



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

Xtep Announces 2009 Annual Results
Net Profit Surges 27% to RMB648 Million
Total Payout Ratio Amounts to 65%

Climbing Gross Profit Margin
Number of Xtep Brand Retail Outlets Hits 6,103

Financial Highlights (For the year ended 31 December)			
	2009	2008	Change
	(RMB Million)	(RMB Million)	
Revenue	3,545.3	2,867.2	+23.7%
Gross profit	1,387.8	1,064.3	+30.4%
<i>Gross profit margin</i>	39.1%	37.1%	+2.0 pts
Profit for the year	647.5	508.2	+27.4%
<i>Net profit margin</i>	18.3%	17.7%	+0.6 pt
Basic earnings per share (RMB cents)	29.79	26.84	+11.0%
Dividends			
– Final dividend per share (HK cents)	10.0	8.0	
– Special dividend per share (HK cents)	5.0	5.0	
– Interim dividend per share (HK cents)	7.0	5.0	
Total dividend per share (HK cents)	22.0	18.0	+22%
2009 Total Dividend Payout Ratio: 65%			

Operational Highlights (As at 31 December)			
	2009	2008	Change
Total number of Xtep brand retail outlets	6,103	5,056	+21%
Total number of Xtep brand flagship stores	30	12	+150%

[29 March 2010, 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, today announced its annual results for the year ended 31 December 2009 (“year under review”).

Financial Highlights

During the year under review, the Group’s revenue surged 23.7% year-on-year to approximately RMB3,545 million. Profit for the year rose by 27.4% to RMB648 million. Gross profit margin of the Group increased by 2 percentage points to 39.1% (2008: 37.1%) while its net profit margin increased 0.6 percentage point to 18.3% (2008:17.7%). Basic earnings per share were RMB29.79 cents, representing an increase of 11% as compared to the same period of last year. The Board of Directors recommended the payment of a final dividend of HK10.0 cents with a special dividend of HK5.0 cents per share. Together with the interim dividend of HK7.0 cents per share, the total dividend for the year ended 31 December 2009 came to HK22.0 cents per share represented an

increase of 22%, and the payout ratio for the year amounted to 65%.

Benefited from the recovery of Chinese economy during the second half of the year, Xtep's brand positioning improved greatly through the implementation of an effective entertainment and sports marketing strategy. During the year under review, revenue generated from the Xtep brand continued to be the Group's key growth driver, increased by 27.8% over the same period of last year to approximately RMB3,331 million and accounted for approximately 93.9% of the Group's total revenue. Moreover, revenues generated from Xtep brand footwear and apparel products also recorded remarkable growth, increased by 13.4% and 45.9% to approximately RMB1,520 million and RMB1,773 million, respectively. This growth was due to the excellent brand differentiation positioning of Xtep footwear and apparel, which were well received by the market.

Gross profit margin recorded five consecutive years of growth. In 2009, gross profit margin increased by 2 percentage points to 39.1% due to greater economies of scale and effective cost controls that have enabled the Group to maintain its costs at more stable levels. The gross profit margin of Xtep brand footwear also recorded a significant increase, rose by 3.5 percentage points to 39.1% as a result of a reduction in discount of footwear products given to the distributors from 65% in 2008 to 62% in 2009.

Strong Cash Flow

By implementing an effective financial management strategy, the Group's working capital cycle improved and decreased by 21 days to 32 days as compared to the same period last year. Moreover, cash flow generated from operating activities surged significantly by 75% to RMB880 million with net cash and bank balances increased by 23.7% to RMB2,498 million as of 31 December 2009.

Business Review

Commenting on the remarkable results, Mr. Ding Shui Po, Chairman and Chief Executive Officer of Xtep said, "In the first half of 2009, the global market was still under the haze of the financial crisis and the world economy remained unstable. Under the PRC government's aggressive financial policies together with revitalization measures for progressive action on urbanization and domestic consumption, there appeared significant recovery in the domestic economy in the second half of the year. We executed a brand differentiation strategy through innovative entertainment and sports marketing practices and successfully boosted the popularity of the brand. Together with the expansion of the retail network and enrichment of innovative fashion sports products, we are pleased to announce such a comprehensively strong performance in every aspect."

Great Success of the "Entertainment and Sports Marketing Strategy"

During the year under review, the Group sponsored a variety of major events, including being the official sole sports product partner of the 11th National Games of China which was the most important and significant domestic sports 2009. The Group placed great emphasis on the running shoes series and sponsored a number of international marathon events such as Xiamen International Marathon to enhance our sports promotion.

On the other hand, we always aim to uplift our fashion sportswear brand status through our popular Xtep's superstar spokespersons. Various breathtaking concerts were held with Xtep brand's spokespersons which have drawn tremendous attention of the crowd and media across the nation.

We have also expanded our spokespersons team by signing up the top five winners of “Super Girl” of the popular nationwide singing contest.

Network Expansion

The Group continued to strengthen its retail network across second and third-tier cities of the nation. As at 31 December 2009, the number of Xtep brand retail outlets increased by 21% to 6,103 outlets. During the year under review, the Group also established numerous flagship stores, all situated in prime locations across the nation including Hunan, Shandong, Shanghai, Zhejiang and Guizhou etc. Number of flagship stores rose to a total of 30, with an increase of 150% as compared to last year. The Group will continue to expand and optimise its retail network in response to market needs and expects to add another 800 to 1,000 Xtep brands retail outlets in 2010. Meanwhile, the Group also plans to establish approximately 5 to 8 additional Xtep flagship stores in 2010 at prime and strategic locations in key cities to provide a superior shopping experience for consumers.

Strong Design and R&D Capabilities

We have strengthened our R&D team and as at 31 December 2009, we have a total of 668 staff including top foreign designers. We co-operated with top fashion design house from England, France and South Korea and various innovative product designs amounted to approximately 2,600 types of footwear and 2,800 types of apparel designs were launched during the year under review. These fashionable and functional footwear and apparel products, such as shock-absorption soles, X-Light running shoes and sweat absorption fabrics for apparel are all well-received by our customers.

Future Plans

To further boost Xtep’s brand recognition in China and internationally, the Group will leverage on the global prominent sporting events as a platform for extensive promotion. Xtep will be sole sports product sponsor for volunteers of the 2010 Shanghai World Expo. In addition, the Group will also sponsor one of the English Premier Leagues (“EPL”) - Birmingham City Football Club for five consecutive years from August 2010 to May 2015. This makes Xtep brand the first ever PRC Sports brand to be a sponsor in EPL. The Group expects a massive increase in its brand exposure through these worldwide mega events.

The World Cup, held every four years, will be unveiled in June 2010. Xtep is taking this opportunity to introduce more football concept sportswear and accessories lines. In addition, the Group will continue to deploy more resources in strengthening the marketing of the running shoes series in order to arouse public awareness. Promotional TV spots are with the slogan - “Love Running, Love Xtep”, intending to strengthen the market position of Xtep’s running shoes.

Striving ahead, Mr. Ding said: “Due to the PRC’s effective and sustained economic development and speedy urbanisation reforms coupled with the government’s aggressive promotion of domestic demand and consumption, China’s consumer market is expected to stay on a steady growth trend over the long run. In addition, the sports industry is poised to be one of the key industries promoted by the country. Leveraging on the Group’s innovative and multi-faceted marketing strategies, the Group will strive to enhance its market position as well as the brand presence in global sporting events.”

About Xtep International Holdings Limited

Xtep International Holdings Limited is listed on the main board of the Hong Kong Stock Exchange. Xtep is the leading fashion sportswear brand in the PRC. The Group principally engages in the design, development, manufacture, sales and marketing of sportswear. The company has developed an extensive nationwide distribution network covering 31 provinces, autonomous regions and municipalities across the PRC.

Issued by Porda International (Finance) PR Group for and on behalf of **Xtep International Holdings Limited**. For further information, please contact:

Xtep International Holdings Limited

Ms. Sidney Luk Tel: (852) 2152-0813 Email: sidney.luk@xtep.com.hk
Fax: (852) 2153-0330

Porda International (Finance) PR Group

Ms. Winnie Chan Tel: (852) 3150-6770 Email: winnie.chan@pordafinance.com.hk
Mr. Ivan Kau Tel: (852) 3150-6778 Email: ivan.kau@pordafinance.com.hk
Ms. Ada Leung Tel: (852) 3150-6732 Email: ada.leung@pordafinance.com.hk
Ms. Samantha Yeung Tel: (852) 3150-6735 Email: samantha.yeung@pordafinance.com.hk
Fax: (852) 3150 6728