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If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Xtep International Holdings Limited**, you should at once hand this circular and the accompanying election form to the purchaser or the transferee or to the bank, the registered dealer in securities or other agent through whom the sale or the transfer was effected for transmission to the purchaser or the transferee.

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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)

Executive Directors

DING Shui Po (*Chairman and Chief Executive Officer*)

DING Mei Qing

DING Ming Zhong

Registered Office

Cricket Square, Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Independent non-executive Directors

TAN Wee Seng

GAO Xian Feng

BAO Ming Xiao

Principal Place of Business

Unit A, 27/F, Tower A

Billion Centre, 1 Wang Kwong Road
Kowloon Bay, Kowloon, Hong Kong

13 September 2019

To the shareholders of Xtep International Holdings Limited

Dear Sir or Madam,

**SCRIP DIVIDEND SCHEME
IN RELATION TO THE INTERIM DIVIDEND
FOR THE SIX MONTHS ENDED 30 JUNE 2019**

1. INTRODUCTION

On 21 August 2019, it was announced that the directors (the “**Directors**”) of Xtep International Holdings Limited (the “**Company**”) declared the payment of an interim dividend of HK\$12.5 cents per share of HK\$0.01 each in the share capital of the Company (the

“Share(s)”) for the six months ended 30 June 2019 (the “**Interim Dividend**”), with an option to receive new fully paid Shares in lieu of cash (the “**Scrip Dividend Scheme**”). The Interim Dividend is payable to shareholders of the Company (the “**Shareholders**”) whose names appeared on the register of members of the Company on Monday, 9 September 2019 (the “**Record Date**”). The register of members was closed from Thursday, 5 September 2019 to Monday, 9 September 2019 (both dates inclusive). To rank for the Interim Dividend, all completed transfer forms, accompanied by the relevant share certificates, had to be lodged with the Company’s Hong Kong branch registrar and transfer office for registration not later than 4:30 p.m. on Wednesday, 4 September 2019.

The Scrip Dividend Scheme

As at the Record Date, no Shareholders had a registered address outside Hong Kong as appeared on the register of members of the Company. Accordingly, all Shareholders whose names appeared on the register of members of the Company on the Record Date (the “**Qualifying Shareholders**”) will have a right to choose to receive new fully paid Shares instead of the whole or part of their cash dividend for the six months ended 30 June 2019 under the Scrip Dividend Scheme (the “**Scrip Shares**”).

The purpose of this circular is to set out the procedures which apply in relation to the Scrip Dividend Scheme and the action which should be taken by the Qualifying Shareholders in relation thereto.

2. PARTICULARS OF THE SCRIP DIVIDEND SCHEME

Under the Scrip Dividend Scheme, the Qualifying Shareholders have the following choices in respect of the Interim Dividend:

- (i) cash of HK\$12.5 cents for each Share held on the Record Date;
- (ii) an allotment of Scrip Shares (the number of which is determined as explained below); or
- (iii) partly in cash and partly in the form of the Scrip Shares.

For the purpose of calculating the number of the Scrip Shares to be allotted pursuant to the Scrip Dividend Scheme, the market value of the Scrip Shares has been fixed at HK\$4.297 per Share, which is the average of the closing prices per Share as quoted on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) for the three consecutive trading days up to and including Wednesday, 4 September 2019 (“**Average Closing Price**”). Accordingly, the number of the Scrip Shares which the Qualifying Shareholders will receive in respect of the existing Shares registered in their names as at the Record Date will be calculated as follows:

$$\text{Number of the Scrip Shares to be received} = \frac{\text{Number of existing Shares held on the Record Date and elected for the Scrip Shares (as applicable)} \times \text{HK\$0.125 (Final Dividend per Share)}}{\text{HK\$4.297 (Average Closing Price)}}$$

Based on the above, a maximum number of 72,718,408 Scrip Shares, representing approximately 2.91% of the existing issued share capital of the Company as at the Record Date and approximately 2.83% of the then issued share capital of the Company as enlarged by the issue of the Scrip Shares, could be issued. **The last day and time on which the Qualifying Shareholders will be entitled to elect their desired form of the Interim Dividend is 4:30 p.m. on Monday, 30 September 2019.** The number of the Scrip Shares to be issued to each Qualifying Shareholder will be rounded down to the nearest whole number. Fractional entitlements to the Scrip Shares in respect of alternatives (ii) and (iii) above will not be issued but will be refunded in cash to the respective Qualifying Shareholders concerned. The Scrip Shares to be issued pursuant to the Scrip Dividend Scheme will, when they are issued, rank pari passu in all respects with the existing Shares of the Company except that they will not be entitled to the Interim Dividend.

3. ADVANTAGES OF THE SCRIP DIVIDEND SCHEME

The Scrip Dividend Scheme will give the Shareholders the opportunity to increase their investment in the Company at the market value without incurring brokerage fees, stamp duty and related dealing costs. The Scrip Dividend Scheme will also be to the advantage of the Company because, to the extent that the Shareholders elect to receive Scrip Shares in whole or in part, such cash as would otherwise have been paid to the Shareholders will be retained for use by the Company.

4. CONDITIONS OF THE SCRIP DIVIDEND SCHEME

The Scrip Dividend Scheme is conditional upon the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Scrip Shares to be issued under the Scrip Dividend Scheme.

If the above condition is not satisfied, the Scrip Dividend Scheme will not become effective and the Election Forms (as defined below) will be void. In such case, the Interim Dividend will then be paid wholly in cash.

5. EFFECT OF THE SCRIP DIVIDEND SCHEME

The Qualifying Shareholders should note that the Scrip Shares to be issued under the Scrip Dividend Scheme may give rise to disclosure requirements under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Qualifying Shareholders who are in any doubt as to how these provisions may affect them as a result of the Scrip Shares are recommended to seek their own professional advice.

6. FORM OF ELECTION

A form of election in relation to the Scrip Dividend Scheme (the “Election Form”) is enclosed for use by Qualifying Shareholders who wish to receive the Interim Dividend wholly in the form of the Scrip Shares or partly in cash and partly in the form of the Scrip Shares in lieu of cash. Please read carefully the instructions below and the instructions printed on the Election Form.

(a) To receive only cash dividend

If you wish to receive only cash for the Interim Dividend, you DO NOT need to take any action. Therefore, please DO NOT return the Election Form.

(b) To receive only scrip dividend for the Interim Dividend

If you wish to receive only Scrip Shares for the Interim Dividend, please just SIGN, DATE and RETURN the Election Form.

(c) To receive part cash dividend and part scrip dividend for the Interim Dividend

If you wish to receive your entitlement to the Interim Dividend partly in cash and partly in Scrip Shares, please ENTER in Box C of the Election Form the number of Shares which you held on the Record Date for which you require the Interim Dividend to be paid in Scrip Shares. Then SIGN, DATE and RETURN the Election Form.

If you elect to receive Scrip Shares in respect of a greater number of Shares than your registered holding on the Record Date, you will be deemed to have elected to receive only Scrip Shares in respect of ALL the Shares registered in your name on the Record Date. Therefore, you will receive only Scrip Shares for the Interim Dividend.

The Election Form should be completed in accordance with the instructions printed thereon and returned, so that they are received by the Company’s Hong Kong branch registrar and transfer office, Computershare Hong Kong Investor Services Limited at 17M/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, 30 September 2019. Failure to complete and return the Election Form in accordance with the instructions printed thereon will result in the relevant Qualifying Shareholder’s Interim Dividend being paid wholly in the form of cash. No acknowledgement of receipt of the Election Form will be issued. No elections in respect of the Interim Dividend may, after the relevant Election Forms are signed and returned to the Company’s Hong Kong branch registrar and transfer office, be in any way withdrawn, revoked, superseded or altered.

The latest time for the return of the Election Form will be extended, as the case may be, in accordance with (a) or (b) below if a tropical cyclone warning signal number 8 or above, or a “black” rainstorm warning signal is in force in Hong Kong:

- (a) at any time before 12:00 noon and no longer in force after 12:00 noon on Monday, 30 September 2019. The latest time for the return of the Election Form will be extended to 5:00 p.m. on the same business day; or
- (b) at any time between 12:00 noon and 4:30 p.m. on Monday, 30 September 2019. The latest time for the return of the Election Form will be extended to 4:30 p.m. on the next business day where none of the above warnings is in force at any time between 9:00 a.m. and 4:30 p.m.

7. LISTING AND DEALINGS

Application will be made to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the Scrip Shares to be allotted and issued pursuant to the Scrip Dividend Scheme.

It is expected that the relevant dividend warrants and share certificates will be posted to the Shareholders at the risk of those entitled thereto on Friday, 25 October 2019, and dealings of the Scrip Shares on the Stock Exchange are expected to commence on Monday, 28 October 2019. Unless a written instruction is given by a Shareholder to the Company’s Hong Kong branch register and transfer office, one share certificate will be issued for all the Scrip Shares a Shareholder is entitled to.

Subject to the granting of the listing of, and permission to deal in, the Scrip Shares to be allotted and issued pursuant to the Scrip Dividend Scheme on the Stock Exchange, such Scrip Shares will be accepted as eligible securities by Hong Kong Securities Clearing Company Limited for deposit, clearance and settlement in the Central Clearing and Settlement System (“CCASS”). All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Dealings in the Shares may be settled through CCASS and you should seek the advice of your stockbroker or other professional adviser for details of these settlement arrangements and how such settlement arrangements will affect your rights and interests.

The Shares of the Company are only listed on the Stock Exchange. No part of the share capital of the Company is listed or dealt in on any other stock exchange and the Company is not currently seeking to list its securities on any other stock exchange.

8. RECOMMENDATION AND ADVICE

Whether or not it is to your advantage to receive cash or the Scrip Shares, in whole or in part, depends upon your own individual circumstances, and the decision in this regard and all effects resulting therefrom are the sole responsibility of each Qualifying Shareholder. If you are in any doubt as to what to do, you should consult your professional advisers.

Qualifying Shareholders who are trustees are recommended to take professional advice as to whether the choice of the Scrip Shares is within their powers and as to its effect having regard to the terms of the relevant trust instrument.

9. TIMETABLE

Record Date.....	Monday, 9 September 2019
Latest time for the return of the Election Form.....	4:30 p.m. on Monday, 30 September 2019
Expected despatch of dividend warrants and share certificates	Friday, 25 October 2019
Expected first day of dealings in the Scrip Shares	Monday, 28 October 2019 (subject to the proper receipt of the certificates for the Scrip Shares by the relevant Qualifying Shareholders)

Notes:

- (1) If a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal is in force in Hong Kong at any time prior to 4:30 p.m. on Monday, 30 September 2019, the latest time for returning the Election Form will be extended. Further information is set out in the section headed “6. Form of Election” in this circular.
- (2) References to time and dates in this circular are to Hong Kong time and dates.

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

In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.