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ESPRIT

ESPRIT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
STOCK CODE: 00330

INSIDE INFORMATION UPDATE ON RESTRUCTURING INITIATIVES

This announcement is made by Esprit Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong).

Reference is made to the announcements of the Company dated 27 March 2020 (the “**March Announcement**”) and 27 April 2020 (the “**April Announcement**”, together with the March Announcement the “**Announcements**”) in relation to, among others, the protective shield proceedings of the Subject Subsidiaries (as defined in the March Announcement) pursuant to section 270b of the German Insolvency Act and the unaudited third quarter update of the Group for FY19/20, respectively. Unless otherwise stated, capitalized terms used in this announcement shall have the same meanings as those defined in the Announcements.

Updates on the Protective Shield Proceedings

The Company would like to update its shareholders (the “**Shareholders**”) and potential investors that since the Subject Subsidiaries applied for the Protective Shield Proceedings in March 2020, the management of the Subject Subsidiaries has been working actively to prepare the restructuring plan of the Subject Subsidiaries (the “**Restructuring Plan**”). This preparation has been conducted with the support of the German protective shield advisor Schultze & Braun, the creditors' committee, as well as with the supervision of the custodian Dr. Biner Bähr, who was appointed by the Düsseldorf District Court (the “**Court**”) as preliminary custodian of the Subject Subsidiaries in self-administration.

On 29 June 2020 (Central European Time (“**CET**”)), Dr. Biner Bähr made a submission of his expert opinions on the preliminary Protective Shield Proceedings of the Subject Subsidiaries to the Court. On 1 July 2020 (CET), following the recommendation of the custodian set out in his expert opinion, the Court gave its consent for the opening of the insolvency proceedings as self-administration proceedings and allows the Subject Subsidiaries to continue with the self-administration process under the continued supervision of Dr. Biner Bähr, who has been confirmed by the Court as the final custodian.

Now that the self-administration proceedings are open, the Subject Subsidiaries plan to submit insolvency plans to the Court in order to enable the Subject Subsidiaries to implement the Restructuring Plan. A meeting of creditors (creditors' assembly) of the Subject Subsidiaries is scheduled to be held on 19 August 2020. At the creditors' assembly, there will be an assessment of claims arising before and during the Protective Shield Proceedings. It is also envisaged that insolvency plans will be voted on by the creditors and that a decision on the percentage of the creditors' claims to be paid is taken.

The Group intends to use the next three months to implement the restructuring measures set out in the Restructuring Plan and accelerate implementation of the Strategic Plan (as defined in the Annual Report of the Company for the year ended 30 June 2019) initiated by management at the end of 2018.

Restructuring Plan

As disclosed in the April Announcement, the Protective Shield Proceedings enable the undertaking of restructuring measures in addition to the transformation plan which the Group has been implementing over the past two years. The Restructuring Plan provides details on how the Subject Subsidiaries intend to implement additional restructuring initiatives to focus resources and recalibrate operations, to cope with the challenges posed by the Pandemic most effectively and efficiently.

The main focus of the Restructuring Plan is sustainable profitability and regional concentration on Europe. The key elements of the Restructuring Plan include:

Headcount and salary reduction

A global headcount reduction is planned, which is expected to affect approximately 1,200 of the Group's employees globally, comprising approximately 800 store employees in Germany, approximately 300 non-store employees in Germany and approximately 100 employees in Hong Kong. Such reductions are subject to negotiations with relevant workers' councils in Germany.

In addition to the temporary voluntary pay reduction by management as disclosed in the April Announcement, the Group also intends to impose permanent salary and benefit reductions for non-store personnel.

Store portfolio optimisation

As at the date of this announcement, the 56 retail stores in Asia outside of mainland China included in the Proposed Store Closure have been closed. In addition, as part of the Group's continuous efforts to streamline its business operations in order to minimize costs and expenses, the Group targets to close approximately 50 stores in Germany (the "**German Stores**") by the end of November 2020, which is around half of the stores currently operated by the Group in Germany. For the year ended 30 June 2019, the German Stores contributed HK\$2.2 billion to the Group's revenue, representing 17.2% of the Group's total revenue for the relevant period.

Cost reduction

In addition to the measures described above, the Group intends to further reduce its costs by re-negotiating contracts with service providers to obtain more favourable terms.

It is estimated that the implementation of the measures described above will translate into savings of in excess of HK\$ 900 million for the Group.

One-off costs of implementing the Restructuring Plan

It is estimated that the implementation of the measures described above will result in exceptional one-off costs of approximately HK\$ 500 million. These one-off costs will have an impact on the Group's results for the full financial year ending 30 June 2021.

Strategic Plan

In addition to the Restructuring Plan, the Company's management team is implementing the initiatives of the Strategic Plan, which include (i) strengthening the brand purpose; (ii) creating a consistent customer experience across all touchpoints; (iii) dedicated efforts to elevate product quality with a strong emphasis on sustainability; and (iv) focusing on full price sales. The Company is also continuing to streamline processes with the introduction of digital tools and efficiency improvements in all areas of the business.

Further disclosures

The Company will inform the Shareholders and potential investors of the Company of any material development of the Restructuring Plan or any other restructuring initiatives as and when required under the Listing Rules. In particular, further details on the Restructuring Plan and the progress made with the Strategic Plan will be published in the annual results announcement of the Company for the year ended 30 June 2020 which is expected to be made by the end of September 2020.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

By Order of the Board
Ophelia LO Tik Man
Company Secretary

Hong Kong, 1 July 2020

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

As at the date of this announcement, the Board comprises (i) Mr Anders Christian KRISTIANSEN (Group Chief Executive Officer) and Dr Johannes Georg SCHMIDT-SCHULTES (Group Chief Financial Officer) as Executive Directors; (ii) Dr Raymond OR Ching Fai (Non-executive Chairman) and Mr Jürgen Alfred Rudolf FRIEDRICH as Non-executive Directors; and (iii) Mr Carmelo LEE Ka Sze, Ms Sandrine Suzanne Eleonore Agar ZERBIB, Mr Joseph LO Kin Ching and Dr Martin WECKWERTH as Independent Non-executive Directors.