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Xtep International Holdings Limited
特步國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1368)

CONTINUING CONNECTED TRANSACTIONS
LEASE AGREEMENTS

The Board announces that on 21 December 2018, certain subsidiaries of the Company entered into the Lease Agreements with HD Century, pursuant to which HD Century (as landlord) has agreed to lease certain office units of Century Building in Xiamen, the PRC, to certain subsidiaries of the Company (as tenants) commencing from 1 January 2019.

As Wan Xing is the controlling shareholder of the Company indirectly interested in approximately 58.40% of the issued share capital of the Company as at the date of this announcement, each of Wan Xing and its subsidiaries (being the associates of Wan Xing) is a connected person of the Company. HD Century, being an indirect wholly-owned subsidiary of Wan Xing, is a connected person of the Company. Therefore, the transactions contemplated under the Lease Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since one or more of the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the proposed annual caps for the Lease Agreements exceeds 0.1% but are all less than 5%, the transactions contemplated under the Lease Agreements are subject to the reporting, announcement and annual review requirements, but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board announces that on 21 December 2018, certain subsidiaries of the Company entered into the Lease Agreements with HD Century, pursuant to which HD Century (as landlord) has agreed to lease certain office units of Century Building in Xiamen, the PRC, to certain subsidiaries of the Company (as tenants) commencing from 1 January 2019.

LEASE AGREEMENTS

A summary of the principal terms of the Lease Agreements is set out below:

Landlord	Tenant	Location of leased properties in Century Building	Monthly rental (RMB)
HD Century	Xiamen Xtep	3/F	125,932 (from 1 January 2019 to 31 December 2020) and 133,488 (from 1 January 2021 to 31 December 2021)
HD Century	Xiamen Xtep	25/F and 26/F	293,626 (from 1 January 2019 to 31 December 2020) and 311,243 (from 1 January 2021 to 31 December 2021)
HD Century	TLY	8/F	121,734 (from 1 January 2019 to 31 December 2020) and 129,039 (from 1 January 2021 to 31 December 2021)
HD Century	TLY	18/F	156,408 (from 1 January 2019 to 31 December 2020) and 165,790 (from 1 January 2021 to 31 December 2021)

Lease term : 1 January 2019 to 31 December 2021

Usage : Office space

Price determination : The rental amount was determined based on arm's length negotiations between HD Century and Xiamen Xtep and TLY with reference to the prevailing market price of leases of comparable office buildings

Payment terms : Payable on a quarterly basis

PROPOSED ANNUAL CAPS OF THE LEASE AGREEMENTS

Set out below is a summary of the aggregate proposed annual caps for the rental amounts payable by the Group to HD Century for each leased year under the Lease Agreements:

	First year 1 January 2019 – 31 December 2019	Second year 1 January 2020 – 31 December 2020	Third Year 1 January 2021 – 31 December 2021
Proposed annual caps <i>RMB (million)</i>	12.5	12.5	13.0

The above proposed annual caps are determined based on (i) the rental amount payable by the Group under the Lease Agreements; (ii) the assumption that the rental amount for the Lease Agreements will remain unchanged during the terms of the Lease Agreements; and (iii) the possibility of entering into more leases between HD Century in the future.

Since the Company and HD Century had not entered into similar transactions, there is no historical transaction amount available.

REASONS FOR ENTERING INTO THE LEASE AGREEMENTS

The Group has continuously and actively considered different means to control or minimise its costs so as to maintain or enhance its competitiveness. The Directors (including the independent non-executive Directors) considered that it would be commercially beneficial to the Group to lease office units under the Lease Agreements from HD Century as it is expected that the Group can benefit from the well-developed supporting facilities available at the Century Building under the Lease Agreements and it will improve the Group's efficiency in operation and management.

In determining the rental amount for the Lease Agreements, the Group made reference to market prices of leases of comparable offices. The Group took into consideration a range of relevant factors (such as location, size, transportation, construction and utility facilities of the properties) to determine whether the properties were suitable for the Group in order to safeguard the interests of the Company and its shareholders. The Directors are of the view that the above mentioned methods and procedures can ensure that the transactions contemplated under the Lease Agreements will be conducted on normal commercial terms or better and not prejudicial to the interest of the Company's minority shareholders.

Based on the foregoing, the Directors (including the independent non-executive Directors) considered that (i) the transactions contemplated under the Lease Agreements are in the ordinary and usual course of business of the Group on normal commercial terms or better, and (ii) the terms of the Lease Agreements and the proposed annual caps are fair and reasonable and in the interests of the Company and its shareholders as a whole.

IMPLICATIONS' UNDER THE LISTING RULES

As Wan Xing is the controlling shareholder of the Company indirectly interested in approximately 58.40% of the issued share capital of the Company as at the date of this announcement, each of Wan Xing and its subsidiaries (being the associates of Wan Xing) is a connected person of the Company. HD Century, being an indirect wholly-owned subsidiary of Wan Xing, is a connected person of the Company. Therefore, the transactions contemplated under the Lease Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since one or more of the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the proposed annual caps for the Lease Agreements exceeds 0.1% but are all less than 5%, the transactions contemplated under the Lease Agreements are subject to the reporting, announcement and annual review requirements, but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Each of Mr. Ding Shui Po, Ms. Ding Mei Qing and Mr. Ding Ming Zhong, executive Directors, was deemed to be interested in approximately 58.40% of the total issued share capital of the Company through Wan Xing as at the date of this announcement by virtue of the SFO. Accordingly, Mr. Ding Shui Po, Ms. Ding Mei Qing and Mr. Ding Ming Zhong, being Directors who may have a material interest, have voluntarily abstained from voting on the board resolution(s) of the Company concerning the Lease Agreements and the proposed annual caps.

INFORMATION ON THE GROUP AND HD CENTURY

The Company and its subsidiaries are principally engaged in the design, development, manufacturing, sales and marketing of sportswear, including footwear, apparel and accessories.

HD Century is mainly engaged in management consulting, investment advising, and clothing production.

DEFINITIONS

In this announcement, unless otherwise defined, terms used herein shall have the following meanings:

“Board”	the board of Directors;
“Century Building”	Hu Du Century Building* (虎都世紀大廈) situated at 7 Yilan Road, Siming District, Xiamen, the PRC;
“Company”	Xtep International Holdings Limited (特步國際控股有限公司), a company incorporated in Cayman Islands with limited liability whose Shares are listed on the Stock Exchange;
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules;
“controlling Shareholder”	has the same meaning ascribed thereto under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“HD Century”	Hu Du Century (Xiamen) Investment Management Co., Ltd.* (虎都世紀(廈門)投資管理有限公司), a company incorporated in the PRC and an indirect wholly-owned subsidiary of Wan Xing and an associate of controlling shareholder of the Company;
“Hong Kong”	the Hong Kong Special Administrative Region;
“Lease Agreements”	collectively, the two lease agreements both dated 21 December 2018 between HD Century and Xiamen Xtep and the two lease agreements both dated 21 December 2018 between HD Century and TLY;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China, for the purpose of this announcement only, excluding Hong Kong, Macau Special Administrative Region and Taiwan;

“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“TLY”	TLY (XIAMEN) E-Commerce Co., Ltd* (廈門天鄰緣電子商務有限公司), a company incorporated in the PRC and a 75% indirectly owned subsidiary of the Company;
“Wan Xing”	Wan Xing International Holdings Limited, a limited liability company incorporated in the British Virgin Islands which is indirectly interested in approximately 58.40% of the issued share capital of the Company as at the date of this announcement;
“Xiamen Xtep”	Xiamen Xtep Investment Co., Ltd.* (廈門特步投資有限公司), a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company; and
“%”	per cent.

* *The English translation of company names in Chinese is for identification purposes only. If there is any inconsistency between the Chinese names of entities or enterprises established in China and their English translations, the Chinese names shall prevail.*

By order of the Board of
Xtep International Holdings Limited
Ding Shui Po
Chairman

Hong Kong, 21 December 2018

As at the date of this announcement, the executive Directors are Mr. DING Shui Po, Ms. DING Mei Qing, and Mr. DING Ming Zhong; the non-executive Director is Mr. HO Yui Pok, Eleutherius; and the independent non-executive Directors are Mr. TAN Wee Seng, Dr. GAO Xian Feng and Dr. BAO Ming Xiao.