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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)

ADOPTION OF SHARE AWARD SCHEME

The Board is pleased to announce that, on 1 August 2014, the Company has adopted the Scheme in which the Group's employees, executives, officers or directors will be entitled to participate. The objectives of the Scheme is to recognise the contributions by the Group's employees, executives, officers or directors and to give incentives in order to retain them for their continual operation and development and to attract suitable personnel for further development of the Group.

The number of Shares to be awarded under the Scheme throughout its duration is limited to 5% of the issued share capital of the Company as at the date of grant of an award. The maximum number of Shares which may be granted to a Selected Participant (including vested and non-vested Shares) under the Scheme shall not exceed 1% of the issued share capital of the Company from time to time.

The Board has adopted the Scheme on 1 August 2014. A summary of the Scheme Rules is set out below:

OBJECTIVES

The objectives of the Scheme are (i) to recognise the contributions by the Group's employees, executives, officers or directors and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group.

DURATION

Subject to any early termination as may be determined by the Board pursuant to the Scheme Rules, the Scheme shall be valid and effective for a term of 10 years commencing on the Adoption Date.

ADMINISTRATION

The Scheme shall be subject to the administration of the Board and the Trustee in accordance with the Scheme Rules and the Trust Deed. The Trustee shall hold the Trust Fund in accordance with the terms of the Trust Deed.

SCHEME LIMIT

The Board shall not make any further award of Awarded Shares which will result in the nominal value of the Shares awarded by the Board under the Scheme exceeding 5% of the issued share capital of the Company from time to time.

The maximum number of Shares which may be awarded to a Selected Participant under the Scheme shall not exceed 1% of the issued share capital of the Company from time to time.

OPERATION

Contribution of funds to the Trust

The Board may from time to time cause to be paid an amount of cash to the Trust, which shall constitute part of the Trust Fund for the purchase or subscription (as the case may be) of Shares. The Trust Fund shall be held by the Trustee for the benefit of the Eligible Participants under the Trust.

In the event that the Awarded Shares are to be allotted and issued as new Shares under a General Mandate for the purpose of the Trust, the Board shall cause the subscription price for such new Shares to be allotted and issued be transferred from the Company's resources. The subscription price per Share shall not be less than 80% of the benchmarked price of the Shares set out in Rule 13.36(5) of the Listing Rules.

The Board may also instruct the Trustee in writing to purchase Shares on the Stock Exchange and specify the maximum amount of funds to be used and the range of prices at which such Shares are to be purchased. The Trustee shall apply such amount of cash towards the purchase of Shares at the prevailing market price according to the instructions from the Board. The Trustee shall keep the Board informed from time to time of the number of Shares purchased and the price at which those Shares have been purchased. The Shares so purchased and the remaining balance of any cash shall form part of the Trust Fund.

An Eligible Participant shall have no rights in the cash or Shares or such other Trust Fund or property held by the Trust.

Award of Awarded Shares

Subject to the Scheme Rules, the Board may, from time to time, at its absolute discretion select any Eligible Participant (other than any Excluded Participant) for participation in the Scheme as a Selected Participant, and grant such number of Awarded Shares to any Selected Participant at no consideration and in such number and on and subject to such terms and conditions as it may in its absolute discretion determine.

In determining the number of Awarded Shares to be granted to any Selected Participant, the Board shall take into consideration matters including, but without limitation to,

- (a) the present contribution and expected contribution of the relevant Selected Participant to the profits of the Group;
- (b) the general financial condition of the Group;
- (c) the Group's overall business objectives and future development plan; and
- (d) any other matter which the Board considers relevant.

The Board is entitled to impose any conditions (including a period of continued service within the Group after the Award), as it deems appropriate in its absolute discretion with respect to the vesting of the Awarded Shares on the Selected Participant, and shall inform the Trustee and such Selected Participant the relevant conditions of the Award and the Awarded Shares.

Where any grant of Awarded Shares is proposed to be made to any Selected Participant who is a Director (including any independent non-executive Director), such grant must first be approved by all the members of the remuneration committee of the Company, or in the case where the grant is proposed to be made to any member of the remuneration committee, by all of the other members of the remuneration committee.

Where any grant of Awarded Shares is proposed to be made to any person who is a connected person of the Company within the meaning of the Listing Rules, the Company shall comply with such provisions of the Listing Rules as may be applicable unless otherwise exempted under the Listing Rules.

Prior to the Vesting Date, any Award made under the Scheme Rules shall be personal to the Selected Participant to whom it is made and shall not be assignable and no Selected Participant shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any other person over or in relation to the Awarded Shares referable to him pursuant to such Award.

Vesting of Awarded Shares

Subject to the terms and conditions of the Scheme and the fulfillment of all relevant vesting conditions, the respective Awarded Shares held by the Trustee on behalf of a Selected Participant pursuant to the provision of the Scheme Rules shall vest in such Selected Participant in accordance with the vesting schedule (if any) and the Trustee shall cause the Awarded Shares to be transferred to such Selected Participant on the Vesting Date.

In the event that the Board does not receive the required transfer documents from the Selected Participant to effect the transfer of the Awarded Shares at least 10 Business Days prior to the Vesting Date, the Awarded Shares which would have otherwise vested in such Selected Participant shall be automatically forfeited and remain as part of the Trust Fund.

In respect of a Selected Participant who died or retired by agreement with a member of the Group at any time prior to or on the Vesting Date, all the Awarded Shares of the relevant Selected Participant shall be deemed to be vested on the day immediately prior to his death or the day immediately prior to his retirement with the relevant member of the Group.

The Board may at its discretion, with or without further conditions, grant additional Shares or cash award out of the Trust Fund representing all or part of the income or distributions (including but not limited to cash income or dividends, cash income or net proceeds of sale of non-cash and non-scrip distribution, bonus Shares and scrip dividends) declared by the Company or derived from such Awarded Shares during the period from the date of Award to the Vesting Date to a Selected Participant upon the vesting of any Awarded Shares.

Disqualification of Selected Participant

In the event that prior to or on the Vesting Date, a Selected Participant is found to be an Excluded Participant or is deemed to cease to be an Eligible Participant under the following circumstances:

- (a) where such person has committed any act of fraud or dishonesty or serious misconduct;
- (b) where such person has been declared or adjudged to be bankrupt by a competent court or governmental body or has failed to pay his debts as they fall due (after the expiry of any applicable grace period) or has entered into any arrangement or composition with his creditors generally or an administrator has taken possession of any of his assets;
- (c) where such person has been convicted of any criminal offence; or
- (d) where such person has been convicted of or is being held liable for any offence under or any breach of the SFO or other securities laws or regulations in Hong Kong or any other applicable laws or regulations in force from time to time,

the relevant Award made to such Selected Participant shall automatically lapse forthwith and the relevant Awarded Shares shall not vest on the relevant Vesting Date but shall remain part of the Trust Fund.

Restriction

No Award shall be made by the Board and no instructions to acquire any Shares shall be given to the Trustee under the Scheme pursuant to the Scheme Rules where dealings in the Shares are prohibited under any code or requirement of the Listing Rules and all applicable laws from time to time, including but not limited to the following circumstances:

- (a) after an event involving inside information in relation to affairs or securities of the Company has occurred or a matter involving inside information in relation to the securities of the Company has been the subject of a decision, until such inside information has been publicly announced in accordance with the application laws and the Listing Rules;

- (b) during the period of 60 days immediately preceding the publication date of the annual results for any financial period of the Company or, if shorter, the period from the end of the relevant financial period up to the publication date of the results;
- (c) during the period of 30 days immediately preceding the publication date of the interim results for any financial period of the Company or, if shorter, the period from the end of the relevant half-year period of the financial period up to the publication date of the results; or
- (d) in any circumstance which is prohibited under the Listing Rules, the SFO or any other law or regulation or where any requisite approval from any governmental or regulatory authority has not been granted.

ALTERATION OF THE SCHEME

The Scheme may be amended in any respect by a resolution of the Board provided that no such amendment shall operate to affect materially and adversely any subsisting rights of any Selected Participant under the Scheme Rules.

VOTING RIGHTS

The Trustee shall not exercise the voting rights in respect of any Shares held by it under the Trust.

The Board is of the view that not exercising the voting rights by the Trustee might help avoid potential misperception of the Company's influence over the Trustee's decision in casting the votes in respect of the Shares held under the Trust at general meetings.

TERMINATION

The Scheme shall terminate on the earlier of: (i) the 10th anniversary date of the Adoption Date; and (ii) such date of early termination as determined by the Board by a resolution of the Board, provided that such termination shall not affect any subsisting rights of any Selected Participants under the Scheme.

Upon termination of the Scheme, all the Awarded Shares of the Selected Participants granted under the Scheme shall continue to be held by the Trustee and become vested in the Selected Participants according to the conditions of the Award.

Upon termination of the Scheme, no further grant of Awarded Shares may be made under the Scheme, and all Shares (except for any Awarded Shares subject to vesting on the Selected Participants) remaining in the Trust Fund shall be sold by the Trustee. All net proceeds of sale and such other funds and properties remaining in the Trust Fund shall be remitted to the Company forthwith.

DEFINITIONS

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

“Adoption Date”	1 August 2014, being the date on which the Scheme is adopted by the Company;
“Award”	an award of the Awarded Shares by the Board pursuant to the Scheme Rules to a Selected Participant;
“Awarded Share(s)”	in respect of a Selected Participant, such number of Share(s) as awarded by the Board;
“Board”	the board of Directors or a committee or sub-committee or person(s) as from time to time delegated with the power and authority by the board of Directors to administer the Scheme;
“Business Day”	a day (other than Saturday, Sunday or public holiday) on which the Stock Exchange is open for trading and on which banks are open for business in Hong Kong;
“Company”	Xtep International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed and traded on the Stock Exchange;
“Director(s)”	the director(s) of the Company;
“Eligible Participant”	any employee (whether full time or part time), executives or officer, director (including any executive, non-executive and independent non-executive director) of the Group, who, in the sole discretion of the Board, has contributed or may contribute to the growth and development of the Group;
“Excluded Participant”	any Eligible Participant who is resident in a place where the award of the Awarded Shares and/or the vesting and transfer of the Awarded Shares pursuant to the terms of the Scheme is not permitted under the laws or regulations of such place or where in the view of the Board or the Trustee (as the case may be), compliance with applicable laws or regulations in such place makes it necessary or expedient to exclude such Eligible Participant;
“General Mandate”	the general mandate granted or to be granted by the shareholders of the Company to the Directors at general meetings of the Company from time to time to allot, issue or otherwise deal with Shares in accordance with the Listing Rules;

“Group”	the Company and its subsidiaries from time to time, and “member of the Group” means any or a specific one of them;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Scheme”	the “Xtep Share Award Scheme” adopted by the Board whereby Shares may be awarded to Eligible Participants (such Shares being purchased or subscribed by the Trustee) pursuant to the Trust Deed and the Scheme Rules, in its present form or as amended from time to time;
“Scheme Rules”	the rules relating to the Scheme (as amended from time to time);
“Selected Participant(s)”	Eligible Participant(s) selected by the Board pursuant to the Scheme Rules for participating in the Scheme;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company (or of such other nominal amount as shall result from a sub-division, consolidation, reclassification, reduction or reconstruction of the share capital of the Company from time to time);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Trust”	the trust constituted by the Trust Deed;
“Trust Deed”	a trust deed dated 1 August 2014 and entered into between the Company as settlor and the Trustee as trustee (as restated, supplemented and amended from time to time);
“Trust Fund”	the funds and properties held under the Trust and managed by the Trustee for the benefit of the Eligible Participants (other than the Excluded Participants);

“Trustee” Bank of Communications Trustee Limited, and any additional or replacement trustees, being the trustee or trustees for the time being declared in the Trust Deed;

“Vesting Date” in respect of a Selected Participant, the date on which his entitlement to the Awarded Shares is vested in such Selected Participant in accordance with the Scheme Rules; and

“%” per cent.

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

Hong Kong, 1 August 2014

As at the date of this announcement, the executive directors of the Company are Mr. Ding Shui Po, Ms. Ding Mei Qing, Mr. Lin Zhang Li, Mr. Ding Ming Zhong, Mr. Ye Qi and Mr. Ho Yui Pok, Eleutherius; the non-executive director of the Company is Mr. Tan Wee Seng and the independent non-executive directors of the Company are Mr. Sin Ka Man, Mr. Xu Peng Xiang, Dr. Gao Xian Feng and Dr. Bao Ming Xiao.