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361°

361 Degrees International Limited

361 度國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1361)

DISCLOSEABLE AND CONNECTED TRANSACTION ACQUISITION OF EQUITY INTERESTS IN ZHUJI 361 DEGREES

Reference is made to the announcement of the Company dated 9 November 2018 in relation to the deemed disposal of the equity interests in Zhuji 361 Degrees.

As at the date of this announcement, Zhuji 361 Degrees was owned as to approximately 85.07% and 14.93% by 361 Degrees (Hong Kong) (an indirect non-wholly owned subsidiary of the Company) and the Vendor respectively. Zhuji 361 Degrees was accounted for as an indirect non-wholly owned subsidiary of the Company, and its results were consolidated into the Group's financial statements.

THE EQUITY TRANSFER AGREEMENT

The Board is pleased to announce that on 8 November 2023, Zhuji 361 Degrees, 361 Degrees (Hong Kong), and 361 Degrees Children (a direct wholly-owned subsidiary of 361 Degrees (Hong Kong)) entered into the Equity Transfer Agreement, pursuant to which 361 Degrees Children has agreed to acquire approximately 14.93% equity interests in Zhuji 361 Degrees from the Vendor at a consideration of RMB500 million (equivalent to approximately HK\$537 million).

Upon completion of the Acquisition, Zhuji 361 Degrees will be directly owned as to approximately 85.07% and 14.93% by 361 Degrees (Hong Kong) and 361 Degrees Children respectively, and will become an indirect wholly-owned subsidiary of 361 Degrees (Hong Kong). It will remain to be an indirect non-wholly owned subsidiary of the Company, and its results will remain to be consolidated into the Group's financial statements.

IMPLICATIONS UNDER THE LISTING RULES

As one of the applicable percentage ratios of the Acquisition is more than 5% but less than 25%, the Acquisition would constitute a discloseable transaction of the Company and is subject to the reporting and announcement requirements under the Listing Rules.

As at the date of this announcement, the Vendor is a substantial shareholder of Zhuji 361 Degrees, holding more than 10% equity interest. Accordingly, the Vendor is a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. Therefore, the Acquisition would constitute a connected transaction for the Company under Chapter 14A of the Listing Rules.

By virtue of Rule 14A.101 of the Listing Rules, as (i) the Vendor is a connected person of the Company at the subsidiary level; (ii) the Board has approved the Acquisition; and (iii) the Directors (including the independent non-executive Directors) have also confirmed that the terms of the Acquisition are fair and reasonable, the Acquisition is on normal commercial terms and is in the interests of the Company and the Shareholders as a whole, the Acquisition is subject to the reporting and announcement requirements, but is exempt from circular, independent financial advice and Shareholders' approval requirements by virtue of Rule 14A.101 of the Listing Rules.

INTRODUCTION

Reference is made to the announcement of the Company dated 9 November 2018 in relation to the deemed disposal in the equity interest in Zhuji 361 Degrees.

As at the date of this announcement, Zhuji 361 Degrees was owned as to approximately 85.07% and 14.93% by 361 Degrees (Hong Kong) (an indirect non-wholly owned subsidiary of the Company) and the Vendor respectively. Zhuji 361 Degrees was accounted for as an indirect non-wholly owned subsidiary of the Company, and its results were consolidated into the Group's financial statements.

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Upon completion of the Acquisition, Zhuji 361 Degrees will be directly owned as to approximately 85.07% and 14.93% by 361 Degrees (Hong Kong) and 361 Degrees Children respectively, and will become an indirect wholly-owned subsidiary of 361 Degrees (Hong Kong). It will remain to be an indirect non-wholly owned subsidiary of the Company, and its results will remain to be consolidated into the Group's financial statements.

The principal terms and conditions of the Equity Transfer Agreement are set out below:

Parties to the Equity
Transfer Agreement:

- (1) Zhuji 361 Degrees;
- (2) 361 Degrees (Hong Kong);
- (3) 361 Degrees Children; and
- (4) the Vendor.

Consideration:

The aggregate consideration for the Acquisition is RMB500 million.

Reference is made to the announcement of the Company dated 9 November 2018 in relation to the deemed disposal in the equity interest in Zhuji 361 Degrees. The original acquisition cost of approximately 14.93% equity interests in Zhuji 361 Degrees (by way of subscription) to the Vendor was RMB500 million in 2018.

The consideration for the Acquisition is determined and agreed upon between the parties based on arm's length negotiations and with reference to the original acquisition cost to the Vendor.

The consideration for the Acquisition will be funded by the internal resources of the Group.

Payment terms:

The consideration shall be paid by 361 Degrees Children to the Vendor in the following manner:

- (i) the Initial Payment of RMB350 million to be paid before 30 November 2023 (or a date otherwise agreed in writing by the parties); and
- (ii) the Subsequent Payment of RMB150 million to be paid after the completion of the relevant corporate registration procedures in relation to the Acquisition (and any pre-approvals that may be required) and before 30 September 2024 (or a date otherwise agreed in writing by the parties).

Conditions precedent and
completion:

The Vendor shall assist to complete the relevant corporate registration procedures in relation to the Acquisition (and any pre-approvals that may be required) within 20 business days of the receipt of the Initial Payment.

Completion of the Acquisition shall take place on the completion of the relevant corporate registration procedures in relation to the Acquisition.

Other principal terms: 361 Degrees (Hong Kong) has agreed to the Acquisition and has waived its right of first refusal in respect of the Acquisition.

INFORMATION ON THE PARTIES

The Group

The Group is principally engaged in manufacturing and trading of sports products, including footwear, apparel, accessories and others in the PRC.

The Vendor

The Vendor is a limited partnership established in the PRC principally engaged in investment holding.

As at the date of this announcement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor was owned as to 99.8004% by Zhuji Chuangjia and 0.1996% by Zhejiang Yingshi.

Zhuji Chuangjia is a limited liability company established in the PRC which is principally engaged in industrial investments (產業投資), equity investments, venture capital and investment management. As at the date of this announcement, the ultimate beneficial owners of Zhuji Chuangjia were Zhuji State-owned Assets Supervision and Administration Commission* (諸暨市國有資產監督管理委員會) (indirectly holding 90% equity interests) and Zhejiang Provincial Department of Finance* (浙江省財政廳) (indirectly holding 10% equity interests). Each of Zhuji State-owned Assets Supervision and Administration Commission* and Zhejiang Provincial Department of Finance* is a government body in the PRC.

Zhejiang Yingshi is a limited partnership established in the PRC. It is a professional fund manager, which was established in response to the "Phoenix Plan" proposed by the government of Zhejiang Province to promote listing of companies and mergers and acquisitions. Zhejiang Yingshi is committed to assisting local governments to establish investment industry funds and introduce high-quality projects to the local area.

As at the date of this announcement, Zhejiang Yingshi was owned as to 39% by Mr. He, 30% by Mr. Hu, 20% by Mr. Fan, 10% by Zou Bingde (鄒炳德) and 1% by Zhejiang Yingfu Enterprise Management Co., Ltd.* (浙江贏富企業管理有限公司). Zhejiang Yingfu Enterprise Management Co., Ltd.* is a limited liability company established in the PRC primarily engaged in the provision of enterprise management and consulting services, and it was owned as to 55% by Mr. He, 15% by Xu Weiping (徐衛平), 15% by Mr. Hu and 15% by Mr. Fan.

As at the date of this announcement, the Vendor is a connected person of the Company at the subsidiary level as it is a substantial shareholder of Zhuji 361 Degrees. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save and except for the Vendor being a substantial shareholder of Zhuji 361 Degrees, the Vendor and its ultimate beneficial owners are third parties independent of the Company and its connected persons (within the meaning of the Listing Rules).

361 DEGREES (HONG KONG)

361 Degrees (Hong Kong) is a limited liability company incorporated in Hong Kong, which was indirectly owned as to 87% by the Company. It is an investment holding company.

361 DEGREES CHILDREN

361 Degrees Children is a limited liability company established in the PRC, which was indirectly owned as to 87% by the Company. It is a direct wholly-owned subsidiary of 361 Degrees (Hong Kong). It is principally engaged in the trading of children sporting goods.

ZHUJI 361 DEGREES

Zhuji 361 Degrees is a company established in the PRC in September 2018 which is principally engaged in the trading of children sportswear. As at the date of this announcement, Zhuji 361 Degrees was owned as to approximately 85.07% and 14.93% by 361 Degrees (Hong Kong) and the Vendor respectively. Zhuji 361 Degrees was accounted for as an indirect non-wholly owned subsidiary of the Company, and its results were consolidated into the Group's financial statements.

FINANCIAL INFORMATION OF ZHUJI 361 DEGREES

Set out below is a summary of the audited net profit before and after tax of Zhuji 361 Degrees for the two financial years ended 31 December 2022 and 31 December 2021:

	Year ended 31 December 2021 (RMB'000)	Year ended 31 December 2022 (RMB'000)
Profit before tax	261,236	245,492
Profit after tax	195,927	184,119

The unaudited net assets of Zhuji 361 Degrees as at 30 June 2023 was approximately RMB1.4 billion.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group has strong faith in the prospect and development of children sportswear in the PRC. As an important sub-sector of the domestic footwear and apparel sector, children's wear has maintained a relatively high boom. Against the backdrop of placing great importance on youth and school sports by the government of the PRC, there is potential for long-term growth in the children sportswear section on the PRC.

Upon completion of the Acquisition, Zhuji 361 Degrees will become an indirect wholly-owned subsidiary of 361 Degrees (Hong Kong). The Acquisition will increase the Company's control in Zhuji 361 Degrees and will strengthen the Company's ability to continue the expansion of children sportswear business.

The Directors (including the independent non-executive Directors) consider that the transaction contemplated under the Equity Transfer Agreement is on normal commercial terms, and although the Acquisition is not in the ordinary and usual course of business of the Group, the terms of the Acquisition are fair and reasonable and in the interests of the Company and its Shareholders as a whole. None of the Directors are deemed to have a material interest in the Acquisition and hence are not required to abstain from voting on the Board resolutions in relation to the Acquisition.

IMPLICATIONS UNDER THE LISTING RULES

As one of the applicable percentage ratios of the Acquisition is more than 5% but less than 25%, the Acquisition would constitute a discloseable transaction of the Company and is subject to the reporting and announcement requirements under the Listing Rules.

As at the date of this announcement, the Vendor is a substantial shareholder of Zhuji 361 Degrees, holding more than 10% equity interest. Accordingly, the Vendor is a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. Therefore, the Acquisition would constitute a connected transaction for the Company under Chapter 14A of the Listing Rules.

By virtue of Rule 14A.101 of the Listing Rules, as (i) the Vendor is a connected person of the Company at the subsidiary level; (ii) the Board has approved the Acquisition; and (iii) the Directors (including the independent non-executive Directors) have also confirmed that the terms of the Acquisition are fair and reasonable, the Acquisition is on normal commercial terms and is in the interests of the Company and the Shareholders as a whole, the Acquisition is subject to the reporting and announcement requirements, but is exempt from circular, independent financial advice and Shareholders' approval requirements by virtue of Rule 14A.101 of the Listing Rules.

DEFINITIONS

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

“361 Degrees Children”	361 Degrees Children’s Clothing Co., Ltd.* (三六一度童装有限公司), a limited liability company established in the PRC, a direct wholly-owned subsidiary of 361 Degrees (Hong Kong) and an indirect non-wholly owned subsidiary of the Company
“361 Degrees (Hong Kong)”	361 Degrees (Hong Kong) Investment Limited, a limited liability company incorporated in Hong Kong and an indirect non-wholly owned subsidiary of the Company
“Acquisition”	Acquisition of approximately 14.93% equity interests in Zhuji 361 Degrees by 361 Degrees Children from the Vendor under the Equity Transfer Agreement
“Board”	the board of Directors

“Company”	361 Degrees International Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreement”	the equity transfer agreement entered into by Zhuji 361 Degrees, 361 Degrees (Hong Kong), 361 Degrees Children and the Vendor in relation to the Acquisition
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Initial Payment”	the initial payment to be paid by 361 Degrees Children under the Equity Transfer Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Fan”	Fan Qinglong* (范慶龍)
“Mr. He”	He Zhenyu* (何振宇)
“Mr. Hu”	Hu Gang* (胡鋼)
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsequent Payment”	the payment to be paid by 361 Degrees Children after the Initial Payment under the Equity Transfer Agreement
“Vendor”	Zhuji Yingshi Chuangjia Equity Investment Limited Partnership* (諸暨盈實創加股權投資合夥企業 (有限合夥)), a limited partnership established in the PRC and the Vendor under the Equity Transfer Agreement
“Zhuji 361 Degrees”	Zhuji 361 Degrees Children’s Wear Company Limited* (諸暨市三六一度童裝有限公司), a limited liability company established in the PRC and a direct non-wholly owned subsidiary of 361 Degrees (Hong Kong) before the Acquisition

“Zhuji Chuangjia”	Zhuji Chuangjia Investment Co., Ltd.* (諸暨創加投資有限公司), a limited liability company established in the PRC
“Zhejiang Yingshi”	Zhejiang Yingshi Private Equity Fund Management Partnership (Limited Partnership)* (浙江盈實私募基金管理合夥企業 (有限合夥)), a limited partnership established in the PRC
%	per cent

* For identification purpose only

For the purpose of this announcement and for illustration purpose only, conversion of HK\$ to RMB is based on the exchange rate of HK\$1.00 = RMB0.93.

By order of the Board
361 Degrees International Limited
Ding Huihuang
Chairman

Hong Kong, 8 November 2023

As at the date of this announcement, the board of directors of the Company comprises four executive directors, namely Mr. Ding Wuhao, Mr. Ding Huihuang (Chairman), Mr. Ding Huirong and Mr. Wang Jiabi, and three independent non-executive directors, namely, Mr. Wu Ming Wai Louie, Mr. Hon Ping Cho Terence and Mr. Chen Chuang.