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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)

**DISCLOSEABLE TRANSACTION**  
**ACQUISITION OF SHARES IN**  
**E-LAND FOOTWEAR USA HOLDINGS INC.**

**Financial adviser to Xtep International Holdings Limited**



**The Hongkong and Shanghai Banking Corporation Limited**

**THE ACQUISITION**

The Board is pleased to announce that on 2 May 2019 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company, and the Company entered into the Stock Purchase Agreement with the Sellers, pursuant to which the Purchaser agreed to acquire from the Sellers the Target Shares, representing all of the outstanding shares of the capital stock of E-Land Footwear USA Holdings Inc. (the “**Target Company**”), the ultimate owner of the “K-Swiss”, “Palladium” and “Supra” brands, for a cash consideration of US\$260,000,000 (equivalent to approximately RMB1,749,800,000). In addition, the Company agreed to unconditionally and irrevocably guarantee the performance and observance by the Purchaser of all its obligations and warranties under or pursuant to the Stock Purchase Agreement. Completion of the Acquisition is subject to certain conditions precedent.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratio(s) calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements but is exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

**As the Acquisition is subject to certain conditions precedent being satisfied or waived, the Acquisition may or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the Shares.**

## **THE ACQUISITION**

On 2 May 2019 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company, and the Company entered into the Stock Purchase Agreement with the Sellers, pursuant to which the Purchaser agreed to acquire the Target Shares, representing all of the outstanding shares of the capital stock of the Target Company, for a cash consideration of US\$260,000,000 (equivalent to approximately RMB1,749,800,000).

## **STOCK PURCHASE AGREEMENT**

The principal terms of the Stock Purchase Agreement are set out below:

- Date:** 2 May 2019 (after trading hours)
- Parties:**
- (1) the Purchaser, a wholly-owned subsidiary of the Company, as purchaser
  - (2) the Company, as guarantor
  - (3) the Sellers, as sellers

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Sellers and its ultimate beneficial owner(s) are third parties independent of and not connected with the Company and its connected person(s).

- Subject matter:** Pursuant to the Stock Purchase Agreement, the Purchaser agreed to acquire, and the Sellers agreed to sell, the Target Shares, representing all of the outstanding shares of the capital stock of the Target Company, subject to the terms and conditions of the Stock Purchase Agreement.

**Consideration:** US\$260,000,000 (equivalent to approximately RMB1,749,800,000) (the “**Purchase Price**”)

**Payment:** The consideration shall be paid as follows:

- (1) a deposit of US\$26,000,000 (10% of the Purchase Price) paid upon the signing of the Stock Purchase Agreement; and
- (2) the Purchase Price, less the deposit and any leakage agreed by both parties, to be paid at Closing.

The Purchase Price was determined and agreed after arm’s length negotiations between the parties to the Stock Purchase Agreement after taking into consideration of various factors, including but not limited to the fair values of brands owned by the Target Company and their respective growth potential in the market.

**Closing:** Closing shall take place on the later of the first Business Day of the full calendar month immediately following the date on which the last of conditions precedent set out in the Stock Purchase Agreement is satisfied or waived and 1 July 2019.

**Conditions Precedent:** Completion of the Acquisition is conditional upon the satisfaction or waiver of certain conditions precedent including, among others:

- (1) no governmental entity shall have issued, enacted, entered, promulgated or enforced any law or order restraining, enjoining or otherwise prohibiting the transactions contemplated under the Stock Purchase Agreement;
- (2) any waiting periods in connection with all relevant required filings under the HSR Act and all required filings under other applicable antitrust laws as determined by the Purchaser in good faith to be necessary or appropriate to consummate the transactions contemplated under the Stock Purchase Agreement and all other relevant consents, waivers and approvals from governmental entities having expired, been terminated, been made or been obtained (“**Anti-trust Approvals**”);

- (3) there has been no material adverse effect of the Sellers or the Target Group; and
- (4) (i) the termination of certain distributorship and license agreements between the Target Group and E-Land Fashion Shanghai Co. Ltd. (a subsidiary of the Sellers) on terms and conditions reasonably satisfactory to the Purchaser and E-Land Fashion Shanghai Co. Ltd. and (ii) the agreement on the definitive transaction documents in connection with the joint venture to be incorporated between the Purchaser and E-Land Fashion Shanghai Co. Ltd. for the distribution of the Palladium brand with exclusive license in the PRC on terms and conditions reasonably satisfactory to both the Purchaser and E-Land Fashion Shanghai Co. Ltd..

**Representations and warranties and indemnities:** The Sellers and the Purchaser have made usual and customary representations and warranties in line with those made under transactions with similar nature and scale. The Sellers have provided a tax indemnity and specific indemnities, subject to customary limitations of liability.

**Termination:** The Stock Purchase Price may be terminated by (1) mutual consent, (2) either of the Sellers or the Purchaser if Anti-trust Approvals are not obtained or if closing does not occur on or before 31 July 2019, provided that such deadline shall be extended to 31 December 2019 if the only condition outstanding as at 31 July 2019 is the Anti-trust Approvals and other conditions which by their nature cannot be satisfied until Closing, (3) the Sellers for breach by the Purchaser or the Guarantor that is not cured or curable, or (4) the Purchaser for breach by the Sellers that is not cured or curable.

**Guarantee:** The Company agreed to unconditionally and irrevocably guarantee the performance and observance by the Purchaser of all its obligations and warranties under or pursuant to the Stock Purchase Agreement.

## **INFORMATION ON THE PARTIES AND THE TARGET COMPANY**

### **The Company and the Purchaser**

The Company is a company incorporated in the Cayman Island with limited liability, whose shares are listed on the Main Board of the Stock Exchange. The Group established its own sportswear brand “Xtep” in 2002, which is now one of the leading professional sports domestic brands offering stylish and functional sportswear products in the PRC. The Group has an extensive distribution network with exclusive distributors that operate over 6,200 standalone stores nationwide covering 31 provinces, autonomous regions and municipalities in the PRC, coupled with some points of sale overseas. The Group is principally engaged in design, development, manufacturing and marketing of sportswear, including footwear, apparel and accessory products, sold mainly under the self-owned Xtep brand.

The Purchaser is a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company. It is principally engaged in investment holding.

### **The Sellers**

E-Land World is a corporation organised under the laws of the Republic of Korea. It is the ultimate parent company of a group of affiliate companies known as the E.Land Group, which is a South Korean fashion and retail group, with operations spanning the world. As at the date of this announcement, E-Land World is the record and beneficial owner in respect of 52.16% of the outstanding shares of the capital stock of the Target Company.

E-Land USA is a corporation organised under the laws of the State of Delaware. It is principally engaged in investment holding. As at the date of this announcement, E-Land USA is the record and beneficial owner in respect of 47.84% of the outstanding shares of the capital stock of the Target Company.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Sellers and their respective ultimate beneficial owner(s) are third parties independent of the Company and connected persons of the Company.

## Target Group

The Target Company is a corporation organised under the laws of the State of Delaware. The Target Group is principally engaged in the design, development and marketing of footwear, apparel and accessories for athletic, high performance sports, adventures for all terrains and fitness activities and casual wear under three internationally recognised brands, including K-Swiss, Palladium and Supra as well as two sub-brands, namely PLDM and KR3W.

The table below sets out certain financial information of the Target Group for the years ended 31 December 2017 and 2018 prepared in accordance with generally accepted accounting principles in the United States of America:

	For the year ended 31 December	
	2017 (US\$'000) (audited) <sup>1</sup>	2018 (US\$'000) (unaudited) <sup>3</sup>
Revenue	206,066	210,006
Adjusted EBITDA <sup>2</sup>	(12,422)	1,668
Net profits before taxation	(32,586)	(14,324)
Net profits after taxation	(32,519)	(14,850)

As at 31 December 2018, the unaudited net asset value of the Target Group was approximately US\$77,836,000 (RMB523,836,280).

	For the year ended 31 December							
	2017 (US\$'000) (unaudited)				2018 (US\$'000) (unaudited)			
	K-Swiss	Palladium	Others	Total	K-Swiss	Palladium	Others	Total
Revenue	97,508	71,047	37,511	206,066	109,240	77,907	22,859	210,006
Adjusted EBITDA <sup>2</sup>	(5,500)	(1,074)	(5,848)	(12,422)	2,515	3,376	(4,223)	1,668

### Notes:

1. Audited financial information for the financial year ended 2017 were prepared in accordance with US GAAP.
2. Adjusted EBITDA are unaudited figures being defined as the profit before tax adding back the depreciation and amortization, impairment of intangible assets and net interest expense.

The impairment of intangible assets included impairments on trademarks in Supra and KR3W brands amounting to US\$11,300,000 in 2017 and US\$9,815,000 in 2018.

3. Unaudited financial information for the financial year ended 2018 were prepared on a consistent basis with the audited financial information for the financial year ended 2017.

## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

As stated in the Company's annual report for the year ended 31 December 2018, the Company believes that the sportswear market in the PRC has strong potential for growth and has embarked on a strategy to transform the Company from a single-brand company to a multi-brand portfolio group.

The Board believes that the transaction is an attractive opportunity to invest in a portfolio of global renowned sportswear and lifestyle brands targeting the high-end market segment. K-Swiss and Palladium, each with distinct brand positioning and different target customers, are highly complementary to the Company's current brand portfolio and will enable the Company to transform into a global sportswear player serving diverse customer needs.

The Company also believes the significant opportunity for K-Swiss and Palladium in the PRC and intends to invest significant time and resources to support the growth of these two brands. The Board is confident that the Company's extensive distribution network, leading R&D and supply chain resources are the key enablers for both brands to significantly improve their competitive positioning and profitability as well as to fully unlock their potential in the rapidly growing sportswear market in the PRC.

The Acquisition will be financed by internal resources of the Group.

In view of the above, the Directors believe that the terms of the Acquisition and the Stock Purchase Agreement are fair and reasonable and in the interests of the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

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**As the Acquisition is subject to certain conditions precedent being satisfied or waived, the Acquisition may or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the Shares.**

## DEFINITIONS

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

“Acquisition”	the acquisition of the Target Shares by the Purchaser in accordance with the terms and conditions of the Stock Purchase Agreement
“Board”	the board of Directors
“Closing”	completion of the Acquisition
“Company”	Xtep International Holdings Limited, a company incorporated in Cayman Islands with limited liability
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“E-Land USA”	E-Land USA Holdings Inc., a corporation organised under the laws of the State of Delaware
“E-Land World”	E-Land World Limited, a corporation organised under the laws of the Republic of Korea
“Group”	the Company and its subsidiaries
“Guarantor”	the Company
“HSR Act”	The Hart-Scott-Rodino Antitrust Improvements Act of 1976, 15 U.S.C. § 18a et seq., as amended, and the rules and regulations promulgated thereunder
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Xtep Global Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sellers” and each a “Seller”	E-Land World and E-Land USA
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Stock Purchase Agreement”	the stock purchase agreement dated 2 May 2019 entered into between the Purchaser and the Sellers, pursuant to which the Purchaser agreed to acquire the Target Shares from the Sellers
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Target Company”	E-Land Footwear USA Holdings Inc., a corporation organised under the laws of the State of Delaware
“Target Group”	Target Company and its subsidiaries

“Target Shares”	23,121 shares of common stock, par value US\$0.01, of the Target Company, representing the Target Company’s entire issued share capital
“US\$”	United States dollar(s), the lawful currency of the United States of America
“%”	per cent.

*For illustration purpose of this announcement, save as other stated herein, exchange rate of US\$1 = RMB6.73 has been used for conversion.*

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

Hong Kong, 2 May 2019

*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 Xiao Feng and Dr. BAO Ming Xiao.*