



ESPRIT

2023 中期報告

截至二零二三年六月三十日止六個月

思捷環球控股有限公司

(於百慕達註冊成立之有限公司)

香港股份代號 00330

2023 Interim Report

For Six Months Ended 30 June 2023

Esprit Holdings Limited

(Incorporated in Bermuda with Limited Liability)

Hong Kong Stock Code 00330

Corporate Information

Executive Directors

- Ms. CHIU Christin Su Yi (Chairperson)
- Mr. PAK William Eui Won (Chief Executive Officer and Chief Operating Officer)
- Mr. SCHLANGMANN Wolfgang Paul Josef
- Mr. WRIGHT Bradley Stephen

Independent Non-executive Directors

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

Chief Financial Officer

- Mr. WONG Brian Shek Kae

Company Secretary

- Ms. WONG Natasha Chi Yan

Principal bankers

- Citibank, N.A.
- Deutsche Bank AG
- Hang Seng Bank Limited
- Standard Chartered Bank (Hong Kong) Limited

Auditor

- PricewaterhouseCoopers Certified Public Accountants Registered Public Interest Entity Auditor

Principal legal advisor

- Reed Smith LLP

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
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

Registered office

Clarendon House
Church Street
Hamilton HM 11
Bermuda

International Headquarters

13th Floor, China United Centre
28 Marble Road, North Point
Hong Kong
t: + 852 3198 0330
f: + 852 2362 5576

For enquiries from investors and equity analysts, please contact:

Investor relations department

13th Floor, China United Centre
28 Marble Road, North Point
Hong Kong

Ms. LUI Jennifer
t: + 852 3198 0378
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



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Management Discussion and Analysis

The Company operated under adverse conditions during the first half of 2023, resulting in a net loss of HK\$714 million for the Period. The Group implemented a series of progressive initiatives to reinvigorate its growth over the past half year, and the management team (the “Management”) estimates that these initiatives will come to fruition in the second half of 2023, as the Group has already observed noticeable positive developments from the June results. The Group also believes that its dynamic corporate structure, current management team, and dedicated staff at ESPRIT will enable the Company to navigate and overcome the tough environment and return to profitability in the foreseeable future.

Management continues to strive in adapting timely and adequate responses to combat worsening pressures and uncertainties upon the Company’s business and operations, including but not limited to factors such as adjustments stemming from elevating ESPRIT’s brand positioning within the fashion industry, international supply chain disruptions, deteriorating global macro-economic conditions, increasing raw material prices, declining consumer confidence, lower discretionary spending and escalating geopolitical tensions.

European consumer confidence and spending appetite remained depressed for the first half of 2023 due to reasons including the on-going Ukraine conflict and the effects caused by high inflation and high interest rates. The Company is actively monitoring the aforementioned issues and prudently assessing their effects on the Company’s operations. Necessary measures will be instigated to counter any detrimental impacts thereto.

To offset and overcome the challenging conditions cited above, the Company implemented a series of progressive initiatives to reinvigorate its growth and the Management is of the view that the outlook is generally optimistic in nature. The Company would like to share some of the latest initiatives being implemented that will be beneficial to the Company’s prospects going forward, such as:

- 1) continuing to streamline operations and implement stringent cost controls and cost cutting measures through corporate re-structuring and related initiatives;
- 2) closing unprofitable stores, outlets, and reducing store size to enhance efficiency and per square metre economic return by renegotiating rental leases to ensure that the retail channel will re-emerge as a profitable and key segment for the Company;
- 3) terminating product lines that have low gross profit margin and replacing them with collections and capsules with substantially higher margins. The timely readjustment of sourcing strategies will keep obsolete inventories to a minimum level;
- 4) significant investment in rebuilding ESPRIT’s brand equity, re-establishing and improving ESPRIT’s brand image, retaining and regaining loyalty from long-term customers, and attracting new customers, specifically the younger generation. To coordinate the above efforts, the Group has established New York as its global marketing and branding headquarters;
- 5) in conjunction with points (3) and (4) above, investments are made into product sourcing, and as a result of the aforementioned initiatives, the Group will be offering elevated products with superior value for money to its clients and consumers;
- 6) revamping the Company’s sales channels to incorporate full omnichannel structure with enhanced focus on offering an attractive and user-friendly E-commerce experience. The Group chose Amsterdam to establish its global IT and tech innovation headquarters. Amsterdam also houses the Group’s denim design and innovation centre. The Group’s new product launches will be spearheaded by the new denim line in August 2023;
- 7) continuing to improve inventory management as well as logistics scheduling and efficiency to substantially reduce the Group’s inventory working capital requirements and logistics related expenses;
- 8) demonstrating the Company’s well-known and longstanding commitment to be a responsible corporate citizen in areas such as environmental and social sustainability; and
- 9) rapidly building and expanding into North America, which is the Group’s key market focus. The Group is confident that this market will significantly contribute to the Group’s revenue and profit in the near future.

The financial results of the Company which are discussed in greater detail below, are unsatisfactory as a result of the detrimental factors identified earlier. However, since the Management has begun instigating bold corrective actions combined with staff dedication and agility in the workplace, the Group is confident that it will return to profitability and move towards a brighter and more exciting future.

BUSINESS OVERVIEW

During the Period, the Group recorded an unaudited loss attributable to the shareholders of the Company of HK\$714 million, as compared with the unaudited profit attributable to the shareholders of the Company of HK\$13 million for the six months ended 30 June 2022 (the "Corresponding Period").

The decrease in profit during the Period in comparison to the Corresponding Period is mainly attributable to:

- 1) the decrease in revenue by 17% in the Period as compared to the Corresponding Period due to negative consumer appetite in Germany and across the rest of Europe;
- 2) the lowered gross profit margin by 1.1% points as a result of deeper sales discount offered under the sluggish market environment; and
- 3) the net write-backs in the Corresponding Period of two provisions related to the Pandemic for inventories amounting to HK\$289 million and impairment of trade debtors amounting to HK\$33 million that were not present in the Period.

The aforementioned will be discussed in detail in this interim report.

REVENUE ANALYSIS

The Group is principally engaged in retail (including E-shop), wholesale distribution and licensing of fashion and non-apparel products designed under its own internationally renowned ESPRIT brand name. The Group operates in Europe, Asia and America through 4 main channels: Wholesale, E-commerce, Owned Retail Stores, and Licensing.

Each channel accounted for the Group's revenue in the ratio of approximately 37:36:25:2 respectively during the Period.

The Group has recorded total revenue of HK\$3,025 million for the Period, as compared to the total revenue of HK\$3,626 million for the Corresponding Period, representing a decrease of 17%.

The decrease in revenue was primarily due to negative consumer sentiment in Germany and across the rest of Europe resulting from the poor economic environment and on-going conflict in Ukraine. The Group's overall performance was also affected by the short-term adjustments stemming from brand elevation and repositioning in the fashion industry. The Group has launched a series of progressive initiatives during the past six months aimed at revitalizing its growth. Management anticipates that these initiatives will come to fruition in the second half of this year, as the Group has already observed noticeable positive development from the June results.

Under the challenging business landscape, the Group observed a decline in performance across its channels. Wholesale experienced a drop of 17%, while E-commerce recorded a decrease of 20%. Owned Retail Stores recorded a decline at a lesser extent of 11%. The relatively low drop in Owned Retail Stores is primarily attributed to the launch of progressive initiatives as aforementioned.

The Company is also committed to continue improvement in its overall E-commerce and omnichannel capabilities to provide a seamless shopping experience with unprecedented connectivity between the customer engagement points. Customers will be able to enjoy a shopping journey across different platforms such as browsing the E-shop on their desktops or on their mobile phones, or visiting a physical ESPRIT retail store. The E-shop is undergoing a redesign to enhance customer shopping experience, which aims to boost conversion rates, increase items per transaction and average price of transactions. This includes a complete overhaul of the entire shopping journey on the E-shop to provide smoother browsing, checkout experience, and provision of more personalized content by using cutting edge data technology to entice customers to make additional purchases.

GROSS PROFIT MARGIN

During the Period, gross profit margin was 44.7%, which is lowered by 1.1% points when compared to the margin of 45.8% for the Corresponding Period.

The slight movement in gross profit margin was mainly due to deeper sales discounts offered under the sluggish market at the beginning of the Period. The Group is dedicated to consistently improve the gross margins of its products by focusing on using higher quality materials with greater intrinsic value, optimizing sourcing efficiencies and brand elevation.

OPERATING EXPENSES

Operating expenses for the Period were HK\$2,055 million, 24% higher than HK\$1,651 million in the Corresponding Period. In the Corresponding Period, the Company experienced net write-backs of two provisions related to the Pandemic including (i) reversal of inventories write-back amounting to HK\$289 million and (ii) write-back impairment of trade debtors amounting to HK\$33 million, which provided a one-time benefit and positively impacted operating expenses. In the Period, the absence of these write-back of provisions resulted in higher operating expenses when compared with the operating expenses of the Corresponding Period. The other key factor is the occupancy costs that increased by 20%. This was a result from the concessions on rent from landlords that were provided during the Corresponding Period due to the Pandemic, which did not recur in the Period.

Furthermore, the Group's brand elevation and repositioning in the fashion industry led to a ramp up in marketing and advertising expenses.

WORKING CAPITAL MANAGEMENT

Inventories

The inventory balance as at 30 June 2023 amounted to HK\$1,522 million (31 December 2022: HK\$1,777 million). On a year-on-year basis (as compared to the corresponding figure of HK\$1,594 million as at 30 June 2022), the value of inventories decreased by 5%.

The absence of write-back of provision of HK\$289 million as compared to the Corresponding Period, and the Group's continuous efforts to reduce aged inventories have enabled the Group to achieve a decrease in inventory level as at 30 June 2023.

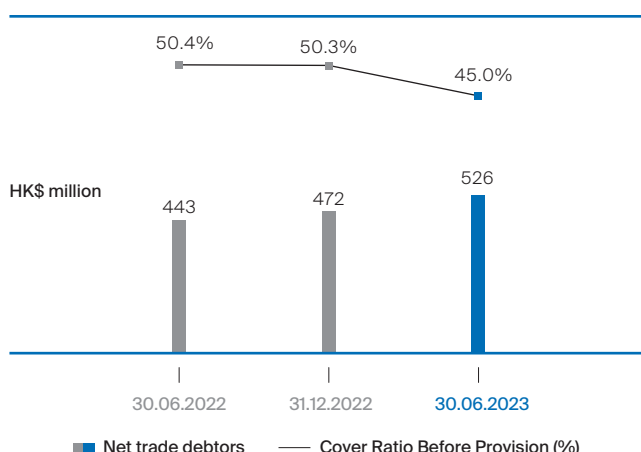
Cross functional teams namely Sourcing, Product and Logistics have been collaborating to ensure that working capital needed for inventory is minimised. The Sourcing team is involved at an earlier stage of product design to understand the materials needed for production, giving them the ability to book materials in advance at a lower price and optimal quantity. This

allows the Logistics team ample time to arrange for delivery under a just-in-time system to ensure minimal holding time and costs for inventory and materials. As a result, inventory levels are kept at an optimal level.

Net Trade Debtors

As at 30 June 2023, net trade debtors amounted to HK\$526 million (31 December 2022: HK\$472 million) which is an increase of 11%.

This movement was mainly due to sales promotions on the E-commerce channel which stimulated revenue in the last week of June. This was offset by the absence of write-back of provision for impairment of trade debtors amounting to HK\$33 million reflected in the Corresponding Period. The cover ratio of insured and guaranteed trade debtors (over gross trade debtors) as at 30 June 2023 decreased to 45.0% (31 December 2022: 50.3%).



Trade Creditors

As at 30 June 2023, trade creditors amounted to HK\$319 million (31 December 2022: HK\$497 million), which is a decrease of 36%. This was partly due to seasonal factors of the Company's business and better cash management.



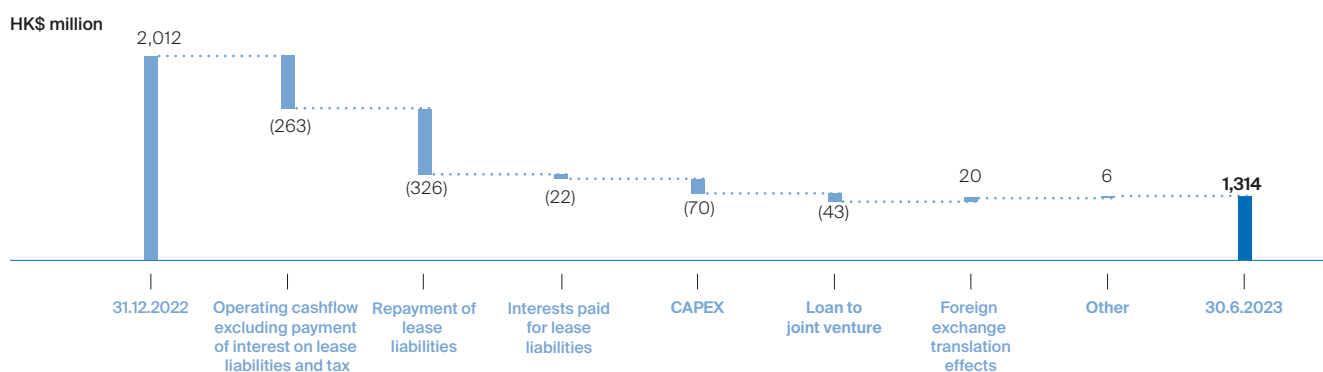
LIQUIDITY AND FINANCIAL RESOURCES ANALYSIS

Net Cash

As at 30 June 2023, the Group remained essentially debt free and recorded cash, bank balances and deposits of HK\$1,314 million in total (31 December 2022: HK\$2,012 million), representing a net cash decrease of HK\$698 million. The cash position was mainly affected by following items:

- 1) operating performance of the business resulted in a net cash outflow of HK\$263 million excluding payment of interest on lease liabilities and tax;
- 2) repayment of lease liabilities of HK\$326 million and interest paid for lease liabilities of HK\$22 million resulted in total cash outflow of HK\$348 million;
- 3) further decrease in cash position occurred through capital expenditures (the “CAPEX”) of HK\$70 million;
- 4) loan to joint venture amounted to HK\$43 million; and
- 5) foreign exchange translation effects which resulted in a cash inflow of HK\$20 million.

Cash Flow Bridge for the Six Months Ended 30 June 2023



Total Interest-Bearing External Borrowings and Gearing Ratio

As at 30 June 2023, the Group had no interest-bearing external borrowings (31 December 2022: nil). Therefore, the Group’s gearing ratio as at 30 June 2023, as defined by a percentage of total interest-bearing external borrowings to total assets, was zero (31 December 2022: zero).

Significant Investment and Material Acquisitions and Disposals

Save for those disclosed in this report, there were no other significant investments held, nor were there material acquisitions or disposals of subsidiaries, associates or joint ventures by the Group during the Period (for the year ended 31 December 2022: nil).

Charges on Group Assets and Contingent Liabilities

As at 30 June 2023, save for those disclosed in this report, the Company had not charged its assets and did not have significant contingent liabilities (31 December 2022: nil).

Foreign Exchange Risk

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

To minimize the Group's FX exposure on costs for merchandise produced for Europe in Asia, majority of the suppliers in Asia were asked to quote and settle in US dollar. In addition, to manage the FX risk arising from future commercial transactions, the Group in the past entered into forward FX contracts with reputable financial institutions to hedge the FX risk. Since no forward FX contracts have been entered into for the Period, currency fluctuations may affect the Group's margins and profitability. The Group has been continuously preparing for the resumption of hedging activities. Due to high volatility and therefore heavy movements in the foreign exchange markets caused by geopolitical events, the decision was made not to enter into hedging programs for the time being.

Treasury Policy

Core task of the treasury team of the Group is to ensure the Group's solvency by managing its liquidity and banking relationships. Excess liquidity is managed by placing short term deposits at banks. Other than adopting an in-house banking concept to fund the Group, there are no further funding initiatives with banks. Nevertheless, various options are being evaluated to cover future needs.

NUMBER OF EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2023, the Group employed approximately 2,250 full time equivalent staff ("FTE") (30 June 2022: approximately 2,200 FTE). Competitive remuneration packages that consider business performance, market practices and competitive market conditions are offered to employees in compensation for their contribution. All employees of the Group around the world are connected through the Group's global intranet.

INTERIM DIVIDEND

As the Group recorded a net loss for the Period, the Board has resolved not to declare an interim dividend for the Period. The Board will constantly monitor and review the situation in the coming future.

OUTLOOK

The Company remains committed to deliver sustainable and profitable growth globally. With an experienced management team and dedicated staff across the Group, ESPRIT has reestablished its global presence with its expansion into North America and Asia Pacific.

ESPRIT will continue to lean on the Management's strategies to deliver high quality products and one-of-a-kind consumer experiences across its omnichannel platform to bridge offline and online seamlessly.

The Company's financial outlook is forward-looking in nature. As always, this is subject to potential external uncertainties identified by the Management which include but are not limited to: supply chain disruptions; inflationary pressures; foreign currency fluctuation; geopolitical tensions; and consumer confidence. The Company would like to share with its shareholders and investment community the developments of several notable on-going and up-coming initiatives:

1. Cost control: continuation of stringent cost control measures to free up resources for profitable expansion. This is achieved through corporate re-structuring and related measures, closing unprofitable stores, and enhancing economic efficiencies in remaining stores.
2. Digital: the Company is launching a simplified and innovative technology platform to provide a more dynamic and engaging purchase experience for online customers. This platform is currently live in South Korea. It will also launch in the US market by Q3 of 2023 and in Europe by middle of 2024.

The digital team is developing a modern data stack to build a data driven ecosystem, expected to launch in the middle of next year. The aim is to seamlessly connect customers and products, which will create the foundation for ESPRIT to lead through artificial intelligence and large language models to provide unparalleled customer engagement and satisfaction.

3. E-commerce: the Company will continue its commitment to communicate and interact with consumers by sharing inspirations and storytelling, including theme specific campaigns to generate awareness and launch multiple revenue driving promotions such as ESPRIT Sports, Beachwear, Season-End Sales, Valentine's Day, VIP Days, International Women's Day, Midseason-Sales, Friends' Day, and Private Sales. Consumers' response to such outreach has been positive.
4. Omnichannel: the Company is dedicated to embrace new technology and best industry practices to enhance customer experience. Ongoing projects are aimed at developing new in-store omnichannel digital experience solutions for stores-of-the-future. The intention is to provide digital and hyper-personalized service experiences for upcoming Flagship and Experium stores, ensuring customers to experience the best when interacting with ESPRIT.
5. Product: the ESPRIT denim collection will relaunch with improved fit, fabric, and wash. The newly developed fit will be more relevant and complemented by seasonal trend-relevant fits and all silhouettes are covered. New fabric technology is being used to provide higher elasticity and color retention. In terms of production, the brand is partnering with leading denim manufacturers to achieve more environmentally responsible production by incorporating wash techniques that dramatically reduce waste and the water used. ESPRIT is launching an in-house developed kid's apparel targeting ages two to twelve. Product range includes tee shirts, hoodies, sweatshirts, sweaters, and sweat dresses.
6. Sourcing: product lines that have low gross profit margins are terminated and replaced with collections and capsules with substantially higher margins. These timely adjustments in the way the Company sources lowers the level of obsolete inventories. The Company's partnership with strong sourcing agents allows for opportunity to work with elevated factories within their network. This enables the Company to utilize factories that have more expertise, innovation, and better efficiency to develop stronger quality and value for money products for ESPRIT.
7. Stores: several retail store openings are underway for launch in the latter half of 2023 in North American key cities such as permanent stores in New York and Vancouver, and pop-up stores in Chicago, Los Angeles and New York. In Europe, the retail team is developing shop-in-shops under a new elevated concept within twenty of ESPRIT's best European retail and franchise locations, to create buzz and bring the brand elevating relaunch to life. The aim is to evoke the nostalgia of vintage ESPRIT for consumers in the European market.
8. Wholesale: to support the brand's wholesale business, a newly created showroom has been established at the Dusseldorf flagship location to enhance partnership experience. Wholesale partners will also revisit the North American market by participating in key US wholesale trade shows to promote and create brand awareness.

The Company specifically identified North America as its focus for future expansion to diversify the Group's business. It will also continue strengthening its presence in the Asian and European markets, with the aim to return ESPRIT to its original, elevated, and globally recognized brand position.

INDEPENDENT REVIEW REPORT

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF ESPRIT HOLDINGS LIMITED (incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 9 to 23, which comprises the interim condensed consolidated balance sheet of Esprit Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2023 and the condensed consolidated statement of profit or loss, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and selected explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 August 2023

INTERIM FINANCIAL INFORMATION

The board of directors (the “Board”) of Esprit Holdings Limited (the “Company”) announces the unaudited condensed consolidated interim financial information, along with selected explanatory notes, of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2023 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

HK\$ million	Notes	Unaudited for the six months ended 30 June 2023	Unaudited for the six months ended 30 June 2022
Revenue	2	3,025	3,626
Cost of purchases		(1,673)	(1,967)
Gross profit		1,352	1,659
Staff costs		(632)	(603)
Occupancy costs		(158)	(132)
Logistics expenses		(241)	(246)
Marketing and advertising expenses		(242)	(233)
Depreciation of property, plant and equipment	11	(58)	(53)
Depreciation of right-of-use assets	10	(277)	(268)
Impairment loss on property, plant and equipment	11	-	(2)
(Provision)/write-back of provision for inventories, net		(37)	289
(Provision)/write-back of provision for impairment of trade debtors, net	14	(10)	33
Impairment loss on right-of-use assets	10	(5)	-
Net foreign exchange translation gains/(losses)		9	(99)
Other operating costs		(404)	(337)
Operating (loss)/profit	3	(703)	8
Share of losses from joint venture	12	(1)	-
Interest income	4	9	1
Finance costs	5	(23)	(21)
Loss before taxation		(718)	(12)
Taxation	6	4	25
(Loss)/profit attributable to shareholders of the Company		(714)	13
(Loss)/profit per share			
- Basic and diluted	8	HK\$(0.252)	HK\$0.004

The notes on pages 14 to 23 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

HK\$ million	Unaudited for the six months ended 30 June 2023	Unaudited for the six months ended 30 June 2022
(Loss)/profit attributable to shareholders of the Company	(714)	13
Other comprehensive income		
Item that may be reclassified subsequently to profit or loss:		
Foreign exchange translation gains/(losses)	81	(199)
Total comprehensive loss for the period attributable to shareholders of the Company, net of tax	(633)	(186)

The notes on pages 14 to 23 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED BALANCE SHEET

HK\$ million	Notes	Unaudited As at 30 June 2023	Audited As at 31 December 2022
Non-current assets			
Intangible assets	9	1,690	1,595
Property, plant and equipment	11	255	317
Right-of-use assets	10	1,645	1,630
Financial assets at fair value through profit or loss		2	3
Interest in joint venture	12	46	2
Debtors, deposits and prepayments		364	365
Deferred tax assets		63	62
		4,065	3,974
Current assets			
Inventories	13	1,522	1,777
Debtors, deposits and prepayments	14	881	884
Tax receivable		17	18
Cash, bank balances and deposits	15	1,314	2,012
		3,734	4,691
TOTAL ASSETS		7,799	8,665
Current liabilities			
Creditors and accrued charges	16	1,398	1,612
Lease liabilities	18	465	474
Provisions	17	150	145
Tax payable		232	229
		2,245	2,460
Net current assets		1,489	2,231
Total assets less current liabilities		5,554	6,205
Equity			
Share capital	19	283	283
Reserves		3,319	3,952
		3,602	4,235
Non-current liabilities			
Lease liabilities	18	1,560	1,578
Retirement defined benefit obligations		5	5
Deferred tax liabilities		387	387
		1,952	1,970
TOTAL LIABILITIES		4,197	4,430
TOTAL EQUITY AND LIABILITIES		7,799	8,665

The notes on pages 14 to 23 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited for the six months ended 30 June 2023									
HK\$ million	Share capital	Share premium	Employee share-based payment reserve	Remeasurements of retirement defined benefit obligations	Contributed surplus	Translation Reserve	Capital reserve	Accumulated losses	Total
At 31 December 2022	283	8,583	902	16	7	453	1	(6,010)	4,235
Foreign exchange translation	-	-	-	-	-	81	-	-	81
Loss attributable to shareholders of the Company	-	-	-	-	-	-	-	(714)	(714)
Total comprehensive loss, net of tax	-	-	-	-	-	81	-	(714)	(633)
At 30 June 2023	283	8,583	902	16	7	534	1	(6,724)	3,602

Unaudited for the six months ended 30 June 2022									
HK\$ million	Share capital	Share premium	Employee share-based payment reserve	Remeasurements of retirement defined benefit obligations	Contributed surplus	Translation reserve	Capital reserve	Accumulated losses	Total
At 31 December 2021	283	8,583	902	3	7	684	1	(5,346)	5,117
Foreign exchange translation	-	-	-	-	-	(199)	-	-	(199)
Profit attributable to shareholders of the Company	-	-	-	-	-	-	-	13	13
Total comprehensive loss, net of tax	-	-	-	-	-	(199)	-	13	(186)
At 30 June 2022	283	8,583	902	3	7	485	1	(5,333)	4,931

The notes on pages 14 to 23 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

HK\$ million	Unaudited for the six months ended 30 June 2023	Unaudited for the six months ended 30 June 2022
Cash flows from operating activities		
Cash (used in)/generated from operations	(263)	179
Interest paid for lease liabilities	(22)	(17)
Overseas tax paid, net	(4)	(1)
Net cash (used in)/generated from operating activities	(289)	161
Cash flows from investing activities		
Purchase of intangible assets, property, plant and equipment	(68)	(17)
Capital injection into joint venture	(2)	(3)
Proceeds from disposal of property, plant and equipment	1	-
Interest received	9	1
Net decrease in bank deposits with maturities of more than three months	-	(40)
Net cash used in investing activities	(60)	(59)
Cash flows from financing activities		
Loan to joint venture	(43)	-
Repayment of lease liabilities	(326)	(343)
Interest paid	-	(4)
Net cash used in financing activities	(369)	(347)
Net decrease in cash and cash equivalents	(718)	(245)
Cash and cash equivalents at beginning of period	2,011	2,648
Effect of change in exchange rates	20	(101)
Cash and cash equivalents at end of period	1,313	2,302
Analysis of balances of cash and cash equivalents		
Bank balances and cash	1,117	2,302
Bank deposits	197	40
Cash, bank balances and deposits	1,314	2,342
Less: bank deposits with maturities of more than three months	(1)	(40)
	1,313	2,302

For the six months ended 30 June 2023, the total cash outflow for leases amounted to HK\$348 million (for the six months ended 30 June 2022: HK\$360 million).

The notes on pages 14 to 23 form an integral part of this condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information (“Interim Financial Information”) on pages 9 to 23 for the six months ended 30 June 2023 was prepared in accordance with the International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The Interim Financial Information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2022.

1.1 Use of judgement and estimates

While preparing the Interim Financial Information, the Management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense.

The significant judgements made by the Management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

1.2 Going concern

During the six months ended 30 June 2023, the Group recorded a net loss attributable to shareholders of HK\$714 million and a net cash decrease of HK\$698 million. The Group has net current assets of HK\$1,489 million and no external borrowings as at 30 June 2023.

The Group is closely monitoring the cash flow position and continuing to optimize its cost base and improve its product offering in order to generate sufficient cash from its operations. The Board has reviewed the cash flow forecast prepared by the Management covering a period of twelve months from 30 June 2023. The Directors are of the opinion that, after taking into consideration of the above measures and the available cash and bank balances, the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next twelve months from 30 June 2023. Accordingly, the Interim Financial Information has been prepared on a going concern basis.

1. BASIS OF PREPARATION (CONTINUED)

1.3 Measurement of fair values

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

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

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

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

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

1.4 New and amended standards and interpretations adopted by the Group

In the current period, the Group has adopted the following IAS and International Financial Reporting Standards (“IFRS”) effective for the Group’s financial year beginning 1 January 2023:

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

Adoption of the amendments listed above did not have material impact on the Group’s financial performance for the six months ended 30 June 2023 and its financial position as at 30 June 2023.

1. BASIS OF PREPARATION (CONTINUED)

1.5 New standards and interpretations not yet adopted

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

The accounting standards and interpretations above have been published but are not mandatory for the six months ended 30 June 2023 and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and in foreseeable future transactions.

2. REVENUE AND SEGMENT INFORMATION

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

Operating segments are reported in a manner consistent with the internal management reports provided to the chief operating decision-maker. The chief operating decision-maker who is responsible for assessing performance and allocating resources for the reporting segments has been identified as the Executive Directors of the Company. Operating segment for Europe has included America. The regions have been separated into retail and wholesale channel.

HK\$ million	Unaudited for the six months ended 30 June 2023	Unaudited for the six months ended 30 June 2022
Retail and Wholesale		
Europe	1,865	2,200
Asia	3	-
E-shop	1,095	1,366
Licensing and others	62	60
Revenue from external customers, total	3,025	3,626

2. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Unaudited for the six months ended
30 June 2023

HK\$ million	Europe ⁴	Asia	E-shop	Corporate services, sourcing, licensing and others	Group
Total revenue					
Retail	756	1	-	-	757
Wholesale	1,109	2	-	-	1,111
E-shop	-	-	1,095	-	1,095
Licensing and others	-	-	-	1,584	1,584
Total	1,865	3	1,095	1,584	4,547
Inter-segment revenue	-	-	-	(1,522)	(1,522)
Revenue from external customers					
Retail	756	1	-	-	757
Wholesale	1,109	2	-	-	1,111
E-shop	-	-	1,095	-	1,095
Licensing and others	-	-	-	62	62
Total	1,865	3	1,095	62	3,025
Operating (loss)/profit					
Retail	(303)	(20)	-	-	(323)
Wholesale	18	-	-	-	18
E-shop	-	-	(46)	-	(46)
Licensing and others	-	-	-	(352)	(352)
Total	(285)	(20)	(46)	(352)	(703)
Share of losses from joint venture					(1)
Interest income					9
Finance costs					(23)
Loss before taxation					(718)
Depreciation¹					
Retail	(186)	(9)	-	-	(195)
Wholesale	(15)	-	-	-	(15)
E-shop	-	-	(27)	-	(27)
Licensing and others	-	-	-	(98)	(98)
Total	(201)	(9)	(27)	(98)	(335)
Impairment loss²					
Retail	(5)	-	-	-	(5)
Total	(5)	-	-	-	(5)
Capital expenditure³					
Retail	(5)	(4)	-	-	(9)
Wholesale	(3)	(20)	-	-	(23)
E-shop	-	-	(12)	-	(12)
Licensing and others	-	-	-	(26)	(26)
Total	(8)	(24)	(12)	(26)	(70)

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

² Impairment loss includes impairment loss on right-of-use assets.

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

⁴ Figures for North America have not been separated out due to the region's limited financial contribution to the Group as the market is in the early stages of development.

2. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Unaudited for the six months ended
30 June 2022

HK\$ million	Europe	Asia	E-shop	Corporate services, sourcing, licensing and others	Group
Total revenue					
Retail	854	-	-	-	854
Wholesale	1,346	-	-	-	1,346
E-shop	-	-	1,366	-	1,366
Licensing and others	-	-	-	1,675	1,675
Total	2,200	-	1,366	1,675	5,241
Inter-segment revenue	-	-	-	(1,615)	(1,615)
Revenue from external customers					
Retail	854	-	-	-	854
Wholesale	1,346	-	-	-	1,346
E-shop	-	-	1,366	-	1,366
Licensing and others	-	-	-	60	60
Total	2,200	-	1,366	60	3,626
Operating (loss)/profit					
Retail	(155)	(3)	-	-	(158)
Wholesale	155	-	-	-	155
E-shop	-	-	85	-	85
Licensing and others	-	-	-	(74)	(74)
Total	-	(3)	85	(74)	8
Interest income					1
Finance costs					(21)
Loss before taxation					(12)
Depreciation¹					
Retail	(194)	(1)	-	-	(195)
Wholesale	(15)	-	-	-	(15)
E-shop	-	-	(25)	-	(25)
Licensing and others	-	-	-	(86)	(86)
Total	(209)	(1)	(25)	(86)	(321)
Impairment loss²					
Retail	(2)	-	-	-	(2)
Total	(2)	-	-	-	(2)
Capital expenditure³					
Retail	(4)	(1)	-	-	(5)
Wholesale	(4)	-	-	-	(4)
Licensing and others	-	-	-	(11)	(11)
Total	(8)	(1)	-	(11)	(20)

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.

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

3. OPERATING (LOSS)/PROFIT

HK\$ million	Unaudited for the six months ended 30 June 2023	Unaudited for the six months ended 30 June 2022
This is stated after charging and (crediting) the following:		
Staff costs	632	603
Occupancy costs	158	132
Logistics expenses	241	246
Marketing and advertising expenses	242	233
Depreciation of property, plant and equipment (Note 11)	58	53
Depreciation of right-of-use assets (Note 10)	277	268
Impairment loss on property, plant and equipment (Note 11)	-	2
Provision/(write-back of provision) for inventories, net (Note a)	37	(289)
Provision/(write-back of provision) for impairment of trade debtors, net (Note 14)	10	(33)
Impairment loss on right-of-use assets (Note 10)	5	-
Net foreign exchange translation (gains)/losses	(9)	99
Government grants	(1)	(32)
Write-back of provision for restructuring, net	(1)	(5)
Information technology expenses	159	156
Legal and professional fees	29	23
Samples	26	21
Packaging, postage and distribution	15	20
Amortization of intangible assets (Note 9)	22	22
Repair and maintenance	11	13
Insurance	11	12
Travelling expenses	29	12
Loss on disposal of property, plant and equipment	-	4

Note a: The Management has reassessed the estimate of the net realizable value of inventories as at 30 June 2023, which were based on the current market condition and the historical experience of selling products of similar nature. Therefore, the Group has recognized a net addition of provision for inventories of HK\$37 million for the six months ended 30 June 2023 (for the six months ended 30 June 2022: net write-back of HK\$289 million).

4. INTEREST INCOME

HK\$ million	Unaudited for the six months ended 30 June 2023	Unaudited for the six months ended 30 June 2022
Interest from bank deposits	9	1
Total interest income	9	1

5. FINANCE COSTS

HK\$ million	Unaudited for the six months ended 30 June 2023	Unaudited for the six months ended 30 June 2022
Interest on lease liabilities	22	17
Others	1	4
Total finance costs	23	21

6. TAXATION

HK\$ million	Unaudited for the six months ended 30 June 2023	Unaudited for the six months ended 30 June 2022
Current tax		
Overseas taxation		
Provision for current period	2	16
Deferred tax		
Other origination and temporary differences	(6)	(41)
Total taxation credit	(4)	(25)

Hong Kong profits tax is calculated at 16.5% (for the six months ended 30 June 2022: 16.5%) on the estimated assessable profit for the six months ended 30 June 2023, 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 30 June 2023 at the rates of taxation prevailing in the countries in which the Group companies operate, net of tax losses carried forward, if applicable.

7. INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2023 (for the six months ended 30 June 2022: Nil).

8. (LOSS)/PROFIT PER SHARE

Basic

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

	Unaudited for the six months ended 30 June 2023	Unaudited for the six months ended 30 June 2022
(Loss)/profit attributable to shareholders of the Company (HK\$ million)	(714)	13
Number of ordinary shares in issue at 1 January (million)	2,831	2,831
Weighted average number of ordinary shares in issue less shares held for Share Award Scheme (million)	2,831	2,831
Basic (loss)/profit per share (HK\$ per share)	(0.252)	0.004

Diluted

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

	Unaudited for the six months ended 30 June 2023	Unaudited for the six months ended 30 June 2022
(Loss)/profit attributable to shareholders of the Company (HK\$ million)	(714)	13
Weighted average number of ordinary shares in issue less shares held for Share Award Scheme (million)	2,831	2,831
Weighted average number of ordinary shares for diluted earnings per share (million)	2,831	2,831
Diluted (loss)/profit per share (HK\$ per share)	(0.252)	0.004

Diluted loss per share for the six months ended 30 June 2023 was the same as the basic loss per share since the share options and awarded shares had anti-dilutive effect.

9. INTANGIBLE ASSETS

HK\$ million	Unaudited for the six months ended 30 June 2023	Unaudited for the six months ended 30 June 2022
Balance at beginning of the period	1,595	1,727
Exchange translation	40	(122)
Reclassified from property, plant and equipment	43	-
Additions	34	-
Amortization charge	(22)	(22)
Balance at end of the period	1,690	1,583

10. RIGHT-OF-USE ASSETS

HK\$ million	Unaudited for the six months ended 30 June 2023	Unaudited for the six months ended 30 June 2022
Balance at beginning of the period	1,630	2,033
Exchange translation	41	(126)
Additions	349	238
Disposals	(93)	(108)
Depreciation	(277)	(268)
Impairment loss	(5)	-
Balance at end of the period	1,645	1,769

11. PROPERTY, PLANT AND EQUIPMENT

HK\$ million	Unaudited for the six months ended 30 June 2023	Unaudited for the six months ended 30 June 2022
Balance at beginning of the period	317	368
Exchange translation	6	(23)
Reclassified to intangible assets	(43)	-
Additions	34	17
Disposals	(1)	(4)
Depreciation for the period	(58)	(53)
Impairment loss for the period	-	(2)
Balance at end of the period	255	303

12. INTEREST IN JOINT VENTURE

On 29 April 2022, the Group acquired 50% equity interest of the joint venture which is shown in the table below.

Name of joint venture	Place of incorporation/ operation	Attributable equity interest to the Group	Issued and fully paid share capital/ registered capital	Principal activities
Sew Solution Limited	Hong Kong	50%	HK\$10,000,000	wholesale garment knitting

The movement of the carrying amount of the interest in joint venture is shown in the table below.

HK\$ million	Unaudited for the six months ended 30 June 2023	Unaudited for the six months ended 30 June 2022
Balance at beginning of the period	2	-
Additions	2	3
Losses for the period (note)	(1)	-
	1	3
Loan to joint venture	43	-
- Interest-free, secured and repayable on demand		
Balance at end of the period	46	3

Note: The share of losses in the joint venture for the six months ended 30 June 2023 was HK\$1,143,906 (for the six months ended 30 June 2022: HK\$16,951).

The following table shows the commitments to joint venture.

HK\$ million	Unaudited as at 30 June 2023	Audited as at 31 December 2022
Committed borrowing to joint venture	7	50

13. INVENTORIES

HK\$ million	Unaudited As at 30 June 2023	Audited As at 31 December 2022
Finished goods	1,488	1,746
Consumables	34	31
Inventories total	1,522	1,777

14. CURRENT DEBTORS, DEPOSITS AND PREPAYMENTS

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

HK\$ million	Unaudited As at 30 June 2023	Audited As at 31 December 2022
Trade debtors	602	552
less: provision for impairment of trade debtors	(76)	(80)
Net trade debtors	526	472
Deposits	35	27
Prepayments	107	114
Right-of-return assets	85	112
Other debtors and receivables	128	159
Total	881	884

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

HK\$ million	Unaudited As at 30 June 2023	Audited As at 31 December 2022
0-30 days	319	308
31-60 days	92	90
61-90 days	41	31
Over 90 days	74	43
Total	526	472

The Group's sales to retail customers are made in cash, bank transfer or by credit card. The Group also grants credit period, which is usually 30 to 60 days to certain wholesale and franchise customers.

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

HK\$ million	Unaudited for the six months ended 30 June 2023	Unaudited for the six months ended 30 June 2022
Balance at beginning of the period	80	194
Utilization	(15)	(38)
Provision/(write-back of provision) for impairment of trade debtors, net	10	(33)
Exchange translation	1	(11)
Balance at end of the period	76	112

15. CASH, BANK BALANCES AND DEPOSITS

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

HK\$ million	Unaudited As at 30 June 2023	Audited As at 31 December 2022
Bank balances and cash	1,117	1,700
Bank deposits with maturities within three months	196	311
Bank deposits with maturities of more than three months	1	1
Total	1,314	2,012

16. CREDITORS AND ACCRUED CHARGES

HK\$ million	Unaudited As at 30 June 2023	Audited As at 31 December 2022
Trade creditors	319	497
Accruals	526	522
Return liabilities	225	236
Other creditors and payables	328	357
Total	1,398	1,612

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

HK\$ million	Unaudited As at 30 June 2023	Audited As at 31 December 2022
0-30 days	278	346
31-60 days	33	137
61-90 days	5	7
Over 90 days	3	7
Total	319	497

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

17. PROVISIONS

Provisions consist of the following:

HK\$ million	Unaudited As at 30 June 2023	Audited As at 31 December 2022
Restructuring	3	4
Reinstatement	97	89
Legal Cost	50	52
Provision total	150	145

Reinstatement provision of HK\$97 million (31 December 2022: HK\$89 million) is accounted by the estimated cost for reinstating the status of leased properties. Legal cost provision of HK\$50 million (31 December 2022: HK\$52 million) represents the probable obligations under litigation claims lodged against or will be lodged against the Group and legal fees in connection with services concerning legal matters. Restructuring provision of HK\$3 million (31 December 2022: HK\$4 million) represents the costs associated with restructuring measures taken in order to preserve the solvency and liquidity of the Group and its ongoing operations. 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 the Management and employee representatives.

18. LEASE LIABILITIES

HK\$ million	Unaudited for the six months ended 30 June 2023	Unaudited for the six months ended 30 June 2022
Balance at beginning of the period	2,051	2,632
Exchange translation	52	(165)
Additions	351	237
Interest expense	22	17
Repayments of lease liabilities	(348)	(360)
Disposal	(103)	(139)
Balance at end of the period	2,025	2,222
Current liabilities	465	478
Non-current liabilities	1,560	1,744
Lease liabilities total	2,025	2,222

19. SHARE CAPITAL

	Number of shares of HK\$0.10 each million	Unaudited HK\$ million
Authorized:		
At 1 January 2023 and 30 June 2023	30,000	3,000
At 1 January 2022 and 30 June 2022	30,000	3,000

	Number of shares of HK\$0.10 each million	Unaudited Nominal value HK\$ million
Issued and fully paid:		
At 1 January 2023 and 30 June 2023	2,831	283
At 1 January 2022 and 30 June 2022	2,831	283

(a) Share options

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

The Company adopted a new share option scheme on 5 December 2018 (the "2018 Share Option Scheme"). The option mandate limit of the 2018 Share Option Scheme has been refreshed upon the shareholder's approval at the special general meeting of the Company held on 6 July 2021, the details of which were disclosed in the circular of the Company dated 15 June 2021. No share options were granted during the six months ended 30 June 2023 as the Management believed that it was not the right timing to grant share options in 2023.

(b) Awarded shares

The Company adopted a share award scheme on 6 July 2021 (the "Share Award Scheme"). The purpose of the Share Award Scheme is to recognize the contributions by certain eligible participants (including any employee, consultant, executive or officer, director and senior management of any member of the Group), and to provide them incentives; and to attract suitable personnel with relevant experience in the Group's business. The details of the Share Award Scheme were disclosed in the circular of the Company dated 15 June 2021.

During the six months ended 30 June 2023, there was no movement for the Share Award Scheme (30 June 2022: nil). No awarded shares were granted during the six months ended 30 June 2023 as the Management believed that it was not the right timing to grant awarded shares in 2023.

20. CAPITAL COMMITMENTS

HK\$ million	Unaudited As at 30 June 2023	Audited As at 31 December 2022
Property, plant and equipment		
- contracted but not provided for	5	-
Intangible assets		
- contracted but not provided for	17	4

Note: Committed borrowing to joint venture is contracted but not provided for and is shown in note 12.

21. RELATED PARTIES

As disclosed in the announcement of the Company dated 18 January 2023, two previous tenancy agreements dated 25 January 2021 entered into between Filen Limited ("Filen Limited") and CUCNP Holdings Limited ("CUCNP Holdings"), as the landlords, and Esprit Regional Distribution Limited ("ERDL"), an indirectly wholly-owned subsidiary of the Company, as the tenant, were both expired on 31 January 2023.

On 18 January 2023, ERDL entered into two tenancy agreements, as tenant, namely (i) the tenancy agreement with Filen Limited, as landlord, in respect of the renewal of tenancy of the whole floor of 13th Floor of China United Centre, No. 28 Marble Road, North Point, Hong Kong for a term of two years commencing from 1 February 2023 and expiring on 31 January 2025 (both days inclusive) at a monthly rental of HK\$296,001; and (ii) the tenancy agreement with CUCNP Holdings, as landlord, in respect of the renewal of tenancy of the whole floor of 27th Floor of China United Centre, No. 28 Marble Road, North Point, Hong Kong for a term of two years commencing from 1 February 2023 and expiring on 31 January 2025 (both days inclusive) at a monthly rental of HK\$302,049.

As at the date of this report, Ms. LO Ki Yan Karen ("Ms. LO") indirectly holds 82.19% equity interests in both Filen Limited and CUCNP Holdings. Ms. LO is a substantial shareholder of the Company, hence a connected person of the Company. Therefore, both Filen Limited and CUCNP Holdings are associates of Ms. LO and connected persons of the Company. Details of the above connected transactions were disclosed in the Company's announcement dated 18 January 2023.

Other information

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2023, 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 and 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 contained in Appendix 10 of the Listing Rules.

SHARE OPTION SCHEMES

2009 Share Option Scheme

The Company adopted the 2009 Share Option Scheme on 10 December 2009, which was terminated on 5 December 2018. Notwithstanding its termination, the share options which were 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. A summary of the movements of the outstanding share options under the 2009 Share Option Scheme during the Period is as follows:

	Date of Grant (dd/mm/yyyy)	Exercise Price (HK\$)	Adjusted ¹ Exercise Price (HK\$)	Vesting Date (dd/mm/yyyy)	Exercise Period (dd/mm/yyyy)	Number of share options							
						As at 01/01/2023	Granted	Transferred in	Exercised	Transferred out	Lapsed	Forfeited	As at 30/06/2023
Employees	11/03/2013	10.040	9.550	11/03/2016	11/03/2016 - 10/03/2023	94,661	-	-	-	-	31,554	63,107	-
				11/03/2017	11/03/2017 - 10/03/2023	31,554	-	-	-	-	10,518	21,036	-
				11/03/2018	11/03/2018 - 10/03/2023	31,554	-	-	-	-	10,518	21,036	-
	04/11/2013	14.180	13.480	04/11/2016	04/11/2016 - 03/11/2023	499,602	-	-	-	-	-	105,179	394,423
	30/06/2014	11.000	10.460	30/06/2017	30/06/2017 - 29/06/2024	189,323	-	-	-	-	-	189,323	-
				30/06/2018	30/06/2018 - 29/06/2024	63,107	-	-	-	-	-	63,107	-
				30/06/2019	30/06/2019 - 29/06/2024	63,107	-	-	-	-	-	63,107	-
	31/10/2014	10.124	9.630	31/10/2017	31/10/2017 - 30/10/2024	1,130,677	-	-	-	-	-	420,717	709,960
	13/10/2015	6.550	6.230	13/10/2018	13/10/2018 - 12/10/2025	1,051,793	-	-	-	-	-	262,948	788,845
	31/10/2016	6.870	6.530	31/10/2019	31/10/2019 - 30/10/2026	1,104,383	-	-	-	-	-	52,590	1,051,793
	07/11/2017	4.650	4.420	07/11/2020	07/11/2020 - 06/11/2027	999,204	-	-	-	-	-	52,590	946,614
	25/06/2018	2.660	2.530	25/06/2021	25/06/2021 - 24/06/2028	1,209,562	-	-	-	-	-	105,180	1,104,382
	28/09/2018	1.884	1.790	28/09/2021	28/09/2021 - 27/09/2028	1,051,793	-	-	-	-	-	1,051,793	-
	In aggregate					7,520,320	-	-	-	-	52,590	2,471,713	4,996,017

SHARE OPTION SCHEMES (CONTINUED)

2009 Share Option Scheme (Continued)

	Date of Grant (dd/mm/yyyy)	Exercise Price (HK\$)	Adjusted ¹ Exercise Price (HK\$)	Vesting Date (dd/mm/yyyy)	Exercise Period (dd/mm/yyyy)	Number of share options								
						As at 01/01/2023	Granted	Transferred in	Exercised	Transferred out	Lapsed	Forfeited	As at 30/06/2023	
Others ²	11/03/2013	10.040	9.550	11/03/2016	11/03/2016 - 10/03/2023	4,764,621	-	-	-	-	4,764,621	-	-	
					11/03/2017	11/03/2017 - 10/03/2023	1,483,028	-	-	-	-	1,483,028	-	-
					11/03/2018	11/03/2018 - 10/03/2023	1,483,028	-	-	-	-	1,483,028	-	-
	04/11/2013	14.180	13.480	04/11/2016	04/11/2016 - 03/11/2023	841,434	-	-	-	-	-	-	841,434	
	31/10/2014	10.124	9.630	23/03/2015	23/03/2015 - 30/10/2024	105,179	-	-	-	-	-	-	105,179	
31/10/2017					31/10/2017 - 30/10/2024	841,434	-	-	-	-	-	-	841,434	
	13/10/2015	6.550	6.230	13/10/2018	13/10/2018 - 12/10/2025	105,179	-	-	-	-	-	-	105,179	
	31/10/2016	6.870	6.530	31/10/2019	31/10/2019 - 30/10/2026	105,179	-	-	-	-	-	-	105,179	
	07/11/2017	4.650	4.420	07/11/2020	07/11/2020 - 06/11/2027	105,179	-	-	-	-	-	-	105,179	
	25/06/2018	2.660	2.530	25/06/2021	25/06/2021 - 24/06/2028	210,358	-	-	-	-	-	-	210,358	
	28/09/2018	1.884	1.790	28/09/2021	28/09/2021 - 27/09/2028	2,629,481	-	-	-	-	-	-	2,629,481	
	In aggregate					12,674,100	-	-	-	-	7,730,677	-	4,943,423	
Total						20,194,420	-	-	-	-	7,783,267	2,471,713	9,939,440	

Notes:

- The exercise price per Share payable upon exercise of the outstanding share options granted under the 2009 Share Option Scheme was adjusted on 21 April 2021 as a result of the Rights Issue. Details of the adjustments were set out in the announcement of the Company dated 20 April 2021.
- Former employees/directors of the Group who were the employees/directors of the Group at the time of the relevant grants.
- No share options granted under the 2009 Share Option Scheme were exercised or cancelled during the Period.
- No share options were granted to the suppliers of the Group during the Period.

SHARE OPTION SCHEMES (CONTINUED)

2018 Share Option Scheme

The Company adopted the 2018 Share Option Scheme on 5 December 2018. The option mandate limit of the 2018 Share Option Scheme has been refreshed upon the shareholders' approval at the special general meeting of the Company held on 6 July 2021. A summary of the movements of the outstanding share options under the 2018 Share Option Scheme during the Period is as follows:

	Date of Grant (dd/mm/yyyy)	Exercise Price (HK\$)	Adjusted ¹ Exercise Price (HK\$)	Vesting Date (dd/mm/yyyy)	Exercise Period (dd/mm/yyyy)	Number of share options							
						As at 01/01/2023	Granted	Transferred in	Exercised	Transferred out	Lapsed	Forfeited	As at 30/06/2023
Employees	10/12/2019	1.604	1.530	19/09/2022	19/09/2022 - 09/12/2029	2,050,995	-	-	-	-	-	631,075	1,419,920
		1.604	1.530	10/12/2022	10/12/2022 - 09/12/2029	315,538	-	-	-	-	-	-	315,538
	In aggregate					2,366,533	-	-	-	-	-	631,075	1,735,458
Others ²	10/12/2019	1.604	1.530	19/09/2022	19/09/2022 - 09/12/2029	525,896	-	-	-	-	-	-	525,896
Total						2,892,429	-	-	-	-	-	631,075	2,261,354

Notes:

- The exercise price per Share payable upon exercise of the outstanding share options granted under the 2018 Share Option Scheme was adjusted on 21 April 2021 as a result of the Rights Issue. Details of the adjustments were set out in the announcement of the Company dated 20 April 2021.
- Former employees/directors of the Group, who were the employees/directors of the Group at the time of the relevant grant.
- No share options granted under the 2018 Share Option Scheme were exercised, lapsed or cancelled during the Period.
- No share options were granted to the suppliers of the Group during the Period.
- The number of share options available for grant under the 2018 Share Option Scheme mandate as at 1 January 2023 and 30 June 2023 is 283,081,734, respectively.
- As no options were granted during the Period, the number of Shares that may be issued in respect of options granted under the 2018 Share Option Scheme during the Period divided by the weighted average number of Shares in issue for the Period is nil.

SHARE AWARD SCHEME

The Company adopted the Share Award Scheme on 6 July 2021. During the six months ended 30 June 2023, there was no movement of awarded shares for the Share Award Scheme. Moreover, there were no outstanding awarded shares under the Share Award Scheme as at 30 June 2023. The number of share awards available for grant under the Share Award Scheme was 283,081,734 as at 1 January 2023. As no approval for refreshment of annual limit under the Share Award Scheme was sought at the annual general meeting of the Company held on 19 June 2023, no share awards were available for grant under the Share Award Scheme as at 30 June 2023 and the number of Shares that may be issued in respect of awards granted under the Share Award Scheme during the Period divided by the weighted average number of Shares for the Period is nil.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Saved as disclosed in this interim report, at no time during the Period was the Company or any of its subsidiary a party to any arrangement that enabled the Directors of the Company 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 30 June 2023, the following shareholders 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	425,614,200	27.92%
	Interest in a controlled corporation	364,782,600	
North Point Talent Limited (Note 1)	Beneficial owner	364,782,600	12.89%

Note:

- Ms. LO is the sole shareholder of North Point Talent Limited. Therefore, Ms. LO was deemed to be interested in the 364,782,600 shares held by North Point Talent Limited.

Save as disclosed hereinabove, 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 30 June 2023 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.

CHANGE IN DIRECTOR'S INFORMATION

The change of information of Directors, as notified to the Company, subsequent to the date of the annual report for the year ended 31 December 2022 pursuant to Rule 13.51B(1) of the Listing Rules are as follows:

Director	Details of changes
Mr. WRIGHT Bradley Stephen	<ul style="list-style-type: none">entitled to a salary of HK\$125,000 per month with effect from 1 May 2023

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

AUDIT COMMITTEE

The Audit Committee currently comprises four Independent Non-executive Directors, namely Mr. CHUNG Kwok Pan, Mr. GILES William Nicholas, Mr. HA Kee Choy Eugene and Mr. LO Kin Ching Joseph. The primary duties of the Audit Committee are to assist the Board in providing an independent view of the effectiveness of the financial reporting process and internal control system, to review the financial information of the Company, to oversee the audit process and the Company's relations with the auditors, and to perform other duties as assigned by the Board.

During the Period, the Audit Committee has reviewed the accounting policies and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters with the Management of the Company.

The condensed consolidated interim financial information of the Company for the Period had not been audited but had been reviewed by the Audit Committee and the Company's auditor, PricewaterhouseCoopers.

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 Period.

CORPORATE GOVERNANCE

The Company has applied the principles of and complied with the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules for the Period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code.

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 Period.

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	5 January 2015
Depository	Deutsche Bank Trust Company Americas

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my gratitude to all our staff for their diligence and dedication, plus my sincere appreciation to all customers, business partners and the shareholders for their continuing supports.

On behalf of the Board
Esprit Holdings Limited

CHIU Christin Su Yi
Chairperson

Hong Kong, 28 August 2023

Glossary of Terms

A

ADR

American Depositary Receipt

B

Board

The Board of Directors

C

CAPEX

Capital expenditure

Company or ESPRIT

Esprit Holdings Limited

Corresponding Period

The six months ended 30 June 2022

Cover Ratio Before Provision

The amount of insured and guaranteed gross trade debtors including value-added tax over total gross trade debtors including value-added tax

E

E-shop

Online store

F

FTE

Full time equivalent staff

FX

Foreign exchange

G

Group

Esprit Holdings Limited and its subsidiaries

I

IAS

International Accounting Standards

IFRS

International Financial Reporting Standards

Interim Financial Information

Unaudited condensed consolidated interim financial information

L

Listing Rules

The Rules Governing the Listing of Securities on the Stock Exchange

M

Management

The management team

Model Code

The Model Code for Securities Transaction by Directors of Listed Issuers

P

Pandemic

COVID-19 pandemic

Period

The six months ended 30 June 2023

R

Rights Issue

Rights issue on the basis of one rights share for every two Shares in issue at a subscription price of HK\$0.75 per rights share that was undertaken by the Company and completed on 20 April 2021, details of which are set out in the Company's announcements dated 27 January 2021, 2 March 2021 and 20 April 2021 and the Prospectus

S

SFO

The Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)

Share Award Scheme

Share award scheme of the Company adopted at a special general meeting of the Company held on 6 July 2021

Share(s)

Ordinary share(s) in the share capital of the Company with a par value of HK\$0.1 each

Share Option Schemes

The 2009 Share Option Scheme and the 2018 Share Option Scheme

Stock Exchange

The Stock Exchange of Hong Kong Limited

2009 Share Option Scheme

Share option scheme of the Company adopted at an annual general meeting of the Company held on 10 December 2009 and terminated on 5 December 2018

2018 Share Option Scheme

Share option scheme of the Company adopted at an annual general meeting of the Company held on 5 December 2018 and refreshed at a special general meeting of the Company held on 6 July 2021

ESPRIT

ESPRIT

ESPRIT

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