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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)

**(1) COMPLETION OF
DISPOSAL, ISSUE OF KP CONVERTIBLE BONDS AND
GRANT OF WAIVER;
(2) PAYMENT OF SPECIAL DIVIDEND;
AND
(3) CONTINUING CONNECTED TRANSACTIONS
FOLLOWING COMPLETION**

**(1) COMPLETION OF DISPOSAL, ISSUE OF KP CONVERTIBLE BONDS,
AND GRANT OF WAIVER**

The Board is pleased to announce that, on 30 November 2024, (i) the Disposal was completed in accordance with the terms of the Share Purchase Agreement; and (ii) the issue of the KP Convertible Bonds was completed pursuant to the KP Subscription Agreement.

Upon completion of the Disposal, the KP Global Group ceases to be subsidiaries of the Company and the financial information of the KP Global Group will no longer be consolidated into the accounts of the Group.

Simultaneous with the completion of the Disposal, the Waiver was granted to the covenantors under the Deed of Non-compete from strict compliance by them in respect of the non-competition restrictions under the Deed of Non-compete that apply to the business of the “K-Swiss” and “Palladium” brands being carried out by the KP Global Group.

(2) PAYMENT OF SPECIAL DIVIDEND

The Board is pleased to announce that all the conditions for the declaration and distribution of the Special Dividend have been satisfied.

The Special Dividend of HK\$0.447 per Share is expected to be distributed and paid on Friday, 6 December 2024 in cash to all those Shareholders who were Shareholders of record on the Special Dividend Record Date (i.e. 9 September 2024).

(3) CONTINUING CONNECTED TRANSACTIONS FOLLOWING COMPLETION

To regulate the arrangements between the Group and the KP Global Group after the completion of the Disposal, the Company and KP Global entered into the Transition Services Agreement in relation to:

- (i) leasing and licensing of office spaces in Shanghai, Xiamen and Hong Kong by the Group to the KP Global Group;
- (ii) sharing of administrative services;
- (iii) provision of financial assistance; and
- (iv) sharing of warehouse and logistics services.

As KP Global is a connected person after the completion of the Disposal, the above transactions contemplated under the Transition Services Agreement constitute continuing connected transactions of the Company.

Fully exempt transactions

As all the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules, calculated with reference to the expected rental, licencing fees and management fees payable by the KP Global Group for the transactions contemplated under paragraph (i) above for the period from 30 November 2024 (the date of the completion of the Disposal) up to 31 December 2024 and each of the two years ending 31 December 2026 are less than 0.1%, the transactions set out in paragraph (i) above are fully exempt from reporting and disclosure requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.76 of the Listing Rules.

The transactions set out in paragraph (ii) above are fully exempt from disclosure obligations under Chapter 14A of the Listing Rules pursuant to Rule 14A.98 of the Listing Rules.

Non-exempt transactions subject to reporting and disclosure requirements under Chapter 14A of the Listing Rules

As one or more of the applicable percentage ratios as set out in Rule 14.07 of the Listing Rules in respect of the maximum liability under the transactions set out in paragraph (iii) and the highest annual cap for the transactions set out in paragraph (iv) exceeds 0.1% but all are less than 5%, the transactions contemplated under each of paragraphs (iii) and (iv) are subject to the reporting and announcement requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Reference is made to the announcements dated 9 May 2024, 23 May 2024, 23 August 2024 and 1 November 2024 (the “**Announcements**”), and the circular dated 2 August 2024 (the “**Circular**”) of Xtep International Holdings Limited (the “**Company**”) in relation to, among others, (i) the disposal of the entire issued share capital of KP Global Investment Limited (“**KP Global**”); (ii) the proposed declaration of a special dividend; (iii) the proposed early redemption of the convertible bonds issued by KP Global on 9 September 2021; (iv) the proposed issue of the convertible bonds by the Company in the principal amount of HK\$500,000,000 to GSUM IV Holdings Limited; and (v) the proposed issue of the convertible bonds by KP Global in the principal amount of US\$154,000,000 to the Company.

Capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements and the Circular unless otherwise specified herein.

(1) COMPLETION OF DISPOSAL, ISSUE OF KP CONVERTIBLE BONDS, AND GRANT OF WAIVER

The Board is pleased to announce that, on 30 November 2024, (i) the Disposal was completed in accordance with the terms of the Share Purchase Agreement; and (ii) the issue of the KP Convertible Bonds was completed pursuant to the KP Subscription Agreement.

Upon completion of the Disposal, the KP Global Group ceases to be subsidiaries of the Company and the financial information of the KP Global Group will no longer be consolidated into the accounts of the Group.

Simultaneous with the completion of the Disposal, the Waiver was granted to the covenantors under the Deed of Non-compete from strict compliance by them in respect of the non-competition restrictions under the Deed of Non-compete that apply to the business of the “K-Swiss” and “Palladium” brands being carried out by the KP Global Group.

(2) PAYMENT OF SPECIAL DIVIDEND

The Board is pleased to announce that all the conditions for the declaration and distribution of the Special Dividend have been satisfied.

The Special Dividend of HK\$0.447 per Share is expected to be distributed and paid on Friday, 6 December 2024 in cash to all those Shareholders who were Shareholders of record on the Special Dividend Record Date (i.e. 9 September 2024).

(3) CONTINUING CONNECTED TRANSACTIONS FOLLOWING COMPLETION

Upon completion of the Disposal, members of the KP Global Group ceased to be subsidiaries of the Company and became connected persons of the Company by virtue of being wholly owned by the Ding Family (who are Directors) through Ding Shun Investment.

To ensure smooth transition of the business of the KP Global Group following the completion of the Disposal, the Company and KP Global have agreed that certain existing operational and administrative arrangements among the Group and the KP Global Group would continue after the completion of the Disposal for an initial period from 30 November 2024 to 31 December 2026.

To regulate the arrangements between the Group and the KP Global Group after the completion of the Disposal, the Company and KP Global entered into the transition services agreement (the “**Transition Services Agreement**”) on 30 November 2024.

Set out below are the transactions among the Group and the KP Global Group under the Transition Services Agreement:

Fully exempt transactions

(i) Leasing and licensing of office spaces in Shanghai, Xiamen and Hong Kong by the Group to the KP Global Group

The Group shall continue to lease or license part of its office spaces in Shanghai, Xiamen and Hong Kong to KP Global Group.

The rents, license fees and management fees for the leasing or licensing of such office spaces were determined based on the prevailing market rent, license fee and management fees of comparable properties in the vicinity and the area of the office spaces occupied and used by the KP Global Group. The aggregate rents, license fees and management fees payable by the KP Global Group to the Group is expected to amount to approximately RMB354,000, RMB5,398,000 and RMB5,460,000 for the period from 30 November 2024 to 31 December 2024 and the two years ending 31 December 2026 respectively.

(ii) Sharing of administrative services

The Group and the KP Global Group shall share the administrative services provided by the Group, including legal and taxation services, information technology systems, human resources management and financial management. The expenses associated with such services would be shared based on a cost recovery basis.

As KP Global is a connected person after the completion of the Disposal, the above transactions constitute continuing connected transactions of the Company.

The transactions contemplated under paragraph (i) are aggregated pursuant to Rules 14A.81 and 14A.82 of the Listing Rules.

As all the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules, calculated with reference to the expected rents, license fees and management fees payable by the KP Global Group for the transactions contemplated under paragraph (i) above for the period from 30 November 2024 (the date of the completion of the Disposal) up to 31 December 2024 and each of the two years ending 31 December 2026 are less than 0.1%, the transactions set

out in paragraph (i) above are fully exempt from reporting and disclosure requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.76 of the Listing Rules.

The transactions set out in paragraph (ii) above are fully exempt from disclosure obligations under Chapter 14A of the Listing Rules pursuant to Rule 14A.98 of the Listing Rules.

Non-exempt transactions subject to reporting and disclosure requirements under Chapter 14A of the Listing Rules

(iii) Provision of financial assistance

Guarantee Fee Agreement

On 10 April 2024, the Company entered into a guarantee and indemnity agreement (the “**Guarantee**”) in favour of a bank in the United States (the “**Bank**”), pursuant to which the Company agreed to guarantee the liabilities of K-Swiss Inc., a subsidiary of KP Global (“**K-Swiss USA**”), for a sum up to US\$4,450,000 (the “**Facility**”).

Subject to further arrangement with the Bank, it is expected that the Guarantee shall be released and replaced by cash deposits of K-Swiss USA as security for the Facility as soon as practicable and in any event no later than the end of 2025. Accordingly, the Company and K-Swiss USA entered into a guarantee fee agreement (the “**Guarantee Fee Agreement**”) on 30 November 2024, pursuant to which the Company agrees to continue to provide the Guarantee until the release of the Guarantee or the end of 2025 (whichever is earlier) and K-Swiss USA agrees to pay a guarantee fee to the Company for the provision of the Guarantee by the Company.

Below set out a summary of the terms of the Guarantee Fee Agreement:

Date:	30 November 2024
Parties:	(1) the Company; and (2) K-Swiss USA
Term:	30 November 2024 until 31 December 2025 or the date on which the Guarantee is released, whichever is earlier

Guarantee fee:	A guarantee fee in the amount equal to 0.5% per annum of the total principal amount of the guarantee liability shall be payable by K-Swiss USA to the Company on a quarterly basis.
Pricing basis:	The terms of the Guarantee Fee Agreement, including the guaranteed amount, were determined after arm's length negotiations between the Company and K-Swiss USA having taken into account the facility amount made available by the Bank to K-Swiss USA, market practice and the reasons leading to the Guarantee Fee Agreement detailed below.
Historical transaction amount:	For the three years ended 31 December 2021, 2022 and 2023, the amount paid by K-Swiss USA to the Group were nil, nil and nil respectively.
Proposed annual caps:	The annual caps under the Guarantee Fee Agreement for the period from 30 November 2024 and up to 31 December 2024 and the year ending 31 December 2025 shall not exceed US\$4,450,000 and US\$4,450,000, respectively, which were determined based on the maximum liability assumed by the Company and the term of the provision of the Guarantee.

Information of the parties

The Company and the Group

Xtep International Holdings Limited is a leading multi-brand sportswear company listed on the Main Board of the Stock Exchange in 2008. The Group principally engages in the design, development, manufacturing, sales, marketing and brand management of sports products covering footwear, apparel and accessories for adults and children. With a diverse brand portfolio encompassing the core Xtep brand, Saucony and Merrell to strategically target the mass market and professional sports segments, the Group has an extensive global distribution network and more than 8,400 stores.

K-Swiss USA

K-Swiss USA is a company incorporated in the United States with limited liability and a wholly-owned subsidiary of KP Global. K-Swiss USA is the business operator of the “K-Swiss” and “Palladium” brands in the United States.

Reasons and benefits for entering into the Guarantee Fee Agreement

The Company has been acting as the guarantor in respect of the Facility since the commencement of the term of the Facility in April 2024. To ensure smooth transition after the Disposal, the Company will continue to serve as the guarantor under the Guarantee. Subject to further arrangement with the Bank, it is expected that the Guarantee shall be released and replaced by cash deposits of K-Swiss USA as security for the Facility as soon as practicable and in any event no later than the end of 2025.

In view of the above, the Directors (including the independent non-executive Directors) consider that the Guarantee Fee Agreement was entered into in the ordinary and usual course of business of the Group and that Guarantee Fee Agreement and the transactions contemplated thereunder are on normal or better commercial terms and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Implications under the Listing Rules

As KP Global is a connected person after the completion of the Disposal, the above transactions contemplated under the Guarantee Fee Agreement constitute continuing connected transactions of the Company.

Since one or more of the relevant percentage ratios (as defined under 14.07 of the Listing Rules) in respect of the highest maximum liability under the Guarantee exceed 0.1% but less than 5%, the transactions contemplated under the Guarantee Fee Agreement are subject to the reporting and announcement requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(iv) Sharing of warehouse and logistics services

Warehouse and Logistic Services Agreement

On 30 November 2024, Xtep (China) Co., Ltd., a subsidiary of the Company (“**Xtep China**”), entered into a warehouse and logistic services agreement (the “**Warehouse and Logistic Services Agreement**”) with K-Swiss (Xiamen) Trading Co., Ltd. (“**K-Swiss Xiamen**”) and Palladium (Xiamen) Trading Co., Ltd. (“**Palladium Xiamen**”), pursuant to which Xtep China has agreed to provide warehousing and logistics services to K-Swiss Xiamen and Palladium Xiamen with its logistic facilities located in Quanzhou, the PRC.

The principal terms of the Warehouse and Logistic Services Agreement are set out below.

Date:	30 November 2024
Parties:	(1) Xtep China; (2) K-Swiss Xiamen; and (3) Palladium Xiamen
Location of logistic facilities:	Quanzhou, the PRC
Term:	30 November 2024 to 31 December 2026
Pricing basis:	The service fees would be determined with reference to the actual amount of usage. The fee rate would be determined by the parties to the Warehouse and Logistic Services Agreement after arms’ length negotiations with reference to the prevailing price of comparable services offered by independent third-party service providers for equivalent service scope, service type, service conditions and logistics service quality.
Payment terms:	The payment for the services will be made on a monthly basis.

Historical transaction amount: For the three years ended 31 December 2021, 2022 and 2023 and the period from 1 January 2024 to 30 November 2024, the amount paid by K-Swiss Xiamen and Palladium Xiamen for warehouse and logistic services provided by the Group were RMB2,185,000, RMB3,435,000, RMB3,560,000 and RMB3,880,000, respectively.

Proposed annual caps: The annual caps under the Warehouse and Logistic Services Agreement for the period from 30 November 2024 and up to 31 December 2024 and each of the two years ending 31 December 2026 shall not exceed RMB933,000, RMB16,800,000 and RMB25,200,000, respectively.

The annual caps were determined based on (i) the historical demand for the services by the business of the “K-Swiss” and “Palladium” brands; (ii) the estimated demand for the services by the business of the “K-Swiss” and “Palladium” brands; and (iii) the existing scale of the operations and the anticipated growth of the business of the “K-Swiss” and “Palladium” brands.

Information of the parties

Xtep China

Xtep China is a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company. It is principally engaged in the manufacturing and trading of sportswear.

K-Swiss Xiamen and Palladium Xiamen

K-Swiss Xiamen and Palladium Xiamen are both companies established in the PRC with limited liability and wholly-owned subsidiaries of KP Global. K-Swiss Xiamen and Palladium Xiamen are the business operators of the “K-Swiss” and “Palladium” brands in the PRC, respectively.

Reasons and benefits for entering into the Warehouse And Logistic Services Agreement

Prior to the completion of the Disposal, members of the KP Global Group were subsidiaries of the Company, and the Company provide warehouse and logistic services to them. To ensure smooth transition of the KP Global Group business following the completion of the Disposal, the parties have agreed that certain existing operational and administrative arrangements among the Group and the KP Global Group would continue after the completion of the Disposal for an initial period from 30 November 2024 to 31 December 2026. Such service arrangement will also provide the Group with another form of stable income.

In view of the above, the Directors (including the independent non-executive Directors) consider that the terms of the Warehouse and Logistic Services Agreement and the transactions contemplated thereunder, including the proposed annual caps, are fair and reasonable; and the Warehouse and Logistic Services Agreement and the transactions contemplated thereunder are on normal commercial terms or better, in the ordinary and usual course of business of the Group and in the interests of the Company and its shareholders as a whole.

Implications under the Listing Rules

As KP Global is a connected person after the completion of the Disposal, the above transactions contemplated under the Warehouse and Logistic Services Agreement constitute continuing connected transactions of the Company.

As one or more of the applicable percentage ratios as set out in Rule 14.07 of the Listing Rules in respect of the highest annual cap for the Warehouse and Logistic Services Agreement exceed 0.1% but all are less than 5%, the transactions contemplated under the Warehouse and Logistic Services Agreement are subject to the reporting and announcement requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Internal control measures

The transactions contemplated under the Guarantee Fee Agreement and Warehouse and Logistic Services Agreement will be subject to the following internal control procedure in order to ensure that the prices and terms offered are no more favourable than those that could be offered by the Group to independent third parties:

- (i) the Company will monitor the continuing connected transactions in accordance with the procedures set out in the Company's internal control manual on continuing connected transactions. The management of the Company will conduct regular checks to review and assess whether the transactions contemplated under the relevant continuing connected transactions are conducted in accordance with their respective agreements and will also regularly update the market prices for the purpose of considering if the prices charged for a specific transaction are fair and reasonable and in accordance with the stated pricing policy. The Company's finance department will also monitor the aggregate transaction amounts under the Guarantee Fee Agreement and Warehouse and Logistic Services Agreement to ensure that the proposed annual caps are not exceeded;
- (ii) the external auditors of the Company will conduct an annual review on the pricing, terms and annual caps of the continuing connected transactions;
- (iii) the audit committee of the Board will review at least once a year the analysis report and the improvement measures prepared by the management of the Company based on the implementation of the continuing connected transactions by the Company; and
- (iv) the independent non-executive Directors will review the implementation and enforcement of the continuing connected transactions on an annual basis.

General

Mr. Ding Shui Po, Ms. Ding Mei Qing and Mr. Ding Ming Zhong, being executive Directors, are considered to have a material interest in the Transition Services Agreement, the Guarantee Fee Agreement and the Warehouse and Logistic Services Agreement by virtue of their interests in KP Global through Ding Shun Investment, and therefore abstained from voting on board resolutions in respect of the Transition Services Agreement, the Guarantee Fee Agreement and the Warehouse and Logistic Services Agreement and the relevant annual caps. Saved as disclosed above, the Board confirms that none of the Directors has any material interest in the transactions contemplated under the Transition Services Agreement, the Guarantee Fee Agreement and the Warehouse and Logistic Services Agreement and is required to abstain from voting on the board resolutions for approving the Transition Services Agreement, the Guarantee Fee Agreement and the Warehouse and Logistic Services Agreement.

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

Hong Kong, 2 December 2024

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; the non-executive Director is Mr. Tan Wee Seng and the independent non-executive Directors are Dr. Bao Ming Xiao, Dr. Wu Ka Chee, Davy and Dr. Chan Yee Wah.