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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)

ISSUE OF CONVERTIBLE BONDS IN PRINCIPAL AMOUNT OF HK\$500,000,000 UNDER GENERAL MANDATE AND GENERAL DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

ISSUE OF CONVERTIBLE BONDS

On 15 June 2021, the Company entered into the Subscription Agreement with the Investor, pursuant to which the Investor has conditionally agreed to subscribe for and the Company has conditionally agreed to issue the Convertible Bonds in the aggregate principal amount of HK\$500,000,000, subject to the terms and conditions set out in the Subscription Agreement.

Upon full conversion of the Convertible Bonds at the initial Conversion Price, a maximum of 54,362,449 Conversion Shares will be issued, representing approximately 2.07% of the existing issued share capital of the Company and 2.03% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares (assuming that there is no other change to the issued share capital of the Company).

The gross proceeds and net proceeds from the issue of the Convertible Bonds will be HK\$500,000,000 and approximately HK\$499,000,000, respectively. The Group intends to apply the net proceeds from the issue of the Convertible Bonds in the manner detailed in the section headed “Reasons for the Bond Issue and Use of Proceeds” in this announcement.

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in the Conversion Shares.

The Conversion Shares are to be issued under the General Mandate and the issue of the Convertible Bonds is not subject to approval of the Shareholders.

As the Bond Instrument imposes, among other things, a specific performance obligation on the controlling shareholder of the Company and a breach of such obligation will become a major event therein, the Directors make this announcement in compliance with the general disclosure obligations under Rule 13.18 of the Listing Rules.

Completion of the issue of the Convertible Bonds is subject to the satisfaction of the conditions precedent to the Subscription Agreement and may or may not materialise. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

ISSUE OF CONVERTIBLE BONDS

On 15 June 2021, the Company entered into the Subscription Agreement with the Investor, pursuant to which the Investor has conditionally agreed to subscribe for and the Company has conditionally agreed to issue the Convertible Bonds in the aggregate principal amount of HK\$500,000,000. Details of the Subscription Agreement are set out below:

THE SUBSCRIPTION AGREEMENT

Date: 15 June 2021

Parties: (i) the Company, as the issuer
(ii) the Investor, as the subscriber

To the best of the Directors’ knowledge, information and belief after having made all reasonable enquiries, the Investor and its ultimate beneficial owners are Independent Third Parties.

Principal amount: An aggregate principal amount of HK\$500,000,000 to be payable in full immediately upon Closing.

Conditions precedent to the Subscription

The obligation of the Investor to subscribe for the Convertible Bonds is subject to the fulfillment of each of the following conditions (any or all of such conditions, other than those under (a) and (b), may be waived by the Investor) at or prior to the Closing:

- (a) no approval from shareholders of the Company is required under applicable laws and the Listing Rules in connection with the entry into of the Subscription Agreement, the transactions contemplated thereunder, including but not limited to the issue of the Convertible Bonds and the issuance and allotment of the Conversion Shares upon conversion of the Convertible Bonds;
- (b) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Conversion Shares;
- (c) the warranties of the Company contained in the Subscription Agreement shall be true, correct, accurate, complete and not misleading when made, and shall continue to be true, correct, accurate, complete and not misleading up to the Closing Date;
- (d) the Company shall have performed and complied with all covenants, agreements, obligations and conditions contained in the Transaction Documents that are required to be performed or complied with by it on or before the Closing;
- (e) the Company shall have obtained any and all approvals, including but not limited to the record-filing and registration with the National Development and Reform Commission of the PRC, necessary for consummation of the transactions contemplated under the Subscription Agreement and under the other Transaction Documents that are required to be obtained on or prior to the Closing;
- (f) all corporate and other proceedings in connection with the transactions contemplated under the Subscription Agreement and under the other Transaction Documents on the Closing and all documents and instruments incidental to such transactions shall be satisfactory in substance and form to the Investor, and the Investor shall have received all copies of such documents as it may request;
- (g) there shall not have been governmental authority or other person that has (i) requested any information in connection with or instituted any action or investigation to restrain, prohibit or otherwise challenge the issue of the Convertible Bonds to the Investor or the other transactions contemplated by the Transaction Documents to which the Investor is a party; (ii) threatened to take

any action as a result of or in anticipation of the issue of the Convertible Bonds to the Investor or the other transactions contemplated by the Transaction Documents to which the Investor is a party; or (iii) proposed or enacted any applicable laws which would prohibit, restrict or delay the issue of the Convertible Bonds to the Investor, the other transactions contemplated by the Transaction Documents to which the Investor is a party, or the operation of the Company or any other Group Member after the Closing;

- (h) there shall not have been injunction, restraining order or other order or any other legal or regulatory restraint or prohibition having been issued or made by any court of competent jurisdiction or governmental authority in effect precluding or prohibiting consummation of any part of the transactions contemplated under the Transaction Documents;
- (i) there shall not, since the date of the Subscription Agreement, have been any adverse change to the condition (financial or otherwise), results of operations, assets, regulatory status, business and prospects of the Company, any other company or any other Group Member or the financial markets or economic conditions in general that has had a material adverse effect;
- (j) there shall not have occurred any event that would (had the Convertible Bonds already been issued) constitute an event of default; and
- (k) the Investor shall have received a written notice from the Company at least five Business Days prior to the Closing Date requesting for the completion of the issue of the Convertible Bonds in accordance with the terms and conditions of the Subscription Agreement.

Closing

Closing shall be conducted on a date no later than five Business Days after the fulfillment or waiver of the conditions to the Closing or at such other place and time as the Company and the Investor may mutually agree upon.

Termination

If the conditions precedent to the Subscription Agreement are not fulfilled or waived by the Investor on or before the date falling on two months from the date of the Subscription Agreement, the Investor may, at its option and without prejudice to the rights of the Investor, (i) defer the Closing to a later date; (ii) proceed to the Closing

in respect of subscription for the Convertible Bonds so far as practicable but subject to such conditions as the Investor may determine at their sole discretion; or (iii) terminate the Subscription Agreement.

PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

The following summarises certain principal terms of the Convertible Bonds:

- Issuer:** The Company
- Amount:** An aggregate principal amount of HK\$500,000,000, convertible into fully paid ordinary shares with a par value of HK\$0.01 each in the issued and paid up capital of the Company.
- Maturity Date:** The sixth anniversary of the Issue Date.
- Interest:** The Convertible Bonds bear interest from and including the Issue Date at 1.8% per annum. Default interest rate is 25% per annum.
- According to the terms of the Bond Instrument, the interest and the default interest shall be accrued quarterly and payable in kind and accumulate as additional principal amount of the Convertible Bonds.
- Denomination:** The Bonds will be issued in registered form and in denominations of HK\$10,000,000 each and integral multiples thereof.
- Conversion Price:** The initial Conversion Price is HK\$10.244 per Conversion Share, subject to adjustment upon the occurrence of certain prescribed events, namely: (i) consolidation, subdivision, or reclassification; (ii) capitalisation of profits or reserves; (iii) capital distributions; (iv) payment of dividends to Shareholders; (v) rights issues of Shares or options over Shares; (vi) rights issues of other securities; (vii) issues of other additional Shares or the grant of such options, warrants or other rights; (viii) issues that carry rights of conversion, exchange or subscription for Shares; (ix) modification of rights of conversion etc.; (x) other offers to Shareholders; (xi) other events where the Company otherwise determines that an adjustment should be made to the Conversion Price.

- Conversion period: Bondholders may exercise their conversion right to convert any Convertible Bond into shares at the option of the holder thereof, at any time on or after the date falling on the second anniversary of (or, for the avoidance of doubt, commencing from the 25th month from the Issue Date) up to the close of business (at the place where the Bond Certificate evidencing such Convertible Bond is deposited for conversion) on the Maturity Date or if such Bond shall have been called or put for redemption at any time on or after the Issue Date, then up to the close of business (at the place aforesaid) on a date no later than two Business Days (at the place aforesaid) prior to the date fixed for redemption thereof.
- Transferability: The Convertible Bonds may not, without the written consent of the Company, be transferred by the Investor to any person who is not an affiliate of the Investor.
- Redemption: Unless previously redeemed, converted or purchased and cancelled, the Company will redeem each Convertible Bond at an amount equal to the principal amount, or such other amount in accordance with the terms of the Bond Instrument, together with accrued interest and all other amounts accrued or outstanding under the Convertible Bond which remain unpaid on the Maturity Date.
- Events of default: If any of the following events has occurred, the Bondholders may, acting by ordinary resolution, by notice in writing given to the Company not less than ten business days' notice, declare the relevant Convertible Bond and the relevant Convertible Bond shall become, immediately due and payable, whereupon such Convertible Bond shall become immediately due and payable by the Company of the Early Redemption Amount (as defined below):
- (a) the Shares (as a class) cease to be listed on the Stock Exchange or has been suspended for trading for a consecutive period of more than 15 trading days at any time on the Main Board of the Stock Exchange;

- (b) a default is made by the Company in the payment of any principal, interest, additional interest, premium or any other amount due in respect of the Convertible Bonds within five Business Days from the due date for payment (except where failure to pay is caused by administrative or technical error and payment is made within ten Business Day of its due date);
- (c) failure by the Company to deliver the Shares as and when such Shares are required to be delivered following conversion of a Convertible Bond and such failure continues for a period of ten Business Days;
- (d) the Company fails to perform or comply with one or more of its other obligations in the Convertible Bonds in any material respect, which default is incapable of remedy or, if capable of remedy, is not remedied within 21 days after written notice of such default shall have been given to the Company by a Bondholder;
- (e) the Company or any principal subsidiary is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts as they fall due or takes any proceeding under any law for readjustment or deferment of its obligations or any part of them or makes or enters into a general assignment or an arrangement or composition with or for the benefit of its creditors generally or by reason of actual financial difficulties commences negotiation with its creditors generally with a view to rescheduling any or all of its debts, or proceedings for any of the foregoing are initiated and are not discharged or stayed within a period of 30 days;
- (f) any final judgment or order for the payment of money in excess of RMB500,000,000 (or the equivalent thereof) in the aggregate for all such final judgments or orders shall be rendered against the Company or any principal subsidiary and shall not be bonded, paid or discharged for a period of 30 days following such judgment during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;

- (g) (i) any other present or future indebtedness of the Company or any of its subsidiaries for or in respect of monies borrowed or raised becomes due and payable prior to its stated maturity by reason of any event of default or the like (howsoever described); or (ii) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period; or (iii) the Company or any of its subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above have occurred equals or exceeds RMB500,000,000 or its equivalent (as reasonably determined on the basis of the middle spot rate for the relevant currency against the HK\$ as quoted by any leading bank on the day on which such indebtedness becomes due and payable or is not paid or any such amount becomes due and payable or is not paid under any such guarantee or indemnity);
- (h) it has been finally adjudicated by a court of competent jurisdiction, evidenced by a final non-appealable order, that (i) any misrepresentation, misstatement, inadequate disclosure or omission which has a material impact on the Company's consolidated financial statements as a whole; or (ii) falsification or fraudulent representation (including, without limitation, improper revenue recognition, manipulation of liabilities or expenses, assets overstatement) of the books, records or accounts of the Company and its subsidiaries has been made;
- (i) the cessation of the chairman of the Board as a Director;

- (j) any of the chief executive officer and the chairman of the Company being guilty of or commit any serious misconduct including: (i) having committed a breach of any of the relevant terms of the investment agreement or the Bond Instrument (as the case may be); (ii) having suffered from a mental disorder incapable of managing his/her own affairs; (iii) being guilty of persistent insobriety or be convicted of any criminal offence or be otherwise prohibited by law from fulfilling his/her duties hereunder; (iv) having refused to carry out any lawful order given to him/her by the Board; or (v) having acted or conducted himself/herself in a manner which would be prejudicial to the best interests of the Company or any principal subsidiary;
- (k) any actual breach or violation of the Foreign Corrupt Practices Act 1977, as amended, or any other applicable anti-corruption legislation in any material respect;
- (l) a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any material part of the property, assets or revenues of the Company or any of its principal subsidiaries, which is material to the Company and its subsidiaries as a whole, and is not discharged or stayed within 30 days;
- (m) an order is made or an effective resolution passed for the winding-up or dissolution, judicial management or administration of the Company or any of its principal subsidiaries, or the Company or any of its principal subsidiaries ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by a special resolution of the Bondholders;
- (n) an encumbrancer takes possession or an administrative or other receiver or an administrator is appointed of the whole or any substantial part of the property, assets or revenues of the Company and its subsidiaries as a whole and is not discharged within 30 days;

- (o) it is or will become unlawful for the Company to perform or comply with its obligations under the Convertible Bonds in any material respect;
- (p) any step is taken by any person that could reasonably be expected to result in the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the Company or any of its subsidiaries, which is material to the Company and its subsidiaries as a whole; or
- (q) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing or registration) at any time required to be taken, fulfilled or done in order: (i) to enable the Company lawfully to exercise its rights and perform and comply with its obligations under the Convertible Bonds; or (ii) to ensure that these obligations are legally binding and enforceable, is not taken, fulfilled or done within 10 Business Days after written notice of such non-action shall have been given to the Company by a Bondholder.

Major events:

The followings constitute major events under the terms of the Bond Instrument:

- (i) when the Shares cease to be listed or admitted to trading on the Stock Exchange or, if applicable, the principal stock exchange or securities market on which the Shares are then listed or quoted or dealt in;

- (ii) a change of control where (a) the controlling shareholder of the Company ceases, directly or indirectly, to be able to exercise or control the exercise of 30 per cent. or more of the voting rights attaching to the issued share capital of the Company; (b) the controlling shareholder of the Company ceases to be the single largest shareholder of the Company; (c) any person or persons (other than the controlling shareholder of the Company), acting individually or together, directly or indirectly, acquires 30 per cent. or more of the voting rights attaching to the issued share capital of the Company; or (d) the Company consolidates with or merges into or sells or transfers all or substantially all of the Company's assets to any other person, unless the consolidation, merger, sale or transfer will not result in the other person or persons acquiring 30 per cent. or more of the voting rights attaching to the issued share capital of the Company or the successor entity; or
- (iii) any recapitalisation, reclassification or change of the Shares, (b) any merger of the Company, including any sale, lease or other transfer to a third party of the consolidated assets of the Company and its subsidiaries substantially as an entirety, or (c) any statutory exchange, in each case, as a result of which the Shares would be converted into, or exchanged for stock, other securities, other property or assets (including cash or any combination therefore).

Redemption on major event or event of default:

In a major event or certain event of default under the terms of the Bond Instrument, the Bondholder shall have the right, at such Bondholder's option, to require the Company to redeem, in whole or in part, such Bondholder's Convertible Bonds on the tenth Business Day after a relevant notice has been given to the Company by the Bondholder or such date specified in the relevant notice (as the case may be) at a specified price in accordance with the terms of the Bond Instrument.

Redemption by
Bondholder:

Subject to the redemption on major event or certain event of default, at any time on or after the date falling on the second anniversary of (or, for the avoidance of doubt, commencing from the 25th month from) the Issue Date, the Bondholder may, having given not less than ten Business Days' notice to the Company redeem, in whole or in part, the Convertible Bonds at an amount (the "**Early Redemption Amount**") equal to (i) 100%, if the redemption date is between the date following on the Issue Date and the date before the third anniversary of the Issue Date, (ii) 103%, if the redemption date is between the date falling on the third anniversary of the Issue Date and the date before the fourth anniversary of the Issue Date, (iii) 104%, if the redemption date is between the date falling on the fourth anniversary of the Issue Date and the date before the fifth anniversary of the Issue Date, or (iv) 105%, if the redemption date is between the date falling on the fifth anniversary of the Issue Date and the date before the Maturity Date, of the principal amount together with accrued interest and all other amounts accrued or outstanding under the Convertible Bond which remain unpaid on the date fixed for redemption.

Negative pledge:

So long as there are outstanding Convertible Bonds, the Company will not, and will procure that its subsidiaries will not, enter into any corporate restructuring or consolidate with, merge or amalgamate into or transfer the assets of the Group as a whole substantially as an entirety to any corporation or convey or transfer its properties and assets substantially as an entirety to any person other than a member of the Group unless it is conducted subject to and in accordance with the terms as set out in the Bond Instrument.

Ranking: The Convertible Bonds constitute direct, unsubordinated, unconditional and unsecured obligations of the Company and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Company under the Convertible Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable laws and subject to the Bond Instrument, at all times rank at least equally with all of the Company's other present and future direct, unsubordinated, unconditional and unsecured obligations.

Listing: No application will be made for a listing of the Convertible Bonds.

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in the Conversion Shares. The Conversion Shares will rank *pari passu* in all respects with the Shares then in issue on the relevant conversion date.

CONVERSION PRICE AND CONVERSION SHARES

The initial Conversion Price of HK\$10.244 per Conversion Share represents:

- (i) a premium of approximately 15.4% over the closing price of HK\$8.88 per Share as quoted on the Stock Exchange on 11 June 2021, being the last trading day immediately prior to the date of the Subscription Agreement;
- (ii) a premium of approximately 10.0% over the average of the closing price of approximately HK\$9.31 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreement; and
- (iii) a premium of approximately 11.3% over the average of the closing price of approximately HK\$9.20 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to the date of the Subscription Agreement.

The initial Conversion Price has been determined after arm's length negotiations between the Company and the Investor with reference to the then prevailing market price of the Shares. The Directors consider that the Conversion Price and the terms and conditions of the Subscription Agreement and the Convertible Bonds are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The 48,809,058 Conversion Shares (excluding the 1.8% interest per annum), having an aggregate nominal amount of HK\$488,090.58 based on a par value of HK\$0.01 per Share, represent:

- (i) approximately 1.86% of the total number of Shares in issue as at the date of this announcement; and
- (ii) approximately 1.83% of the enlarged total number of issued Shares upon allotment and issue of such Conversion Shares, assuming that there is no other change to the issued share capital of the Company.

The maximum of 54,362,449 Conversion Shares (including the maximum quarterly accrued interest of 1.8% interest per annum at the Maturity Date), having an aggregate nominal amount of HK\$543,624.49 based on a par value of HK\$0.01 per Share, represent:

- (i) approximately 2.07% of the total number of Shares in issue as at the date of this announcement; and
- (ii) approximately 2.03% of the enlarged total number of issued Shares upon allotment and issue of such Conversion Shares, assuming that there is no other change to the issued share capital of the Company.

Based on the net proceeds of HK\$499,000,000 and the 48,809,058 Conversion Shares (excluding the 1.8% interest per annum), the net Conversion Price is HK\$10.22 per Conversion Share.

GENERAL MANDATE

The Conversion Shares that may fall to be issued upon exercise of the conversion right attaching to the Convertible Bonds will be issued under the General Mandate. As at the date of this announcement, the General Mandate has not been fully utilised and up to 509,393,094 new Shares may be issued thereunder. The General Mandate is therefore sufficient for the allotment and issue of the Conversion Shares. As such, the Bond Issue and the Conversion Shares are not subject to Shareholders' approval at a general meeting.

INFORMATION ON THE COMPANY AND THE GROUP

The Company is a company incorporated in the Cayman Islands 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” has become a leading professional sports brand with an extensive distribution network of over 6,000 stores covering 31 provinces, autonomous regions and municipalities across the PRC and overseas. Since 2019, the Group has further diversified its brand portfolio which now includes four internationally acclaimed brands, namely K-Swiss, Palladium, Saucony and Merrell.

INFORMATION ON THE INVESTOR

The Investor, GSUM IV Holdings Limited, is an exempted company incorporated in the Cayman Islands with limited liability. Hillhouse Capital Management, Ltd. (“**Hillhouse**”) serves as the sole investment manager of the Investor. Founded in 2005, Hillhouse is a global firm of investment professionals and operating executives who are focused on building and investing in high quality business franchises that achieve sustainable growth. Independent proprietary research and industry expertise, in conjunction with world-class operating and management capabilities, are key to Hillhouse’s investment approach. Hillhouse partners with exceptional entrepreneurs and management teams to create value, often with a focus on enacting innovation and technological transformation. Hillhouse invests in the healthcare, consumer, technology, media, telecommunications, consumer technology, financial and business services sectors in companies across all equity stages. Hillhouse and its group members manage assets on behalf of global institutional clients.

REASONS FOR THE BOND ISSUE AND USE OF PROCEEDS

The gross proceeds and net proceeds from the issue of the Convertible Bonds will be HK\$500,000,000 and approximately HK\$499,000,000, respectively. The Group intends to apply the net proceeds from the issue of the Convertible Bonds for the refinancing of existing debts, working capital and other general corporate purposes.

The Directors are of the view that the Bond Issue can provide the Company with additional funding at low cost to repay its existing debts and optimise its financing structure, to further strengthen the working capital for the Company, as well as potentially enhance the equity base of the Company.

In addition to the financial boost, the Board also values Hillhouse as a strategic investor for its possession of significant operating resources and industry expertise in the retail sector of the greater China market. The Board believes that Hillhouse's deep vertical knowledge in the consumer service sectors and its extensive online capabilities and offline networks will bring about the innovative element to the business operations of the Group. The competitive positioning and profitability of the brands of the Group will be further elevated and the Board looks forward to fully unlocking the potential of the brands of the Group in the rapidly growing sportswear market in the PRC.

The Directors (including the independent non-executive Directors) consider that the terms and conditions of the Subscription Agreement and the Bond Instrument are fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole.

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The table below sets out the Company's shareholding structure as at the date of this announcement and upon full exercise of the conversion right attaching to the Convertible Bonds ((i) excluding the 1.8% interest per annum; and (ii) including the maximum quarterly accrued interest of 1.8% interest per annum at the Maturity Date) assuming there is no other change to the issued share capital of the Company.

| Shareholders | As at the date of this announcement | | Upon full conversion of the Convertible Bonds (including the maximum quarterly accrued interest of 1.8% interest per annum at the Maturity Date) | | | |
|-----------------------------------|--|------------------|---|------------------|--|------------------|
| | <i>Number of Shares</i> <i>(Note (1))</i> | <i>Approx. %</i> | (excluding the 1.8% interest per annum) | | (including the maximum quarterly accrued interest of 1.8% interest per annum at the Maturity Date) | |
| | <i>Number of Shares</i> | <i>Approx. %</i> | <i>Number of Shares</i> | <i>Approx. %</i> | <i>Number of Shares</i> | <i>Approx. %</i> |
| Group Success Investments Limited | 1,310,059,500 | 49.96 | 1,310,059,500 | 49.05 | 1,310,059,500 | 48.95 |
| Ding Shui Po | 60,675,000 | 2.31 | 60,675,000 | 2.27 | 60,675,000 | 2.27 |
| Tan Wee Seng | 280,000 | 0.01 | 280,000 | 0.01 | 280,000 | 0.01 |
| The Investor | — | — | 48,809,058 | 1.83 | 54,362,449 | 2.03 |
| Public Shareholders | <u>1,250,950,972</u> | <u>47.72</u> | <u>1,250,950,972</u> | <u>46.84</u> | <u>1,250,950,972</u> | <u>46.74</u> |
| Total | <u>2,621,965,472</u> | <u>100.00</u> | <u>2,670,774,530</u> | <u>100.00</u> | <u>2,676,327,921</u> | <u>100.00</u> |

Notes:

1. As at the date of this announcement, the Company has an issued share capital of 2,621,965,472 Shares.
2. Upon full conversion of the Convertible Bonds (including the maximum quarterly accrued interest of 25% default interest rate at the Maturity Date), the number of Conversion Shares shall be 209,119,708 Shares, representing approximately 7.98% of the total number of Shares in issue as at the date of this announcement and approximately 7.39% of the enlarged total number of issued Shares upon allotment and issue of such Conversion Shares, assuming that there is no other change to the issued share capital of the Company. The General Mandate is sufficient for the allotment and issue of such Conversion Shares.

CAPITAL RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not carried out any equity capital raising activities in the twelve months immediately preceding the date of this announcement.

DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

As the Bond Instrument imposes, among other things, specific performance obligations on the controlling shareholder of the Company, Mr. Ding Shui Po, to maintain his status as the single largest shareholder of the Company and continue to be able to exercise or control the exercise of 30 per cent. or more of the voting rights attaching to the issued share capital of the Company and a breach of such obligations will become a major event therein, the Directors make this announcement in compliance with the general disclosure obligations under Rule 13.18 of the Listing Rules.

Completion of the Bond Issue is subject to the satisfaction of the conditions precedent to the Subscription Agreement and may or may not materialise. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

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| “associate(s)” | has the meaning ascribed thereto under the Listing Rules; |
| “Board” | the board of Directors; |

| | |
|---------------------|--|
| “Bond Certificate” | the certificate issued in respect of the Convertible Bonds substantially in the form set out in the Bond Instrument; |
| “Bond Instrument” | the bond instrument constituting the Convertible Bonds to be executed by the Company as a deed in the form to be agreed by the Company and the Investor, together with any other document executed in accordance with the bond instrument (as from time to time so amended) and expressed to be supplemental to the bond instrument; |
| “Bond Issue” | the issue of the Convertible Bonds by the Company; |
| “Bondholder(s)” | the person in whose name a Bond is registered on the Register of bondholders; |
| “Business Day” | a day on which commercial banks are open for business in Hong Kong (excluding Saturdays and Sundays); |
| “Closing” | the closing of the subscription of the Convertible Bonds in accordance with the terms of the Subscription Agreement; |
| “Closing Date” | the closing date for the Bond Issue, which shall be a date no later than five Business Days after the fulfillment or waiver of the conditions to the Closing or at such other place and time as the Company and the Investor may mutually agree upon; |
| “Company” | Xtep International Holdings Limited, a company incorporated under the laws of the Cayman Islands, the issued shares of which are listed on the Main Board of the Stock Exchange; |
| “connected person” | has the meaning ascribed to it under the Listing Rules; |
| “Conversion Price” | initially at HK\$10.244 per Conversion Share subject to adjustment in the manner provided in the Bond Instrument; |
| “Conversion Shares” | Shares to be allotted and issued by the Company to the Investor pursuant to the Transaction Documents upon conversion of the Convertible Bonds in accordance with the Bond Instrument; |

| | |
|-----------------------------|---|
| “Convertible Bonds” | the 1.8% convertible bonds due 2027 in the principal amount of HK\$500,000,000 to be issued by the Company to the Investor on the Closing Date, with the benefit of and subject to the provisions of the Bond Instrument and the Subscription Agreement; |
| “Directors” | the directors of the Company; |
| “General Mandate” | the general mandate granted to the Board by the Shareholders at the annual general meeting of the Company held on 7 May 2021, which authorised the Directors to allot, issue or otherwise deal with up to 509,393,094 Shares, representing 20% of the total number of Shares of the Company in issue as at that date; |
| “Group” or “Group Member” | collectively, the Company and each of its subsidiary, and “Group Member” shall be a member of the Group; |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong; |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China; |
| “Independent Third Parties” | persons who are not connected persons (as defined in the Listing Rules) of the Company and are third parties independent of and not connected with the Company and its connected persons (as defined in the Listing Rules); |
| “Investor” | GSUM IV Holdings Limited, a company incorporated under the laws of the Cayman Islands; |
| “Issue Date” | in respect of any Convertible Bond, the date of issue of such Convertible Bond; |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange; |
| “Maturity Date” | the date falling on the sixth anniversary of the Issue Date; |
| “PRC” | the People’s Republic of China, excluding for the purpose of this announcement, Hong Kong and Macau Special Administrative Region; |

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| “Shareholders” | holders of Shares from time to time; |
| “Shares” | ordinary shares of HK\$0.01 each in the capital of the Company; |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited; |
| “Subscription Agreement” | the subscription agreement dated 15 June 2021 entered into between the Company and the Investor in relation to the Bond Issue; |
| “Transaction Documents” | refers to (i) the Subscription Agreement; (ii) the Bond Instrument; (iii) the Bond Certificates; and (iv) any deeds of adherence, other agreements, instruments, certificates executed or entered into pursuant to or in connection with the Bond Issue; and |
| “%” | per cent. |

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

Hong Kong, 15 June 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. Bao Ming Xiao and Dr. Wu Ka Chee, Davy.