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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)**

**OPERATIONAL UPDATE ON BUSINESS IN CHINA**  
**AND**  
**PROFIT WARNING**

**OPERATIONAL UPDATE ON BUSINESS IN CHINA**

The Board wishes to inform the Shareholders and potential investors that, since the Group's strategic transformation, changing from a fashion sportswear company to a running focused professional sports brand supported by still fashionable designs, the retail channel, marketing and products have been adjusted over the past three years, and we now begin to see positive effects therefrom.

**PROFIT WARNING**

The Board also wishes to inform the Shareholders and potential investors that, due to repurchasing in the retail channel of products produced prior to 2015, it is expected that there will be a significant write down to net realisable value at such products. As a result, there will be a significant impact on the Group's profit in 2017. Based on the Company's preliminary assessment of the unaudited consolidated management accounts of the Group for the eleven months ended 30 November 2017 and the information currently available to the Board, it is expected that the Group will record a decrease of approximately 25% to 35% in its consolidated net profit for the year ending 31 December 2017 as compared to that for the year ended 31 December 2016.

**Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.**

This announcement is made by Xtep International Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the “**SFO**”).

## **OPERATIONAL UPDATE ON BUSINESS IN CHINA**

The board of directors (“**Directors**”) of the Company (the “**Board**”) wishes to inform the shareholders of the Company (the “**Shareholders**”) and potential investors that, since the Group’s strategic transformation, changing from a fashion sportswear company to a running focused professional sports brand supported by still fashionable designs, the retail channel, marketing and products have been adjusted over the past three years, and we now begin to see positive effects therefrom:

1. **Retail channel flattening** – The proportion of stores directly-managed by the Group’s distributors has increased to over 60% of the total number of stores from less than 20% before 2015. The average efficiency per square meter of distributor directly-managed stores is more than 10% higher than that of the authorized retailer stores.
2. **Efficiency of new stores** – The average sales efficiency per square meter of the newly opened or newly renovated 6S generation stores over the past two years is more than 10% higher than that of the older stores.
3. **Retail channel inventory** – As at 30 November 2017, the retail channel inventory was kept at a lean level within the healthy 4-5 months range.
4. **Functional products well-accepted by consumers** – It has been proven from many different aspects that XTEP’s running products have been accepted and praised by the market. For example, according to research by Joyrun conducted during the Chinese marathon with the longest history, the Beijing Marathon, in September this year, XTEP ranked No. 4 among all brands worn by runners who finished the full marathon within five hours, and No. 1 among all domestic brands. Among runners who finished the full marathon within three hours, XTEP’s running shoes accounted for 10.46% of the market share.
5. **Stellar Double Eleven sales** – According to data provided by Tmall, XTEP brand sales increased by over 80% year-over-year during 2017 Double Eleven day on its Tmall flagship store, the rate of increase is one of the highest amongst all athletic brands.

Currently, we expect to use no more than RMB150 million to repurchase all products produced before 2015 in retail channels and process them centrally. As most of the stores have been renovated with the functional 6S generation style, the repurchase and processing of products produced before 2015 helps create a more unified brand image, and encourages healthier and more proactive sales of new products in retail channels. This is a one-off event, and represents the final step of Xtep’s 3-year transformation.

## **PROFIT WARNING**

Given the repurchased products described above were produced prior to 2015, it is expected that there will be a significant write down to the net realisable value of such products. As a result, there will be a significant impact on the Group's profit in 2017. It is expected that the Group will record a decrease of approximately 25% to 35% in its consolidated net profit for the year ending 31 December 2017 as compared to that for the year ended 31 December 2016.

As the Company is still in the process of collecting information and concluding on the annual results of the Group for the year ending 31 December 2017, therefore, the information contained in the announcement is only based on the preliminary assessment of the Company of the unaudited consolidated management accounts of the Group for the eleven months ended 30 November 2017 and the information currently received by the Board, which have not been reviewed or audited by the auditor of the Company or the audit committee of the Board and may be subject to changes. The particulars of the information related to the results of the Group will be disclosed in the announcement on the annual results of the Group for the year ending 31 December 2017, which is expected to be published before the end of March in 2018.

**Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.**

By order of the Board of  
**Xtep International Holdings Limited**  
**Ding Shui Po**  
*Chairman*

Hong Kong, 8 December 2017

*As at the date of this announcement, the executive Directors are Mr. DING Shui Po, Ms. DING Mei Qing, and Mr. DING Ming Zhong; the non-executive Director is Mr. HO Yui Pok, Eleutherius; and the independent non-executive Directors are Mr. TAN Wee Seng, Dr. GAO Xiao Feng and Dr. BAO Ming Xiao.*