

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



ESPRIT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

STOCK CODE: 00330

CONNECTED TRANSACTION IN RELATION TO RENEWAL OF TENANCY AGREEMENTS

Reference is made to the announcement of the Company dated 25 January 2021 in relation to the Previous 13/F Tenancy Agreement and the Previous 27/F Tenancy Agreement entered into between Esprit Regional Distribution (a wholly-owned subsidiary of the Company), as tenant, and Filen Limited and CUCNP Holdings, as landlords respectively, which will both expire on 31 January 2023.

The Board announces that on 18 January 2023, Esprit Regional Distribution entered into two tenancy agreements, as tenant, namely (i) the 13/F Tenancy Agreement with Filen Limited, as landlord, in respect of the renewal of tenancy of the 13/F Premises; and (ii) the 27/F Tenancy Agreement with CUCNP Holdings, as landlord, in respect of the renewal of tenancy of the 27/F 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 13/F Premises and the 27/F Premises under the New Tenancy Agreements. Accordingly, the transactions under the New Tenancy Agreements will be regarded as acquisitions of assets 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 both Filen Limited and CUCNP Holdings. Therefore, each of Filen Limited and CUCNP Holdings is an associate of the Substantial Shareholder and a connected person of the Company. Accordingly, the entering into the New Tenancy Agreements by Esprit Regional Distribution constitutes connected transactions 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 New Tenancy Agreements, when aggregated with the Previous Tenancy Agreements within 12-month period, are more than 0.1% but 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

Reference is made to the announcement of the Company dated 25 January 2021 in relation to the Previous 13/F Tenancy Agreement and the Previous 27/F Tenancy Agreement entered into between Esprit Regional Distribution (a wholly-owned subsidiary of the Company), as the tenant, and Filen Limited and CUCNP Holdings, as the landlords respectively, which will both expire on 31 January 2023.

The Board announces that on 18 January 2023, Esprit Regional Distribution entered into two tenancy agreements, as tenant, namely (i) the 13/F Tenancy Agreement with Filen Limited, as landlord, in respect of the renewal of tenancy of the 13/F Premises; and (ii) the 27/F Tenancy Agreement with CUCNP Holdings, as landlord, in respect of the renewal of tenancy of the 27/F Premises, respectively.

THE NEW TENANCY AGREEMENTS

The principal terms of the 13/F Tenancy Agreement are as follows:

| | |
|----------------------|---|
| Date | : 18 January 2023 |
| Parties | : (1) Esprit Regional Distribution, as the tenant; and (2) Filen Limited, as the landlord |
| Premises | : the 13/F Premises |
| Lease term | : Two (2) years commencing from 1 February 2023 and expiring on 31 January 2025 (both days inclusive) |
| Size of the Premises | : Gross floor area: 10,963 square feet |

Rent : HK\$296,001 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 13/F Premises; and (ii) conditions of the 13/F Premises, including the location of the premises as well as the facilities and management services associated with the 13/F Premises. The rent payable will be financed by the internal resources of the Group.

Deposit : HK\$592,002, equivalent to two months' rent

Usage : Office

The principal terms of the 27/F Tenancy Agreement are as follows:

Date : 18 January 2023

Parties : (1) Esprit Regional Distribution, as the tenant; and
(2) CUCNP Holdings, as the landlord

Premises : the 27/F Premises

Lease term : Two (2) years commencing from 1 February 2023 and expiring on 31 January 2025 (both days inclusive)

Size of the Premises : Gross floor area: 11,187 square feet

Rent : HK\$302,049 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 27/F Premises; and (ii) conditions of the 27/F Premises, including the location of the premises as well as the facilities and management services associated with the 27/F Premises. The rent payable will be financed by the internal resources of the Group.

Deposit : HK\$604,098, equivalent to two months' rent

Usage : Office

RIGHT-OF-USE ASSETS

The value of the right-of-use asset recognised by the Group under the 13/F Tenancy Agreement and the 27/F Tenancy Agreement amounted to approximately HK\$6.8 million and approximately HK\$7.0 million, respectively, which are the respective present values of total rent payable for the entire respective terms of the 13/F Tenancy Agreement and the 27/F Tenancy Agreement in accordance with IFRS 16 “Leases”.

INFORMATION ON 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.

Filen Limited and CUCNP Holdings

Filen Limited and CUCNP Holdings are investment holding companies that principally engage in holding and leasing of investment properties. As at the date of this announcement, the Substantial Shareholder indirectly holds 82.19% equity interests in both Filen Limited and CUCNP Holdings.

REASONS FOR AND BENEFITS OF ENTERING INTO THE NEW TENANCY AGREEMENTS

Currently, the 13/F Premises houses the Company's administration head office, the Human Resources Division, and the Legal Division and the 27/F Premises houses the Company's Product Design & Merchandising Division. The Company is continuously expanding and there remains continuing need for quality office spaces such as those offered by the 13/F Premises and the 27/F Premises. The renewal of the tenancies allows the Company to remain in these spaces and avoid the need to look for new premises and save expenses that would otherwise be incurred such as moving/relocation and renovation of new premises. It also saves time in that the current premises are immediately available for operation while new premises would require time for renovation and moving in.

The renewal will also keep the Company's teams in close physical proximity to increase work convenience, efficiency and encourage the development of rapport amongst the Company's teams. The Company intends to continue the current use of the 13/F Premises and the 27/F Premises as indicated above.

The terms of the 13/F Tenancy Agreement and the 27/F Tenancy Agreement were arrived at after arm's length negotiation between the respective parties to the 13/F Tenancy Agreement and the 27/F Tenancy Agreement. The monthly rents for the New Tenancy Agreements represents discounts of approximately 3.58% and approximately 12.95% to the respective prevailing market rents for the 13/F Premises and the 27/F Premises 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 on normal commercial terms and in the ordinary and usual course of business of the Group. Therefore, the New Tenancy Agreements are in the best interest 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 13/F Premises and the 27/F 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, the Substantial Shareholder indirectly holds 82.19% equity interests in both Filen Limited and CUCNP Holdings. Therefore, each of Filen Limited and CUCNP Holdings is an associate of the Substantial Shareholder and a connected person of the Company. Accordingly, the entering into the New Tenancy Agreements by Esprit Regional Distribution constitutes connected transactions 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 New Tenancy Agreements, when aggregated with the Previous Tenancy Agreements within 12-month period, are more than 0.1% but 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:

| | |
|--------------------------|--|
| “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 18 January 2023 entered into between Esprit Regional Distribution as tenant and Filen Limited as landlord in respect of the 13/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 tenant and Wealth Elegant Investments Limited as landlord in respect of the 26/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 18 January 2023 entered into between Esprit Regional Distribution as tenant and CUCNP Holdings as landlord in respect of the 27/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 tenant and Bright Majestic Limited as 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 tenant and Silver Target Limited as 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 |
| “CUCNP Holdings” | CUCNP Holdings Limited, a company incorporated in the British Virgin Islands with limited liability |
| “Director(s)” | the director(s) of the Company |
| “Esprit Regional Distribution” | Esprit Regional Distribution Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company |
| “Filen Limited” | Filen Limited, a company incorporated in Hong Kong with limited liability |

| | |
|-----------------------------------|---|
| “Group” | 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 |
| “Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| “New Tenancy Agreements” | collectively, the 13/F Tenancy Agreement and the 27/F Tenancy Agreement |
| “Previous 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 |
| “Previous 27/F Tenancy Agreement” | the tenancy agreement dated 25 January 2021 entered into between Esprit Regional Distribution as tenant and CUCNP Holdings as landlord in respect of the 27/F Premises |
| “Previous Tenancy Agreements” | the 26/F Tenancy Agreement, 29/F Tenancy Agreement and 31/F Tenancy Agreement, particulars of which are disclosed in the Company’s announcements dated 12 October 2022, 19 May 2022 and 23 June 2022 respectively |
| “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
Chairperson

Hong Kong, 18 January 2023

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