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## ESPRIT HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*

**STOCK CODE: 00330**

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

The Board announces that on 23 June 2022, Esprit Regional Distribution (a wholly-owned subsidiary of the Company) entered into a tenancy agreement as the tenant, namely the 31/F Tenancy Agreement with Silver Target (the landlord) in respect of the 31/F Premises.

#### **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 31/F Premises under the 31/F Tenancy Agreement. Accordingly, the transaction under the 31/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 Silver Target. Therefore, Silver Target is an associate of the Substantial Shareholder and a connected person of the Company. Accordingly, the entering into of the 31/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 31/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 31/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.

## INTRODUCTION

The Board announces that on 23 June 2022, Esprit Regional Distribution (a wholly-owned subsidiary of the Company) entered into a tenancy agreement as the tenant, namely the 31/F Tenancy Agreement with Silver Target (the landlord) in respect of the 31/F Premises.

## THE 31/F TENANCY AGREEMENT

The principal terms of the 31/F Tenancy Agreement are as follows:

Date	:	23 June 2022
Parties	:	(1) Esprit Regional Distribution, as the tenant; and (2) Silver Target, as the landlord
Premises	:	the 31/F Premises
Lease term	:	Two (2) years commencing from 1 July 2022 and expiring on 30 June 2024 (both days inclusive)
Size of the Premises	:	Gross floor area: 11,262 square feet Saleable area: 8,806 square feet
Rent	:	HK\$337,860.00 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 31/F Premises; and (ii) conditions of the 31/F Premises, including the location of the premises as well as the facilities and management services associated with the 31/F Premises. The rent payable will be financed by the internal resources of the Group.
Deposit	:	HK\$675,720.00, equivalent to two months' rent
Usage	:	Office

## **RIGHT-OF-USE ASSET UNDER THE 31/F TENANCY AGREEMENT**

The value of the right-of-use asset recognised by the Group under the 31/F Tenancy Agreement amounted to approximately HK\$7.8 million, which is the present value of total rent payable for the entire term of the 31/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.

### **Silver Target**

Silver Target 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 Silver Target.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE 31/F TENANCY AGREEMENT**

Currently, the 12/F Premises houses the Group’s Controller Division and Finance Division; the 13/F Premises houses the Company’s global administration head office, the Human Resources Division, and the Legal Division; the 27/F Premises houses the Company’s Product Design & Merchandising Division; the 29/F Premises will primarily be used as a product showroom equipped with a modelling runway, dressing rooms, and houses designers and fashion consultants for the Company’s Product Design & Merchandising Division; and the E-Trade Plaza Premises is occupied by the Group’s E-bits Division.

The Company re-entered the Hong Kong and Korea markets in the second quarter of 2022 and is preparing to re-enter the United States and other key Asian markets in the second half of 2022. These major expansions, which are being planned, managed, and executed from the Company’s international headquarters in Hong Kong, require significant additions to the Company’s headcount in Hong Kong. Additionally, selected strategic functions such as sourcing and procurement are being relocated back to Hong Kong to accommodate the expansion needs.

The Company's management decided to enter into an agreement to rent the 31/F Premises, with a main consideration to 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 31/F Premises will be used primarily by the Company's Sourcing, Procurement and Solutions Division, whose core functions are sourcing of raw materials and products; managing relationships with sourcing partners; managing and controlling the global procurement of goods and services of the Company; facilitating communications within the Company; and providing solutions to enhance productivity and increase efficiency.

The terms of the 31/F Tenancy Agreement were arrived at after arm's length negotiation between the parties to the 31/F Tenancy Agreement. The monthly rent for the 31/F Tenancy Agreement represents a discount of 9.18% to the prevailing market rent of the premises of HK\$372,000 as assessed by an independent valuer. The 31/F Premises are fully furnished and have been completely renovated and available for immediate occupation and utilization.

The Directors (including the independent non-executive Directors) are of the view that the terms of the 31/F Tenancy Agreement are fair and reasonable, and the 31/F Tenancy Agreement has been entered on normal commercial terms and in the ordinary and usual course of business of the Group. Therefore, the 31/F Tenancy Agreement is in the best interest of the Group and its Shareholders as a whole. None of the Directors has a material interest in the transaction contemplated under the 31/F Tenancy Agreement nor is required to abstain from voting on the resolution to approve the transaction contemplated under the 31/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 31/F Premises under the 31/F Tenancy Agreement. Accordingly, the transaction under the 31/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 Silver Target. Therefore, Silver Target is an associate of the Substantial Shareholder and a connected person of the Company. Accordingly, the entering into of the 31/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 31/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 31/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.

## **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 Limited 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
“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 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
“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 tenant and Golden Lake Property Limited 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
“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
“Previous Tenancy Agreements”	12/F Tenancy Agreement, 13/F Tenancy Agreement, 27/F Tenancy Agreement, 29/F Tenancy Agreement and E-Trade Plaza Tenancy Agreement, particulars of which are disclosed in the Company’s announcements dated 25 January 2021, 23 November 2021 and 19 May 2022
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Silver Target”	Silver Target Limited, a company incorporated in the British Virgin Islands with limited liability
“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, 23 June 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