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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) DISCLOSEABLE AND CONNECTED TRANSACTION
— DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL
OF KP GLOBAL;**
- (2) PROPOSED DECLARATION OF SPECIAL DIVIDEND;**
- (3) EARLY REDEMPTION OF K-SWISS CONVERTIBLE BONDS
BY KP GLOBAL;**
- (4) ISSUE OF CONVERTIBLE BONDS IN PRINCIPAL AMOUNT
OF HK\$500,000,000 BY THE COMPANY TO INVESTOR
UNDER GENERAL MANDATE;**
- (5) CALL OPTIONS TO K-SWISS CB INVESTOR BY
CONTROLLING SHAREHOLDER;**
- (6) CONNECTED TRANSACTION — ISSUE OF CONVERTIBLE
BONDS IN PRINCIPAL AMOUNT OF US\$154,000,000
BY KP GLOBAL TO THE COMPANY;**
- (7) CONNECTED TRANSACTION — WAIVER IN RESPECT OF
DEED OF NON-COMPETE**

BACKGROUND

The Group acquired the brands “K-Swiss” and “Palladium” at a consideration of US\$260 million in 2019. During the first few years after such acquisition, the retail market had faced challenges due to the COVID-19 pandemic coupled with escalating geopolitical tensions which caused disruptions to the economic and trade activities across the world. As the economy of China slowly recovered after the COVID-19 pandemic, consumer demands had dropped causing significant negative impact to the business of the brands “K-Swiss” and “Palladium”.

The business of the brands “K-Swiss” and “Palladium” had recorded continuous loss since 2019 and the aggregate operating loss of these brands has accumulated to over US\$100 million since 2019. During the first three months of 2024, a loss of approximately US\$9 million had already been recorded for these two brands. It is expected that these two brands would continue to incur significant loss similar to the year ended 31 December 2023 for the year ending 31 December 2024.

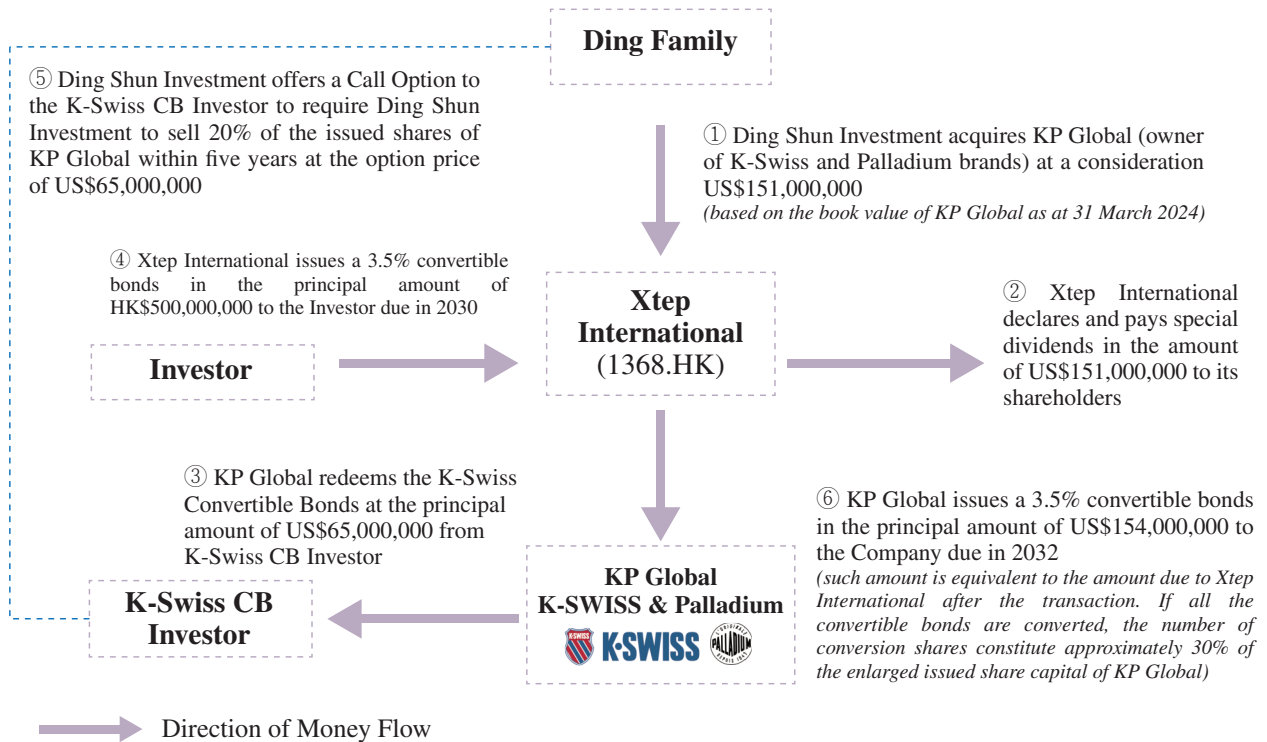
In order to eliminate the ongoing impact on the Group’s profitability and cash flows as a result of the loss incurred by the business of the brands “K-Swiss” and “Palladium”, after thorough consideration, the Ding Family, the controlling Shareholder, proposed to acquire KP Global which owns the brands “K-Swiss” and “Palladium” at a consideration of US\$151,000,000. Subject to the completion of the Disposal in appreciation of the Shareholders’ long term support, the Board intends to declare the Special Dividend of approximately US\$151,000,000, to the Shareholders whose names appear on the register of members of the Company on a record date to be determined.

Since KP Global has issued the K-Swiss Convertible Bonds to the K-Swiss CB Investor in 2021, the Company proposed to swap the K-Swiss Convertible Bonds with the Xtep Convertible Bonds. The K-Swiss Convertible Bonds will be redeemed in full by KP Global, and the Company will issue the Xtep Convertible Bonds to the Investor.

Ding Shun Investment, guaranteed by Mr. Ding, will also grant a Call Option to the K-Swiss CB Investor which would require Ding Shun Investment to sell the Option Shares to the K-Swiss CB Investor at the option price of US\$65,000,000 within five years from the date of completion of the Disposal.

After the early redemption of the K-Swiss Convertible Bonds, KP Global will owe the Company an amount of US\$154 million which corresponds to the accumulated losses since the acquisition in 2019 combined with its value of the capital expenditure and working capital as at end of March 2024. Subject to the completion of the Disposal, in place of the amount owed to the Company, KP Global will issue the KP Convertible Bonds to the Company.

The following chart provides a summary of the fund flow of the transactions within the Group and with the Ding Family for illustrative purpose.



Accordingly, a sequence of transactions have been entered into among various parties, the details of which are set out in this announcement.

(1) THE SHARE PURCHASE AGREEMENT

On 9 May 2024 (after trading hours), the Company and Ding Shun Investment entered into the Share Purchase Agreement pursuant to which the Company has conditionally agreed to sell, and Ding Shun Investment has conditionally agreed to acquire, all the issued share capital of KP Global at the consideration of US\$151,000,000.

As at the date of this announcement, Ding Shun Investment is owned by Mr. Ding, Ms. Ding Mei Qing and Mr. Ding Ming Zhong as to 67%, 21% and 12% respectively, who are the Directors and controlling Shareholders of the Company. Accordingly, the transaction contemplated under the Share Purchase Agreement constitutes connected transaction for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios under the Listing Rules in respect of the Share Purchase Agreement exceed 5% but is less than 25%, the transaction contemplated under the Share Purchase Agreement constitutes (i) a discloseable transaction for the Company that is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules; and (ii) a connected transaction for the Company that is subject to the reporting, announcement, circular and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

A Transition Services Agreement shall be entered into between the Company and KP Global in relation to the provision of certain transition services by the Company to KP Global after completion of the Disposal. The transaction contemplated under the Transition Services Agreement constitutes connected transaction for the Company under Chapter 14A of the Listing Rules. Further announcement will be made by the Company in accordance with all applicable requirements of the Listing Rules as and when appropriate.

(2) PROPOSED DECLARATION OF SPECIAL DIVIDEND

Subject to the completion of the Disposal, in appreciation of the Shareholders' long term support, the Board intends to declare the Special Dividend of approximately US\$151,000,000, to the Shareholders whose names appear on the register of members of the Company on a record date to be determined. The Special Dividend will be paid out of the net proceeds from the Disposal in accordance with the Company's articles of association.

For illustrative purpose, based on 2,641,457,207 Shares in issue as at the date of this announcement, the Special Dividend would be approximately HK\$0.447 per Share.

Further announcement in respect of the details of the Special Dividend, including but not limited to the closure date of the register of members of the Company, the record date for determining entitlements to receive the Special Dividend and the pay-out date for the Special Dividend, will be made by the Company when appropriate.

The declaration and distribution of the Special Dividend is subject to the Independent Shareholders' approval at the EGM.

(3) EARLY REDEMPTION OF K-SWISS CONVERTIBLE BONDS BY KP GLOBAL

Reference is made to the issue of US\$65,000,000 zero coupon perpetual convertible bonds by KP Global on 15 June 2021 as disclosed in the announcements of the Company dated 15 June 2021, 13 August 2021 and 9 September 2021.

On 9 May 2024, KP Global and the K-Swiss CB Investor entered into the K-Swiss Convertible Bonds Redemption Agreement, pursuant to which, KP Global agreed to redeem the K-Swiss Convertible Bonds at a redemption price of US\$65,000,000 in aggregate.

(4) ISSUE OF XTEP CONVERTIBLE BONDS TO INVESTOR

On 9 May 2024, the Company entered into the Xtep 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 Xtep Convertible Bonds in the aggregate principal amount of HK\$500,000,000, subject to the terms and conditions set out in the Xtep Subscription Agreement.

Upon full conversion of the Xtep Convertible Bonds at the initial conversion price, a maximum of 90,909,090 Xtep Conversion Shares will be issued, representing approximately 3.44% of the existing issued share capital of the Company and 3.33% of the issued share capital of the Company as enlarged by the issue of the Xtep 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 Xtep 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 Xtep Convertible Bonds in the manner detailed in the section headed “Reasons for the Xtep 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 Xtep Conversion Shares. The Xtep Conversion Shares are to be issued under the General Mandate and the issue of the Xtep Convertible Bonds is not subject to approval of the Shareholders.

As the Xtep Bond Instrument imposes, among other things, a specific performance obligation on the controlling Shareholder of the Company, Mr. Ding, 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.

(5) CALL OPTION TO K-SWISS CB INVESTOR BY CONTROLLING SHAREHOLDER

Subject to the completion of the Disposal having taken place in accordance with the terms and conditions of the Share Purchase Agreement, to maintain long term relationship with the Hillhouse, Ding Shun Investment, Mr. Ding and the K-Swiss CB Investor executed the Call Option Deed, pursuant to which Ding Shun Investment shall grant to the K-Swiss CB Investor the Call Option, the exercise of which shall require Ding Shun Investment to sell all of the Option Shares to the K-Swiss CB Investor at an aggregate option price of US\$65,000,000 within five years from the date of completion of the Disposal.

(6) SUBSCRIPTION OF KP CONVERTIBLE BONDS BY THE COMPANY

On 9 May 2024, KP Global entered into the KP Subscription Agreement with the Company, pursuant to which the Company has conditionally agreed to subscribe for and KP Global has conditionally agreed to issue the KP Convertible Bonds at an aggregate principal amount of US\$154,000,000, subject to the terms and conditions set out in the KP Subscription Agreement.

Upon full conversion of the KP Convertible Bonds at the KP CB Conversion Price, a total of 25,714 KP CB Conversion Shares will be issued, representing approximately 42.86% of the issued share capital of KP Global upon issue of the KP Convertible Bonds and 30% of the issued share capital of KP Global as enlarged by the issue of the KP CB Conversion Shares.

The Company intends to offset the amounts due from KP Global, which corresponds to the accumulated losses since the acquisition in 2019 combined with the value of the capital expenditure and working capital as at the end of March 2024, with the subscription of the KP Convertible Bonds. In the event that the Company does not convert the KP Convertible Bonds during the conversion period, the Company shall be entitled to collect the debt in the amount of US\$154,000,000 together with interest accrued.

As KP Global will be wholly owned by the Ding Family through Ding Shun Investment upon completion of the Disposal, KP Global will become a connected person of the Company, the subscription of the KP Convertible Bonds by the Company will constitute a connected transaction for the Company under Chapter 14A of the Listing Rules. The subscription of the KP Convertible Bonds is subject to the announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

(7) WAIVER IN RESPECT OF DEED OF NON-COMPETE

On 7 May 2008, each of the then controlling Shareholders of the Company has executed the Deed of Non-compete in favour of the Company, pursuant to which, subject to certain exceptions set out in the Deed of Non-compete and disclosed in the Prospectus, they will not, and shall procure their controlled affiliates (other than members of the Group) not to, engage in any business that competes or may compete (directly or indirectly) with the business of any member of the Group from time to time.

Since the KP Global Group is the business operator and the ultimate owner of the "K-Swiss" and "Palladium" brands, and given the Group is currently engaged in the design, development, manufacturing, sales, marketing and brand management of various sports brands, upon completion of the Disposal, the business of KP Global Group may be in competition with the business of the Group.

As Mr. Ding and Ms. Ding Mei Qing, being the then controlling Shareholders who executed the Deed of Non-compete, own 67% and 21% of Ding Shun Investment respectively, and Ding Shun Investment will become the sole shareholder of KP Global upon completion of the Disposal, Mr. Ding and Ms. Ding Mei Qing have requested from the Company for the Waiver in respect of the non-competition restrictions that apply to the business of the "K-Swiss" and "Palladium" brands being carried out by KP Global.

As each of Mr. Ding and Ms. Ding Mei Qing is a Director and controlling Shareholder and therefore a connected person of the Company, the grant of the Waiver will constitute a connected transaction for the Company under Chapter 14A of the Listing Rules. The grant of the Waiver is subject to the announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The Company will convene and hold an EGM for the Independent Shareholders to consider and, if thought fit, to approve, among other things, (i) the Share Purchase Agreement and the transaction contemplated thereunder, (ii) the declaration and distribution of the Special Dividend, (iii) the subscription of the KP Convertible Bonds, (iv) the Waiver and (v) the Transition Services Agreement (which will be announced separately).

An independent board committee comprising all the independent non-executive Directors has been formed, and shall advise the independent Shareholders on the terms of the Share Purchase Agreement, the Special Dividend, the KP Convertible Bonds, the Waiver and the Transition Services Agreement. An independent financial adviser will be appointed by the Company to advise the independent board committee and the independent Shareholders in this regard.

A circular containing, among other matters, (i) further details of the Share Purchase Agreement, the declaration and distribution of the Special Dividend, the subscription of the KP Convertible Bonds, the Waiver and the Transition Services Agreement; (ii) a letter from the independent board committee; (iii) a letter from the independent financial adviser; (iv) notice of the EGM; and (v) other information concerning the Company as required under the Listing Rules, is expected to be despatched to the Shareholders on or before 14 June 2024 as additional time is needed for its preparation.

Completion of each of (i) the Share Purchase Agreement, (ii) the proposed declaration of Special Dividend, (iii) the issue of the Xtep Convertible Bonds, (iv) the Call Option Deed, and (v) the issue of the KP Convertible Bonds is subject to the satisfaction of their respective conditions precedent and may or may not materialize. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

BACKGROUND

The Group acquired the brands “K-Swiss” and “Palladium” at a consideration of US\$260 million in 2019. During the first few years after such acquisition, the retail market had faced challenges due to the COVID-19 pandemic coupled with escalating geopolitical tensions which caused disruptions to the economic and trade activities across the world. As the economy of China slowly recovered after the COVID-19 pandemic, consumer demands had dropped causing significant negative impact to the business of the brands “K-Swiss” and “Palladium”.

The business of the brands “K-Swiss” and “Palladium” had recorded continuous loss since 2019 and the aggregate operating loss of these brands has accumulated to over US\$100 million. During the first three months of 2024, a loss of approximately US\$9 million has already been recorded for these two brands. It is expected that these two brands would continue to incur significant loss similar to the year ended 31 December 2023 for the year ending 31 December 2024.

In order to eliminate the ongoing impact on the Group’s profitability and cash flows as a result of the loss incurred by the business the brands “K-Swiss” and “Palladium”, after thorough consideration, the Ding Family, the controlling Shareholder, proposed to acquire KP Global which owns the brands “K-Swiss” and “Palladium” at a consideration of US\$151,000,000. Subject to the completion of the Disposal, in appreciation of the Shareholders’ long term support, the Board intends to declare the Special Dividend of approximately US\$151,000,000 to the Shareholders whose names appear on the register of members of the Company on a record date to be determined.

Since KP Global has issued the K-Swiss Convertible Bonds to the K-Swiss CB Investor in 2021, the Company proposed to swap the K-Swiss Convertible Bonds with the Xtep Convertible Bonds. The K-Swiss Convertible Bonds will be redeemed in full by KP Global, and the Company will issue the Xtep Convertible Bonds to the Investor. Ding Shun Investment, guaranteed by Mr. Ding, will also grant a Call Option to the K-Swiss CB Investor which would require Ding Shun Investment to sell the Option Shares to the K-Swiss CB Investor at the option price of US\$65,000,000 within five years from the date of completion of the Disposal.

After the early redemption of the K-Swiss Convertible Bonds, KP Global will owe the Company an amount of US\$154 million which corresponds to the accumulated losses since the acquisition in 2019 combined with its value of the capital expenditure and working capital as at end of March 2024. Subject to the completion of the Disposal, in place of the amount owed to the Company, KP Global will issue the KP Convertible Bonds to the Company.

Accordingly, a sequence of transactions have been entered into among various parties, the details of which are set out below.

(1) THE SHARE PURCHASE AGREEMENT

On 9 May 2024 (after trading hours), the Company and Ding Shun Investment entered into the Share Purchase Agreement pursuant to which the Company has conditionally agreed to sell, and Ding Shun Investment has conditionally agreed to acquire, all the issued share capital of KP Global at the consideration of US\$151,000,000.

Details of the major terms of the Share Purchase Agreement are as follows:

Date: 9 May 2024 (after trading hours)

Parties: The Company, as vendor

Ding Shun Investment, as purchaser

Subject Matter

Pursuant to the terms of the Share Purchase Agreement, the Company has conditionally agreed to dispose, and Ding Shun Investment has conditionally agreed to acquire, all the issued share capital of KP Global at the consideration of US\$151,000,000. As at the date of this announcement and immediately prior to the completion of the Share Purchase Agreement, KP Global was wholly owned by the Company.

Consideration

The consideration of US\$151,000,000 shall be paid in cash at completion by Ding Shun Investment to the Company.

Basis of consideration

The consideration of US\$151,000,000 was determined after arm's length negotiations between the parties to the Share Purchase Agreement on normal commercial terms, with reference to the book value of KP Global Group, being approximately US\$151,000,000 as at 31 March 2024.

Conditions precedent

The Share Purchase Agreement is conditional upon:

- (i) the approval of (a) the sale of all the issued share capital of KP Global, (b) the subscription of the KP Convertible Bonds by the Company, (c) the declaration of the Special Dividend, (d) the grant of the Waiver to Mr. Ding, Ms. Ding Mei Qing and their affiliates, and (e) the transactions contemplated under the Transition Services Agreement (if required under Chapter 14A of the Listing Rules) by the Independent Shareholders in accordance with the requirements of Chapter 14A of the Listing Rules and any other requirements imposed by the Stock Exchange;
- (ii) there being (a) no law or order in existence and binding on any party that specifically prohibits or makes illegal the Disposal or the execution, delivery or performance of the Disposal and, (b) no pending proceedings by any governmental body that seek to prohibit or make illegal the Disposal or the execution, delivery or performance of the Disposal Transaction Documents; and
- (iii) the redemption of the K-Swiss Convertible Bonds having been completed pursuant to the terms of the K-Swiss Convertible Bonds Redemption Agreement.

If the conditions precedent have not been fulfilled on or before 31 December 2024 (or such later date as the parties agree in writing), the Share Purchase Agreement shall cease to have effect, and no party shall have any claim against the other party except for any antecedent breach of the Share Purchase Agreement.

Completion

Completion shall take place after all of the conditions precedent set forth above have been satisfied on the later of (i) the third (3rd) Business Day after the condition precedent set forth in (i) has been satisfied and (ii) the thirtieth (30th) Business Day after the condition precedent set forth in (ii) has been satisfied, or at such other date as the relevant parties mutually agree in writing.

Immediately after completion of the Share Purchase Agreement, KP Global will cease to be a subsidiary of the Company.

FINANCIAL INFORMATION OF KP GLOBAL

The unaudited net asset value of KP Global Group as at 31 December 2023 and was approximately US\$164,100,000.

The unaudited consolidated financial information of KP Global Group for the two years ended 31 December 2023 is set out below:

	For the year ended 31 December	
	2022	2023
	<i>US\$'000</i>	<i>US\$'000</i>
Net loss (before taxation)	24,306	31,787
Net loss (after taxation)	23,030	31,762

It is expected that, subject to audit, the Group will recognise no material gain or loss of before transaction costs from the Disposal, which is calculated by reference to net book value of KP Global Group as at 31 March 2024.

Upon completion of the Disposal, members of the KP Global Group will cease to be subsidiaries of the Company and their financial statements will no longer be consolidated into the Group's financial statements.

INFORMATION ON THE COMPANY AND THE GROUP

Xtep International Holdings Limited is a leading multi-brand sportswear company listed on the Main Board of the Hong Kong 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, K-SWISS, Palladium, Saucony and Merrell to strategically target the mass market, athleisure and professional sports segments, the Group has an extensive global distribution network and more than 8,500 stores in Asia-Pacific, North America and EMEA.

INFORMATION ON DING SHUN INVESTMENT

Ding Shun Investment is a company incorporated in the British Virgin Islands which is owned by Mr. Ding, Ms. Ding Mei Qing and Mr. Ding Ming Zhong as to 67%, 21% and 12% respectively. Ding Shun Investment is principally engaged in investment holding.

INFORMATION ON KP GLOBAL GROUP

KP Global is an investment holding company incorporated in the British Virgin Islands with limited liability. As at the date of this announcement, KP Global is a direct wholly-owned subsidiary of the Company.

In August 2019, Xtep Global Limited (a wholly-owned subsidiary of KP Global) acquired E-Land Footwear USA Holdings Inc. (the “**Acquisition**”), the then owner of the renowned sportswear and lifestyle brands including “K-Swiss” and “Palladium”, which acquisition has enabled the Group to develop its international multi-brand portfolio and transformed the Group into a global sportswear player serving diverse customer needs. Since the Acquisition, the KP Global Group has become the business operator and the ultimate owner of the “K-Swiss” and “Palladium” brands.

REASONS FOR AND BENEFITS OF THE DISPOSAL

While other brands such as “Saucony” and “Merrell” have already turned a profit, the business of the brands “K-Swiss” and “Palladium” had recorded continuous loss since 2019 and the aggregate operating loss of these brands has accumulated to over US\$100 million. During the first three months of 2024, a loss of approximately US\$9 million has already been recorded for these two brands. It is expected that these two brands would continue to incur loss similar to the year ended 31 December 2023 for the year ending 31 December 2024.

The Board is of the view that the Disposal provides an opportunity for the Group to eliminate the ongoing impact on its profitability and cash flows as a result of the loss incurred by the business of the brands “K-Swiss” and “Palladium”. In addition, the Disposal will allow the Group to concentrate its resources on developing its highly profitable brands — core Xtep brand, Saucony and Merrell.

It is expected that the completion of the Disposal will lead to a significant reduction in losses for the Group, with an improvement in profitability over the next two years and beyond. The business structure will be streamlined, focusing on running: the core Xtep brand targets the mass market; Saucony caters to the high-end sophisticated customers; and Merrell specializes in trail running and outdoor activities, enhancing synergy among these brands.

The proceeds from the Disposal will be used for the declaration and distribution of the Special Dividend as disclosed in the section headed “Proposed Declaration of Special Dividend” below.

In view of the reasons and benefits above, the Directors (other than members of the independent board committee, who will express their view after receiving advice from the independent financial adviser) are of the view that (a) the terms and conditions of the Share Purchase Agreement are fair and reasonable; and (b) the Disposal are in the interests of Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Ding Shun Investment is owned by Mr. Ding, Ms. Ding Mei Qing and Mr. Ding Ming Zhong as to 67%, 21% and 12% respectively. Since each of Mr. Ding, Ms. Ding Mei Qing and Mr. Ding Ming Zhong has material interests in the Disposal, they have abstained from voting on the board resolution approving the Disposal in accordance with the requirements of the articles of association of the Company and Listing Rules.

As at the date of this announcement, each of Mr. Ding, Ms. Ding Mei Qing and Mr. Ding Ming Zhong is a Director and is interested in 49.29%, 46.64% and 46.67% of the issued share capital of the Company respectively. Accordingly, the transaction contemplated under the Share Purchase Agreement constitutes connected transaction for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios under the Listing Rules in respect of the Share Purchase Agreement exceed 5% but is less than 25%, the transaction contemplated under the Share Purchase Agreement constitutes (i) a discloseable transaction for the Company that is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules; and (ii) a connected transaction for the Company that is subject to the reporting, announcement, circular and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

A Transition Services Agreement shall be entered into between the Company and KP Global in relation to the provision of certain transition services by the Company to KP Global after completion of the Disposal. The transaction contemplated under the Transition Services Agreement constitutes connected transaction for the Company under Chapter 14A of the Listing Rules. Further announcement will be made by the Company in accordance with all applicable requirements of the Listing Rules as and when appropriate.

(2) PROPOSED DECLARATION OF SPECIAL DIVIDEND

Subject to the completion of the Disposal, in appreciation of the Shareholders' long term support, the Board intends to declare the Special Dividend of approximately US\$151,000,000, to the Shareholders whose names appear on the register of members of the Company on a record date to be determined. The Special Dividend will be paid out of the net proceeds from the Disposal in accordance with the Company's articles of association.

For illustrative purpose, based on 2,641,457,207 Shares in issue as at the date of this announcement, the Special Dividend would be approximately HK\$0.447 per Share.

Conditions of the declaration of the Special Dividend

The declaration and distribution of the Special Dividend is conditional upon the satisfaction of the following conditions:

- (a) the completion of the Disposal;
- (b) pursuant to the facility agreement dated 3 July 2023 entered into between the Company as borrower and a consortium of six banks in relation to a 4-year term loan facility in the principal amount of HK\$1,000,000,000 (please refer to the announcement of the Company dated 3 July 2023 for details), the consent from the banks approving the declaration and distribution of the Special Dividend being obtained;
- (c) the passing of an ordinary resolution by the Independent Shareholders declaring and approving the distribution of the Special Dividend pursuant to the articles of association of the Company; and
- (d) the Directors being satisfied that there are no reasonable grounds for believing that the Company is, immediately following the date on which the Special Dividend is paid, unable to pay its debts as they fall due in the ordinary course of business.

The conditions set out above cannot be waived. If the conditions set out above are not satisfied, the Special Dividend will not be paid.

The Special Dividend will allow Shareholders to immediately realise substantial value from their shareholdings in the Company while continuing to be invested in the Company's remaining businesses. As the Special Dividend provides the opportunity for a substantial and immediate cash realization to the Shareholders from the outcome of the Disposal, the Board considers that the proposed distribution of the Special Dividend would, if materialized, be in the interests of the Company and the Shareholders as a whole. If the Disposal is not approved by the Shareholders, or does not complete, then the Special Dividend will not be paid.

Further announcement in respect of the details of the Special Dividend, including but not limited to the closure date of the register of members of the Company, the record date for determining entitlements to receive the Special Dividend and the pay-out date for the Special Dividend, will be made by the Company when appropriate.

Since each of Mr. Ding, Ms. Ding Mei Qing and Mr. Ding Ming Zhong has material interests in the declaration and distribution of the Special Dividend, they have abstained from voting on the board resolution approving the declaration and distribution of the Special Dividend in accordance with the requirements of the articles of association of the Company and Listing Rules.

(3) EARLY REDEMPTION OF K-SWISS CONVERTIBLE BONDS BY KP GLOBAL

Reference is made to the issue of US\$65,000,000 zero coupon perpetual convertible bonds by KP Global on 15 June 2021 as disclosed in the announcements of the Company dated 15 June 2021, 13 August 2021 and 9 September 2021.

Pursuant to the terms and conditions of the K-Swiss Convertible Bonds, KP Global may, at any time and from time to time, by notice to the K-Swiss CB Investor make an offer to redeem the K-Swiss Convertible Bonds. The K-Swiss CB Investor may accept such offer in whole or in part.

On 9 May 2024, KP Global and the K-Swiss CB Investor entered into the K-Swiss Convertible Bonds Redemption Agreement, pursuant to which, KP Global agreed to redeem the K-Swiss Convertible Bonds at a redemption price of US\$65,000,000 in aggregate (the "**Redemption Price**"). The Redemption Price shall be funded by the issue of the KP Convertible Bonds by KP Global to the Company.

Conditions precedent

The obligation of the K-Swiss CB Investor and KP Global to consummate the K-Swiss CB Redemption Closing is subject to the satisfaction of the following conditions:

- (a) all representations and warranties of KP Global and the K-Swiss CB Investor contained in the K-Swiss Convertible Bonds Redemption Agreement shall be true and accurate as of the date of the agreement and as of the Redemption Closing Date as though newly made on and as of the K-Swiss CB Redemption Closing Date;
- (b) both KP Global and the K-Swiss CB Investor have obtained any and all consents, permits and waivers necessary or appropriate for consummation of the transactions contemplated by the K-Swiss Convertible Bonds Redemption Agreement;
- (c) the Xtep Subscription Agreement, Xtep Bond Instrument and the Xtep Bond Certificate having been duly executed and delivered by the parties thereto; and
- (d) the Call Option shall have been unconditionally and irrevocably granted to the K-Swiss CB Investor pursuant to the Call Option Deed.

Redemption Closing

Redemption Closing shall take place simultaneously upon the satisfaction or waiver of the conditions precedent or such other time and place as KP Global and the K-Swiss CB Investor may mutually agree.

At the Redemption Closing, (i) KP Global shall pay to the K-Swiss CB Investor the Redemption Price in immediately available funds by wire transfer to an account designated in writing by the K-Swiss CB Investor, (ii) the K-Swiss CB Investor shall deliver to KP Global the K-Swiss Bond Certificate representing the K-Swiss Convertible Bonds for cancellation.

(4) ISSUE OF XTEP CONVERTIBLE BONDS TO INVESTOR

On 9 May 2024, the Company entered into the Xtep 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 Xtep Convertible Bonds in the aggregate principal amount of HK\$500,000,000. Details of the Xtep Subscription Agreement are set out below:

THE XTEP SUBSCRIPTION AGREEMENT

Date: 9 May 2024

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 in cash immediately upon Closing.

Conditions precedent to the Xtep Subscription

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

- (a) if approval from the Shareholders is required under applicable laws and the Listing Rules in connection with the entry into of the Xtep Subscription Agreement, the transactions contemplated thereunder, including but not limited to the issue of the Xtep Convertible Bonds and the issuance and allotment of the Xtep Conversion Shares upon conversion of the Xtep Convertible Bonds, such approval shall have been obtained;
- (b) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Xtep Conversion Shares;

- (c) the warranties of the Company contained in the Xtep 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 Xtep CB Closing Date;
- (d) the Company shall have performed and complied with all covenants, agreements, obligations and conditions contained in the Xtep CB Transaction Documents that are required to be performed or complied with by it on or before the Xtep CB 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 Xtep Subscription Agreement and under the other Xtep CB Transaction Documents that are required to be obtained on or prior to the Xtep CB Closing;
- (f) all corporate and other proceedings in connection with the transactions contemplated under the Xtep Subscription Agreement and under the other Xtep CB Transaction Documents on the Xtep CB 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 (i) requested any information in connection with or instituted any action or investigation to restrain, prohibit or otherwise challenge the issue of the Xtep Convertible Bonds to the Investor or the other transactions contemplated by the Xtep CB 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 Xtep Convertible Bonds to the Investor or the other transactions contemplated by the Xtep CB 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 Xtep Convertible Bonds to the Investor, the other transactions contemplated by the Xtep CB Transaction Documents to which the Investor is a party, or the operation of the Company or any other Group member after the Xtep CB 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 Xtep CB Transaction Documents;
- (i) there shall not, since the date of the Xtep 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) the Shares remain listed and traded on the Main Board of the Stock Exchange and no written notification being received by the Company to the effect that listing of the Shares on the Main Board of the Stock Exchange will or may be withdrawn;
- (k) there shall not have occurred any event that would (had the Xtep Convertible Bonds already been issued) constitute an event of default; and
- (l) the Investor shall have received a written notice from the Company at least five Business Days prior to the Xtep CB Closing Date requesting for the completion of the issue of the Xtep Convertible Bonds in accordance with the terms and conditions of the Xtep Subscription Agreement.

Xtep CB Closing

Xtep CB Closing shall be conducted on a date no later than ten Business Days after the fulfilment or waiver of the conditions to the Xtep CB 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 Xtep Subscription Agreement are not fulfilled or waived by the Investor on or before the date falling on two months from the date of the Xtep Subscription Agreement, the Investor may, at its option and without prejudice to the rights of the Investor, (i) defer the Xtep CB Closing to a later date; (ii) proceed to the Xtep CB Closing in respect of subscription for the Xtep Convertible Bonds so far as practicable but subject to such conditions as the Investor may determine at their sole discretion; or (iii) terminate the Xtep Subscription Agreement.

PRINCIPAL TERMS OF THE XTEP CONVERTIBLE BONDS

The following summarises certain principal terms of the Xtep 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 Xtep CB Issue Date.
- Interest:** The Xtep Convertible Bonds bear quarterly accrued interest from and including the Xtep CB Issue Date at 3.5% per annum. Default interest rate is 25% per annum.
- According to the terms of the Xtep Bond Instrument, the interest and the default interest shall be accrued quarterly commencing on the Xtep CB Issue Date and payable quarterly in kind and accumulate as additional principal amount, provided in each case, that by delivering a written notice to the Company no later than five Business Days prior to each date of payment of interest, a holder of any Xtep Convertible Bond may elect for such payment of interest with respect to such Xtep Convertible Bond to be made in cash in lieu of payment in kind.
- Denomination:** The Xtep Convertible Bonds will be issued in registered form and in denominations of HK\$10,000,000 each and integral multiples thereof.
- Conversion Price:** The initial Xtep Conversion Price is HK\$5.50 per Xtep 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 Xtep Conversion Price.

- Conversion period: Xtep Bondholders may exercise their conversion right to convert all or part of the Xtep Convertible Bond into shares at the option of the holder thereof, at any time up to the close of business (at the place where the Xtep Bond Certificate evidencing such Xtep Convertible Bond is deposited for conversion) on the date before the Xtep CB Maturity Date or if such Bond shall have been called or put for redemption at any time on or after the Xtep CB 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 Xtep 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 Xtep Convertible Bond at an amount equal to the principal amount (which shall include any accrued interest accumulated as additional principal amount for any relevant period) together with accrued unpaid interest and all other amounts accrued or outstanding under the Xtep Convertible Bond which remain unpaid on the Xtep CB Maturity Date.
- Events of default: If any of the following events has occurred, the Xtep Bondholders may, acting by ordinary resolution, by notice in writing given to the Company not less than 10 Business Days' notice, declare the relevant Xtep Convertible Bond and the relevant Xtep Convertible Bond shall become, immediately due and payable, whereupon such Xtep 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 have 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 Xtep 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 10 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 Xtep Convertible Bond and such failure continues for a period of 10 Business Days;
- (d) the Company fails to perform or comply with one or more of its other obligations in the Xtep 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 Xtep 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 consolidated financial statements of the Company 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 Xtep 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 Xtep 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 Xtep 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 Xtep 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 Xtep Bondholder.

Major events:

The followings constitute major events under the terms of the Xtep 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% 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% 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 assets of the Company to any other person, unless the consolidation, merger, sale or transfer will not result in the other person or persons acquiring 30% 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 Xtep Bond Instrument, the Xtep Bondholder shall have the right, at the option of such Xtep Bondholder, to require the Company to redeem, in whole or in part, such Xtep Convertible Bonds of the Xtep Bondholder on the tenth Business Day after a relevant notice has been given to the Company by the Xtep 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 Xtep Bond Instrument.

Redemption by Xtep 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 Xtep CB Issue Date), the Xtep Bondholder may, having given not less than 10 Business Days' notice to the Company, redeem, in whole or in part, the Xtep Convertible Bonds at an amount (the "**Early Redemption Amount**") equal to 100%, of the principal amount (including any accrued interest accumulated as additional principal amount for the relevant period) together with any accrued and unpaid interest based on the default interest rate in excess of the rate of interest (if applicable), and all other amounts accrued or outstanding under the Xtep Convertible Bond which remain unpaid on the date fixed for redemption.

Negative pledge: So long as there are outstanding Xtep 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 Xtep Bond Instrument.

Ranking: The Xtep 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 Xtep Convertible Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable laws and subject to the Xtep Bond Instrument, at all times rank at least equally with all of the other present and future direct, unsubordinated, unconditional and unsecured obligations of the Company.

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

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

XTEP CONVERSION PRICE AND XTEP CONVERSION SHARES

The initial Xtep Conversion Price of HK\$5.50 per Xtep Conversion Share represents:

- (i) a premium of approximately 1.9% over the closing price of HK\$5.40 per Share as quoted on the Stock Exchange on 9 May 2024, being the last trading day immediately prior to the date of the Xtep Subscription Agreement;
- (ii) a premium of approximately 5.8% over the average of the closing price of approximately HK\$5.20 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Xtep Subscription Agreement; and
- (iii) a premium of approximately 7.8% over the average of the closing price of approximately HK\$5.10 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to the date of the Xtep Subscription Agreement.

The initial Xtep 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 Xtep Conversion Price and the terms and conditions of the Xtep Subscription Agreement and the Xtep Convertible Bonds are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The 90,909,090 Xtep Conversion Shares (excluding the 3.5% interest per annum), having an aggregate nominal amount of HK\$909,090.90 based on a par value of HK\$0.01 per Share, represent:

- (i) approximately 3.44% of the total number of Shares in issue as at the date of this announcement; and
- (ii) approximately 3.33% of the enlarged total number of issued Shares upon allotment and issue of such Xtep Conversion Shares, assuming that there is no other change to the issued share capital of the Company.

The maximum of 112,050,154 Conversion Shares (including the maximum quarterly accrued interest of 3.5% interest per annum at the Xtep CB Maturity Date), having an aggregate nominal amount of HK\$1,120,501.54 based on a par value of HK\$0.01 per Share, represent:

- (i) approximately 4.24% of the total number of Shares in issue as at the date of this announcement; and
- (ii) approximately 4.07% of the enlarged total number of issued Shares upon allotment and issue of such Xtep 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 (having deducted the professional fees and other expenses in connection with the issue of the Xtep Convertible Bond) and the 90,909,090 Conversion Shares (excluding the 3.5% interest per annum), the net Xtep Conversion Price is approximately HK\$5.49 per Xtep Conversion Share.

GENERAL MANDATE

The Xtep Conversion Shares that may fall to be issued upon exercise of the conversion right attaching to the Xtep 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 528,291,441 new Shares may be issued thereunder. The General Mandate is therefore sufficient for the allotment and issue of the Xtep Conversion Shares. As such, the Xtep Bond Issue and the Xtep Conversion Shares are not subject to Shareholders' approval at a general meeting.

INFORMATION ON THE COMPANY AND THE GROUP

Please refer to the paragraph headed "Information on the Company and the Group" in the section headed "(1) Share Purchase Agreement" above.

INFORMATION ON THE INVESTOR

The Investor, GSUM IV Holdings Limited, is an exempted company incorporated in the Cayman Islands with limited liability. HHLR Advisors, Ltd. serves as the sole investment manager of the Investor. Founded in 2005, Hillhouse is dedicated to investing in high-quality businesses for the long term. With nearly two decades of experience, Hillhouse collaborates with industry-defining enterprises, aiming to establish alignment with sustainable, forward-thinking companies across healthcare, business services, consumer, and industrial sectors. Hillhouse is a diversified asset manager with strategies across equities, credit and real assets. The firm manages capital for global institutions, including non-profit foundations, endowments and pensions.

REASONS FOR THE XTEP BOND ISSUE AND USE OF PROCEEDS

The gross proceeds and net proceeds from the issue of the Xtep 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 Xtep Convertible Bonds for the subscription of the KP Convertible Bonds and ultimately for funding the Redemption Price for the K-Swiss CB Redemption.

As mentioned in the section headed “Background” above, as KP Global will cease to be a wholly owned subsidiary of the Company upon completion of the Disposal and since KP Global had previously issued the K-Swiss Convertible Bonds to the K-Swiss CB Investor, the Company values Hillhouse as a strategic investor and offered to swap the K-Swiss Convertible Bonds with the Xtep Convertible Bonds.

The Directors (including the independent non-executive Directors) consider that the swapping of the K-Swiss Convertible Bonds with the Xtep Convertible Bonds, the terms and conditions of the Xtep Subscription Agreement and the other Xtep CB Transaction Documents 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 Xtep Convertible Bonds ((i) excluding the 3.5% interest per annum; and (ii) including the maximum quarterly accrued interest of 3.5% interest per annum at the Xtep CB 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 Xtep Convertible Bonds (including the maximum quarterly accrued interest of 3.5% interest per annum at the Xtep CB Maturity Date)				Upon full conversion of the Xtep Convertible Bonds (including the maximum quarterly accrued interest of 3.5% interest per annum at the Xtep CB Maturity Date) and full conversion of the 2021 CB (as defined below) (including the maximum quarterly accrued interest of 1.8% per annum at the relevant maturity date)	
	Number of		Number of		Number of		Number of	
	Shares	Approx. %	Shares	Approx. %	Shares	Approx. %	Shares	Approx. %
Group Success Investments Limited	1,230,059,500	46.57	1,230,059,500	45.02	1,230,059,500	44.67	1,230,059,500	43.81
Ding Shui Po	71,977,500	2.72	71,977,500	2.63	71,977,500	2.61	71,977,500	2.56
Ding Mei Qing	2,000,000	0.076	2,000,000	0.073	2,000,000	0.073	2,000,000	0.071
Ding Ming Zhong	2,800,000	0.11	2,800,000	0.10	2,800,000	0.10	2,800,000	0.10
Tan Wee Seng	283,068	0.011	283,068	0.010	283,068	0.010	283,068	0.010
The Investor	—	—	90,909,090	3.33	112,050,154	4.07	166,412,603 ⁽³⁾	5.93
Public Shareholders	1,334,337,139	50.51	1,334,337,139	48.84	1,334,337,139	48.47	1,334,337,139	47.52
Total:	2,641,457,207	100.00	2,732,366,297	100.00	2,753,507,361	100.00	2,807,869,810	100.00

Notes:

1. As at the date of this announcement, the Company has an issued share capital of 2,641,457,207 Shares.
2. Upon full conversion of the Xtep Convertible Bonds (including the maximum quarterly accrued interest of 25% default interest rate at the Xtep CB Maturity Date), the number of Conversion Shares shall be 389,494,961 Shares, representing approximately 14.75% of the total number of Shares in issue as at the date of this announcement and approximately 12.85% of the enlarged total number of issued Shares upon allotment and issue of such Xtep 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 Xtep Conversion Shares.
3. Pursuant to the convertible bonds in the principal amount of HK\$500,000,000 issued by the Company to the Investor on 15 June 2021 (the “2021 CB”), such convertible bonds shall be converted into 48,809,058 conversion shares (excluding the 1.8% interest per annum) or the maximum of 54,362,449 conversion shares (including the maximum quarterly accrued interest of 1.8% per annum at the relevant maturity date). The maximum number of conversion shares is included in the table for illustrative purpose only. For details, please refer to the announcement of the Company dated 15 June 2021.

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 Xtep Bond Instrument imposes, among other things, specific performance obligations on the controlling shareholder of the Company, Mr. Ding, 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.

(5) CALL OPTION TO K-SWISS CB INVESTOR BY CONTROLLING SHAREHOLDER

Subject to the completion of the Disposal having taken place in accordance with the terms and conditions of the Share Purchase Agreement, to maintain long term relationship with Hillhouse, on 9 May 2024, Ding Shun Investment, Mr. Ding and the K-Swiss CB Investor executed the Call Option Deed, pursuant to which Ding Shun Investment shall grant to the K-Swiss CB Investor the Call Option, the exercise of which shall require Ding Shun Investment to sell all of the Option Shares to the K-Swiss CB Investor at an aggregate option price of US\$65 million within five years from the date of completion of the Disposal.

Details of the Call Option Deed are set out below:

Date: 9 May 2024

Parties: Ding Shun Investment (as the grantor)
Mr. Ding (as the guarantor)
The K-Swiss CB Investor (as the grantee)

Subject matter: Pursuant to the Call Option Deed, Ding Shun Investment has granted to the K-Swiss CB Investor the Call Option, the exercise of which shall require Ding Shun Investment to sell all of the Option Shares to the K-Swiss CB Investor at a consideration of US\$65,000,000.

Option Shares: The number of Option Shares shall, on a fully-diluted and as-converted basis at completion of the Call Option, represents 20% of the entire issued share capital of KP Global.

Exercise period: The Call Option may be exercised by the K-Swiss CB Investor at any time and multiple times (which shall not be more than three times) during the five years commencing from the date of completion of the Disposal at the option price.

Option price: The option price for all the Option Shares will be US\$65,000,000, which is equivalent to the total principal amount of the K-Swiss Convertible Bonds issued by Xtep Global to the K-Swiss CB Investor.

Condition precedent: The grant of the Call Option is conditional upon the Share Purchase Agreement having been completed in accordance with its terms.

If the above condition precedent is not satisfied by 31 December 2025, the Call Option Deed shall cease to have effect immediately except for certain provisions and any rights or liabilities that have accrued prior to that time, and Mr. Ding as the guarantor shall procure that KP Global shall enter into a call option deed in favor of Ding Shun Investment containing substantially similar terms as the terms contained in the Call Option Deed.

Mr. Ding shall also procure Ding Shun Investment to, and Ding Shun Investment shall, do all things and take all necessary actions to consummate the transactions contemplated under the Share Purchase Agreement no later than 31 December 2025. Without the prior written consent of the K-Swiss CB Investor, Mr. Ding and Ding Shun Investment shall procure that the Share Purchase Agreement is not amended, modified or supplemented, or the transactions contemplated thereunder are otherwise altered.

Completion: Upon the exercise of the Call Option, the parties to the Call Option Deed shall be bound to complete the sale and purchase of the Option Shares within two months after the relevant date of exercise of the Call Option.

The grant and receipt of Options do not involve any consideration or option premium in cash.

(6) ISSUE OF KP CONVERTIBLE BONDS TO THE COMPANY

On 9 May 2024, KP Global entered into the KP Subscription Agreement with the Company, pursuant to which the Company has conditionally agreed to subscribe for and KP Global has conditionally agreed to issue the KP Convertible Bonds at an aggregate principal amount of US\$154,000,000. Details of the KP Subscription Agreement are set out below:

The KP Subscription Agreement

Date: 9 May 2024

Parties: KP Global, as the issuer
The Company, as the subscriber

Principal amount: An aggregate principal amount of US\$154,000,000 to be payable in full immediately upon KP CB Closing. The principal amount shall be satisfied and settled by offsetting against the amount due from KP Global to the Company as at the end of March 2024.

Conditions precedent to the KP Subscription

The obligation of the Company to subscribe for the KP 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) below, may be waived by the Company) at or prior to the KP CB Closing:

- (a) approval from the Independent Shareholders approving the entering into of the KP Subscription Agreement and the transactions contemplated thereunder having been obtained;
- (b) the Disposal having been completed;
- (c) the redemption of the K-Swiss Convertible Bonds having been completed in accordance with the terms and conditions of the K-Swiss Convertible Bonds Redemption Agreement;
- (d) the warranties of KP Global contained in the KP 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 KP CB Closing Date;
- (e) KP Global shall have performed and complied with all covenants, agreements, obligations and conditions contained in the KP CB Transaction Documents that are required to be performed or complied with by it on or before the KP CB Closing;
- (f) KP Global 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 KP Subscription Agreement and under the other KP CB Transaction Documents that are required to be obtained on or prior to the KP CB Closing;

- (g) all corporate and other proceedings in connection with the transactions contemplated under the KP Subscription Agreement and under the other KP CB Transaction Documents on the KP CB Closing and all documents and instruments incidental to such transactions shall be satisfactory in substance and form to the Company, and the Company shall have received all copies of such documents as it may request;
- (h) 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 KP Convertible Bonds to the Investor or the other transactions contemplated by the KP CB Transaction Documents to which the Company is a party; (ii) threatened to take any action as a result of or in anticipation of the issue of the KP Convertible Bonds to the Company or the other transactions contemplated by the KP CB 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 KP Convertible Bonds to the Investor, the other transactions contemplated by the KP CB Transaction Documents to which the Company is a party, or the operation of KP Global or any other KP Global Group member after the KP CB Closing;
- (i) 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 KP CB Transaction Documents;
- (j) 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 KP Global, any other company or any other KP Global Group member or the financial markets or economic conditions in general that has had a material adverse effect;
- (k) there shall not have occurred any event that would (had the KP Convertible Bonds already been issued) constitute an event of default; and
- (l) the Company shall have received a written notice from KP Global at least five Business Days prior to the KP CB Closing Date requesting for the completion of the issue of the KP Convertible Bonds in accordance with the terms and conditions of the KP Subscription Agreement.

KP CB Closing

Completion shall take place on or no later than five Business Days following the fulfilment or waiver of the above conditions precedent or on such other date as may be agreed in writing by the parties.

Termination

If the conditions precedent to the KP Subscription Agreement are not fulfilled or waived by the Company on or before 31 December 2024, the Company may, at its option and without prejudice to the rights of the Company, (i) defer the KP CB Closing to a later date; (ii) proceed to the KP CB Closing in respect of subscription for the KP Convertible Bonds so far as practicable but subject to such conditions as the Company may determine at their sole discretion; or (iii) terminate the KP Subscription Agreement.

PRINCIPAL TERMS OF THE KP CONVERTIBLE BONDS

The following summarises certain principal terms of the KP Convertible Bonds:

Issuer:	KP Global
Amount:	An aggregate principal amount of US\$154,000,000
Term:	The eighth anniversary of the KP CB Issue Date.
Interest:	The KP Convertible Bonds bear interest from and including the KP CB Issue Date at 3.5% per annum. Default interest rate is 25% per annum.

According to the terms of the KP Bond Instrument, the interest and the default interest shall be accrued quarterly and accumulate as additional principal amount of the KP Convertible Bonds.

Denomination:	The KP Convertible Bonds will be issued in registered form and in denominations of US\$1,000,000 each and integral multiples thereof.
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KP CB Conversion Price: The initial KP CB Conversion Price is US\$5,988.95 per KP CB 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 KP CB Conversion Price.

The initial conversion price of US\$5,988.95 per KP Conversion Share was determined after arm's length negotiations between KP Global and the Company with reference to the amount owed by KP Global to the Company as at the end of March 2024 after early redemption of the K-Swiss Convertible Bonds. The Directors considered that the initial conversion price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conversion period: The KP Convertible Bonds shall be convertible at any time on or after the KP CB Issue Date up to the close of business on the KP CB Maturity Date or if the KP Convertible Bonds shall have been called or put for redemption at any time on or after the KP CB Issue Date, then up to the close of business on a date no later than two Business Days prior to the date fixed for redemption.

Transferability: Absent any redemption trigger events as stated in the terms and conditions of the KP Convertible Bonds, the KP Convertible Bonds may not, without the written consent of the KP Global, be transferred by the Company to any person who is not an affiliate of the Company.

Redemption: Unless previously redeemed, converted or purchased and cancelled, KP Global will redeem each KP Convertible Bond at an amount equal to the principal amount, or such other amount in accordance with the terms of the KP Bond Instrument, together with accrued interest and all other amounts accrued or outstanding under the KP Convertible Bond which remain unpaid on the KP CB Maturity Date.

Events of default: If any of the following events has occurred, the KP Bondholders may, acting by ordinary resolution, by notice in writing given to KP Global not less than 10 Business Days' notice, declare the relevant KP Convertible Bond and the relevant KP Convertible Bond shall become, immediately due and payable, whereupon such KP Convertible Bond shall become immediately due and payable by KP Global of the principal amount:

- (a) a default is made by KP Global in the payment of any principal, interest, additional interest, premium or any other amount due in respect of the KP 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 10 Business Day of its due date);
- (b) failure by KP Global to deliver the Shares as and when such Shares are required to be delivered following conversion of a KP Convertible Bond and such failure continues for a period of 10 Business Days;
- (c) KP Global fails to perform or comply with one or more of its other obligations in the KP 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 KP Global by a KP Bondholder;

- (d) KP Global or any of its 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;
- (e) any final judgment or order for the payment of money in excess of US\$15,000,000 (or the equivalent thereof) in the aggregate for all such final judgments or orders shall be rendered against KP Global 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;

- (f) (i) any other present or future indebtedness of KP Global 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) KP Global 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 US\$15,000,000 or its equivalent (as reasonably determined on the basis of the middle spot rate for the relevant currency against the US\$ 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);
- (g) 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 consolidated financial statements of KP Global 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 KP Global and its subsidiaries has been made;

- (h) any change of control where (a) the controlling shareholder of KP Global ceases, directly or indirectly, to be able to exercise or control the exercise of 30% or more of the voting rights attaching to the issued share capital of KP Global; (b) the controlling shareholder of KP Global ceases to be the single largest shareholder of KP Global; (c) any person or persons (other than the controlling shareholder of the Company), acting individually or together, directly or indirectly, acquires 30% or more of the voting rights attaching to the issued share capital of KP Global; or (d) KP Global consolidates with or merges into or sells or transfers all or substantially all of the assets of KP Global to any other person, unless the consolidation, merger, sale or transfer will not result in the other person or persons acquiring 30% or more of the voting rights attaching to the issued share capital of KP Global or the successor entity (the “**Change of Control**”);

- (i) (a) any recapitalisation, reclassification or change of the Shares, (b) any merger of KP Global, including any sale, lease or other transfer to a third party of the consolidated assets of KP Global 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) (the “**Share Exchange Event**”);

- (j) Mr. Ding 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 KP 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 KP Global or any of its 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 KP Global or any of its principal subsidiaries, which is material to KP Global 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 KP Global or any of its principal subsidiaries, or KP Global 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 KP 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 KP Global and its subsidiaries as a whole and is not discharged within 30 days;
- (o) it is or will become unlawful for KP Global to perform or comply with its obligations under the KP 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 KP Global or any of its subsidiaries, which is material to KP Global 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 KP Global lawfully to exercise its rights and perform and comply with its obligations under the KP 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 KP Bondholder.

Major events:

A Change of Control or Share Exchange Event constitutes major events under the terms of the KP Bond Instrument.

Redemption on major events:

In the event of a major event, each relevant KP Bondholder shall have the right, at such KP Bondholder's option, to require KP Global to redeem, in whole or in part, such KP Bondholder's KP Convertible Bonds on the 10th Business Day after a major event put notice has been given to the KP Bondholders by KP Global.

- Redemption trigger events: If any of the redemption trigger events as stated in the terms and conditions of the KP Convertible Bonds has occurred, the Company at its discretion may at any time thereafter give notice to KP Global that the KP Convertible Bonds are, and they shall immediately become, due and repayable, at a corresponding redemption price under the terms and conditions of the KP Convertible Bonds.
- Early Redemption by KP Bondholder: Subject to the redemption on major event or certain event of default, at any time on or after the date falling on the fifth anniversary of (or, for the avoidance of doubt, commencing from the 61st month from) the KP CB Issue Date, the KP Bondholder may, having given not less than ten business days' notice to Xtep Global, redeem, in whole or in part, the KP Convertible Bonds at an amount equal to 100% of the principal amount together with accrued interest and all other amounts accrued or outstanding under the KP Convertible Bonds which remain unpaid on the date fixed for redemption on an event of default or in the redemption notice, as the case may be.
- Ranking: The KP Convertible Bonds constitute direct, unsubordinated, unconditional and secured obligations of KP Global and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of KP Global under the KP Convertible Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable laws and subject to the KP Bond Instrument, are secured by the Floating Charge over all the property, assets and rights of KP Global Group created by KP Global in favour of the Company.
- The KP CB Conversion Shares will be fully-paid and in all respects rank *pari passu* with the issued and fully-paid shares of KP Global.
- Listing: No application will be made for the listing of the KP Convertible Bonds or the KP CB Conversion Shares on the Stock Exchange or any other stock exchange.

SHAREHOLDING STRUCTURE OF KP GLOBAL

Upon full conversion of the KP Convertible Bonds at the KP CB Conversion Price, a total of 25,714 KP CB Conversion Shares will be issued, representing approximately 42.86% of the issued share capital of KP Global upon issue of the KP Convertible Bonds and 30% of the issued share capital of KP Global as enlarged by the issue of the KP CB Conversion Shares.

The following table sets out the shareholding structure of KP Global, assuming the Disposal has been completed, (i) immediately upon issue of the KP Convertible Bonds; and (ii) immediately upon full conversion of the KP Convertible Bonds, assuming that there is no other change in the issued shares of KP Global from the date of this announcement (for illustration purposes only).

Shareholders of KP Global	Immediately upon issue of the KP Convertible Bonds		Immediately upon full conversion of the KP Convertible Bonds	
	<i>Number of shares of KP Global</i>	<i>Approx. %</i>	<i>Number of shares of KP Global</i>	<i>Approx. %</i>
Ding Shun Investment	60,000	100	60,000	70
The Company	—	—	25,714	30
Total	<u>60,000</u>	<u>100</u>	<u>85,714</u>	<u>100</u>

REASONS FOR THE SUBSCRIPTION OF THE KP CONVERTIBLE BONDS

As mentioned in the paragraph headed “Background” above, since KP Global will cease to be a subsidiary of the Company after completion of the Disposal, after the redemption of K-Swiss Convertible Bonds, the amount owed by KP Global to the Company which amounted to US\$154 million which corresponds to the accumulated losses since the acquisition in 2019 combined with its value of the capital expenditure and working capital as at the end of March 2024. Instead of KP Global repaying this outstanding amount to the Company, the Company intends to offset such outstanding amount from KP Global with the subscription of the KP Convertible Bonds. In the event that the Company does not convert the KP Convertible Bonds during the conversion period, the Company shall be entitled to collect the debt in the amount of US\$154,000,000 together with interest accrued.

In view of the above, the Directors (other than members of the independent board committee, who will express their view after receiving advice from the independent financial adviser) are of the view that the terms and conditions of the KP Subscription Agreement and the other KP CB Transaction Documents are fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As KP Global will be wholly owned by the Ding Family through Ding Shun Investment upon completion of the Disposal, KP Global will become a connected person of the Company, the subscription of the KP Convertible Bonds by the Company will constitute a connected transaction for the Company under Chapter 14A of the Listing Rules. The subscription of the KP Convertible Bonds is subject to the announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Since each of Mr. Ding, Ms. Ding Mei Qing and Mr. Ding Ming Zhong has material interests in the subscription of KP Convertible Bonds, they have abstained from voting on the board resolution approving the subscription of KP Convertible Bonds and the transactions contemplated thereunder in accordance with the requirements of the articles of association of the Company and Listing Rules.

The independent board committee comprising all independent non-executive Directors will be appointed to advise the Independent Shareholders on whether the subscription of the KP Convertible Bonds and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and its Shareholders as a whole. The Group will appoint an independent financial adviser to advise the independent board committee and the Independent Shareholders on the same.

(7) WAIVER IN RESPECT OF DEED OF NON-COMPETE

On 7 May 2008, each of the then controlling Shareholders of the Company has entered into the Deed of Non-compete in favour of the Company, pursuant to which, subject to certain exceptions set out in the Deed of Non-compete and disclosed in the Prospectus, they will not, and shall procure their controlled affiliates (other than members of the Group) not to, engage in any business that competes or may compete (directly or indirectly) with the business of any member of the Group from time to time.

Since the KP Global Group is the business operator and the ultimate owner of the “K-Swiss” and “Palladium” brands, and given the Group is currently engaged in the design, development, manufacturing, sales, marketing and brand management of various sports brands, upon completion of the Disposal, the business of KP Global Group may be in competition with the business of the Group.

As Mr. Ding and Ms. Ding Mei Qing, being the then controlling Shareholders who executed the Deed of Non-compete, own 67% and 21% of Ding Shun Investment respectively, and Ding Shun Investment will become the sole shareholder of KP Global upon completion of the Disposal, Mr. Ding and Ms. Ding Mei Qing have requested from the Company for the Waiver in respect of the non-competition restrictions that apply to the business of the “K-Swiss” and “Palladium” brands being carried out by KP Global.

Reasons for the proposed grant of the Waiver

Although the business of the “K-Swiss” and “Palladium” brands have been struggling over the years, it is undeniable that these two brands have their own unique market position and customer base in China. It is expected that the business of the “K-Swiss” and “Palladium” brands could slowly recover and become successful in the future. Through the subscription of the KP Convertible Bonds, the Company will have the opportunity to share the success of the “K-Swiss” and “Palladium” brands in future. In order to allow KP Global to continue the business of the “K-Swiss” and “Palladium” brands under the ownership of Ding Family, the Waiver will need to be granted to Mr. Ding and Ms. Ding Mei Qing.

Further, the Company will be entering into a Transition Services Agreement with KP Global, pursuant to which, the Group will provide certain transition services to KP Global at a service fee. This service arrangement will provide the Group with other form of stable income.

As such, the Directors (other than members of the independent board committee, who will express their view after receiving advice from the independent financial adviser) are of the view that the granting of the Waiver is fair and reasonable and in the interests of the Company and its shareholders as a whole.

Listing Rules Implications

As each of Mr. Ding and Ms. Ding Mei Qing is a Director and controlling Shareholder and therefore a connected person of the Company, the grant of the Waiver will constitute a connected transaction for the Company under Chapter 14A of the Listing Rules. The grant of the Waiver is subject to the announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Since Mr. Ding and Ms. Ding Mei Qing has material interests in the Waiver, they have abstained from voting on the board resolution approving the Waiver in accordance with the requirements of the articles of association of the Company and Listing Rules. Mr. Ding Ming Zhong, being family member of Mr. Ding and Ms. Ding Mei Qing, have voluntarily abstained from voting on the board resolution approving the Waiver.

The independent board committee comprising all independent non-executive Directors will be appointed to advise the Independent Shareholders on whether the grant of the Waiver is fair and reasonable and in the interests of the Company and its Shareholders as a whole. The Group will appoint an independent financial adviser to advise the independent board committee and the Independent Shareholders on the same.

EGM

The Company will convene and hold an EGM for the Independent Shareholders to consider and, if thought fit, to approve, among other things, (i) the Share Purchase Agreement and the transactions contemplated thereunder, (ii) the declaration and distribution of the Special Dividend, (iii) the subscription of the KP Convertible Bonds, (iv) the Waiver and (v) the Transition Services Agreement (which will be announced separately).

Mr. Ding, Ms. Ding Mei Qing and Mr. Ding Ming Zhong and their respective associates, which are interested in 49.29%, 46.64% and 46.67% of the total issued share capital of the Company respectively as at the date of this announcement, will abstain from voting on the proposals at the EGM. The proposals will be passed by way of ordinary resolutions and voted on by way of poll in accordance with the requirements under the Listing Rules.

An independent board committee comprising all the independent non-executive Directors has been formed, and shall advise the independent Shareholders on the terms of the Share Purchase Agreement, the Special Dividend, the KP Convertible Bonds, the Waiver and the Transition Services Agreement. An independent financial adviser will be appointed by the Company to advise the independent board committee and the independent Shareholders in this regard.

A circular containing, among other matters, (i) further details of the Share Purchase Agreement, the declaration and the distribution of the Special Dividend, the subscription of KP Convertible Bonds, the Waiver and the Transition Services Agreement; (ii) a letter from the independent board committee; (iii) a letter from the independent financial adviser; (iv) notice of the EGM; and (v) other information concerning the Company as required under the Listing Rules, is expected to be despatched to the Shareholders on or before 14 June 2024 as additional time is needed for its preparation.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed thereto under the Listing Rules;
“Board”	the board of Directors;
“Business Day(s)”	a day on which commercial banks are open for business in Hong Kong (excluding Saturdays and Sundays);
“Call Option”	the call option granted by Ding Shun Investment, guaranteed by Mr. Ding, to the K-Swiss CB Investor to require Ding Shun Investment to sell all of the Option Shares to the K-Swiss CB Investor under the Call Option Deed;
“Call Option Deed”	the deed dated 9 May 2024 entered into between Ding Shun Investment, Mr. Ding and the K-Swiss CB Investor in respect of the grant of the Call Option by Mr. Ding in favour of the K-Swiss CB Investor;
“Company”	Xtep International Holdings Limited, a company incorporated under the laws of the Cayman Islands, the issued Shares of which are listed on the Stock Exchange;

“connected person(s)”	has the meaning ascribed thereto under the Listing Rules;
“Deed of Non-compete”	the deed of non-compete dated 7 May 2008 executed by the then controlling Shareholders of the Company in favour of the Company;
“Ding Family”	Mr. Ding, Ms. Ding Mei Qing and Mr. Ding Ming Zhong;
“Ding Shun Investment”	Ding Shun Investment Limited, a company incorporated in the British Virgin Islands with limited liability, which is owned as to 67%, 21% and 12% by Mr. Ding, Ms. Ding Mei Qing and Mr. Ding Ming Zhong respectively;
“Directors”	the directors of the Company;
“Disposal”	the disposal of the entire issued share capital of KP Global by the Company pursuant to the Share Purchase Agreement;
“Disposal Transaction Documents”	the Share Purchase Agreement, the K-Swiss Convertible Bonds Redemption Agreement, the KP Subscription Agreement and the Transition Services Agreement;
“EGM”	the extraordinary general meeting of the Company to be convened to consider and approve, among other things, the Share Purchase Agreement and the transactions contemplated thereunder;
“Floating Charge”	the floating charge to be executed by KP Global as charger in favour of the Company to secure the performance of liabilities of KP Global under the KP Bond Instrument;
“General Mandate”	the general mandate granted to the Board by the Shareholders at the annual general meeting of the Company held on 3 May 2024, which authorised the Directors to allot, issue or otherwise deal with up to 528,291,441 Shares, representing 20% of the total number of Shares of the Company in issue as at that date;

“Group”	the Company and subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hillhouse”	HHLR Advisors, Ltd., a global firm of investment professionals and operating executives and an Independent Third Party, being the investment manager of the Investor and the K-Swiss CB Investor;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Shareholder(s)”	the Shareholders other than Mr. Ding, Ms. Ding Mei Qing and Mr. Ding Ming Zhong and their respective associates and any other Shareholder with a material interest in the Disposal, the Special Dividend, the KP Convertible Bonds, the Waiver and the Transition Service Agreement;
“Independent Third Party(ies)”	party(ies) who is/are independent of the Company and its connected persons and is/are not a connected person(s) of the Company;
“Investor”	GSUM IV Holdings Limited, a company incorporated under the laws of the Cayman Islands and solely managed by Hillhouse;
“KP Bond Certificate”	the certificate issued in respect of the KP Convertible Bonds substantially in the form set out in the KP Bond Instrument;
“KP Bond Instrument”	the bond instrument constituting the KP Convertible Bonds to be executed by KP Global as a deed in the form to be agreed by KP Global and the Company, 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;
“KP Bond Issue”	the issue of the KP Convertible Bonds by KP Global;
“KP Bondholder(s)”	the person in whose name a KP Convertible Bond is registered on the register of bondholders of KP Global;

“KP CB Closing”	the closing of the subscription of the KP Convertible Bonds in accordance with the terms of the KP Subscription Agreement;
“KP CB Closing Date”	the closing date for the KP Bond Issue, which shall be a date no later than five Business Days after the fulfillment or waiver of the conditions to the KP CB Closing or at such other place and time as KP Global and the Company may mutually agree upon;
“KP CB Conversion Price”	initially at US\$5,988.95 per KP CB Conversion Share subject to adjustment in the manner provided in the KP Bond Instrument;
“KP CB Conversion Shares”	shares to be allotted and issued by KP Global to the Company pursuant to the KP CB Transaction Documents upon conversion of the KP Convertible Bonds in accordance with the KP Bond Instrument;
“KP CB Issue Date”	in respect of any KP Convertible Bond, the date of issue of such KP Convertible Bond;
“KP CB Maturity Date”	the date falling on the eighth anniversary of the KP CB Issue Date;
“KP CB Transaction Documents”	refers to (i) the KP Subscription Agreement; (ii) the KP Bond Instrument; (iii) the KP Bond Certificates; (iv) the Floating Charge; and (v) any deeds of adherence, other agreements, instruments, certificates executed or entered into pursuant to or in connection with the KP Bond Issue;
“KP Convertible Bonds”	the 3.5% convertible bonds due 2032 in the principal amount of US\$154,000,000 to be issued by KP Global to the Company on the KP CB Closing Date, with the benefit of and subject to the provisions of the KP Bond Instrument and the KP Subscription Agreement;
“KP Global”	KP Global Investment Limited (formerly known as Xtep Global Investment Limited), a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company;

“KP Global Group”	KP Global and its subsidiaries;
“KP Subscription”	the proposed subscription of the KP Convertible Bonds by the Company pursuant to the terms and conditions of the KP Subscription Agreement;
“KP Subscription Agreement”	the conditional subscription agreement dated 9 May 2024 entered into between the Company and KP Global in relation to the KP Subscription;
“K-Swiss Bond Certificate”	the certificate issued in respect of the K-Swiss Convertible Bonds;
“K-Swiss CB Investor”	GSUM VII Holdings Limited, a company incorporated under the laws of the Cayman Islands and solely managed by Hillhouse;
“K-Swiss CB Redemption”	the redemption of the K-Swiss Bonds by KP Global;
“K-Swiss CB Redemption Closing”	the closing of the K-Swiss CB Redemption;
“K-Swiss CB Redemption Closing Date”	the date on which the K-Swiss CB Redemption Closing takes place;
“K-Swiss Convertible Bonds”	the US\$65,000,000 zero coupon perpetual convertible bonds by KP Global to the Investor on 15 June 2021;
“K-Swiss Convertible Bonds Redemption Agreement”	the redemption agreement entered into between KP Global and the K-Swiss CB Investor dated 9 May 2024 in respect of the redemption of the K-Swiss Convertible Bonds at principal amount;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Mr. Ding”	Mr. Ding Shui Po, chairman, executive Director and controlling Shareholder of the Company;
“Option Shares”	such number of issued shares of KP Global, representing 20% of the issued shares of KP Global on a fully-diluted and as-converted basis at the time of completion of the Call Option held by Ding Shun Investment;

“PRC”	the People’s Republic of China, which, for the purpose of this announcement only, does not include Hong Kong, Macau and Taiwan;
“Prospectus”	the prospectus of the Company dated 21 May 2008;
“Shareholders”	shareholders of the Company;
“Shares”	ordinary share(s) of HK\$0.01 each in the share capital of the Company;
“Share Purchase Agreement”	the share purchase agreement dated 9 May 2024 entered into between the Company and Ding Shun Investment in relation to the Disposal;
“Special Dividend”	a special dividend in the total amount of approximately US\$151,000,000. For illustrative purpose, based on 2,641,457,207 Shares in issue as at the date of this announcement, the Special Dividend would be approximately HK\$0.447 per Share;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Transition Services Agreement”	the transition services agreement to be entered into between the Company and KP Global in relation to the provision of certain transition services to KP Global;
“U.S.” or “United States”	the United States of America;
“US\$”	United States dollar, the lawful currency of the United States;
“Waiver”	the waiver sought by Mr. Ding and Ms. Ding Mei Qing in respect of certain non-competition restrictions set out in the Deed of Non-compete;
“Xtep Bond Certificate”	the certificate issued in respect of the Xtep Convertible Bonds substantially in the form set out in the Xtep Bond Instrument;

“Xtep Bond Instrument”	the bond instrument constituting the Xtep 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;
“Xtep Bond Issue”	the issue of the Xtep Convertible Bonds by the Company;
“Xtep Bondholder(s)”	the person in whose name a Xtep Convertible Bond is registered on the register of bondholders of the Company;
“Xtep CB Closing”	the closing of the subscription of the Xtep Convertible Bonds in accordance with the terms of the Xtep CB Subscription Agreement;
“Xtep CB Closing Date”	the closing date for the Xtep Bond Issue, which shall be a date no later than ten Business Days after the fulfillment or waiver of the conditions to the Xtep CB Closing or at such other place and time as the Company and the Investor may mutually agree upon;
“Xtep CB Conversion Price”	initially at HK\$5.50 per Xtep Conversion Share subject to adjustment in the manner provided in the Xtep Bond Instrument;
“Xtep CB Conversion Shares”	Shares to be allotted and issued by the Company to the Investor pursuant to the Xtep Transaction Documents upon conversion of the Xtep Convertible Bonds in accordance with the Xtep Bond Instrument;
“Xtep CB Issue Date”	in respect of any Xtep Convertible Bond, the date of issue of such Xtep Convertible Bond;
“Xtep CB Maturity Date”	the date falling on the sixth anniversary of the Xtep CB Issue Date;

“Xtep CB Transaction Documents”	refers to (i) the Xtep Subscription Agreement; (ii) the Xtep Bond Instrument; (iii) the Xtep Bond Certificates; and (iv) any deeds of adherence, other agreements, instruments, certificates executed or entered into pursuant to or in connection with the Xtep Bond Issue;
“Xtep Convertible Bonds”	the 3.5% convertible bonds due 2030 in the principal amount of HK\$500,000,000 to be issued by the Company to the Investor on the Xtep CB Closing Date, with the benefit of and subject to the provisions of the Xtep Bond Instrument and the Xtep Subscription Agreement;
“Xtep Subscription”	the proposed subscription of the Xtep Convertible Bonds by the Investor pursuant to the terms and conditions of the Xtep Subscription Agreement;
“Xtep Subscription Agreement”	the conditional subscription agreement dated 9 May 2024 entered into between the Company and the Investor in relation to the Xtep Subscription; and
“%”	per cent.

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

Hong Kong, 9 May 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.