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## **ESPRIT HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**STOCK CODE: 00330**

### **CONNECTED TRANSACTION IN RELATION TO TENANCY AGREEMENTS**

The Board announces that on 23 November 2021, Esprit Regional Distribution (a wholly-owned subsidiary of the Company) entered into two tenancy agreements as the tenant, namely (i) the 12/F Tenancy Agreement with Hero Mode (the landlord) in respect of the 12/F Premises; and (ii) the E-Trade Plaza Tenancy Agreement with Golden Lake Property (the landlord) in respect of the E-Trade Plaza Premises, respectively.

#### **LISTING RULES IMPLICATIONS**

In accordance with IFRS 16 “Leases”, the Company will recognise a right-of-use asset on its consolidated statement of financial position in connection with the tenancy of the 12/F Premises and the E-Trade Plaza Premises under the New Tenancy Agreements. Accordingly, the transactions under the New Tenancy Agreements will be regarded as an acquisition of asset by the Group for the purpose of the Listing Rules.

As at the date of this announcement, each of Hero Mode and Golden Lake Property is an associate of the Substantial Shareholder of the Company and is therefore a connected person of the Company. Accordingly, the entering into of the New Tenancy Agreements by Esprit Regional Distribution constitutes connected transactions under Chapter 14A of the Listing Rules.

Given that certain applicable percentage ratios in respect of the aggregate value of the right-of-use asset recognised by the Group under New Tenancy Agreements, when aggregated with the Previous Tenancy Agreements within 12-month period, are more than 0.1% but all of them are less than 5%, the transactions under the New Tenancy Agreements are subject to the reporting and announcement requirements but are exempted from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

## **INTRODUCTION**

The Board announces that on 23 November 2021, Esprit Regional Distribution (a wholly-owned subsidiary of the Company) entered into two tenancy agreements as the tenant, namely (i) the 12/F Tenancy Agreement with Hero Mode (the landlord) in respect of the 12/F Premises; and (ii) the E-Trade Plaza Tenancy Agreement with Golden Lake Property (the landlord) in respect of the E-Trade Plaza Premises, respectively.

## **THE NEW TENANCY AGREEMENTS**

The principal terms of the 12/F Tenancy Agreement are as follows:

Date	:	23 November 2021
Parties	:	(1) Esprit Regional Distribution, as the tenant; and (2) Hero Mode, as the landlord.
Premises	:	the 12/F Premises
Lease term	:	Two (2) years commencing from 1 December 2021 and expiring on 30 November 2023 (both days inclusive)
Size of the premises	:	Gross Floor Area: 10,963 square feet Saleable Area: 8,551 square feet
Rent	:	HK\$350,816.00 per month (exclusive of management fee, air-conditioning charges, government rent and rates and other outgoings), payable in advance on the first day of each calendar month.

The rent was determined after taking into account (i) prevailing market conditions and the prevailing market rent for similar properties in the vicinity of the premises; and (ii) conditions of the premises, including the location of the premises as well as the facilities and management services associated with the premises. The rent payable will be financed by the internal resources of the Group.

Deposit : HK\$701,632.00, equivalent to two months' rent  
Usage : Office

The principal terms of the E-Trade Plaza Tenancy Agreement are as follows:

Date : 23 November 2021  
Parties : (1) Esprit Regional Distribution, as the tenant;  
and  
(2) Golden Lake Property, as the landlord.  
Premises : the E-Trade Plaza Premises  
Lease term : Two (2) years commencing from 1 December 2021 and expiring on 30 November 2023 (both days inclusive)  
Size of the premises : Gross Floor Area: 7,758 square feet  
Saleable Area: 6,056 square feet  
Rent : HK\$190,000.00 per month (exclusive of management fee, air-conditioning charges, government rent and rates and other outgoings), payable in advance on the first day of each calendar month.

The rent was determined after taking into account (i) prevailing market conditions and the prevailing market rent for similar properties in the vicinity of the premises; and (ii) conditions of the premises, including the location of the premises as well as the facilities and management services associated with the premises. The rent payable will be financed by the internal resources of the Group.

Deposit : HK\$380,000.00, equivalent to two months' rent  
Usage : Office and parking

## **RIGHT-OF-USE ASSET UNDER THE NEW TENANCY AGREEMENTS**

The value of the right-of-use asset recognised by the Group under the 12/F Tenancy Agreement and the E-Trade Plaza Tenancy Agreement amounted to approximately HK\$8.1 million and approximately HK\$4.4 million respectively, which are the respective present value of total rent payable for the entire term of the 12/F Tenancy Agreement and the E-Trade Plaza Tenancy Agreement in accordance with IFRS 16 “Leases”.

## **INFORMATION ON THE PARTIES**

### **The Group and Esprit Regional Distribution**

The Group principally engages in retail and wholesale distribution and licensing of quality fashion and non-apparel products designed under its own Esprit brand name.

Esprit Regional Distribution is a wholly-owned subsidiary of the Company and principally engages in the distribution of apparel and accessories and provision of services.

### **Hero Mode and Golden Lake Property**

Hero Mode and Golden Lake Property are investment holding companies that principally engage in holding and leasing of investment properties. Both of them are indirectly wholly-owned by the Substantial Shareholder.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE NEW TENANCY AGREEMENTS**

The 13/F Premises currently houses 10 staffs from the Company’s human resources, public relations and investors relationship departments, as well as director’s office, marketing department and foreign liaison office. The 27/F Premises houses 15 staffs from the Company’s product design, merchandising, procurement, supply and sourcing as well as digital marketing departments.

In order to manage the expansion of business operations, the on-going growth of the international headquarters in Hong Kong and personnel reorganisation of the Group, the Company entered into the New Tenancy Agreements to provide space for more than 50 staffs. In anticipation of the expansion, the Company entered into 12/F Tenancy Agreement to lease the 12/F Premises to house the Group’s CFO & COO offices, the financial department, the controller and secretarial offices, as well as a China business development department. Prior to entering into the 12/F Tenancy Agreement, 17 staffs from the Group’s financial department and the controller and

secretarial offices have been occupying the 12/F Premises since 1 November 2021 free of payment with the consent of Hero Mode. Accordingly, the Group saved up to HK\$350,816 of occupancy costs with reference to the monthly rent under the 12/F Tenancy Agreement (i.e. HK\$350,816).

The Company entered into E-Trade Plaza Tenancy Agreement to lease the E-Trade Plaza Premises for the Group's IT department and e-commerce operations. E-commerce is one of the key strategies of the Group and is in line with market trends. Prior to entering into the E-Trade Plaza Tenancy Agreement, 21 staffs from the Group's IT department has been occupying the E-Trade Plaza Premises since February 2021 free of payment with the consent of Golden Lake Property. Accordingly, the Group saved up to HK\$1.9 million of occupancy costs with reference to the monthly rent under the E-Trade Plaza Tenancy Agreement (i.e. HK\$190,000).

According to the invoice provided by the landlord, Hero Mode, the 12/F Premises was newly renovated and fully furnished at a cost of over HK\$9.6 million, equivalent to approximately 27 months' worth of rental payments for the 12/F Premises. The E-Trade Plaza Premises was also renovated by its landlord, Golden Lake Property, at a cost of over HK\$400,000, equivalent to approximately 2 months' worth of rental payments for the E-Trade Plaza Premises. Both premises are newly renovated and fully furnished for immediate occupancies, thus saving the Company substantial furniture and renovation costs. These premises also offer accesses to many amenities including gym facilities, jogging trails, restaurants and coffee shops, parking facilities, and easy transportation including MTR and buses. The additional working space also enables the Company to comply fully with the Occupational Safety & Health Council recommendations, including keeping staff seating arrangement at least 1.5 metres apart.

The Directors believe these premises and their decors are more befitting to the image of the Esprit lifestyle and making them easier in attracting and retaining talents. The Directors thus consider entering into the New Tenancy Agreements would not only boost the morale of the employees, but also help the management to strategically drive and execute the global growth plan in a more efficient way.

The Group was able to occupy the 12/F Premises and the E-Trade Plaza Premises free of payment and was offered favourable terms under the New Tenancy Agreements. The management of the Company firmly believes that the Company would not be able to obtain more favourable or similar terms by other agent or landlord. The monthly rent for the New Tenancy Agreements represents a discount of 9.71% to the prevailing market rent of both premises of HK\$599,000 as assessed by an independent valuer.

The Directors (including the independent non-executive Directors) are of the view that the terms of the New Tenancy Agreements are fair and reasonable, and the New Tenancy Agreements have been entered into on better commercial terms and in the ordinary and usual course of business of the Group. Therefore, the New Tenancy Agreements are in the best interests of the Group and its Shareholders as a whole. None of the Directors has a material interest in the transactions contemplated under the New Tenancy Agreements nor is required to abstain from voting on the resolution to approve the transactions contemplated under the New Tenancy Agreements.

## **LISTING RULES IMPLICATIONS**

In accordance with IFRS 16 “Leases”, the Company will recognise a right-of-use asset on its consolidated statement of financial position in connection with the tenancy of the 12/F Premises and the E-Trade Plaza Premises under the New Tenancy Agreements. Accordingly, the transactions under the New Tenancy Agreements will be regarded as an acquisition of asset by the Group for the purpose of the Listing Rules.

As at the date of this announcement, each of Hero Mode and Golden Lake Property is indirectly wholly-owned by the Substantial Shareholder. Therefore, each of Hero Mode and Golden Lake Property is an associate of the Substantial Shareholder and is a connected person of the Company. Accordingly, the entering into of the New Tenancy Agreements by Esprit Regional Distribution constitutes connected transactions under Chapter 14A of the Listing Rules.

Given that certain applicable percentage ratios in respect of the aggregate value of the right-of-use asset recognised by the Group under New Tenancy Agreements, when aggregated with the Previous Tenancy Agreements within 12-month period, are more than 0.1% but all of them are less than 5%, the transactions under the New Tenancy Agreements are subject to the reporting and announcement requirements but are exempted from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“12/F Premises”	the whole floor of 12th Floor of China United Centre, No. 28 Marble Road, North Point, Hong Kong with gross area of approximately 10,963 square feet
“12/F Tenancy Agreement”	the tenancy agreement dated 23 November 2021 entered into between Esprit Regional Distribution as tenant and Hero Mode as landlord in respect of the 12/F Premises
“13/F Premises”	the whole floor of 13th Floor of China United Centre, No. 28 Marble Road, North Point, Hong Kong with gross area of approximately 10,963 square feet
“13/F Tenancy Agreement”	the tenancy agreement dated 25 January 2021 entered into between Esprit Regional Distribution as tenant and Filen Limited as landlord in respect of the 13/F Premises
“27/F Premises”	the whole floor of 27th Floor of China United Centre, No. 28 Marble Road, North Point, Hong Kong with gross area of approximately 11,187 square feet
“27/F Tenancy Agreement”	the tenancy agreement dated 25 January 2021 entered into between Esprit Regional Distribution as tenant and CUCNP Holdings Limited as landlord in respect of the 27/F Premises
“Board”	the board of Directors
“Company”	Esprit Holdings Limited (Stock Code: 00330), a company incorporated in Bermuda with limited liability, whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company

“E-Trade Plaza”	E-Trade Plaza, 24 Lee Chung Street, Chai Wan, Hong Kong
“E-Trade Plaza Premises”	the whole floor of 9th Floor of E-Trade Plaza with gross area of approximately 7,758 square feet and car parking space nos. 222, 223 and 224 on the 2nd floor of E-Trade Plaza
“E-Trade Plaza Tenancy Agreement”	the tenancy agreement dated 23 November 2021 entered into between Esprit Regional Distribution as tenant and Golden Lake Property as landlord in respect of the E-Trade Plaza Premises
“Esprit Regional Distribution”	Esprit Regional Distribution Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Golden Lake Property”	Golden Lake Property Limited, a company incorporated in Hong Kong with limited liability
“Group”	the Company and its subsidiaries
“Hero Mode”	Hero Mode Limited, a company incorporated in Hong Kong with limited liability
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“IFRS”	International Financial Reporting Standards
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“New Tenancy Agreements”	12/F Tenancy Agreement and E-Trade Plaza Tenancy Agreement
“Previous Tenancy Agreements”	13/F Tenancy Agreement and 27/F Tenancy Agreement, particulars of which are disclosed in the Company’s announcement dated 25 January 2021
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the Share(s)



“Substantial Shareholder”

Ms. LO Ki Yan Karen, a substantial shareholder of the Company as at the date of this announcement

“%”

per cent.

By Order of the Board  
**Esprit Holdings Limited**  
**CHIU Christin Su Yi**  
*Chairman*

Hong Kong, 23 November 2021

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

*As at the date of this announcement, the Board comprises the following directors:*

*Executive Directors:*

Ms. CHIU Christin Su Yi  
Mr. PAK William Eui Won  
Mr. SCHLANGMANN Wolfgang Paul Josef  
Dr. WAN Yung Ting

*Independent Non-executive Directors:*

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