness

The Directors come from diverse business and professional backgrounds appropriate to the requirement of the business of the Company. The Board endeavours to support the expansion of the Board membership by identifying appropriate candidates who will bring further skills, insights and value to the business so that we have a well-balanced composition of Executive Directors and Non-executive Directors.

Gender	Male (57%)
	Female (43%)
Ethnicity	Asian (71%)
	Non-Asian (29%)
Age	Over 60 years old (14%)
	51 to 60 years old (57%)
	Below 51 years old (29%)
Length of service	More than 1 year (14%)
	Below 1 year (86%)

Note: ( ) denotes relevant percentage out of the total number of Directors

Continuous professional development

Each newly appointed Director receives comprehensive, formal and tailored induction program to ensure that he/she has an overview of the business and operations of the Group and a proper understanding of the Esprit Corporate Governance Code, his/her responsibilities and obligations under the Listing Rules and applicable laws and regulatory requirements.

Continuous professional development programs are provided for Directors to develop and refresh their knowledge, skills and understanding of the business and markets in which the Group operates. All Directors were provided with Esprit and industry news, monthly updates, research reports and other reading materials of the Group's business and the industry and regulatory environments in which the Group operates.

Participation in Director's continuous professional development program during the Reporting Period is summarized as follows:

	Attended seminar(s)/ conference(s)/ forum(s)	Read journal(s)/ update(s)/ article(s)/ material(s)
Executive Directors		
CHIU Christin Su Yi (appointed with effect from 21 July 2020)	✓	✓
DALEY Mark David (appointed with effect from 24 December 2020)		✓
WAN Yung Ting (appointed with effect from 24 December 2020)		✓
TSCHIRNER Marc Andreas (appointed with effect from 21 July 2020 and resigned with effect from 8 January 2021)	✓	✓
WONG Hung Wai (appointed with effect from 21 July 2020 and resigned with effect from 28 December 2020)		✓
KRISTIANSEN Anders Christian (resigned with effect from 17 December 2020)		✓
SCHMIDT-SCHULTES Johannes Georg (resigned with effect from 17 December 2020)		✓
Non-executive Directors		
OR Ching Fai Raymond (resigned with effect from 1 January 2021)	✓	✓
FRIEDRICH Jürgen Alfred Rudolf (retired on 18 December 2020)		✓
Independent Non-executive Directors[1]		
CHUNG Kwok Pan (appointed with effect from 29 July 2020)		✓
GILES William Nicholas (appointed with effect from 24 December 2020)		✓
LO Kin Ching Joseph		✓
LEE Ka Sze Carmelo (resigned with effect from 1 January 2021)	✓	✓
ZERBIB Sandrine Suzanne Eleonore Agar (resigned with effect from 24 December 2020)	✓	✓
WECKWERTH Martin (resigned with effect from 24 July 2020)		✓
Company Secretary		
LO Tik Man Ophelia	✓	✓

[1] Ms. LIU Hang-so was appointed as Independent Non-executive Director with effect from 8 January 2021.

Chairman and Chief Executive Officer

Dr. OR Ching Fai Raymond was the Non-executive Chairman of the Board during the Reporting Period. After his resignation with effect from 1 January 2021, Ms. CHIU Christin Su Yi has been appointed as Acting Executive Chairman of the Board. Mr. KRISTIANSEN Anders Christian was the Group Chief Executive Officer until 28 February 2021. Mr. DALEY Mark David has been appointed as the President and Chief Executive Officer with effect from 24 December 2020. Mr. DALEY had worked with Mr. KRISTIANSEN to ensure a smooth transition. The role of the Board's Chairman is to provide leadership in order to enable the Board to discharge its function effectively while the Chief Executive Officer focuses on managing and controlling the business of the Group. The roles of the Board's Chairman and Chief Executive Officer are clearly outlined to ensure there is a key distinction between the two positions and are exercised by different individuals.

Non-executive Directors

During the Reporting Period, the Non-executive Directors (a majority of whom are independent) provided the Group with a wide range of expertise and experience. Their active participation in the Board meetings and Board Committees meetings brought independent judgment on issues relating to the Group's strategy, performance and management process, taking into account the interests of all shareholders of the Company.

Non-executive Directors have not been appointed for a specific term. Under code provision A.4.1 of the CG Code, Non-executive Directors should be appointed for a specific term, subject to re-election. However, Non-executive Directors do not have specific term of appointment. Under Bye-law 87 of the Company's Bye-laws, all Directors, including Non-executive Directors, are subject to retirement by rotation and re-election in the annual general meeting (the "AGM") 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 a member of the Audit Committee with effect from 24 July 2020. As a result, the Company failed to meet the following requirements for the period from 24 July 2020 to 28 July 2020:

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

With effect from 29 July 2020, Mr. CHUNG Kwok Pan has been appointed as an Independent Non-executive Director and 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 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 the composition of the Remuneration Committee.

Further, under code provision A.6.7 of the CG 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 AGM on 18 December 2020 ("2020 AGM")) was unable to attend 2020 AGM.

Directors' responsibilities for the consolidated financial statements

The Directors are responsible for overseeing the preparation of the consolidated financial statements for the six months ended 31 December 2020, to ensure that they give a true and fair view of the state of affairs of the Group and of its earnings and cash flows for that financial period. In respect of the consolidated financial statements for the six months ended 31 December 2020, the Directors are satisfied that management have selected appropriate accounting policies, applied them consistently in accordance with the International Financial Reporting Standards and made judgments and estimates that are prudent and reasonable. Saved as disclosed in the section headed "Material Uncertainty Related to Going Concern" of the Independent Auditor's Report, the Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

The Directors wish to make the following statement with regard to the material uncertainty related to going concern in the Independent Auditor's Report:

During the Reporting Period, 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 new temporary lockdowns or other isolation measures could be imposed in major markets where the Group operates. There circumstances and uncertainties may cast a significant doubt over the Group's ability to continue as a going concern.

Notwithstanding the above conditions, the Directors are of the view that the Group and the Company will be able to continue as going concern and that the financial statements have been prepared on that basis after taking into consideration of the following plans and measures:

(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.

The Directors are responsible for ensuring the maintenance of proper accounting records, safeguarding of the assets of the Company and taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditor's responsibilities for the consolildated financial statements

The statement by the auditor regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on pages 63 to 68 of this report.

Directors' securities transactions

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") 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.

Board committees

To oversee particular aspects of the Company's affairs and to assist in the execution of its responsibilities, the Board has established five Board Committees, namely the Audit Committee, the Nomination Committee, the Remuneration Committee, the Risk Management Committee and the General Committee. Terms of reference of the Audit Committee, the Nomination Committee and the Remuneration Committee are available on the respective websites of the Company and HKExnews. The terms of reference are updated from time to time with reference to best corporate governance practices in the market and the Listing Rules. A summary of the membership and responsibilities and duties of each Board Committee performed during the Reporting Period is included below.

Audit Committee

Members:

- Mr. LO Kin Ching Joseph *(Chairman)*
  (Independent Non-executive Director)
- Mr. CHUNG Kwok Pan
  (Independent Non-executive Director, appointed with effect from 29 July 2020)
- Mr. GILES William Nicholas
  (Independent Non-executive Director, appointed with effect from 24 December 2020)
- Ms. ZERBIB Sandrine Suzanne Eleonore Agar
  (Independent Non-executive Director, resigned with effect from 24 December 2020)
- Mr. FRIEDRICH Jürgen Alfred Rudolf
  (Non-executive Director, retired on 18 December 2020)
- Dr. WECKWERTH Martin
  (Independent Non-executive Director, resigned with effect from 24 July 2020)

Responsibilities include, amongst other things, the following:

- provide an independent review of the effectiveness of the financial reporting process including the adequacy of the resources, qualifications, experience of staff of the accounting, internal audit and financial reporting function, and their training programs and budget;
- review of the internal control system, including the whistleblowing arrangements;
- review of financial information of the Company;
- oversee the audit process and the Company's relations with the auditors; and
- perform other duties as assigned by the Board.

The Audit Committee currently comprises three Independent Non-executive Directors. The Audit Committee met three times during the Reporting Period. The attendance record of the Audit Committee members is recorded in the "Meetings attended/held" section above. The Audit Committee is provided with sufficient resources to discharge its duties and meets regularly with management, internal auditors and external auditors and reviews their reports. The Audit Committee also has established a whistleblowing policy and system. Chief Financial Officer, external auditors, internal auditors and senior management are invited to attend the meetings to answer questions raised by the Audit Committee.

Duties performed during the Reporting Period include, amongst other things, the following:

- reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control, and financial reporting matters including the review of the audited results of the Group for the year ended 30 June 2020 and for the six months ended 31 December 2020;
- reviewed the nature, scope and findings of internal and external audits, and the Company's treasury activities, tax issues and liquidity; and
- reviewed the fees for audit and non-audit services to the external auditors.

The Board did not deviate from the recommendations of the Audit Committee on the selection, appointment, resignation or dismissal of external auditors.

Auditor's remuneration

The Audit Committee has reviewed the fees for audit and non-audit services to the external auditors for the six months ended 31 December 2020 and the financial year ended 30 June 2020. A summary of which is as follows:

	For the six months ended 31 December 2020	For the financial year ended 30 June 2020
	HK$ million	HK$ million
Nature of the services		
Audit services	21	15
Non-audit services[1]	1	1
	22	16

Note:
[1] The non-audit services include liquidation advisory, tax advisory and other services.

Internal audit department

The Company's internal audit department (the "Internal Audit") reports directly to the Audit Committee. Internal Audit is responsible for performing regular and systematic reviews of the risk management and internal control systems. The reviews provide reasonable assurance that the risk management and internal control systems continue to operate satisfactorily and effectively within the Group and the Company. Where specialist skills are required, Internal Audit engages an outside professional firm to assist them in their reviews. The attainment of such objectives involves the following activities being carried out by Internal Audit:

- reviewing and appraising the adequacy and application of operational, financial, compliance and other controls and promoting effective internal control in the Group and the Company;
- appraise the risk management system to ensure the full compliance with the requirements under the risk management policy (the "Risk Management Policy") adopted by the Board;
- ascertaining the extent of compliance with established policies, procedures and statutory requirements;
- ascertaining the extent to which the Group's and the Company's assets are accounted for, managed, and safeguarded from losses of all kinds; and
- recommending improvements to the existing systems of risk management and internal control.

Nomination Committee

Members:

- Ms. CHIU Christin Su Yi *(Chairman)*
  (Executive Director, appointed with effect from 1 January 2021)
- Mr. GILES William Nicholas
  (Independent Non-executive Director, appointed with effect from 1 January 2021)
- Ms. LIU Hang-so
  (Independent Non-executive Director, appointed with effect from 8 January 2021)
- Mr. LO Kin Ching Joseph
  (Independent Non-executive Director)
- Dr. OR Ching Fai Raymond
  (Non-executive Director, resigned as chairman with effect from 1 January 2021)
- Mr. LEE Ka Sze Carmelo
  (Independent Non-executive Director, resigned with effect from 1 January 2021)

Responsibilities include, amongst other things, the following:

- review and recommend the structure, size and composition of the Board;
- review and monitor the implementation of the board diversity policy (the "Board Diversity Policy") to ensure its effectiveness (more information on the diversity of the Board is set out in the "Board diversity policy" section below);
- identify and recommend individuals suitably qualified to become Board member(s), selection of candidates for nomination to the Board will be based on merit and contribution the candidate will bring to the Board with due regard to the Board Diversity Policy;
- assess the independence of Independent Non-executive Directors;
- recommend to the Board on relevant matters relating to the appointment or re-election of Directors and succession planning for Directors;
- keep under review the leadership needs of the organization with a view to ensuring the Company can compete effectively in the market place; and
- make recommendations concerning membership of the Board Committees, including the Audit Committee, the Nomination Committee, the Remuneration Committee, the Risk Management Committee and the General Committee.

The Nomination Committee is chaired by the Acting Executive Chairman of the Board, and currently comprises three Independent Non-executive Directors and one Executive Director. The Nomination Committee met five times during the Reporting Period. The attendance record of the Nomination Committee members is set out in the "Meetings attended/held" section above.

Duties performed during the Reporting Period:

- reviewed the structure, size and composition of the Board;
- assessed the independence of the Independent Non-executive Directors;
- reviewed the implementation of the Board Diversity Policy;
- provided recommendation to the Board on the re-election/election of Directors standing for re-election/election at 2020 AGM;
- considered the retirement of Mr. FRIEDRICH Jürgen Alfred Rudolf as Non-executive Director of the Company; and
- considered and recommended potential candidates to the Board for the appointment as Executive Directors and Independent Non-executive Directors of the Company.

Board diversity policy

The Board has adopted a Board Diversity Policy setting out the approach to achieve diversity on the Board with the aims of enhancing the quality of its performance and ensuring orderly succession for appointments. The Company considers aspects of board diversity including but not limited to gender, ethnicity, age, professional experience, skills and knowledge. The ultimate decision will be based on merit and contribution that the individual will bring to the Board. The implementation of the Board Diversity Policy has been reviewed and monitored regularly by the Nomination Committee to ensure its effectiveness. Any required revisions of the Board Diversity Policy will be recommended by the Nomination Committee to the Board for consideration and approval.

Nomination policy

The Board has adopted a nomination policy (the "Nomination Policy") in December 2018 for setting out the key nomination criteria and principles of the Company for nomination of Directors. The Nomination Committee is responsible to review the structure, size and composition (including gender, balance of skills, knowledge, experience and diversity of perspectives) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy. It shall identify individuals suitably qualified to become Board member(s) and select or make recommendations to the Board on the selection of individuals nominated for directorships. In identifying suitable candidates, the Nomination Committee shall consider the candidates on merit and contribution the candidate will bring to the Board with due regard to the Board Diversity Policy. It has to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors in particular the Chairman of the Board and the Chief Executive Officer. The Nomination Committee shall take into account the challenges and opportunities facing the Company and therefore, what skills and expertise are needed on the Board in the future.

Nomination procedures

The Nomination Committee is delegated by the Board to identify suitable candidates and evaluate potential candidates based on the Board Diversity Policy.

Once opportunity for Board appointment is identified, there will be scheduled interviews with the suitable candidate. Results of the interviews will be put forward to the Nomination Committee for consideration. The recommendation of the Nomination Committee will be put forward to the Board for consideration and approval.

In case of re-appointments of members of the Board at AGM, the Nomination Committee will review the profile of the members of the Board who have offered themselves for re-appointment to consider their suitability in light of the strategy of the Company as well as the structure, size and composition of the Board at that time. The Nomination Committee will then make recommendations for the Board's consideration and the Board will, at its discretion, make recommendations to the shareholders.

Remuneration Committee

Members:

- Mr. GILES William Nicholas *(Chairman)*
  (Independent Non-executive Director, appointed with effect from 24 December 2020)
- Ms. CHIU Christin Su Yi
  (Executive Director, appointed with effect from 21 July 2020)
- Mr. CHUNG Kwok Pan
  (Independent Non-executive Director, appointed with effect from 29 July 2020)
- Ms. LIU Hang-so
  (Independent Non-executive Director, appointed with effect from 8 January 2021)
- Mr. LEE Ka Sze Carmelo
  (Independent Non-executive Director, resigned with effect from 1 January 2021)
- Ms. ZERBIB Sandrine Suzanne Eleonore Agar
  (Independent Non-executive Director, re-designated as chairman with effect from 29 July 2020 and resigned as chairman with effect from 24 December 2020)
- Mr. KRISTIANSEN Anders Christian
  (Executive Director, resigned with effect from 17 December 2020)
- Dr. WECKWERTH Martin
  (Independent Non-executive Director, resigned as chairman with effect from 24 July 2020)

Responsibilities include, amongst other things, the following:

- recommend to the Board on the Group's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- determine specific remuneration packages of all individual Executive Directors and senior management;
- review and approve the compensation payable to Executive Directors and senior management for any loss or termination of their office or appointment;
- recommend to the Board on the remuneration for Non-executive Directors;
- review and approve management's remuneration proposals with reference to the Board's corporate goals and objectives;
- review the design of share incentive schemes for approval by the Board and shareholders; and
- ensure that no Director or any of his associates is involved in deciding his own remuneration.

The Remuneration Committee currently comprises three Independent Non-executive Directors and one Executive Director. The Remuneration Committee met three times during the Reporting Period. The attendance record of the Remuneration Committee members is set out in the "Meetings attended/held" section above.

Duties performed during the Reporting Period:

- reviewed and recommended key performance indicators for the bonus opportunity of senior management; and
- reviewed the director's fees of Non-executive Directors and Independent Non-executive Directors.

Remuneration policy

The fundamental policy of the Group's remuneration and incentive scheme is to link total compensation of Executive Directors, senior management and employees with reference to the corporate goals and objectives set by the Board. Remuneration package is performance-based and takes into account business performance, market practice and competitive market conditions in order to attract, motivate and retain talent. The Remuneration Committee should consult the Chairman of the Board and/or the Chief Executive Officer about the remuneration proposals for other Executive Directors. The recommended remuneration package comprises salaries, bonus opportunity and long-term incentive plans.

Non-executive Directors are compensated with the aim to fairly represent their efforts and time dedicated to the Board and Board Committee matters and reference is made to the level of remuneration for Non-executive Directors of listed companies with global operation.

Risk Management Committee

Members:

- Mr. GILES William Nicholas *(Chairman)* *(Independent Non-executive Director, appointed with effect from 1 January 2021)*
- Mr. CHUNG Kwok Pan *(Independent Non-executive Director, appointed with effect from 24 December 2020)*
- Dr. WAN Yung Ting *(Executive Director, appointed with effect from 1 January 2021)*
- Ms. CHIU Christin Su Yi *(Executive Director, appointed with effect from 17 December 2020 and resigned with effect from 1 January 2021)*
- Mr. LEE Ka Sze Carmelo *(Independent Non-executive Director, resigned as chairman with effect from 1 January 2021)*
- Ms. ZERBIB Sandrine Suzanne Eleonore Agar *(Independent Non-executive Director, resigned with effect from 24 December 2020)*
- Dr. SCHMIDT-SCHULTES Johannes Georg *(Executive Director, resigned with effect from 17 December 2020)*

Responsibilities include, amongst other things, the following:

- review the effectiveness of the Group's risk management function;
- review and assess the Group's risk appetite annually;
- review and monitor the Group's risk profiles and ensure an appropriate risk control environment is enforced and maintained;
- review and assess the methodologies employed by management to identify, measure, manage and/or control risks that may have an impact on the business in accordance with the Group's risk appetite and the Risk Management Policy;
- review risk management report, which shall include, amongst other things, a confirmation from management on the effectiveness of the risk management system;
- review and assess the Risk Management Policy; and
- review and assess the Company's Environmental, Social and Governance strategy and reporting.

The Risk Management Committee currently comprises two Independent Non-executive Directors and one Executive Director. Due to the change of management and the uncertainty impacts of the pandemic, the Risk Management Committee did not meet during the Reporting Period, but most of the risk management issues have been directly discussed and considered by the Board as a whole. The Chairman of the Board, Chief Executive Officer, senior management, the heads of risk, compliance and internal auditors and external advisors may be invited to attend the meetings as and when appropriate.

The Board has adopted the Risk Management Policy with key objective of ensuring a consistent basis for measuring, controlling, monitoring and reporting risks across the Group at all levels to support the achievement of the organization's strategic objective. It ensures the implementation of a structured risk management framework across the Group, where the responsibilities for identifying, assessing, and managing risks will be shared with frontline staff or business unit owners on an ongoing basis.

More information about risk management practices of the Group may be found in the "Risk Management and Internal Control" section below.

General Committee

Members:

- Ms. CHIU Christin Su Yi *(Executive Director, appointed with effect from 21 July 2020)*
- Mr. DALEY Mark David *(Executive Director, appointed with effect from 1 January 2021)*
- Dr. WAN Yung Ting *(Executive Director, appointed with effect from 1 January 2021)*
- Mr. TSCHIRNER Marc Andreas *(Executive Director, appointed with effect from 21 July 2020 and resigned with effect from 8 January 2021)*
- Dr. OR Ching Fai Raymond *(Non-executive Director, resigned with effect from 1 January 2021)*
- Mr. WONG Hung Wai *(Executive Director, appointed with effect from 21 July 2020 and resigned with effect from 28 December 2020)*
- Mr. KRISTIANSEN Anders Christian *(Executive Director, resigned with effect from 17 December 2020)*
- Dr. SCHMIDT-SCHULTES Johannes Georg *(Executive Director, resigned with effect from 17 December 2020)*

Responsibilities include, amongst other things, the following:

Discuss, consider and approve routine corporate administrative matters of the Company such as:

- routine administration of the share option schemes of the Company;
- issue of new shares upon exercise of share options granted under the share option schemes adopted by the Company;
- implement share repurchase strategy upon approval by the Board in accordance with the delegated authority;
- determine at the request of management any person or persons who may be regarded as "relevant employees" pursuant to the Guidelines Regarding Securities Transactions by Employees of the Company;
- respond to routine enquiries from the Stock Exchange relating to the continuing obligations of the Company under the Listing Rules;
- issue statements regarding unusual movements in price and/or trading volume of the shares of the Company; and
- other administrative matters.

The General Committee currently comprises three Executive Directors. During the Reporting Period, the General Committee did not have any physical meeting but 4 written resolutions were signed and passed by all members of the General Committee.

Duties performed during the Reporting Period:

- approved the subordination of loan facility to an European subsidiary;
- approved the execution of loan agreements and escrow agreements in relation to the insolvency proceedings of six German subsidiaries;
- approved the execution and delivery of letter of comfort in relation to the insolvency proceedings of six German subsidiaries; and
- approved the opening of bank account of the Company.

Corporate governance function

The Board is responsible for performing corporate governance duties. The duties of the Board in respect of the corporate governance functions include:

- determining and reviewing the Company's policies and practices on corporate governance;
- reviewing and monitoring the training and continuous professional development of Directors and senior management;
- reviewing and monitoring the Company's policies and practices in compliance with legal and regulatory requirements; and
- reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

During the Reporting Period and up to the date of this report, the Board has performed the corporate governance duties in accordance with the CG Code.

Risk management and internal control

The Board is responsible for the risk management and internal control systems. Risk management is an existing practice of Esprit. Previously, annual High Level Risk Assessment exercises were conducted to evaluate Esprit's risks. In 2015, Esprit implemented the Risk Management Policy to formally outline its risk management and internal control systems in form of a "Three Lines of Defense Model".

First line of defense

The systems begin with management, made up of business unit owners who identify, assess, mitigate and monitor risks as an integral part of Esprit's day-to-day operations. Documentation and reporting of the individual risks and their respective risk ratings and controls is done in the form of Risk Registers which are updated regularly. Members of the senior management whom the business unit owners report into review the Risk Registers and escalate key risks under their purview to the Risk Manager.

In addition, management confirms that they have:

(i) reviewed the Risk Registers of relevant business units across the Group;

(ii) assessed and documented risks in the Risk Registers based on the methodologies and the risk parameters stated in the Risk Management Policy; and

(iii) completed the Risk Registers, established relevant controls, and considered the risk appetite to be appropriate for the Group based on their best knowledge.

Thus, management collectively own, manage and oversee a magnitude of risks, which represent the first line of defense in the "Three Lines of Defense Model".

Second line of defense

The Risk Manager is responsible for the implementation and maintenance of risk management processes across the Group. The Risk Manager should provide training to management on risk assessment methodologies, reviews the Risk Management Policy, and facilitates a regular risk assessment process and timely communication to the Risk Management Committee. Based on management's assessments, the Risk Manager selects the Top ten risks of the Group in consultation with the Chief Executive Officer, and reports to the Risk Management Committee. This is the second line of defense in the "Three Lines of Defense Model".

Third line of defense

Internal Audit independently appraises the risk management and internal control systems and reports the results and its opinion to the Audit Committee. This process represents the third line of defense in the "Three Lines of Defense Model".

Governing bodies

The Risk Management Committee in turn reports to the Board, which determines Esprit's risk appetite, evaluates the level of risk Esprit should take and monitors and addresses top risks regularly.

Based on the report from the Audit Committee, the Board considers the risk management and internal control systems to be satisfactory for the six months ended 31 December 2020 and operating effectively according to the Risk Management Policy.

Company Secretary

The Company Secretary is responsible for, among other things, ensuring that Board procedures are observed, and that the Company's Bye-laws, applicable laws, relevant rules and regulations are complied with. She assists the Chairman of the Board and the Board in implementing and strengthening corporate governance practices and processes of the Company. All Directors have access to the advice and services of the Company Secretary.

The Company Secretary assists the Chairman of the Board in ensuring efficient information flow within the Board and Board Committees and between Directors and senior management. She is responsible for facilitating induction program of new Directors and the continuous professional development of existing Directors. She assists the Chairman of the Board and Chairmen of the Board Committees in the development of the agendas for the Board meetings and Board Committee meetings. She also attends and prepares minutes for Board meetings and Board Committee meetings.

Dividend policy

The Board has adopted a dividend policy (the "Dividend Policy") for the Company. The Dividend Policy aims at providing reasonable and sustainable returns to the shareholders of the Company whilst maintaining a position of financial stability which allows the Company to take advantage of any investment and expansion opportunities that may arise from time to time. The Board maintains the dividend payout ratio of 60% of basic earnings per share. In deciding whether to propose a dividend and in determining the dividend amount, the Board will take into account the Company's earnings performance, financial position, investment and funding requirements, and future prospects. The Board will regularly review the Dividend Policy and will amend and/or modify the Dividend Policy if necessary.

Shareholders' rights and investor relations

Shareholders communication policy

The Company has adopted a shareholders communication policy to ensure that shareholders, and in appropriate circumstances, the investment community at large, are provided with ready, equal and timely access to balanced and understandable information about the Company (including its financial performance, strategic goals and plans, material developments, governance and risk profile), in order to enable shareholders to exercise their rights in an informed manner, and to allow shareholders and the investment community to engage actively with the Company.

Enquiries of shareholders

Enquiries of shareholders can be sent to the Company either by email at esprit-ir@esprit.com or by post to the Company's Hong Kong headquarters at 27th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong. Shareholders can also make enquiries to the Board directly at the general meetings of the Company.

How shareholders can convene a special general meeting

Shareholders holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company can at all times submit a signed written requisition, specifying the purpose, to the Board or the Company Secretary to require the convening of a special general meeting ("SGM") and deposit the requisition at the Company's Hong Kong headquarters at 27th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong; and such meeting shall be held within two months after the deposit of such requisition. Upon receiving a valid request from shareholder(s), the Board shall within twenty-one days of such deposit proceed to convene a SGM. If within twenty-one days of such deposit the Board fails to proceed to convene the SGM, the requisitionist(s), or any of them representing more than one half of the total voting rights of all of them, themselves may convene a SGM, but any SGM so convened shall not be held after the expiration of three months from twenty-one days of the deposit.

Procedures for putting forward proposals at general meeting

Shareholders representing not less than one-twentieth of the total voting rights of all shareholders having a right to vote at the AGM at the date of the requisition or who are no less than 100 shareholders can submit a written requisition to the Board or the Company Secretary to propose a resolution at the AGM. The written requisition must state the resolution, accompanied by a statement of not more than one thousand words with respect to the matter referred to in the proposed resolution or the business to be dealt with at the AGM and contain the signatures of all the requisitionist(s) (which may be contained in one document or in several documents in like form). Such requisition must be deposited at the Company's Hong Kong headquarters at 27th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong not less than six weeks before the AGM in the case of a requisition requiring notice of a resolution and not less than one week before the AGM in the case of any other requisition and be accompanied by a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement given by the requisitionists to all shareholders in accordance with the requirements under the applicable laws and rules. Provided that if, after a copy of the requisition requiring notice of a resolution has been deposited at the Company's Hong Kong headquarters, an AGM is called for a date six weeks or less after the copy has been deposited, the copy though not deposited within the time required shall be deemed to have been properly deposited for the purposes thereof.

Shareholders who wish to put forward proposals at SGMs may achieve so by means of convening a SGM following the procedures as set out in the paragraph above.

If a shareholder wishes to propose a person other than a retiring Director for election as a Director at a general meeting, the shareholder should follow the "Procedures for Shareholders to Propose a Person for Election as a Director", which is posted on the website of the Company.

Voting by poll

The Company's shareholders are adequately informed of their rights and the procedures to demand voting by poll in general meetings at which their approvals are sought through disclosure in the Company's circulars to shareholders.

At the 2020 AGM, the Chairman of the meeting demanded voting by poll on all resolutions put forth at the meeting. The detailed procedures for conducting a poll were explained to the shareholders on commencement of the 2020 AGM. Tricor Secretaries Limited, the Company's branch share registrar in Hong Kong, was appointed as the scrutineer for voting by poll at the 2020 AGM to ensure the votes were properly counted.

While it was only since 2009 that Rule 13.39(4) of the Listing Rules has become effective which sets out that any vote of shareholders at a general meeting must be taken by poll, we have been voting by poll on all resolutions put forth to the shareholders since 2003.

Transparency and disclosure

The Company recognizes the importance of timely quarterly trading updates, interim and non-selective disclosure of information. Latest information of the Company including annual and interim reports, announcements and press releases, constitutional documents, presentations, and webcasts are updated on Esprit's Investor Relations website (www.espritholdings.com) in a timely manner.

Esprit actively distributes information on the annual and interim results, and the first and the third quarter trading updates through email alerts. In addition, a results briefing is organized to ensure that members of the public has access to first-hand information on the results announcement. A live webcast is available along with an archive of the webcast on Esprit's Investor Relations website so that the results briefing is easily and readily accessible to individuals all over the world in English.

Esprit is committed to a timely disclosure of information. Aside from annual and interim reports, since 2009, Esprit has voluntarily commenced releasing quarterly trading update to further increase the transparency of the Company. Since 2004, Esprit has adopted the International Financial Reporting Standards in order for the financial results to be comprehended by international audiences in a consistent manner. Another illustration of the Company's efforts in enhancing shareholders' understanding in its operation is the inclusion of a glossary of the terms commonly used within Esprit since Annual Report FY08/09.

Maintaining a two-way communication with shareholders is one of the main goals of Esprit and the Company's AGM is one platform for shareholders to exchange views directly with the Board. Poll results are made publicly available on the same day of the meeting, typically in the space of a few hours, again to ensure the timely disclosure of information.

Pro-active investor relations

To ensure our investors have a better understanding of the Company, our management engages in a pro-active investor relations program. Our Chief Financial Officer and Investor Relations Department communicate with research analysts and institutional investors in an on-going manner. In addition, our Executive Director(s) meet with research analysts and the press after our results announcements, attend major investors' conferences, participate in international non-deal roadshows, and host Investor Relations Day and Analysts Day to communicate the Company's financial performance and strategic priorities.

American depositary receipt program

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

Symbol	ESPGY
CUSIP	29666V204
ISIN	US29666V2043
Ratio	2 ordinary shares: 1 ADR
Country	Hong Kong
Effective Date	05 January 2015
Depositary	Deutsche Bank Trust Company Americas

Other stakeholders

In addition to its investors, the Company is concerned about other stakeholders and for years has factored in corporate social responsibility into every business decision. In an effort to provide more clarity on the Company's corporate social responsibility efforts, a summary of Sustainability Report of the Company has been incorporated into this report in the section headed "Sustainability". The Sustainability Report is available on the Company's website at www.esprit.com/sustainability.

Professional advice

The Company has established a policy enabling all Directors to seek independent professional advice in appropriate circumstances, at the Company's expense. The Board provides separate independent professional advice to Directors to assist the relevant Director or Directors to discharge their duties to the Company as and when requested or necessary.

Report of the Directors

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 Directors present the annual report and the audited consolidated financial statements of the Group for the period from 1 July 2020 to 31 December 2020 (the "Reporting Period").

Principal activities

The Company is an investment holding company. The activities of the principal subsidiaries are shown in note 7 to the consolidated financial statements. 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.

Results and appropriations

The results of the Group and appropriations of the Company are set out in the consolidated statement of profit or loss on page 69 of this report and in the accompanying notes to the consolidated financial statements.

The Directors maintain the dividend payout ratio of 60% of basic earnings per share. As the Group recorded a loss for the Reporting Period, the Directors have not recommended the distribution of a final dividend for the Reporting Period (financial year from 1 July 2019 to 30 June 2020: Nil). Relevant information is set out in note 3.3.2 to the consolidated financial statements.

Reserves

Movements in reserves of the Group and the Company during the Reporting Period are set out in the consolidated statement of changes in equity on page 72 of this report and in note 2.9.2 to the consolidated financial statements respectively.

Business review

A fair review of the business of the Group as required pursuant to Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "Companies Ordinance"), comprising an analysis of the Group performance using financial key performance indicators during the Reporting Period, description of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the Reporting Period as well as indication of likely future development in the business of the Group are set out in the section headed "Management Discussion and Analysis" on pages 22 to 31 of this report. Discussions on the environmental policies and performance of the Group, compliance by the Group with the relevant laws and regulations that have a significant impact on the Group and the account of the Group's key relationships with its stakeholders are contained in the Sustainability Report of the Company. A summary of the Sustainability Report is set out in the section headed "Sustainability" on pages 10 to 19 of this report. Full version of the Sustainability Report of the Company for the Reporting Period will be available on the Company's website at www.esprit.com/sustainability no later than five months after the end of the Reporting Period.

Share capital

During the Reporting Period, no ordinary share of the Company of HK$0.10 each was issued in relation to the share option scheme adopted on 10 December 2009 (the "2009 Share Option Scheme") or the share option scheme adopted on 5 December 2018 (the "2018 Share Option Scheme").

Details of movements in share capital of the Company are set out in note 2.9.1 to the consolidated financial statements.

Financial summary

A summary of the consolidated results and the consolidated balance sheet of the Group for the last ten financial years is set out on pages 134 to 137 of this report respectively.

Property, plant and equipment

Details of movements in property, plant and equipment of the Group during the Reporting Period are set out in note 2.5.2 to the consolidated financial statements.

Pension schemes

Particulars of pension schemes of the Group are set out in notes 2.3.2 and 2.8.3 to the consolidated financial statements.

Principal subsidiaries

Particulars of the Company's principal subsidiaries as at 31 December 2020 are set out in note 7 to the consolidated financial statements.

Charitable donations

During the Reporting Period, the Group made charitable donations totaling HK$0.13 million.

Major customers and suppliers

During the Reporting Period, less than 30% of the Group's sales were attributable to the five largest customers and less than 30% of the Group's purchases were attributable to the Group's five largest suppliers.

Equity-linked agreements

No equity-linked agreements were entered into by the Company during the Reporting Period or subsisted at the end of the Reporting Period, save for the 2009 Share Option Scheme, the 2018 Share Option Scheme and the Share Award Scheme as disclosed in sections of "Share option schemes" and "Share award scheme" below.

Directors

The Directors of the Company during the Reporting Period under review and up to the date of this report are:

Executive Directors

- Ms. CHIU Christin Su Yi
  (Acting Executive Chairman)
  (appointed as Executive Director with effect from 21 July 2020 and Acting Executive Chairman with effect from 1 January 2021)
- Mr. DALEY Mark David
  (President and Chief Executive Officer)
  (appointed with effect from 24 December 2020)
- Dr. WAN Yung Ting
  (Chief Product Development Officer)
  (appointed with effect from 24 December 2020)
- Mr. TSCHIRNER Marc Andreas
  (Group Chief Operating Officer)
  (appointed with effect from 21 July 2020 and resigned with effect from 8 January 2021)
- Mr. WONG Hung Wai
  (Group Chief Investment Officer)
  (appointed with effect from 21 July 2020 and resigned with effect from 28 December 2020)
- Mr. KRISTIANSEN Anders Christian
  (Group Chief Executive Officer)
  (resigned as Executive Director with effect from 17 December 2020 and Group Chief Executive Officer with effect from 1 March 2021)
- Dr. SCHMIDT-SCHULTES Johannes Georg
  (Group Chief Financial Officer)
  (resigned as Executive Director with effect from 17 December 2020 and Group Chief Financial Officer with effect from 1 March 2021)

Non-executive Directors

- Dr. OR Ching Fai Raymond
  (Non-executive Chairman)
  (resigned with effect from 1 January 2021)
- Mr. FRIEDRICH Jürgen Alfred Rudolf
  (retired on 18 December 2020)

Independent Non-executive Directors

- Mr. CHUNG Kwok Pan
  (appointed with effect from 29 July 2020)
- Mr. GILES William Nicholas
  (appointed with effect from 24 December 2020)
- Ms. LIU Hang-so
  (appointed with effect from 8 January 2021)
- Mr. LO Kin Ching Joseph
- Mr. LEE Ka Sze Carmelo
  (resigned with effect from 1 January 2021)
- Ms. ZERBIB Sandrine Suzanne Eleonore Agar
  (resigned with effect from 24 December 2020)
- Dr. WECKWERTH Martin
  (resigned with effect from 24 July 2020)

Under Bye-law 87(1) of the Company's Bye-laws, one-third of the Directors must retire, thus becoming eligible for re-election at each AGM. Furthermore, any Director who was not elected or re-elected at any of the preceding two AGMs must retire, thus becoming eligible for re-election at the AGM. Accordingly, Ms. CHIU Christin Su Yi will retire from office by rotation at the forthcoming AGM and being eligible, will offer herself for re-election at the forthcoming AGM. In addition, under Bye-law 86(2) of the Company's Bye-laws, any Director appointed during the year to fill a casual vacancy or as an addition to the existing board should retire at the first general meeting after his/her appointment. Therefore, Mr. DALEY Mark David, Dr. WAN Yung Ting, Mr. GILES William Nicholas and Ms. LIU Hang-so shall hold office only until the forthcoming AGM and being eligible, will offer themselves for election at the forthcoming AGM. The biographical details of the retiring Directors will be set out in a circular to shareholders of the Company to assist shareholders in making an informed decision on their re-election/election. Save for the service contract with Mr. DALEY, none of the Directors standing for re-election/election at the forthcoming AGM has a service contract with any member of the Group which is not determinable by the relevant employer within one year without payment of compensation (other than statutory compensation).

Changes in directorship and other changes in Directors information

The changes of information of Directors, as notified to the Company, subsequent to the date of Annual Report for the financial year ended 30 June 2020 pursuant to Rule 13.51B(1) of the Listing Rules and change in directorship due to reasons relating Company's affairs are set out as follows:

Directors	Details of changes
Ms. CHIU Christin Su Yi	■ appointed as a member of the Risk Management Committee with effect from 17 December 2020 and resigned with effect from 1 January 2021 ■ appointed as Acting Executive Chairman and chairman of the Nomination Committee with effect from 1 January 2021 ■ entitled to a director's fee of HK$200,000 per month with effect from 1 February 2021
Mr. DALEY Mark David	■ appointed as Executive Director and the President and Chief Executive Officer with effect from 24 December 2020 ■ appointed as a member of the General Committee with effect from 1 January 2021 ■ entitled to a service fee of US$1,000,000 (equivalent to approximately HK$7,750,000) per annum
Dr. WAN Yung Ting	■ appointed as Executive Director and the Chief Product Development Officer with effect from 24 December 2020 ■ appointed as member of the Risk Management Committee and the General Committee with effect from 1 January 2021 ■ entitled to a director's fee of HK$2,400,000 per annum
Mr. CHUNG Kwok Pan	■ appointed as a member of the Risk Management Committee with effect from 24 December 2020 ■ entitled to a director's fee of HK$480,000 per annum with effect from 1 January 2021
Mr. GILES William Nicholas	■ appointed as an Independent Non-executive Director, chairman of the Remuneration Committee and member of the Audit Committee with effect from 24 December 2020 ■ appointed as chairman of the Risk Management Committee and member of the Nomination Committee with effect from 1 January 2021 ■ entitled to a director's fee of HK$480,000 per annum
Ms. LIU Hang-so	■ appointed as Independent Non-executive Director and member of the Nomination Committee and the Remuneration Committee with effect from 8 January 2021 ■ entitled to a director's fee of HK$480,000 per annum
Dr. OR Ching Fai Raymond	■ resigned as Non-executive Director and Non-executive Chairman, chairman of the Nomination Committee and member of the General Committee with effect from 1 January 2021
Mr. KRISTIANSEN Anders Christian	■ resigned as Executive Director and member of the Remuneration Committee and the General Committee with effect from 17 December 2020 ■ resigned as Group Chief Executive Officer with effect from 1 March 2021
Dr. SCHMIDT-SCHULTES Johannes Georg	■ resigned as Executive Director and member of the Risk Management Committee and the General Committee with effect from 17 December 2020 ■ resigned as Group Chief Financial Officer with effect from 1 March 2021
Mr. TSCHIRNER Marc Andreas	■ resigned as Executive Director, Group Chief Operating Officer and member of the General Committee with effect from 8 January 2021
Mr. WONG Hung Wai	■ resigned as Executive Director, Group Chief Investment Officer and member of the General Committee with effect from 28 December 2020
Mr. FRIEDRICH Jürgen Alfred Rudolf	■ retired as Non-executive Director and member of the Audit Committee on 18 December 2020
Mr. LEE Ka Sze Carmelo	■ resigned as Independent Non-executive Director, chairman of the Risk Management Committee, and member of the Nomination Committee and the Remuneration Committee with effect from 1 January 2021
Ms. ZERBIB Sandrine Suzanne Eleonore Agar	■ resigned as Independent Non-executive Director, chairman of the Remuneration Committee and member of the Audit Committee and the Risk Management Committee in view of the changes to the Company's shareholder base and direction with effect from 24 December 2020

Save as disclosed above, there is no other information required to be disclosed herein pursuant to Rule 13.51B(1) of the Listing Rules.

Directors' emoluments

Particulars of the remuneration of the Directors and senior management for the Reporting Period disclosed pursuant to section 383 of the Companies Ordinance and Appendix 16 of the Listing Rules are set out in note 4.1 to the consolidated financial statements. In addition to offering competitive remuneration packages and discretionary bonuses to Directors, the Company also grants share options to Directors and eligible employees based on individual performance as an incentive. The emoluments of the Directors are determined based on the operating results of the Group, individual performance and/or prevailing market conditions. The interests of the Directors in share options and awarded shares are set out in sections of "Share option schemes" and "Share award scheme" below respectively. Information about the remuneration policy of the Group is set out in the section headed "Corporate governance report" on pages 33 to 46 of this report.

Material contracts

Save as disclosed in this report, no contract of significance has been entered into during the Reporting Period between the Company or any of its subsidiaries and the controlling shareholder or its subsidiaries.

Long-term incentive schemes

The Company has one share option scheme and one share award scheme at different times to recognize the contribution of certain employees and help to retain them for the Group's operations and further development. For details, please refer to the sections of "Share option scheme" and "Share award scheme" below.

Directors' material interests in transactions, arrangements or contracts

No transaction, arrangement and contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of or at any time during the Reporting Period save as disclosed in section of "Related party transactions" below.

Service contracts

Ms. CHIU Christin Su Yi, Mr. DALEY Mark David and Dr. WAN Yung Ting have entered into respective directorship/service contract with the Company while the other Directors have not entered into any service contract with the Company or any member of the Group. Apart from the service contract with Mr. DALEY, no Director has an unexpired service contract which is not determinable by the Company within one year without payment of compensation other than normal statutory compensation.

Permitted indemnity provision

The Company's Bye-laws provide that the Directors, secretary and other officers of the Company for the time being shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty. Such provisions were in force during the course of the Reporting Period and remained in force as of the date of this report.

Directors' interests and short positions in shares, underlying shares and debentures

As at 31 December 2020, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) ("SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code contained in Appendix 10 of the Listing Rules, were as follows:

Name of Director/ Chief executive	Capacity	Beneficial interest in the ordinary shares	Beneficial interest in the underlying shares in respect of the unlisted equity derivatives of the Company (Note 2)	Total number of shares	Approximate percentage of aggregate interest to total issued share capital
OR Ching Fai Raymond (resigned with effect from 1 January 2021)	Beneficial owner (Note 1)	3,000,000	8,450,000	11,450,000	0.60%
KRISTIANSEN Anders Christian (resigned as Executive Director with effect from 17 December 2020 and Group Chief Executive Officer with effect from 1 March 2021)	Beneficial owner	–	12,000,000	14,000,000	0.74%
	Beneficiary of a trust under the Share Award Scheme	2,000,000	–		
SCHMIDT-SCHULTES Johannes Georg (resigned as Executive Director with effect from 17 December 2020 and Group Chief Financial Officer with effect from 1 March 2021)	Beneficial owner	–	2,000,000	2,000,000	0.10%
LEE Ka Sze Carmelo (resigned with effect from 1 January 2021)	Beneficial owner	–	1,100,000	1,100,000	0.05%

Notes:
1. The interests of 200,000 shares were jointly held by Dr. OR Ching Fai Raymond and his spouse, Mrs. OR WONG Lai Ning.
2. The interests of the Directors and chief executives of the Company in the underlying shares of equity derivatives in respect of share options and awarded shares of the Company are detailed in sections of "Share options schemes" and "Share award scheme" below respectively.
3. All interests disclosed above represent long position in the shares and underlying shares of the Company.

Save as disclosed above, as at 31 December 2020, none of the Directors and chief executives of the Company or their respective associates had any interests or short positions, whether beneficial or non-beneficial, in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Share option schemes

2009 Share Option Scheme

The Company adopted the 2009 Share Option Scheme on 10 December 2009 and the scheme was terminated on 5 December 2018. Notwithstanding its termination, 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. Particulars of the 2009 Share Option Scheme are set out in note 4.2.1 to the consolidated financial statements. A summary of the movements of the outstanding share options under the 2009 Share Option Scheme during the Reporting Period is as follows:

					Number of share options						
	Date of grant (dd/mm/yyyy)	Exercise price (HK$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	As at 01/07/2020	Granted	Transferred in	Exercised	Transferred out	Lapsed	As at 31/12/2020
Directors											
OR Ching Fai Raymond (resigned with effect from 1 January 2021)	30/06/2014	11.00	30/06/2015	30/06/2015 - 29/06/2024	450,000	-	-	-	-	-	450,000
	25/06/2018	2.66	25/06/2021	25/06/2021 - 24/06/2028	8,000,000	-	-	-	-	-	8,000,000
	In aggregate				8,450,000	-	-	-	-	-	8,450,000
KRISTIANSEN Anders Christian (resigned as Executive Director with effect from 17 December 2020 and Group Chief Executive Officer with effect from 1 March 2021)	25/06/2018	2.66	25/06/2021	25/06/2021 - 24/06/2028	8,000,000	-	-	-	8,000,000	-	-
FRIEDRICH Jürgen Alfred Rudolf (retired on 18 December 2020)	30/06/2014	11.00	30/06/2015	30/06/2015 - 29/06/2024	110,000	-	-	-	110,000	-	-
	28/09/2018	1.884	28/09/2019	28/09/2019 - 27/09/2028	500,000	-	-	-	500,000	-	-
	In aggregate				610,000	-	-	-	610,000	-	-
LEE Ka Sze Carmelo (resigned with effect from 1 January 2021)	30/06/2014	11.00	30/06/2015	30/06/2015 - 29/06/2024	100,000	-	-	-	-	-	100,000
	28/09/2018	1.884	28/09/2019	28/09/2019 - 27/09/2028	500,000	-	-	-	-	-	500,000
	In aggregate				600,000	-	-	-	-	-	600,000

Share option schemes (continued)

2009 Share Option Scheme (continued)

	Date of grant (dd/mm/yyyy)	Exercise price (HK$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	Number of share options As at 01/07/2020	Granted	Transferred in	Exercised	Transferred out	Lapsed	As at 31/12/2020
Employees	27/09/2010	43.00	27/09/2013	27/09/2013 - 26/09/2020	550,000	-	-	-	-	550,000	-
	27/09/2011	8.76	27/09/2014	27/09/2014 - 26/09/2021	1,450,000	-	-	-	-	400,000	1,050,000
	12/12/2012	12.32	12/12/2015	12/12/2015 - 11/12/2022	1,090,000	-	-	-	-	200,000	890,000
	11/03/2013	10.04	11/03/2016	11/03/2016 - 10/03/2023	432,000	-	-	-	-	120,000	312,000
			11/03/2017	11/03/2017 - 10/03/2023	144,000	-	-	-	-	40,000	104,000
			11/03/2018	11/03/2018 - 10/03/2023	144,000	-	-	-	-	40,000	104,000
	04/11/2013	14.18	04/11/2016	04/11/2016 - 03/11/2023	1,595,000	-	-	-	-	250,000	1,345,000
			04/11/2017	04/11/2017 - 03/11/2023	40,000	-	-	-	-	-	40,000
			04/11/2018	04/11/2018 - 03/11/2023	40,000	-	-	-	-	-	40,000
	30/06/2014	11.00	30/06/2017	30/06/2017 - 29/06/2024	180,000	-	-	-	-	-	180,000
			30/06/2018	30/06/2018 - 29/06/2024	60,000	-	-	-	-	-	60,000
			30/06/2019	30/06/2019 - 29/06/2024	60,000	-	-	-	-	-	60,000
	31/10/2014	10.124	31/10/2017	31/10/2017 - 30/10/2024	2,650,000	-	-	-	-	350,000	2,300,000
	13/10/2015	6.55	13/10/2018	13/10/2018 - 12/10/2025	2,600,000	-	-	-	-	350,000	2,250,000
	31/10/2016	6.87	31/10/2019	31/10/2019 - 30/10/2026	2,950,000	-	-	-	-	450,000	2,500,000
	07/11/2017	4.65	07/11/2020	07/11/2020 - 06/11/2027	2,900,000	-	-	-	-	350,000	2,550,000
	25/06/2018	2.66	25/06/2021	25/06/2021 - 24/06/2028	3,700,000	-	-	-	-	950,000	2,750,000
	28/09/2018	1.884	28/09/2021	28/09/2021 - 27/09/2028	2,500,000	-	-	-	1,000,000	-	1,500,000
	In aggregate				23,085,000	-	-	-	1,000,000	4,050,000	18,035,000

Share option schemes (continued)

2009 Share Option Scheme (continued)

	Date of grant (dd/mm/yyyy)	Exercise price (HK$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	Number of share options						
					As at 01/07/2020	Granted	Transferred in	Exercised	Transferred out	Lapsed	As at 31/12/2020
Others	27/09/2010	43.00	27/09/2013	27/09/2013 - 26/09/2020	100,000	-	-	-	-	100,000	-
	27/09/2011	8.76	27/09/2014	27/09/2014 - 26/09/2021	300,000	-	-	-	-	-	300,000
	12/12/2012	12.32	12/12/2015	12/12/2015 - 11/12/2022	100,000	-	-	-	-	-	100,000
	11/03/2013	10.04	11/03/2016	11/03/2016 - 10/03/2023	4,530,000	-	-	-	-	-	4,530,000
			11/03/2017	11/03/2017 - 10/03/2023	1,410,000	-	-	-	-	-	1,410,000
			11/03/2018	11/03/2018 - 10/03/2023	1,410,000	-	-	-	-	-	1,410,000
	04/11/2013	14.18	04/11/2016	04/11/2016 - 03/11/2023	800,000	-	-	-	-	-	800,000
	30/06/2014	11.00	30/06/2015	30/06/2015 - 29/06/2024	-	-	110,000	-	-	-	110,000
	31/10/2014	10.124	23/03/2015	23/03/2015 - 30/10/2024	100,000	-	-	-	-	-	100,000
			31/10/2017	31/10/2017 - 30/10/2024	800,000	-	-	-	-	-	800,000
	13/10/2015	6.55	13/10/2018	13/10/2018 - 12/10/2025	100,000	-	-	-	-	-	100,000
	31/10/2016	6.87	31/10/2019	31/10/2019 - 30/10/2026	100,000	-	-	-	-	-	100,000
	07/11/2017	4.65	07/11/2020	07/11/2020 - 06/11/2027	100,000	-	-	-	-	-	100,000
	25/06/2018	2.66	25/06/2021	25/06/2021 - 24/06/2028	200,000	-	8,000,000	-	-	-	8,200,000
	28/09/2018	1.884	28/09/2019	28/09/2019 - 27/09/2028	-	-	500,000	-	-	-	500,000
			28/09/2021	28/09/2021 - 27/09/2028	1,500,000	-	1,000,000	-	-	-	2,500,000
	In aggregate				11,550,000	-	9,610,000	-	-	100,000	21,060,000
Total					**52,295,000**	**-**	**9,610,000**	**-**	**9,610,000**	**4,150,000**	**48,145,000**

Notes:
1. No share options were canceled under the 2009 Share Option Scheme during the Reporting Period.
2. No share option was granted to the suppliers of the Group during the Reporting Period.

Share option schemes (continued)

2018 Share Option Scheme

The Company adopted the 2018 Share Option Scheme on 5 December 2018. Particulars of the 2018 Share Option Scheme are set out in note 4.2.1 to the consolidated financial statements. A summary of the movements of the outstanding share options under the 2018 Share Option Scheme during the Reporting Period is as follows:

	Date of grant (dd/mm/yyyy)	Exercise price (HK$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	Number of share options: As at 01/07/2020	Granted	Transferred in	Exercised	Transferred out	Lapsed	As at 31/12/2020
Directors											
KRISTIANSEN Anders Christian (resigned as Executive Director with effect from 17 December 2020 and Group Chief Executive Officer with effect from 1 March 2021)	10/12/2019	1.604	19/09/2022	19/09/2022 - 09/12/2029	4,000,000	-	-	-	4,000,000	-	-
SCHMIDT-SCHULTES Johannes Georg (resigned as Executive Director with effect from 17 December 2020 and Group Chief Financial Officer with effect from 1 March 2021)	10/12/2019	1.604	10/12/2022	10/12/2022 - 09/12/2029	2,000,000	-	-	-	2,000,000	-	-
FRIEDRICH Jürgen Alfred Rudolf (retired on 18 December 2020)	10/12/2019	1.604	19/09/2020	19/09/2020 - 09/12/2029	500,000	-	-	-	500,000	-	-
LEE Ka Sze Carmelo (resigned with effect 1 January 2021)	10/12/2019	1.604	19/09/2020	19/09/2020 - 09/12/2029	500,000	-	-	-	-	-	500,000
ZERBIB Sandrine Suzanne Eleonore Agar (resigned with effect from 24 December 2020)	10/12/2019	1.604	10/12/2020	10/12/2020 - 09/12/2029	500,000	-	-	-	500,000	-	-
Employees	10/01/2019	1.56	10/01/2022	10/01/2022 - 09/01/2029	1,000,000	-	-	-	-	1,000,000	-
	27/02/2019	1.98	27/02/2022	27/02/2022 - 26/02/2029	3,500,000	-	-	-	-	3,500,000	-
	10/12/2019	1.604	19/09/2022	19/09/2022 - 09/12/2029	8,200,000	-	-	-	500,000	1,900,000	5,800,000
			10/12/2022	10/12/2022 - 09/12/2029	500,000	-	-	-	-	200,000	300,000
	In aggregate				13,200,000	-	-	-	500,000	6,600,000	6,100,000
Others	10/12/2019	1.604	19/09/2020	19/09/2020 - 09/12/2029	-	-	500,000	-	-	-	500,000
			10/12/2020	10/12/2020 - 09/12/2029	-	-	500,000	-	-	-	500,000
			19/09/2022	19/09/2022 - 09/12/2029	-	-	4,500,000	-	-	-	4,500,000
			10/12/2022	10/12/2022 - 09/12/2029	-	-	2,000,000	-	-	-	2,000,000
	In aggregate				-	-	7,500,000	-	-	-	7,500,000
Total					**20,700,000**	**-**	**7,500,000**	**-**	**7,500,000**	**6,600,000**	**14,100,000**

Notes:
1. No share options were canceled under the 2018 Share Option Scheme during the Reporting Period.
2. No share option was granted to the suppliers of the Group during the Reporting Period.

Share award scheme

The Board of Directors has adopted the Employees' Share Award Scheme (the "Share Award Scheme") on 17 March 2016. Particulars of the Share Award Scheme are set out in note 4.2.2 to the consolidated financial statements. A summary of the movements of the outstanding awarded shares under the Share Award Scheme during the Reporting Period is as follows:

			Number of awarded shares						
	Date of grant (dd/mm/yyyy)	Vesting date (dd/mm/yyyy)	As at 01/07/2020	Granted	Transferred in	Vested	Transferred out	Lapsed	As at 31/12/2020
Director									
KRISTIANSEN Anders Christian (resigned as Executive Director with effect from 17 December 2020 and Group Chief Executive Officer with effect from 1 March 2021)	22/06/2018	22/06/2021	2,000,000	-	-	-	2,000,000	-	-
Employees	03/10/2017	03/10/2020	95,270	-	-	-	-	95,270	-
Other	22/06/2018	22/06/2021	-	-	2,000,000	-	-	-	2,000,000
Total			**2,095,270**	**-**	**2,000,000**	**-**	**2,000,000**	**95,270**	**2,000,000**

Accounting treatment for share options and awarded shares

Details of accounting treatment for share options and awarded shares are set out in note 4.2 to the consolidated financial statements.

Directors' rights to acquire shares or debentures

Save as disclosed above, at no time during the Reporting Period was the Company or its subsidiaries a party to any arrangement that enabled the Directors of the Company or any of their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial shareholders' interests

As at 31 December 2020, the following shareholders (other than the Directors and chief executives of the Company whose interests or short positions in the shares and underlying shares of the Company disclosed above) had interests or short positions in the shares and underlying shares of the Company which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholders	Capacity	Number of shares (Long position)	Approximate percentage of aggregate interest to total issued share capital
LO Ki Yan Karen ("Ms. LO") (Note 1)	Beneficial owner	246,897,800	25.97%
	Interest in a controlled corporation	243,188,400	
North Point Talent Limited (Note 1)	Beneficial owner	243,188,400	12.89%
Total Market Limited (Note 2)	Beneficial owner	211,822,656	11.22%
YING Claudine Lauren (Note 2)	Interest in a controlled corporation	211,822,656	11.22%
YING Eileen (Note 2)	Interest in a controlled corporation	211,822,656	11.22%
YING Melani (Note 2)	Interest in a controlled corporation	211,822,656	11.22%
Marathon Asset Management LLP (Note 3)	Investment manager	187,404,025	9.93%

Notes:
1. North Point Talent Limited, a corporation which was controlled and wholly owned by Ms. LO, held 243,188,400 Shares. Therefore, Ms. LO was deemed to be interested in these Shares.
2. Total Market Limited was 33.33%, 33.33% and 33.33% owned by Ms. YING Claudine Lauren, Ms. YING Eileen and Ms. YING Melani respectively.
3. Marathon Asset Management LLP was 40.05%, 40.05% and 19.90% controlled by Mr. ARAH William, Mr. OSTRER Neil and Marathon Asset Management (Services) Limited respectively.

Save as disclosed hereinabove and in section of "Directors' interests and short positions in shares, underlying shares and debentures" above, the Company has not been notified by any person who had interest or short position in the shares or underlying shares of the Company as at 31 December 2020 which were required to be notified to the Company pursuant to Part XV of the SFO or which are recorded in the register required to be kept by the Company under section 336 of the SFO.

Purchase, sale or redemption of the Company's shares

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

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's Bye-laws.

Public float

As at the date of this report and insofar as the Directors are aware, the Company maintained sufficient public float as required under the Listing Rules.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

Connected transactions

On 25 January 2021, certain transactions were entered into between the Group and the following connected persons of the Company (as defined under the Listing Rules):

(a) pursuant to a tenancy agreement dated 25 January 2021 in respect of the whole floor of 13th Floor of China United Centre, No. 28 Marble Road, North Point, Hong Kong ("13/F Premises") entered into between Filen Limited ("Filen") as the landlord and Esprit Regional Distribution Limited ("ERDL"), an indirectly wholly-owned subsidiary of the Company, as the tenant, Filen leased 13/F Premises to ERDL for a term of 2 years commencing from 1 February 2021 and expiring on 31 January 2023 at a monthly rental of HK$296,001; and

(b) pursuant to a tenancy agreement dated 25 January 2021 in respect of the whole floor of 27th Floor of China United Centre, No. 28 Marble Road, North Point, Hong Kong ("27/F Premises") entered into between CUCNP Holdings Limited ("CUCNP Holdings") as the landlord and ERDL, an indirectly wholly-owned subsidiary of the Company, as the tenant, CUCNP Holdings leased 27/F Premises to ERDL for a term of 2 years commencing from 1 February 2021 and expiring on 31 January 2023 at a monthly rental of HK$302,049.

As at the date of this report, each of Filen and CUCNP Holdings is an indirect subsidiary of Terra Firma Holdings Limited, a company held by the trustee of a discretionary trust of which the immediate family member of Ms. LO Ki Yan Karen is a beneficiary. Ms. LO is a substantial shareholder of the Company, hence a connected person of the Company. Details of the above connected transactions were disclosed in the Company's announcement dated 25 January 2021.

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules and save as disclosed above, there were no other transactions which need to be disclosed as connected transaction in accordance with the requirements of the Listing Rules.

Related party transactions

Details of the significant related party transactions undertaken in the normal course of business are provided under note 4.1 to the consolidated financial statements.

Corporate governance

Particulars of the Company's corporate governance practices are set out on pages 33 to 46 of this report.

Auditor

The consolidated financial statements have been audited by PricewaterhouseCoopers who are due to retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM.

There has been no change in the auditors of the Company for the preceding three years.

On behalf of the Board
Esprit Holdings Limited

CHIU Christin Su Yi
Acting Executive Chairman

Hong Kong, 31 March 2021

Directors and Senior Management Profile

Executive Directors

Ms. CHIU Christin Su Yi, aged 41, has been appointed as an Executive Director of the Company since July 2020 and an Acting Executive Chairman of the Board with effect from 1 January 2021. She is chairman of the Nomination Committee, a member of the Remuneration Committee and the General Committee of the Board, a director of certain subsidiaries of the Company and a trustee of a charitable trust of the Company. Ms. CHIU has extensive experience in corporate finance, securities law matters and regulatory issues. She advises financial institutions, both private and public corporations, hedge funds and private equity funds on securities trading and compliance matters. She graduated from the University of Alberta with a Juris Doctor degree and from McMaster University with a Bachelor of Arts degree, Summa Cum Laude. Ms. CHIU is admitted as an attorney at law in the State of New York in the United States ("US"), and a barrister and solicitor in the British Columbia Province in Canada.

Previously, Ms. CHIU worked at Hogan Lovells, a leading international firm with offices globally and Remedios and Company, a premier boutique law firm situated in Vancouver, Canada.

Mr. DALEY Mark David, aged 57, has been appointed as an Executive Director and the President and Chief Executive Officer of the Company since December 2020. He is a member of the General Committee of the Board and a director of certain subsidiaries of the Company. He is a 35-year retail industry veteran with a wealth of global experience leading brands with exposure in major regional markets including US, Europe, and Asia Pacific.

Mr. DALEY was most recently the chief executive officer of Billy Reid, where he restructured the business and created a new strategic growth plan for the fashion brand of the award-winning designer, Billy Reid. From 2016 until 2018, Mr. DALEY was the chief executive officer of Augustinus Bader Group, where he teamed with a world leading expert in regenerative medicine to form a company specialising in biotech and consumer goods. He grew the business using a complete vertical digital retail model with the latest technology to connect consumers, and successfully raised capital for the company to accelerate its growth. The group now has a footprint in major markets such as the European Union, United Kingdom and the US. Prior to this, he was the chief executive officer of Smythson of Bond Street where he created a 5-year growth plan to triple the business through strategic geographic, store and product strategies.

Mr. DALEY served as Group President Asia Pacific of Ralph Lauren from 2010 to 2015. Under Mr. DALEY's leadership, a completely new e-commerce platform and an innovative luxury store model was launched throughout this region. He successfully repositioned and enhanced the brand's prominence in Asia.

From 2008 to 2010 as chief executive officer of Dean & Deluca, Mr. DALEY took significant steps to improve the product offering and strategically launched the international licensing business in the Middle East, Turkey, Korea, Thailand and Singapore while laying the groundwork for restructuring in Japan. Ultimately through his efforts, the business was successfully sold.

Mr. DALEY began his retail career with DFS Group in 1986 and ended his tenure with the company as Global President of Operations and Business Development in 2008. He guided the company through unprecedented events such as Severe Acute Respiratory Syndrome (SARS), by implementing cost reduction measures and focusing on profitability. He also presciently created a China based team to capitalise on the mainland tourist phenomenon, which grew into the largest part of DFS' business.

Mr. DALEY holds Bachelor's Degrees in both Economics and Sociology from Stanford University.

Dr. WAN Yung Ting, aged 40, has been appointed as an Executive Director and the Chief Product Development Officer of the Company since December 2020. She is member of the Risk Management Committee and the General Committee of the Board. Dr. WAN has years of experience in functional fabric and fashion industry. Dr. WAN previously worked in Far Eastern Textile Ltd., focusing on application of functional fabrics and cooperation with functional sports brands. Dr. WAN also has experience working in Asian fashion brands as a brand and image consultant. Dr. WAN was an Assistant Professor for College of Art and Design at Beijing University of Technology. She acted as a consultant to various art galleries and exhibitions both locally and internationally, regularly spoke at art conferences and symposiums, and published over hundreds of articles and critics at academic journals and art publications.

Dr. WAN obtained a PhD in Art Theory from Peking University, a Master of Arts in Arts and Cultural Management from Peking University, and a Bachelor of Engineering in Fiber and Composite Materials from Feng Chia University. She was a Visiting Scholar at The City University of New York (CUNY).

Independent Non-executive Directors

Mr. CHUNG Kwok Pan, aged 57, has been appointed as an Independent Non-executive Director of the Company since July 2020. He is a member of the Audit Committee, the Remuneration Committee and the Risk Management Committee of the Board. He has been responsible for the business management of Chungweiming Knitting Factory Limited since early 1988. Mr. CHUNG also has several social positions, including a member of the 5th and 6th Legislative Council of Hong Kong (Textile and Garment Sector), Leader of Liberal Party, Honorary Life Chairman of Hong Kong Apparel Society Limited, a member of Honorary General Committee of The Chinese Manufacturers' Association of Hong Kong, an advisor of New Territories General Chamber of Commerce, a director of Hong Kong Design Centre, Chairman of Design Discipline Advisory Board of Vocational Training Council, Chairman of Fashion Industry Training Advisory Committee, Education Bureau of the Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong") and a member of the Advisory Group on Implementation of Fashion Initiatives, The Commerce and Economic Development Bureau of Hong Kong. He was also a member of the 9th Guangdong Provincial Committee of the Chinese People's Political Consultative Conference in 2005.

Mr. CHUNG obtained a Bachelor's degree in Quantity Surveying from Robert Gordon's Institute of Technology, Scotland (currently known as Robert Gordon University, Aberdeen) in July 1986 and a Master's degree in Business Administration from the University of Stirling, Scotland, United Kingdom in May 1988.

He served as an independent non-executive director of SFund International Holdings Limited (previously known as "Hanbo Enterprises Holdings Limited") (stock code: 1367) from June 2014 to November 2016. He has served as an independent non-executive director of High Fashion International Limited (stock code: 608) since July 2019 and an independent non-executive director of Planetree International Development Limited (stock code: 613) since April 2020. These companies are listed on the Stock Exchange.

Mr. GILES William Nicholas, aged 58, has been appointed as an Independent Non-executive Director of the Company since December 2020. He is chairman of the Remuneration Committee and the Risk Management Committee, and a member of the Audit Committee and the Nomination Committee of the Board. He is a partner of Hart Giles, Solicitors & Notaries. Mr. GILES has over thirty years of extensive experience in practising law as a specialist in large-scale commercial litigation, insolvency work, restructuring and regulatory investigations. Mr. GILES has acted in numerous cases in the High Court and Court of Appeal concerning civil fraud, white-collar crime, financial services, employment, commercial contracts and shareholder disputes. Mr. GILES has also acted as liquidator of more than 70 companies and has served as an independent non-executive director of PYI Corporation Limited (a company listed on the Main Board of the Stock Exchange, stock code: 498) since February 2021.

Mr. GILES was admitted as a solicitor in England & Wales in 1987 and in Hong Kong in 1990. Prior to that, Mr. GILES had obtained a Bachelor of Laws degree (Hons) from The University of Sheffield in 1984.

Ms. LIU Hang-so, aged 56, has been appointed as an Independent Non-executive Director of the Company since January 2021. She is a member of the Nomination Committee and the Remuneration Committee of the Board. Ms. LIU is a veteran in consumer goods with specialty lens in luxury retail sector covering watches and jewelry, leather goods, apparel, shoes, accessories and beauty. Ms. LIU has over 20 years of experience in the global retail industry, with exposure in major regional markets including Greater China, Asia Pacific, the US, Japan, Europe and India. Ms. LIU is currently the chief executive officer of DeBeers Forevermark, where she designs and executes the "value creation plan" process and roll-out of improvements with partner stakeholders. Prior to joining DeBeers Forevermark, Ms. LIU worked as a consultant for Boston Consulting Group where she specialized in luxury retail sector with a focus on China market entry, branding, business plan & commercial strategy and organizational restructuring. Prior to that, Ms. LIU held senior management positions in other global brands such as Louis Vuitton, Chaumet, Christian Dior, Ebel, Fendi, TAG Heuer, Zenith and L'Oreal.

Ms. LIU obtained a Bachelor of Arts Degree in Liberal Arts and Sciences from University of Illinois at Chicago in 1986.

Mr. LO Kin Ching Joseph, aged 64, has been appointed as an Independent Non-executive Director of the Company since January 2020. He is chairman of the Audit Committee and a member of the Nomination Committee of the Board. Mr. LO is a chartered certified accountant, fellow of the Association of Chartered Certified Accountants, United Kingdom, and a certified public accountant, fellow member of the Hong Kong Institute of Certified Public Accountants. He joined Deloitte Touche Tohmatsu ("Deloitte") in 1980 and was a partner since 1988 until his retirement in 2016. He was chairman of Deloitte Hong Kong from 2006 to 2014 and chairman of Deloitte China from 2008 to 2014. He has 40 years of professional experience in providing auditing, financial advisory, restructuring, insolvency, mergers and acquisitions and initial public offering services.

Mr. LO is a member of the Court of the Hong Kong Polytechnic University, a member of the Hospital Governing Committee of Queen Mary Hospital and Tsan Yuk Hospital, Hong Kong, a member of the College Council of Chu Hai College of Higher Education, Hong Kong, a committee member of the Hong Kong Arts Development Council Fund; a director of Hong Kong Design Centre Limited, and a member of the Finance Committee of M+ Museum. He is an independent non-executive director of ZA Bank Limited. He served as a member of the Standing Commission on Civil Service Salaries and Conditions of Service, Hong Kong from 2013 to 2019. He was a member of the Committee of Overseers of Wu Yee Sun College, the Chinese University of Hong Kong, a member of 10th and 11th of Hebei Provincial Committee of the Chinese People's Political Consultative Conference (CPPCC) and an advisor to the China Accounting Standards Committee of the Ministry of Finance of China. Mr. LO was the chairman and executive director of Bisu Technology Group International Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1372) from March 2017 to June 2018. He was also an independent non-executive director of Radisson Hospitality AB (a company formerly listed on the stock exchange of Stockholm, Sweden) from May 2017 to March 2019.

Senior management

Various businesses and functions of the Company are respectively under the direct responsibilities of the Executive Directors who are regarded as senior management of the Company.

5

Financial Section

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Esprit holdings limited
(incorporated in Bermuda with limited liability)

Opinion

What we have audited

The consolidated financial statements of Esprit holdings limited (the "Company") and its subsidiaries (the "Group") set out on pages 69 to 131, which comprise:

- the consolidated balance sheet as at 31 December 2020;
- the consolidated statement of profit or loss for the period from 1 July 2020 to 31 December 2020;
- the consolidated statement of comprehensive income for the period from 1 July 2020 to 31 December 2020;
- the consolidated statement of changes in equity for the period from 1 July 2020 to 31 December 2020;
- the consolidated statement of cash flows for the period from 1 July 2020 to 31 December 2020; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our 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.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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 optimization and reduction measures and the Group's Strategic Plan. These events or conditions, along with other matters as set forth in note 1.2.1 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matters identified in our audit are summarised as follows:

- Trademarks impairment
- Impairment of right-of-use assets
- Valuation of inventories at net realizable value

Key Audit Matter

Trademarks impairment

Refer to note 2.5.1 "Intangible assets" and Accounting Policies note 6.7 and Critical Accounting Estimates and Judgments in note 3.1.1 to the consolidated financial statements.

The Group has trademarks of HK$1,701 million in the consolidated balance sheet as at 31 December 2020.

The Group has recorded a net loss during the six months ended 31 December 2020 and management has been closing down loss-making stores and implementing costs reduction measures. Trademark with an indefinite useful life is required to be assessed for impairment at least annually or when an impairment indicator exists.

In determining the recoverable amount of trademarks arrived at the Relief-from-Royalty Method adopted by an external independent valuer ("Valuer"), certain assumptions such as budgeted sales, royalty rates, discount rates and terminal growth rate are required in the discounted cash flow calculations.

Based on their assessment, management concluded that the trademarks were not impaired as at 31 December 2020.

We have focused on this area since the assessment for impairment of trademarks requires significant management judgment on the key assumptions used.

How our audit addressed the Key Audit Matter

We obtained an understanding of management's assessment of carrying value of trademarks and our procedures in relation to this assessment included:

- Assessing the competence, capabilities and objectivity of the Valuer performing the valuation;
- Evaluating management's assessment on whether any event or change in circumstances may indicate a change in the expected useful life of trademarks;
- Involving our valuation expert to evaluate the appropriateness of the valuation methodology on trademarks;
- Evaluating the process by which management's future cash flow forecasts were prepared;
- Comparing historical actual results to those budgeted to assess the quality of management's forecasting;
- Reconciling input data to the approved business plan; and
- Evaluating the reasonableness of the key assumptions including budgeted sales, royalty rates, discount rates and terminal growth rate with reference to the historical financial data, available industry and market data and future business direction and business plan of management.

We considered the estimates made by management in respect of the determination of the recoverable amount are supportable based on the available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of right-of-use assets	
Refer to note 2.5.3 "Right-of-use assets" and Accounting Policies note 6.8 and Critical Accounting Estimates and Judgements in note 3.1.2 to the consolidated financial statements. The Group has right-of-use assets of HK$2,262 million in the consolidated balance sheet as at 31 December 2020. Given the Group's business performance for the six months ended 31 December 2020, management performed an impairment assessment on the right-of-use assets as at 31 December 2020. Management considers each store to be a cash generating unit and has performed a review of the trading results of its stores for the period to assess whether there is a need for an impairment provision for the right-of-use assets. The carrying amounts of the relevant cash-generating units are compared with the corresponding recoverable amounts in the context of the impairment test. The recoverable amounts are calculated on the basis of value in use by using discounted cash flow model. The impairment test determined that is necessary to recognize write-down on the right-of-use assets amounting to a total of HK$6 million. We focused on this area because there are significant judgments and estimates made by management in determining the impairment provision for the right-of-use assets.	We obtained an understanding of management's assessment of the carrying value of the right-of-use assets and our procedures in relation to this assessment included: ▪ Evaluating the process by which management's future cash flow forecasts were prepared; ▪ Comparing historical actual results to those budgeted to assess the quality of management's forecasting; ▪ Reconciling input data to the approved business plan, and ▪ Evaluating the reasonableness of the key assumptions including budgeted sales, gross profit margin, discount rates and terminal growth rate with reference to the historical financial data, available industry and market data and future business direction and business plan of management. We considered the estimates made by management in respect of the impairment provisions for right-of-use assets are supportable based on the available evidence.

Key Audit Matter

Valuation of inventories at net realizable value

Refer to note 2.6.1 "Inventories" and Accounting Policies note 6.12 and Critical Accounting Estimates and Judgments in note 3.1.3 to the consolidated financial statements.

The Group's net inventories balance at 31 December 2020 was HK$1,303 million.

Inventories are carried in the consolidated financial statements at the lower of cost and net realizable value and resulted in a provision for inventories amounting to HK$180 million as at 31 December 2020.

The net realizable value of inventories in the fashion and apparel industry is difficult to estimate and could be impacted by changes in the economic condition of countries where the Group operates, as well as changes in customer tastes and competitor actions in response to changes in market conditions.

We focused on this area due to the inherent complexity and judgment in estimating the amount of inventory provisions required.

How our audit addressed the Key Audit Matter

We have obtained an understanding of the key procedures implemented by management in estimating the net realizable value of inventories and periodic reviews of inventory obsolescence.

We tested a sample of inventory items categorized into different seasons of the year to test whether the inventories were correctly categorized in terms of the ageing of inventories, and recalculated the mathematical accuracy of the provision made. We examined the Group's historical trading patterns of inventories sold at full price, inventories marked down during sales periods and inventories for clearance sales in outlets.

We assessed the reasonableness of the provisions by comparing management's projections on current trends and demands for the remaining inventories, with reference to historical sales experience and related margins in each of these channels. We considered the estimates made by management in respect of the inventories provisions are supportable based on the available evidence.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ms Shia Yuen Yee.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31 March 2021

CONSOLIDATED FINANCIAL STATEMENTS

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	2.3.2	(236)	(1,513)
Occupancy costs		(49)	(315)
Logistics expenses		(54)	(554)
Marketing and advertizing expenses		(18)	(493)
Depreciation of property, plant and equipment	2.5.2	(22)	(374)
Depreciation of right-of-use assets	2.3.3	(97)	(880)
Impairment loss on property, plant and equipment	2.5.2	(7)	(205)
Write-downs of inventories to net realizable value, net	2.3.1	(187)	(292)
Provision for impairment of trade debtors, net	2.6.2	(39)	(55)
Impairment loss on right-of-use assets	2.3.4	(6)	(897)
Impairment loss on trademarks		–	(397)
Impairment loss on goodwill		–	(19)
Loss on deconsolidation	1.2.3	(1,664)	–
Other operating costs	2.3.5	(708)	(1,320)
Operating loss from continuing operations (LBIT)		**(2,711)**	**(3,207)**
Share of results from associates	1.2.4	1,939	–
Loss on remeasurement	1.2.4	(69)	–
Interest income		2	50
Finance costs	2.3.6	(15)	(87)
Loss before taxation from continuing operations		**(854)**	**(3,244)**
Income tax expense	2.4.1	(18)	(437)
Loss from continuing operations		**(872)**	**(3,681)**
Discontinued operations			
Profit/(loss) from discontinued operations		458	(311)
Loss attributable to shareholders of the Company		(414)	(3,992)

		For the six months ended 31 December 2020	For the year ended 30 June 2020
Loss per share from continuing operations			
– basic and diluted	4.3	**HK$(0.46)**	**HK$(1.96)**
Profit/(loss) per share from discontinued operations			
– basic and diluted	4.3	**HK$0.24**	**HK$(0.16)**

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

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	2.8.3	(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	1.2.3	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)**

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

HK$ million	Notes	As at 31 December 2020	As at 30 June 2020
Non-current assets			
Intangible assets	2.5.1	1,878	1,641
Property, plant and equipment	2.5.2	509	530
Right-of-use assets	2.5.3	2,262	2,206
Financial assets at fair value through profit or loss	2.5.5	11	10
Debtors, deposits and prepayments	2.5.6	392	345
Deferred tax assets	2.4.4	51	32
		5,103	**4,764**
Current assets			
Inventories	2.6.1	1,303	1,265
Debtors, deposits and prepayments	2.6.2	1,627	1,453
Tax receivable		45	54
Cash, bank balances and deposits	2.6.3	2,271	2,288
		5,246	**5,060**
TOTAL ASSETS		**10,349**	**9,824**
Current liabilities			
Creditors and accrued charges	2.7.1	2,074	2,817
Lease liabilities	2.7.2	1,046	1,016
Provisions	2.7.3	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	2.9.1	189	189
Reserves		4,050	2,581
		4,239	**2,770**
Non-current liabilities			
Bank loans	2.8.1	9	8
Lease liabilities	2.8.2	2,010	2,467
Retirement defined benefit obligations	2.8.3	31	26
Deferred tax liabilities	2.4.4	437	205
		2,487	**2,706**
TOTAL LIABILITIES		**6,110**	**7,054**
TOTAL EQUITY AND LIABILITIES		**10,349**	**9,824**

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Approved by the Board of Directors on 31 March 2021:

CHIU Christin Su Yi
Executive Director

DALEY Mark David
Executive Director

Consolidated Statement of Changes in Equity

HK$ million	Share capital	Share premium	Employee share-based payment reserve	Shares held for Share Award Scheme	Hedging reserve	Remeasurements of retirement defined benefit obligations	Contributed surplus	Translation reserve	Capital reserve	Accumulated losses	Total Equity
At 30 June 2020	**189**	**7,988**	**910**	**(39)**	**-**	**(5)**	**7**	**(1,001)**	**1**	**(5,280)**	**2,770**
Exchange translation	-	-	-	-	-	-	-	218	-	-	218
Remeasurements of retirement defined benefit obligations (note 2.8.3)	-	-	-	-	-	(2)	-	-	-	-	(2)
Recycling of translation reserve (note 1.2.3)	-	-	-	-	-	-	-	1,664	-	-	1,664
Loss attributable to shareholders of the Company	-	-	-	-	-	-	-	-	-	(414)	(414)
Total comprehensive income, net of tax	**-**	**-**	**-**	**-**	**-**	**(2)**	**-**	**1,882**	**-**	**(414)**	**1,466**
Transactions with owners											
Employee share-based compensation benefits (note 4.2)	-	-	3	-	-	-	-	-	-	-	3
Total transactions with owners	**-**	**-**	**3**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3**
At 31 December 2020	**189**	**7,988**	**913**	**(39)**	**-**	**(7)**	**7**	**881**	**1**	**(5,694)**	**4,239**

HK$ million	Share capital	Share premium	Employee share-based payment reserve	Shares held for Share Award Scheme	Hedging reserve	Remeasurements of retirement defined benefit obligations	Contributed surplus	Translation reserve	Capital reserve	Accumulated losses	Total Equity
At 30 June 2019	**189**	**7,988**	**904**	**(40)**	**9**	**(8)**	**7**	**(1,049)**	**1**	**(1,288)**	**6,713**
Exchange translation	-	-	-	-	-	-	-	48	-	-	48
Fair value loss on cash flow hedge, net of tax											
– net fair value gain (note 3.2.1)	-	-	-	-	10	-	-	-	-	-	10
– transferred to inventories (note 3.2.1)	-	-	-	-	(21)	-	-	-	-	-	(21)
– deferred tax effect (note 2.4.4)	-	-	-	-	2	-	-	-	-	-	2
Remeasurements of retirement defined benefit obligations (note 2.8.3)	-	-	-	-	-	3	-	-	-	-	3
Loss attributable to shareholders of the Company	-	-	-	-	-	-	-	-	-	(3,992)	(3,992)
Total comprehensive income, net of tax	**-**	**-**	**-**	**-**	**(9)**	**3**	**-**	**48**	**-**	**(3,992)**	**(3,950)**
Transactions with owners											
Employee share-based compensation benefits (note 4.2)	-	-	7	-	-	-	-	-	-	-	7
Vesting of shares for Share Award Scheme (note 4.2)	-	-	(1)	1	-	-	-	-	-	-	-
Total transactions with owners	**-**	**-**	**6**	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**7**
At 30 June 2020	**189**	**7,988**	**910**	**(39)**	**-**	**(5)**	**7**	**(1,001)**	**1**	**(5,280)**	**2,770**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

HK$ million	notes	For the six months ended 31 December 2020	For the year ended 30 June 2020
Cash flows from operating activities			
Cash (used in)/generated from operations	2.10	(105)	432
Overseas tax paid, net		(1)	(13)
Interest related to overseas tax refund		–	34
Interest on lease liabilities paid	2.10	(14)	(93)
Interest on finance lease received		–	2
Net cash (used in)/generated from operating activities		**(120)**	**362**
Cash flows from investing activities			
Purchase of intangible assets, property, plant and equipment		(8)	(115)
Proceeds from disposal of plant and equipment	2.10	1	23
Net proceeds from disposal of investment properties	2.5.4	–	21
Net cash outflow for disposal of subsidiaries		(1,449)	–
Net cash inflow for acquisition of subsidiaries		1,533	–
Receipts of finance lease receivables		6	32
Interest received		2	18
Net decrease in bank deposits with maturities of more than three months	2.6.3	56	54
Net cash generated from investing activities		**141**	**33**
Cash flows from financing activities			
Proceeds from bank loans	2.10	–	8
Repayment of lease liabilities	2.10	(152)	(1,326)
Net cash used in financing activities		**(152)**	**(1,318)**
Net decrease in cash and cash equivalents		**(131)**	**(923)**
Cash and cash equivalents at beginning of period/year		**2,231**	**3,171**
Effect of change in exchange rates		**170**	**(17)**
Cash and cash equivalents at end of period/year		**2,270**	**2,231**
Analysis of balances of cash and cash equivalents			
Bank balances and cash		2,175	2,156
Bank deposits		96	132
Cash, bank balances and deposits	2.6.3	**2,271**	**2,288**
Less: bank deposits with maturities of more than three months		(1)	(57)
		2,270	**2,231**
Discontinued operations			
Net cash used in operating activities		(58)	(266)
Net cash generated from investing activities		1	81
Net cash used in financing activities		(7)	(186)

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

1.1. Group structure

Esprit Holdings Limited (the "Company") and its subsidiaries (together the "Group") are 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. The Company is the ultimate parent of the Group.

The Company is a limited liability company incorporated in Bermuda. The registered address is Clarendon House, Church Street, Hamilton HM 11, Bermuda. The Company has its primary listing on The Stock Exchange of Hong Kong Limited (stock code: 00330).

These consolidated financial statements are presented in millions of Hong Kong Dollars, unless otherwise stated.

These consolidated financial statements have been approved for issue by the Board of Directors on 31 March 2021.

Please refer to note 7 for the principal subsidiaries.

1.2. Basis of the preparation

1.2.1. 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 (refer to note 1.2.3).

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.

1.2.2. Change of financial 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.

1.2.3. 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 renegotiate 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 in 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 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 result from associates.

Result from deconsolidation

Whereas the Company lost control over the six Subject Subsidiaries and their fourteen subsidiaries ("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 of 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 reserve	1,664
Loss on deconsolidation	**(1,664)**

1.2.4. 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 accordance with IFRS3 (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 associates (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] Gains in the amount of HK$47 million previously recognized in other comprehensive income were recycled to profit or loss at the time the equity method was discontinued.

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
Net 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	Level 2	Level 3
quoted prices (unadjusted) in active markets for identical assets or liabilities.	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).	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.

1.2.5. 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.

1.3. Compliance with IFRS and HKCO

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

1.4. Historical cost convention

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

1.5. 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.

1.6. 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.

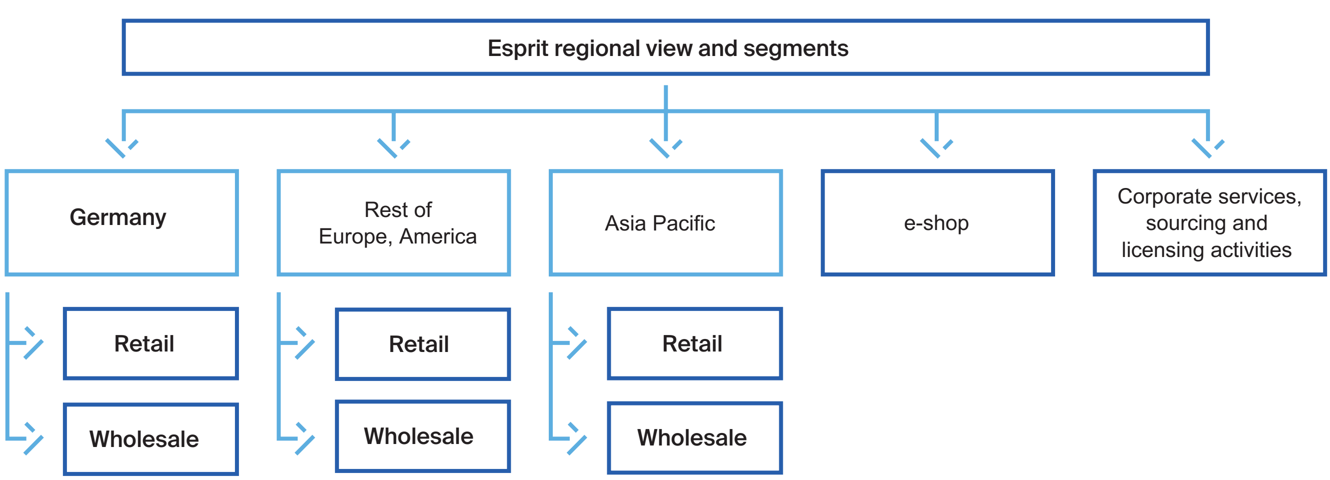
2. PERFORMANCE FOR THE YEAR

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 result of 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)		
EBIT/(LBIT) of the underlying operation	**26**	**(224)**	**65**	**333**	**(1,307)**	**(1,107)**	**(1,081)**	**(26)**
One-off costs								
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)**

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
Impairment loss on trademarks								
Licensing and others	–	–	–	–	(397)	(397)		
Total impairment loss on trademarks	**–**	**–**	**–**	**–**	**(397)**	**(397)**	**(397)**	**–**
Impairment loss on goodwill								
Licensing and others	–	–	–	–	(19)	(19)		
Total impairment loss on goodwill	**–**	**–**	**–**	**–**	**(19)**	**(19)**	**(19)**	**–**
Other one-off costs								
Retail	(68)	–	(74)	–	(2)	(144)		
Wholesale	(7)	(45)	–	–	–	(52)		
Licensing and others	–	–	–	–	(562)	(562)		
Total other one-off costs	**(75)**	**(45)**	**(74)**	**–**	**(564)**	**(758)**	**(608)**	**(150)**
(LBIT)/EBIT of the Group	**(626)**	**(791)**	**(37)**	**331**	**(2,324)**	**(3,447)**	**(3,207)**	**(240)**
Interest income						54	50	4
Finance costs						(100)	(87)	(13)
Loss before taxation (LBT)						**(3,493)**	**(3,244)**	**(249)**

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 total	**666**	**6,492**

HK$ million	For the six months ended 31 December 2020	For the year ended 30 June 2020
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**
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. Major profit or loss items

The Group has identified a number of items which are material due to the significance of their nature and/or amount. These are listed separately here to provide a better understanding of the financial performance of the Group.

2.3.1. Write-downs of inventories

The net realizable value test which was performed as in prior years led to high write-offs due to overstock in the distribution centers after the Pandemic induced closure of sales points, expected reduction in business and the impossibility to sell outdated apparel. This resulted in an impairment loss of HK$180 million for the six months ended 31 December 2020 (30 June 2020: HK$279 million). Write-downs and reversals are included in write-downs of inventories to net realizable value; other inventory expenses are directly shown as “cost of purchases” in the statement of profit or loss.

HK$ million	For the six months ended 31 December 2020	For the year ended 30 June 2020
Write-downs of inventories to net realizable value, net	180	279
– from continuing operations	187	292
– from discontinued operations	(7)	(13)

2.3.2. Staff costs

HK$ million	For the six months ended 31 December 2020	For the year ended 30 June 2020
Salaries and wages	183	1,361
Severance payments	46	62
Social security costs and other staff costs	12	306
Pensions costs of defined contribution plans[1]	5	30
Employee share-based compensation benefits	3	6
Pensions costs of defined benefit plan (note 2.8.3)	2	3
Total staff costs	**251**	**1,768**
– from continuing operations	236	1,513
– from discontinued operations	15	255

[1] **Defined contribution plan in Hong Kong**
The Group principally participates in defined contribution plans. In Hong Kong, the Group participates in the Mandatory Provident Fund Scheme operated by HSBC Provident Fund Trustee (Hong Kong) Limited. For the six months ended 31 December 2020, contributions at a fixed rate of 5.0% (30 June 2020: 5.0%) of the employee's relevant income, subject to a cap of monthly relevant income of HK$30,000 (30 June 2020: HK$30,000) per employee, are made to the scheme and are vested immediately. The Group also operates several defined contribution retirement plans for its overseas subsidiaries and pays contributions to publicly or privately administered pension plans on a mandatory, contractual or voluntary basis. Contributions to the schemes by the Group and employees are calculated at fixed percentages of employees' basic salaries or at agreed fixed amounts.

Under the defined contribution scheme in some countries, where employees leave the scheme prior to the full vesting of the employer's contributions, the amount of forfeited contributions is used to reduce the contributions payable by the Group. During the period, the Group did not have any contributions forfeited in accordance with the schemes' rules (30 June 2020: nil) which have been applied towards the contributions payable by the Group.

Government grants

The Group has been awarded government grants in the amount of HK$33 million during the six months ended 31 December 2020 (30 June 2020: HK$13 million). These grants relate to state aid for fixed costs such as rental expenses, salaries and social security 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 state aid is linked to conditions that have to be fulfilled to receive the funds and there is sufficient likelihood that those conditions can be fulfilled.

2.3.3. Depreciation of right-of-use assets

The consolidated statement of profit or loss comprised the following depreciation charges relating to leases:

HK$ million	For the six months ended 31 December 2020	For the year ended 30 June 2020
Depreciation of right-of-use assets		
Buildings	97	964
Furniture and office equipment	–	2
Motor vehicles	1	5
Other	1	1
Total depreciation of right-of-use assets	**99**	**972**
– from continuing operations	97	880
– from discontinued operations	2	92

2.3.4. Impairment loss on right-of-use assets

Triggered by the Pandemic, the Group completed an impairment test in accordance with IAS 36 "Impairment of Assets" for its right-of-use assets by comparing the recoverable amount of the cash-generating unit ("CGU") (the Group product lines) to its carrying amount as at 31 December 2020.

The valuation uses cash flow projections based on financial estimates covering a five-year period. The estimated value in use of the CGU by retail store was determined using a pre-tax discount rate of 7.7%-14.1% (30 June 2020: 8.0%-13.1%) which are country-specific rates and a zero terminal value growth rate (30 June 2020: 0%) from 2025 onward in line with current base rate (risk-free rate) assumptions.

The impairment loss attributable to the individual CGUs was allocated to the assets in the CGU on a pro rata basis based on the carrying amount of each asset in the CGU but only to the highest of its fair value less cost of disposal, value in use and zero.

For right-of-use assets the fair value less cost of disposal was estimated. As no quoted prices exits, fair value less cost of disposal was assessed by discounting asset-specific market rents for remaining contracts duration. Market rent and incremental borrowing rate are predominantly estimated on external sources or latest contracts in place. Therefore, in calculating fair value less cost of disposal mainly level 2 and to a minor degree level 3 inputs were applied.

Total impairment loss recognized for the year amounted to HK$6 million (30 June 2020: HK$925 million) and is included in “impairment loss on right-of-use assets”.

HK$ million	Recoverable amount	Carrying amount	Impairment
Impairment loss on right-of-use assets[1]	2,262	2,268	(6)

[1] Impairment loss on right-of-use assets refers to continuing operations only (30 June 2020: HK$897 million from continuing operations and HK$28 million from discontinued operations).

2.3.5. Other operating costs

HK$ million	For the six months ended 31 December 2020	For the year ended 30 June 2020
IT expenses	27	394
Retail store closure costs	(3)	169
Exchange difference	(41)	146
Professional fees	20	123
Postage and distribution	4	51
Traveling	2	42
Samples	14	39
Insurance	4	36
Repair and maintenance	3	31
Telecommunications	2	19
Legal fees	3	14
Investment (income)/expenses	(1)	8
Other	201	151
Total other operating costs	**235**	**1,223**
– from continuing operations	708	1,320
– from discontinued operations	(473)[1]	(97)

[1] It consists of net income of intercompany debt relief with continuing operations in an amount of HK$467 million (30 June 2020: HK$583 million).

2.3.6. 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 interest expenses	**15**	**100**
– from continuing operations	15	87
– from discontinued operations	–	13

2.4. Taxation

2.4.1. 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/year	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% (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.

2.4.2. Amounts recognized in consolidated statement of comprehensive income

HK$ million	For the six months ended 31 December 2020	For the year ended 30 June 2020
Deferred tax arising in the items that may be reclassified subsequently to profit or loss		
Fair value loss on cash flow hedge	–	2

2.4.3. Reconciliation of effective tax rate

The tax on the Group's loss before taxation differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the Group's subsidiaries. The effective tax rate was (4.7) % (30 June 2020: (14.3)%).

HK$ million	For the six months ended 31 December 2020	For the year ended 30 June 2020
Loss before taxation	(396)	(3,493)
– from continuing operations	(854)	(3,244)
– from discontinued operations	458	(249)
Tax calculated at applicable tax rates[1]	**(108)**	**(1,034)**
Expenses not deductible for tax purposes	31	36
Non-taxable income	(21)	(29)
Tax effect of tax losses not recognized	116	1,124
Derecognition of previously recognized tax losses, net	–	453
Over-provision for prior years, net	–	(51)
Total income tax expense	**18**	**499**
– Continuing operations	18	437
– Discontinued operations	–	62

[1] Since the focus of business activities is currently in Europe, the applicable tax rate reflects the average tax rate of the European subsidiaries.

2.4.4. Movement in deferred tax balances

The following are the deferred tax assets/(liabilities) recognized and movements thereon for the six months ended 31 December 2020 and the year ended 30 June 2020:

HK$ million	Accelerated accounting/ tax depreciation	Cash flow hedges	Elimination of unrealized profits	Intangible assets	Tax losses	Other deferred tax assets	Other deferred tax liabilities	Total
At 1 July 2019	**65**	**(2)**	**35**	**(246)**	**212**	**275**	**(33)**	**306**
(Charged)/credited to profit or loss	(63)	–	(2)	51	(200)	(265)	19	(460)
Debited to other comprehensive income	–	2	–	–	–	–	–	2
Exchange difference recognized in equity	(2)	–	(1)	3	(12)	(10)	1	(21)
At 30 June 2020	**–**	**–**	**32**	**(192)**	**–**	**–**	**(13)**	**(173)**
Charged to profit or loss	–	–	(5)	–	–	(3)	(6)	(14)
Disposal of subsidiaries	–	–	(32)	116	–	–	10	94
Acquisition of subsidiaries	–	–	50	(337)	–	5	(5)	(287)
Exchange difference recognized in equity	–	–	1	(10)	–	3	–	(6)
At 31 December 2020	**–**	**–**	**46**	**(423)**	**–**	**5**	**(14)**	**(386)**

Deferred tax assets and liabilities are netted off when the taxes relate to the same tax authority and where offsetting is legally enforceable.

The following amounts, determined after appropriate offsetting, are shown separately on the consolidated balance sheet:

HK$ million	As at 31 December 2020	As at 30 June 2020
Deferred tax assets	51	32
Deferred tax liabilities	(437)	(205)
Deferred tax liability, net	**(386)**	**(173)**

At 31 December 2020, the Group had unused tax losses of approximately HK$8,132 million (30 June 2020: HK$15,418 million) available for offset against future taxable profits. Since the Group has suffered losses in this and in the prior year no deferred tax asset has been recognized in respect of such losses. Unrecognized tax losses include losses in the amount of approximately HK$482 million (30 June 2020: HK$931 million) that will expire in the next one to ten years. Other losses may be carried forward indefinitely.

For temporary differences associated with investments in subsidiaries in the amount of HK$1,071 million (30 June 2020: HK$1,187 million) no deferred income tax liabilities have been recognized. Such amounts are permanently reinvested.

2.4.5. IFRIC 23 – uncertain tax positions

The Group assessed potentially uncertain tax treatments and whether additional tax payments may occur in regard to current tax matters. The effect of this uncertainty has been reflected in the income tax calculation by recognizing an additional tax liability, which is based on the assumption that taxable income might differ from the Group's opinion in some countries. The Group recognized uncertain tax liabilities of HK$79 million as at 31 December 2020 (30 June 2020: HK$79 million).

2.5. Non-current assets

2.5.1. Intangible assets

The movement of the intangible assets is shown in the table below.

HK$ million	Trademarks	Goodwill		Software	Customer relationship	Total
		Finland	Switzerland and Italy			
Cost and net book value						
At 1 July 2020	1,546	16	54	25	–	1,641
Addition	–	–	–	4	–	4
Disposal of subsidiaries	(955)	(17)	–	(25)	–	(997)
Acquisition of subsidiaries	963	–	–	39	73	1,075
Exchange translation	147	1	4	1	2	155
At 31 December 2020	**1,701**	**–**	**58**	**44**	**75**	**1,878**
At 1 July 2019	1,962	35	53	–	–	2,050
Addition	–	–	–	25	–	25
Exchange translation	(19)	–	1	–	–	(18)
Impairment loss	(397)	(19)	–	–	–	(416)
At 30 June 2020	**1,546**	**16**	**54**	**25**	**–**	**1,641**

Trademarks
In accordance with IAS 36 “Impairment of Assets”, the Group completed its annual impairment test for Esprit trademarks by comparing the recoverable amount of the CGU (the Group product line) to its carrying amount as at 31 December 2020. The Group conducted an internal valuation of the Esprit trademarks as one corporate asset based on a value in use calculation as of 31 December 2020. The valuation uses cash flow projections based on corporate planning covering a five-year period, expected royalty rates deriving from the Esprit trademarks of 4.0% (30 June 2020: 4.5%) and a pre-tax discount rate between 14.8 – 15.0% (30 June 2020: 14.0 – 14.7%). The cash flows beyond the five-year period are extrapolated using a steady zero (30 June 2020: 0%) growth rate. This growth rate does not exceed the long-term average growth rate for apparel markets in which the Group operates and is in line with base rate (risk-free rate) assumptions. The Group concluded its annual impairment test for Esprit trademarks resulting in no additional impairment amount.

Sensitivity analysis
A possible change of the discount rate by 0.45% or the change of the royalty margin by 0.08% would not cause the carrying amount to exceed the recoverable amount.

Goodwill Switzerland and Italy
In accordance with IAS 36 “Impairment of Assets”, the Group completed its annual impairment test for goodwill allocated to the Group’s CGUs Switzerland and Italy by comparing their recoverable amount to their carrying amount as at the date of the balance sheet. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each CGU, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. The recoverable amount of the CGU is determined based on a value in use calculation. The key assumptions used in the estimation of the value in use are set out below. These key assumptions are based on historical data and include management’s assumptions of future trends in the relevant industry.

	CGU Switzerland and Italy As at 31 December 2020
Discount rate (pre-tax)	**11.19 – 11.74%**
Projected EBITDA[1]-margin	**30.4%**

[1] Earnings before interest, taxes, depreciation and amortization (“EBITDA”).

The discount rate is a pre-tax measure estimated based on the rate of government bonds issued by the government in the relevant markets and in the same currency as the cash flows, adjusted for a risk premium to reflect both the increased risk of investing in equities generally and the systematic risk of the specific CGU.

The cash flow projections included specific estimates for five years and a zero terminal growth rate (30 June 2020: 0%) in line with base rate (risk-free rate) assumptions.

Revenue growth was projected taking into account the negative impact from store closures and the effects of the second lockdown in Europe due to the Pandemic. Budgeted EBITDA was based on the Group’s expectations of future economic development.

Regarding goodwill allocated to the CGU Switzerland and Italy in the amount of HK$58 million (30 June 2020: HK$54 million), the recoverable amount (value in use) of the CGU was assessed to be higher than its carrying amount. Thus, no impairment loss incurred.

Sensitivity analysis
A reasonably possible change of the discount rate by 0.5% or the EBITDA margin by 0.5% would not cause the carrying amount to exceed the recoverable amount.

2.5.2. Property, plant and equipment

Property, plant and equipment consist of the following:

HK$ million	Freehold land outside Hong Kong	Buildings	Leasehold improvements and fixtures	Plant and Machinery	Furniture and office equipment	Motor vehicles	Construction in progress	Total
Costs								
At 1 July 2020	–	138	2,160	557	2,997	23	11	5,886
Exchange translation	–	4	95	18	102	2	2	223
Additions	–	–	1	–	2	–	–	3
Disposals	–	–	(220)	–	(92)	(4)	–	(316)
Disposal of subsidiaries	–	(138)	(1,532)	(558)	(2,672)	(21)	(9)	(4,930)
Acquisition of subsidiaries	–	–	95	267	75	4	18	459
Transfer	–	–	1	–	3	–	(4)	–
At 31 December 2020	**–**	**4**	**600**	**284**	**415**	**4**	**18**	**1,325**
Depreciation and Impairment								
At 1 July 2020	–	(138)	(2,020)	(290)	(2,890)	(18)	–	(5,356)
Exchange translation	–	(4)	(93)	(9)	(99)	(1)	–	(206)
Depreciation for the period	–	–	(10)	(4)	(8)	–	–	(22)
– from continuing operations								(22)
– from discontinued operations								–
Impairment loss for the period	–	–	–	–	(7)	–	–	(7)
– from continuing operations								(7)
– from discontinued operations								–
Disposals	–	–	220	–	92	4	–	316
Disposal of subsidiaries	–	138	1,434	290	2,582	15	–	4,459
At 31 December 2020	**–**	**(4)**	**(469)**	**(13)**	**(330)**	**–**	**–**	**(816)**
Net book value at 31 December 2020	**–**	**–**	**131**	**271**	**85**	**4**	**18**	**509**

HK$ million	Freehold land outside Hong Kong	Buildings	Leasehold improvements and fixtures	Plant and Machinery	Furniture and office equipment	Motor vehicles	Construction in progress	Total
Costs								
At 1 July 2019	7	148	2,607	569	3,294	30	17	6,672
Adjustments	–	–	(60)	–	–	–	–	(60)
Exchange translation	–	(3)	(38)	(11)	(56)	(1)	–	(109)
Additions	–	–	56	–	23	1	10	90
Transfer	–	–	1	–	11	–	(12)	–
Disposals	(7)	(7)	(406)	(1)	(275)	(7)	(4)	(707)
At 30 June 2020	**–**	**138**	**2,160**	**557**	**2,997**	**23**	**11**	**5,886**
Depreciation and Impairment								
At 1 July 2019	–	34	2,323	253	2,916	18	–	5,544
Adjustments	–	–	(52)	–	–	–	–	(52)
Exchange translation	–	–	(36)	(4)	(47)	–	–	(87)
Depreciation for the year	–	4	68	42	271	6	–	391
– from continuing operations								374
– from discontinued operations								17
Impairment loss for the year	–	106	114	–	21	–	–	241
– from continuing operations								205
– from discontinued operations								36
Disposals	–	(6)	(397)	(1)	(271)	(6)	–	(681)
At 30 June 2020	**–**	**138**	**2,020**	**290**	**2,890**	**18**	**–**	**5,356**
Net book value at 30 June 2020	**–**	**–**	**140**	**267**	**107**	**5**	**11**	**530**

2.5.3. Right-of-use assets and finance lease receivables

Group as lessee

HK$ million	As at 31 December 2020	As at 30 June 2020
Buildings	2,232	2,175
Furniture and office equipment	1	1
Motor vehicles	5	6
Other	24	24
Right-of-use assets total	**2,262**	**2,206**

The following table shows the movement of the right-of-use assets:

HK$ million	Cost	Accumulated depreciation	Impairment loss	Net book value
At 1 July 2020	**4,792**	**(949)**	**(1,637)**	**2,206**
Exchange translation	204	(50)	(58)	96
Additions	91	–	–	91
Disposals	(213)	6	22	(185)
Disposal of subsidiaries	(3,447)	684	1,231	(1,532)
Acquisition of subsidiaries	1,691	–	–	1,691
Depreciation for the period	–	(99)	–	(99)
– from continuing operations	–	(97)	–	(97)
– from discontinued operations	–	(2)	–	(2)
Impairment loss for the period	–	–	(6)	(6)
– from continuing operations	–	–	(6)	(6)
At 31 December 2020	**3,118**	**(408)**	**(448)**	**2,262**

HK$ million	Cost	Accumulated depreciation	Impairment loss	Net book value
At 1 July 2019	**5,213**	**(97)**	**(812)**	**4,304**
Exchange translation	(80)	(6)	(14)	(100)
Additions	91	–	–	91
Remeasurement	(432)	126	114	(192)
Depreciation for the year	–	(972)	–	(972)
– from continuing operations	–	(880)	–	(880)
– from discontinued operations	–	(92)	–	(92)
Impairment loss for the year	–	–	(925)	(925)
– from continuing operations	–	–	(897)	(897)
– from discontinued operations	–	–	(28)	(28)
At 30 June 2020	**4,792**	**(949)**	**(1,637)**	**2,206**

Group as lessor

The Group sub-leases stores and has classified the sub-leases as operating leases. The following table sets out a maturity analysis of the finance lease receivables as at the end of the year.

HK$ million	As at 31 December 2020	As at 30 June 2020
Less than one year	13	35
One to two years	1	23
Two to five years	–	16
Total undiscounted finance lease receivables	**14**	**74**
Unearned finance income	–	(3)
Net finance lease receivables	**14**	**71**

Movement of the finance lease receivables were as follows:

HK$ million	As at 31 December 2020	As at 30 June 2020
Balance at beginning of the period/year	71	88
Additions	–	16
Interest income	3	2
Disposals	(50)	–
Lease payments received	(7)	(34)
Exchange translation	(3)	(1)
Balance at end of the period/year	**14**	**71**
– non-current (note 2.5.6)	3	36
– current (note 2.6.2)	11	35

There were no income related to variable lease payments for the group as a lessor.

2.5.4. Investment properties

HK$ million	As at 31 December 2020	As at 30 June 2020
Balance at beginning of period/year	**–**	**27**
Disposal	–	(27)
Balance at end of period/year	**–**	**–**

Investment properties were measured at fair value through profit or loss and are included in level 2 of the fair value measurement hierarchy.

2.5.5. Financial assets at fair value through profit or loss

As at 31 December 2020, the Group holds

- club debentures with a fair value of HK$11 million (30 June 2020: HK$10 million) categorized as a Level 3 fair value based on the valuation of open market quotes. The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. Neither during this year nor during the last year there have been any transfers.
- an amount of HK$21,000 (30 June 2020: HK$20,000) of listed shares is categorized as Level 1 fair value.

The movement of the carrying amount of the club debentures and investment in equity securities is demonstrated in the following table.

HK$ million	As at 31 December 2020	As at 30 June 2020
Balance at beginning of period/year	**10**	**12**
Change in fair value	1	(2)
Balance at end of period/year	**11**	**10**

The following table shows a breakdown of the total gains/(losses) recognized in respect of Level 3 fair values (club debentures). All positions except for the club debentures are measured at amortized costs, therefore no further fair value categories are relevant for the Group.

HK$ million	As at 31 December 2020	As at 30 June 2020
Gain/(loss) included in other operating costs		
Change in fair value (unrealized)	1	(2)
Balance at end of period/year	**11**	**10**

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the significant unobservable inputs (holding other inputs constant) would have the following effects.

	Impact on profit or loss	
HK$ million	**increase**	**decrease**
31 December 2020		
Membership quotation (10.0% movement)	1	(1)
30 June 2020		
Membership quotation (10.0% movement)	1	(1)

2.5.6. Non-current 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.

2.6. Current assets

2.6.1. Inventories

HK$ million	As at 31 December 2020	As at 30 June 2020
Finished goods	1,280	1,231
Consumables	23	34
Inventories total	**1,303**	**1,265**

2.6.2. Current debtors, deposits and prepayments

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 following table provides information about the exposure to credit risk and expected credit losses for trade debtors:

As at 31 December 2020 HK$ million	Trade debtors gross carrying amount by overdue	Provision for credit-impaired trade debtors	Provision for non credit-impaired trade debtors	Expected credit losses
To 0 days	539	4	1	5
1-30 days	93	1	1	2
31-60 days	29	2	3	5
61-90 days	1	1	–	1
Over 90 days	268	67	174	241
Total	**930**	**75**	**179**	**254**

As at 30 June 2020 HK$ million	Trade debtors gross carrying amount by overdue	Provision for credit-impaired trade debtors	Provision for non credit-impaired trade debtors	Expected credit losses
To 0 days	475	2	3	5
1-30 days	127	2	3	5
31-60 days	71	3	4	7
61-90 days	47	2	5	7
Over 90 days	259	72	117	189
Total	**979**	**81**	**132**	**213**

Provisions for doubtful debts have been measured at an amount equal to lifetime expected credit losses.

Loss rates are based on actual credit loss experience over the past five years. These rates have been multiplied by country-specific scalar factors to reflect differences between economic conditions during the year over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the trade receivables.

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

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade debtors.

The Group has analyzed the effects of the Pandemic on expected credit losses as of the reporting date using external and internal information available to the Group and assessed whether prior estimates of credit losses have to be adjusted. In particular, available information regarding changes in probabilities of default (PDs) owing to the Pandemic as well as internal assessment of counterparties' payment histories and related non-payment risks served as the basis for these assessments. Given the fact that the Group has insured a considerable amount of open positions, the Group currently does not expect to face additional material risks other than provided for based on current economic outlook.

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.

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

HK$ million	As at 31 December 2020	As at 30 June 2020
Balance at beginning of period/year	213	179
Utilization	(23)	(23)
Release	(10)	(10)
Disposal of subsidiaries	(189)	–
Addition	47	71
Addition of subsidiaries	218	–
Exchange translation	(2)	(4)
Balance at end of period/year	**254**	**213**

2.6.3. Cash, bank balances and deposits

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

HK$ million	As at 31 December 2020	As at 30 June 2020
Bank balances and cash	2,175	2,156
Bank deposits with maturities within three months	95	75
Bank deposits with maturities of more than three months	1	57
Total	**2,271**	**2,288**

The effective interest rate on cash, bank balances and deposits for the period was determined to be 0.0% (30 June 2020: 0.7%) per annum.

2.7. Current liabilities

2.7.1. 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.

2.7.2. Current lease liabilities

HK$ million	As at 31 December 2020	As at 30 June 2020
Current	1,046	1,016

2.7.3. 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	As at 31 December 2020	As at 30 June 2020
Balance at beginning of period/year	357	1,094
Adjustment due to IFRS 16	–	(775)
Restated balance at beginning of period/year	**357**	**319**
Amounts used during the period/year	(23)	(127)
Additions	85	260
Releases	(198)	(94)
Exchange translation	25	(1)
Balance at end of period/year	**246**	**357**

2.8. Non-current liabilities

2.8.1. Bank loans

HK$ million	As at 31 December 2020	As at 30 June 2020
Bank loans	9	8

In March 2020, the Group's subsidiaries in Switzerland have obtained secured and interest free bank loans amounting to HK$9 million (CHF1 million) as at 31 December 2020 (30 June 2020: HK$8 million (CHF1 million)). The change is resulting from exchange translation.

Regarding maturity of the bank loans refer to note 3.2.3.

2.8.2. Non-current lease liabilities

HK$ million	As at 31 December 2020	As at 30 June 2020
Non-current	2,010	2,467

The maturity analysis is included in note 3.2.3.

2.8.3. Retirement defined benefit obligation

The Group's subsidiaries in Switzerland participate in a defined benefit plan which defines the pension benefit that an employee will receive on retirement as a lump-sum or annuity, which depends on several factors such as age of the employee, years of services and salary. The subsidiaries have obligations to provide participating employees with the benefit.

The subsidiaries meet their obligations via entering into contracts with an insurance provider, who is responsible for the investments of the assets and guarantees vested benefit amount to members. Any asset-liability matching strategies are the responsibility of the insurance provider. Risks such as actuarial risk and investment risk are covered by the insurance. The subsidiaries face counterparty risk which occurs when the insurer is unable to meet its obligations and also the risk of insurance contract being cancelled.

The retirement benefit plans accounted for as defined benefit plans are valued using the Projected Unit Credit Cost Method to determine the present value of the defined benefit obligation and the related service costs. Under this method, the determination is based on actuarial calculations which include assumptions about demographics, salary increases as well as interest and inflation rates. The plans are valued by independent qualified actuaries of Willis Towers Watson Switzerland. The valuation has been made as at 31 December 2020.

(a) The amounts recognized in the consolidated balance sheet are as follows:

HK$ million	As at 31 December 2020	As at 30 June 2020
Present value of funded obligations	104	93
Fair value of plan assets	(73)	(67)
Net defined benefit obligations	**31**	**26**

The latest actuarial valuations indicate a funding level of 70.4% (30 June 2020: 72.4%).

(b) The movement in the net defined benefit obligations over the period is as follows:

HK$ million	Present value of obligations	Fair Value of plan assets	Total
At 1 July 2020	**93**	**(67)**	**26**
Current service cost	2	–	**2**
Interest expense/(income)	–	–	**-**
	2	–	**2**
Remeasurements:			
Gain from change in financial assumptions	2	–	**2**
Currency translation differences	10	(7)	**3**
Contributions:			
Employers	–	(2)	**(2)**
Plan participants	1	(1)	**-**
Payment from plans:			
Benefit payments	(4)	4	**-**
At 31 December 2020	**104**	**(73)**	**31**

HK$ million	Present value of obligations	Fair Value of plan assets	Total
At 1 July 2019	**106**	**(75)**	**31**
Current service cost	3	–	**3**
Interest expense/(income)	1	(1)	**-**
	4	(1)	**3**
Remeasurements:			
Loss from change in financial assumptions	(3)	–	**(3)**
Currency translation differences	(2)	1	**(1)**
Contributions:			
Employers	–	(4)	**(4)**
Plan participants	3	(3)	**-**
Payment from plans:			
Benefit payments	(15)	15	**-**
At 30 June 2020	**93**	**(67)**	**26**

Note: The past service cost represents present value of obligations and fair value of plan assets arisen from previous years.

There were no plan amendments, curtailments or settlements during the period.

The fair value of the plan assets comprises:

	As at 31 December 2020			
	Quoted	**Unquoted**	**Total**	**% of Total**
Insurance Contracts	**–**	**73**	**73**	**100%**

	As at 30 June 2020			
	Quoted	**Unquoted**	**Total**	**% of Total**
Insurance Contracts	–	67	67	100%

The weighted average duration of retirement defined benefit obligations is 15 years (30 June 2020: 15 years).

Employer and employee saving contributions are defined in terms of an age-related sliding scale of percentage of the insured salary. The subsidiaries expect to make contributions of HK$6 million (30 June 2020: HK$3 million) to their retirement defined benefit plan in 2021.

The significant actuarial assumptions were as follows:

	As at 31 December 2020	As at 30 June 2020
Discount rate	**0.0**	0.2
Expected future salary increases	**1.0**	1.0

The sensitivity of the defined benefit obligations to changes in actuarial assumptions is:

	As at 31 December 2020		
	(Decrease)/increase in defined benefit obligations		
	Change in assumption	Increase in assumption HK$ million	Decrease in assumption HK$ million
Discount rate	0.25%	(3)	4
Expected future salary increases	0.25%	1	–

	As at 30 June 2020		
	(Decrease)/increase in defined benefit obligations		
	Change in assumption	Increase in assumption HK$ million	Decrease in assumption HK$ million
Discount rate	0.25%	(3)	2
Expected future salary increases	0.25%	–	(1)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligations to significant actuarial assumptions the same method has been applied as when calculating the pension liability recognized within the balance sheet.

2.9. Equity

2.9.1. Share Capital

	Number of shares of HK$0.10 each million	**HK$ million**
Authorized:		
At 30 June 2020 and 31 December 2020	**3,000**	**300**

	Number of shares of HK$0.10 each million	**Nominal value HK$ million**
Issued and fully paid:		
At 30 June 2020 and 31 December 2020	**1,887**	**189**

2.9.2. Reserves

A description of the nature and purpose of each reserve is provided below.

Employee share-based payments reserve

The share-based payments reserve is used to recognize:

- the grant date fair value of options issued to employees but not exercised
- the grant date fair value of shares issued to employees
- the grant date fair value of deferred shares granted to employees but not yet vested

Shares held for Share Award Scheme

The consideration paid by the Company through the Share Award Scheme trustee for purchasing the Company's shares from the market, including any directly attributable incremental cost, is presented as "Shares held for Share Award Scheme" and the amount is deducted from total equity. The Group recognizes the impact of the revision of original estimates, if any, in the consolidated statement of profit or loss, and a corresponding adjustment to equity. For further information refer to note 4.2.2.

Hedging reserve

The cash flow hedge reserve is used to recognize the effective portion of gains or losses on derivatives that are designated and qualify as cash flow hedges. Amounts are subsequently either transferred to the initial cost of inventory or reclassified to profit or loss as appropriate.

Remeasurement of retirement defined benefit obligations

Remeasurements of retirement defined benefit obligations comprise:

- actuarial gains and losses
- the return on plan assets, excluding amounts included in net interest on the net defined benefit liability/(asset) and
- any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability/(asset).

For further information refer to note 2.8.3.

Contributed surplus

The contributed surplus of the Company represents the difference between the underlying net tangible assets of the subsidiaries acquired by the Company and the nominal amount of the share capital issued by the Company arising from the Group reorganization which became effective on 17 November 1993 and the excess of the value of the shares acquired over the nominal value of the shares issued for the acquisition of Esprit Far East Limited and its subsidiaries on 10 January 1997. Contributed surplus is available for distribution to shareholders under the laws of Bermuda.

Translation reserve

Exchange differences arising on translation of the foreign controlled entity are recognized in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

Capital reserve

The capital reserve of the Group represents a non-distributable reserve set aside by a subsidiary according to relevant statutory requirements.

No dividends have been declared and paid by the Company (30 June 2020: nil).

2.10. Notes to consolidated statement of cash flows

Reconciliation of loss before taxation to cash (used in)/generated from operations:

HK$ million	For the six months ended 31 December 2020	For the year ended 30 June 2020
(Loss)/profit before taxation	**(396)**	(3,493)
– from continuing operations	**(854)**	(3,244)
– from discontinued operations	**458**	(249)
Adjustments for:		
Interest income	**(2)**	(54)
Finance costs	**15**	100
Depreciation of property, plant and equipment	**22**	391
Depreciation of right-of-use assets	**99**	972
Impairment loss on property, plant and equipment	**7**	241
Impairment loss on right-of-use assets	**6**	925
Impairment loss on goodwill	**–**	19
Impairment loss on trademarks	**–**	397
Loss on disposal of investment properties	**–**	6
(Gain)/loss on disposal of property, plant and equipment[1]	**(1)**	3
Loss on remeasurement	**69**	–
Share of results of associates	**(1,939)**	–
Loss on deconsolidation	**1,664**	–
(Increase)/decrease in fair value of financial assets at fair value through profit or loss	**(1)**	2
Employee share-based compensation benefits	**3**	7
Loss before taxation after adjustments	**(454)**	(484)
Change in working capital		
(Increase)/decrease in inventories	**(38)**	580
Increase in debtors, deposits and prepayments	**(228)**	(167)
Increase in creditors and accrued charges	**542**	386
Effect of foreign exchange rate changes	**73**	117
Cash (used in)/generated from operations	**(105)**	432

[1] In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprised:

HK$ million	For the six months ended 31 December 2020	For the year ended 30 June 2020
Net book value	**–**	26
Gain/(loss) on disposal of property, plant and equipment	**1**	(3)
Proceeds from disposal of property, plant and equipment	**1**	23

Cash flow from financing activities

The table below shows the reconciliation of movements of liabilities to cash flows arising from financing activities:

	Bank loans	Lease liabilities	Total
Balance at 1 July 2020	**8**	**3,483**	**3,491**
Repayment of lease liabilities	–	(166)	(166)
– repayments of lease liabilities	–	(152)	(152)
– interests	–	(14)	(14)
Foreign exchange adjustments	1	81	82
Other changes	–	(342)	(342)
– Disposal of subsidiaries	–	(2,471)	(2,471)
– Additions	–	146	146
– Addition of subsidiaries	–	2,189	2,189
– Interest expense	–	14	14
– Remeasurement	–	(220)	(220)
Balance at 31 December 2020	**9**	**3,056**	**3,065**

	Bank loans	Lease liabilities	Total
Balance at 1 July 2019	**–**	**5,103**	**5,103**
Proceeds from bank loans	8	–	8
Repayment of lease liabilities	–	(1,419)	(1,419)
– repayments of lease liabilities	–	(1,326)	(1,326)
– interests	–	(93)	(93)
Foreign exchange adjustments	–	(81)	(81)
Other changes	–	(120)	(120)
– Additions	–	546	546
– Interest expense	–	93	93
– Remeasurement	–	(759)	(759)
Balance at 30 June 2020	**8**	**3,483**	**3,491**

2.11. Balance sheet and reserve movement of the Company

As the report is a combined report for the Group as well as for the Company (Esprit Holdings Limited), please find the statements of the Company below.

2.11.1. Balance sheet of the Company

HK$ million	As at 31 December 2020	As at 30 June 2020
Non-current assets		
Investments in subsidiaries, unlisted and at costs	1,329	1,330
Current assets		
Amounts due from subsidiaries	4,704	4,695
Cash, bank balances and deposits	266	234
	4,970	**4,929**
Current liabilities		
Amounts due to subsidiaries	47	20
Accrued charges	32	18
	79	**38**
Net current assets	***4,891***	***4,891***
Total assets less current liabilities	***6,220***	***6,221***
Equity		
Share capital	189	189
Reserves	6,031	6,032
	6,220	**6,221**

Approved by the Board of Directors on 31 March 2021.

CHIU Christin Su Yi
Executive Director

DALEY Mark David
Executive Director

2.11.2. Reserve movement of the company

HK$ million	Share premium	Employee share-based payment reserve	Shares held for Share Award Scheme	Contributed surplus	Retained profits/ (accumulated losses)	Total Equity
At 1 July 2020	**7,988**	**910**	**(39)**	**474**	**(3,301)**	**6,032**
Loss attributable to shareholders	–	–	–	–	(4)	(4)
Employee share-based compensation benefits	–	3	–	–	–	3
At 31 December 2020	**7,988**	**913**	**(39)**	**474**	**(3,305)**	**6,031**
At 1 July 2019	**7,988**	**904**	**(40)**	**474**	**1,784**	**11,110**
Loss attributable to shareholders	–	–	–	–	(5,085)	(5,085)
Employee share-based compensation benefits	–	7	–	–	–	7
Vesting of shares for Share Award Scheme	–	(1)	1	–	–	–
At 30 June 2020	**7,988**	**910**	**(39)**	**474**	**(3,301)**	**6,032**

3. CRITICAL ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are discussed below.

3.1. Estimates and judgements

3.1.1. Useful life and impairment of trademarks

Indefinite useful life

The Group's acquired Esprit trademarks are classified as an indefinite-lived intangible asset in accordance with IAS 38 "Intangible Assets". This conclusion is supported by the fact that Esprit trademark legal rights are capable of being renewed indefinitely at insignificant cost and therefore are perpetual in duration, relate to a well-known and long-established fashion brand since 1968, and based on the future financial performance of the Group, they are expected to generate positive cash flows indefinitely. This view was supported by an independent professional appraiser, who was appointed by the Group to perform an assessment of the useful life of Esprit trademarks in accordance with the requirements set out in IAS 38. Having considered the factors specific to the Group, the appraiser opined that Esprit trademarks should be regarded as an intangible asset with an indefinite useful life. Under IAS 38, the Group re-evaluates the useful life of Esprit trademarks each year to determine whether events and circumstances continue to support the view of indefinite useful life for this asset. Having considered the current circumstances, relevant legal and regulatory factors and business plan, management considers the classification of the trademark as indefinite-lived intangible asset is appropriate.

Impairment

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

In accordance with IAS 36 "Impairment of Assets", the Group completed its annual impairment test for Esprit trademarks by comparing their recoverable amount to their carrying amount as at 31 December 2020 (see note 2.5.1).

3.1.2. Impairment of right-of-use assets

In accordance with IAS 36 "Impairment of Assets", the Group assesses annually whether right-of-use assets have any indication of impairment. The Group estimates the recoverable amount of the asset if any such indication exists. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. The value in use calculation involves estimating the future cash inflows and outflows for a leasing contract to be derived from continuing use of the right-of-use asset and applying the appropriate discount rate to those future cash flows. The estimation of future cash flows and selection of discount rate require the use of judgments and estimates (note 2.3.4).

3.1.3. Net realizable value of inventories

In accordance with IAS 2 “Inventories”, the Group estimates annually the net realizable value of inventories. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to changes in market conditions. Management reassesses these estimates at the end of each reporting period.

3.1.4. Impairment of goodwill

In accordance with IAS 36 “Impairment of Assets”, the Group completed its annual impairment test for goodwill allocated to the Group’s various CGUs by comparing their recoverable amount to their carrying amount as at the date of the balance sheet (note 2.5.1).

3.1.5. Impairment of property, plant and equipment

In accordance with IAS 36 “Impairment of Assets”, the Group assesses annually whether property, plant and equipment have any indication of impairment. The Group estimates the recoverable amount of the asset if any such indication exists. The recoverable amount is the higher of an asset’s fair value less costs of disposal and value in use. The value in use calculation involves estimating the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and applying the appropriate discount rate to those future cash flows. The estimation of future cash flows and selection of discount rate require the use of judgments and estimates.

3.1.6. Determination of lease terms

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Group’s operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Group reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

3.1.7. Income and other taxes

The Group is subject to income and other taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income and other taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes, as current liabilities, liabilities for anticipated tax audit issues based on estimates of whether additional taxes will eventually be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income and other taxes and deferred tax provisions in the year in which such determination is made.

3.1.8. Provisions

Provisions for restructuring and store closures

A provision for restructuring is recognized when the Group has approved a detailed and formal restructuring plan and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

The provision for store closures of the Group consists of provisions for store closures, compensation to staff and other related costs in connection with the announced store closures.

The Group recognizes a provision for compensation to staff when the Group has a detailed formal plan for store closures and has communicated the plan to the employees affected by it. The Group recognizes a provision for other related costs when obligations for direct expenditures necessarily entailed by the plan for store closures and not associated with the ongoing activities of the Group arise.

Provisions for litigation and reinstatement

Provisions for litigation and reinstatement are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

3.2. Financial risk management

3.2.1. Foreign Exchange risk

As at 31 December 2020, the Group has not entered in any financial derivative transaction. The last forward contract in place expired mid of June 2020.

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

The Group's exposure to currency risk as reported to the management of the Group is as follows:

	As at 31 December 2020		
million	**USD**	**EUR**	**RMB**
Trade receivables	–	–	–
Trade payables	(18)	–	–
Foreign exchange exposure	**(18)**	**–**	**–**

	As at 30 June 2020		
million	**USD**	**EUR**	**RMB**
Trade receivables	2	–	–
Trade payables	(35)	–	(1)
Foreign exchange exposure	**(33)**	**–**	**(1)**

The following significant exchange rates have been applied.

	As at 31 December 2020	
	Average Rate	**Spot rate**
USD	7.7523	7.7526
EUR	9.4355	9.5352
RMB (CNY)	1.1852	1.1885

	As at 30 June 2020	
	Average Rate	**Spot rate**
USD	7.7504	7.7504
EUR	8.7262	8.7131
RMB (CNY)	1.0941	1.0945

The impact on the Group's post-tax profit or loss and total comprehensive income in response to a 1.0% strengthening in Euro and Renminbi against US Dollar in relation to monetary items and derivative financial instruments in existence at the date of the balance sheet, with all other variables held constant, would have been:

HK$ million	**As at 31 December 2020**	**As at 30 June 2020**
Euro against US Dollar		
Impact on post-tax profit; gain	–	5
Renminbi against US Dollar		
Impact on post-tax profit; gain	1	1

At 31 December 2020, no items are designated as hedged items. The amounts as at 30 June 2020 relating to items designated as hedged item were as follows:

	As at 30 June 2020	
HK$ million	**Change in value used for calculating hedge ineffectiveness**	**Cash flow hedge reserve**
Foreign currency risk		
Inventory purchases	(10)	–

The amounts relating to items designated as hedging instruments and hedge ineffectiveness were as follows:

	For the year ended 30 June 2020		
HK$ million	**Change in value recognized in other comprehensive income**	**Amount reclassified from other comprehensive income to inventory**	**Line item affected by reclassification**
Foreign currency risk			
Foreign exchange contracts	10	(21)	Inventories

The following table provides a reconciliation by risk category of components of equity and analysis of other comprehensive income items, net of tax, resulting from cash flow hedge accounting.

Cash flow hedge reserve in HK$ million	**As at 31 December 2020**	**As at 30 June 2020**
Balance at beginning of period/year	**–**	**(9)**
Foreign currency risk		
Change in fair value (effective portion)	–	(10)
Amounts included in the costs of inventory	–	21
Deferred tax on movements in the reserve during the period	–	(2)
Balance at end of period/year	**–**	**–**

3.2.2. Credit risk

The Group's credit risk is primarily attributable to trade and other debtors and deposits with banks.

There is no significant concentration of credit risk with respect to trade debtors as the Group has a large number of internationally dispersed customers. The Group has policies in place to ensure that wholesale sales of products are made to customers with an appropriate credit history. Sales to retail customers are made in cash, bank transfer or by credit card. The Group grants credit for a period which is usually 30 to 60 days to certain wholesale and franchise customers. The Group holds securities as collaterals over the trade debtors. The Group manages the credit risk mainly by purchasing credit guarantee insurance and arranging the trade debtors to be covered by letters of credit or bank guarantees. Individual risk limits are set based on internal ratings in accordance with limits set by management. The utilization of credit limits is regularly monitored.

The Group has a "Group Credit Control Policy" in place to promote good practice in credit control procedures across the Group and protect and limit the Group's overall exposure to credit risks. This policy provides the general principle to guide the credit management process by setting forth the general acceptable practices for limiting credit exposures and in particular, the establishment of the regional and country credit limit for control of credit.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade debtors. To measure the expected credit losses, trade debtors have been grouped based on shared credit risk characteristics and the days past due.

The Group considers the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis during the year. To assess whether there is a significant increase in credit risk, the Group compares risk of a default occurring on the assets as at year end date with the risk of default as at the date of initial recognition.

The Group reviews regularly the recoverable amount of each other debtor to ensure that adequate impairment losses are made for irrecoverable amounts. Over the term of the financial assets, the Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of debtors. The historical loss rates are based on the payment profiles of sales over the last five years and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted by a scalar factor to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. Scalar factors are based on projected non-performing loans ("NPL") ratios for all countries in which the Group sells its goods and services. Expected changes of NPL ratios due to the Pandemic are based on macroeconomic scenario projections from the International Monetary Fund.

The credit risk on deposits with banks is limited because the Group mainly places the deposits in banks with high credit rating and management does not expect any losses from non-performance by banks.

3.2.3. Liquidity risk

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows, by keeping sufficient available cash on the bank accounts. The Group's liquidity needs have been funded through internal resources, using a Cash Pooling scheme and intercompany loans. Bank facilities have been in place only for guarantees and letter of credits which were already backed by cash collaterals since February 2019. No major overdraft or term loans with the banks were in place. In the Protection Shield Proceedings all banking agreements become invalid but due to the above mentioned funding through internal resources there was no major impact on the business except that further cash collaterals for outstanding bank guarantees had to be provided to the banks.

The table below analyzes the Group's financial liabilities into relevant maturity groupings based on the remaining period at the date of the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

HK$ million	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount
At 31 December 2020						
Trade creditors	502	–	–	–	502	502
Lease liabilities	847	751	1,341	526	3,465	3,056
Bank loans	–	–	9	–	9	9
At 30 June 2020						
Trade creditors	1,011	–	–	–	1,011	1,011
Lease liabilities	1,016	749	1,388	636	3,789	3,483
Bank loans	–	–	8	–	8	8

3.2.4. Interest rate risk

The interest rate profile of the Group's interest-bearing financial instruments is as follows:

	As at 31 December 2020	
HK$ million	**Carrying amount**	**Interest rate (%)**
Fixed-rate instruments		
Cash, bank balances and deposits	2,271	0.0
Lease liabilities	3,056	1.6

	As at 30 June 2020	
HK$ million	**Carrying amount**	**Interest rate (%)**
Fixed-rate instruments		
Cash, bank balances and deposits	2,288	0.7
Lease liabilities	3,483	1.8

There are no variable-rate instruments for the period (30 June 2020: nil).

Fair value sensitivity analysis for fixed-rate instruments

A change of 100 basis points in interest rates would have increased or decreased equity by HK$55 million or HK$17 million (30 June 2020: HK$23 million). This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

The Group monitors closely its interest rate risk exposure and considers hedging significant interest rate risk exposure should the need arise.

3.2.5. Net gains and losses from financial instruments

The following table shows net gains and losses by category of financial instruments including gains and losses from leases.

HK$ million	For the six months ended 31 December 2020	For the year ended 30 June 2020
Interest income from instruments at amortized costs and leases	2	54
From banks	1	16
From leases	–	2
Others	1	36
Total interest income	**2**	**54**
– from continuing operations	2	50
– from discontinued operations	–	4

HK$ million	For the six months ended 31 December 2020	For the year ended 30 June 2020
Interest expense from instruments at amortized costs and leases	15	100
From leases	14	93
Others	1	7
Total finance costs	**15**	**100**
– from continuing operations	15	87
– from discontinued operations	–	13
Change in fair value of financial assets at fair value through profit or loss	1	(2)

3.3. Capital management

3.3.1. Risk management

The Group's capital structure consists of equity and interest-bearing liabilities as shown in the consolidated balance sheet.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group's capital structure consists of equity and interest bearing liabilities as shown in the consolidated balance sheet.

Apart from loans taken out by Esprit Switzerland Retail AG and Esprit Switzerland Distribution AG of in total HK$9 million, there are no further bank loans in place as of 31 December 2020 (30 June 2020: nil).

3.3.2. Dividends

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

4. FURTHER DETAILS

4.1. Related party transactions – Directors' and senior management's emoluments

Other than the key management compensation as set out below, the Group had no material related party transactions during the six months period.

Part of the expenses incurred during 1 July 2020 and 30 November 2020 are recorded as "Share of results from associates" on the consolidated statement of profit or loss.

	For the six months ended 31 December 2020							
HK$ thousand	**Fees[25]**	**Basic salaries, allowance and benefits in kind**	**Bonuses[26]**	**Inducement fee**	**Employee share-based compensation benefits**	**Provident fund contributions/ retirement benefit costs**	**Compensation for loss of office**	**Total emoluments**
OR Ching Fai Raymond[1,4,19]	1,084	53	–	–	1,169	–	–	2,306
CHIU Christin Su Yi[5,6,7]	–	–	–	–	–	–	–	–
DALEY Mark David[11]	–	167	–	–	–	–	–	167
(amount in USD'000)	–	*22*	–	–	–	–	–	*22*
WAN Yung Ting[12]	–	52	–	–	–	–	–	52
KRISTIANSEN Anders Christian[5, 15]	–	1,217	–	–	2,337	6	–	3,560
(amount in EUR'000)	–	*133*	–	–	*255*	*1*	–	*389*
SCHMIDT-SCHULTES Johannes Georg[6,16]	–	2,080	25	–	167	35	–	2,307
(amount in EUR'000)	–	*224*	*3*	–	*18*	*4*	–	*249*
TSCHIRNER Marc Andreas[8]	–	–	–	–	–	–	–	–
WONG Hung Wai[9]	–	–	–	–	–	–	–	–
FRIEDRICH Jürgen Alfred Rudolf[1,3,17]	272	–	–	–	–	–	–	272
LEE Ka Sze Carmelo[2,4,5,6,20]	403	–	–	–	–	–	–	403
ZERBIB Sandrine Suzanne Eleonore Agar[2,3,5,6,18]	383	–	–	–	–	–	–	383
LO Kin Ching Joseph[2,3,4]	371	–	–	–	–	–	–	371
CHUNG Kwok Pan[2,3,5,6,10]	286	–	–	–	–	–	–	286
GILES William Nicholas[2,3,4,5,6,13]	10	–	–	–	–	–	–	10
WECKWERTH Martin[2,3,5,14]	48	–	–	–	–	–	–	48
Total	**2,857**	**3,569**	**25**	**-**	**3,673**	**41**	**-**	**10,165**

								For the year ended 30 June 2020
HK$ thousand	Fees[25]	Basic salaries, allowance and benefits in kind	Bonuses[26]	Inducement fee	Employee share-based compensation benefits	Provident fund contributions/ retirement benefit costs	Compensation for loss of office	Total emoluments
OR Ching Fai Raymond[1,4]	–	7,451	4,500	–	2,338	–	–	14,289
KRISTIANSEN Anders Christian[5]	–	8,601	11,762	–	4,362	60	–	24,785
(amount in EUR'000)	–	*998*	*1,365*	–	*506*	*7*	–	*2,876*
SCHMIDT-SCHULTES Johannes Georg[6,16]	–	3,401	–	431	186	47	–	4,065
(amount in EUR'000)	–	*395*	–	*50*	*22*	*5*	–	*472*
FRIEDRICH Jürgen Alfred Rudolf[1,3]	–	–	–	–	–	–	–	–
LEE Ka Sze Carmelo[2,4,5,6]	640	–	–	–	–	–	–	640
ZERBIB Sandrine Suzanne Eleonore Agar[2,3,5,6,18]	409	–	–	–	–	–	–	409
LO Kin Ching Joseph[2,3,4,21]	270	–	–	–	–	–	–	270
TANG Wing Yung Thomas[6,22]	–	6,698	806	–	(1,152)	6	1,855	8,213
HAMILTON Alexander Reid[2,3,4,6,23]	350	–	–	–	–	–	–	350
PLATT Norbert Adolf[2,3,5,24]	315	–	–	–	–	–	–	315
WECKWERTH Martin[2,3,5,14]	–	–	–	–	–	–	–	–
Total	**1,984**	**26,151**	**17,068**	**431**	**5,734**	**113**	**1,855**	**53,336**

1 Non-executive Director (Dr. OR Ching Fai Raymond has been re-designated from Executive Chairman of the Board and Executive Director to Non-executive Chairman of the Board and Non-Executive Director with effect from 24 June 2020.)
2 Independent Non-executive Director
3 Members of the Audit Committee (Ms. ZERBIB Sandrine Suzanne Eleonore Agar has been appointed as member with effect from 21 October 2019 and has resigned with effect from 24 December 2020. Mr. HAMILTON Alexander Reid and Mr. PLATT Norbert Adolf have retired as chairman and member respectively, both with effect from the conclusion of 2019 annual general meeting of the Company held on 5 December 2019. Mr. LO Kin Ching Joseph has been appointed as chairman with effect from 15 January 2020. Dr. WECKWERTH Martin has been appointed as member with effect from 15 January 2020 and has resigned with effect from 24 July 2020. Mr. CHUNG Kwok Pan has been appointed as member with effect from 29 July 2020. Mr. FRIEDRICH Jürgen Alfred Rudolf has retired as member with effect from the conclusion of 2020 annual general meeting of the Company held on 18 December 2020. Mr. GILES William Nicholas has been appointed as member with effect from 24 December 2020.)
4 Members of the Nomination Committee (Mr. HAMILTON Alexander Reid has retired as member with effect from the conclusion of 2019 annual general meeting of the Company held on 5 December 2019. Mr. LO Kin Ching Joseph has been appointed as member with effect from 15 January 2020. With effect from 1 January 2021, Dr. OR Ching Fai Raymond has resigned as chairman, Mr. LEE Ka Sze Carmelo has resigned as member, Ms. CHIU Christin Su Yi has been appointed as chairman and Mr. GILES William Nicholas has been appointed as member.)
5 Members of the Remuneration Committee (Ms. ZERBIB Sandrine Suzanne Eleonore Agar has been appointed as member with effect from 21 October 2019 and re-designated as chairman with effect from 29 July 2020 and has resigned with effect from 24 December 2020. Mr. PLATT Norbert Adolf has retired as chairman with effect from the conclusion of 2019 annual general meeting of the Company held on 5 December 2019. Dr. WECKWERTH Martin has been appointed as chairman with effect from 15 January 2020 and has resigned with effect from 24 July 2020. Ms. CHIU Christin Su Yi has been appointed as member with effect from 21 July 2020. Mr. CHUNG Kwok Pan has been appointed as member with effect from 29 July 2020. Mr. KRISTIANSEN Anders Christian has resigned as member with effect 17 December 2020. Mr. GILES William Nicholas has been appointed as chairman with effect from 24 December 2020. Mr. LEE Ka Sze Carmelo has resigned as member with effect from 1 January 2021.)
6 Members of the Risk Management Committee (Dr. SCHMIDT-SCHULTES Johannes Georg has been appointed as member with effect from 21 October 2019 and has resigned with effect from 17 December 2020. Mr. TANG Wing Yung Thomas has resigned as member with effect from 21 October 2019. Mr. HAMILTON Alexander Reid has retired as member with effect from the conclusion of 2019 annual general meeting of the Company held on 5 December 2019. Ms. ZERBIB Sandrine Suzanne Eleonore Agar has been appointed as a member with effect from 26 February 2020 and has resigned with effect from 24 December 2020. Ms. CHIU Christin Su Yi has been appointed as member with effect from 17 December 2020 and has resigned with effect from 1 January 2021. Mr. CHUNG Kwok Pan has been appointed as member with effect from 24 December 2020. Mr. LEE Ka Sze Carmelo has resigned as chairman with effect from 1 January 2021. Mr. GILES William Nicholas has been appointed as chairman with effect from 1 January 2021.)
7 Ms. CHIU Christin Su Yi has been appointed as Executive Director with effect from 21 July 2020. She has been appointed as Acting Executive Chairman with effect from 1 January 2021.
8 Mr. TSCHIRNER Marc Andreas has been appointed as Executive Director with effect from 21 July 2020 and has resigned with effect from 8 January 2021.
9 Mr. WONG Hung Wai has been appointed as Executive Director with effect from 21 July 2020 and has resigned with effect from 28 December 2020.
10 Mr. CHUNG Kwok Pan has been appointed as Independent Non-executive Director with effect from 29 July 2020.
11 Mr. DALEY Mark David has been appointed as Executive Director with effect from 24 December 2020.
12 Dr. WAN Yung Ting has been appointed as Executive Director with effect from 24 December 2020.
13 Mr. GILES William Nicholas has been appointed as Independent Non-executive Director with effect from 24 December 2020.
14 Dr. WECKWERTH Martin has been appointed as Independent Non-executive Director with effect from 15 January 2020 and has resigned with effect from 24 July 2020.

[15] Mr. KRISTIANSEN Anders Christian has resigned as Executive Director with effect from 17 December 2020.
[16] Dr. SCHMIDT-SCHULTES Johannes Georg has been appointed as Executive Director with effect from 21 October 2019 and has resigned with effect from 17 December 2020.
[17] Mr. FRIEDRICH Jürgen Alfred Rudolf has retired as Non-executive Director with effect from the conclusion of 2020 annual general meeting of the Company held on 18 December 2020.
[18] Ms. ZERBIB Sandrine Suzanne Eleonore Agar has been appointed as Independent Non-executive Director with effect from 3 October 2019 and has resigned with effect from 24 December 2020.
[19] Dr. OR Ching Fai Raymond has resigned as Non-executive Chairman of the Board and Non-executive Director with effect from 1 January 2021.
[20] Mr. LEE Ka Sze Carmelo has resigned as Independent Non-executive Director with effect from 1 January 2021.
[21] Mr. LO Kin Ching Joseph has been appointed as Independent Non-executive Director with effect from 15 January 2020.
[22] Mr. TANG Wing Yung Thomas has resigned as Executive Director with effect from 21 October 2019.
[23] Mr. HAMILTON Alexander Reid has retired as Independent Non-executive Director with effect from the conclusion of 2019 annual general meeting of the Company held on 5 December 2019.
[24] Mr. PLATT Norbert Adolf has retired as Independent Non-executive Director with effect from the conclusion of 2019 annual general meeting of the Company held on 5 December 2019.
[25] The amount includes directors' fees of HK$2.6 million (30 June 2020: HK$2.0 million) paid to Independent Non-executive Directors.
[26] During the current period, there was HK$24.7 thousand discretionary bonus to the directors (30 June 2020: HK$17.1 million)

Directors' retirement benefits

No retirement benefits were provided to or receivable by any director during the six months period ended 31 December 2020 (30 June 2020: nil).

Directors' termination benefits

No termination benefits were provided to or receivable by any director during the six months period ended 31 December 2020 as compensation for the early termination of appointment (30 June 2020: nil).

Consideration provided to third parties for making available directors' services

No consideration was provided to or receivable by third parties for making available directors' services during the six months period ended 31 December 2020 (30 June 2020: nil).

Information about loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors

There are no loans, quasi-loans or other dealings in favor of the directors, their controlled bodies corporate and connected entities during the six months period ended 31 December 2020 (30 June 2020: nil).

Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the six months period ended 31 December 2020 or at any time during the six months period.

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the six months period included two (30 June 2020: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (30 June 2020: two) individuals during the six months period ended 31 December 2020 are as follows:

HK$ thousand	For the six months ended 31 December 2020	For the year ended 30 June 2020
Salaries, housing and other allowances and benefits in kind	4,621	8,614
Bonuses	–	4,549
(Write back)/charge of employee share-based compensation benefits	(47)	289
Pensions costs of defined contribution plans	106	131
Compensation for loss of office	–	6,463
Total	**4,680**	**20,046**

During the Reporting Period as well as prior period, the Group did not pay the aforementioned three (30 June 2020: two) individuals any inducement to join or upon joining the Group.

The emoluments fell within the following bands:

	Number of individuals	
Emoluments band	For the six months ended 31 December 2020	For the year ended 30 June 2020
HK$1,000,001–HK$ 1,500,000	2	–
HK$1,500,001–HK$ 2,000,000	1	–
HK$7,500,001–HK$ 8,000,000	–	1
HK$12,000,001–HK$ 12,500,000	–	1

4.2. Share-based payments

HK$ million	For the six months ended 31 December 2020	For the year ended 30 June 2020
Charge of employee share-based compensation benefits	3	7

4.2.1. Share option scheme

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").

Information on the Schemes

The following is a summary of the 2009 Share Option Scheme and the 2018 Share Option Scheme (collectively the "Schemes") disclosed in accordance with the Listing Rules.

Purpose of the Schemes

The Schemes are share incentive schemes and are established to recognize and acknowledge the contributions that eligible persons have made or may make to the Group.

The Schemes provide eligible persons with an opportunity to have a personal stake in the Company with a view to:

(i) motivating eligible persons to optimize their performance and efficiency for the benefit of the Group; and

(ii) attracting and retaining or otherwise maintaining ongoing business relationships with eligible persons whose contributions are or will be beneficial to the long-term growth of the Group.

Participants of the Schemes

The Board of Directors may at its discretion grant share options to:

(i) any director, employee, consultant, customer, supplier, agent, partner or adviser of or contractor to the Group or a company in which the Group holds an interest or a subsidiary of such company ("Affiliate"); or

(ii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any director, employee, consultant, customer, supplier, agent, partner or adviser of or contractor to the Group or an Affiliate; or

(iii) a company beneficially owned by any director, employee, consultant, customer, supplier, agent, partner, adviser of or contractor to the Group or an Affiliate.

Total number of shares available for issue under the Schemes and percentage of issued share capital as at 31 December 2020

The total number of shares available for issue upon exercise of all outstanding share options already granted under the Schemes is 62,245,000 shares (2009 Share Option Scheme: 48,145,000 shares and 2018 Share Option Scheme: 14,100,000 shares), representing 3.3% (30 June 2020: 3.9%) of the issued share capital of the Company as at 31 December 2020.

The maximum number of shares available for issue upon exercise of share options not yet granted under the Schemes is 174,621,156 shares (2009 Share Option Scheme: None shares and 2018 Share Option Scheme: 174,621,156 shares), representing 9.3% (30 June 2020: 8.9%) of the issued share capital of the Company as at 31 December 2020.

Maximum entitlement of each participant under the Schemes

The maximum entitlement of each participant under the Schemes shall not exceed any limits that may be imposed under the Listing Rules from time to time as amended and in force.

In accordance with the current Listing Rules, no share options may be granted to any eligible persons which, if exercised in full, would result in the total number of shares issued and to be issued upon exercise of the share options already granted or to be granted to such eligible person under the Schemes or any other schemes of the Company (including exercised, canceled and outstanding share options) in the 12-month period up to and including the date of such new grant exceeding 1.0% of the issued share capital of the Company at the date of such new grant. Any grant of further share options above this limit is subject to certain requirements as stipulated in the Listing Rules.

The period within which the shares must be taken up under a share option under the Schemes
A share option is exercisable, subject to certain restrictions contained in the Schemes and the terms on which the share option is granted at any time during the applicable share option period which may be determined by the Board of Directors but which shall in no event be more than 10 years from the date of grant of the share option.

The minimum period for which a share option must be held before it can be exercised under the Schemes
There is no general requirement on the minimum period for which a share option must be held or the performance targets which must be achieved before a share option can be exercised under the Schemes. At the time of granting a share option, however, the Board of Directors may, on a case by case basis, make such grant subject to such conditions, restrictions or limitations in relation thereto, including the minimum period for which the share option must be held and/or the performance targets to be achieved, additional to those expressly set forth in the Schemes as the Board of Directors may in its absolute discretion determine.

The amount payable on application or acceptance of the share option and the period within which payments or calls must or may be made or loans for such purposes must be repaid under the Schemes
There is no amount payable on application or acceptance of the share option and the period within which payments or calls must or may be made or loans for such purposes must be repaid.

The basis of determining the subscription price under the Schemes
The price per share at which a grantee may subscribe for shares upon the exercise of a share option is determined by the Board of Directors and shall not be less than the highest of:

(i) the closing price of the Company's shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant of the relevant share option, which must be a Business Day (as defined in the Listing Rules);

(ii) an amount equivalent to the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the date of grant of the relevant share option; and

(iii) the nominal value of the Company's shares.

The remaining life of the 2009 Share Option Scheme
On 5 December 2018, the shareholders approved at the annual general meeting of the Company the termination of the 2009 Share Option Scheme and no further share options may be granted to eligible person under the 2009 Share Option Scheme with effect thereof.

Details of the share options movement during the period and outstanding share options as at 31 December 2020 under the 2009 Share Option Scheme are as follows:

	As at 31 December 2020		As at 30 June 2020	
	Average exercise price	**Number of share options**	**Average exercise price**	**Number of share options**
Balance at beginning of period/year	6.42	52,295,000	6.38	62,965,000
Granted during the period/year	–	–	–	–
Lapsed during the period/year	12.66	(550,000)	–	–
Forfeited during the period/year	12.66	(3,600,000)	6.19	(10,670,000)
Balance at end of period/year	**5.88**	**48,145,000**	**6.42**	**52,295,000**

Share options outstanding at the end of the period have the following terms:

Expiry date	Exercise price HK$	Number of share options outstanding As at 31 December 2020	As at 30 June 2020
Directors			
30 June 2024*	11.000	550,000	660,000
25 June 2028**	2.660	8,000,000	16,000,000
28 September 2028*	1.884	500,000	1,000,000
		9,050,000	**17,660,000**
Employees			
27 September 2020*	43.000	–	550,000
27 September 2021*	8.760	1,050,000	1,450,000
12 December 2022*	12.320	890,000	1,090,000
11 March 2023*	10.040	520,000	720,000
4 November 2023*	14.180	1,425,000	1,675,000
30 June 2024*	11.000	300,000	300,000
31 October 2024*	10.124	2,300,000	2,650,000
13 October 2025*	6.550	2,250,000	2,600,000
31 October 2026*	6.870	2,500,000	2,950,000
7 November 2027*	4.650	2,550,000	–
7 November 2027**	4.650	–	2,900,000
25 June 2028**	2.660	2,750,000	3,700,000
28 September 2028**	1.884	1,500,000	2,500,000
		18,035,000	**23,085,000**
Others			
27 September 2020*	43.000	–	100,000
27 September 2021*	8.760	300,000	300,000
12 December 2022*	12.320	100,000	100,000
11 March 2023*	10.040	7,350,000	7,350,000
4 November 2023*	14.180	800,000	800,000
30 June 2024*	11.000	110,000	–
31 October 2024*	10.124	900,000	900,000
13 October 2025*	6.550	100,000	100,000
31 October 2026*	6.870	100,000	100,000
7 November 2027*	4.650	100,000	–
7 November 2027**	4.650	–	100,000
25 June 2028**	2.660	8,200,000	200,000
28 September 2028*	1.884	500,000	–
28 September 2028**	1.884	2,500,000	1,500,000
		21,060,000	**11,550,000**
Total		**48,145,000**	**52,295,000**
Weighted average remaining contractual life of options outstanding at end of the period/year		**5.6 years**	**5.9 years**

* The share options listed above are vested as of the respective dates of the balance sheet.
** The share options listed above are not vested as of the respective dates of the balance sheet.

The remaining life of the 2018 Share Option Scheme

Share options may be granted to eligible persons under the 2018 Share Option Scheme for the period until 4 December 2028.

Details of the share options movement during the period and outstanding share options as at 31 December 2020 under the 2018 Share Option Scheme are as follows:

	As at 31 December 2020 Average exercise price	Number of share options	As at 30 June 2020 Average exercise price	Number of share options
Balance at beginning of period/year	1.67	20,700,000	1.89	4,900,000
Granted during the period/year	–	–	1.60	16,350,000
Lapsed during the period/year	–	–	1.88	(500,000)
Forfeited during the period/year	1.80	(6,600,000)	1.88	(50,000)
Balance at end of period/year	**1.60**	**14,100,000**	**1.67**	**20,700,000**

Share options outstanding at the end of the period have the following terms:

Expiry date	Exercise price HK$	Number of share options outstanding As at 31 December 2020	As at 30 June 2020
Directors			
10 December 2029*	1.604	500,000	–
10 December 2029**	1.604	–	7,500,000
Employees			
10 January 2029**	1.560	–	1,000,000
27 February 2029**	1.980	–	3,500,000
10 December 2029**	1.604	6,100,000	8,700,000
Others			
10 December 2029*	1.604	1,000,000	–
10 December 2029**	1.604	6,500,000	–
		14,100,000	**20,700,000**
Weighted average remaining contractual life of options outstanding at end of the period/year		**8.9 years**	**9.3 years**

* The share options listed above are vested as of the respective dates of the balance sheet.
** The share options listed above are not vested as of the respective dates of the balance sheet.

4.2.2. Awarded shares

The Board of Directors has adopted the Employees' Share Award Scheme (the "Share Award Scheme") on 17 March 2016. The purpose of the Share Award Scheme is to incentivize and retain selected senior management of the Group.

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

Details of the awarded shares movement during the period and outstanding awarded shares as at 31 December 2020 under the Share Award Scheme are as follows:

Number of awarded shares	As at 31 December 2020	As at 30 June 2020
Balance at beginning of period/year	**2,095,270**	**2,868,100**
Vested during the period/year	–	(95,270)
Lapsed during the period/year for awarded shares included forfeited and expired	(95,270)	(677,560)
Balance at end of period/year	**2,000,000**	**2,095,270**

During the six months ended 31 December 2020, no shares (30 June 2020: 95,270 shares) of the Company were transferred to relevant Selected Employees upon vesting. The total cost of the vested shares was nil (including expenses) (30 June 2020: 1 million). During the period, no cost (30 June 2020: HK$0.2 million) was debited to retained earnings in respect of vesting of shares whose fair values were lower than the costs.

4.3. Loss per share

4.3.1. 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 share held for Share Award Scheme (million)	(8)	(8)
Weighted average number of ordinary shares in issue less share 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)

4.3.2. 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.

4.4. Auditor's remuneration

HK$ million	For the six months ended 31 December 2020	For the year ended 30 June 2020
Nature of the services		
Audit services	21	15
Non-audit services	1	1
Auditor's remuneration total	**22**	**16**

5. UNRECOGNIZED ITEMS

5.1. Capital commitments

HK$ million	As at 31 December 2020	As at 30 June 2020
Property, plant and equipment		
Contracted but not provided for	–	17
Intangible assets		
Contracted but not provided for	12	–

5.2. Events occurring after the reporting period

5.2.1. Rights Issue

On 27 January 2021, the Board proposed to raise gross proceeds of no less than approximately HK$708 million (before expenses) on the basis of one rights share for every two existing shares of the Company by issuing not less than 943,605,781 rights shares (assuming no further issue of repurchase of shares on or before record date) at a subscription price of HK$0.75 per rights share (the "Rights Issue"). The net proceeds of the Rights Issue will be approximately HK$689 million. Upon completion of the Rights Issue which is expected in April 2021, the total issued shares of the Company will be increased to 2,830,817,343. For more details, please refer to the prospectus of the Rights Issue.

5.2.2. Change of Management

In addition to the change of Directors and composition of the committee members of the Board with effect from 21 July 2020, 24 July 2020, 29 July 2020, 17 December 2020, 18 December 2020, 24 December 2020 and 28 December 2020, there has been further changes of Directors and composition of the committee members of the Board

1) 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 and member of the General Committee;

   (ii) Mr. LEE Ka Sze Carmelo has resigned as Independent Non-executive Director, chairman of the Risk Management Committee and member of the Nomination Committee and the Remuneration Committee;

(iii) Ms. CHIU Christin Su Yi has been appointed as Acting Executive Chairman of the Board and chairman of Nomination Committee and has 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.

2) 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.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

6.1. Principles of consolidation

6.1.1. Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. When a business combination is achieved in stages, the Group remeasures its previously held interest in the acquiree at its fair value at the date when control is obtained, with any resulting gain or loss recognized in the statement of profit or loss.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously held equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the statement of profit or loss.

Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

6.1.2. Separate financial Statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable. In addition, the contribution to the Company's Share Award Scheme Trust, a controlled entity, is stated at cost in "Contribution to Share Award Scheme Trust" first, and then will be transferred to the "Shares held for Share Award Scheme" under equity when the contribution is used for the acquisition for the shares of the Company.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiaries in the year the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

6.1.3. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, have been identified as the executive directors that make strategic decisions.

6.1.4. Interest in at equity subsidiaries/interests in associates

Interests in equity-accounted investees are part of non-controlling interests ("associates"). Associates are all entities over which the group has significant influence but not control. This is generally the case where the group holds between 20% and 50% of the voting rights, but also in those cases where the major shareholder lost control (e.g. due to insolvency proceedings like in case of the Company).

Interests in associates are accounted for using the equity method. They are initially recognized at cost. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

6.1.5. Foreign currency translation

Functional and presentation currency

The consolidated financial statements are presented in Hong Kong Dollar (HK$), which is Esprit's presentation currency.

Transactions and balances

Foreign currency transactions are translated into the presentation currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at 6 months end exchange rates, are generally recognized in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other operating costs.

6.1.6. Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated automatically in the system with the closing rate at the date of that balance sheet,
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated automatically in the system at monthly average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognized in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale. When an inter-company loan balance which forms part of the net investment in a foreign entity is repaid, such exchange differences are transferred to the statement of profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate. Exchange differences arising are recognized in equity.

6.2. Rounding of amounts

All amounts disclosed in the financial statements and notes have been rounded off to the nearest million currency units unless otherwise stated.

6.3. Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services, net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group. Goods and services are transferred to customers at a point in time. Revenue is recognized as follows:

6.3.1. Sales of goods – wholesale

Sales of goods are recognized on the transfer of control of a product to the customer, which generally coincides with the time when the goods are delivered to the customer and title has been passed that the customer has the ability to direct the use of and obtain the benefit of the product.

6.3.2. Sales of goods – retail including e-shop

Sales of goods are recognized on sale of a product transferred to the customer in store or upon delivery. Retail sales are mainly paid by cash or by credit card.

Payment of the transaction price is due immediately when the customer purchases the products and takes delivery in store. It is the Group's policy to sell its products to the end customer with a right of return. Therefore, a refund liability (included in creditors and accrued charges) and a right to the returned goods (included in current debtors, deposits and prepayments) are recognized for the products expected to be returned. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method). Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognized will not occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.

6.3.3. Customers loyalty program

The Group runs customer loyalty programs which award credit points upon sales of products to the loyal customers who have joined the programs. Portion of the consideration received from the sale of products was allocated to the credit points. Revenue of this portion of the consideration is deferred and will be recognized when the points are redeemed, expired or forfeited.

6.3.4. Licensing income

Licensing income is recognized on an accrual basis in accordance with the substance of the relevant agreements.

6.4. Interest income

Interest income is recognized on a time proportion basis using the effective interest method.

6.5. Income Tax

The income tax expense or income for the year is the tax payable on the current year's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by deferred tax income or expenses resulting from changes in deferred tax assets and liabilities attributable from temporary differences and from unused tax losses.

The **current income tax** charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It accounts for liabilities, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred tax expense is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred tax expense is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred tax income and expense are determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

The **deferred tax liability** in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax income or expense is recognized in statement of profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

6.6. Impairment

6.6.1. Impairment of receivables

The Group assessed on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost and fair value through other comprehensive income (FVTOCI). The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Furthermore, the Group assessed at the end of each reporting period whether there was objective evidence that the Group will not be able to collect all the amounts due according to the original terms of receivables. A provision for impairment of trade receivables is established when the impact on the estimated future cash flows of the financial asset could be reliably estimated.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables, see note 2.6.2 for further details.

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are estimated based on the present value of the cash shortfalls between the cash flow receivable in accordance with the terms of the contract and the cash flow expected to receive. In measuring the expected credit losses, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

For all other financial assets measured at amortized cost and at FVTOCI, the Group recognizes a loss allowance equal to twelve month expected credit loss unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime expected credit losses.

When there is a significant increase in credit risk or the proceeds receivables are not settled in accordance with the terms stipulated in the agreements, management consider these receivables as underperforming or non-performing and impairment is measured as lifetime expected credit loss.

6.6.2. Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

For the purposes of assessing impairment, assets other than goodwill are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGUs")). Goodwill is allocated to CGUs for the purposes of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

An impairment loss recognized in prior years for an asset other than goodwill is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets' carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognized. Any goodwill impairment is recognized immediately as an expense and is not subsequently reversed.

6.7. Intangible assets

6.7.1. Goodwill

Goodwill represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously held equity interest in the acquiree over the fair value of the identifiable net assets acquired. Goodwill on acquisitions of subsidiaries is included in intangible assets.

Goodwill included in intangible assets is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (note 2.1).

6.7.2. Trademarks and licenses

Separately acquired trademarks and licenses are shown at historical cost. Trademarks with indefinite useful lives are carried at cost less accumulated impairment losses, if any. They are not amortized but are tested for impairment (note 2.5.1).

6.7.3. Software

Software is stated at cost less any impairment losses and is amortized on the straight-line basis over the shorter of the estimated economic life.

6.8. Leases, right-of-use assets

Group as lessee

The Group leases various offices, warehouses, retail stores, equipment and motor vehicles. Rental contracts are typically made for fixed periods, but may have extension options as described below.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the Group, as a lessor. Leased assets may not be used as security for borrowing purposes.

From 1 July 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each year.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Extension and termination options
Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximize operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. If there is a significant event or significant changes in circumstances within its control the Group also reassesses whether it is reasonably certain to exercise the option.

Group as lessor
The Group sub-leases stores and has classified the sub-leases as operating leases. Amounts are shown under other non-current assets as well as other receivables.

6.9. Property, plant and equipment

Property, plant and equipment, other than freehold land, are stated at historical cost less accumulated depreciation and accumulated impairment losses (if any). Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to the statement of profit or loss during the reporting period in which they are incurred.

The depreciation methods and periods used by the Group are the following:

- The principal annual rates are:

Buildings	3.3% – 5.0%
Plant and machinery	30.0%
Furniture and office equipment	10.0% – 33.3%
Motor vehicles	25.0% – 30.0%

- Freehold land is not depreciated. Leasehold land and leasehold improvements are depreciated over the initial lease terms. Fixtures are depreciated over the shorter of five years and their estimated useful lives on a straight-line basis. Depreciation on other assets is calculated using the straight-line method to write down their cost to their residual values over their estimated useful lives.
- No depreciation is provided for construction in progress until it is completed and ready for use.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 3.1.3).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in statement of profit or loss.

6.10. Investment properties

Investment properties are interests in land and buildings which are held for long term and/or for capital appreciation. Such properties are carried in the balance sheet at their fair values. Changes in fair values of investment properties are recognized directly in the statement of profit or loss in the reporting period in which they arise.

6.11. Investments and other financial assets

6.11.1. Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVTOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

6.11.2. Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade date, being the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

6.11.3. Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments
Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other operating costs together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- FVTOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other operating costs. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other operating costs and impairment expenses are presented as separate line item in the statement of profit or loss.
- FVTPL: Assets that do not meet the criteria for amortized cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognized in profit or loss and presented net within other operating costs in the reporting period in which it arises.

Equity instruments
The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognized in other operating costs in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

6.12. Inventories

Inventories are stated at the lower of cost and net realizable value with cost being determined on a weighted average basis. Cost comprises the direct costs of merchandise, charges that have been incurred in bringing inventories to their current location and condition and the transfer from equity of any gains or losses on qualifying cash flow hedges relating to purchase of inventories. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

6.13. Trade receivables

Receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. If collection of receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are classified as non-current assets.

For trade receivables, the Group applies the simplified approach permitted under IFRS 9 which requires expected lifetime losses to be recognized from initial recognition of the receivables. Expected credit losses are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast economic conditions at the reporting date. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered for the estimation of the expected credit losses. Expected credit losses are remeasured at each reporting date to reflect changes in the financial asset's credit risk. Any change in the expected credit loss amount is recognized as an impairment loss or reversal of impairment loss in the statement of profit or loss, with corresponding adjustment to the carrying amount through a loss allowance account. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flow, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of provision is recognized in the statement of profit or loss. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to the statement of profit or loss.

Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due. Impairment losses on trade receivables are presented as net impairment losses within operating profit or loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

6.14. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

6.15. Trade creditors

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured. Invoices are issued on a monthly basis and are usually payable within 30 days. Trade and other payables are presented as current liabilities unless payment is not due within twelve months after the reporting period. Payables denominated in foreign currencies are translated at the year-end exchange rates. The resulting gains or losses are recorded in the consolidated statement of profit or loss, with the exception of the gains or losses resulting from the translation of inter-company long-term loans. The impacts of translation of these items have been reflected in other comprehensive income. They are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

6.16. Provisions

Provisions for legal claims, reinstatements and make good obligations are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

A provision for restructuring is recognized when the Group has approved a detailed and formal restructuring plan and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

6.17. Discontinued operations

A discontinued operation is a component of the Group that is to be abandoned, that has been disposed of and

- represents a separate major line of business or geographical area of operations,
- is part of a single coordinated plan to dispose of such a line of business or area of operations, or
- is a subsidiary acquired exclusively with a view to resale.

The results of discontinued operations are presented separately in the statement of profit or loss. The comparative statement of profit or loss and other comprehensive income is restated as if the operation had been discontinued from the start of the comparative year.

6.18. Derivatives and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedges)
- hedges of a particular risk associated with the cash flows of recognized assets and liabilities and highly probable forecast transactions (cash flow hedges).

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions. As of 31 December 2020, there are no derivative financial instruments designated in hedge relationships. Movements in the hedging reserve in shareholders' equity are shown in note 3.2.1. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than twelve months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than twelve months. Trading derivatives are classified as a current asset or liability.

6.18.1. Cash flow hedges that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, within other operating costs.

When forward contracts are used to hedge forecast transactions, the Group generally designates the full change in fair value of the forward contract.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

6.18.2. Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognized immediately in profit or loss and are included in other operating costs.

6.19. Fair value estimation

IFRS 7 requires disclosure for financial instruments that are measured at fair value by level of the following fair value measurement hierarchy:

Level 1	Level 2	Level 3
quoted prices (unadjusted) in active markets for identical assets or liabilities.	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).	inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of financial instruments traded in active markets is based on quoted market prices at the date of the balance sheet. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

6.20. Financial guarantee contracts

A financial guarantee contract is a contract that requires the Company to make specified payments to reimburse the holder for a loss. It incurs because a specified debtor fails to make payments when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are initially recognized at fair value on the date the guarantee was given. Subsequently, the liabilities under such guarantees are measured at the higher of the best estimate of the expenditure required to settle any financial obligation arising at the date of the balance sheet and the initial measurement. These estimates are determined based on debtors' payment history, supplemented by the judgment of management of the Group.

6.21. Employee benefits

6.21.1. Pension obligations

The Group principally participates in defined contribution plans and pays contributions to publicly or privately administered pension plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due and if applicable, are reduced by contributions forfeited by those employees who leave the scheme or the plan prior to vesting fully in the contributions.

The Group also participates in defined benefit pension plan in a country in Europe. The asset or liability recognized in the balance sheet in respect of the defined benefit pension plan is the present value of the defined benefit obligations at the end of the reporting period less the fair value of plan assets. The defined benefit obligations are calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligations is determined by discounting the estimated future cash outflows using interest rates of government bonds and high-quality corporate bonds.

The current service cost of the defined benefit plan, recognized in the statement of profit or loss in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligations results from employee service in the current year, benefit changes, curtailments and settlements.

Past-service costs are recognized immediately in the statement of profit or loss. Changes in the present value of the defined benefit obligations resulting from plan amendments or curtailments are recognized immediately in the statement of profit or loss as past service costs.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligations and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit or loss.

Remeasurement arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the reporting period in which they arise.

6.21.2. Share options

The Group operates an equity-settled, share-based compensation plan to grant share options to directors, employees and consultants of the Group in exchange for their services provided to the Group. The cost of equity-settled transactions with directors, employees and consultants is measured by reference to the fair value at the date at which they are granted. The fair value of the share options granted is recognized as an expense over the relevant period of the service (the vesting period of the share options). The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of share options that are expected to be vested. The Group recognizes the impact of the revision of original estimates, if any, in the statement of profit or loss, and a corresponding adjustment to equity.

When the share options are exercised, the proceeds received net of any directly attributable transactions cost are credited to share capital and share premium.

The grant of share options by the Company over its equity instruments to the employees of subsidiaries is treated as a capital contribution. The fair value of employee services received, measured by reference to the fair value at the date of grant, is recognized over the vesting period as an increase to investment in subsidiaries with a corresponding credit to equity.

6.21.3. Awarded shares

The Group operates an equity-settled, share-based compensation plan to grant awarded shares to directors and employees of the Group in exchange for their services provided to the Group. The cost of equity-settled transactions with directors and employees is measured by reference to the fair value at the date at which they are granted. The fair value of the awarded shares granted is recognized as an expense over the relevant period of the service (the vesting period of awarded shares). The total amount to be expensed over the vesting period is determined by reference to the fair value of the awarded shares granted; excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of awarded shares that are expected to be vested. The Group recognizes the impact of the revision of original estimates, if any, in the statement of profit or loss, and a corresponding adjustment to equity. The consideration paid by the Company through the Share Award Scheme trustee for purchasing the Company's shares from the market, including any directly attributable incremental cost, is presented as "Shares held for Share Award Scheme" and the amount is deducted from total equity.

When the Share Award Scheme trustee transfers the Company's shares to the awardees upon vesting, the related costs of the awarded shares vested are credited to "Shares held for Share Award Scheme", with a corresponding adjustment to equity.

The grant of awarded shares by the Company over its equity instruments to the employees of subsidiaries is treated as a capital contribution. The fair value of employee services received, measured by reference to the fair value at the date of grant, is recognized over the vesting period as an increase to investment in subsidiaries with a corresponding credit to equity.

6.21.4. Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the date of the balance sheet.

6.21.5. Bonus plans

The Group recognizes a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

6.22. Dividends

Dividend distributions to the Company's shareholders are recognized as a liability in the Group's and the Company's financial statements in the reporting period in which the dividends are approved by the Company's shareholders.

6.23. Share Capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or share options are shown in equity as a deduction, net of tax, from the proceeds.

6.24. Loss per share

6.24.1. Basic loss per share

Basic loss per share is calculated by dividing:

- the loss attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares (note 4.3).

6.24.2. Diluted loss per share

Diluted loss per share adjusts the figures used in the determination of basic loss per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

6.25. Government Grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

7. PRINCIPAL SUBSIDIARIES

The following are the principal subsidiaries as at 31 December 2020 which, in the opinion of the Directors, principally affect the results and net operating assets of the Group. To give details of other subsidiaries would in the opinion of the Directors result in particulars of excessive length. None of the subsidiaries had issued any debt securities at the end of the year.

Place of incorporation/ operation	Name of subsidiary	Attributable equity interest to the Group (note a)	Currency	Issued and fully paid share capital/ registered capital (note b)	Principal activities
Austria (note e)	Esprit Handelsgesellschaft m.b.H.	100%	EUR	100,000	Wholesale and retail distribution of apparel and accessories
Belgium (note e)	Esprit Belgie Retail N.V.	100%	EUR	1,200,000	Retail distribution of apparel and accessories
Belgium (note e)	Esprit Belgie Wholesale N.V.	100%	EUR	100,000	Wholesale distribution of apparel and accessories
British Virgin Islands (notes d and e)	Glory Raise Limited	100%	USD	1	Investment holding
British Virgin Islands/ Hong Kong (note e)	Esprit Global Limited	100%	USD	500	Investment holding
British Virgin Islands (note e)	Esprit China Distribution Limited	100%	USD	100	Investment holding
The People's Republic of China (notes c and d)	思環貿易(上海)有限公司	100%	USD	35,000,000	Wholesale, retail, and ecommerce distribution of apparel and accessories
The People's Republic of China (notes c and d)	創和捷商貿(北京)有限公司	100%	USD	5,000,000	Retail distribution of apparel and accessories
The People's Republic of China (notes c and d)	普思埃商業(上海)有限公司	100%	USD	7,900,000	Retail distribution of apparel and accessories
Denmark (note e)	Esprit de Corp Danmark A/S	100%	DKK	12,000,000	Wholesale and retail distribution of apparel and accessories
France (note e)	Esprit de Corp. France SAS	100%	EUR	10,373,400	Wholesale and retail distribution of apparel and accessories
Germany (notes e and f)	Esprit Europe GmbH	100%	EUR	5,112,919	Management and control function; render of services to Esprit Group
Germany (notes e and f)	Esprit Retail B.V. & Co. KG (limited partnership)	100%	EUR	5,000,000	Retail and ecommerce distribution of apparel and accessories
Germany (notes e and f)	Esprit Wholesale GmbH	100%	EUR	5,000,000	Wholesale distribution of apparel and accessories
Germany (notes e and f)	Esprit Europe Services GmbH	100%	EUR	2,700,000	Sourcing, purchase and sale of merchandise, distribution of merchandise and other logistic functions, including customs dealing and quality control; holding and licensing of trademarks
Germany (notes e and f)	Esprit Design & Product Development GmbH	100%	EUR	100,000	Provision of services to the worldwide Esprit Group in relation to the development of designs, styles and prototypes for the sales line of Esprit products
Germany (note e)	Esprit Card Services GmbH	100%	EUR	25,000	Issuance, accounting of and service in connection with GiftCard, as provided to certain European group subsidiaries and distribution partners in Europe
Germany (note f)	Esprit Global Image GmbH	100%	EUR	25,000	Design and image directions; conceptualization and development of global uniform image; conceptualization and development of global image direction within product development

Place of incorporation/ operation	Name of subsidiary	Attributable equity interest to the Group (note a)	Currency	Issued and fully paid share capital/ registered capital (note b)	Principal activities
Hong Kong (notes d and e)	Esprit Retail (Hong Kong) Limited	100%	HK$	10,000	Retail distribution of apparel and accessories
Hong Kong (notes d and e)	Esprit Regional Distribution Limited	100%	HK$	10,000	Wholesale distribution of apparel and accessories and provision of services
Hong Kong (note e)	Esprit de Corp (Far East) Limited	100%	HK$	1,200,000	Sourcing of apparel and accessories
Hong Kong (note e)	Million Success Resources Limited	100%	HK$	2	Investment holding
Hong Kong (note e)	Esprit (Hong Kong) Limited	100%	HK$	1	Management and control function; render of services to Esprit Group
Republic of Ireland (note e)	Esprit Ireland Distribution Limited	100%	EUR	1	Wholesale distribution of apparel and accessories
Italy (note e)	Esprit Italy Distribution S.R.L.	100%	EUR	12,750	Wholesale distribution of apparel and accessories
Luxembourg (note e)	Esprit Luxembourg S.à r.l.	100%	EUR	250,000	Retail distribution of apparel and accessories
Macau (notes d and e)	Garment Accessories and Cosmetics Esprit Retail (Macau) Limited	100%	MOP	100,000	Retail distribution of apparel and accessories
Malaysia (notes d and e)	Esprit de Corp (Malaysia) Sdn. Bhd.	100%	MYR	5,000,000	Retail distribution of apparel and accessories
The Netherlands (note e)	Esprit Europe Holdings B.V.	100%	EUR	30,000,000	Investment holding
The Netherlands (note e)	Esprit Europe B.V.	100%	EUR	1,500,000	Investment holding, wholesale and retail distribution of apparel and accessories, and licensing of trademarks
Norway (note e)	Esprit A/S	100%	NOK	21,800,000	Wholesale distribution of apparel and accessories
Poland (note e)	Esprit Poland Retail Sp. z o.o.	100%	PLN	5,147,200	Retail distribution of apparel and accessories
Singapore (notes d and e)	Esprit Retail Pte Ltd	100%	SGD	3,000,000	Retail distribution of apparel and accessories
Sweden (note e)	Esprit Sweden AB	100%	SEK	500,000	Wholesale and retail distribution of apparel and accessories
Switzerland (note e)	Esprit Switzerland Retail AG	100%	CHF	500,000	Retail distribution of apparel and accessories
Switzerland (note e)	Esprit Switzerland Distribution AG	100%	CHF	100,000	Wholesale distribution of apparel and accessories
United Kingdom (note e)	Esprit GB Limited	100%	GBP	1	Wholesale distribution of apparel and accessories
United States (note e)	Esprit International (limited partnership)	100%	N/A	N/A	Holding and licensing of trademarks

note a): All subsidiaries were held indirectly by the Company (Esprit Holdings Limited), except Esprit Global Limited.
note b): All are ordinary share capital unless otherwise stated.
note c): Wholly foreign owned enterprise.
note d): Discontinued operations.
note e): As per 31 December 2020, the reporting date of the subsidiaries differs with that of the Company because the Company has changed its financial year end date from 30 June to 31 December (calendar year) by the end of 2020 (see note 1.2.2). Therefore, the legal entities will finalize their financial year by 30 June 2021. It's planned to change the financial year end date of the subsidiaries to calendar year in the first half of 2021.
note f): Subject Subsidiary: Financial year due to insolvency proceedings is from 1 December 2020 to 30 June 2021.

Ten-Year Financial Summary

BALANCE SHEET

HK$ million	As at 31 December 2020	As at 30 June 2020	As at 30 June 2019	As at 30 June 2018
Non-current assets				
Intangible assets	1,878	1,641	2,050	2,063
Property, plant and equipment	509	530	1,128	1,571
Right-of-use assets	2,262	2,206	–	–
Investment properties	–	–	27	24
Financial assets at fair value through profit or loss	11	10	12	–
Other investments	–	–	–	7
Debtors, deposits and prepayments	392	345	120	140
Deferred tax assets	51	32	559	524
Net current assets	**1,623**	**712**	**3,101**	**5,005**
Total assets less current liabilities	**6,726**	**5,476**	**6,997**	**9,334**
Equity				
Share capital	189	189	189	189
Reserves	4,050	2,581	6,524	8,837
Total equity	**4,239**	**2,770**	**6,713**	**9,026**
Non-current liabilities				
Bank loans	9	8	–	–
Lease liabilities	2,010	2,467	–	–
Retirement defined benefit obligations	31	26	31	26
Deferred tax liabilities	437	205	253	282
Total non-current liabilities	**2,487**	**2,706**	**284**	**308**
Total equity and non-current liabilities	**6,726**	**5,476**	**6,997**	**9,334**

Notes:
- 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.
- The Group adopted IFRS 16 with effect from 1 July 2019 and has changes its accounting policies in relation to lease liabilities. Under the transition methods chosen, the Group recognizes the cumulative effect of the initial application of IFRS 16 as an adjustment to the opening balance at equity at 1 July 2019. Comparative information in years earlier than 2020 is not restated and in accordance with the policies applicable in those years.
- The Group adopted IFRS 9 and IFRS 15 with effect from 1 July 2018 and has changed its accounting policies in relation to financial instruments and revenue recognition. Under the transition methods chosen, the Group recognizes the cumulative effect of the initial application of IFRS 9 and IFRS 15 as an adjustment to the opening balance of equity at 1 July 2018. Comparative information in years earlier than 2019 is not restated and in accordance with the policies applicable in those years.

	As at 30 June 2017	As at 30 June 2016	As at 30 June 2015	As at 30 June 2014	As at 30 June 2013	As at 30 June 2012
	2,851	2,902	3,031	5,670	5,763	7,613
	1,900	2,159	2,835	3,972	4,363	4,489
	–	–	–	–	–	–
	23	19	17	16	15	13
	–	–	–	–	–	–
	7	7	7	7	7	7
	174	220	240	312	384	402
	822	745	649	615	697	549
	6,091	**5,829**	**5,718**	**6,979**	**6,158**	**4,348**
	11,868	**11,881**	**12,497**	**17,571**	**17,387**	**17,421**
	194	194	194	194	194	129
	11,349	11,203	11,704	16,717	16,402	15,477
	11,543	**11,397**	**11,898**	**16,911**	**16,596**	**15,606**
	–	–	–	–	–	1,040
	–	–	–	–	–	–
	–	–	–	–	–	–
	325	484	599	660	791	775
	325	**484**	**599**	**660**	**791**	**1,815**
	11,868	**11,881**	**12,497**	**17,571**	**17,387**	**17,421**

STATEMENT OF PROFIT OR LOSS

HK$ million	For the six months ended 31 December 2020	For the year ended 30 June 2020	For the year ended 30 June 2019	For the year ended 30 June 2018
Revenue	886	9,874	12,932	15,455
Operating (loss)/profit ((LBIT)/EBIT)	(2,253)	(3,447)	(2,080)	(2,253)
Share of results from associates	1,939	–	–	–
Loss on remeasurement	(69)	–	–	–
Interest income	2	54	49	58
Finance costs	(15)	(100)	(35)	(31)
(Loss)/profit before taxation	**(396)**	**(3,493)**	**(2,066)**	**(2,226)**
Taxation (charge)/credit	(18)	(499)	(78)	(328)
(Loss)/profit attributable to shareholders of the Company	**(414)**	**(3,992)**	**(2,144)**	**(2,554)**

Notes:
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.

	For the year ended 30 June 2017	For the year ended 30 June 2016	For the year ended 30 June 2015	For the year ended 30 June 2014	For the year ended 30 June 2013	For the year ended 30 June 2012
	15,942	17,788	19,421	24,227	25,902	30,165
	(102)	(596)	(3,683)	361	(4,170)	1,171
	–	–	–	–	–	–
	–	–	–	–	–	–
	44	40	45	55	51	28
	(48)	(29)	(29)	(37)	(30)	(37)
	(106)	**(585)**	**(3,667)**	**379**	**(4,149)**	**1,162**
	173	606	(29)	(169)	(239)	(289)
	67	**21**	**(3,696)**	**210**	**(4,388)**	**873**

Glossary of terms

A

ADR
American Depositary Receipt

AGM
Annual General Meeting

C

Capex
Capital expenditure

CGUs
Cash-generating units

E

EBIT/LBIT
Earnings/loss before interest and taxes

EBITDA
Earnings before interest, taxes, depreciation and amortization

e-shop
Online store

F

FTE
Full-Time-Employees

FVTOCI
Fair Value through other comprehensive income

FVTPL
Fair value through profit or loss

FY19/20
The fiscal year ended 30 June 2020

G

G20 Companies
The twenty legal entities made up the six German subsidiaries and their fourteen international subsidiaries

Group
Esprit Holdings Limited and its subsidiaries

H

HKCO
Hong Kong Companies Ordinance

I

IAS
International Accounting Standards

IESBA Code
International Ethics Standards Board of Accountants

IFRIC
International Financial Reporting Interpretations Committee

IFRS
International Financial Reporting Standards

Inventory turnover days
Calculated as average inventory (excluding consumables) over average daily cost of goods sold

Insolvency Proceedings
The proceedings that took place by the Düsseldorf District Court of Germany

ISAs
International Standards on Auditing

N

NPL
Non-performing loans

O

OCI
Other comprehensive income

P

Pandemic
COVID-19 pandemic

PDs
Probabilities of Default

Period
The six months ended 31 December 2020

PPA
Purchase Price Allocation

PSP
Protective Shield Proceedings

S

Subject Subsidiaries
The six German subsidiaries

ESPRIT