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ESPRIT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

STOCK CODE: 00330

CONNECTED TRANSACTIONS IN RELATION TO

(1) ENTERING INTO 26/F TENANCY AGREEMENT; AND (2) TERMINATION OF E-TRADE PLAZA TENANCY AGREEMENT

The Board announces that on 12 October 2022, Esprit Regional Distribution, which is a wholly-owned subsidiary of the Company, as the tenant entered into a tenancy agreement, namely the 26/F Tenancy Agreement, with Wealth Elegant as the landlord in respect of the 26/F Premises.

Reference is made to the announcement dated 23 November 2021 in relation to, among others, the E-Trade Plaza Tenancy Agreement entered into between Esprit Regional Distribution as the tenant and Golden Lake Property as the landlord in respect of the E-Trade Plaza Premises.

The Board also announces that on 12 October 2022, Esprit Regional Distribution as the tenant and Golden Lake Property as the landlord mutually agreed to early terminate the remaining lease term of the E-Trade Plaza Tenancy Agreement with effect from 12 October 2022 and Esprit Regional Distribution shall return the E-Trade Plaza Premises to Golden Lake Property on an “as-is” basis no later than 31 October 2022.

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 26/F Premises under the 26/F Tenancy Agreement. Accordingly, the transaction under the 26/F Tenancy Agreement 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, the Substantial Shareholder indirectly holds 82.19% equity interests in Wealth Elegant. Therefore, Wealth Elegant is an associate of the Substantial Shareholder and a connected person of the Company. Accordingly, the entering into of the 26/F Tenancy Agreement by Esprit Regional Distribution constitutes a connected transaction of the Company 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 the 26/F Tenancy Agreement, 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 transaction under the 26/F Tenancy Agreement is subject to the reporting and announcement requirements but is exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

On the other hand, the termination of the remaining lease term of E-Trade Plaza Tenancy Agreement will result in a decrease in the amount of right-of-use asset recognised by the Company, and thus be regarded as a disposal of asset by the Group for the purpose of the Listing Rules.

As each of the applicable percentage ratio in respect of the value of the remaining right-of-use under the E-Trade Plaza Tenancy Agreement is less than 0.1%, the disposal of remaining right-of-use asset under the E-Trade Plaza Tenancy Agreement is fully exempt from the shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules. As the E-Trade Plaza Tenancy Agreement is terminated, the Company is subject to the announcement requirement under Rule 14A.35 of the Listing Rules.

ENTERING INTO THE 26/F TENANCY AGREEMENT

The Board announces that on 12 October 2022, Esprit Regional Distribution, which is a wholly-owned subsidiary of the Company, as the tenant entered into a tenancy agreement, namely the 26/F Tenancy Agreement, with Wealth Elegant as the landlord in respect of the 26/F Premises.

The principal terms of the 26/F Tenancy Agreement are as follows:

Date	:	12 October 2022
Parties	:	(1) Esprit Regional Distribution, as the tenant; and (2) Wealth Elegant, as the landlord
Premises	:	the 26/F Premises

Lease term	:	Two (2) years commencing from 1 November 2022 and expiring on 31 October 2024 (both days inclusive)
Size of the Premises	:	Gross floor area: 11,187 square feet Saleable area: 7,304 square feet
Rent	:	HK\$335,610.00 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 26/F Premises; and (ii) conditions of the 26/F Premises, including the location of the premises as well as the facilities and management services associated with the 26/F Premises. The rent payable will be financed by the internal resources of the Group.
Deposit	:	HK\$671,220.00, equivalent to two months' rent
Usage	:	Office

Right-of-use asset under the 26/F Tenancy Agreement

The value of the right-of-use asset recognised by the Group under the 26/F Tenancy Agreement amounted to approximately HK\$7.75 million, which is the present value of total rent payable for the entire term of the 26/F Tenancy Agreement in accordance with IFRS 16 “Leases”.

TERMINATION OF THE E-TRADE PLAZA TENANCY AGREEMENT

Reference is made to the announcement dated 23 November 2021 in relation to, among others, the E-Trade Plaza Tenancy Agreement entered into between Esprit Regional Distribution as the tenant and Golden Lake Property as the landlord in respect of the E-Trade Plaza Premises.

The Board also announces that on 12 October 2022, Esprit Regional Distribution as the tenant and Golden Lake Property as the landlord mutually agreed to early terminate the remaining lease term of the E-Trade Plaza Tenancy Agreement with effect from 12 October 2022 and Esprit Regional Distribution shall return the E-Trade Plaza Premises to Golden Lake Property on an “as-is” basis no later than 31 October 2022. Golden Lake Property has agreed to refund Esprit Regional Distribution the full amount of rental deposit of HK\$380,000.00. Upon the return of the E-Trade Plaza Premises by Esprit Regional Distribution to Golden Lake Property, none of Golden Lake Property and Esprit Regional Distribution will have any further obligations and liabilities to each other pursuant to or arising directly or indirectly from the E-Trade Plaza Tenancy Agreement.

INFORMATION OF THE PARTIES

The Group and Esprit Regional Distribution

The Group principally engages in retail, 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, accessories, and provision of services.

Wealth Elegant

Wealth Elegant is an investment holding company that principally engages in holding and leasing of investment properties. As at the date of this announcement, the Substantial Shareholder indirectly holds 82.19% equity interests in Wealth Elegant.

REASONS FOR AND BENEFITS OF ENTERING INTO THE 26/F TENANCY AGREEMENT

As previously disclosed in the Rights Issue’s prospectus dated 26 March 2021, IT/E-commerce is an important focus for Esprit’s business development and expansion. The amount of HK\$300 million was set aside for this purpose from the net proceeds of the Rights Issue. Due to the continual expansion, the IT/E-commerce department, which is currently located at the E-Trade Plaza Premises, had run out of space for this further development and expansion. It was further decided that for efficiency and management enhancement reasons, the IT/E-commerce department should be brought back closer to the Esprit’s headquarter, where Esprit’s senior management and key business teams are situated. The Company has sought for any larger office spaces closer to the Esprit’s headquarter from Golden Lake Property available for leasing and the 26/F Premises will enable Esprit to achieve the aforementioned purposes. Esprit Regional Distribution and Golden Lake Property also mutually agreed to early terminate the E-Trade Plaza Tenancy Agreement with effect from 12 October 2022.

The terms of the 26/F Tenancy Agreement were arrived at after arm's length negotiation between the parties to the 26/F Tenancy Agreement. The monthly rent for the 26/F Tenancy Agreement represents a discount of 9.05% to the prevailing market rent of the premises of HK\$369,000.00 as assessed by an independent valuer.

The Directors (including the independent non-executive Directors) are of the view that the terms of the 26/F Tenancy Agreement are fair and reasonable, and have been entered on normal commercial terms and in the ordinary and usual course of business of the Group. Therefore, the 26/F Tenancy Agreement are in the best interests of the Group and the Shareholders as a whole. None of the Directors has a material interest in the transactions contemplated under the 26/F Tenancy Agreement nor is required to abstain from voting on the resolution(s) to approve the transactions contemplated under the 26/F Tenancy Agreement.

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 26/F Premises under the 26/F Tenancy Agreement. Accordingly, the transaction under the 26/F Tenancy Agreement 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, the Substantial Shareholder indirectly holds 82.19% equity interests in Wealth Elegant. Therefore, Wealth Elegant is an associate of the Substantial Shareholder and a connected person of the Company. Accordingly, the entering into of the 26/F Tenancy Agreement by Esprit Regional Distribution constitutes a connected transaction of the Company 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 the 26/F Tenancy Agreement, 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 transaction under the 26/F Tenancy Agreement is subject to the reporting and announcement requirements but is exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

On the other hand, the termination of the remaining lease term of E-Trade Plaza Tenancy Agreement will result in a decrease in the amount of right-of-use asset recognised by the Company, and thus be regarded as a disposal of asset by the Group for the purpose of the Listing Rules.

As each of the applicable percentage ratio in respect of the value of the remaining right-of-use under the E-Trade Plaza Tenancy Agreement is less than 0.1%, the disposal of remaining right-of-use asset under the E-Trade Plaza Tenancy Agreement is fully exempt from the shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules. As the E-Trade Plaza Tenancy Agreement is terminated, the Company is subject to the announcement requirement under Rule 14A.35 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 the tenant and Hero Mode Limited as the landlord in respect of the 12/F Premises
“26/F Premises”	the whole floor of 26th Floor of China United Centre, No. 28 Marble Road, North Point, Hong Kong with gross area of approximately 11,187 square feet
“26/F Tenancy Agreement”	the tenancy agreement dated 12 October 2022 entered into between Esprit Regional Distribution as the tenant and Wealth Elegant as the landlord in respect of the 26/F Premises
“29/F Premises”	the whole floor of 29th Floor of China United Centre, No. 28 Marble Road, North Point, Hong Kong with gross area of approximately 11,187 square feet
“29/F Tenancy Agreement”	the tenancy agreement dated 19 May 2022 entered into between Esprit Regional Distribution as the tenant and Bright Majestic Limited as the landlord in respect of the 29/F Premises

“31/F Premises”	the whole floor of 31st Floor of China United Centre, No. 28 Marble Road, North Point, Hong Kong with gross area of approximately 11,262 square feet
“31/F Tenancy Agreement”	the tenancy agreement dated 23 June 2022 entered into between Esprit Regional Distribution as the tenant and Silver Target Limited as the landlord in respect of the 31/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 Premises”	the whole floor of 9th Floor of E-Trade Plaza, 24 Lee Chung Street, Chai Wan, Hong Kong with gross area of approximately 7,758 square feet and car parking spaces nos. 222, 223 and 224 on 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 the tenant and Golden Lake Property as the 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” or “Esprit”	the Company and its subsidiaries
“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
“IT”	Information technology
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Previous Tenancy Agreements”	12/F Tenancy Agreement, 29/F Tenancy Agreement, 31/F Tenancy Agreement and E-Trade Plaza Tenancy Agreement, particulars of which are disclosed in the Company’s announcements dated 23 November 2021, 19 May 2022 and 23 June 2022
“Rights Issue”	Rights issue on the basis of one rights share for every two shares of the Company in issue at a subscription price of HK\$0.75 per rights share that was undertaken by the Company and completed on 20 April 2021, details of which are set out in the Company’s announcements dated 27 January 2021, 2 March 2021 and 20 April 2021 and the prospectus dated 26 March 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
“Wealth Elegant”	Wealth Elegant Investments Limited, a company incorporated in the British Virgin Islands with limited liability
“%”	per cent.

By order of the Board
Esprit Holdings Limited
CHIU Christin Su Yi
Chairperson

Hong Kong, 12 October 2022

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

Mr. WRIGHT Bradley Stephen

Independent Non-executive Directors:

Mr. CHUNG Kwok Pan

Mr. GILES William Nicholas

Mr. HA Kee Choy Eugene

Ms. LIU Hang-so

Mr. LO Kin Ching Joseph