



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

Xtep Announces 2010 Annual Results
Revenue Increases 25.7% to RMB4,457.2 Million
Operating Profit Surges 39.4% to RMB978.0 Million
Gross Profit Margin Expands to 40.6%

Basic Earnings per Share Increases by 25.6% to RMB37.42 cents
Number of Xtep Brand Retail Outlets Reached 7,031

Financial Highlights (For the year ended 31 December)			
	2010	2009	Changes
	(RMB Million)	(RMB Million)	
Revenue	4,457.2	3,545.3	+25.7%
Gross profit	1,811.7	1,387.8	+30.5%
<i>Gross profit margin</i>	40.6%	39.1%	+1.5 pts
Profit for the year	813.7	647.5	+25.7%
<i>Net profit margin</i>	18.3%	18.3%	-
Basic earnings per share (RMB cents)	37.42	29.79	+25.6%
Dividends			
– Final dividend per share (HK cents)	12.0	10.0	
– Interim dividend per share (HK cents)	10.0	7.0	
– Total basic dividend per share (HK cents)	22.0	17.0	+29.4%
– Special dividend per share (HK cents)	-	5.0	

Operational Highlights (As of 31 December)			
	2010	2009	Changes
Total number of Xtep brand retail outlets	7,031	6,103	+928
Total number of Xtep brand flagship stores	38	30	+8

[21 March 2011, 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 2010 (“year under review”).

博達浩華國際財經傳訊集團

Porda Havas International Finance Communications Group

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Financial Highlights

For the year ended 31 December 2010, the total revenue of the Group was RMB4,457.2 million, (2009: RMB3,545.3 million), representing an upsurge of approximately 25.7% over last year. The operating profit surged up by 39.4% to approximately RMB978.0 million (2009: RMB701.4 million). Profit for the year was approximately RMB813.7 million (2009: RMB647.5 million), representing an increase of approximately 25.7% over last year. The Board of Directors recommended the payment of a final dividend of HK12.0 cents (2009: HK10.0 cents) per share, together with an interim dividend of HK10.0 cents (2009: HK7.0 cents) per share, the total basic dividend for the year amounted to HK22.0 cents (2009: HK17.0 cents) per share, representing an increase of 29.4%. The total basic dividend payout ratio for the year amounted to 50.4% (2009: 50.3%). In order to reserve more resources for future development, the Board did not recommend any special dividend (2009: HK5.0 cents per share).

In the fiscal year of 2010, the Group's gross profit margin improved to 40.6% (2009: 39.1%) due to the improvement of the Xtep brand gross profit margin which rose to 40.7% (2009: 39.0%). The Group's operating profit margin surged significantly to 21.9% (2009: 19.8%), which reflected its outstanding ability in effective management and stringent cost control. In addition, with effective working capital management, overall working capital turnover days has been shortened by 5 days to 27 days (2009: 32 days). During the year under review, the Group continued its healthy financial position by maintaining a strong balance sheet with solid positive cash flow position, and no financial commitments and debts outstanding that paves the way for future business development.

For the year of 2010, revenue generated from the Xtep brand continued to be the Group's key growth driver, increased by 26.4% to approximately RMB4,210.3 million (2009: RMB3,330.8 million) and accounted for approximately 94.5% of the Group's total revenue. Moreover, revenues generated from Xtep brand footwear and apparel products also recorded remarkable growth with an increase of 23.0% and 28.0% to approximately RMB1,869.7 million (2009: RMB1,520.2 million) and RMB2,270.5 million (2009: RMB1,773.2 million), respectively. Such growth was due to the success of the Group in honing its brand equity and identifying a market gap for innovative, trendy and comfortable sportswear products that can attract consumers in China who seek high quality products with affordable prices.

Business Review

Mr. Ding Shui Po, Chairman and Chief Executive Officer of Xtep said, "China experienced a combative year on the world stage in 2010, emerging resilient as the world's second largest economy when the global economic recovery continued to falter. With such favorable domestic economy environment, the Group has continued its strong growth momentum and delivered remarkable results in 2010 with its unique market positioning as the leading domestic fashion sportswear brand in the industry."

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Differentiate Marketing Strategy

Xtep is focused on creating innovative brand marketing campaigns and pursuing effective sponsorship campaigns to build up brand equity. For the fiscal year of 2010, the Group sponsored a series of major domestic and international sports events held in China and around the globe, such as Birmingham City Football Club (“BCFC”) and IAAF Shanghai Diamond League to enhance brand recognition and raise public awareness.

The strategic partnership between the Group and BCFC provides an unparalleled global reach that allows the Xtep brand to tap into the global market by appearing in the global football tournament such as the Carling Cup Final 2011, which thousands and millions of football viewers globally witness the glorious triumph victory made by BCFC, whose players are wearing the traditional blue and white color jersey which bears the outstanding BCFC and Xtep logos, in winning the Carling Cup at Wembley Stadium, London over the tournament favourites, Arsenal. Nevertheless, the Xtep brand has gained international exposures and enhanced its brand recognition from millions of viewers across the globe.

“Love Running, Love Xtep” remained as the core sporting strategy of the Group to promote Xtep brand as the major player in the running sports events. The Group sponsored several major international marathon events and also the IAAF Diamond League Shanghai series to raise Xtep brand equity among these running sports events.

The Group has also sponsored key national events in China, including being the principal partner of the Shanghai World Expo 2010, and the official partner and sole sports products sponsor of the 4th All-China Games. In particular with the Xtep branded Shanghai World Expo volunteer outfits (known as the “little white cabbage”) is the first ever sports brand apparel being displayed at the National Museum of China permanently.”

In addition, the Group initiated a series of large-scale entertainment marketing activities in major China cities such as the “2010 Xtep Super Stars Nationwide Concert” and TV commercials featuring the Xtep brand spokespersons – Nicholas Tse, Wilber Pan, Jolin Tsai and the five Super Girls, and as a result, it optimizes its fashion reputation and attracts the attention among the youth population in China. The implementation of innovative dual sports and entertainment marketing campaigns by the Group during the year of 2010 has provided a new scope of consumer experiences through its unique concept in fashion sports and more importantly, it demonstrated the Group’s commitment to become a true global sportswear brand.

Nationwide Network Expansion

Xtep continued to develop a high quality nationwide distribution network. As of 31 December 2010, the total number of Xtep brand retail outlets reached 7,031 (2009: 6,103), representing an additional of 928 outlets. These retail outlets are operated by its 28 exclusive distributors and over 3,000 third-party retailers. In addition, the Group established a total of 38 (2009: 30) Xtep brand flagship stores, representing an increase of 8 flagship stores from previous year. The Group believed that the establishment of flagship stores is crucial to the strengthening of the Group’s brand recognition.

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Prospects

Leveraging upon the strong foothold built in 2010, Xtep will continue to strengthen its leading position in the mass market segment in China in 2011. Football and running remains an integral part of Xtep's long-term brand building strategy.

The Group will continue to extend its global reach of the Xtep brand through effective sponsorship campaigns in key international and national sports events in 2011, which includes the sponsorship of Birmingham City Football Club and its conquest in the 2011/12 UEFA Europa League, the partnership of the Great Britain and USA delegates at the 26th Universiade Shenzhen and the new sponsorship of nine major high-profile marathons including Xiamen International Marathon and Fubon Taipei International Marathon.

Innovation plays a significant role in differentiating Xtep product offerings in the minds of consumers, and hence the Group will continuously leverage on its extensive R&D expertise and innovative capabilities, and broadens its product portfolio by offering exciting products and brand experiences to our targeted customers. Going forward, the Group plans to increase the number of Xtep brand retail outlets in China by approximately 800-1,000 in the new fiscal year of 2011, and extend its presence on the global stage by adding new sales points in new locations across the Middle East and Southeast Asia.

Mr. Ding said: "Looking ahead, we are optimistic about the potential of the Chinese sportswear market, and expects to see continual expansion in 2011. Rising income levels, increasing in personal tax allowances and growing participation in sports will continue to support the trend together with the latest policies on reform and development in China. Going forward, we aim to strengthen the Group's structure and operations in order to exceed customer's needs and expectations, and more importantly, maintain an unrivalled position in the sportswear market in China. Our ultimate goal is to develop Xtep as leading global fashion sportswear brand, and to create genuine shareholder value in the future."

~ End~

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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 domestic 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 Havas International Finance Communications Group for and on behalf of **Xtep International Holdings Limited**. For further information, please contact:

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