



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

## Xtep Announces 2015 Annual Results

**Net Profit Surged 30.3% YoY to RMB 622.6 million**

**Increase Dividend Payout 31.1% to**

**Final Dividend HK7.0 Cents and Special Dividend HK3.5 Cents per Share**

### Financial Highlights

- Total revenue increased by 10.8% YoY to RMB 5,295.1 million
- Overall gross profit margin rose by 1.4 pp to 42.2% YoY
- Profit attributable to ordinary equity Shareholders up by 30.3% YoY to reach RMB 622.6 million
- Operating cash inflow surged to RMB 786.5 million
- Proposed final dividend HK7.0 cents and special dividend HK3.5 cents per Share, increased payout by 31.3% with annual payout ratio of 60%

### Operational Highlights

- Repositioned from a fashion sportswear brand into a sports brand with stylish and functional products
- Well accepted functional sports products drove increase in revenue for footwear, apparel and accessories
- Overall working capital turnover days reduced to 60 days (2014: 77 days)
- Reduced inventory level by 30.0% to RMB398.4 million (31 Dec 2014: RMB569.0 million)
- E-commerce business had stellar performance, ranked 1st in terms of volume sold on Tmall sports footwear brand. Revenue doubled and accounted for low double digit of the total revenue

15 March 2016, Hong Kong – Leading PRC-based professional sportswear enterprise **Xtep International Holdings Limited** (the “Company,” together with its subsidiaries, the “Group”) (Stock code: 1368) today announced its audited annual results for year ended 31 December 2015 (the “Year”).

During the Year, XTEP evolved from a fashion sportswear brand into a professional sports brand with stylish and functional products. With its focus on running, the introduction of the “3+” strategy, and in particular, the active expansion of its e-commerce business, the Group achieved revenue growth of 10.8% to RMB 5,295.1 million (2014: RMB 4,777.6 million). The successful management strategy to refine and flatten the distribution channels and the implementation of stringent control on retail inventory level resulted in the surge of net profit by 30.3% YoY to RMB 622.6 million. Demand increased for XTEP brand’s higher margin professional sportswear led to the increase of 1.4 percentage points in gross profit margin to 42.2% (2014: 40.8%). Profit attributable to ordinary equity Shareholders rose by 30.3% to RMB 622.6 million (2014: RMB 478.0 million), with basic earnings per share amounting to RMB28.97 cents.

The Board recommends a final dividend of HK7.0 cents (2014: HK5.0 cents) per Share and a special dividend of HK3.5 cents (2014: HK3.0 cents) per Share, representing an increase of 31.3%. Together with an interim dividend of HK10.0 cents (2014: HK8.5 cents) per Share, the annual payout ratio maintained at 60% (2014: 60%).

As at 31 December 2015, the Group's total net assets amounted to RMB4,871.7 million (as at 31 December 2014: RMB4,710.3 million), representing an increase of 3.4%. Cash and cash equivalents was approximately RMB3,607.0 million (as at 31 December 2014: RMB3,137.1 million), representing an increase of 15.0%.

**Mr. Ding Shui Po, Chairman and Chief Executive Officer of Xtep**, said, "The year 2015 marked a year of revolutionary change for XTEP. Leveraging the product change to emphasize running and sports performance and re-focus on retail channel management, as well as the significant sales growth of e-commerce platform. The Group recorded a satisfactory revenue and net profit growth in 2015. By further pushing ahead the "3+" strategies, we will continue on our current path of boosting XTEP to industry leading position as a professional sports brand with stylish and functional sports products."

## **Business Review**

### **Brand Promotion**

The Group has implemented a dual-marketing strategy incorporating sports and entertainment. Apart from sponsoring 17 internationally renowned marathons in China and Hong Kong and social events such as "XTEP ILLUMI RUN", XTEP was the sole sports brand sponsor for the national "The 1st Youth Game of the People's Republic of China" in 2015 and the title sponsor of the only two official national scale collegiate-level soccer leagues in China, the "Xtep China University Football League" (特步中國大學生足球聯賽) and the "Xtep China College Futsal League" (特步中國大學生五人制足球聯賽) for 5 consecutive years.

Moreover, the engagement of celebrities, brand opinion leaders, as well as the sponsorships of various top viewer-rating TV programs enhanced the stylish image and sportsmanship of XTEP.

### **Products**

The Group comprehensively upgraded its product's professional functionality. In terms of footwear products, apart from the running "Dynamic Foam" (動力巢), "Reactive Coil" (減震旋) and "Air Mega" (氣能環) series, new features including "Softpad" (柔軟墊), "Xtep-Aroma" (芳香科技), "Silvadur" and "Xtep-Cool" (特步冰爽科技) were developed. As for apparel products, in addition to the main technologies of "Xtep Sports Elastic Technology"(X-S.E.T. 特步運動彈性科技), "XTEP-FROZEN" Technology (冰纖科技), "XTEP-DRY" Technology (酷乾科技), new feature Dupont™ Sorona® cotton from U.S. was introduced. As a result, the Group recorded revenue growth in both footwear and apparel products of 7.1% to RMB3,258.1 million (2014: RMB3,042.9 million) and 14.2% to RMB1,926.6 million (2014:RMB1,687.5 million), respectively. Gross profit margin of both footwear and apparel products increased as well to 43.8% (2014: 42.1%) and 39.7% (2014: 38.5%), respectively, due to increase of average selling price of more functional products.

To meet the strong demands for high quality and reliable value-for-money children products, the Group established the first "Chinese Children's Foot Health Research Center" in 2014 to study the foot growth of Chinese children. In addition, the Group also jointly developed Children's smart shoes with Qihoo 360. The first product, children's "smart tracking shoes" with geo-positioning function was launched in stores in 1Q 2016, and successfully recorded satisfactory increase in the revenue. Additionally, with the popularity of the jointly produced animation cartoon series "Dream Corps", the Group Kids product series based on "Dream Corps" has recorded satisfactory sales.

## **Retail Channel Management**

The Group continued to refine and flatten its distribution channel by increasing the number of distributors to 38 with a target to continue gradually add-on more, and reducing multi-layers sales to two layers to achieve high transparency of retail inventory and quick response to the market. The implementation of these effective control resulted to reduce the level of the Group's inventory as at 31 December 2015 by 30% to RMB398.4 million (31 December 2014: RMB 569.0 million). The proportion of directly managed retail stores by distributors was increased to over 50%. Its coverage of real-time DRP system was increased to over 85% of total retail stores, enabling the Group to quickly provide distributors and franchisees with clear ordering guidelines and pricing policies and feedback of consumer preferences to product design teams. To strengthen XTEP's professional sports image and emphasize its strong core focus on running, the "7th Generation" interior design has been introduced to retail stores.

## **E-commerce**

The revenue derived from the Group's e-commerce platform has increased significantly, accounting for low double digit of the Group's total revenue for the Year compare to only single digit recorded in the same period last year. The Group conducted e-commerce business through various popular online platforms such as Tmall, JD, Taobao and Dangdang. XTEP products ranked as the top selling sports footwear brand on Tmall in terms of volume sold. Particularly on the most famous "11-11 Singles Day" e-commerce shopping day initiated by Tmall, the Group's online sales recorded over RMB 100 million in revenue.

To further develop the Group's e-commerce business, we signed a strategic agreement with Tmall in August 2015 where Tmall will provide XTEP with targeted customer database for precise marketing, and established partnership with S.F. Express in July 2015, where S.F. Express has become the exclusive delivery partner used by the Group's official e-commerce sales, in order to ensure high e-commerce customer satisfaction.

## **Outlook**

2015 posed new opportunities for China's sportswear industry. High potential categories, such as running, soccer, indoor training, outdoor, female and smart products have been recognized as significant areas contributing to the future growth of the sportswear industry. To seize the emerging business opportunities, the Group will continue to implement the revolutionary "3+" business strategy along with the dual-marketing strategy incorporating sports and entertainment.

With respect to "Products+", the Group will continue to improve on quality and design while incorporating new features such as "smart" functions. New categories such as football, indoor training, outdoor and female will be added to diversify growth engines for XTEP. It will continue to upgrade the 3 professional running footwear product series and those functional apparel series, partner with technology providers to develop new materials, and launch smart running shoes for both adults and children linking with mobile application. Moreover, it will launch co-branding football series with CCFL and CUFL.

Regarding "Sports+", the Group will sponsor more professional and social running events, and will host "3.21 Running Festival" (321跑步節) to strengthen the identification of XTEP with running. The Group will involve in the upstream and downstream parts of the running ecosystem by providing sports services such as training, sports education, medical treatment and rehabilitation. XTEP also plans for more product integration with marketing, where more events linked products will be developed and sold in stores.

For “Internet+”, the Group will harness the power of internet and mobile internet for big data gathering, omni-channel sales, O2O community building, and precise marketing. It plans to launch XTEP’s own mobile application to connect online and offline businesses, along with creating a runners’ community facilitating communications and participation in sporting events to build stronger brand loyalty. The Group will continue the long-term partnership with Tmall to provide differentiated products and enhance the shopping experience with strong support for logistic delivery services from S.F. Express, and provide Xtep Kids brand products on the e-commerce platform in order to extend customer’s flexibility of access and variety of choice. The Group also targets to extend its e-commerce platform to include overseas sales.

**About Xtep International Holdings Limited (Stock code: 1368)**

Listed on 3 June 2008 on the Main Board of the Hong Kong Stock Exchange, XTEP is a leading PRC-based professional sports brand providing stylish and functional products. It is principally engaged in the design, development, manufacturing, sales and marketing, and brand management of sportswear products, including footwear, apparel and accessories. During the past several years, the Group has been actively implementing its sports marketing strategy with a focus on running and football. It boasts an extensive distribution network of approximately 7,000 stores nationwide covering 31 provinces, autonomous regions and municipalities across the PRC.

For more information, please visit Xtep’s corporate website: [www.xtep.com.hk](http://www.xtep.com.hk) or scan the Group’s Wechat QR code below (or search by : xtepholdings or 特步控股)



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Appendix



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2015 Annual Results Highlights

<b>Financial Highlights (For the Year ended 31 December)</b>			
	<b>2015</b>	<b>2014</b>	<b>Change</b>
<b>Profitability Data (RMB million)</b>			
Revenue	5,295.1	4,777.6	+10.8%
Gross Profit	2,236.7	1,946.9	+14.9%
Profit Attributable to Equity Shareholders	622.6	478.0	+30.3%
Basic Earnings per Share (RMB cents)	28.97	21.95	+32.0%
<b>Profitability Ratio</b>			
Gross Profit Margin	42.2%	40.8%	+1.4pp
Net Profit Margin	11.8%	10.0%	+1.8pp
Return on Average Total Equity Holders' Equity	13.0%	10.4%	+2.6pp

<b>Operational Highlights (For the Year ended 31 December)</b>			
<b>Group Revenue &amp; Gross Profit Margin Breakdown By Product Category</b>			
	<b>2015</b>	<b>2014</b>	<b>Change</b>
<b>Footwear</b>			
Revenue (RMB million)	3,258.1	3,042.9	+7.1%
Gross Profit Margin (%)	43.8%	42.1%	+1.7pp
<b>Apparel</b>			
Revenue (RMB million)	1,926.6	1,687.5	+14.2%
Gross Profit Margin (%)	39.7%	38.5%	+1.2pp
<b>Accessories</b>			
Revenue (RMB million)	110.4	47.2	+133.9%
Gross Profit Margin (%)	39.7%	36.9%	+2.8pp

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