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ESPRIT

ESPRIT HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 00330)

DISCLOSEABLE TRANSACTION

SALE AND LEASE BACK OF HONG KONG OFFICES

The Board announces that the Group has agreed to sell and lease back the properties currently occupied by the Group as its Hong Kong offices.

On 21 December 2015, the Group concluded definitive agreements to sell the Target Companies, which own the Hong Kong offices of the Group, to the Purchasers, who are independent third parties. On completion of the sale, the Group will lease back the majority of the Properties from the Purchasers to continue as its Hong Kong offices.

The Board is of the view that these Transactions are fair and reasonable, and are in the interests of the Company and its shareholders as a whole.

The Group expects that the disposal of the Sale Assets will record an estimated exceptional net gain of approximately HK\$725 million. The actual exceptional net gain will be determined by the accounts of the Target Companies on the date when the sale is completed, and hence, the actual amount of such gain may differ from the above estimate.

The sale and lease back will further enable the Group to focus on its core operations. The proceeds will be used by the Group as its general working capital, including funding any future investment opportunities that may arise. The lease of the Hong Kong offices will better reflect the cost of the local operation, and hence help management efforts to streamline the actual current cost structure.

The sale and lease back constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules and further details of the Transactions are set out below.

PRINCIPAL TERMS OF THE SALE AND PURCHASE AGREEMENT (“SPA”)

- Date: 21 December 2015 (after trading hours)
- Parties: The Vendor, a wholly owned subsidiary of the Company, and the Purchasers
- Agreement: The Vendor agreed to sell, and the Purchasers agreed to purchase, the Sale Assets.
- Sale Assets: (i) The entire issued share capitals of the Target Companies which own the Properties comprising 41/F, 43/F, 45/F, 47/F and 49/F, 16 car parking spaces and the Signage Area of Enterprise Square Three, No. 39 Wang Chiu Road, Kowloon Bay, Kowloon, Hong Kong (the “**Sale Shares**”); and
- (ii) the loans owing by the Target Companies to the Vendor (the “**Sale Loans**”).
- Purchase Price: The purchase price is based on the aggregate net asset value of the Target Companies on Completion to be determined in accordance with the SPA. The net asset value will in effect be computed on the basis of attributing a value of HK\$918 million to the Properties and disregarding the Sale Loans as a liability.
- Payment of Final Purchase Price: The Purchase Price shall be paid by the Purchasers to the Vendor as follows:
- (i) an initial deposit of HK\$91,800,000 (“**Initial Deposit**”) has been paid;
- (ii) a further deposit of HK\$45,900,000 (“**Further Deposit**”) will be paid on or before 20 January 2016;
- (iii) an amount equal to the balance of the Purchase Price computed on the basis of draft accounts of the Target Companies made up to the date of Completion will be paid at Completion; and
- (iv) any adjustments to the Purchase Price as finally determined by the accounts of the Target Companies made up to the date of Completion, will be paid by the relevant Purchaser to the Vendor, or by the Vendor to the relevant Purchaser, as the case may be, within 5 business days after such final determination.
- Completion: Completion shall take place on 21 March 2016 or such other date as the Vendor and the Purchasers may agree in writing.

Lease Back of the Properties (save for the 41/F and 3 car parking spaces): At Completion, four Leases will be concluded between Red Giant as tenant and the relevant Target Companies as landlords in respect of 43/F, 45/F, 47/F and 49/F, 13 car parking spaces and the Signage Area of the Building.

Red Giant will be granted a free of charge license period for 75 days from Completion during which it will pay rates, management and air-conditioning charges and all other outgoings of an annual or non-capital nature.

The Leases will commence immediately after the expiry of the license period ("**Lease Commencement Date**").

Guarantees: The Company has agreed to guarantee certain obligations of the Vendor under the SPA and Red Giant (its wholly-owned subsidiary) as tenant under the Leases.

PRINCIPAL TERMS OF THE LEASES

Parties: Red Giant as tenant and the Target Companies as landlords

Properties involved: The Properties except the 41/F and 3 car parking spaces of the Building

Duration: Six years from the Lease Commencement Date (see the last paragraph in the section headed "Principal Terms of the SPA" above), subject to the tenant's right to surrender/terminate as described below

Rent: For the first 3 years, the rent for each of the four Leases will be HK\$607,605.50 per month, and (subject to the 43/F Lease being surrendered or terminated as described below) the aggregate rent for all Leases will hence be HK\$2,430,422 per month, exclusive of rates, management and air-conditioning charges and other outgoings of an annual or non-capital nature.

For the second 3 years, the rent for each Lease will be HK\$729,126.60 per month, and (subject to any Leases being surrendered or terminated by the tenant as described below) the aggregate rent for all Leases will hence be HK\$2,916,506.40 per month, exclusive of rates, management and air-conditioning charges and other outgoings of an annual or non-capital nature.

Tenant's Option to Surrender/Terminate: Red Giant will have an option to surrender/terminate :

- (i) the 43/F Lease after the expiration of the first twelve months from the Lease Commencement Date without any penalty by serving not less than three months' prior written notice to the landlord;
- (ii) any of the Leases, with effect on the day before the commencement of the 4th year of the lease term without

any penalty by serving not less than six months' prior written notice to the relevant landlord; and

- (iii) any of the Leases at any time during the fourth to sixth year of the lease term without any penalty by serving not less than twelve months' prior written notice to the relevant landlord.

Upon the expiration of such notice, the relevant Lease(s) will terminate without prejudice to any rights or remedies accrued before the termination of the Lease(s).

INFORMATION OF THE TARGET COMPANIES AND THE PROPERTIES

The Target Companies are wholly-owned subsidiaries of the Vendor, which is in turn a wholly-owned subsidiary of the Company. The Target Companies are properties holding companies engaged in the acquisition, holding and/or leasing of the Properties. The Target Companies own the Properties comprising 41/F, 43/F, 45/F, 47/F and 49/F, 16 car parking spaces and the Signage Area of Enterprise Square Three, No. 39 Wang Chiu Road, Kowloon Bay, Kowloon, Hong Kong. The Properties are currently occupied and used by the Group as its Hong Kong offices. On Completion, the Properties (except 41/F and 3 car parking spaces) will be leased back by the Group to continue their existing use.

INFORMATION OF THE PURCHASERS

The Purchasers are companies incorporated in the BVI and are wholly-owned by an investment vehicle the ultimate majority shareholders of which are funds managed by Phoenix Property Investors, a private equity real estate firm which focuses on real estate investments in the Pan-Asian markets.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchasers and their ultimate beneficial owner(s) are independent third parties and not Connected Persons of the Group.

INFORMATION OF THE GROUP

The Group owns the Esprit international fashion brand that creates inspiring collections for women, men and kids. Esprit's collections are available in around 40 countries worldwide, in over 850 directly managed retail stores and through over 7,600 wholesale points of sales including franchise stores and sales space in department stores.

FINANCIAL IMPACT OF THE TRANSACTIONS

The terms of the Transactions were determined based on arm's length negotiation between the parties. The Board is of the view that that the terms of the Transactions are fair and reasonable and in the interests of the Company and its shareholders as a whole.

The Group expects that the disposal of the Sale Assets will record an estimated exceptional net gain of approximately HK\$725 million. However, the actual exceptional

net gain will be determined by the accounts of the Target Companies on the date when the sale is completed, and hence, the actual amount of such gain may differ from the above estimate. The proceeds will be used by the Group as its general working capital, including funding any future investment opportunities that may arise.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules exceed 5% but are less than 25%, the Transactions constitute a discloseable transaction for the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“43/F Lease”	the lease to be concluded between Red Giant as tenant and All Brilliant Investments Limited and Enterprise Carpark Limited as the respective landlords of 43/F and 3 car parking spaces of the Building
“45/F Lease”	the lease to be concluded between Red Giant as tenant and Candidwell Investments Limited and Enterprise Carpark Limited as the respective landlords of 45/F and 3 car parking spaces of the Building
“47/F Lease”	the lease to be concluded between Red Giant as tenant and Gainer Investments Limited and Enterprise Carpark Limited as the respective landlords of 47/F and 3 car parking spaces of the Building
“49/F Lease”	the lease to be concluded between Red Giant as tenant and Leadfirst Investments Limited and Enterprise Carpark Limited as the respective landlords of 49/F, 4 car parking spaces and the Signage Areas of the Building
“Board”	the Board of Directors
“Building”	Enterprise Square Three, No. 39 Wang Chiu Road, Kowloon Bay, Kowloon, Hong Kong
“BVI”	the British Virgin Islands
“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
“Completion”	completion of the sale and purchase of the Sale Shares and the Sale Loans pursuant to the SPA

“Connected Person(s)”	has the meaning ascribed to this term under the Listing Rules
“Director(s)”	director(s) 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
“Leases”	the 43/F Lease, the 45/F Lease, the 47/F Lease and the 49/F Lease
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Purchasers”	Auspicious Time Global Limited, Charming Way Ventures Limited, Gleaming Sun Investments Limited, Obvious Bliss Investments Limited, Pleasant View Group Limited and/or Stardust King Group Limited, all being companies incorporated under the laws of the BVI
“Properties”	41/F, 43/F, 45/F, 47/F and 49/F, 16 car parking spaces and the Signage Area of the Building
“Red Giant”	Red Giant (Hong Kong) Limited, a wholly-owned subsidiary of the Company incorporated in Hong Kong
“Sale Assets”	the Sale Shares and the Sale Loans
“Sale Loans”	the loans owing by the Target Companies to the Vendor
“Sale Shares”	the entire issued share capitals of the Target Companies
“Signage Area”	certain areas in the main lobby, 5/F and the roof of the Building currently used to display the Group’s signage
“SPA”	the sale and purchase agreement dated 21 December 2015 and concluded between the Vendor and the Purchasers
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Companies”	All Brilliant Investments Limited, Candidwell Investments Limited, Enterprise Carpark Limited, Gainer Investments Limited, Leadfirst Investments Limited and Wisdom Bloom Investments Limited, all being companies incorporated in Hong Kong
“Transactions”	the transactions under the SPA and the Leases, including the guarantees provided or to be provided by the Company under the SPA and the Leases

“Vendor”

Esprit Property Limited, a wholly-owned subsidiary of the Company incorporated in Hong Kong

By Order of the Board
Florence Ng Wai Yin
Company Secretary

Hong Kong, 21 December 2015

As at the date of this announcement, the Board comprises (i) Mr Jose Manuel Martínez Gutiérrez (Group Chief Executive Officer) and Mr Thomas Tang Wing Yung (Group Chief Financial Officer) as Executive Directors; (ii) Mr Jürgen Alfred Rudolf Friedrich as Non-executive Director; and (iii) Dr Raymond Or Ching Fai (Chairman), Mr Paul Cheng Ming Fun (Deputy Chairman), Dr José María Castellano Ríos, Mr Alexander Reid Hamilton, Mr Carmelo Lee Ka Sze and Mr Norbert Adolf Platt as Independent Non-executive Directors.