



2024 年度報告

截至二零二四年十二月三十一日止財政年度

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

2024 Annual Report

Financial Year Ended 31 December 2024

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 (resigned with effect from 25 March 2024)
- Mr. STRIPPOLI Anthony Nicola (appointed with effect from 20 February 2024 and resigned with effect from the close of business on 28 February 2025)
- Mr. WRIGHT Bradley Stephen

Independent Non-executive Directors

- Mr. CHUNG Kwok Pan (resigned with effect from the close of business on 28 February 2025)
- Mr. GILES William Nicholas (resigned with effect from 24 January 2025)
- Mr. HA Kee Choy Eugene (resigned with effect from the close of business on 28 February 2025)
- Ms. LIU Hang-so
- Mr. LO Kin Ching Joseph
- Mr. YU Chung Leung (appointed with effect from 24 January 2025)
- Ms. LIU Tsui Fong (appointed with effect from the close of business on 28 February 2025)

Chief Financial Officer

- Mr. WONG Brian Shek Kae

Company Secretary

- Mr. MAN Wai Chuen (appointed with effect from 15 January 2025)
- Mr. NGAI Wai Kin (appointed with effect from 11 September 2024 and resigned with effect from 15 January 2025)
- Ms. WONG Natasha Chi Yan (resigned with effect from 11 September 2024)

Principal bankers

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

Auditor

- Crowe (HK) CPA Limited Certified Public Accountants Registered Public Interest Entity Auditor (appointed with effect from 6 March 2025)
- PricewaterhouseCoopers Certified Public Accountants Registered Public Interest Entity Auditor (resigned with effect from 3 March 2025)

Principal legal advisor

- Reed Smith LLP

Principal share registrar

Conyers Corporate Services (Bermuda) Limited
Clarendon House, 2 Church Street
Hamilton HM 11
Bermuda

Hong Kong branch share registrar

Tricor Secretaries Limited
17/F, Far East Finance Centre
16 Harcourt Road
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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

BUSINESS OVERVIEW

The year ended 31 December 2024 (the “Year”) presented severe challenges that required Esprit Holdings Limited (the “Company”, together with its subsidiaries, the “Group” or “ESPRIT”) to make difficult strategic decision while navigating a rapidly evolving and adverse business environment, particularly in Europe. In recent years, especially due to the geopolitical conflicts in Ukraine, high energy costs, and the aftermath of the coronavirus pandemic, the Group’s performance has been significantly impacted by an unfavourable macroeconomic environment in Europe, which is the Group’s primarily market. Key factors contributing to this disappointing performance included ongoing structural issues that hindered the Group’s ability to reduce operating expenses, alongside the short-term adverse effects of the Group’s restructuring initiatives designed to secure a more promising future for the Company.

The Group recorded a loss attributable to the shareholders of the Company (the “Shareholders”) in seven out of the last ten financial years, with revenue continuously declining from HK\$17,788 million for the financial year ended 30 June 2016 to HK\$1,593 million for the Year from both continuing and discontinued operations. The Group’s European subsidiaries, particularly those in Germany, have encountered exceptionally high operating costs due to inflation, rising interest rates, and escalating energy prices and these are further exacerbated by the lingering effects of the coronavirus pandemic and on-going geopolitical conflicts in Ukraine. These challenges have detrimentally weakened the financial health of the Group’s European subsidiaries, compounded by legacy costs such as high rents for long-term leases on inappropriate sized retail spaces, excessive labour costs associated with an oversized workforce, costs stemming from outdated and ineffective IT structures, and an overcapacity logistics framework. All together, these issues have rendered the existing business model financially unsound and unsustainable, resulting in contracting, constrained and inadequate liquidity for the European operations. The Company had extended significant financial support to sustain operations of these European subsidiaries over the last several years, however, despite these efforts, there remained limited potential for future performance improvement in Europe, and had undermined the overall financial health and stability of the business of the Company. These factors imperatively forced the Company to make difficult decisions.

It was disclosed in the Company’s announcements dated 25 March 2024, 8 April 2024, 15 May 2024, 31 May 2024, 3 June 2024, and 27 June 2024, that two subsidiaries in Switzerland, one in Belgium, seven in Germany, and one in Denmark filed for insolvency, self-administration, and preventive restructuring with the relevant competent courts (collectively “EU Insolvency Proceedings”). Furthermore, in the latter half of 2024, as disclosed in the Company’s announcements dated 22 July 2024, 29 July 2024, and 28 October 2024, a Dutch subsidiary, two subsidiaries in Hong Kong, and two subsidiaries in the United States also initiated insolvency proceedings, were placed into creditors’ voluntary liquidation, and filed for bankruptcy with the relevant competent courts (together with the “EU Insolvency Proceedings”, the “Insolvency Proceedings”).

The Insolvency Proceedings of the European subsidiaries significantly impacted the Group’s performance, necessitating deconsolidation and a comprehensive reassessment of the Group’s operational model moving forward. While these events adversely affected the Company’s reported figures, they also facilitated a strategic transition towards an asset-light, licensing-focused business model aimed at ensuring the long-term health, sustainability and profitability of the Company. For the Year, the Group recorded a net loss attributable to the shareholders of HK\$1,227 million, compared to a net loss of HK\$2,339 million for the year ended 31 December 2023 (the “Corresponding Year”).

The Group's revenue from both continuing and discontinued operations decreased by 73% to HK\$1,593 million for the Year (as shown in note 2.2 to the consolidated financial statements), resulting in a gross profit decrease of 76% to HK\$598 million. The Group's restructuring contributed to a reduction of losses, primarily resulting from a one-off gain on deconsolidation of HK\$2,712 million and a reduction in operating costs of HK\$2,195 million for both continuing and discontinued operations. However, the reduction of losses was partially offset by:

- (i) impairment losses related to trademarks, right-of-use assets, property, plant, and equipment, totaling to HK\$2,144 million, comprising HK\$119 million from continuing operations and HK\$2,025 million from discontinued operations, and
- (ii) provision for inventories, provision for impairment of trade debtors and provision for impairment of loan to a joint venture totaling to HK\$1,304 million, comprising HK\$28 million from continuing operations and HK\$1,276 million from discontinued operations.

Despite ceasing most of its retail, wholesale, and E-commerce operations due to the Insolvency Proceedings, the Company remains committed to preserving the global presence of the Esprit brand. It will continue efforts to maintain and enhance its brand equity, recognized as its most valuable asset. The decision to pivot to a more capital efficient, licensing-focused business model was necessary in light of the substantial capital investment required to sustain operations in Europe under the traditional retail model. This strategic transition allows the Company to apply its funding more effectively, eliminating the need to maintain inventory and significantly reducing costs associated with warehousing, production, and unsold stock.

By shedding its high cost, legacy infrastructure, the Company is well-positioned for this new direction. The Company retains Esprit trademarks for all regions outside of Europe, providing a strong foundation for developing and expanding its licensing activities by allowing trademark holders within the Group to grant licenses to third parties, enabling them to use the brand and intellectual property in exchange for royalty payments.

As outlined in the "Outlook" section of the 2024 Interim Report, the licensing model offers key advantages, particular in terms of capital efficiency and scalability compared to traditional retail model. By collaborating with licensee partners, the Company avoids heavy capital investments in manufacturing, distribution, and retail infrastructure, ensuring more predictable royalty income and reducing operational complexities. Additionally, licensee partners are responsible for essential investments, including personnel hiring and working capital, allowing the Company to expand without proportional increases in operating costs. This model enhances efficiency while generating stable, royalty-driven revenue.

This strategy emphasizes partnerships with licensee partners that possess strong market presence and expertise in their territories or specific product categories. Licensee partners will tailor their strategies and product offerings to suit local preferences, resulting in collections that align closely with regional demand. Notably, as all products are independently designed, developed, sourced, and distributed by the licensee partners, the operational risks associated with these activities are solely borne by them. Consequently, overseeing and managing these licensee partners becomes a critical priority for the Company.

To successfully achieve this transition, the Company is placing a strong emphasis on geographic expansion into countries and regions with large domestic consumer markets to maximize growth potential and scalability, such as the Greater China region and North America. These markets offer significant opportunities for rapid scaling due to mature retail landscapes, strong consumer demand, and integrated supply chains. As of the date of this report, the Company has established partnership for the Greater China region and North America. These recent partnerships enable the Company to leverage licensee partners' valuable local market knowledge, along with their expertise in E-commerce, the established infrastructure and distribution networks. Additionally, broadening products categories beyond the Company's historical focus on clothing into a diverse range of products is a key strategic initiative aimed at unlocking new revenue streams.

In addition to the Greater China region and North America, the Company is in the process of finalizing the renewal of a current license with an existing licensee covering Latin America. The Company is also actively engaging with additional potential strategic partners to explore licensing opportunities for Esprit's trademarks across various geographic locations and products categories.

In selecting strategic partners, the Company follows a rigorous vetting process based on several key factors, including but not limited to the brand alignment, supply chain capabilities, market expertise, and distribution strength. Furthermore, the Company seeks partners with extensive relationships in local markets and the ability to drive efficient product expansion. By carefully selecting suitable partners and leveraging the advantages of the licensing model, the Company aims to maximize sustainable monetization of Esprit's global brand. Through this focused licensing strategy, the Company aims to optimize brand equity while ensuring sustainable growth across multiple major geographies and product categories.

FINANCIAL REVIEW

The following financial reviews may include figures that combine both continuing and discontinued operations for analytical purposes, as specifically indicated. These figures provide a clearer understanding of the Group's overall financial performance during the Year by reflecting both operating and discontinued activities, with discontinued operations constituting a significant part of the Group's business for the Year. These figures should be viewed as supplementary to, and not as a substitute for, measures of the Group's financial performance prepared in accordance with IFRS.

Revenue Analysis

The Group recorded total revenue of HK\$1,593 million from both continuing and discontinued operations for the Year (as shown in note 2.2 to the consolidated financial statements), compared to total revenue of HK\$5,912 million in the Corresponding Year, representing a decrease of 73%. This decline was primarily attributed to the Insolvency Proceedings initiated by the German subsidiaries in middle of May 2024. Revenue from Germany contributed 49% of the Group's total revenue from both continuing and discontinued operations for the Year, down from 52% in the Corresponding Year. The initiation of the Insolvency Proceedings by the German subsidiaries in middle of May 2024 led to a shortened operational period of 4.5 months for the Year, compared to the full 12 months in the Corresponding Year. Additionally, the deconsolidation of the other European subsidiaries, which has been undergoing the Insolvency Proceedings since March 2024, further impacted the operational period for the Year.

In the past, the Group has been engaged in retail (including E-commerce), wholesale distribution, and licensing of fashion and non-apparel products under its internationally renowned Esprit brand. The Group operated across Europe, Asia, and America through four main channels: E-commerce, wholesale, owned retail stores, and licensing. During the Year, these channels accounted for the Group's revenue from both continuing and discontinued operations in the approximate ratio of 37:35:24:4, respectively.

The Group has also encountered a decline in performance across all channels, including both continuing and discontinued operations, due to a challenging business environment characterized by elevated inflation, rising interest rates, and increasing energy prices. This situation has been further exacerbated by the lingering effects of the coronavirus pandemic and ongoing geopolitical conflicts in Ukraine, which significantly impacted customer behaviour and spending appetite. Revenue from E-commerce reduced by 73%, wholesale dropped by 74%, and owned retail stores decreased by 74%. Licensing and others recorded a decline at a lesser percentage of 47%.

For continuing operations, revenue of HK\$42 million was mainly generated from the licensing business, compared to HK\$50 million for the Corresponding Year. This decrease was primarily attributed to the licensing income from European subsidiaries, which have been deconsolidated from the Group. As previously noted, the Group is transitioning from its legacy business model and infrastructure, which required substantial capital expenditures, to a more capital-efficient, licensing-focused model. By retaining the Esprit trademarks for all regions outside of Europe, the Group establishes a strong foundation for the development and expansion of its licensing business.

Gross Profit Margin

During the Year, gross profit margin, including both continuing and discontinued operations, was 37.5%, which is 4.8% points lower compared to the gross profit margin of 42.3% during the Corresponding Year. The key factor was the deeper sales discount offered under the sluggish market environment.

Operating Expenses

Operating expenses for the Year totalled HK\$1,830 million, comprising HK\$329 million from continuing operations and HK\$1,501 million from discontinued operations, representing a 64% decrease compared to the operating expenses of HK\$5,047 million in the Corresponding Year. This reduction was primarily due to the shorter operational period mentioned previously, as opposed to the full 12 months in the Corresponding Year.

In addition to the deconsolidation factor, marketing and advertising expenses experienced a significant decline compared to the Corresponding Year, primarily due to a strategic shift in brand marketing focus and the implementation of cost-saving measures. In the Corresponding Year, the Group made substantial investments in brand elevation and repositioning within the competitive fashion industry. Marketing and advertising expenses from both continuing and discontinued operations decreased from HK\$596 million for the Corresponding Year to HK\$72 million for the Year, comprising HK\$0 million from continuing operations and HK\$72 million from discontinued operations, reflecting an 88% reduction. Furthermore, logistics expenses were notably reduced due to the cost-saving measures implemented. Logistics expenses from continuing and discontinued operations decreased from HK\$469 million for the Corresponding Year to HK\$165 million, comprising HK\$1 million from continuing operations and HK\$164 million from discontinued operations for the Year, reflecting a 65% reduction.

Following the deconsolidation of loss-making subsidiaries that hindered the Group's ability to reduce operating expenses, operating expenses have been significantly decreased. This includes staff costs from continuing operations decreased from HK\$147 million in the Corresponding Year to HK\$102 million for the Year, reflecting a 31% reduction. This reduction in operating expenses has facilitated a strategic shift toward an asset-light, licensing-focused business model, aimed at ensuring the long-term health, sustainability and profitability of the Esprit brand.

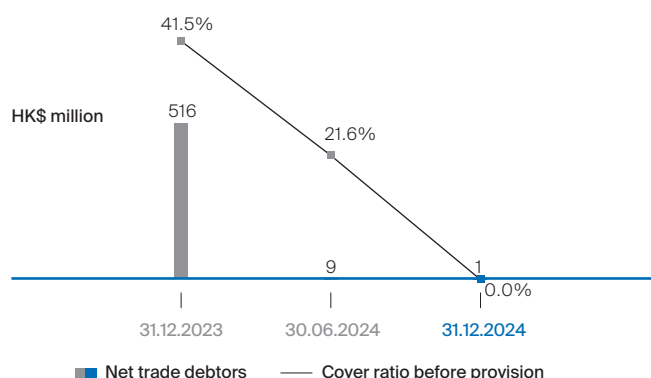
WORKING CAPITAL MANAGEMENT

Inventories

The inventory balance as at 31 December 2024 was nil (31 December 2023: HK\$1,301 million). The value of inventories decreased by 100%, primarily due to the majority of goods being stored in the Group's European and U.S. subsidiaries, which were deconsolidated from the Group.

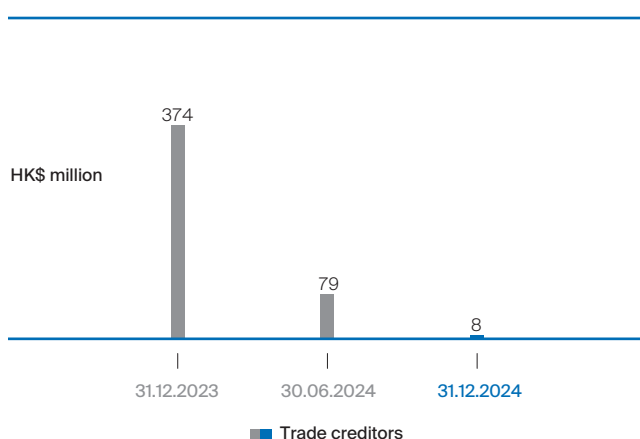
Net Trade Debtors

As at 31 December 2024, net trade debtors totalled HK\$1 million (31 December 2023: HK\$516 million), representing a decrease of almost 100%. This decrease is primarily attributed to the majority of trade debtors being recorded under the European subsidiaries, which were deconsolidated from the Group.



Trade Creditors

As at 31 December 2024, trade creditors amounted to HK\$8 million (31 December 2023: HK\$374 million), representing a decrease of 98%. This decrease is primarily due to trade creditors being recorded under the European subsidiaries, which were deconsolidated from the Group.



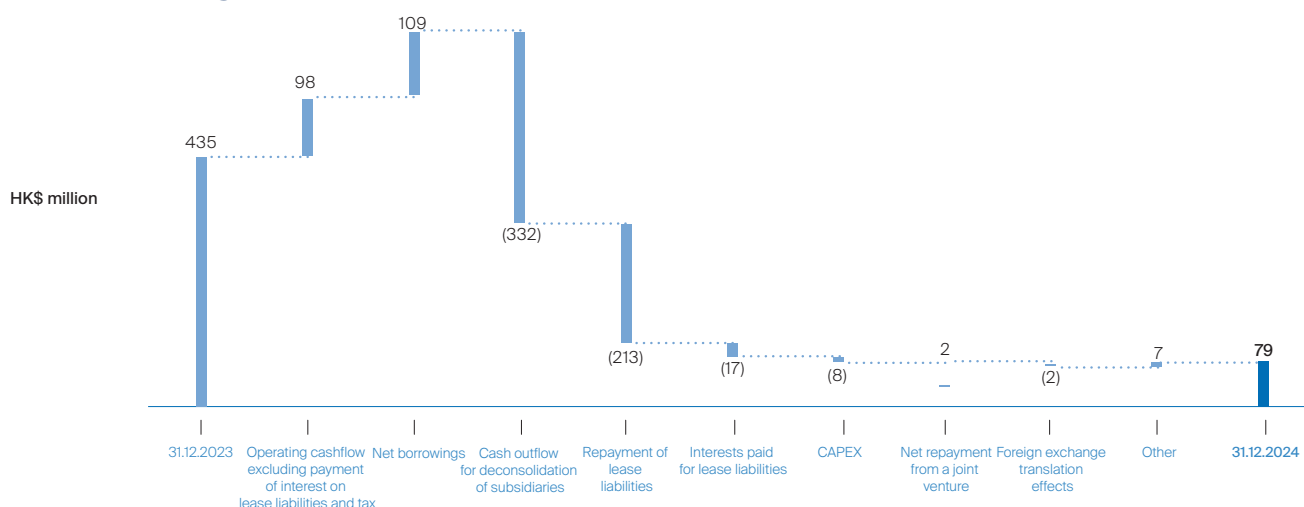
LIQUIDITY AND FINANCIAL RESOURCES ANALYSIS

Net Cash

As at 31 December 2024, total recorded cash, bank balances, and deposits amounted to HK\$79 million (31 December 2023: HK\$435 million), representing a net cash decrease of HK\$356 million. The cash position was primarily impacted by the following factors (cash movements included those from deconsolidated subsidiaries prior to their respective deconsolidation):

- 1) the operating performance of the business (including both continuing and discontinued business) generated a net cash inflow of HK\$98 million, excluding payment of interest on lease liabilities and tax;
- 2) net interest-bearing external borrowings amounted to HK\$109 million;
- 3) the deconsolidation of subsidiaries resulted in a cash outflow of HK\$332 million;
- 4) the repayment of lease liabilities of HK\$213 million and interest paid for lease liabilities of HK\$17 million resulted in a total cash outflow of HK\$230 million;
- 5) a further decrease in the cash position resulted from capital expenditures (the "CAPEX") of HK\$8 million;
- 6) net repayment from a joint venture amounted to a cash inflow of HK\$2 million; and
- 7) foreign exchange translation effects led to a cash outflow of HK\$2 million.

Cash Flow Bridge for the Year Ended 31 December 2024



Total Interest-Bearing External Borrowings and Gearing Ratio

As at 31 December 2024, the Group had interest-bearing external borrowings of HK\$109 million (31 December 2023: nil). Consequently, the Group's gearing ratio as at 31 December 2024 (defined as the percentage of total interest-bearing external borrowings to total assets) was 26% (31 December 2023: zero). The increase in the gearing ratio was primarily due to the Group's initiation of external borrowings during the Year, resulting in an increase in net debt. Furthermore, the directors of the Company (the "Directors") continue to explore opportunities to expand the capital base through additional fundraising efforts aimed at supporting growth and financing future initiatives.

Capital structure

During the Year, the Company did not conduct any equity fund raising activities. As at 31 December 2024, the total number of issued shares of the Company was 2,830,817,343 shares, each with a par value of HK\$0.1. The Group's working capital requirements and capital expenditure were primarily funded from cash on hand, internally-generated funds, and long-term borrowings.

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 dollar, Renminbi ("RMB") and U.S. 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 manage the FX risk arising from future commercial transactions, the Group had previously entered into forward FX contracts with reputable financial institutions to hedge such risks. However, since no forward FX contracts were entered into during the Year, currency fluctuations may impact the Group's margins and profitability. The Group has been continuously preparing for the resumption of hedging activities. Due to high volatility and significant movements in the foreign exchange markets caused by geopolitical events, a decision was made not to initiate hedging programs. The Directors will continue to monitor the foreign exchange exposure and will consider appropriate actions to mitigate such risk, as necessary, in alignment with the strategic pivot towards an asset-light, licensing-focused business model.

Treasury Policy

The Group adopts a prudent funding and treasury policy in cash and financial management to ensure financial stability and liquidity. Cash is generally placed in short-term deposits with reputable banks, predominantly in Hong Kong dollars and U.S. dollars. The Group also continuously reviews and updates funding strategies to align with its evolving business needs.

Significant Investment and Material Acquisitions and Disposals

As disclosed in the Company's announcements dated 25 March 2024, 8 April 2024, 15 May 2024, 31 May 2024, 3 June 2024 and 27 June 2024, two subsidiaries in Switzerland, one in Belgium, seven in Germany, and one in Denmark, initiated Insolvency Proceedings at the competent courts respectively.

Moreover, in the second half of 2024, as disclosed in the Company's announcements dated 22 July 2024, 29 July 2024 and 28 October 2024, a Dutch subsidiary, two subsidiaries in Hong Kong, and two subsidiaries in the United States initiated Insolvency Proceedings at the competent courts respectively.

Save for those disclosed elsewhere in this report, there were no other significant investments or material acquisitions or disposals of subsidiaries during the Year (for the year ended 31 December 2023: Nil).

Capital commitments

As at 31 December 2024, the Group did not have significant capital commitments (31 December 2023: HK\$15 million).

Charges on Group Assets

As at 31 December 2024, the Group's long-term borrowings were mainly secured by:

- (1) All the undertakings, properties and assets of two subsidiaries of the Company. The assets held by these subsidiaries include trademarks of the Group with an aggregate carrying amount of HK\$268 million at the group level as of 31 December 2024;
- (2) The shares of a subsidiary of the Company; and
- (3) The loan receivables owing by a joint venture to the Group with the carrying amount of HK\$22 million as at 31 December 2024.

As at 31 December 2024, save for those disclosed elsewhere in this report, the Company has not charged its assets (31 December 2023: nil).

Contingent liabilities

As at 31 December 2024, the Group was subject to a potential claim arising from the early termination of a lease agreement, where the relevant subsidiary is undergoing insolvency proceedings. Negotiations have taken place but as of the date of this report no settlement agreement has been signed. It is anticipated that the potential claim in a settlement scenario would be no more than HK\$14 million. The lease deposit provided by the Group to the landlord has already been applied thereby reducing any potential settlement amount.

As at the reporting date, the matter remains under review and is subject to ongoing legal negotiation. No provision has been recognised in the financial statements as the landlord has a duty to take reasonable actions to re-rent the premises to mitigate the compensation amount, and the amount cannot be measured with sufficient reliability at this stage. The Group will continue to monitor the situation and reassess the need for a provision as more information becomes available.

As at 31 December 2024, save for those disclosed elsewhere in this report, the Company did not have significant contingent liabilities (31 December 2023: nil).

NUMBER OF EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2024, the Group employed approximately 55 full time equivalent staff ("FTE") (31 December 2023: approximately 2,335 FTE). This reduction was primarily due to the Insolvency Proceedings of the Company's European and U.S. subsidiaries, leading to their deconsolidation and the corresponding decrease in FTE. The Group remains committed to attracting and retaining high-calibre, competent employees by offering competitive remuneration packages. These packages are designed to reflect business performance, align with market practices, and consider prevailing market conditions, ensuring fair compensation for employees' contributions.

DIVIDEND

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

IMPORTANT EVENTS AFTER THE END OF THE YEAR

Change of Company Secretary and Authorized Representative

Mr. NGAI Wai Kin has resigned as the Company Secretary and an Authorized Representative of the Company with effect from 15 January 2025. Mr. MAN Wai Chuen has been appointed as the Company Secretary and an Authorized Representative of the Company with effect from 15 January 2025. For further details, please refer to the announcement of the Company dated 15 January 2025.

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

- (1) Mr. YU Chung Leung has been appointed as an Independent Non-executive Director of the Company, Chairman of the Risk Management Committee, and a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Board with effect from 24 January 2025. For further details, please refer to the announcement of the Company dated 24 January 2025.
- (2) Ms. LIU Hang-so has been appointed as Chairman of the Remuneration Committee of the Board with effect from 24 January 2025. For further details, please refer to the announcement of the Company dated 24 January 2025.
- (3) Mr. GILES William Nicholas has resigned as an Independent Non-executive Director of the Company, Chairman of each of the Remuneration Committee and the Risk Management Committee, and a member of each of the Audit Committee and the Nomination Committee of the Board with effect from 24 January 2025. For further details, please refer to the announcement of the Company dated 24 January 2025.

- (4) Ms. LIU Tsui Fong has been appointed as an Independent Non-executive Director of the Company and a member of each of the Audit Committee, the Remuneration Committee and the Risk Management Committee of the Board with effect from the close of business on 28 February 2025. For further details, please refer to the announcement of the Company dated 28 February 2025.
- (5) Mr. STRIPPOLI Anthony Nicola has resigned as an Executive Director of the Company and a member of the General Committee of the Board with effect from the close of business on 28 February 2025. For further details, please refer to the announcement of the Company dated 28 February 2025.
- (6) Mr. CHUNG Kwok Pan has resigned as an Independent Non-executive Director of the Company and a member of each of the Audit Committee, the Remuneration Committee and the Risk Management Committee of the Board with effect from the close of business on 28 February 2025. For further details, please refer to the announcement of the Company dated 28 February 2025.
- (7) Mr. HA Kee Choy Eugene has resigned as an Independent Non-executive Director of the Company and a member of each of the Audit Committee and the Risk Management Committee of the Board with effect from the close of business on 28 February 2025. For further details, please refer to the announcement of the Company dated 28 February 2025.

Change of auditor of the Company

PricewaterhouseCoopers (“PwC”) has resigned as the auditor of the Company with effect from 3 March 2025, as the Company and PwC were unable to reach a consensus on the audit fee for the audit of the consolidated financial statements of the Group for the Year. For more details regarding the change of auditor of the Company, please refer to the announcement of the Company dated 11 March 2025.

With the recommendation from the Audit Committee, it has resolved to appoint Crowe (HK) CPA Limited as the new auditor of the Company with effect from 6 March 2025 to fill the casual vacancy following the resignation of PwC, and to hold office until the conclusion of the next annual general meeting of the Company.

OUTLOOK

With the initiation of the Insolvency Proceedings through the relevant competent courts for its subsidiaries in the United States, Hong Kong and Europe and the discontinuation of its previous operating models focused on asset-heavy retail, wholesale, and E-commerce businesses, the Company has embarked on a strategic transition towards an asset-light, licensing-focused business model. This transition will enable the Company to relieve the substantial burden of significant capital expenditures related to sourcing, distribution, and retail operations, as well as the high costs associated with legacy business infrastructure. Following the deconsolidation of loss-making entities, particularly European subsidiaries which are undergoing Insolvency Proceedings, the Group’s financial position has improved markedly. The Company recognizes that the intellectual property associated with Esprit brand is its most valuable asset and is committed to preserving the global presence of the Esprit brand while reviving and further enhancing its brand equity.

Following the conclusion of the settlement agreement and related documents concerning the former German subsidiaries in October 2024, the Company will receive from fasbra SE, being a wholly owned subsidiary of Deichmann SE, 25% of the net income generated by fasbra SE from the Esprit fashion business in Europe (excluding any revenue generated from the footwear business in Europe) for a period of ten (10) financial years. In exchange, all intellectual property rights, together with all attached rights and obligations, certain domain names and certain social media accounts which are necessary to run the Esprit fashion business in Europe and licensing rights relating to footwear for the United States of America has been transferred to fasbra SE. Apart from the aforementioned, the Company retains all Esprit trademarks globally, thus providing a foundation for the development and expansion of its licensing business.

The Company believes it possesses unique advantages that greatly contribute to the success of the licensing and intellectual property management model, including but not limited to:

- 1) **Unique Brand Heritage:** Esprit is one of the few remaining American heritage brands dating back to the 80s and 90s. At the time it was founded, ESPRIT captured the spirit of California cool: countercultural, entrepreneurial, energetic, with an undercurrent of activism. Unlike start up brands with no history, Esprit, founded in 1968, can tap into consumers' nostalgia from the 1980s to the 2000s who are expected to have considerable purchasing power, thereby providing a compelling value proposition for licensees; and
- 2) **Global Reach:** The iconic Esprit logos are still widely recognized by consumers around the world, boasting a significant presence and reach worldwide. Esprit's mass market positioning allows licensees to leverage multiple channels across the value spectrum to maximize revenue, and in turn, generate more royalty income for the Company.

The Company's strategy, going forward, prioritizes the expansion of licensing operations and a transition to an intellectual property management model. The Company has established partnership for the Greater China region and North America and is actively engaging with additional potential strategic partners to explore licensing opportunities for Esprit's intellectual property across various geographic locations. Furthermore, each geographic region can be segmented by product categories, enabling specialized operators to ensure product quality and efficiency, thereby driving revenue growth in ways that a single, generalized operator may not be able to achieve. By carefully selecting suitable partners and leveraging the advantages of the licensing model, the Company aims to maximize sustainable monetization of Esprit's global brand.

Besides collaborating with carefully selected partners in various key business regions, the Company intends to operate the licensing business through the following key processes to achieve effective operations and optimal performance:

- 1) **Market Research:** Conducting extensive market research to understand industry trends, consumer preferences, and competitive landscape in different markets;
- 2) **Brand Stewardship:** Acting as the primary custodian of the Esprit brand identity, ensuring consistency across licensed products and regions. Establishing and maintaining brand guidelines that reflect Esprit's heritage, while aligning all brand initiatives with Esprit's values focused on quality, sustainability, and consumer appeal;

- 3) **Licensing and Sub-Agency Management:** Negotiating and managing licensing agreements with existing and prospective licensee partners and/or licensees. Identifying and overseeing licensee partners and sub-agencies to optimize market research and revenue. Establishing performance targets for sublicensees to ensure alignment with the Company's strategic objectives and Esprit's brand integrity. Focusing on high-potential categories and foster collaborations that boost brand visibility and consumer loyalty;
 - 4) **Product and Innovation Strategy:** Collaborating with licensee partners to approve designs, ensure product quality and to maintain and further enhance the brand reputation and brand equity. Concentrating on core categories such as apparel, accessories, and lifestyle products to bolster Esprit's market presence. Motivating licensee partners to prioritize eco-friendly materials and sustainable manufacturing to enhance brand value. Collaborating with licensee partners, designers, and influencers to create exclusive collections that uphold Esprit's fashion-forward image;
 - 5) **Brand Rebirth and Consumer Engagement:** Revitalizing the Esprit brand by reintroducing iconic elements that attract both nostalgic fans and new audiences. Highlighting eco-conscious and sustainable fashion options to align with current consumer preferences;
 - 6) **Marketing, Community Engagement, and Promotion:** Creating and coordinating marketing strategies to promote licensed products through various channels, including digital marketing, social media, and traditional advertising to highlight Esprit's unique mix of nostalgia and modernity. Partnering with Key Opinion Leaders and influencers to enhance engagement across digital channels, reaching both new and legacy audiences; and
 - 7) **Distribution Management:** Collaborating with the Company's existing online and offline partners to streamline the distribution of licensed products, generating additional revenue streams.
- Through collaboration with carefully selected partners and the meticulous execution of key processes, the Company believes that the new business model presents a promising future, benefiting both the Company and its Shareholders. The asset-light, non-capital-intensive nature of the licensing business will yield a stable and growing revenue stream. By transferring operations and associated risks to licensee partners, the Company will mitigate the burdens of production, distribution, and inventory management. This transition enables the Company to focus resources on strategic intellectual property management and brand marketing. Additionally, the licensing model empowers the Company to choose strategic partners with local market expertise, facilitating enhanced market penetration and revenue growth, while minimizing reliance on a single global licensee. Ultimately, this strategic shift positions the Company for sustainable success and long-term value creation.

Corporate Governance Report

The Company is committed to achieving high standards of corporate governance. The Company's Corporate Governance Code (the "CG Code") adopted by the Board of the Company sets out a range of governance principles and practices to direct and guide the business conducts and affairs of 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 CG Code as set out in Appendix C1 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the Year.

BOARD OF DIRECTORS

Composition of the Board

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

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
(resigned with effect from 25 March 2024)
- Mr. STRIPPOLI Anthony Nicola
(appointed with effect from 20 February 2024 and resigned with effect from the close of business on 28 February 2025)
- Mr. WRIGHT Bradley Stephen

Independent Non-executive Directors

- Mr. CHUNG Kwok Pan
(resigned with effect from the close of business on 28 February 2025)
- Mr. GILES William Nicholas
(resigned with effect from 24 January 2025)
- Mr. HA Kee Choy Eugene
(resigned with effect from the close of business on 28 February 2025)
- Ms. LIU Hang-so
- Mr. LO Kin Ching Joseph
- Mr. YU Chung Leung
(appointed with effect from 24 January 2025)
- Ms. LIU Tsui Fong
(appointed with effect from the close of business on 28 February 2025)

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 Year is set out in the table below:

	Board	Independent Non-executive Directors	Audit Committee	Nomination Committee	Remuneration Committee	Risk Management Committee	General Committee	Annual General Meeting
Executive Directors¹								
CHIU Christin Su Yi	4/4	1/1		1/1	1/1		1/1	1/1
PAK William Eui Won	4/4			1/1	1/1		1/1	1/1
SCHLANGMANN Wolfgang Paul Josef (resigned with effect from 25 March 2024)	0/0						0/0	0/0
STRIPPOLI Anthony Nicola (appointed with effect from 20 February 2024 and resigned with effect from the close of business on 28 February 2025)	4/4						0/1	1/1
WRIGHT Bradley Stephen	4/4					2/2	1/1	1/1
Independent Non-executive Directors¹								
CHUNG Kwok Pan (resigned with effect from the close of business on 28 February 2025)	4/4	1/1	3/3		1/1	2/2		1/1
GILES William Nicholas (resigned with effect from 24 January 2025)	4/4	1/1	3/3	1/1	1/1	2/2		1/1
HA Kee Choy Eugene (resigned with effect from the close of business on 28 February 2025)	4/4	1/1	3/3			2/2		1/1
LIU Hang-so	4/4	1/1		0/1	1/1			1/1
LO Kin Ching Joseph	4/4	1/1	3/3	1/1				1/1
YU Chung Leung (appointed with effect from 24 January 2025)	0/0	0/0	0/0	0/0	0/0	0/0		0/0
LIU Tsui Fong (appointed with effect from the close of business on 28 February 2025)	0/0	0/0	0/0		0/0	0/0		0/0

Note

1. None of the Directors attended the meetings by his/her alternate.

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 meetings. 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 is responsible for making decisions relating to normal 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 annual 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.

To ensure that independent views and input are available to the Board, the Company established the following mechanism:

- The Company has been steered by a Board, comprising at least one-third of Independent Non-Executive Directors. Currently, the Independent Non-executive Directors represent more than one-third of the Board.
- Independent Non-executive Directors are encouraged to provide independent and objective advice on various material decisions at the meetings of the Board and relevant committees by application of their professional capabilities and industrial experiences.
- 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.
- Directors are provided with sufficient resources and have access to independent professional advice in appropriate circumstances, at the Company's expense, in order to assist the relevant Director(s) to discharge their duties to the Company as and when requested or necessary.

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 (86%)
		Non-Asian (14%)
Age	     	41 to 60 years old (71%)
	 	Over 60 years old (29%)
Length of service	 	3 years and below (29%)
	     	Over 3 years (71%)

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 Company's CG 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 the Company 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 programs during the Year 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		✓
PAK William Eui Won		✓
SCHLANGMANN Wolfgang Paul Josef (resigned with effect from 25 March 2024)		✓
STRIPPOLI Anthony Nicola (appointed with effect from 20 February 2024 and resigned with effect from the close of business on 28 February 2025)		✓
WRIGHT Bradley Stephen		✓
Independent Non-executive Directors		
CHUNG Kwok Pan (resigned with effect from the close of business on 28 February 2025)	✓	✓
GILES William Nicholas (resigned with effect from 24 January 2025)	✓	✓
HA Kee Choy Eugene (resigned with effect from the close of business on 28 February 2025)	✓	✓
LIU Hang-so	✓	
LO Kin Ching Joseph	✓	
YU Chung Leung (appointed with effect from 24 January 2025)	N/A*	N/A*
LIU Tsui Fong (appointed with effect from the close of business on 28 February 2025)	N/A*	N/A*
Company Secretary		
MAN Wai Chuen (appointed with effect from 15 January 2025)	N/A*	N/A*

* Not applicable since the Directors and Company Secretary were appointed after the year-end.

Chairperson and Chief Executive Officer

During the Year, the Chairperson of the Board and the Chief Executive Officer were Ms. CHIU Christin Su Yi and Mr. PAK William Eui Won respectively. The role of the Board's Chairperson 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 Chairperson and Chief Executive Officer are clearly outlined to ensure there is a key distinction between the two positions and are exercised by different individuals.

Biographical details of the Chairperson of the Board and the Chief Executive Officer are set out in the section headed "Directors and Senior Management Profile" on pages 39 to 43 of this report. Save as disclose in this report, the Chairperson, the Chief Executive Officer and other Directors do not have any financial, business, family or other material/relevant relationships with each other.

Non-executive Directors

During the Year, the Non-executive Directors (all 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.

Under Bye-law 84 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.

Directors' responsibilities for the consolidated financial statements

The Directors are responsible for overseeing the preparation of the consolidated financial statements for the Year, 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 the Year. In respect of the consolidated financial statements for the Year, 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. 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 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 consolidated 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 44 to 47 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 C3 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 Year.

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 corporate governance practices in the market and under the Listing Rules. A summary of the membership and responsibilities and duties of each Board Committee performed during the Year is included below.

Audit Committee

Members:

- Mr. LO Kin Ching Joseph (*Chairperson*)
(*Independent Non-executive Director*)
- Mr. CHUNG Kwok Pan
(*Independent Non-executive Director, resigned with effect from the close of business on 28 February 2025*)
- Mr. GILES William Nicholas
(*Independent Non-executive Director, resigned with effect from 24 January 2025*)
- Mr. HA Kee Choy Eugene
(*Independent Non-executive Director, resigned with effect from the close of business on 28 February 2025*)
- Mr. YU Chung Leung
(*Independent Non-executive Director, appointed with effect from 24 January 2025*)
- Ms. LIU Tsui Fong
(*Independent Non-executive Director, appointed with effect from the close of business on 28 February 2025*)

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 the effectiveness of internal control system, including financial, operational and compliance control and whistleblowing arrangements;
- review the 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 Year. 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 and internal auditors are invited to attend the meetings to answer questions raised by the Audit Committee.

Duties performed during the Year 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;
- 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 Year. A summary of which is as follows:

	For the financial year ended 31 December 2024	For the financial year ended 31 December 2023
	HK\$ million	HK\$ million
Nature of the services		
Audit services	5	17
Non-audit services	–	1
	5	18

Internal audit

The Company's internal audit team (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 may engage 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 soundness, adequacy and application of operational, financial, compliance and other controls and promoting effective internal control in the Group and the Company;
- appraising 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;
- appraising the reliability and usefulness of information for reporting to management;
- recommending improvements to the existing systems of risk management and internal control; and
- carrying out investigations and special reviews requested by management and/or the Audit Committee.

Nomination Committee

Members:

- Ms. CHIU Christin Su Yi (*Chairperson*)
(Executive Director)
- Mr. PAK William Eui Won
(Executive Director)
- Mr. GILES William Nicholas
(Independent Non-executive Director, resigned with effect from 24 January 2025)
- Ms. LIU Hang-so
(Independent Non-executive Director)
- Mr. LO Kin Ching Joseph
(Independent Non-executive Director)
- Mr. YU Chung Leung
(Independent Non-executive Director, appointed with effect from 24 January 2025)

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 candidates 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 ensure the Company can compete effectively in the marketplace; 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 Chairperson of the Board. It currently comprises three Independent Non-executive Directors and two Executive Directors. During the Year, the Nomination Committee held one meeting. The attendance record of the Nomination Committee members is set out in the “Meetings attended/held” section above.

Duties performed during the Year:

- 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; and
- provided recommendation to the Board on the re-election of Directors standing for re-election at 2024 AGM.

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, age, cultural and educational background, ethnicity, 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.

Gender Diversity

The Company’s Board Diversity Policy was consistently implemented. As at the date of this report, the Board comprises seven Directors, three of which are female. The Board considers that the gender diversity in respect of the Board taking into account the business model and specific needs of the Group is satisfactory. The Board targets to maintain at least the current level of female representation, with the goal of achieving gender parity. The Company believes the balance of gender in the Board would bring innovation and different perspectives to the Board, thus in considering the Board’s succession, gender diversity is one of the key factors for the Company to select suitable candidate as a Director.

As at 31 December 2024, approximately 54.5% of the Group’s workforce (including senior management) is male and approximately 45.5% is female. Same as the gender diversity of the Board, the Company targets to avoid a single gender workforce. Opportunities for employment, training and career development are equally opened to all eligible employees without discrimination. The Group has also taken, and continues to take steps to promote diversity at all levels of its workforce and will review the gender diversity of the workforce regularly in accordance with the business development of the Group.

Nomination policy

The Board has adopted a nomination policy setting out the key nomination criteria and principles of the Company for nomination of Directors. The Nomination Committee is responsible for reviewing the structure, size and composition (including gender, balance of skills, knowledge, experience and diversity of perspectives) of the Board at least annually and making 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 Chairperson 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 recommendations 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 the 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:

- Ms. LIU Hang-so (*Chairperson*)
(*Independent Non-executive Director*)
- Ms. CHIU Christin Su Yi
(*Executive Director*)
- Mr. PAK William Eui Won
(*Executive Director*)
- Mr. GILES William Nicholas
(*Independent Non-executive Director, resigned with effect from 24 January 2025*)
- Mr. CHUNG Kwok Pan
(*Independent Non-executive Director, resigned with effect from the close of business on 28 February 2025*)
- Mr. YU Chung Leung
(*Independent Non-executive Director, appointed with effect from 24 January 2025*)
- Ms. LIU Tsui Fong
(*Independent Non-executive Director, appointed with effect from the close of business on 28 February 2025*)

Responsibilities include, amongst other things, the following:

- make recommendations 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;
- make recommendations to the Board on the remuneration packages of individual Executive Directors and 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;
- review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules; and
- ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration.

The Remuneration Committee currently comprises three Independent Non-executive Directors and two Executive Directors. During the Year, the Remuneration Committee held one meeting. The attendance record of the Remuneration Committee members is set out in the “Meetings attended/held” section above.

During the Year, the Remuneration Committee reviewed the director’s fees of individual 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 Chairperson of the Board and/or the Chief Executive Officer about the remuneration proposals for other Executive Directors. The recommended competitive remuneration package comprises salaries and bonus opportunities.

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.

Details of remuneration of Directors and senior management, as well as the five highest-paid employees of the Group during the Year are set out in the financial section on pages 96 to 97 of this report.

Risk Management Committee

Members:

- Mr. YU Chung Leung (*Chairperson*)
(*Independent Non-executive Director, appointed with effect from 24 January 2025*)
- Mr. WRIGHT Bradley Stephen
(*Executive Director*)
- Mr. GILES William Nicholas
(*Independent Non-executive Director, resigned with effect from 24 January 2025*)
- Mr. CHUNG Kwok Pan
(*Independent Non-executive Director, resigned with effect from the close of business on 28 February 2025*)
- Mr. HA Kee Choy Eugene
(*Independent Non-executive Director, resigned with effect from the close of business on 28 February 2025*)
- Ms. LIU Tsui Fong
(*Independent Non-executive Director, appointed with effect from the close of business on 28 February 2025*)

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. The Risk Management Committee met two times during the Year. The attendance record of the Risk Management Committee members is set out in the “Meetings attended/held” section above.

Duties performed during the Year:

- reviewed the risk management report; and
- reviewed the key performance indicators of environmental, social and governance report.

The report and recommendations have been submitted to the Board and follow-up action has been taken based on recommendations, which will be monitored by the Board.

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 can be found in the “Risk Management and Internal Control” section below.

General Committee

Members:

- Ms. CHIU Christin Su Yi
(Executive Director)
- Mr. PAK William Eui Won
(Executive Director)
- Mr. SCHLANGMANN Wolfgang Paul Josef
(Executive Director, resigned with effect from 25 March 2024)
- Mr. STRIPPOLI Anthony Nicola
(Executive Director, appointed with effect from 20 February 2024 and resigned with effect from the close of business on 28 February 2025)
- Mr. WRIGHT Bradley Stephen
(Executive Director)

Responsibilities include, amongst other things,

Discussing, considering and approving routine corporate administrative matters of the Company such as:

- routine administration of the share incentive 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 Year, the General Committee held one meeting. The attendance record of the General Committee members is set out in the “Meetings attended/held” section above.

Duties performed during the Year:

- approved the change of authorized person for e-Submission of publication of documents on HKEXnews; and
- approved the execution of lease agreements.

CORPORATE GOVERNANCE FUNCTION

The Board has from time to time reviewed the Company's corporate governance policies and practices and duties of various Board Committees. The Board has not established a corporate governance committee but has performed its duties in respect of the corporate governance functions, including:

- to determine, review and develop the Company's policies and practices on corporate governance;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; and
- to review and monitor the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

During the Year, the Board has performed the corporate governance duties in accordance with the CG Code.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for review the risk management and internal control systems to ensure their effectiveness. Risk management is an existing practice of the Company. Previously, the Company's annual high-level risk assessment exercises were conducted to evaluate the Company's high-level risks. The Company has implemented the Risk Management Policy to formally outline its risk management and internal control systems used to identify, evaluate and manage significant risks in form of a "Three Lines of Defense Model". Such systems are aiming at providing reasonable, though not absolute, assurance against material misstatement or loss and to manage rather than eliminate the risk of failure to achieve business objectives.

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 the Group's day-to-day operations. Documentation and reporting of the individual risks and their respective risk ratings and controls are 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:

- reviewed the risk registers of relevant business units across the Group;
- assessed and documented risks in the risk registers based on the methodologies and the risk parameters stated in the Risk Management Policy; and
- 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 owns, manages and oversees 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".

Procedures for the handling and dissemination of inside information

The Group is committed to complying with Listing Rules, the Securities and Futures Ordinance and other regulatory requirements in relation to the disclosure of inside information. To prevent uneven, inadvertent or selective dissemination of inside information, procedures for the handling and dissemination of inside information are as follows:

- When an employee becomes aware of any actual or potential inside information, he/she must immediately inform his/her department head, who will assess the circumstances and, if considered appropriate, escalate and report it to the management team.
- Meeting of the management team shall be convened to conduct preliminary assessment of the information received.
- The management team reviews and decides whether the information must be disclosed, as well as when and how the information shall be released. If considered appropriate, the management team shall make recommendations to the Board.
- The Board reviews the recommendations of the management team and approves the issue of an announcement and any other documents as appropriate.

Governing bodies

The Risk Management Committee in turn reports to the Board, which determines the Company's risk appetite, evaluates the level of risk the Company is facing and actions 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 Year and operating effectively and adequately according to the Risk Management Policy.

FINANCIAL REPORTING

The Group had experienced recurring losses and faced challenging retail conditions in Europe. The Group's European subsidiaries, particularly those in Germany, have encountered exceptionally high operating costs due to inflation, rising interest rates, and escalating energy prices and these are further exacerbated by on-going geopolitical conflicts in Ukraine. These challenges have detrimentally weakened the financial health of the Group's European subsidiaries, compounded by legacy costs such as high rents for long-term leases on inappropriate sized retail spaces, excessive labour costs associated with an oversized workforce, costs stemming from outdated and ineffective IT structures, and an overcapacity logistics framework. All together, these issues have rendered the existing business model financially unsound and unsustainable, resulting in contracting, constrained and inadequate liquidity for the European operations. To stop these continual blood-letting from such untenable situation, the decision for the initiation of the Insolvency Proceedings, as defined in Note 1.2.2.1 to the consolidated financial statements had been made by the relevant European subsidiaries.

Despite ceasing most of its retail, wholesale, and E-shop operations due to the Insolvency Proceedings, the Company remains committed to preserving the global presence of the Esprit brand and will continue its efforts to maintain and enhance its brand equity, which is recognized as the Company's most valuable asset. The Company retains the Esprit trademarks for all regions outside of Europe and the United Kingdom, providing a strong foundation for developing and expanding its licensing business, which the Company determines as its future primary business model. The Company has initiated an exit from its legacy business model and infrastructure, which incurred significant capital expenditures associated with sourcing, distribution, and retail operations. With this exit, the Company is now well-positioned to transition towards an asset-light, licensing-focused business model.

To improve the liquidity and ensure sufficient financing for future business development under an asset-light, licensing-focused business model, the Group is in the process of implementing several plans and measures as set out in Note 1.2.1 to the consolidated financial statements.

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards 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. The responsibilities of the external auditor with respect to the audit of financial statements are set out in the section headed “Independent Auditor’s Report” in this report.

The Board has reviewed the Group’s cash flow forecast prepared by management covering a period of twelve months from 1 January 2025. After considering the plans and measures outlined above, the Board is of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due within twelve months from 31 December 2024. The Board is therefore of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Our auditor has issued a clean opinion, confirming that the consolidated financial statements present a true and fair view in accordance with the applicable financial reporting framework.

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. He assists the Chairperson of the Board and the Board in implementing and strengthening corporate governance practices and processes of the Company. All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary.

The Company Secretary assists the Chairperson of the Board in ensuring efficient information flow within the Board and Board Committees and between Directors and senior management. He assists the Chairperson of the Board and Chairperson of the Board Committees in the development of the agendas for the Board meetings and Board Committee meetings. He also attends and prepares minutes for Board meetings and Board Committee meetings.

During the Year, the Company Secretary of the Company has attended relevant professional seminars to update skills and knowledge. The Company Secretary has complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

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 mechanism 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.

Having reviewed the implementation and effectiveness of different channels of communication available to the shareholders, and with reference to the shareholders' participation and feedbacks in meetings and corporate activities, the Company considered the shareholders' communication mechanism described above effective during the Year.

Enquiries of shareholders

Enquiries of shareholders can be sent to the Company either by email at esprit-ir@espritholdings.com or by post to the Company's principal place of business in Hong Kong 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 voting rights, on a one vote per share basis, in the share capital of the Company can at all times, by a written requisition to the Board or the Company Secretary to require a special general meeting ("SGM") to be called by the Board for the transaction of any business or resolution specified in such requisition or to add resolution to the agenda of a general meeting. Such requisition

shall be deposited at the Company's principal place of business in Hong Kong 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 requisition 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 such 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 either 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 not 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 shall be deposited at the Company's principal place of business in Hong Kong at 27th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong (i) not less than six weeks before the AGM in the case of a requisition requiring notice of a resolution; and (ii) 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 requisitionist(s) 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 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 annual general meeting (“2024 AGM”) held on 19 June 2024, the Chairperson 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 2024 AGM. Tricor Secretaries Limited, the Company’s branch share registrar in Hong Kong, was appointed as the scrutineer for voting by poll at the 2024 AGM to ensure the votes were properly counted.

Transparency and disclosure

The Company recognizes the importance of interim and non-selective disclosure of information. Latest information of the Company including annual and interim reports, announcements and, constitutional documents, are updated on the Company’s Investor Relations website (www.espritholdings.com) in a timely manner.

Maintaining a two-way communication with shareholders is one of the main goals of the Company 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 within a few hours, to ensure the timely disclosure of information.

Constitutional documents

A special resolution for the proposed amendments to the Bye-laws of the Company was duly passed at the annual general meeting held on 19 June 2024. The amended Bye-laws of the Company are in line with the amendments implemented in the Listing Rules and the laws of Bermuda. Details of the amendments were set out in the circular of the Company dated 29 April 2024. A copy of the Company’s latest constitutional documents is available on both the Company’s website at www.espritholdings.com and the Stock Exchange’s website at www.hkex.com.hk.

AMERICAN DEPOSITARY RECEIPT PROGRAM

The Company has established a Level 1 sponsored American Depositary Receipt (“ADR”) 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
Depository	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 to the extent practicable. The ESG Report (as defined below) is available on the Stock Exchange’s website and the Company’s website.

Report of the Directors

The Directors present the annual report and the audited consolidated financial statements of the Group for the Year.

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 was 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.

Despite ceasing most of its retail, wholesale, and E-commerce operations due to the Insolvency Proceedings, as defined hereafter, the Company remains committed to preserving the global presence of the Esprit brand and will continue its efforts to maintain and enhance its brand equity, which is recognized as the Company's most valuable asset. The Company retains the Esprit trademarks for all regions outside of Europe and the United Kingdom, providing a strong foundation for developing and expanding its licensing business, which the Company determines as its future primary business model. The Company has initiated an exit from its legacy business model and infrastructure, which incurred significant capital expenditures for sourcing, distribution, and retail operations. With this exit, the Company is now well-positioned to transition and move forward with its adoption of an asset-light, licensing-focused business model.

RESULTS

The results of the Group for the Year are set out in the consolidated statement of profit or loss on page 48 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 net loss for the Year, the Board resolved that no final dividend will be declared and paid (for the year ended 31 December 2023: nil). The Board will constantly monitor and review the situation in the coming future. Relevant information is set out in note 3.4.2 to the consolidated financial statements.

RESERVES

Movements in reserves of the Group and the Company during the Year are set out in the consolidated statement of changes in equity on page 51 of this report and in note 2.10.2 to the consolidated financial statements respectively. As at 31 December 2024, there were no distributable reserves available to the shareholders.

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's performance using financial key performance indicators during the Year, 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 Year 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 2 to 12 of this report.

ENVIRONMENT, SOCIAL AND GOVERNANCE ("ESG") PERFORMANCE

The Board is committed to achieving sustainable development and protection of the environment and engaging ESG considerations as an integral part of its business operations and investment of the Company. The Board reviewed its strategic priorities against ESG related risks and ensured appropriate and effective ESG risk management and internal control systems are in place. The Group conducts regular reviews of all operating procedures. The Company's strategy in ESG management is achieved by applying sustainable practices across various departments, making efficient use of resources, and promoting green awareness within the Group. Due to the suspension of production activities, the Company's focus is solely on monitoring the environmental performance of the international headquarters office in Hong Kong and staff office in Shanghai. During the Year, detailed records of electricity and water consumption, along with waste disposal, have been diligently maintained. The Company acknowledges the pivotal role of energy consumption in mitigating carbon emissions and air pollution, as well as being committed to reducing environmental impact within office operations.

The Board will continue to improve its management approach and implement strategies and processes to evaluate, prioritize, and manage material ESG related issues by continuously monitoring legislations and due diligence standards to create a transparent and sustainable supply chain. At ESPRIT, the Risk Management Committee of the Board and the brand's internal ESG Taskforce is responsible for sustainability, environmental risks, and governance. Details of the Group's ESG practice and performance can be found in the Company's ESG Report for the Year. The report is prepared with reference to the Environmental, Social and Governance Reporting Code ("the HKEX ESG Reporting Code"), formerly named as the Environmental, Social and Governance Reporting Guide (version effective from 31 December 2023 to 31 December 2024), as set out in Appendix C2 of the Rules Governing the Listing of Securities on The Hong Kong Stock Exchanges Limited. The Company's ESG Report for the Year is available on the Company's website (www.espritholdings.com) and the Stock Exchange's website (www.hkexnews.hk).

COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognizes the importance of compliance with legal and regulatory requirements and any non-compliance with such requirements could have an adverse impact on the Group's operation. The Group has implemented a system and staff resources to ensure ongoing compliance with laws and regulations. As at the date of this report, the Company has complied with those related to all the relevant laws and regulations, including business ethics, health and safety, employees, customers, and environment, that have a significant impact on the operations of the Group in all material respects.

KEY RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group recognizes human resources as one of its most valuable assets and is committed to the continual personal development of its employees. We had and will continue to strive to provide every employee with opportunities for continuous growth and skill enhancement. Our dedication to fostering a supportive environment ensures that employees can pursue favorable career development opportunities, empowering them to reach their full potential within the organization.

Prior to refocusing of the business on only licensing activities, the Group was primarily engaged in the retail and wholesale distribution and licensing of quality fashion and non-apparel products under the ESPRIT brand. Consumer trends were regularly analyzed and changes were made to our products based on customer preferences. The Group conducted comprehensive tests and checks to ensure that only safe and high-quality products were delivered to customers, while also fostering strong working relationships with suppliers to meet customer needs effectively and efficiently. Relevant internal departments worked closely to ensure that the tendering and procurement processes were conducted in an open, fair, and transparent manner. The Group's requirements and standards were clearly communicated to suppliers before the commencement of any project.

Under the asset-light licensing model, the Group emphasizes partnerships with licensee partners that possess strong market presence, established infrastructure, networks, and expertise in their territories or specific product categories. This focus is particularly important in countries and regions with large domestic consumer markets. We collaborate closely with these partners to maintain brand image and enhance brand equity, ensuring consistency across licensed products and regions through effective brand stewardship and identity management. Additionally, the Group closely monitors their performance targets to ensure they are aligned with the Company's strategic objectives and uphold the Esprit's brand integrity. By cultivating these partnerships, we aim to drive innovation and responsiveness to market trends, ultimately enhancing customer loyalty and expanding our market share.

Details about the relationships with various stakeholders are disclosed in the ESG Report issued by the Company separately.

Employees and Remuneration Policy

Our employees play a key role in our success and in how we fulfill our responsibilities to all relevant stakeholders including shareholders, our business partners, society, and the environment. The Group continues to invest in our people, ensuring that they are equipped with the right knowledge, skills and experiences to meet the Group's needs. The Group provides staff with a full range of benefits, including a mandatory provident fund and medical insurance. The Company also operates a discretionary share option scheme to motivate employees' performance and loyalty.

During the Year, due to the insolvency proceedings of the Company's European and U.S. subsidiaries, there was a significant decrease in the number of full-time equivalent staff. However, the Group remains committed to attracting and retaining high-calibre, competent employees by offering competitive remuneration packages, taking into consideration the pivot to a licensing business model. These packages are designed to reflect business performance, align with market practices, and consider prevailing market conditions, ensuring fair compensation for employees' contributions. Furthermore, the remuneration package of the Directors is determined by the Remuneration Committee, considering the salaries paid by comparable companies, time commitment, responsibilities, the Company's performance and the prevailing market conditions.

Long-term incentive schemes

The Company has a share option scheme 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 schemes" below.

SHARE CAPITAL

During the Year, no ordinary share of the Company of HK\$0.10 each was issued.

Details of movements in share capital of the Company are set out in note 2.10.1 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 121 to 122 of this report respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the Year are set out in note 2.6.2 to the consolidated financial statements.

PENSION SCHEMES

Particulars of pension schemes of the Group are set out in notes 2.3.2 and 2.9.2 to the consolidated financial statements.

PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2024 are set out in note 7 to the consolidated financial statements.

CHARITABLE DONATIONS

During the Year, the Group did not make any charitable donations (2023: HK\$561,330).

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, 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 Year or subsisted at the end of the Year, save for the 2009 Share Option Scheme, the 2018 Share Option Scheme and the Share Award Scheme, all as defined and detailed in sections of "Share option schemes" and "Share award scheme" below.

DIRECTORS

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

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
(resigned with effect from 25 March 2024)
- Mr. STRIPPOLI Anthony Nicola
(appointed with effect from 20 February 2024 and resigned with effect from the close of business on 28 February 2025)
- Mr. WRIGHT Bradley Stephen

Independent Non-executive Directors

- Mr. CHUNG Kwok Pan
(resigned with effect from the close of business on 28 February 2025)
- Mr. GILES William Nicholas
(resigned with effect from 24 January 2025)
- Mr. HA Kee Choy Eugene
(resigned with effect from the close of business on 28 February 2025)
- Ms. LIU Hang-so
- Mr. LO Kin Ching Joseph
- Mr. YU Chung Leung
(appointed with effect from 24 January 2025)
- Ms. LIU Tsui Fong
(appointed with effect from the close of business on 28 February 2025)

In accordance with bye-law 83 of the Company's Bye-laws, Mr. YU Chung Leung and Ms. LIU Tsui Fong, being Directors appointed by the Board after the previous AGM, will retire from the office at the forthcoming AGM and, being eligible, will offer themselves for re-election at the forthcoming AGM.

Under bye-law 84 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, Mr. PAK William Eui Won and Mr. LO Kin Ching Joseph will retire from office by rotation at the forthcoming AGM and being eligible, will offer themselves for re-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. None of the Directors standing for re-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 the Interim Report for the six months ended 30 June 2024 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
Mr. YU Chung Leung	<ul style="list-style-type: none"> appointed as an Independent Non-Executive Director of the Company and a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee, and Chairman of the Risk Management Committee with effect from 24 January 2025 entitled to an annual remuneration of HK\$120,000 with effect from 24 January 2025 obtained the legal advice referred to in Rule 3.09D of the Listing Rules on 24 January 2025, and he has confirmed he understood his obligations as a director of the Company
Ms. LIU Tsui Fong	<ul style="list-style-type: none"> appointed as an Independent Non-Executive Director of the Company and a member of each of the Audit Committee, the Remuneration Committee and the Risk Management Committee with effect from the close of business on 28 February 2025 entitled to an annual remuneration of HK\$120,000 with effect from the close of business on 28 February 2025 obtained the legal advice referred to in Rule 3.09D of the Listing Rules on 28 February 2025, and she has confirmed she understood her obligations as a director of the Company
Ms. LIU Hang-so	<ul style="list-style-type: none"> appointed as Chairman of the Remuneration Committee with effect from 24 January 2025
Mr. STRIPPOLI Anthony Nicola	<ul style="list-style-type: none"> resigned as an Executive Director of the Company and a member of the General Committee with effect from the close of business on 28 February 2025
Mr. CHUNG Kwok Pan	<ul style="list-style-type: none"> resigned as an Independent Non-Executive Director of the Company and a member of each of the Audit Committee, the Remuneration Committee and the Risk Management Committee with effect from the close of business on 28 February 2025
Mr. GILES William Nicholas	<ul style="list-style-type: none"> resigned as an Independent Non-Executive Director of the Company, Chairman of each of the Remuneration Committee and the Risk Management Committee, and a member of each of the Audit Committee and the Nomination Committee with effect from 24 January 2025
Mr. HA Kee Choy Eugene	<ul style="list-style-type: none"> resigned as an Independent Non-Executive Director of the Company and a member of each of the Audit Committee and the Risk Management Committee with effect from the close of business on 28 February 2025

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 Year disclosed pursuant to section 383 of the Companies Ordinance and Appendix D2 of the Listing Rules are set out in note 4.1.1 to the consolidated financial statements. In addition to offering competitive remuneration packages and bonuses opportunities to Directors, the Company may also grant share options to Directors and eligible employees based on individual performance as an incentive. The emoluments of the Directors are determined based on the salaries paid by comparable companies, time commitment, responsibilities, and employment conditions elsewhere in the Group. Information about the remuneration policy of the Group is set out in the section headed "Corporate Governance Report" on pages 13 to 28 of this report. No Directors of the Company or its subsidiaries waived or agreed to waive any emoluments.

MATERIAL CONTRACTS

As the Company does not have any controlling shareholder (as defined in the Listing Rules), no contract of significance had been entered into during the Year between the Company or any of its subsidiaries and a controlling shareholder or its subsidiaries.

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 Year save as disclosed in section of "Related party transactions and connected transactions" below.

SERVICE CONTRACTS

Ms. CHIU Christin Su Yi, Mr. PAK William Eui Won and Mr. WRIGHT Bradley Stephen 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. 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 Year 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 2024, none of the Directors and chief executive 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 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 C3 of the Listing Rules.

SHARE OPTION SCHEMES

2009 Share Option Scheme

The Company adopted a 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. 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 Year 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 01/01/2024	Granted	Transferred in	Exercised	Transferred out	Lapsed	Forfeited	As at 31/12/2024
Employees	31/10/2014	10.124	9.630	31/10/2017	31/10/2017 – 30/10/2024	709,960	-	-	-	-	709,960	-	-
	13/10/2015	6.550	6.230	13/10/2018	13/10/2018 – 12/10/2025	788,845	-	-	-	368,128	-	315,538	105,179
	31/10/2016	6.870	6.530	31/10/2019	31/10/2019 – 30/10/2026	1,051,793	-	-	-	631,076	-	315,538	105,179
	07/11/2017	4.650	4.420	07/11/2020	07/11/2020 – 06/11/2027	946,614	-	-	-	473,308	-	368,127	105,179
	25/06/2018	2.660	2.530	25/06/2021	25/06/2021 – 24/06/2028	1,104,382	-	-	-	631,076	-	368,127	105,179
	In aggregate					4,601,594	-	-	-	2,103,588	709,960	1,367,330	420,716
Others ²	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	-	368,128	-	-	-	-	473,307
	31/10/2016	6.870	6.530	31/10/2019	31/10/2019 – 30/10/2026	105,179	-	631,076	-	-	-	-	736,255
	07/11/2017	4.650	4.420	07/11/2020	07/11/2020 – 06/11/2027	105,179	-	473,308	-	-	-	-	578,487
	25/06/2018	2.660	2.530	25/06/2021	25/06/2021 – 24/06/2028	210,358	-	631,076	-	-	-	-	841,434
	28/09/2018	1.884	1.790	28/09/2021	28/09/2021 – 27/09/2028	2,629,481	-	-	-	-	-	-	2,629,481
	In aggregate					4,101,989	-	2,103,588	-	-	946,613	-	5,258,964
Total						8,703,583	-	2,103,588	-	2,103,588	1,656,573	1,367,330	5,679,680

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 effective on that date. 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 during the Year.
- No share options were granted to the suppliers of the Group during the Year.

SHARE OPTION SCHEMES (CONTINUED)

2018 Share Option Scheme

The Company adopted a 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. 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 Year 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 01/01/2024	Granted	Transferred in	Exercised	Transferred out	Lapsed	As at 31/12/2024
Employees	10/12/2019	1,604	1,530	19/09/2022	19/09/2022 - 09/12/2029	1,314,741	-	-	-	736,256	-	473,306
		1,604	1,530	10/12/2022	10/12/2022 - 09/12/2029	315,538	-	-	-	-	-	315,538
	In aggregate					1,630,279	-	-	-	736,256	-	105,179
Others ²	10/12/2019	1,604	1,530	19/09/2022	19/09/2022 - 09/12/2029	525,896	-	736,256	-	-	-	1,262,152
Total						2,156,175	-	736,256	-	736,256	-	1,367,331

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 effective on that date. 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 or lapsed during the Year.
- No share options were granted to the suppliers of the Group during the Year.
- The number of share options available for grant under the 2018 Share Option Scheme mandate as at 1 January 2024 and 31 December 2024 was 283,081,734, respectively.
- As no options were granted during the Year, the number of shares in the Company that may be issued in respect of options granted under the 2018 Share Option Scheme during the Year divided by the weighted average number of shares in the Company in issue for the Year is nil.

SHARE AWARD SCHEME

The Company adopted a share award scheme on 6 July 2021. During the Year, 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 31 December 2024. 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 31 December 2024 and the number of shares in the Company that may be issued in respect of awards granted under the Share Award Scheme during the Year divided by the weighted average number of shares in the Company for the Year is nil.

During the Year, no share award was granted, vested, cancelled or lapsed under the Share Award Scheme to any Directors or other grantees and there were no unvested awarded shares granted under the Share Award Scheme at the beginning and at the end of the Year. On 30 June 2025, the Board resolved to terminate the Share Award Scheme in accordance with the terms of the Share Award Scheme. Such early termination shall not affect any subsisting rights of selected grantees as no awards remain unvested or which have vested but not yet been issued to a selected grantee immediately prior to termination. Upon early termination of the Share Award Scheme on 30 June 2025, apart from the 2009 and 2018 Share Option Schemes, the Company or any of its principal subsidiaries have no other scheme involving issue of new shares as at 31 December 2024 and at the date of this annual report.

ACCOUNTING TREATMENT FOR SHARE OPTIONS AND SHARE AWARDS

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Year or at the end of the Year 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 2024, 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	28.23%
	Interest in a controlled corporation	373,523,450	
North Point Talent Limited (Note 1)	Beneficial owner	364,782,600	12.89%
Planetree Securities Limited (Note 2)	Beneficial owner	1,250,000	0.04%
Green River Associates Limited (Note 2)	Beneficial owner	7,490,850	0.26%

Notes:

- 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.
- Planetree Securities Limited and Green River Associates Limited are the subsidiary and associate of Planetree International Development Limited, HK stock code 613 ("Planetree"), respectively where Ms. Lo is the substantial shareholder of Planetree and was deemed to be interested in the 1,250,000 shares and 7,490,850 shares held by Planetree Securities Limited and Green River Associates Limited, respectively.

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 31 December 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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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

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, based on the information that is publicly available to the Company and within the knowledge of the Directors, 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 Year.

CONNECTED TRANSACTIONS

As disclosed in the announcement of the Company dated 19 May 2022 a tenancy agreement was entered into between an indirectly wholly-owned subsidiary of the Company (the “Lessee”), as the tenant, and Bright Majestic Limited (“Bright Majestic”), as the landlord, in respect of the tenancy of the whole floor of 29th Floor of China United Centre, No. 28 Marble Road, North Point, Hong Kong (the “29th Premises”), which would expire on 31 May 2024; and in the announcement of the Company dated 12 October 2022, a tenancy agreement was entered into between the Lessee, as the tenant, and Wealth Elegant Investment Limited (“Wealth Elegant”), as the landlord, in respect of the tenancy of the whole floor of 26th Floor of China United Centre, No. 28 Marble Road, North Point, Hong Kong (the “26th Premises”), which would expire on 31 October 2024.

On 28 May 2024, the Lessee entered into two tenancy agreements, as tenant, namely (i) the tenancy agreement with Bright Majestic, as landlord, in respect of the renewal of tenancy of the 29th Premises for a term of two years and one month commencing from 1 June 2024 and expiring on 30 June 2026 (both days inclusive) at a monthly rental of HK\$313,236; and (ii) the tenancy agreement with Wealth Elegant, as landlord, in respect of the renewal of tenancy of the 26th Premises for a term of one year and eight months commencing from 1 November 2024 and expiring on 30 June 2026 (both days inclusive) at a monthly rental of HK\$335,610.

As at the date of the said announcements, Ms. LO Ki Yan Karen (“Ms. LO”) indirectly held 82.19% equity interests in both Bright Majestic and Wealth Elegant. Ms. LO is a substantial shareholder of the Company, hence a connected person of the Company. Therefore, both Bright Majestic and Wealth Elegant 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 28 May 2024.

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. Save as disclosed in the announcements of the Company dated 28 May 2024 regarding connected transactions in relation to renewal of tenancy agreements, none of these related party transactions constitutes a connected transaction as defined in the Listing Rules.

CORPORATE GOVERNANCE

Particulars of the Company’s corporate governance practices are set out on pages 13 to 28 of this report.

AUDITOR

Following the resignation of PricewaterhouseCoopers (“PwC”) as auditor of the Company on 3 March 2025, Crowe (HK) CPA Limited (“Crowe”) was appointed as the new auditor of the Company with effect from 6 March 2025 to fill the casual vacancy, and to hold office until the conclusion of the next annual general meeting of the Company (the “AGM”).

The consolidated financial statements of the Group for the year ended 31 December 2024 were audited by Crowe while the consolidated financial statements for the two preceding years ended 31 December 2023 and 2022 were audited by PwC.

Crowe will retire and being eligible, offer themselves for reappointment at the forthcoming AGM. A resolution for the re-appointment of Crowe as auditor of the Company will be proposed at the forthcoming AGM.

On behalf of the Board
ESPRIT HOLDINGS LIMITED

CHIU Christin Su Yi
Chairperson

Hong Kong, 30 June 2025

Directors and Senior Management Profile

EXECUTIVE DIRECTORS

Ms. CHIU Christin Su Yi, aged 45, is the Chairperson of the Board and Executive Director of the Company. She has been an Executive Director of the Company since July 2020. She became Acting Executive Chairperson of the Board since January 2021 and was re-designated as Chairperson of the Board with effect from 30 August 2021. She is Chairperson 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 is the spouse of Mr. PAK William Eui Won who is an Executive Director, Chief Executive Officer and Chief Operating Officer of the Company. 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 United States, and a barrister and solicitor in the Province of British Columbia in Canada.

Mr. PAK William Eui Won, aged 45, has been appointed as an Executive Director and Chief Operating Officer of the Company since September 2021. He has become interim Chief Executive Officer of the Company with effect from 26 October 2021 until his re-designation as Chief Executive Officer of the Company with effect from 1 March 2022. He is a member of the Nomination Committee, the Remuneration Committee and the General Committee of the Board. He holds a Master of Laws degree in U.S. taxation from the University of Washington School of Law, a Juris Doctor's degree from the University of British Columbia Faculty of Law, and an Economics and Commerce degree from the University of British Columbia Faculty of Arts. Mr. PAK

is an attorney licensed by the New York State Bar. He is the spouse of Ms. CHIU Christin Su Yi who is an Executive Director of the Company and the Chairperson of the Board. Mr. PAK is a seasoned executive with extensive operating and management experience. He has over a decade of experience and made a successful career in leading companies in the financial services and fund management industry. His industry expertise also includes technology, alternative energy, mining and real estate. He is experienced in identifying and revitalizing underperforming areas and driving favourable results while ensuring sustainable growth. Prior to embarking on a career in the financial industry, Mr. PAK was a lawyer in the investment funds practice at White & Case's New York and Hong Kong offices. He has substantive experience in the establishment and representation of both U.S. and international private investment funds. Before joining White & Case, Mr. PAK worked in the mergers & acquisitions department in the San Francisco office of a major international firm where he provided transactional tax advisory services for mergers and acquisitions, reorganisations and spin-offs.

Mr. SCHLANGMANN Wolfgang Paul Josef, aged 71, was appointed as an Executive Director of the Company in October 2021 and resigned with effect from 25 March 2024. He was a member of the General Committee of the Board before his resignation. He joined the Group as a consultant in December 2020 and was European Recovery Chairman and Senior Advisor to the Board. He holds a Master's Degree in Business Administration from Bochum University in Germany. Mr. SCHLANGMANN has over 40 years of experience in the fashion industry with an extensive history of successful brand revitalization strategies. He served as chief executive officer of s.Oliver Asia and s.Oliver Turkey prior to founding his own garment and sourcing services business.

Mr. STRIPPOLI Anthony Nicola, aged 51, was appointed as an Executive Director of the Company in February 2024 and resigned with effect from the close of business on 28 February 2025. He was a member of the General Committee of the Board before his resignation. He was the Chief Operating Officer, Americas, for Esprit. He has three decades of retail and merchandising experience with global apparel and fashion brands including working as a Buyer for Saks Fifth Avenue, as an International Merchandising Manager for Bally and as a Vice President, North America Sales for Diesel USA. He also worked as the President of North America for Scotch & Soda, focusing on the Dutch brand's expansion into the United States. Prior to joining Esprit, Mr. STRIPPOLI was the Vice President of Sales at Calvin Klein Jeans for G-III Apparel Group in New York City. Mr. STRIPPOLI graduated from New York University's Stern School of Business in 1995 and obtained a Bachelor of Science degree in Marketing and International Business.

Mr. WRIGHT Bradley Stephen, aged 59, has been appointed as an Executive Director of the Company since December 2021. He is a member of the Risk Management Committee and the General Committee of the Board. He has thirty-three years of experience serving in the Hong Kong Police Force. Mr. WRIGHT joined the then Royal Hong Kong Police Force in 1988 as an inspector of Police and attained the rank of chief superintendent of Police when he reached the prescribed retirement age.

In the early years of his career, Mr. WRIGHT worked in a variety of uniform frontline policing roles such as a patrol subunit commander, police tactical unit platoon officer, assistant divisional commander, and a senior staff inspector at Police headquarters. In the late 1990s to early 2000s, Mr. WRIGHT worked in the field of training and professional development before moving to command the Kowloon Internal Investigation Office. In the last ten years of his career Mr. WRIGHT took up a number of command posts, leading up to 1,200 officers, including district commander Marine Outer Waters District, chief superintendent support and district commander, Mong Kok District from 2018 until retirement. Throughout his career, Mr. WRIGHT was frequently recognized and was awarded five commanding officer's commendations, one commissioners' commendation and in the 2021 Hong Kong Special Administrative Region Government honour's list was awarded the Police Meritorious Service Medal ("PMSM").

Mr. WRIGHT graduated from London University School of Oriental and African Studies in 1987 and obtained a Bachelor of Arts, with honours in History and Politics. Committed to lifelong learning, he has continued his learning and has not only completed but also excelled in various trainings including the HKUST Leadership and Public Policy Programme, Ivey Business School – Advanced Public Policy and Management, Stakeholders Engagement in a Volatile Environment and Public Sector Accountability, and University of Michigan – Strategic Innovation.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHUNG Kwok Pan, aged 61, was appointed as an Independent Non-executive Director of the Company in July 2020 and resigned with effect from the close of business on 28 February 2025. He was a member of the Audit Committee, the Remuneration Committee and the Risk Management Committee of the Board before his resignation. Mr. CHUNG has been appointed as adjunct professor in the department of government and public administration at The Chinese University of Hong Kong ("CUHK") since 1 August 2023 and he has been appointed as adjunct professor at The City University of Hong Kong ("CityU") since 1 September 2023. He has been responsible for the business management of Chungweiming Knitting Factory Limited since early 1988. In early 2022, he formed Hong Kong Carbon Trading Centre ("HKCTC") as the Founder & CEO. HKCTC helps all kinds and sizes of industrial companies in how to reduce the carbon emission in order to help the World's climate change. Mr. CHUNG also has several social positions, including honorary life chairman of Hong Kong Apparel Society Limited, a member of the honorary general committee of The Chinese Manufacturers' Association of Hong Kong, an advisor of New Territories General Chamber of Commerce, chairman of fashion industry training advisory committee, Education Bureau of the Hong Kong Special Administrative Region ("Hong Kong") and a member of carbon market opportunities working group of Financial Services Development Council ("FSDC"). He was also a member of the 5th and 6th Legislative Council of Hong Kong (textile and garment sector), and 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 (formerly 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, an independent non-executive director of Planetree International Development Limited (stock code: 613) since April 2020 and an independent non-executive director of Legendary Group Limited (formerly known as L&A International Holdings Limited) (Stock code: 8195) since June 2021. These companies are listed on The Stock Exchange of Hong Kong Limited.

Mr. GILES William Nicholas, aged 62, was appointed as an Independent Non-executive Director of the Company in December 2020 and resigned with effect from 24 January 2025. He was Chairman of the Remuneration Committee and the Risk Management Committee, and a member of the Audit Committee and the Nomination Committee of the Board before his resignation. He is a senior consultant with Lee Law Firm. 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 Blue River Holdings Limited (formerly known as PYI Corporation Limited) (a company listed on the Main Board of the Stock Exchange of Hong Kong Limited, 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.

Mr. HA Kee Choy Eugene, aged 68, was appointed as an Independent Non-executive Director of the Company in December 2021 and resigned with effect from the close of business on 28 February 2025. He was a member of the Audit Committee and the Risk Management Committee of the Board before his resignation. Mr. HA holds a Master's Degree in Business Administration. He is a fellow member of the Association of Chartered Certified Accountants. He possesses over 30 years of experience in the finance and banking industry and acts or/and acted as director of a number of private and listed companies in Hong Kong. He is the director of a certified public accountants corporate practice in Hong Kong.

Mr. HA is currently an independent non-executive director of Touyun Biotech Group Limited (stock code: 1332), which is listed on The Stock Exchange of Hong Kong Limited. He was an independent non-executive director of International Entertainment Corporation (stock code: 1009) from May 2017 to March 2022.

Ms. LIU Hang-so, aged 60, has been appointed as an Independent Non-executive Director of the Company since January 2021. She is Chairman of the Remuneration Committee with effect from 24 January 2025, and a member of the Nomination Committee of the Board. Ms. LIU is a veteran of the consumer goods sector with a specialty in luxury goods. In addition to her strong retail knowledge covering Greater China, Asia Pacific, USA, Japan, Europe and India, she has deep expertise in government affairs, policy and regulation. Ms. LIU is currently the first president for the strategically important China market of DFS Group Limited ("DFS"). She oversees all of DFS' operations in Mainland China, including the Times DF x DFS Haikou Mission Hills Duty-Free complex (深圳免税xDFS海口觀瀾湖免稅購物城), which was opened in January 2021 by DFS in partnership with Shenzhen Duty Free Group. Prior to joining DFS, she spent 13 years of her career in a leading luxury jeweler DeBeers Forevermark, where she was chief executive officer from 2019 to 2021, which was a global role based out of China. She also worked previously with Boston Consulting Group in Hong Kong, as a vice president for merchandising manager for Louis Vuitton in Hong Kong, and as general manager for LVMH Watches and Jewelry in Taiwan. 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 68, 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 member 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 MacLehose Medical Rehabilitation Centre, 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”), an advisor to the China Accounting Standards Committee of the Ministry of Finance of China and a member of the Hospital Governing Committee of Queen Mary Hospital and Tsan Yuk Hospital, Hong Kong. Mr. LO was the chairman and executive director of Bisu Technology Group International Limited (currently known as China Carbon Neutral Development Group Limited) (a company listed on the Main Board of The Stock Exchange of Hong Kong Limited, 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.

Mr. YU Chung Leung, aged 54, has been appointed as an Independent Non-executive Director of the Company since January 2025. He is a member of the Audit Committee, the Nomination Committee and the Remuneration Committee, and Chairman of the Risk Management Committee of the Board. Mr. YU has over 30 years of experience in auditing and accounting. He holds a Master of Arts in international accounting from City University of Hong Kong.

Mr. YU is a member and an authorized supervisor of the Hong Kong Institute of Certified Public Accountants. He is a fellow member of The Association of Chartered Certified Accountants, a chartered tax adviser of The Taxation Institute of Hong Kong and a practising certified public accountant in Hong Kong. He is also a member of the Process Review Panel for the Financial Reporting Council. Mr. YU is a partner of Lee & Yu Certified Public Accountants. He was awarded the Chief Executive’s Commendation for Community Service in 2022.

Mr. YU is currently an independent non-executive director of Narnia (Hong Kong) Group Company Limited (stock code: 8607), Oshidori International Holdings Limited (stock code: 622), Blue River Holdings Limited (stock code: 498) and Envision Greenwise Holdings Limited (stock code: 1783), and these 4 companies are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Ms. LIU Tsui Fong, aged 52, has been appointed as an Independent Non-executive Director of the Company since February 2025. She is a member of the Audit Committee, the Remuneration Committee and the Risk Management Committee of the Board. Ms. LIU holds Master of Arts in International Accounting from City University of Hong Kong. Ms. LIU is a fellow member of the Hong Kong Institute of Certified Public Accountants and an associate member of The Hong Kong Chartered Governance Institute. Ms. LIU has over 10 years' experience in accounting and company secretarial field in Hong Kong. Ms. LIU was formerly an independent non-executive director of South Shore Holdings Limited ("South Shore", whose shares were delisted from The Stock Exchange of Hong Kong Limited on 9 February 2023, previous stock code: 00577) from 18 May 2021 to 9 February 2023. She is currently the company secretary of Imagi International Holdings Limited (stock code: 00585) and Oshidori International Holdings Limited (stock code: 00622) respectively.

During the period when Ms. LIU was an independent non-executive director of South Shore (which was incorporated in Bermuda and its principal activities were investment holding, hotel operation, management contracting, property development management and property investment), compulsory winding up proceedings were initiated against South Shore upon a petition filed in June 2021 by a creditor with the Supreme Court of Bermuda against South Shore for a debt and interest accrued thereunder, in the aggregate amount of approximately HK\$7 million in respect of a term loan facility agreement. South Shore was insolvent and unable to pay its debts.

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.

INDEPENDENT AUDITOR'S REPORT

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

OPINION

We have audited the consolidated financial statements of Esprit Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 48 to 120, which comprise the consolidated balance sheet as at 31 December 2024, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated balance sheet of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated statement of cash flows for the year then ended in accordance with IFRS Accounting Standards ("IFRS") 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 are independent of the Group in accordance with the International Ethics Standard Boards For Accountants' Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OTHER MATTER

The consolidated financial statements for the year ended 31 December 2023 were audited by another auditor who expressed a disclaimer of opinion on 27 March 2024.

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.

Trademarks impairment

Refer to note 2.6.1 "Intangible assets" and Accounting Policies note 6.7 and Critical Accounting Estimates and Judgments in note 3.2.1 to the consolidated financial statements.

The Group has trademarks of HK\$268 million in the consolidated balance sheet as at 31 December 2024.

Trademark with an indefinite useful life is required to be assessed for impairment at least annually or when an impairment indicator exists.

Management performed an impairment assessment over the trademarks by estimating the recoverable amount (being the higher of the fair value less costs of disposal and value-in-use). During the year ended 31 December 2024, impairment loss of approximately HK\$841 million, comprising HK\$90 million from continuing operations and HK\$751 million from discontinued operations, had been recognised on the trademarks.

We 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

Our procedures in relation to the management's impairment assessment of the carrying amount of the trademarks included, but were not limited to:

- Understanding management's assessment process of impairment of trademarks;
- Assessing the appropriateness of the valuation methodologies used;
- Assessing the reasonableness of key assumptions used in management's estimation of recoverable amounts based on our knowledge of the relevant businesses and industries, other appropriate supporting evidence, and with the involvement of our valuations experts;
- Testing source data to supporting evidence on a sample basis, and considering the reasonableness of the key inputs; and
- Performing sensitivity analyses on the key assumptions to evaluate the potential impacts on the recoverable amounts.

We found the assumptions adopted in relation to the impairment assessments to be supportable and reasonable based on available evidence.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all 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 and will 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 THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS 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 Audit Committee is 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. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, 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 skepticism 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee 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 Audit Committee 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 Audit Committee, 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 Chan Wai Dune, Charles.

Crowe (HK) CPA Limited
Certified Public Accountants
Hong Kong, 30 June 2025

Chan Wai Dune, Charles
Certified Public Accountants Practicing Certificate
Number P00712

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

HK\$ million	Notes	For the year ended 31 December 2024	For the year ended 31 December 2023 (restated)
Continuing operations			
Revenue	2.2	42	50
Cost of sales		(1)	(19)
Gross profit		41	31
Staff costs	2.3.2	(102)	(147)
Occupancy costs		(2)	(4)
Logistics expenses		(1)	(3)
Marketing and advertising expenses		-	(8)
Depreciation of property, plant and equipment	2.6.2	(1)	(4)
Depreciation of right-of-use assets	2.3.3	(8)	(10)
Impairment loss on property, plant and equipment	2.6.2	(1)	(1)
Impairment loss on right-of-use assets	2.3.4	(28)	-
Impairment loss on trademarks	2.3.5	(90)	-
Provision for impairment of trade debtors, net	2.7.2	(5)	-
Provision for impairment of loan to a joint venture	2.6.5	(23)	-
Other income	2.3.7	129	-
Other operating costs	2.3.8	(197)	(35)
Operating loss from continuing operations		(288)	(181)
Share of losses from a joint venture	2.6.5	-	(4)
Interest income		1	13
Finance costs	2.3.9	(3)	-
Loss before taxation from continuing operations		(290)	(172)
Taxation	2.4	3	(41)
Loss from continuing operations		(287)	(213)
Discontinued operations			
Loss from discontinued operations	1.3	(940)	(2,126)
Loss attributable to shareholders of the Company		(1,227)	(2,339)
		For the year ended 31 December 2024	For the year ended 31 December 2023 (restated)
Loss per share for loss attributable to shareholders of the Company			
- basic and diluted	4.3	HK\$(0.43)	HK\$(0.83)
Loss per share from continuing operations			
- basic and diluted	4.3	HK\$(0.10)	HK\$(0.08)
Loss per share from discontinued operations			
- basic and diluted	4.3	HK\$(0.33)	HK\$(0.75)

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 year ended 31 December 2024	For the year ended 31 December 2023 (restated)
Loss from continuing operations		(287)	(213)
Loss from discontinued operations	1.3	(940)	(2,126)
Loss attributable to shareholders of the Company		(1,227)	(2,339)
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Remeasurements of retirement defined benefit obligations, net of tax		-	(7)
		-	(7)
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange translation (losses)/gains from continuing operations		(65)	177
Foreign exchange translation gains/(losses) from discontinued operations		29	(100)
Recycling of translation reserve	1.2.2.2	(525)	-
Release of capital reserve		(1)	-
		(562)	77
Total comprehensive loss for the year attributable to shareholders of the Company, net of tax		(1,789)	(2,269)
- from continuing operations		(352)	(36)
- from discontinued operations		(1,437)	(2,233)

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 2024	As at 31 December 2023
Non-current assets			
Intangible assets	2.6.1	268	1,296
Property, plant and equipment	2.6.2	–	177
Right-of-use assets	2.6.3	3	1,280
Financial assets at fair value through profit or loss	2.6.4	1	3
Loans to a joint venture	2.6.5	22	47
Debtors and deposits	2.6.6	1	344
Deferred tax assets	2.5.1	–	27
		295	3,174
Current assets			
Inventories	2.7.1	–	1,301
Debtors, deposits and prepayments	2.7.2	34	832
Tax receivable		8	20
Cash, bank balances and deposits	2.7.3	79	435
		121	2,588
TOTAL ASSETS		416	5,762
Current liabilities			
Creditors and accrued charges	2.8.1	66	1,307
Lease liabilities	2.8.2	16	766
Provisions	2.8.3	1	175
Tax payable		1	235
		84	2,483
Net current assets		37	105
Total assets less current liabilities		332	3,279
Equity			
Share capital	2.10.1	283	283
Reserves		(106)	1,683
		177	1,966
Non-current liabilities			
Lease liabilities	2.9.1	–	1,189
Retirement defined benefit obligations	2.9.2	–	11
Long-term borrowings	2.9.3	109	–
Deferred tax liabilities	2.5.1	46	113
		155	1,313
TOTAL LIABILITIES		239	3,796
TOTAL EQUITY AND LIABILITIES		416	5,762

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

Approved by the Board of Directors on 30 June 2025:

CHIU Christin Su Yi
Executive Director

Pak William Eui Won
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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 Equity
At 31 December 2023	283	8,583	902	9	7	530	1	(8,349)	1,966
Exchange translation	-	-	-	-	-	(36)	-	-	(36)
Recycling of translation reserve	-	-	-	-	-	(525)	-	-	(525)
Release of capital reserve	-	-	-	-	-	-	(1)	-	(1)
Loss attributable to shareholders of the Company	-	-	-	-	-	-	-	(1,227)	(1,227)
Total comprehensive income, net of tax	-	-	-	-	-	(561)	(1)	(1,227)	(1,789)
Deconsolidation of subsidiaries	-	-	-	(9)	-	-	-	9	-
At 31 December 2024	283	8,583	902	-	7	(31)	-	(9,567)	177

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 Equity
At 31 December 2022	283	8,583	902	16	7	453	1	(6,010)	4,235
Exchange translation	-	-	-	-	-	77	-	-	77
Remeasurements of retirement defined benefit obligations	-	-	-	(7)	-	-	-	-	(7)
Loss attributable to shareholders of the Company	-	-	-	-	-	-	-	(2,339)	(2,339)
Total comprehensive income, net of tax	-	-	-	(7)	-	77	-	(2,339)	(2,269)
At 31 December 2023	283	8,583	902	9	7	530	1	(8,349)	1,966

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 year ended 31 December 2024	For the year ended 31 December 2023
Cash flows from/(used in) operating activities			
Cash generated from/(used in) operations	2.11	98	(754)
Overseas tax refund/(paid), net		4	(6)
Interest paid		(1)	-
Interest on lease liabilities paid	2.11	(17)	(44)
Net cash generated from/(used in) operating activities		84	(804)
Cash flows from/(used in) investing activities			
Purchase of intangible assets, property, plant and equipment		(8)	(101)
Net cash outflow for deconsolidation of subsidiaries	1.2.2.2	(332)	-
Proceeds from disposal of plant and equipment	2.11	2	2
Capital injection into a joint venture		-	(2)
Repayment from a joint venture		7	-
Loan to a joint venture		(5)	(47)
Interest received		2	14
Net decrease in bank deposits with maturities of more than three months		1	-
Net cash used in investing activities		(333)	(134)
Cash flows from/(used in) financing activities			
Payment of lease liabilities	2.11	(213)	(658)
Proceeds from borrowings		129	-
Repayment of borrowings		(20)	-
Net cash used in financing activities		(104)	(658)
Net decrease in cash and cash equivalents		(353)	(1,596)
Cash and cash equivalents at beginning of year		434	2,011
Effect of change in exchange rates		(2)	19
Cash and cash equivalents at end of year		79	434
Analysis of balances of cash and cash equivalents			
Bank balances and cash		79	389
Bank deposits		-	46
Cash, bank balances and deposits	2.7.3	79	435
Less: bank deposits with maturities of more than three months		-	(1)
		79	434
Discontinued operations			
Net cash generated from/(used in) operating activities		63	(559)
Net cash used in investing activities		(336)	(97)
Net cash used in financing activities		(184)	(649)

For the year ended 31 December 2024, the total cash outflow for leases amounted to HK\$242 million (for the year ended 31 December 2023: HK\$740 million) including variable lease payments (included in occupancy costs) of HK\$12 million not included in the measurement of lease liabilities (for the year ended 31 December 2023: HK\$38 million).

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”) were principally engaged in retail and wholesale distribution and licensing business of quality fashion and non-apparel products designed under its own internationally renowned ESPRIT brand name. The Company is the ultimate parent of the Group. Despite ceasing most of its retails, wholesale, and E-shop operations due to the Insolvency Proceedings, the Company remains committed to preserving the global presence of the Esprit brand and will continue its efforts to maintain and enhance its brand equity. With the exit from its legacy business model and infrastructure, which incurred significant capital expenditures for sourcing, distribution and retail operations, the Company is now well-positioned to transition towards with its adoption of an assetlight, licensing focused business model.

The Company is a limited liability company incorporated in Bermuda. The registered address is Clarendon House, 2 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 30 June 2025.

Please refer to note 7 for the principal subsidiaries.

1.2. Basis of the preparation

1.2.1. Going Concern

For the year ended 31 December 2024, the Group recorded a net loss attributable to shareholders of the Company of HK\$1,227 million and a net cash outflow of HK\$353 million. As at 31 December 2024, the Group’s net current assets were HK\$37 million against long-term borrowings of HK\$109 million. Cash, bank balances and deposits amounted to HK\$79 million as at the same date.

The Group had experienced recurring losses and faced challenging retail conditions in Europe. The Group’s European subsidiaries, particularly those in Germany, have encountered exceptionally high operating costs due to inflation, rising interest rates, and escalating energy prices and these are further exacerbated by on-going geopolitical conflicts in Ukraine. These challenges had detrimentally weakened the financial health of the Group’s European subsidiaries, compounded by legacy costs such as high rents for long-term leases on inappropriate sized retail spaces, excessive labour costs associated with an oversized workforce, costs stemming from outdated and ineffective IT structures, and an overcapacity logistics framework. All together, these issues have rendered the existing business model financially unsustainable, resulting in contracting, constrained and inadequate liquidity for the European operations. The Company had extended significant financial support to sustain operations of these European subsidiaries over the last several years, however, despite these efforts, there remained limited potential for future performance improvement in Europe, and had undermined the overall financial health and stability of the business of the Company. To stop these continual blood-letting from such untenable situation, the decision for the initiation of the Insolvency Proceedings, as defined hereafter had been made by the relevant European subsidiaries.

1. GENERAL INFORMATION (CONTINUED)

1.2. Basis of the preparation (Continued)

1.2.1. Going Concern (Continued)

Despite ceasing most of its retail, wholesale, and E-shop operations due to the Insolvency Proceedings, the Company remains committed to preserving the global presence of the Esprit brand and will continue its efforts to maintain and enhance its brand equity, which is recognized as the Company's most valuable asset. The Company retains the Esprit trademarks for all regions outside of Europe and the United Kingdom, providing a strong foundation for developing and expanding its licensing business, which the Company determines as its future primary business model. The Company has initiated an exit from its legacy business model and infrastructure, which incurred significant capital expenditures associated with sourcing, distribution, and retail operations. With this exit, the Company is now well-positioned to transition towards an asset-light, licensing-focused business model.

To improve the liquidity and ensure sufficient financing for future business development under an asset-light, licensing-focused business model, the Group is in the process of implementing the following plans and measures:

1. The Board will evaluate opportunities to strengthen the financial position of the Group and expand the Company's capital base through equity fundraising initiatives, including but not limited to share placements, rights issues, and other methods, when suitable and advantageous opportunities as they arise.
2. Following the deconsolidation of the loss-making subsidiaries, particularly the European subsidiaries that are undergoing Insolvency Proceedings, the financial position of the Group has demonstrated significant improvement. Total liabilities of the Group decreased from HK\$3,796 million as at 31 December 2023 to HK\$239 million as at 31 December 2024. In light of this enhanced financial position, the Company is now well-positioned to transition towards an asset-light, licensing-focused business model. The Company has established partnership for the Greater China region and North America and is actively engaged with additional potential strategic partners to explore licensing opportunities for Esprit's intellectual property across various geographic locations and product categories. By carefully selecting suitable partners and leveraging the advantages of the licensing model, the Company aims to maximize sustainable monetization of Esprit's global brand.
3. As at 31 December 2024, the Group has secured loan facilities of HK\$220 million in total to finance the Group's general working capital needs. As of 31 December 2024, the Group has drawn down a total of HK\$109 million, leaving an unutilized loan facility balance of HK\$111 million. The loan facility of HK\$20 million subsequently expired on 4 February 2025 and was fully repaid. The current maturity date of the HK\$200 million loan facility, if not further extended, is 2 February, 2027. The Group has obtained additional loan facility of HK\$140 million subsequent to the reporting period. Additionally, the Group may pursue further financing from financial institutions with more favourable terms as opportunities arise and when necessary.

1. GENERAL INFORMATION (CONTINUED)

1.2. Basis of the preparation (Continued)

1.2.1. Going Concern (Continued)

4. The Group is committed to generating cash inflows from its licensing-focused business model by executing advantageous licensing agreements with financially robust and capable business partners. The Company will also implement strategic measures to tighten cost over various recurring operating expenses to enhance its ability to improve profitability.

The Board has reviewed the Group's cash flow forecast prepared by management covering a period of twelve months from 1 January 2025. After considering the plans and measures outlined above, the Board is of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due within twelve months from 31 December 2024. The Board is therefore of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis.

1.2.2. Deconsolidation of subsidiaries

1.2.2.1. Insolvency Proceedings

It was disclosed in the Company's announcements dated 25 March 2024, 8 April 2024, 15 May 2024, 31 May 2024, 3 June 2024, and 27 June 2024 that two subsidiaries of the Company in Switzerland, one in Belgium, seven in Germany and one in Denmark filed for insolvency, self-administration, and preventive restructuring with the relevant competent courts (collectively the "EU Insolvency Proceedings"). Esprit Europe GmbH ("DEEG") and Esprit Wholesale GmbH ("DEWG"), the German subsidiaries that initiated the EU Insolvency Proceedings in May 2024, are also direct or indirect shareholders of several subsidiaries of the Company incorporated in Europe, such as Esprit De Corp France SAS, Esprit GB Limited, Esprit Handelsgesellschaft m.b.H, Esprit Europe Holdings B.V. and Esprit Poland Retail Sp.z o.o.. The initiation of the EU Insolvency Proceedings by DEEG and DEWG may result in the subsidiaries of these two entities being subject to their own insolvency proceedings in the future.

Furthermore, in the latter half of 2024, as disclosed in the Company's announcements dated 22 July 2024, 29 July 2024, and 28 October 2024, a Dutch subsidiary, two subsidiaries in Hong Kong, and two subsidiaries in the United States also initiated insolvency proceedings, were placed into creditors' voluntary liquidation, and filed for bankruptcy with the relevant competent courts (together with the "EU Insolvency Proceedings", the "Insolvency Proceedings"). Esprit Europe B.V. ("NLEB"), the Dutch subsidiary that initiated the Insolvency Proceedings in July 2024, is not only the shareholder of various European subsidiaries currently undergoing the Insolvency Proceedings, but also the shareholder of Esprit Nederland B.V., Esprit Luxembourg S.à.r.l., Esprit De Corp. (Spain), S.L., and every day counts Limited. The initiation of the Insolvency Proceedings by NLEB may result in these subsidiaries being subject to their own insolvency proceedings in the future.

1. GENERAL INFORMATION (CONTINUED)

1.2. Basis of the preparation (Continued)

1.2.2. Deconsolidation of subsidiaries (Continued)

1.2.2.1. Insolvency Proceedings (Continued)

As of the respective dates the competent courts handing down their orders for the commencement of respective Insolvency Proceedings over the assets of the aforementioned subsidiaries, the Company was no longer considered to have control over said

subsidiaries, as well as their subsidiaries. As a result, the financial results of these subsidiaries, together with the financial results of their respective subsidiaries, have been deconsolidated from those of the Group.

Below is the list of the subsidiaries (together with Esprit Macao and Esprit Chongqing, as defined hereafter, collectively the “Deconsolidated Entities”) were deconsolidated from those of the Group during the Year.

Name of the subsidiary	Nature of the subsidiary
Esprit Switzerland Retail AG	Retail distribution of apparel and accessories
Esprit Belgie Retail N.V.	Retail distribution of apparel and accessories
Esprit Europe GmbH	Management and control function; render of services to Esprit Group
Esprit Europe Services GmbH	Sourcing, purchase and sale of merchandise, distribution of merchandise and other logistic functions, including customs dealing and quality control; holding and licensing of trademarks; and treasury services to European group subsidiaries
Esprit Wholesale GmbH	Wholesale distribution of apparel and accessories
Esprit Card Services GmbH	Issuance, accounting of and service in connection with Gift Card, as provided to certain European group subsidiaries and distribution partners in Europe
Esprit Design & Product Development GmbH	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
Esprit Global Image GmbH	Design and image directions; conceptualization and development of global uniform image; conceptualization and development of global image direction within product development
Esprit Retail B.V. & Co. KG	Retail and E-commerce distribution of apparel and accessories
Esprit De Corp France SAS	Wholesale and retail distribution of apparel and accessories
Esprit GB Limited	Wholesale distribution of apparel and accessories
Esprit Handelsgesellschaft m.b.H	Wholesale and retail distribution of apparel and accessories
Esprit Europe Holdings B.V.	Investment holding
Esprit GB Retail Limited	Retail distribution of apparel and accessories
Esprit Belgie Wholesale N.V	Wholesale distribution of apparel and accessories
Esprit de Corp. Danmark A/S	Wholesale and retail distribution of apparel and accessories
Esprit Sweden AB	Wholesale and retail distribution of apparel and accessories
Esprit (Norway) A/S	Wholesale distribution of apparel and accessories
Esprit Poland Retail Sp.z o.o.	Retail distribution of apparel and accessories
Esprit Switzerland Distribution AG	Wholesale distribution of apparel and accessories
Esprit Italy Distribution S.R.L.	Wholesale distribution of apparel and accessories
Esprit Europe B.V.	Investment holding, wholesale and retail distribution of apparel and accessories, and licensing of trademarks
Esprit Nederland B.V.	Investment holding
Esprit Luxembourg S.à.r.l.	Retail distribution of apparel and accessories
Esprit De Corp. (Spain), S.L.	Wholesale distribution of apparel and accessories
every day counts Limited	Assets holdings
Esprit Regional Distribution Limited	Wholesale and E-commerce distribution of apparel and accessories and provision of services
Esprit Retail (Hong Kong) Limited	Retail distribution of apparel and accessories
Esprit US Distributions Limited	Wholesale distribution of apparel and accessories and provision of services
Esprit US Retail Inc.	Retail and E-commerce distribution of apparel and accessories
E De Corps M Inc.	Retail distribution of apparel and accessories

1. GENERAL INFORMATION (CONTINUED)**1.2. Basis of the preparation (Continued)****1.2.2. Deconsolidation of subsidiaries (Continued)****1.2.2.1. Insolvency Proceedings (Continued)**

Additionally, Esprit Macao Sole Shareholder Limited (“Esprit Macao”), an indirect wholly-owned subsidiary of the Company, had ceased its business operations in 2017, and all its outstanding external liabilities were settled in 2022. Esprit Macao was dissolved and liquidated on 25 March 2024. 重慶埃斯普利特商業有限公司 (“Esprit Chongqing”), an indirect wholly-owned subsidiary of the Company, had ceased its business operations in 2018, and all its outstanding external liabilities were settled. As a result, Esprit Chongqing was deregistered on 23 October 2024.

1.2.2.2. Result from deconsolidation

Whereas the Company no longer has control over the Deconsolidated Entities, the financial results of these subsidiaries have been deconsolidated from those of the Group.

The effects from the deconsolidation on the consolidated financial statements for the Year are as follows:

HK\$ million	At the date of deconsolidation
Net liabilities disposed of:	
Intangible assets	(149)
Property, plant and equipment	(1)
Right-of-use assets	(10)
Deferred tax assets	(23)
Cash, bank balances and deposits	(332)
Other assets	(571)
Provisions	155
Lease liabilities	1,777
Deferred tax liabilities	31
Other liabilities	1,310
Carrying amount of net liabilities disposed of	2,187
Recycling of translation reserve	525
Gain on deconsolidation	2,712
Cash outflow from deconsolidation of subsidiaries:	
Cash, bank balances and deposits deconsolidated	(332)

1.3. Discontinued operations

During the year, the Group has ceased most of its retail, wholesale, and E-shop operations due to the Insolvency Proceedings other than licensing business, and is transitioning its business model to an asset-light licensing focused business model. As such, those discontinued Europe, United States and Hong Kong operations are disclosed as discontinued operations.

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

HK\$ million	For the year ended 31 December 2024	For the year ended 31 December 2023
Revenue	1,551	5,862
Expenses	(5,231)	(8,273)
Gain on deconsolidation	2,712	-
Loss before taxation	(968)	(2,411)
Taxation	28	285
Loss from discontinued operations, net of tax	(940)	(2,126)
Foreign exchange translation gains/(losses) from discontinued operations	29	(100)
Basic and diluted loss per share, from discontinued operations	HK\$(0.33)	HK\$(0.75)

The comparative consolidated statement of profit and loss and consolidated statement of comprehensive income have been restated to show the discontinued operations separately from continuing operations.

1. GENERAL INFORMATION (CONTINUED)

1.4. Compliance with IFRS and HKCO

The consolidated financial statements of the Group have been prepared in accordance with IFRS Accounting Standards (“IFRS”) issued by the International Accounting Standards Board and interpretations issued by the IFRS Interpretations Committee applicable to companies reporting under IFRS, as well as the disclosure requirements of the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (“HKCO”) and the applicable disclosure provision of the Rules Governing the Listing of Securities on the The Stock Exchange of Hong Kong Limited.

1.5. Historical cost convention

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

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

1.6. Amended standards and interpretations adopted by the Group

During the Year, the Group has adopted the following amendments to accounting standards effective for the Group’s reporting period beginning on 1 January 2024:

Adopted	Effective date	New standards or amendments
Amendments to IFRS 16	1 January 2024	Lease Liability in a Sale and Leaseback
Amendments to IAS 1	1 January 2024	Non-Current Liabilities with Covenants
Amendments to IAS 1	1 January 2024	Classification of Liabilities as Current or Non-current
Amendments to IAS 7 and IFRS 7	1 January 2024	Supplier Finance Arrangements

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

1. GENERAL INFORMATION (CONTINUED)**1.7. New and amendments to standards not yet adopted by the Group**

Not early adopted	Effective for accounting periods beginning on or after	New standards or amendments
Amendments to IFRS 10 and IAS 28	A date to be determined by IASB	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IAS 21	1 January 2025	Lack of Exchangeability
Amendments to IFRS 9 and IFRS 7	1 January 2026	Amendments to the Classification and Measurement of Financial Instruments
Amendments to IFRS 9 and IFRS 7	1 January 2026	Contracts Referencing Nature-dependent Electricity
Annual Improvements to IFRS Accounting Standards — Volume 11	1 January 2026	Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7
IFRS 18	1 January 2027	Presentation and Disclosure in Financial Statements
IFRS 19	1 January 2027	Subsidiaries without Public Accountability: Disclosures

These standards and amendments listed above have been published that are not mandatory for the year ended 31 December 2024 and have not been early adopted by the Group. The adoption of IFRS 18 will not affect the recognition or measurement of items in the consolidated financial statements. It mainly has impacts on presentation and disclosure of income and expenses and adds new disclosure requirements on management-defined performance measures within the consolidated financial statements. Except for IFRS 18, these standards and amendments 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**

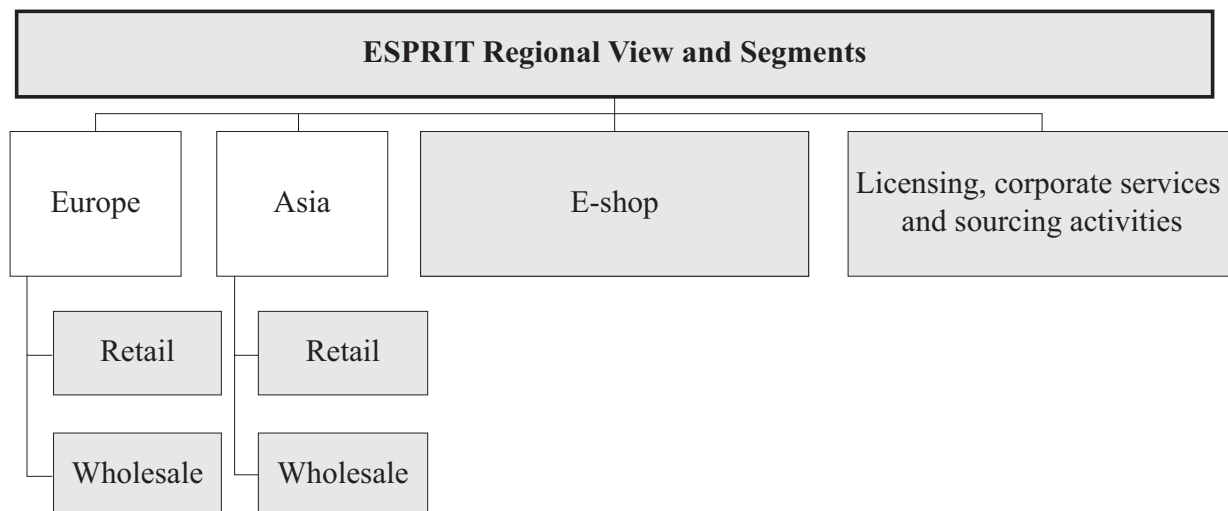
The Group was principally engaged in retail and wholesale distribution and licensing business of quality fashion and non-apparel products designed under its own internationally-known ESPRIT brand name in Europe, Asia, North America and via E-shop platforms. Despite ceasing most of its retails, wholesale, and E-shop operations due to the Insolvency Proceedings, the Company remains committed to preserving the global presence of the Esprit brand and will continue its efforts to maintain and enhance its brand equity. With the exit from its legacy business model and infrastructure, which incurred significant capital expenditures associated with sourcing, distribution and retail operations, the Company is now well-positioned to transition towards an asset-light, licensing focused business model.

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 from both continuing and discontinued operations. 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.

2. PERFORMANCE FOR THE YEAR (CONTINUED)

2.1. Segment information (Continued)

The operating segments for both continuing and discontinued operations are on a regional level in Europe, Asia as well as E-shop and licensing, corporate services and sourcing activities on a global level. As at 31 December 2024, the retail, wholesale and E-shop operations in Europe, the United States and Hong Kong had ceased, thus were classified as discontinued operations, and no longer included in the note for segment information. Operating segment for Europe has included North America. The regions have been separated into retail and wholesale channel.



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

2. PERFORMANCE FOR THE YEAR (CONTINUED)**2.1. Segment information (Continued)****For the year ended 31 December 2024**

	Europe ¹	Asia	E-shop	Licensing, corporate services, sourcing and others	Continuing operations sub-total	Discontinued operations	Group
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Total revenue							
Retail	-	-	-	-	-	386	386
Wholesale	-	-	-	-	-	557	557
E-shop	-	-	-	-	-	584	584
Licensing and others ⁵	-	-	-	45	45	718	763
Total	-	-	-	45	45	2,245	2,290
Inter-segment revenue	-	-	-	(3)	(3)	(694)	(697)
Revenue from external customers							
Retail	-	-	-	-	-	386	386
Wholesale	-	-	-	-	-	557	557
E-shop	-	-	-	-	-	584	584
Licensing and others	-	-	-	42	42	24	66
Total	-	-	-	42	42	1,551	1,593
Operating (loss)/profit							
Retail	-	-	-	-	-	(546)	(546)
Wholesale	-	-	-	-	-	(34)	(34)
E-shop	-	-	-	-	-	(54)	(54)
Licensing and others	(19)	3	-	(272)	(288)	(310)	(598)
Total	(19)	3	-	(272)	(288)	(944)	(1,232)
Interest income					1	-	1
Finance costs					(3)	(24)	(27)
Loss before taxation					(290)	(968)	(1,258)
Depreciation²							
Retail	-	-	-	-	-	(83)	(83)
Wholesale	-	-	-	-	-	(14)	(14)
E-shop	-	-	-	-	-	(20)	(20)
Licensing and others	(2)	-	-	(7)	(9)	(80)	(89)
Total	(2)	-	-	(7)	(9)	(197)	(206)
Impairment loss³							
Retail	-	-	-	-	-	(309)	(309)
Licensing and others	(15)	-	-	(104)	(119)	(1,716)	(1,835)
Total	(15)	-	-	(104)	(119)	(2,025)	(2,144)

2. PERFORMANCE FOR THE YEAR (CONTINUED)

2.1. Segment information (Continued)

For the year ended 31 December 2024 (Continued)

	Europe ¹	Asia	E-shop	Licensing, corporate services, sourcing and others	Continuing operations sub-total	Discontinued operations	Group
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Amortisation of intangible assets							
E-shop	-	-	-	-	-	(4)	(4)
Licensing and others	-	-	-	-	-	(2)	(2)
Total	-	-	-	-	-	(6)	(6)
Capital expenditure⁴							
Retail	-	-	-	-	-	(2)	(2)
E-shop	-	-	-	-	-	(3)	(3)
Licensing and others	-	-	-	(3)	(3)	-	(3)
Total	-	-	-	(3)	(3)	(5)	(8)

¹ Figures for North America have not been separated out due to the region's limited financial contribution to the Group.

² Depreciation includes depreciation of property, plant and equipment and right-of-use assets.

³ Impairment loss relates to impairment loss on trademarks, property, plant and equipment and right-of-use assets.

⁴ Capital expenditure includes property, plant and equipment and intangible assets.

⁵ Mainly represent licensing business.

2. PERFORMANCE FOR THE YEAR (CONTINUED)

2.1. Segment information (Continued)

For the year ended 31 December 2023 (restated)

	Europe ¹	Asia	E-shop	Licensing, corporate services, sourcing and others	Continuing operations sub-total	Discontinued operations	Group
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Total revenue							
Retail	-	1	-	-	1	1,500	1,501
Wholesale	-	-	-	-	-	2,102	2,102
E-shop	-	-	-	-	-	2,184	2,184
Licensing and others ⁵	-	-	-	52	52	3,002	3,054
Total	-	1	-	52	53	8,788	8,841
Inter-segment revenue	-	-	-	(3)	(3)	(2,926)	(2,929)
Revenue from external customers							
Retail	-	1	-	-	1	1,500	1,501
Wholesale	-	-	-	-	-	2,102	2,102
E-shop	-	-	-	-	-	2,184	2,184
Licensing and others	-	-	-	49	49	76	125
Total	-	1	-	49	50	5,862	5,912
Operating (loss)/profit							
Retail	(2)	(30)	-	-	(32)	(1,001)	(1,033)
Wholesale	-	4	-	-	4	81	85
E-shop	-	-	(4)	-	(4)	(193)	(197)
Licensing and others	-	-	-	(149)	(149)	(1,253)	(1,402)
Total	(2)	(26)	(4)	(149)	(181)	(2,366)	(2,547)
Share of losses from a joint venture					(4)	-	(4)
Interest income					13	1	14
Finance costs					-	(46)	(46)
Loss before taxation					(172)	(2,411)	(2,583)
Depreciation²							
Retail	(1)	(7)	-	-	(8)	(378)	(386)
Wholesale	-	-	-	-	-	(31)	(31)
E-shop	-	-	-	-	-	(54)	(54)
Licensing and others	-	-	-	(6)	(6)	(189)	(195)
Total	(1)	(7)	-	(6)	(14)	(652)	(666)
Impairment loss³							
Retail	-	-	-	-	-	(359)	(359)
Licensing and others	-	-	-	(1)	(1)	(456)	(457)
Total	-	-	-	(1)	(1)	(815)	(816)

2. PERFORMANCE FOR THE YEAR (CONTINUED)

2.1. Segment information (Continued)

For the year ended 31 December 2023 (restated)

	Europe ¹	Asia	E-shop	Licensing, corporate services, sourcing and others	Continuing operations sub-total	Discontinued operations	Group
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Amortisation of intangible assets							
Wholesale	-	-	-	-	-	(17)	(17)
E-shop	-	-	-	-	-	(10)	(10)
Licensing and others	-	-	-	-	-	(4)	(4)
Total	-	-	-	-	-	(31)	(31)
Capital expenditure⁴							
Retail	-	-	-	-	-	(15)	(15)
Wholesale	-	-	-	-	-	(31)	(31)
E-shop	-	-	-	-	-	(23)	(23)
Licensing and others	-	-	-	(3)	(3)	(31)	(34)
Total	-	-	-	(3)	(3)	(100)	(103)

¹ Figures for North America have not been separated out due to the region's limited financial contribution to the Group.

² Depreciation includes depreciation of property, plant and equipment and right-of-use assets.

³ Impairment loss relates to impairment loss on trademarks, property, plant and equipment and right-of-use assets.

⁴ Capital expenditure includes property, plant and equipment and intangible assets.

⁵ Mainly represent licensing business.

2. PERFORMANCE FOR THE YEAR (CONTINUED)

2.1. Segment information (Continued)

Non-current assets other than deferred tax assets, interest in a joint venture and financial instruments are located in the following countries or regions:

HK\$ million	As at 31 December 2024	As at 31 December 2023 (restated)
Hong Kong	3	31
Germany	-	703
Other countries ¹	268	2,019
Total	271	2,753

¹ Non-current assets located in other countries include intangible assets of HK\$268 million (31 December 2023: HK\$1,296 million). Other countries mainly include China and the United States (31 December 2023: China, the United States, France, Switzerland, the United Kingdom, Austria and Benelux).

2.2. Revenue

HK\$ million	For the year ended 31 December 2024	For the year ended 31 December 2023 (restated)
Retail and Wholesale		
Europe	935	3,597
Asia	8	6
E-shop	584	2,184
Licensing and others	66	125
Revenue from external customers total	1,593	5,912
- from continuing operations	42	50
- from discontinued operations	1,551	5,862

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

HK\$ million	For the year ended 31 December 2024	For the year ended 31 December 2023 (restated)
Retail and Wholesale		
Germany	452	1,832
Benelux	146	497
Switzerland	69	319
France	67	259
Austria	65	250
Spain	38	134
Finland	28	102
Italy	26	81
Sweden	14	47
Poland	7	37
United Kingdom	4	17
Denmark	5	14
Others (Note)	14	8
Europe total	935	3,597
Hong Kong and South Korea	8	6
Asia total	8	6
Retail and Wholesale total	943	3,603
E-shop		
Germany	308	1,177
Benelux	86	309
France	37	115
Switzerland	55	206
Austria	32	146
Denmark	8	26
United Kingdom	6	26
Poland	16	58
Sweden	7	22
Czech Republic	7	28
Finland	5	17
Spain	4	15
Italy	5	14
Others	8	25
E-shop total	584	2,184
Licensing and others		
Germany	16	65
Others	50	60
Licensing and others total	66	125
Revenue from external customers total	1,593	5,912
- from continuing operations	42	50
Hong Kong	5	4
United States	2	7
Others	35	39
- from discontinued operations	1,551	5,862

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

2. PERFORMANCE FOR THE YEAR (CONTINUED)

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. Provision/(write-back of provision) for inventories, net

The net realizable value test on inventories was performed at balance sheet date. During the year ended 31 December 2024, a net provision of HK\$961 million was recognized for inventories (for the year ended 31 December 2023: HK\$66 million), reflecting the impact of restructuring and the wind-down of discontinued operations.

Provision/(write-back of provision) for inventories is included in "Cost of sales" in the consolidation statement of profit or loss.

Reversals of previous inventory write-downs were recognized in 2024 primarily due to restructuring at amounts higher than previously estimated net realizable values. These reversals were mainly related to continuing operations.

HK\$ million	For the year ended 31 December 2024	For the year ended 31 December 2023 (restated)
Provision/(write-back of provision) for inventories, net	961	66
– from continuing operations	(7)	8
– from discontinued operations	968	58

2.3.2. Staff costs

HK\$ million	For the year ended 31 December 2024	For the year ended 31 December 2023 (restated)
Continuing operations		
Salaries and wages (including directors' emoluments)	99	136
Severance payments	1	1
Social security costs and other staff costs	–	7
Pensions costs of defined contribution plans ¹	2	3
Total staff cost from continuing operations	102	147
Discontinued operations		
Total staff cost from discontinued operations	471	1,134
Total staff costs	573	1,281

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 year ended 31 December 2024, contributions at a fixed rate of 5.0% (for the year ended 31 December 2023: 5.0%) of the employee's relevant income, subject to a cap of monthly relevant income of HK\$30,000 (for the year ended 31 December 2023: 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 year ended 31 December 2024, the Group did not have any contributions forfeited in accordance with the schemes' rules (for the year ended 31 December 2023: nil) which have been applied towards the contributions payable by the Group.

2. PERFORMANCE FOR THE YEAR (CONTINUED)

2.3. Major profit or loss items (Continued)

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 year ended 31 December 2024	For the year ended 31 December 2023 (restated)
Depreciation of right-of-use assets		
Buildings	169	552
Motor vehicles	2	5
Total depreciation of right-of-use assets	171	557
– from continuing operations	8	10
– from discontinued operations	163	547

2.3.4. Impairment loss on right-of-use assets

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 each cash-generating unit (“CGU”) (individual store) to its carrying amount as at 31 December 2024. For the recoverable amount the higher of the value in use or the fair value less costs to sell has been used and calculated as follows:

The value-in-use valuation uses cash flow projections based on financial estimates covering periods that are aligned to the lease terms. As at 31 December 2023, the estimated value in use of the CGU by retail store was determined using pre-tax discount rates of 12.5%–19.6% which represent country-specific rates. As at 31 December 2024, there is no remaining right-of-use asset for retail store. As at 31 December 2024, the estimated value in use of the office was determined using pre-tax discount rate of 24.6%.

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 the fair value less cost of disposal valuation, as no quoted prices exists, fair value square meter prices less cost of disposal was assessed by discounting asset-specific market rents for remaining contracts duration with consideration of specific incremental borrowing rates. The discount rates used (“incremental borrowing rates”) are time- and country-specific and range between 3.0%–4.7% (2023: 3.8% – 6.1%). Prevailing market rent and incremental borrowing rate are predominantly assessed on external sources or latest contracts in place.

During the year ended 31 December 2024, the Group recognised an impairment loss of HK\$1,168 million, comprising HK\$28 million from continuing operations and HK\$1,140 million from discontinued operations, (for the year ended 31 December 2023: HK\$344 million, comprising HK\$344 million from discontinued operations only) in relation to right-of-use assets associated with its operations in Europe, the United States and Hong Kong.

The impairment loss arose due to a strategic decision by management to discontinue operations in Europe, the United States and Hong Kong, including wholesale, retail and E-shop. The decision was made in response to prolonged underperformance, recurring operating losses, and ongoing challenges in the European market environment, which significantly reduced the future economic benefits expected to be derived from these assets.

As a result of the Insolvency Proceedings, the Group reassessed the recoverable amount of the related right-of-use assets. The recoverable amount, determined based on value in use or fair value less costs of disposal, was lower than the carrying amount, leading to the recognition of an impairment loss.

2. PERFORMANCE FOR THE YEAR (CONTINUED)

2.3. Major profit or loss items (Continued)

2.3.4. Impairment loss on right-of-use assets (Continued)

These events constitute significant adverse changes in the extent and manner of use of the assets, as contemplated under IAS 36, and justify the recognition of an impairment loss in accordance with IAS 36.

The impairment loss is presented within “Impairment loss on right-of-used assets” in the consolidated statement of profit or loss and is also included in the results of discontinued operations (see note 1.3).

HK\$ million	For the year ended 31 December 2024	For the year ended 31 December 2023 (restated)
Impairment loss on right-of-use assets	1,168	344
– from continuing operations	28	–
– from discontinued operations	1,140	344

HK\$ million	Recoverable amount	Carrying amount	Impairment loss for the year ended 31 December 2024
Impairment loss on right-of-use assets	3	1,171	(1,168)

HK\$ million	Recoverable amount	Carrying amount	Impairment loss for the year ended 31 December 2023
Impairment loss on right-of-use assets	1,280	1,624	(344)

2.3.5. Impairment loss on 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 each trademark to its carrying amount as at 31 December 2024. The Group appointed independent professional valuers this year to conduct an external valuation of the Esprit trademarks based on a fair value less costs to disposal approach as of 31 December 2024. The recoverable amount of the trademarks as at 31 December 2024 was determined using the fair value less costs of disposal approach, applying the market approach, which is categorised within Level 3 of the fair value hierarchy due to the use of significant unobservable inputs. This approach was considered more appropriate in the current year following the Company’s strategic shift to a licensing-only business model, as it better reflects the exit price that market participants would consider under current market conditions. Key assumptions included market multiples derived from comparable transactions, adjusted for differences in brand strength, market positioning, and geographic relevance, and estimated costs of disposal based on industry benchmarks.

The value-in-use valuation uses cash flow projections based on financial estimates covering a discrete projection period. The estimated value in use of trademark was determined using pre-tax discount rate 24.6%. The recoverable amount was determined by the higher of value-in-use and fair value less cost of disposal valuation.

The Group conducted an impairment assessment of the Esprit trademarks as based on the relief from royalty method in 2023. The valuation uses cash flow projections based on financial estimates covering a five-year period, expected royalty rates deriving from the Esprit trademarks of 4% and a pre-tax discount rate of 17.4-18.1%. The cash flows beyond the five-year period are extrapolated using a steady zero growth rate.

2. PERFORMANCE FOR THE YEAR (CONTINUED)

2.3. Major profit or loss items (Continued)

2.3.5. Impairment loss on trademarks (Continued)

For the cash flow projections, the management has set up a rather prudent plan which assumes a difficult market environment for the retail business and a challenging but manageable plan for wholesale and e-com business. The management is optimistic that future economic conditions may improve in comparison to the reported period 2024, which provides opportunities for revenue growth for the Group.

During the year ended 31 December 2024, the impairment assessment resulted in an impairment loss of HK\$841 million, comprising HK\$90 million from continuing operations and HK\$751 million from discontinued operations, (for the year ended 31 December 2023: HK\$396 million, comprising HK\$396 million from discontinued operations only) on Esprit's trademarks. The impairment loss was primarily due to the discontinuation of the Company's wholesale, retail, and E-shop operations in Europe, the United States and Hong Kong. This decision resulted in a reduction of future cash flows expected from the trademarks, which were previously integral to the Company's revenue-generating activities. The impairment was measured based on the recoverable amount of the trademarks, which was determined to be lower than their carrying value.

HK\$ million	For the year ended 31 December 2024	For the year ended 31 December 2023 (restated)
Impairment loss on trademarks	841	396
- from continuing operations	90	-
- from discontinued operations	751	396

HK\$ million	Recoverable amount ¹	Carrying amount ¹	Impairment loss for the year ended 31 December 2024
Trademarks	268	1,109	(841)

HK\$ million	Recoverable amount ¹	Carrying amount ¹	Impairment loss for the year ended 31 December 2023
Trademarks	1,141	1,537	(396)

¹ Amounts after conversion into HK Dollar. The original currencies of the trademarks are in US Dollar and Euro.

2.3.6. Impairment loss on goodwill for 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 CGU comprising the entities in Switzerland and Italy. As part of the Group's restructuring, all operations in Switzerland and Italy were discontinued during the year ended 31 December 2024.

As a result of the cessation of operations in Switzerland and Italy, the carrying amount of the goodwill allocated to this CGU was determined to be higher than its recoverable amount. Therefore, an impairment of the entire goodwill of HK\$61 million was recognized for the year ended 31 December 2023.

The goodwill allocated to the Switzerland and Italy CGU was fully impaired in 2023 and derecognized during the year ended 31 December 2024 due to the deconsolidation of the subsidiaries. As of 31 December 2024, no carrying amount for goodwill remains for these CGUs.

The impairment loss of HK\$61 million is consistent with the reconciliation presented in note 2.6.1.

2. PERFORMANCE FOR THE YEAR (CONTINUED)

2.3. Major profit or loss items (Continued)

2.3.7. Other income

These claims relate to the refund of value added tax and interest resulting from the conclusion of tax litigation.

HK\$ million	For the year ended 31 December 2024	For the year ended 31 December 2023
Claims received	129	-
- from continuing operations	129	-

2.3.8. Other operating costs

HK\$ million	For the year ended 31 December 2024	For the year ended 31 December 2023 (restated)
Continuing operations		
Information technology expenses	8	5
Net foreign exchange translation losses/(gains)	117	(20)
Legal and professional fees	32	8
Travelling-related expenses	4	17
Insurance	3	3
Audit fee	5	11
Gain on disposal of property, plant and equipment	(1)	-
Loss on the change of fair value of financial assets	2	-
Others	27	11
Total other operating cost from continuing operations	197	35
Discontinued operations		
Total other operating cost from discontinued operations	(108)	745
Total other operating costs	89	780

2.3.9. Finance costs

HK\$ million	For the year ended 31 December 2024	For the year ended 31 December 2023 (restated)
Continuing operations		
Interest on lease liabilities	1	-
Interest on borrowings	2	-
Total finance costs from continuing operations	3	-
Discontinued operations		
Total finance costs from discontinued operations	24	46
Total finance costs	27	46

2. PERFORMANCE FOR THE YEAR (CONTINUED)

2.4. Taxation

Amount recognized in the consolidated statement of profit or loss:

HK\$ million	For the year ended 31 December 2024	For the year ended 31 December 2023 (restated)
Continuing operations		
Current tax		
Overseas tax		
Provision for the current year	-	-
Under-provision in prior years	1	-
	1	-
Deferred tax		
Other origination and temporary differences	(4)	41
Total tax (credit)/expense from continuing operations	(3)	41
Discontinued operations		
Total tax credit from discontinued operations	(28)	(285)
Total tax credit	(31)	(244)

For the year ended 31 December 2024, Hong Kong profits tax is calculated at 16.5% (for the year ended 31 December 2023: 16.5%) on the estimated assessable profit for the year, net of tax losses carried forward, if applicable. The deferred tax credit mainly relates to the reversal of temporary differences, including the deconsolidation of subsidiaries under insolvency proceedings.

Overseas (outside of Hong Kong) taxation has been calculated on the estimated assessable profit for the year ended 31 December 2024 at the rates of taxation prevailing in the countries in which the Group companies operate, net of tax losses carried forward, if applicable.

2.5. 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/losses of the Group's subsidiaries. For continuing operations, the effective tax rate for the year ended 31 December 2024 was 2.7% (for the year ended 31 December 2023 (restated): 13.2%).

HK\$ million	For the year ended 31 December 2024	For the year ended 31 December 2023 (restated)
Continuing operations		
Loss before tax from continuing operations	(290)	(172)
Tax calculated at applicable tax rates	(8)	(23)
Expenses not deductible for tax purposes	12	4
Non-taxable income	(8)	(8)
Tax effect of tax losses not recognized	-	68
Under-provision for prior years, net	1	-
Tax (credit)/expense from continuing operations	(3)	41

2. PERFORMANCE FOR THE YEAR (CONTINUED)

2.5. Reconciliation of effective tax rate (Continued)

2.5.1. Movement in deferred tax balances

The following are the deferred tax assets/(liabilities) recognized and movements thereon for the year ended 31 December 2024 and the year ended 31 December 2023:

HK\$ million	Accelerated accounting/tax depreciation	Elimination of unrealized profits	Intangible assets	Tax losses	Other deferred tax assets	Other deferred tax liabilities	Total
At 1 January 2023	(18)	28	(348)	22	12	(21)	(325)
(Charged)/credited to profit or loss	4	(2)	279	(22)	(13)	(2)	244
Exchange difference recognized in equity	-	1	(6)	-	1	(1)	(5)
At 31 December 2023	(14)	27	(75)	-	-	(24)	(86)
(Charged)/credited to profit or loss	-	(4)	31	-	-	6	33
Deconsolidation of subsidiaries	14	(23)	-	-	-	17	8
Exchange difference recognized in equity	-	-	(1)	-	-	-	(1)
At 31 December 2024	-	-	(45)	-	-	(1)	(46)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

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

HK\$ million	As at 31 December 2024	As at 31 December 2023
Deferred tax assets	-	27
Deferred tax liabilities	(46)	(113)
Deferred tax liability, net	(46)	(86)

At 31 December 2024, the Group had unused tax losses of approximately HK\$999 million (31 December 2023: HK\$4,954 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\$254 million (31 December 2023: HK\$281 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 million (31 December 2023: HK\$1,315 million), no deferred income tax liabilities have been recognized. Such amounts are permanently reinvested.

2. PERFORMANCE FOR THE YEAR (CONTINUED)

2.5. Reconciliation of effective tax rate (Continued)

2.5.2. 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 assessment on tax position in some countries. There are no recognized uncertain tax liabilities for the Group as at 31 December 2024 (31 December 2023: HK\$79 million).

2.5.3. Pillar Two model rules

The Organisation for Economic Co-operation and Development (OECD)/G20 Inclusive Framework on Base Erosion and Profit Shifting published the Pillar Two model rules designed to address the tax challenges arising from the digitalisation of the economy.

It is unclear if the Pillar Two model rules create additional temporary differences, whether to re-measure deferred taxes for the Pillar Two model rules and which tax rate to use to measure deferred taxes. In response to this uncertainty, on 23 May 2023, the IASB issued amendments to IAS 12 'Income taxes' introducing a mandatory temporary exception to the requirements of IAS 12 under which a company does not recognise or disclose information about deferred tax assets and liabilities related to the proposed OECD/G20 BEPS Pillar Two model rules. The Group applied the temporary exception at 31 December 2024.

Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions the Group operated before the deconsolidation. As most of these companies have already been deconsolidated from the Group. The Group currently does not expect significant exposure to Pillar Two top-up tax in the next reporting period.

2. PERFORMANCE FOR THE YEAR (CONTINUED)

2.6. Non-current assets

2.6.1. Intangible assets

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

HK\$ million	Trademarks	Switzerland and Italy Goodwill	Intangible assets under development	Software	Customer relationships	Total
Cost						
At 1 January 2024	1,962	61	69	119	68	2,279
Exchange translation	(22)	-	(1)	(3)	(1)	(27)
Addition	-	-	3	-	-	3
Derecognition	(217)	-	-	-	-	(217)
Deconsolidation of subsidiaries	-	(61)	(71)	(116)	(67)	(315)
At 31 December 2024	1,723	-	-	-	-	1,723
Amortization and Impairment						
At 1 January 2024	(821)	(61)	-	(33)	(68)	(983)
Exchange translation	(10)	-	-	1	1	(8)
Impairment charge	(841)	-	-	-	-	(841)
- from continuing operations						(90)
- from discontinued operations						(751)
Amortization charge	-	-	-	(6)	-	(6)
- from discontinued operations						(6)
Derecognition	217	-	-	-	-	217
Deconsolidation of subsidiaries	-	61	-	38	67	166
At 31 December 2024	(1,455)	-	-	-	-	(1,455)
Net book value						
At 31 December 2024	268	-	-	-	-	268
Cost						
At 1 January 2023 (restated)	1,947	56	10	49	66	2,128
Exchange translation	15	5	-	3	2	25
Reclassified from property, plant and equipment	-	-	27	50	-	77
Addition	-	-	32	17	-	49
At 31 December 2023 (restated)	1,962	61	69	119	68	2,279
Amortization and Impairment						
At 1 January 2023 (restated)	(465)	-	-	(18)	(50)	(533)
Exchange translation	40	-	-	(1)	(1)	38
Impairment charge	(396)	(61)	-	-	-	(457)
- from discontinued operations						(457)
Amortization charge	-	-	-	(14)	(17)	(31)
- from discontinued operations						(31)
At 31 December 2023 (restated)	(821)	(61)	-	(33)	(68)	(983)
Net book value						
At 31 December 2023	1,141	-	69	86	-	1,296

2. PERFORMANCE FOR THE YEAR (CONTINUED)**2.6. Non-current assets (Continued)****2.6.2. Property, plant and equipment**

Property, plant and equipment consists of the following:

HK\$ million	Leasehold improvements and fixtures	Plant and machinery	Furniture and office equipment	Motor vehicles	Construction in progress	Total
Cost						
At 1 January 2024	700	244	325	4	-	1,273
Exchange translation	(27)	(5)	(13)	-	-	(45)
Additions	1	1	2	-	1	5
Disposals	(37)	-	(15)	-	-	(52)
Adjustment (note)	(24)	-	(8)	1	-	(31)
Deconsolidation of subsidiaries	(613)	(240)	(287)	(3)	(1)	(1,144)
At 31 December 2024	-	-	4	2	-	6
Depreciation and Impairment						
At 1 January 2024	(643)	(124)	(325)	(4)	-	(1,096)
Exchange translation	18	2	20	-	-	40
Depreciation for the year	(14)	(14)	(7)	-	-	(35)
- from continuing operations						(1)
- from discontinued operations						(34)
Impairment loss for the year	(31)	(103)	-	-	(1)	(135)
- from continuing operations						(1)
- from discontinued operations						(134)
Disposals	33	-	13	-	-	46
Adjustment (note)	24	-	8	(1)	-	31
Deconsolidation of subsidiaries	613	239	287	3	1	1,143
At 31 December 2024	-	-	(4)	(2)	-	(6)
Net book value at 31 December 2024	-	-	-	-	-	-

Note: Adjustment represented the changes in use of certain assets discovered during the deconsolidation.

2. PERFORMANCE FOR THE YEAR (CONTINUED)

2.6. Non-current assets (Continued)

2.6.2. Property, plant and equipment (Continued)

HK\$ million	Leasehold improvements and fixtures	Plant and machinery	Furniture and office equipment	Motor vehicles	Construction in progress	Total
Cost						
At 1 January 2023	658	235	340	5	42	1,280
Exchange translation	33	9	18	-	1	61
Reclassified to intangible assets	-	-	(33)	-	(44)	(77)
Additions	35	-	16	-	1	52
Disposals	(26)	-	(16)	(1)	-	(43)
At 31 December 2023	700	244	325	4	-	1,273
Depreciation and Impairment						
At 1 January 2023	(577)	(81)	(300)	(5)	-	(963)
Exchange translation	(29)	(5)	(16)	-	-	(50)
Depreciation for the year	(49)	(38)	(22)	-	-	(109)
- from continuing operations						(4)
- from discontinued operations						(105)
Impairment loss for the year	(13)	-	(2)	-	-	(15)
- from continuing operations						(1)
- from discontinued operations						(14)
Disposals	25	-	15	1	-	41
At 31 December 2023	(643)	(124)	(325)	(4)	-	(1,096)
Net book value at 31 December 2023	57	120	-	-	-	177

2. PERFORMANCE FOR THE YEAR (CONTINUED)

2.6. Non-current assets (Continued)

2.6.2. Property, plant and equipment (Continued)

During the year ended 31 December 2024, the Group recognized an impairment loss of HK\$135 million, comprising HK\$1 million from continuing operations and HK\$134 million from discontinued operations, (for the year ended 31 December 2023: HK\$15 million, comprising HK\$1 million from continuing operations and HK\$14 million from discontinued operations) in relation to property, plant and equipment associated with its operations in Europe, the United State and Hong Kong.

The impairment loss arose due to discontinued operations in Europe, including wholesale, retail and E-shop in Europe. The decision was made in response to prolonged underperformance, recurring operating losses, and ongoing challenges in the European market environment, which significantly reduced the future economic benefits expected to be derived from these assets.

As a result of the Insolvency Proceedings, the Group reassessed the recoverable amount of the related property, plant and equipment. The recoverable amount, determined based on value in use or fair value less costs of disposal, was lower than the carrying amount, leading to the recognition of an impairment loss.

These events constitute significant adverse changes in the extent and manner of use of the assets, as contemplated under IAS 36, and justify the recognition of an impairment loss in accordance with IAS 36.

The impairment loss is presented within “Impairment loss on property, plant and equipment” in the consolidated statement of profit or loss and is also included in the results of discontinued operations (see note 1.3).

2.6.3. Right-of-use assets

Right-of-use assets consists of the following:

HK\$ million	As at 31 December 2024	As at 31 December 2023
Buildings	3	1,266
Motor vehicles	–	9
Other	–	5
Right-of-use assets total	3	1,280

2. PERFORMANCE FOR THE YEAR (CONTINUED)

2.6. Non-current assets (Continued)

2.6.3. Right-of-use assets (Continued)

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

HK\$ million	Cost	Accumulated depreciation	Impairment loss	Net book value
At 1 January 2024	3,389	(1,750)	(359)	1,280
Exchange translation	(112)	60	25	(27)
Additions	139	–	–	139
Disposals	(114)	65	9	(40)
Depreciation for the year	–	(171)	–	(171)
– from continuing operations	–	(8)	–	(8)
– from discontinued operations	–	(163)	–	(163)
Impairment loss for the year	–	–	(1,168)	(1,168)
– from continuing operations	–	–	(28)	(28)
– from discontinued operations	–	–	(1,140)	(1,140)
Deconsolidation of subsidiaries	(3,263)	1,787	1,466	(10)
At 31 December 2024	39	(9)	(27)	3

HK\$ million	Cost	Accumulated depreciation	Impairment loss	Net book value
At 1 January 2023	2,949	(1,239)	(80)	1,630
Exchange translation	164	(82)	(14)	68
Additions	646	–	–	646
Disposals	(370)	128	79	(163)
Depreciation for the year	–	(557)	–	(557)
– from continuing operations	–	(10)	–	(10)
– from discontinued operations	–	(547)	–	(547)
Impairment loss for the year	–	–	(344)	(344)
– from continuing operations	–	–	–	–
– from discontinued operations	–	–	(344)	(344)
At 31 December 2023	3,389	(1,750)	(359)	1,280

During the year ended 31 December 2024, certain of the Group's lease agreements impose restrictions on subleasing, alterations to leased premises, or usage restrictions. These terms are not expected to significantly restrict the Group's operations.

2. PERFORMANCE FOR THE YEAR (CONTINUED)

2.6. Non-current assets (Continued)

2.6.4. Financial assets at fair value through profit or loss

The movements in the Group's financial assets at fair value through profit or loss (FVTPL), which mainly comprise club debentures and listed equity securities, are set out below:

HK\$ million	As at 31 December 2024	As at 31 December 2023
Balance at beginning of year	3	3
Change in fair value	(2)	-
Balance at end of year	1	3

As at 31 December 2024, the Group holds

- club debentures with a fair value of HK\$1 million (31 December 2023: HK\$3 million) classified as Level 3 in the fair value hierarchy. The valuation is based on observable open market quotations in a thinly traded market. Due to limited market activity and the absence of frequent price quotes, management has determined that the inputs used are unobservable, and therefore the asset is classified within Level 3 of the fair value hierarchy.
- listed equity securities with a fair value of HK\$18,000 (2023: HK\$21,000), classified as Level 1, with fair value determined by quoted market prices in active markets.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: other inputs that are observable for the asset or liability, either directly or indirectly.
- Level 3: inputs that are not based on observable market data.

HK\$ million	As at 31 December 2024	As at 31 December 2023
Level 1	-	-
Level 2	-	-
Level 3	1	3
Total	1	3

Reconciliation of fair value measurements classified within Level 3:

HK\$ million	As at 31 December 2024	As at 31 December 2023
Balance at the beginning of year	3	3
Loss recognised in profit or loss*	(2)	-
Balance at end of year	1	3

* Included in "Other operating costs" in the consolidated income statement.

2. PERFORMANCE FOR THE YEAR (CONTINUED)

2.6. Non-current assets (Continued)

2.6.4. Financial assets at fair value through profit or loss (Continued)

Valuation techniques and inputs

The fair value of club debentures is determined using a market approach based on available market prices for similar debentures in open resale markets. However, due to limited observable transactions and significant variability in resale values depending on transfer restrictions, marketability, and demand, the inputs are considered unobservable.

Significant unobservable input

Membership quotation price: based on indicative prices from brokers and recent resale transactions, subject to discounts for illiquidity.

Sensitivity analysis

Changes in the unobservable input (i.e. membership quotation) could affect the fair value of the club debenture as follows:

HK\$ million	Impact on profit or loss	
	increase	decrease
31 December 2024		
Membership quotation (±10.0% movement)	-	-
31 December 2023		
Membership quotation (±10.0% movement)	-	-

There were no transfers into or out of Level 3 during the year ended 31 December 2024 (2023: Nil).

2.6.5. Joint venture

As at 31 December 2024, the Group owns interest in joint venture which is shown in the table below. During the year ended 31 December 2023, the issued and fully paid share capital was increasing from HK\$7,000,000 to HK\$10,000,000.

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

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

HK\$ million	For the year ended 31 December 2024	For the year ended 31 December 2023
Balance at beginning of the year	-	2
Additions	-	2
Share of loss for the year	-	(4)
Balance at end of the year	-	-

Loans to a joint venture consists of the following:

HK\$ million	As at 31 December 2024	As at 31 December 2023
- Interest-free, secured and repayable on demand (note 1)	42	47
- Interest bearing, unsecured and repayable within 12 months (note 2)	3	-
Less: provision for impairment of loan	(23)	-
Total	22	47

Note 1: As at 31 December 2024, the interest-free loan was secured by the entire shares of the joint venture held by the third party. With reference to the financial condition of the joint venture, the directors of the Company consider the balance is credit-impaired during the year ended 31 December 2024 and the fair value of the collateral is minimal.

Note 2: Fixed interest rate at 6.0% per annum.

2. PERFORMANCE FOR THE YEAR (CONTINUED)

2.6. Non-current assets (Continued)

2.6.5. Joint venture (Continued)

The following table shows the commitments to joint venture.

HK\$ million	As at 31 December 2024	As at 31 December 2023
Committed borrowing to joint venture	-	3

2.6.6. Non-current debtors and deposits

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

HK\$ million	As at 31 December 2024	As at 31 December 2023
Deposits	1	340
Other debtors and receivables	-	4
Total	1	344

As at 31 December 2023, deposits mainly include underlying cash for rent guarantees which has been pledged as collateral for drawn credit facilities. These deposits were restricted in use and recoverable upon expiry of the underlying guarantee obligations. These deposits were deconsolidated in 2024 following the deconsolidation of subsidiaries.

2.7. Current assets

2.7.1. Inventories

HK\$ million	As at 31 December 2024	As at 31 December 2023
Finished goods	-	1,268
Consumables	-	33
Inventories total	-	1,301

2.7.2. 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 2024	As at 31 December 2023
Trade debtors	15	645
Less: provision for impairment of trade debtors	(14)	(129)
Net trade debtors	1	516
Deposits	5	37
Prepayments	22	106
Right-of-return assets	-	71
Other debtors and receivables	6	102
Total	34	832

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

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

As at 31 December 2024 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 total
To 0 days	1	-	-	-
1-30 days	-	-	-	-
31-60 days	-	-	-	-
61-90 days	-	-	-	-
Over 90 days	14	-	14	14
Total	15	-	14	14

As at 31 December 2023 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 total
To 0 days	288	7	-	7
1-30 days	162	2	2	4
31-60 days	44	8	4	12
61-90 days	29	2	12	14
Over 90 days	122	60	32	92
Total	645	79	50	129

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

2. PERFORMANCE FOR THE YEAR (CONTINUED)

2.7. Current assets (Continued)

2.7.2. Current debtors, deposits and prepayments (Continued)

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

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

HK\$ million	As at 31 December 2024	As at 31 December 2023
0-30 days	1	278
31-60 days	-	119
61-90 days	-	53
Over 90 days	-	66
Total	1	516

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 2024	As at 31 December 2023
Balance at beginning of year	129	80
Written off	-	(17)
Provision for impairment of trade debtors, net	313	64
- from continuing operations	5	-
- from discontinued operations	308	64
Exchange translation	-	2
Deconsolidation of subsidiaries	(428)	-
Balance at end of year	14	129

2.7.3. 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 2024	As at 31 December 2023
Bank balances and cash	79	389
Bank deposits with maturities within three months	-	45
Bank deposits with maturities of more than three months	-	1
Total	79	435

The effective interest rate on cash, bank balances and deposits for the year was determined to be 1.1% (for the year ended 31 December 2023: 1.3%) per annum.

2.8. Current liabilities

2.8.1. Creditors and accrued charges

HK\$ million	As at 31 December 2024	As at 31 December 2023
Trade creditors	8	374
Accruals	30	474
Return liabilities	-	168
Other creditors and payables	28	291
Total	66	1,307

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

HK\$ million	As at 31 December 2024	As at 31 December 2023
0-30 days	-	249
31-60 days	1	84
61-90 days	-	18
Over 90 days	7	23
Total	8	374

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

2.8.2. Current lease liabilities

HK\$ million	As at 31 December 2024	As at 31 December 2023
Current lease liabilities	16	766

The maturity analysis is included in note 3.3.3.

2. PERFORMANCE FOR THE YEAR (CONTINUED)

2.8. Current liabilities (Continued)

2.8.3. Provisions

Provisions consist of the following:

HK\$ million	As at 31 December 2024	As at 31 December 2023
Restructuring	-	38
Reinstatement	1	107
Legal cost	-	30
Total	1	175

Reinstatement provision of HK\$1 million (31 December 2023: HK\$107 million) is accounted by the estimated cost for reinstating the status of lease property. Restructuring provision of nil (31 December 2023: HK\$38 million) represent the costs associated with restructuring measures taken in order to preserve the solvency and liquidity of the Group. 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 2024	As at 31 December 2023
Balance at beginning of year	175	145
Amounts used during the year	(11)	(21)
Additions	8	62
Releases	(10)	(18)
Reclassified from accruals	(1)	-
Exchange translation	(5)	7
Deconsolidation of subsidiaries	(155)	-
Balance at end of year	1	175

2.9. Non-current liabilities

2.9.1. Non-current lease liabilities

HK\$ million	As at 31 December 2024	As at 31 December 2023
Non-current lease liabilities	-	1,189

The maturity analysis is included in note 3.3.3.

2.9.2. Retirement defined benefit obligations

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. 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.

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. The plans were valued by independent qualified actuaries, Willis Towers Watson Switzerland at 31 December 2023.

As at 31 December 2024, the Group's retirement defined benefit obligations were transferred out due to deconsolidation of subsidiaries.

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

HK\$ million	As at 31 December 2024	As at 31 December 2023
Present value of funded obligations	-	90
Fair value of plan assets	-	(79)
Net defined benefit obligations	-	11

The latest actuarial valuations indicate a funding level of 87.8% as at 31 December 2023.

2. PERFORMANCE FOR THE YEAR (CONTINUED)

2.9. Non-current liabilities (Continued)

2.9.2. Retirement defined benefit obligations (Continued)

(b) The movements in the net defined benefit obligations over the year are as follows:

HK\$ million	Present value of obligations	Fair Value of plan assets	Total
At 1 January 2024	90	(79)	11
Deconsolidation of subsidiaries	(90)	79	(11)
At 31 December 2024	-	-	-

HK\$ million	Present value of obligations	Fair Value of plan assets	Total
At 1 January 2023	84	(79)	5
Current service cost	3	1	4
Interest expense/(income)	2	(2)	-
	5	(1)	4
Remeasurements:			
Loss from change in financial assumptions or other	5	1	6
Exchange translation	7	(7)	0
Contributions:			
Employers	3	(4)	(1)
Participants	-	(3)	(3)
Payment from plans:			
Benefit payments	(14)	14	0
At 31 December 2023	90	(79)	11

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

The fair value of the plan assets comprises:

	As at 31 December 2023			
	Quoted	Unquoted	Total	% of Total
Insurance Contracts	-	79	79	100%

The weighted average duration of retirement defined benefit obligations is 15 years as at 31 December 2023.

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\$4 million to their retirement defined benefit plan in 2023.

The significant actuarial assumptions are as follows:

	As at 31 December 2024	As at 31 December 2023
Discount rate	n/a	1.35%
Expected future salary increases	n/a	1.25%

2. PERFORMANCE FOR THE YEAR (CONTINUED)

2.9. Non-current liabilities (Continued)

2.9.2. Retirement defined benefit obligations (Continued)

(b) The movements in the net defined benefit obligations over the year are as follows: (Continued)

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

	As at 31 December 2023		
	(Decrease)/increase in defined benefit obligations		
	Change in assumption	Increase in assumption	Decrease in assumption
		HK\$ million	HK\$ million
Discount rate	0.25%	(2)	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.

2.9.3. Long-term borrowings

HK\$ million	As at 31 December 2024	As at 31 December 2023
Long-term borrowings:		
- Secured	109	-

As at 31 December 2024, long-term borrowings of HK\$109 million were mainly secured by:

- i) All the undertakings, properties and assets of two subsidiaries of the Company. The assets held by these subsidiaries include trademarks of the Group with an aggregate carrying amount of HK\$268 million at the Group level as of 31 December 2024;
- ii) The shares of a subsidiary of the Company; and
- iii) The loan receivables owing by a joint venture to the Group with the carrying amount of HK\$22 million as at 31 December 2024.

As at 31 December 2024, all long-term borrowings are repayable between two to five years after the end of reporting period and had been classified as non-current liabilities.

As at 31 December 2024, all long-term borrowings are fixed rate borrowings. The average effective interest rate as at 31 December 2024 of long-term borrowings was 10% (2023: nil). The carrying amounts of borrowings are principally denominated in HK\$.

As at 31 December 2024, the Group has the undrawn borrowing facilities of HK\$111 million.

2. PERFORMANCE FOR THE YEAR (CONTINUED)

2.10. Equity

2.10.1. Share Capital

	Number of shares of HK\$0.10 each million	HK\$ million
Authorized:		
At 1 January 2024 and 31 December 2024	30,000	3,000
At 1 January 2023 and 31 December 2023	30,000	3,000
	Number of shares of HK\$0.10 each million	Nominal value HK\$ million
Issued and fully paid:		
At 1 January 2024 and 31 December 2024	2,831	283
At 1 January 2023 and 31 December 2023	2,831	283

2.10.2. 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

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 2.9.2.

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 during the year (for the year ended 31 December 2023: nil).

2. PERFORMANCE FOR THE YEAR (CONTINUED)

2.11. Notes to consolidated statement of cash flows

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

HK\$ million	For the year ended 31 December 2024	For the year ended 31 December 2023 (restated)
Loss before taxation	(1,258)	(2,583)
Adjustments for:		
Interest income	(1)	(14)
Finance costs	27	46
Depreciation of property, plant and equipment	35	109
Depreciation of right-of-use assets	171	557
Impairment loss on property, plant and equipment	135	15
Impairment loss on right-of-use assets	1,168	344
Impairment loss on trademarks	841	396
Impairment loss on goodwill	-	61
Loss on disposal of property, plant and equipment ¹	4	-
(Gain)/loss on derecognition of right-of-assets	(1)	5
Provision for inventories, net	961	66
Provision for impairment of trade debtors, net	313	64
Provision for impairment of loan to a joint venture	23	-
Share of losses from joint venture	-	4
Gain on deconsolidation	(2,712)	-
Loss on the change of fair value of financial assets	2	-
Amortization of customer relationships	-	17
Amortization of software	6	14
Net exchange (gain)/loss	(29)	23
Loss before taxation after adjustments	(315)	(876)
Change in working capital		
Decrease in inventories	343	411
Decrease in debtors, deposits and prepayments	204	10
Decrease in creditors and accrued charges	(134)	(299)
Cash generated from/(used in) operations	98	(754)

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

HK\$ million	For the year ended 31 December 2024	For the year ended 31 December 2023
Net book value	6	2
Loss on disposal of property, plant and equipment	(4)	-
Proceeds from disposal of property, plant and equipment	2	2

Cash flows from financing activities

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

HK\$ million	Borrowings	Lease liabilities	Total
Balance at 1 January 2024	-	1,955	1,955
Payment of lease liabilities	-	(230)	(230)
- payments of lease liabilities	-	(206)	(206)
- interests	-	(24)	(24)
Exchange translation	-	(54)	(54)
Other changes	109	(1,655)	(1,546)
- Deconsolidation of subsidiaries	-	(1,777)	(1,777)
- Additions	129	139	268
- Repayment	(20)	-	(20)
- Interest expense	-	24	24
- Disposals	-	(41)	(41)
Balance at 31 December 2024	109	16	125

HK\$ million	Lease liabilities	Total
Balance at 1 January 2023	2,052	2,052
Payment of lease liabilities	(702)	(702)
- payments of lease liabilities	(658)	(658)
- interests	(44)	(44)
Exchange translation	92	92
Other changes	513	513
- Additions	627	627
- Interest expense	44	44
- Disposals	(158)	(158)
Balance at 31 December 2023	1,955	1,955

2. PERFORMANCE FOR THE YEAR (CONTINUED)

2.12. Balance sheet and reserve movement of the Company

2.12.1. Balance sheet of the Company

HK\$ million	As at 31 December 2024	As at 31 December 2023
Non-current assets		
Investments in subsidiaries	268	1,141
	268	1,141
Current assets		
Amounts due from subsidiaries	–	480
Cash, bank balances and deposits	3	2
	3	482
Current liabilities		
Amounts due to subsidiaries	605	208
Accrued charges	24	13
	629	221
Net current (liabilities)/assets	(626)	261
Total assets less current liabilities	(358)	1,402
Equity		
Share capital	283	283
Reserves	(641)	1,119
	(358)	1,402

Approved by the Board of Directors on 30 June 2025.

CHIU Christin Su Yi
Executive Director

PAK William Eui Won
Executive Director

2.12.2. Reserve movement of the company

HK\$ million	Share premium	Employee share-based payment reserve	Contributed surplus	Accumulated losses	Total Equity
At 1 January 2024	8,583	902	474	(8,840)	1,119
Loss attributable to shareholders	–	–	–	(1,760)	(1,760)
At 31 December 2024	8,583	902	474	(10,600)	(641)
At 1 January 2023	8,583	902	474	(6,008)	3,951
Loss attributable to shareholders	–	–	–	(2,832)	(2,832)
At 31 December 2023	8,583	902	474	(8,840)	1,119

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. Significant Judgements

3.1.1. Going concern assumption

As disclosed in Note 1.2.1, the directors prepared the consolidated financial statements on a going concern basis. This judgement is based on the Board's review of the Group's cash flow forecast for the 12 months ending 31 December 2025, including available funding options and the expected royalty income stream. The directors concluded that the Group will be able to meet its obligations when due and continue as a going concern.

3.1.2. Determination of lease terms

In determining the lease term, management exercises significant judgement in assessing whether it is reasonably certain to exercise extension options or not to exercise termination options. Judgement considers the Group's business needs, importance of the leased premises, market rental terms, and leasehold improvements. Reassessment is made if a significant event or change in circumstances occurs.

Management exercises judgement in determining the lease term for lease contracts that include renewal and termination options. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. The lease term is reassessed if a significant event or a significant change in circumstances occurs. There is no extension or termination option applicable in 2024.

3.1.3. Recognition of provisions for legal and reinstatement costs

Management applies judgement in assessing whether a present obligation exists at the reporting date, particularly in relation to legal disputes and reinstatement costs. Reinstatement costs are related to restoration of leased premises at the end of lease terms and are recognised if stipulated in lease contracts. Legal cost provisions are made when a present obligation arises from past events and a reliable estimate of settlement is available.

3.2. Key Sources of Estimation Uncertainty

Estimates and assumptions that involve a significant risk of causing material adjustments within the next financial year are as follows:

3.2.1. Useful life and impairment of trademarks

The Group's ESPRIT trademarks are classified as indefinite-lived intangible assets. This classification is supported by perpetual legal rights, brand longevity, and future expected cash flows. Independent external valuation supports this classification. Management reviews this annually per IAS 38, considering brand strength, regulatory environment, and expected usage.

3.2.2. Impairment of intangible assets (including goodwill and assets under development)

Goodwill and intangible assets under development are tested for impairment annually or when indicators of impairment exist. The recoverable amounts are based on value in use or fair value less costs of disposal. These calculations require significant estimates, including future cash flows, discount rates, and growth assumptions (see Note 2.6.1). Intangible assets under development are also subject to annual impairment testing under IAS 36.10.

3. CRITICAL ESTIMATES AND JUDGEMENTS (CONTINUED)

3.2. Key Sources of Estimation Uncertainty (Continued)

3.2.2. Impairment of intangible assets (including goodwill and assets under development) (Continued)

The Group tests goodwill and intangible assets under development for impairment annually and when there are indicators of impairment. These tests require an estimation of the recoverable amount of the cash-generating units to which the goodwill and intangible assets under development relate.

3.2.3. Impairment of right-of-use assets (ROU assets)

Management assesses ROU assets for impairment when indicators arise. The recoverable amount is estimated as the higher of value in use and fair value less costs of disposal. Due to the discontinuation of operations, remaining ROU assets relate only to office premises. The value in use method was adopted for these leases, considering forecast rental savings, contract duration, and a pre-tax discount rate (see Note 2.3.4). The Group considers direct impairment testing of ROU assets reasonable due to the absence of cash inflows from discontinued operations.

The recoverable amount of the right-of-use assets was determined based on fair value less costs of disposal (FVLCD), as these assets do not generate independent cash inflows and do not form part of an identifiable cash-generating unit following the Group's cessation of retail operations.

The FVLCD was estimated using a market-based approach, considering the potential sublease or early termination options available. Key assumptions used in the FVLCD calculation included:

- Sublease income based on market rates for comparable properties,
- Costs of disposal, including costs related to lease termination or re-leasing,
- A discount rate of 3.0% - 4.7%, which reflects current market conditions and the risk profile of the assets.

Management believes that this approach is appropriate given the cessation of certain operations, and no ongoing cash flows are expected to arise from the continued use of these assets. Sensitivity analysis was performed, and the recoverable amount remained above the carrying value under reasonable changes in key assumptions.

3.2.4. Net realisable value of inventories

Inventories are stated at the lower of cost and net realisable value per IAS 2. Management estimates NRV based on expected selling prices in the ordinary course of business less all costs necessary to make the sale, including variable and non-incremental selling expenses. Estimation is based on past trends and current market conditions.

The net realisable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale, which include both variable and fixed selling expenses that are directly attributable to the sale effort.

3. CRITICAL ESTIMATES AND JUDGEMENTS (CONTINUED)

3.2. Key Sources of Estimation Uncertainty (Continued)

3.2.5. Impairment of property, plant and equipment (PPE)

The Group evaluates PPE for impairment when there is an indication of loss in value. For impairment testing, assets are grouped into CGUs where appropriate, and the recoverable amount is estimated using discounted cash flow techniques. Key assumptions involve projected cash flows and discount rates.

In accordance with IAS 36 “Impairment of Assets”, the Group assesses the recoverable amounts of cash-generating units (CGUs) for the property, plant and equipment when indicators of impairment exist. 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.

3.2.6. Expected credit losses (ECL) on financial assets

The Group applies the expected credit loss model under IFRS 9 to financial assets measured at amortised cost. ECLs are estimated using historical loss data, adjusted for forward-looking macroeconomic information. As the remaining operations involve licensing receivables from few licensees, ECL estimation is sensitive to default rates, counterparty risk, and the overall economic environment.

3.2.7. Provisions for restructuring, reinstatement and legal costs

Estimates are made in calculating restructuring provisions based on approved plans, contractual terms, and severance obligations. Reinstatement provisions relate to office lease obligations under IFRS 16, and are estimated with reference to lease terms and discount rates. Legal provisions are estimated based on external legal advice and expected settlement scenarios.

3.3. Financial risk management

3.3.1. Foreign Exchange risk

In 2024, the Group has not entered in any financial derivative transaction.

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 2024	As at 31 December 2023
million	USD	USD
Trade receivables	1	-
Trade payables	-	(23)
Foreign exchange exposure	1	(23)

3. CRITICAL ESTIMATES AND JUDGEMENTS (CONTINUED)

3.3. Financial risk management (Continued)

3.3.1. Foreign Exchange risk (Continued)

The following significant exchange rates have been applied.

	As at 31 December 2024		As at 31 December 2023	
	Average Rate	Spot Rate	Average Rate	Spot rate
USD	7.7736	7.7664	7.8288	7.8140
EUR	8.1378	8.0823	8.4686	8.6428
RMB (CNY)	1.0677	1.0637	1.1064	1.0991

The impact on the Group's post-tax profit or loss and total comprehensive income in response to a 1.0% strengthening in Euro 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 2024	As at 31 December 2023
Euro against US Dollar		
Impact on post-tax profit; gain	-	1

3.3.2. Credit risk

The Group's credit risk is primarily attributable to trade and other debtors, loans to a joint venture 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 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.

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. CRITICAL ESTIMATES AND JUDGEMENTS (CONTINUED)

3.3. Financial risk management (Continued)

3.3.3. 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. Due to the above mentioned funding through internal resources there was no material impact on the business except that further cash collaterals for outstanding bank guarantees had to be provided to the banks.

During the year ended 31 December 2024, the Group recorded a net loss attributable to shareholders of the Company of HK\$1,227 million and a net cash outflow of HK\$353 million. Whilst the Group had net current assets of HK\$37 million and interest-bearing external borrowings amounted to HK\$109 million as at 31 December 2024, its cash, bank balances and deposits amounted to HK\$79 million only as at the same date. The Group is experiencing recurring losses and

challenging retail conditions in Europe, including weak consumer sentiment, inflationary concerns, declining sales, and increasing cost and liquidity pressures. The Group has decided to voluntarily apply for the commencement of insolvency proceeding in respect of an indirect wholly-owned subsidiary of the Company in Switzerland and the insolvency filing was made in March 2024.

The above events or conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

For the purpose of assessing going concern, the directors of the Company have prepared the Cash Flow Forecast take into account the Plans and Measures to mitigate the liquidity pressure and to improve its financial position. Those Plans and Measures have been or will be taken by the directors of the Company as summarized in note 1.2.1.

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 2024						
Trade creditors	8	–	–	–	8	8
Lease liabilities	16	–	–	–	16	16
Interest bearing borrowing	–	–	109	–	109	109
At 31 December 2023						
Trade creditors	374	–	–	–	374	374
Lease liabilities	843	404	640	217	2,104	1,955

3. CRITICAL ESTIMATES AND JUDGEMENTS (CONTINUED)

3.3. Financial risk management (Continued)

3.3.4. Interest rate risk

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

HK\$ million	As at 31 December 2024		As at 31 December 2023	
	Carrying amount	Interest rate (%)	Carrying amount	Interest rate (%)
Fixed-rate instruments				
Cash, bank balances and deposits	79	1.1	435	1.3
Lease liabilities	16	6.4	1,955	5.7
Long-term borrowing	109	10.0	-	-

There are no variable-rate instruments for the period (31 December 2023: nil).

Fair value sensitivity analysis for fixed-rate instruments

A increase and decrease of of 100 basis points in interest rates would have decreased equity by HK\$14 million and HK\$15 million (31 December 2023: a change of 100 basis points interest rates would have increased or decreased equity by HK\$32 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.

3.3.5. 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 year ended 31 December 2024	For the year ended 31 December 2023
Interest income from instruments at amortized costs	1	14
From bank deposits	1	14
Others	-	-
Total interest income	1	14
	For the year ended 31 December 2024	For the year ended 31 December 2023
HK\$ million		
Interest expense from instruments at amortized costs and leases	27	46
From leases	24	44
Others	3	2
Total finance costs	27	46
Change in fair value of financial assets at fair value through profit or loss	(2)	-

3.4. Capital management

3.4.1. Risk management

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 as shown in the consolidated balance sheet.

As at 31 December 2024 there are outstanding long-term borrowings amounted to HK\$109 million for the Group (31 December 2023: nil).

3. CRITICAL ESTIMATES AND JUDGEMENTS (CONTINUED)

3.4. Capital management (Continued)

3.4.2. Dividends

The Board of Directors did not declare and recommend the distribution of any dividend for the year ended 31 December 2024 (for the year ended 31 December 2023: nil).

3.5. Derecognition of Assets

3.5.1 Derecognition of an investment

The deed of gift (the “Deed of Gift”) was entered on 4 November 2022 with a donor, a company that is wholly-owned by a shareholder of the Company (“The Donor”), to receive the entire issued share capital of Keen Champ Investments Limited (“Keen Champ”) and its net assets, at zero consideration.

漢華(四川)農林有限公司, a wholly-owned subsidiary of Keen Champ, is incorporated in the People’s Republic of China and holds the title estate right to the forest (the “Forest”) situated at Sichuan Province in the People’s Republic of China. The purpose of holding the title estate right to the Forest was to manage the preservation of the Forest which would in turn contribute to the betterment of the environment that was aligned to the Company’s objective to support global environmental conservation.

On 5 June 2024, the Group, through its wholly-owned subsidiary, entered into a deed of reassignment with the Donor (the “Deed of Reassignment”) to revoke the Deed of Gift as the aforementioned purpose of holding the title estate right was not achieved to the satisfaction of both parties. Upon entering the Deed of Reassignment, the Group lost control over Keen Champ and its net assets. Accordingly, Keen Champ and its net assets were derecognised at no consideration. No cash inflow or outflow was generated as a result of this reassignment.

3.5.2 Derecognition of trademarks

On 21 October 2024 (German Time), the settlement documents in relation to the self-administration proceedings of the former German subsidiaries of the Company has been finalized and executed, through which all intellectual property rights, together with all attached rights and obligations, certain domain names and certain social media accounts which are necessary to run the Esprit fashion business in Europe and licensing rights relating to footwear for the United States of America have been transferred to fasbra SE (the “Investor”), being a wholly owned subsidiary of Deichmann SE which is a former licensee of the Group in footwear sector in Europe. In exchange, the Investor agreed to make a cash payment directly to the former German subsidiaries to satisfy the claims of their creditors. Additionally, the Group will receive from the Investor 25% of the net income generated by the Investor from the Esprit fashion business in Europe (excluding any revenue generated from the footwear business in Europe) for a period of ten financial years. This deal with the Investor was unanimously approved by the creditors’ committees of the former German subsidiaries and was also fully embraced by the Insolvency Court with conduct and supervision in the German insolvency proceedings. The Company, as a passive participant, was involved solely for the purpose of achieving a solution for a conclusion of the insolvency proceedings of the former German subsidiaries.

4. FURTHER DETAILS

4.1. Related party transactions

Save as disclosed within note 4.1 and elsewhere in these consolidated financial statements, the Group had no other material related party transactions during the year.

4. FURTHER DETAILS (CONTINUED)

4.1. Related party transactions (Continued)

4.1.1. Directors' and senior management's emoluments

The directors' and senior management's emoluments for the year ended 31 December 2024 and 2023 are included in the tables below:

For the year ended 31 December 2024

HK\$ thousand	Fees ⁵	Basic salaries, allowance and benefits in kind	Bonuses ⁶	Inducement fee	Employee share-based compensation benefits	Provident fund contributions/retirement benefit costs	Compensation for loss of office	Total emoluments
CHIU Christin Su Yi ¹	2,145	17	-	-	-	-	-	2,162
PAK William Eui Won ¹	-	1,625	-	-	-	18	-	1,643
SCHLANGMANN Wolfgang Paul Josef ¹⁴	-	375	-	-	-	-	-	375
WRIGHT Bradley Stephen ¹	-	1,516	-	-	-	18	-	1,534
STRIPPOLI Anthony Nicola ¹³	-	2,438	-	-	-	-	-	2,438
LO Kin Ching Joseph ²	735	-	-	-	-	-	-	735
CHUNG Kwok Pan ²	480	-	-	-	-	-	-	480
GILES William Nicholas ²	480	-	-	-	-	-	-	480
LIU Hang so ²	480	-	-	-	-	-	-	480
HA Kee Choy Eugene ²	480	-	-	-	-	-	-	480
Total	4,800	5,971	-	-	-	36	-	10,807

For the year ended 31 December 2023

HK\$ thousand	Fees ⁵	Basic salaries, allowance and benefits in kind	Bonuses ⁶	Inducement fee	Employee share-based compensation benefits	Provident fund contributions/retirement benefit costs	Compensation for loss of office	Total emoluments
CHIU Christin Su Yi ¹	2,400	16	-	-	-	-	-	2,416
PAK William Eui Won ¹	-	1,816	-	-	-	18	-	1,834
SCHLANGMANN Wolfgang Paul Josef ¹⁴	-	1,501	-	-	-	-	-	1,501
WRIGHT Bradley Stephen ¹	-	1,256	-	-	-	18	-	1,274
LO Kin Ching Joseph ²	735	-	-	-	-	-	-	735
CHUNG Kwok Pan ²	480	-	-	-	-	-	-	480
GILES William Nicholas ²	480	-	-	-	-	-	-	480
LIU Hang so ²	480	-	-	-	-	-	-	480
HA Kee Choy Eugene ²	480	-	-	-	-	-	-	480
Total	5,055	4,589	-	-	-	36	-	9,680

1 Executive Director

2 Independent Non-executive Director

3 Mr. STRIPPOLI Anthony Nicola has been appointed as Executive Director with effect from 20 February 2024.

4 Mr. SCHLANGMANN Wolfgang Paul Josef has resigned as Executive Director with effect from 25 March 2024.

5 The amount includes directors' fees of HK\$2.7 million paid to Independent Non-executive Directors during the year ended 31 December 2024 (for the year ended 31 December 2023: HK\$2.7 million).

6 There was no discretionary bonus paid to the directors during the year ended 31 December 2024 (for the year ended 31 December 2023: nil).

4. FURTHER DETAILS (CONTINUED)**4.1. Related party transactions (Continued)****4.1.1. Directors' and senior management's emoluments (Continued)****Directors' retirement benefits**

No retirement benefits were provided to or receivable by any director during the year ended 31 December 2024 (for the year ended 31 December 2023: nil).

Directors' termination benefits

No termination benefits were provided to or receivable by any director as compensation for the early termination of appointment during the year ended 31 December 2024 (for the year ended 31 December 2023: 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 year ended 31 December 2024 (for the year ended 31 December 2023: 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 year ended 31 December 2024 (for the year ended 31 December 2023: 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 as at 31 December 2024 or at any time during the year.

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2024 included one (for the year ended 31 December 2023: nil) director whose emoluments are reflected in the analysis presented in note 4.1.1. The emoluments payable to four (for the year ended 31 December 2023: five) individuals during the year ended 31 December 2024 are as follows:

HK\$ thousand	For the year ended 31 December 2024	For the year ended 31 December 2023
Salaries, housing and other allowances and benefits in kind	12,339	17,724
Bonuses	-	1,048
Pensions costs of defined contribution plans	13	82
Compensation for loss of office	-	2,023
Total	12,352	20,877

During the year ended 31 December 2024 as well as prior period, the Group did not pay the aforementioned five (for the year ended 31 December 2023: five) individuals any inducement to join or upon joining the Group.

The emoluments fell within the following bands:

Emoluments band	Number of individuals	
	For the year ended 31 December 2024	For the year ended 31 December 2023
HK\$2,000,001 – HK\$2,500,000	3	-
HK\$2,500,001 – HK\$3,000,000	2	1
HK\$3,000,001 – HK\$3,500,000	-	1
HK\$4,000,001 – HK\$4,500,000	-	1
HK\$4,500,001 – HK\$5,000,000	-	1
HK\$5,500,001 – HK\$6,000,000	-	1

4. FURTHER DETAILS (CONTINUED)

4.1. Related party transactions (Continued)

4.1.2. Transactions with related party

As disclosed in the announcement of the Company dated 19 May 2022 a tenancy agreement was entered into between an indirectly wholly-owned subsidiary of the Company (the “Lessee”), as the tenant, and Bright Majestic Limited (“Bright Majestic”), as the landlord, in respect of the whole floor of 29th Floor of China United Centre, No. 28 Marble Road, North Point, Hong Kong (the “29th Premises”), which would expire on 31 May 2024; and the announcement of the Company dated 12 October 2022, a tenancy agreement was entered into between the Lessee, as the tenant, and Wealth Elegant Investment Limited (“Wealth Elegant”), as the landlord, in respect of the whole floor of 26th Floor of China United Centre, No. 28 Marble Road, North Point, Hong Kong (the “26th Premises”), which would expire on 31 October 2024.

On 28 May 2024, the Lessee entered into two tenancy agreements, as tenant, namely (i) the tenancy agreement with Bright Majestic, as landlord, in respect of the renewal of tenancy of the 29th Premises for a term of two years and one month commencing from 1 June 2024 and expiring on 30 June 2026 (both days inclusive) at a monthly rental of HK\$313,236; and (ii) the tenancy agreement with Wealth Elegant, as landlord, in respect of the renewal of tenancy of the 26th Premises for a term of one year and eight months commencing from 1 November 2024 and expiring on 30 June 2026 (both days inclusive) at a monthly rental of HK\$335,610.

As at the date of this report, Ms. LO Ki Yan Karen (“Ms. LO”) indirectly holds 82.19% equity interests in both Bright Majestic and Wealth Elegant. Ms. LO is a substantial shareholder of the Company, hence a connected person of the Company. Therefore, both Bright Majestic and Wealth Elegant 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 28 May 2024.

4.2. Share-based payments

HK\$ million	For the year ended 31 December 2024	For the year ended 31 December 2023
Employee share-based compensation benefits	–	–

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”). The option mandate limit of the 2018 Share Option Scheme has been refreshed upon the shareholders’ approval at the special general meeting of the Company held on 6 July 2021, the details of which were disclosed in the circular of the Company dated 15 June 2021. During the year ended 31 December 2024, no share options were granted.

Summary of the major terms of the Share Option Schemes

The following is a summary of the major terms of the 2009 Share Option Scheme and the 2018 Share Option Scheme (collectively the “Share Option Schemes”) as required to be disclosed in accordance with the Listing Rules.

4. FURTHER DETAILS (CONTINUED)

4.2. Share-based payments (Continued)

4.2.1. Share option scheme (Continued)

Purpose of the Share Option Schemes

The Share Option 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 Share Option 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 Share Option 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 Share Option Schemes and percentage of issued share capital as at 31 December 2024

The total number of shares available for issue upon exercise of all outstanding share options already granted under the Share Option Schemes is 7,047,011 shares (the 2009 Share Option Scheme: 5,679,680 shares and the 2018 Share Option Scheme: 1,367,331 shares), representing 0.25% (31 December 2023: 0.38%) of the issued share capital of the Company as at 31 December 2024.

The maximum number of shares available for issue upon exercise of share options not yet granted under the Share Option Schemes is 283,081,734 shares (the 2009 Share Option Scheme: Nil and the 2018 Share Option Scheme: 283,081,734 shares), representing 10% (31 December 2023: 10%) of the issued share capital of the Company as at 31 December 2024.

Maximum entitlement of each participant under the Share Option Schemes

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

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 Share Option 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% 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.

4. FURTHER DETAILS (CONTINUED)

4.2. Share-based payments (Continued)

4.2.1. Share option scheme (Continued)

Period within which the shares must be taken up under a share option under the Share Option Schemes

A share option is exercisable, subject to certain restrictions contained in the Share Option 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.

Minimum period for which a share option must be held before it can be exercised under the Share Option 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 Share Option 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 Share Option Schemes as the Board of Directors may in its absolute discretion determine.

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 Share Option 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.

Vesting requirement of the options granted under the Share Option Schemes shall be subject to the terms on which the share options were granted, the provisions of the respective Share Option Schemes and the Listing Rules.

Basis of determining the subscription price under the Share Option 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) 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 share.

The remaining life of the 2009 Share Option Scheme

On 5 December 2018, the shareholders of the Company 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 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 2024 under the 2009 Share Option Scheme are as follows:

	As at 31 December 2024		As at 31 December 2023	
	Average exercise price	Number of share options	Average exercise price	Number of share options
Balance at beginning of year	4.798	8,703,583	7.274	20,194,420
Lapsed during the year	7.453	(3,023,903)	-	(9,019,124)
Forfeited during the year	-	-	9.149	(2,471,713)
Balance at end of year	3.384	5,679,680	4.798	8,703,583

4. FURTHER DETAILS (CONTINUED)

4.2. Share-based payments (Continued)

4.2.1. Share option scheme (Continued)

The remaining life of the 2009 Share Option Scheme (Continued)

Share options outstanding at the end of the relevant periods have the following terms:

Expiry date	Exercise price (Note 1) HK\$	Number of share options outstanding	
		As at 31 December 2024	As at 31 December 2023
Employees			
31 October 2024 *	10.124 (9.630 Note 1)	-	709,960
13 October 2025 *	6.550 (6.230 Note 1)	473,307	788,845
31 October 2026 *	6.870 (6.530 Note 1)	736,255	1,051,793
7 November 2027*	4.650 (4.420 Note 1)	578,487	946,614
25 June 2028 *	2.660 (2.530 Note 1)	736,255	1,104,382
		2,524,304	4,601,594
Others (Note 2)			
31 October 2024 *	10.124 (9.630 Note 1)	-	946,613
13 October 2025 *	6.550 (6.230 Note 1)	105,179	105,179
31 October 2026 *	6.870 (6.530 Note 1)	105,179	105,179
7 November 2027 *	4.650 (4.420 Note 1)	105,179	105,179
25 June 2028 *	2.660 (2.530 Note 1)	210,358	210,358
28 September 2028 *	1.884 (1.790 Note 1)	2,629,481	2,629,481
		3,155,376	4,101,989
Total		5,679,680	8,703,583
Weighted average remaining contractual life of share options outstanding at end of the year		3.0 years	3.3 years

* The share options listed above are vested as of the respective dates of the balance sheet

Note 1: Adjustment for exercise price as a result of the rights issue with effect from 21 April 2021

Note 2: Former employees/directors of the Group who were the employees/directors of the Group at the time of the relevant grants

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, unless there is early termination pursuant to the rules of 2018 Share Option Scheme.

Details of the share options movement during the period and outstanding share options as at 31 December 2024 under the 2018 Share Option Scheme are as follows:

	For the year ended 31 December 2024		For the year ended 31 December 2023	
	Average exercise price	Number of share options	Average exercise price	Number of share options
Balance at beginning of year	1.530	2,156,175	1.530	2,892,429
Forfeited during the year	1.530	(788,844)	1.530	(736,254)
Balance at end of year	1.530	1,367,331	1.530	2,156,175

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 2024	As at 31 December 2023
Employees			
10 December 2029*	1.604 (1.530 Note 1)	841,435	1,630,279
Others (Note 2)			
10 December 2029*	1.604 (1.530 Note 1)	525,896	525,896
		1,367,331	2,156,175
Weighted average remaining contractual life of share options outstanding at end of the year		4.9 years	5.9 years

* The share options listed above are vested as of the respective dates of the balance sheet

Note 1: Adjustment for exercise price as a result of the rights issue with effect from 21 April 2021

Note 2: Former employees/directors of the Group who were the employees/directors of the Group at the time of the relevant grants

4. FURTHER DETAILS (CONTINUED)

4.2. Share-based payments (Continued)

4.2.2. Share Award Scheme

The Company adopted a share award scheme on 6 July 2021 (the “Share Award Scheme”) There were no outstanding awarded shares under the Share Award Scheme as at 31 December 2024. 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 31 December 2024.

Summary of the major terms of the Share Award Schemes

The following is a summary of the major terms of the Share Award Schemes.

Purpose of the Share Award Schemes

The purpose of the Share Award Scheme is to recognize the contributions by certain eligible participants (including any employee, consultant, executive or officers, directors and senior management of any member of the Group), and to provide them incentives; and to attract suitable personnel with relevant experience in the Group’s business. The details of the Share Award Scheme were disclosed in the circular of the Company dated 15 June 2021.

Participants of the Share Award Schemes

Pursuant to the rules relating to the Share Award Scheme, the Board of Directors may at its discretion grant awarded shares to any employee, consultant, executive or officers, directors and senior management of any member of the Group who has contributed or may contribute to the growth and development of the Group.

Total number of shares available for award under the Share Award Schemes and percentage of issued share capital as at 31 December 2024

The total number of shares available for award under the Share Award Scheme is 0 shares, representing 0% of the issued shares of the Company as at 31 December 2024 (31 December 2023: 10%), subject to an annual limit equal to 3% of the Company’s issued shares as at the adoption date of the Share Award Scheme and the Listing Rules.

Maximum entitlement of each participant under the Share Award Schemes

The maximum entitlement of each eligible participant under the Share Award Scheme shall not exceed 1% of the issued share capital of the Company as at the date of grant of the award.

Vesting requirement of the awarded shares granted under the Share Award Schemes shall be subject to the terms on which the awarded shares were granted, the provisions of the respective Share Award Schemes and the Listing Rules.

Vesting period and condition(s) of awards granted under the Share Award Scheme

The Board is entitled to impose any condition(s) as it deems appropriate in its absolute discretion with respect to the vesting of the awarded shares on eligible participants selected by the Board under the Share Award Scheme (the “Selected Grantees”) (including without limitation the vesting period within which the shares awarded may be exercised by the Selected Grantee under the Share Award Scheme, the vesting period of the shares granted under the Share Award Scheme.)

Amount payable on application or acceptance of the share award and the period within which payments or calls must or may be made or loans for such purposes must be repaid under the Share Award Scheme

Selected Grantees are not required to make any payment to accept an award and the relevant subscription price will be paid by the Company.

Basis of determining the purchase price of shares awarded, if any, under the Share Award Scheme

As no payment is required to be made by the Selected Grantees, the basis of determining the purchase price of share awarded in the Share Award Scheme is not applicable herein.

Remaining life of the Share Award Scheme

Share may be granted to eligible persons under the Share Award Scheme for the period until 6 July 2031, unless there is early termination pursuant to the rules of Share Award Scheme.

4. FURTHER DETAILS (CONTINUED)

4.2. Share-based payments (Continued)

4.2.2. Share Award Scheme (Continued)

Remaining life of the Share Award Scheme (Continued)

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 thereafter and as at 31 December 2024. During the year end 31 December 2024, there is no movement for the Share Award Scheme (31 December 2023: nil). There was no outstanding awarded shares under the Share Award Scheme as at 31 December 2024.

The Share Award Scheme shall be subject to the administration of the Board in accordance with the rules of the Share Award Scheme, the Company does not hold any awarded shares pending the vesting date so no trustee has been appointed in respect of the Share Award Scheme's administration.

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 year.

	For the year ended 31 December 2024	For the year ended 31 December 2023
Loss attributable to shareholders of the Company (HK\$ million)	(1,227)	(2,339)
Weighted average number of ordinary shares in issue (million)	2,831	2,831
Basic loss per share (HK\$ per share)	(0.43)	(0.83)
– from continuing operations (HK\$ per share)	(0.10)	(0.08)
– from discontinued operations (HK\$ per share)	(0.33)	(0.75)

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 adjusted by the dilutive effect of share options.

	For the year ended 31 December 2024	For the year ended 31 December 2023
Loss attributable to shareholders of the Company (HK\$ million)	(1,227)	(2,339)
Weighted average number of ordinary shares in issue (million)	2,831	2,831
Adjustments for share options (million)	-	-
Weighted average number of ordinary shares for diluted earnings per share (million)	2,831	2,831
Diluted loss per share (HK\$ per share)	(0.43)	(0.83)
– from continuing operations (HK\$ per share)	(0.10)	(0.08)
– from discontinued operations (HK\$ per share)	(0.33)	(0.75)

Diluted loss per share for the year ended 31 December 2024 and year ended 31 December 2023 was the same as the basic loss per share since the share options had anti-dilutive effect.

4.4. Auditor's remuneration

HK\$ million	For the year ended 31 December 2024	For the year ended 31 December 2023
Nature of the services		
Audit services	5	17
Non-audit services	-	1
Auditor's remuneration total	5	18

5. UNRECOGNIZED ITEMS

5.1. Commitments

HK\$ million	As at 31 December 2024	As at 31 December 2023
Property, plant and equipment		
Contracted but not provided for	–	12

Note: Committed borrowing to joint venture is contracted but not provided for and is disclosed in note 2.6.5.

5.2. Charges on group assets

As at 31 December 2024, the Group's long-term borrowings were mainly secured by:

- (i) All the undertakings, properties and assets of two subsidiaries of the Company. The assets held by these subsidiaries include trademarks of the Group with an aggregate carrying amount of HK\$268 million at the Group level as of 31 December 2024;
- (ii) The shares of a subsidiary of the Company; and
- (iii) The loan receivables owing by a joint venture to the Group with the carrying amount of HK\$22 million as at 31 December 2024.

As at 31 December 2024, save for those disclosed elsewhere in this report, the Company has not charged its assets (31 December 2023: nil).

5.3. Contingent liabilities

As at 31 December 2024, the Group was subject to a potential claim arising from the early termination of a lease agreement, where the relevant subsidiary is undergoing insolvency proceedings. Negotiations have taken place but as of the date of this report, no settlement agreement has been signed. It is anticipated that the potential claim in a settlement scenario would be no more than HK\$14 million. The lease deposit provided by the Group to the landlord has already been applied thereby reducing any potential settlement amount.

As at the reporting date, the matter remains under review and is subject to ongoing legal negotiation. No provision has been recognised in the financial statements as the landlord has a duty to take reasonable actions to re-rent the premises to mitigate the compensation amount, and the amount cannot be measured with sufficient reliability at this stage. The Group will continue to monitor the situation and reassess the need for a provision as more information becomes available.

As at 31 December 2024, save for those disclosed elsewhere in this report, the Company did not have significant contingent liabilities (31 December 2023: nil).

6. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

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.

6. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

6.1. Principles of consolidation (Continued)

6.1.1. Subsidiaries (Continued)

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, subject to certain exceptions, 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 or other comprehensive income, as appropriate.

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 identifiable net assets acquired is recorded as goodwill. If, after assessment, this is less than 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. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

6.1. Principles of consolidation (Continued)

6.1.4. Interest in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group's interest in the joint venture is accounted for using the equity method in the consolidated financial statements. Under the equity method, the investment is initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and other comprehensive income of the joint venture. When the Group's share of losses exceeds its interest in the joint venture, the carrying amount of the investment is reduced to nil, and recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the joint venture.

6.1.5. Foreign currency translation Functional and presentation currency

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

Transactions and balances

Foreign currency transactions are translated into the functional currency of a group entity 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 into the functional currency of a group entity at the exchange rates ruling at the end of the reporting period, are generally recognized in profit or loss.

Foreign exchange gains and losses that relate to borrowings to the extent that they are regarded as an adjustment to interest costs 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 functional currency of the Company is Hong Kong dollars (HKD), which is also the presentation currency of the consolidated financial statements. The functional currency was determined based on the primary economic environment in which the Company operates. This includes the currency that mainly influences revenue from licensing income, operating costs, and financing activities, all of which are predominantly denominated in HKD.

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 at 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 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 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. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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 is 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 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.

6. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

6.5. Income Tax (Continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised 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 asset and liability are 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 and do not give rise to equal taxable and deductible temporary differences. Deferred tax assets and liabilities 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.

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

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 2.7.2 for further details.

For other financial assets measured at amortized cost, 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 is established when the impact on the estimated future cash flows of the financial asset could be reliably estimated.

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.

6. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

6.6. Impairment (Continued)

6.6.1. Impairment of receivables (Continued)

For financial assets, other than trade receivables, measured at amortized cost, 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 are tested either individually or at the cash-generating unit ("CGU") level, depending on whether the asset generates cash inflows that are largely independent of those from other assets. Assets that do not generate largely independent cash inflows are grouped at the lowest level for which there are separately identifiable cash flows (i.e., CGUs). Goodwill is tested at the CGU level.

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 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.

6. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

6.7. Intangible assets (Continued)

6.7.2. Trademarks and licenses

Separately acquired trademarks and licenses are initially measured 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 2.6.1).

6.7.3. Software

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

6.7.4. Customer relationships

Customer relationships acquired in a business combination are recognized at fair value at the acquisition date. The customer relationships have an expected life of 2 years and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over the expected life of the customer relationships.

6.7.5. Intangible assets under development

Intangible assets under development are recognized at cost if, and only if, all the recognition criteria under IAS 38 are met. They are not amortized until the development is complete and the asset is available for use. They are tested for impairment annually. Upon completion, the assets are reclassified to the appropriate intangible asset category and amortized from the date they are available for use.

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.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements in which the Group act as a lessee do not impose any covenants other than the security interests. Leased assets are not used as security for borrowing purposes.

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.

6. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

6.8. Leases, right-of-use assets (Continued)

Group as lessee (Continued)

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 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.

6. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

6.9. Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at historical cost less accumulated depreciation and accumulated impairment losses (if any). Construction in progress is stated at cost less accumulated impairment losses (if any). Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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 principal annual rates are

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

- 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 3.2.5).

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

6.10. Investments and other financial assets

6.10.1. 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.

6.10.2. 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. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

6.10. Investments and other financial assets (Continued)

6.10.3. Measurement

At initial recognition, the Group measures a financial asset, other than trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 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.

- **FVTOCI¹:** 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.

¹ Currently, debt or equity instruments classified as FVOCI are not held.

6. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

6.11. 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 and charges that have been incurred in bringing inventories to their current location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

6.12. 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. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

6.13. 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. The Group did not have any bank overdrafts as at the reporting date.

6.14. 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.

6.15. 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. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

6.16. 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.

6.17. Employee benefits

6.17.1. 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. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

6.17. Employee benefits (Continued)

6.17.2. 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.

6.17.3. 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. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

6.17. Employee benefits (Continued)

6.17.4. 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.

6.17.5. 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.

6.18. 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.

6.19. 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.

6.20. Loss/profit per share

6.20.1. Basic loss/profit per share

Basic loss/profit per share is calculated by dividing:

- the loss/profit 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).

6.20.2. Diluted loss/profit per share

Diluted loss/profit per share adjusts the figures used in the determination of basic loss/profit 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.

6.21. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

6.22. Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale. Discontinued operations are presented in the consolidated statement of profit or loss separately from continuing operations, with comparative figures restated. The post-tax profit or loss of the discontinued operation is presented as a single amount, comprising the post-tax profit or loss of the discontinued operation and the post-tax gain or loss resulting from the measurement and disposal of assets or liabilities associated with the discontinued operation.

7. PRINCIPAL SUBSIDIARIES

The following are the principal subsidiaries as at 31 December 2024 and 2023 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 (note e)	Issued and fully paid share capital/ registered capital (note b)	Principal activities
Austria (note d)	Esprit Handelsgesellschaft mbH	100%	EUR	100,000	Wholesale and retail distribution of apparel and accessories
Belgium (note d)	Esprit Belgie Retail N.V.	100%	EUR	960,313	Retail distribution of apparel and accessories
Belgium (note d)	Esprit Belgie Wholesale N.V.	100%	EUR	100,000	Wholesale distribution of apparel and accessories
British Virgin Islands/Hong Kong	Esprit Corporate Services Limited	100%	USD	200	Financial services
British Virgin Islands/Hong Kong	Esprit Far East (Sourcing) Limited	100%	USD	100	Provision of the services to Esprit Group
British Virgin Islands/Hong Kong	Esprit Global Limited	100%	USD	500	Investment holding
British Virgin Islands/Hong Kong	Esprit IP Limited	100%	USD	1	Holding and licensing of trademarks
British Virgin Islands/Hong Kong	Esprit Assets Limited	100%	USD	1	Financial services
British Virgin Islands	Esprit China Distribution Limited	100%	USD	100	Investment holding
British Virgin Islands	Esprit EILP Limited	100%	USD	1	Investment holding
Cayman Islands	Esprit GTM Limited	100%	USD	1	Limited partner of Esprit International, a California Limited Partnership
The People's Republic of China (note c)	思環貿易(上海)有限公司	100%	USD	35,000,000	Wholesale, retail, and E-commerce distribution of apparel and accessories
Denmark (note d)	Esprit de Corp. Danmark A/S	100%	DKK	12,000,000	Wholesale and retail distribution of apparel and accessories
France (note d)	Esprit de Corp. France SAS	100%	EUR	5,201,760	Wholesale and retail distribution of apparel and accessories
Germany (note d)	Esprit Europe GmbH	100%	EUR	5,112,919	Management and control function; render of services to Esprit Group
Germany (note d)	Esprit Retail B.V. & Co. KG (limited partnership)	100%	EUR	5,000,000	Retail and E-commerce distribution of apparel and accessories
Germany (note d)	Esprit Wholesale GmbH	100%	EUR	5,000,000	Wholesale distribution of apparel and accessories
Germany (note d)	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; and treasury services to European group subsidiaries
Germany (note d)	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 d)	Esprit Card Services GmbH	100%	EUR	25,000	Issuance, accounting of and service in connection with Gift Card, as provided to certain European group subsidiaries and distribution partners in Europe
Germany (note d)	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

7. PRINCIPAL SUBSIDIARIES (CONTINUED)

Place of incorporation/operation	Name of subsidiary	Attributable equity interest to the Group (note a)	Currency (note e)	Issued and fully paid share capital/ registered capital (note b)	Principal activities
Hong Kong (note d)	Esprit Retail (Hong Kong) Limited	100%	HKD	10,000	Retail distribution of apparel and accessories
Hong Kong (note d)	Esprit Regional Distribution Limited	100%	HKD	10,000	Wholesale and E-commerce distribution of apparel and accessories and provision of services
Hong Kong	Esprit de Corp (Far East) Limited	100%	HKD	1,200,000	Sourcing of apparel and accessories
Hong Kong	Million Success Resources Limited	100%	HKD	2	Provision of the services to Esprit Group
Italy (note d)	Esprit Italy Distribution S.R.L.	100%	EUR	12,750	Wholesale distribution of apparel and accessories
Luxembourg (note d)	Esprit Luxembourg S.à r.l.	100%	EUR	250,000	Retail distribution of apparel and accessories
The Netherlands (note d)	Esprit Europe Holdings B.V.	100%	EUR	30,000,000	Investment holding
The Netherlands (note d)	Esprit Europe B.V.	100%	EUR	1,500,000	Investment holding, wholesale and retail distribution of apparel and accessories, and licensing of trademarks
The Netherlands (note d)	Esprit Nederland B.V.	100%	EUR	250,000	Investment holding
The Netherlands	Esprit (Holdings II) B.V.	100%	EUR	414,000	Investment holding
Norway (note d)	Esprit (Norway) AS	100%	NOK	30,001	Wholesale distribution of apparel and accessories
Poland (note d)	Esprit Poland Retail Sp. z o.o.	100%	PLN	5,147,200	Retail distribution of apparel and accessories
Singapore	Esprit Retail Pte Ltd	100%	SGD	3,000,000	Retail distribution of apparel and accessories
South Korea	Esprit Seoul Limited	100%	KRW	100,000,000	Retail and E-commerce distribution of apparel and accessories
Spain (note d)	Esprit de Corp (Spain) S.L.	100%	EUR	10,000	Wholesale distribution of apparel and accessories
Sweden (note d)	Esprit Sweden AB	100%	SEK	500,000	Wholesale and retail distribution of apparel and accessories
Switzerland (note d)	Esprit Switzerland Retail AG	100%	CHF	500,000	Retail distribution of apparel and accessories
Switzerland (note d)	Esprit Switzerland Distribution AG	100%	CHF	100,000	Wholesale distribution of apparel and accessories
United Kingdom (note d)	Esprit GB Limited	100%	GBP	1	Wholesale distribution of apparel and accessories
United States	Esprit International, a California Limited Partnership	100%	N/A	N/A	Holding and licensing of trademarks
United States	Esprit International (GP), Inc.	100%	USD	1,000	General partner of Esprit International, a California Limited Partnership
United States (note d)	Esprit US Retail Inc.	100%	USD	1	Retail and E-commerce distribution of apparel and accessories
United States (note d)	Esprit US Distributions Limited	100%	USD	1	Wholesale distribution of apparel and accessories and provision of services

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 during the year ended 31 December 2024

note e): The 'Currency' column represents the functional currency of each subsidiary, being the currency of the primary economic environment in which the entity operates.

BALANCE SHEET

HK\$ million	As at 31 December 2024	As at 31 December 2023	As at 31 December 2022	As at 31 December 2021	As at 31 December 2020	As at 30 June 2020	As at 30 June 2019	As at 30 June 2018	As at 30 June 2017	As at 30 June 2016
Non-current assets										
Intangible assets	268	1,296	1,595	1,727	1,878	1,641	2,050	2,063	2,851	2,902
Property, plant and equipment	-	177	317	368	509	530	1,128	1,571	1,900	2,159
Right-of-use assets	3	1,280	1,630	2,033	2,262	2,206	-	-	-	-
Investment properties	-	-	-	-	-	-	27	24	23	19
Financial assets at fair value through profit or loss	1	3	3	4	11	10	12	-	-	-
Interest in a joint venture	-	47	2	-	-	-	-	-	-	-
Loan to a joint venture	22	-	-	-	-	-	-	-	-	-
Other investments	-	-	-	-	-	-	-	7	7	7
Debtors, deposits and prepayments	1	344	365	416	392	345	120	140	174	220
Deferred tax assets	-	27	62	42	51	32	559	524	822	745
Net current assets	37	105	2,231	3,009	1,623	712	3,101	5,005	6,091	5,829
Total assets less current liabilities	332	3,279	6,205	7,599	6,726	5,476	6,997	9,334	11,868	11,881
Equity										
Share capital	283	283	283	283	189	189	189	189	194	194
Reserves	(106)	1,683	3,952	4,834	4,050	2,581	6,524	8,837	11,349	11,203
Total equity	177	1,966	4,235	5,117	4,239	2,770	6,713	9,026	11,543	11,397
Non-current liabilities										
Bank loans	-	-	-	-	9	8	-	-	-	-
Long-term borrowings	109	-	-	-	-	-	-	-	-	-
Lease Liabilities	-	1,189	1,578	2,066	2,010	2,467	-	-	-	-
Retirement defined benefit obligations	-	11	5	18	31	26	31	26	-	-
Deferred tax liabilities	46	113	387	398	437	205	253	282	325	484
Total non-current liabilities	155	1,313	1,970	2,482	2,487	2,706	284	308	325	484
Total equity and non-current liabilities	332	3,279	6,205	7,599	6,726	5,476	6,997	9,334	11,868	11,881

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 Protective Shield Proceedings of its six German 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.

STATEMENT OF PROFIT OR LOSS

HK\$ million	For the year ended 31 December 2024	For the year ended 31 December 2023	For the year ended 31 December 2022	For the year ended 31 December 2021	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	For the year ended 30 June 2017	For the year ended 30 June 2016
Revenue	1,593	5,912	7,063	8,316	886	9,874	12,932	15,455	15,942	17,788
Operating (loss)/profit	(1,232)	(2,547)	(642)	416	(2,253)	(3,447)	(2,080)	(2,253)	(102)	(596)
Share of results from a joint venture	-	(4)	(1)	-	-	-	-	-	-	-
Share of results from associates	-	-	-	-	1,939	-	-	-	-	-
Loss on remeasurement	-	-	-	-	(69)	-	-	-	-	-
Interest income	1	14	5	2	2	54	49	58	44	40
Finance costs	(27)	(46)	(45)	(32)	(15)	(100)	(35)	(31)	(48)	(29)
(Loss)/profit before taxation	(1,258)	(2,583)	(683)	386	(396)	(3,493)	(2,066)	(2,226)	(106)	(585)
Taxation credit/(charge)	31	244	19	(5)	(18)	(499)	(78)	(328)	173	606
(Loss)/profit attributable to shareholders of the Company	(1,227)	(2,339)	(664)	381	(414)	(3,992)	(2,144)	(2,554)	67	21

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 Protective Shield Proceedings of its six German Subsidiaries.

