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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)

**POSSIBLE DISCLOSEABLE TRANSACTION
LETTER OF INTENT IN RELATION TO ACQUISITION
OF PROPERTY**

The Board is pleased to announce that on 5 February 2021 (after trading hours), the Letter of Intent was entered into between the Purchaser (a wholly-owned subsidiary of the Company) and the Vendor in relation to the Proposed Acquisition. Pursuant to the Letter of Intent, the Purchaser shall acquire the Property and the Carpark from the Vendor for the Total Consideration of RMB463,600,000 (subject to adjustment).

The Vendor and the Purchaser shall enter into the Formal Sales Agreements in accordance with the terms of the Letter of Intent. The Company will issue further announcement in accordance with the requirements of the Listing Rules when the Formal Sales Agreements are being entered into.

Based on the maximum of the Total Consideration payable under the Letter of Intent, one or more of the applicable percentage ratios in respect of the Proposed Acquisition under Chapter 14 of the Listing Rules exceed 5% but all are less than 25%, the Proposed Acquisition would then constitute a discloseable transaction for the Company and is subject to the reporting and announcement requirements but exempt from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

As the Proposed Acquisition is subject to the signing of the Formal Sales Agreements, the Proposed Acquisition may or may not proceed. Shareholders and prospective investors of the Company are advised to take caution when dealing in the shares of the Company.

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THE LETTER OF INTENT

Date: 5 February 2021

Parties: (a) The Vendor; and
(b) The Purchaser (a wholly-owned subsidiary of the Company).

To the best of the Directors' knowledge, information and belief and having made all reasonable enquires and based on the information provided by the Vendor, the Vendor and its ultimate beneficial owners are Independent Third Parties.

Subject matter: The Vendor shall sell and the Purchaser shall acquire, without any encumbrance, all the rights, benefits and interests of and in the Property which shall be situated on the land which is legally and beneficially owned by the Vendor as at the date of this announcement. The Vendor shall also sell, and the Purchaser shall acquire, the Carpark which comprise 80 parking spaces at the basement of the Property.

The construction of the Property and inspection acceptance shall be completed by 31 March 2021. The Vendor shall complete the transfer of ownership procedure for the Property within three months from the date on which the Purchaser takes over the Property.

The Property is expected to have a floor area of approximately 10,990 sq. m..

The Property is intended to be used as an operation centre of the Group in Shanghai which will include offices and showrooms.

Total Consideration: Subject to the adjustment of the Property Consideration as mentioned below, the tentative Total Consideration for the Proposed Acquisition is RMB463,600,000, comprising the Property Consideration and the Carpark Consideration.

The Property Consideration is tentatively set at RMB439,600,000, which is calculated based on the expected floor area of the Property of approximately 10,990 sq. m. times RMB40,000 per sq. m.. The final Property Consideration shall be determined based on the actual total floor area of the Property based on an area measurement report to be issued by a recognised surveying institution times RMB40,000 per sq. m., provided that any upward adjustment to the Property Consideration shall be capped at 3% of the tentative Property Consideration.

The Carpark Consideration is RMB24,000,000, representing RMB300,000 per parking space.

The Total Consideration shall be paid in cash in the following manners:

1. 50% of the Total Consideration shall be paid within 20 working days from the signing of the Formal Sales Agreements and the filing thereof with the relevant authority;
2. if the balance of the Total Consideration is to be paid by mortgage, 50% of the Total Consideration shall be paid within three months from the signing of the Formal Sales Agreements, subject to the approval procedures of the relevant bank;
3. if the balance of the Total Consideration is to be paid by bank transfer, 49% of the Total Consideration shall be paid within three months from the signing of the Formal Sales Agreements; and
4. if applicable, the remaining balance of the Total Consideration shall be paid within 20 working days upon receiving the area measurement report of the Property. The difference between the tentative and final Property Consideration shall be paid by the Purchaser or refunded by the Vendor, as the case may be.

If mortgage could be obtained in time, the Total Consideration will be funded by both mortgage and internal resources of the Group. Otherwise, the Total Consideration will be funded solely by internal resources of the Group.

The Deposit: The Deposit in the amount of RMB10,000,000 shall be paid to the Vendor by the Purchaser after signing of the Letter of Intent. The Deposit shall be applied towards the payment of the Total Consideration upon the signing of the Formal Sales Agreement and the filing thereof with the relevant authority.

Save for any force majeure event, (i) the Deposit shall be forfeited should the Purchaser decide not to acquire the Property and/or the Carpark after entering into the Letter of Intent; and (ii) the Vendor shall pay twice the amount of the Deposit to the Purchaser should the Vendor decide not to sell the Property and the Carpark to the Purchaser after entering into the Letter of Intent.

In the event that (i) local policies prohibit the Purchaser to acquire the Property and the Carpark, or (ii) any other force majeure event occurs, the Letter of Intent shall be terminated and the Vendor shall return the Deposit to the Purchaser.

Basis of the Total Consideration: The Total Consideration has been determined after arm's length negotiations between the Vendor and the Purchaser having taken into account (i) the prevailing market value of similar properties in the vicinity of the Property and the Carpark; and (ii) the benefits as described under the paragraph headed "Reasons for the Proposed Acquisition" in this announcement.

The Directors (including the independent non-executive Directors) consider that the amount of the Total Consideration is fair and reasonable and is determined on normal commercial terms and in the interest of the Company and the Shareholders as a whole if the Proposed Acquisition is completed.

Formal Sales Agreements: The Vendor and the Purchaser shall enter into the Formal Sales Agreements in accordance with the terms of the Letter of Intent.

Exclusivity: Upon payment of the Deposit by the Purchaser and until the completion or the termination of the Proposed Acquisition, the Vendor shall not enter or agree to enter into any discussions, negotiations or agreements with any third party for any transaction which is similar in substance to the transactions contemplated under the Letter of Intent.

REASONS FOR THE PROPOSED ACQUISITION

As disclosed in the annual report for the year ended 31 December 2019, the Group has been transforming itself from a domestic brand to a global sportswear enterprise through various acquisitions. To further promote globalisation and to increase brand awareness of the Group, the Board has decided to establish a new operation centre in Shanghai, which is a major financial and business centre in the PRC where the Group could easily access to top talents.

The Board considers that the Proposed Acquisition and the terms of the Letter of Intent including the Total Consideration are on normal commercial terms, fair and reasonable and in the interests of the Group and the Company's shareholders as a whole.

INFORMATION ON THE VENDOR AND THE PROPERTY

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Vendor is a company established in the PRC and is engaged in, among others, the development and management of properties in the PRC. The Property is located in a recently developed eco-commercial district in Qibao town, Minxing District in Shanghai. The parcel of land where the Property is located is owned by the Vendor and is designated for commercial use.

INFORMATION OF THE GROUP

The Company is a company incorporated in the Cayman Island with limited liability. It is a leading multi-brand sportswear company listed on the Main Board of the Stock Exchange. The Group engages mainly in the design, development, manufacturing, sales, marketing and brand management of sports products, including footwear, apparel and accessories. Established since 2001, its own signature brand "Xtep" is a leading professional sports brand with an extensive distribution network of over 6,100 stores covering 31 provinces, autonomous regions and municipalities across the PRC and overseas. In 2019, the Group has further diversified its brand portfolio which now includes four internationally acclaimed brands, namely K-Swiss, Palladium, Saucony and Merrell.

GENERAL INFORMATION

The Vendor and the Purchaser shall enter into the Formal Sales Agreements in accordance with the terms of the Letter of Intent. The Company will issue further announcement in accordance with the requirements of the Listing Rules when the Formal Sales Agreements are entered into.

Based on the maximum of the Total Consideration payable under the Letter of Intent, one or more of the applicable percentage ratios in respect of the Proposed Acquisition under Chapter 14 of the Listing Rules exceed 5% but all are less than 25%, the Proposed Acquisition would then constitute a discloseable transaction for the Company and is subject to the reporting and announcement requirements but exempt from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

As the Proposed Acquisition is subject to the signing of the Formal Sales Agreements, the Proposed Acquisition may or may not proceed. Shareholders and prospective investors of the Company are advised to take caution when dealing in the shares of the Company.

DEFINITIONS

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

“Board”	the board of Directors;
“Carpark”	80 parking spaces at the basement of the Property to be sold by the Vendor to the Purchaser;
“Carpark Consideration”	the consideration for the acquisition of the Carpark, being RMB24,000,000;
“Company”	Xtep International Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Stock Exchange;
“Completion”	completion of the Proposed Acquisition pursuant to the terms and conditions of the Formal Sales Agreements;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Deposit”	the deposit in the amount of RMB10,000,000 to be paid by the Purchaser;
“Director(s)”	the director(s) of the Company;
“Formal Sales Agreements”	the formal sales agreements (商品房買賣/預售合同) that may be entered into between the Vendor and the Purchaser in respect of the Proposed Acquisition;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC;
“Independent Third Parties”	third parties independent of the Company and its connected persons;

“Letter of Intent”	the letter of intent dated 5 February 2021 entered into between the Vendor and the Purchaser in respect of the Proposed Acquisition;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time;
“PRC”	The People’s Republic of China, for the purpose of this announcement, excluding Taiwan, The Macau Special Administrative Region of the PRC and Hong Kong;
“Property”	Tower E, Land Lot 19-02, Qibao Eco-commercial Park, Alley 1699, Xinzhen Road, Minxing District, Shanghai, The PRC (上海市閔行區新鎮路1699弄七寶生態商務園區19-02地塊E棟);
“Property Consideration”	the consideration for the acquisition of the Property, being RMB439,600,000 (subject to adjustment);
“Proposed Acquisition”	the proposed acquisition of the Property and the Carpark from the Vendor by the Purchaser pursuant to the terms and conditions of the Formal Sales Agreements;
“Purchaser”	Shanghai Xtep Sports Products Co., Ltd. (上海特步體育用品有限公司), a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of the Company;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	the shareholder(s) of the Company;
“sq. m.”	square metre;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Total Consideration”	the consideration for the Proposed Acquisition, being RMB463,600,000 in aggregate (subject to adjustment), including the Property Consideration and the Carpark Consideration;

“Vendor”

上海文匯新民實業有限公司, a company established under the laws of the PRC with limited liability; and

“%”

percentage.

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

Hong Kong, 5 February 2021

As at the date of this announcement, the executive Directors of the Company are Mr. Ding Shui Po, Ms. Ding Mei Qing and Mr. Ding Ming Zhong; and the independent non-executive Directors are Mr. Tan Wee Seng, Dr. Gao Xian Feng and Dr. Bao Ming Xiao.