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ESPRIT

ESPRIT HOLDINGS LIMITED

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

INSIDE INFORMATION RESTRUCTURING INITIATIVES AND RESUMPTION OF TRADING

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).

RESTRUCTURING INITIATIVES

As disclosed in the announcement of the Company dated 16 March 2020 (the “**Announcement**”), since the recent outbreak of the novel coronavirus (COVID-19) (the “**Pandemic**”), many countries have implemented public health measures and taken various drastic actions in order to slowdown the spread of the Pandemic.

These vigorous measures have resulted in the closure of all European stores of the Group and nearly all points of sale of the Group's franchise and wholesale partners due to the entire lock down of public life in nearly all European countries, which continues to have a material adverse impact on the sales of the Group.

The Company would like to update the shareholders of the Company (the “**Shareholders**”) and potential investors that subsequent to the Announcement, the position of the European companies in the Group (the “**European Subsidiaries**”) has further deteriorated significantly as they currently generate only weak E-Commerce turnover, while salaries, rents and operating costs continue to accrue.

As a proactive and forward-looking measure in order to protect the solvency and liquidity of the Group (most notably the European Subsidiaries) and ongoing business operations of the Group in the midst of the Pandemic, on 27 March 2020, each of six subsidiaries of the Company (collectively, the “**Subject Subsidiaries**”), namely, Esprit Europe GmbH, Esprit Europe Services GmbH, Esprit Retail B.V. & Co. KG, Esprit Wholesale GmbH, Esprit Design & Product Development GmbH and Esprit Global Image GmbH, has applied for the initiation of protective shield proceedings (the “**Protective Shield Proceedings**”), i.e. restructuring proceedings in self-administration, pursuant to section 270b of the German Insolvency Act, which are only available to businesses which are still liquid.

On 27 March 2020, the competent court has responded to the Subject Subsidiaries' filings for Protective Shield Proceedings and instituted preliminary self-administration allowing the Subject Subsidiaries to continue administrating their assets. Upon the Group's proposal, the court has appointed Dr. Biner Bähr, a Düsseldorf-based partner of the international law firm White & Case LLP, as the preliminary custodian to supervise the restructuring of the Subject Subsidiaries in self-administration. In addition, the Group appointed Mr. Detlev Specovius, a partner of the German restructuring law-firm Schultze & Braun and a proven expert with extensive experience in self-administration cases, to actively support the restructuring process of the Subject Subsidiaries.

The Protective Shield Proceedings protect the Subject Subsidiaries from individual creditors while the present management of the Subject Subsidiaries work out a draft restructuring plan that is subject to the approval of their creditors and of the court. Such plan must be submitted by 29 June 2020. During this period of time, the management of the Subject Subsidiaries will continue to remain in office and will continue to be responsible for the management of the business of the relevant companies, subject to the supervision of the court-appointed preliminary custodian, Dr. Biner Bähr, and a preliminary creditors' committee, both of which are charged with the duty of safeguarding the interests of creditors.

Through the Protective Shield Proceedings, the Company will continue to actively manage the Subject Subsidiaries with its proven management team in charge, and pursue and accelerate its restructuring path that commenced under its strategic plan since 2018 as mentioned in the 2018 annual report of the Company. The restructuring plan will help to significantly reduce the liabilities of the Subject Subsidiaries to a sustainable and manageable level and one that is in-line with the business needs of the Group. By pursuing the Protective Shield Proceedings, the Subject Subsidiaries aim to effectively restructure all their liabilities and long-term lease contracts, obtain funding for salaries and social security payments of the German workforce from the German Federal Employment Agency and negotiate with works councils for more flexible solutions.

The application of the Protective Shield Proceedings represents part of the significant initiative of the management of the Group led by the Chief Executive Officer, the Chief Financial Officer and the Chief Transformation Officer to preserve the Subject Subsidiaries' liquidity, restructure the business and optimise the capital structure of the Group amidst the Pandemic. As the Subject Subsidiaries (and other members of the Group) are currently liquid but threatened by future illiquidity in view of the Pandemic and its consequences, taking into consideration the potential benefits of the Protective Shield Proceedings, the Directors consider that it is in the interest of the Company and the Shareholders as a whole for the Subject Subsidiaries to apply for the Protective Shield Proceedings.

The Company has been working relentlessly to secure the continued operation of all other European Subsidiaries in order to allow each of them to return to its ordinary course of business when public life will start again and shops will be reopened with the lifting of the mandatory public lock-down measures as the Pandemic subsides in the future.

Facing the unprecedented challenge caused by the Pandemic, the management is focused on optimising and streamlining the Group's business in order to be stronger, leaner and fitter so as to be better placed to pursue the market opportunities that may arise after the Pandemic. The Group is actively exploring different avenues to strengthen its financial position. For example, it has applied for support under the financial assistance programs announced by various authorities in Germany and other European countries in response to the Pandemic. It will also continue to seek further financing options and work closely with all of its creditors to achieve the best possible consensual restructuring for all interested parties. If the Subject Subsidiaries succeed in securing financing to move forward sustainably, the proceedings will conclude.

The Company will inform the Shareholders and potential investors of the Company of any material development of the Protective Shield Proceedings and/or any other restructuring initiatives as and when required under the Listing Rules.

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

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was halted with effect from 9:00 a.m. on 23 March 2020 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 30 March 2020.

By Order of the Board
Ophelia LO Tik Man
Company Secretary

Hong Kong, 27 March 2020

As at the date of this announcement, the Board comprises (i) Dr Raymond OR Ching Fai (Executive Chairman), Mr Anders Christian KRISTIANSEN (Group Chief Executive Officer) and Dr Johannes Georg SCHMIDT-SCHULTES (Group Chief Financial Officer) as Executive Directors; (ii) Mr Jürgen Alfred Rudolf FRIEDRICH as Non-executive Director; 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.