



特步國際控股有限公司  
Xtep International Holdings Limited

**Xtep 2008 Annual Results Recorded Growth Across the Border  
Revenue and Profit for the Year Surged by 110% and 129%**

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**Successfully Expanded and Optimized Retail Network  
Further Enhancing Brand Recognition**

<b>Financial Highlights (For the year ended 31 December )</b>			
	<b>2008 ( RMB '000 )</b>	<b>2007 ( RMB '000 )</b>	<b>Changes</b>
Revenue	<b>2,867,181</b>	1,364,947	<b>+110.0%</b>
Gross profit	<b>1,064,302</b>	443,143	<b>+140.2%</b>
Gross profit margin	<b>37.1%</b>	32.5%	<b>+4.6% pt</b>
Profit for the year	<b>508,172</b>	221,878	<b>+129.0%</b>
Net profit margin	<b>17.7%</b>	16.3%	<b>+1.4% pt</b>
Basic earnings per share (RMB cents)	<b>26.84</b>	15.11	<b>+77.6%</b>
Dividend			
– Final dividend per share (HK cents)	<b>8.0</b>	N/A	<b>N/A</b>
– Special dividend per share (HK cents)	<b>5.0</b>	N/A	<b>N/A</b>

[31 March 2009, Hong Kong] **Xtep International Holdings Limited** ( “Xtep” or the “Company”, together with its subsidiaries the “Group”, stock code: 1368), a leading fashion sportswear enterprise in the PRC, announced its annual results for the year ended 31 December 2008 (the “year under review”).

During the year under review, the Group achieved remarkable results performance with its continuous efforts in enhancing Xtep brand promotion and expanding the retail network. Revenue of the Group increased significantly to approximately RMB2,867.2 million, representing a growth of 110.0% over last year. Gross profit and profit for the year surged by 140.2% and 129.0% respectively to approximately RMB1,064.3 million and RMB508.2 million. Gross profit margin improved by 4.6 percentage points to 37.1% (2007: 32.5%) while net profit margin also increased 1.4 percentage points to 17.7% (2007: 16.3%). Basic earnings per share amounted to RMB 26.84 cents, representing an increase of 77.6% over last year. The Board of Directors recommended the payment of a final dividend and a special dividend of HK8.0 cents and HK5.0 cents per share respectively. Together with the interim dividend of HK5.0 cents per share, the total dividend for the year ended 31 December 2008 amounted to approximately RMB345.4 million and the dividend payout ratio for the year was approximately 68%.

Chairman and Chief Executive Officer of Xtep, Mr. Ding Shuipo, said “Despite global financial crisis, the Chinese economy maintained a steady growth with China’s urbanization in various regions continues to accelerate as well as a host of stimulus packages to drive domestic demand were implemented by the PRC government. The sports frenzy bred in the PRC as a result of the Beijing 2008 Olympic Games has boosted the Chinese citizens’ passion and participation for sports. Together with the increasing awareness of health among general public, it has helped to stimulate the demand for sportswear products from the consumers. Nowadays, customers not only address on the functionality of sportswear products, but also yearn for stylish and fashionable designs. Facing such enormous market opportunities, the Group bolstered its marketing and R&D efforts as well as further expanded its retail network, thus achieving outstanding results with growth recorded across the border.”

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As at 31 December 2008, the retail outlets operated by the Group's distributors and third-party retailers amounted to 5,532 outlets (2007: 4,647 outlets). The number of Xtep brand outlets also increased by 676 outlets to 5,056 outlets as at 31 December 2008 (2007: 4,380 outlets). The Group established a total of 12 Xtep brand flagship stores in Hunan (Changsha), Hubei (Wuhan), Anhui (Hefei), Shandong (Jinan), Beijing, Liaoning (Shenyang), Jilin (Jilin city), Shanxi (Taiyuan) and Fujian (Xiamen).

With the rapid expansion of retail network operated by the Group's distributors and third-party retailers, the Group's revenue grew significantly. Revenue from footwear products grew by 71.3% to approximately RMB1,454.6 million (2007: RMB849.1 million), while revenue from apparel products increased by 171.5% to RMB1,350.9 million (2007: RMB497.6 million).

During the year under review, Xtep brand remained the Group's main driver of revenue and the revenue of Xtep brand increased by 117.3% over last year to approximately RMB2,606.2 million (2007: RMB1,199.2 million). The revenue from Xtep brand's footwear products and apparel products increased by 84.8% and 164.5% respectively, to approximately RMB1,340.6 million (2007: RMB725.3 million) and RMB1,215.5 million (2007: RMB459.6 million) respectively. Xtep brand's increasing recognition has led to the rise in retail price and average selling prices of Xtep brand footwear and apparel products, in which average selling price of footwear and apparel products grew by 5% to RMB73.2 (2007: RMB69.6) and by 7% to RMB56.4 (2007: RMB52.5) respectively. In addition, economies of scale and effective cost control have enabled the Group to maintain costs at a stable level. As a result, the gross profit margin of Xtep brand footwear and apparel products rose to 35.6% (2007: 34.5%) and 38.1% (2007: 34.4%) respectively.

To manage its extensive retail network nationwide efficiently, the Group has formulated a stringent distributor management system and endeavored to strengthen the retail network management. The Group implemented a distribution resource planning ("DRP") system to record and track inventory levels of products at certain retail outlets operated by the distributors and third-party retailers. As at 31 December 2008, the DRP system covered approximately 50% of the Group's distributors.

By adopting an innovative and multi-faceted marketing strategy that combines entertainment and sports, the Group is able to attract different target audiences and further enhance the recognition and reputation of Xtep brand nationwide. The Group has entered into partnership agreements with renowned TV channels and organizing committee of major sporting events in the PRC. In 2009, the Group will air commercials in popular entertainment channels in the PRC, namely Hunan Satellite TV and Anhui Satellite TV and CCTV Sports Channel, or sponsor high rating TV programs to extend the impact and coverage of its brand. For sports marketing, the Group will actively participate in a variety of major sporting events and sports activities in 2009. Aside from acting as the sportswear sponsor for Xiamen International Marathon in January 2009, and for the 11<sup>th</sup> National Games of China which will be held in October 2009, the Group will be the sole sports product partner for this most important sports event in the PRC. The Group will also be the sponsor of Hong Kong, Hunan, Jiangsu, Shandong and the People's Liberation Army teams.

In product design and R&D front, the Group endeavored to develop innovative product designs and technologies to cater for consumer preferences and respond to the market needs. During the year under review, the Group introduced approximately 2,000 types of footwear designs, 2,600 types of apparel designs and 2,100 types of accessories designs. At present, the Group has three product design teams and two R&D teams consisting of 500 staff, and works with international renowned fashion and trend research and design institutions, keeping abreast of the latest fashion trends and formulating suitable design proposals. Moreover, the Group has engaged foreign designers with international exposures to enhance its own design and R&D capabilities.

Looking ahead, the Group will expand and optimize the retail network in response to the market needs and expects to increase the number of Xtep and other brand's retail outlets by a total of approximately 800 to 1,000 outlets in 2009. Meanwhile, the Group plans to open approximately 15 additional Xtep flagship stores in 2009 in prime and strategic locations in key cities to provide superior shopping experience for consumers.

Mr. Ding concluded, "2009 will be a year surrounded with both opportunities and challenges and an important year for cementing a solid foundation for the Group's future development. Following the rapid business growth in the past years, Xtep has successfully secured a leading position in the PRC's fashion sportswear market. Forging ahead, the Group will continue to focus on enhancing its brand building efforts, and further strengthen the management of our brand, operations and outlets. Leveraging on its leading brand positioning, extensive retail network, distinguished design and R&D capabilities, the Group will continue to strengthen its competitive edges and endeavor to generate excellent results in this ever-changing market."

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#### **About Xtep International Holdings Limited**

Listed on the main board of the Hong Kong Stock Exchange on 3 June 2008, Xtep International is the leading fashion sportswear enterprise in the PRC. The Group principally engaged in the design, development, manufacture and marketing of sportswear and sold under the Xtep brand, Disney Sport brand and the Koling brand. The Group has developed an extensive nationwide distribution network covering 31 provinces, autonomous regions and municipalities in the PRC.