



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

**Xtep Announces 2010 Interim Results  
Expand Border to Achieve New Milestone**

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**Net Profit Increases 22% to RMB373.5 Million  
Gross Profit Margin Continues to Soar**

Financial Highlights (For the six months ended 30 June)			
	2010 (RMB million)	2009 (RMB million)	Changes
Revenue	2,040.2	1,677.4	+22%
Gross profit	830.8	647.8	+28%
<i>Gross profit margin</i>	40.7%	38.6%	+2.1pts
Operating profit	451.9	331.3	+36%
<i>Operating profit margin</i>	22.2%	19.8%	+2.4pts
Profit for the period	373.5	306.5	+22%
<i>Net profit margin</i>	18.3%	18.3%	-
Basic earnings per Share (RMB cents)	17.18	14.10	+22%
Interim dividends per Share (HK cents)	10.0	7.0	+43%
<i>Payout ratio</i>	51%	44%	+7pts
Average inventory turnover days (days)	46	49	-3
Average trade and bills receivables turnover days (days)	57	60	-3
Average trade and bills payables turnover days (days)	76	68	+8
Overall working capital turnover days (days)	27	41	-14

Operational Highlights (For the six months ended 30 June)			
	2010 (RMB million)	2009 (RMB million)	Changes
<b>Xtep Brand Performance</b>			
Total revenue	1,900.8	1,548.8	+23%
<i>Total gross profit margin</i>	40.5%	38.5%	+2.0pts
<b>Footwear Products</b>			
- Revenue	817.8	733.7	+12%
- <i>Gross Profit Margin</i>	40.3%	38.9%	+1.4pts
- Volume (mn)	9.5	9.1	+5%
- ASP (RMB)	85.7	80.4%	+7%
<b>Apparel Products</b>			
- Revenue	1,050.2	801.6	+31%
- <i>Gross Profit Margin</i>	40.7%	38.2%	+2.5pts
- Volume (mn)	20.0	17.4	15%
- ASP (RMB)	52.5	46.1	14%
<b>Others</b>			
Total number of Xtep brand retail outlets	6,579	6,103	+476
Total number of Xtep brand flagship stores	36	30	+6

[23 August 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, announced its interim results for the six months ended 30 June 2010 (the “period under review”).

## **Financial Review**

### **Sustainable Revenue and Profit Growth**

During the period under review, revenue of the Group was RMB 2,040.2 million (2009: RMB1,677.4 million), representing an increase of 22% over the same period last year. Profit for the period was approximately RMB 373.5 million (2009: RMB306.5 million), representing an increase of 22% over the same period last year; while the gross profit margin rose to 40.7% (2009: 38.6%). Basic earnings per Share was up by 22% to RMB17.18 cents (2009: RMB14.1 cents). With satisfactory results and the adequate surplus cash balances, the Board recommended an interim dividend of HK10.0 cents per Share (2009: HK7.0 cents per Share), representing an increase of 43% over the same period last year. The payout ratio is approximately 51% (2009: 44%).

With the economy rebounding in the first half of 2010 and the unique sports-entertainment strategy, Xtep brand’s recognition has been further enhanced, which, in turn, has consolidated its leading market position and competitive advantages. During the period under review, Xtep brand continued to be the Group’s major revenue stream, accounting for 93.2% of the Group’s total revenue. Sales revenue of the Xtep brand rose 23% to RMB1,900.8million (2009: RMB1,548.8 million) over the same period last year. Sales of Xtep-brand footwear and apparel products increased by 12% and 31% respectively to RMB817.8 million (2009: RMB733.7 million) and RMB1,050.2 million (2009: RMB801.6 million).

In relation to gross profit margin, the Group had increased the average selling price of products due to the increasing popularity of Xtep brand. Together with the implementation of effective cost control, the gross profit margin of Xtep brand apparel products rose 2.5pts to 40.7% (2009: 38.2%), while the gross profit margin of Xtep brand footwear products rose 1.4pts to 40.3% (2009: 38.9%) due to the decline in discount given to distributors.

The Group strives to implement a stringent capital management strategy. During the period under review, the Group’s overall working capital turnover days decreased by 14 days to 27 days as compared to the same period last year. The Group maintains a healthy financial position with a net cash position, giving a strong support to the future business development.

## **Business Review**

Regarding the continuously improving financial and operational performances, Xtep Chairman and Chief Executive Officer Mr. Ding Shui Po said: “The Chinese government’s fiscal policies and economic stimulus measures have fueled increasing domestic consumption and the purchasing power of consumers. With rising market demand driven by growing urbanization and Chinese consumers’ passion for sports, China’s sports market holds huge potential. In facing this favorable business environment, Xtep has implemented its innovative sports and entertainment marketing strategy through sponsoring national and international events and effective media promotion, strengthened brand image and value as well as expanding retail network, resulting in an outstanding performance in every aspect of its business.”

### **Proven Success of Brand Differentiation with Sports-Entertainment Marketing Strategy**

As a leading fashion sportswear brand in the PRC, Xtep brand is on its way to becoming a recognized world-class brand. During the period under review, the Group unveiled its five-year sponsorship agreement with Birmingham International Holdings Limited, becoming the first PRC sportswear brand to be involved in the English Premier League (EPL). The Group will exclusively supply and sponsor the professional and fashionable “Xtep-Birmingham” outfits designed by the Group to the Birmingham City Football Club in the coming season of EPL which started in August 2010. Besides, the Group also became the principal partner for the volunteers of the Shanghai World Expo 2010, through sponsoring the outfits for all volunteers, raising the awareness of Xtep brand.

Running is the key focus of the Group’s long-term strategy. The Group strengthened its resources on various running-related events during the period under review, including became the partner and sole sportswear sponsor of IAAF Diamond League Shanghai for 2010-2012 and being the sole sports product partner of Xiamen International Marathon for 2009-2013. These events have captured wide media coverage thus boosting the Group’s core values and market position.

Highlighting the fashionable element of Xtep brand, the Group launched two new commercials named “I love X Football” (我愛 X 足球) and “Embrace the Legend” (共享傳奇), featuring Xtep brand’s spokespersons Nicholas Tse, Jolin Tsai and Wilber Pan. Commercials were aired on high-rating channels including CCTV 1 and 5, Hunan Satellite TV, Southeast Satellite TV and Anhui Satellite during prime hours and popular programs among younger generation. These commercials attracted wide attention and lifted the profile of Xtep brand significantly.

The Group also capitalized on the power of the digital age by improving its brand exposure in the cyberspace. Along with becoming the sports sponsor for the World Cup site of the popular domestic website Sohu.com, the Group has also forged a three-year strategic partnership with the Sohu.com from 2010-2012 on brand development and network promotion. The collaboration has not only allowed Sohu.com’s wide customer base to access the Group’s latest products but also enabled the Group to promote its fashionable brand differentiation to the huge number of Internet audience.

### **Expanding Retail Network and Enhancing Channel Management**

The Group is committed to expanding its national sales network with an emphasis on second and third-tier cities which account for over 90% of the total retail outlets. As at 30 June 2010, the total number of Xtep brand retail outlets reached 6,579 (31 December 2009: 6,103), exceeding the target of 6,500 set at the beginning of the year.

During the period under review, the Group has also made progress in expanding its overseas network with the first overseas Xtep brand retail outlet established by third-party distributor in June this year in Taipei, embarking on a road towards Southeast Asia. In addition, six Xtep brand flagship stores were established during the period under review, bringing the total number of Xtep brand flagship stores to 36 as at 30 June 2010.

To ensure the image of Xtep brand as a fashion sportswear leader, the Group provided in-depth training in areas of marketing, visual merchandising and inventory management on a regular basis. The Group also adopted a standard code of practice that covers operations, specifications on outlet design and layout settings, customer service standards and pricing policies, in order to maintain a consistent and uniform brand image across all retail outlets. The outlook and the decoration of the stores are also upgraded every two years to provide customers with new and refreshing shopping experience.

Online shopping has become increasingly popular among the younger generation thanks to high-speed Internet and its convenience. The Group formed a partnership with China’s largest online consumer e-commerce marketplace Taobao.com in May 2010 to establish an online flagship outlet, which allows the Group to develop an efficient online business platform to further expand its sales and distribution channels, and caters to the needs of the targeted customers.

### **Innovative Products**

Leveraging on its sound design and R&D teams, the Group will continue to launch innovative products blending fashion and sports. During the period under review, the Group launched more than 1,900 types of new and fashionable footwear designs under six categories - running, classic, casual, basketball, tennis and children shoes, all of which mixed fashion with function. In addition, the Group introduced the marathon super light running shoes series, which equipped with advanced technology to improve shock resistance and nanosilver anti-bacterial chemicals to depress the inhabitation of bacteria.

For apparel products, the Group introduced more than 2,600 sportswear apparel designs under four collections during the period under review, namely soccer, comprehensive training, tennis and city, unveiling the fashionable and energetic essence of the Xtep brand to the targeted customers. In addition, the brand-new "Super Girls" sports series, which featured winners of the "Super Girls" singing contest, were launched and well-received by the customers. The Group also employed cutting-edge technology to enhance the functions of the sportswear apparel, emphasizing on the comfort, warmth-keeping and breathability features.

### **Strengthening Design and R&D Capabilities**

To ensure the continued innovation and quality of products, the Group has set up a new research and development centre in Guangzhou in April 2010, with a key focus on the development of new apparel lines. Occupying an area of 2,500 square meter, the centre is equipped with advanced design facilities and a design team with international and local experience which stays ahead of the fast-changing fashion trends. In addition, the Group has adopted an application of Product Lifecycle Management, a web-based solution of managing the entire lifecycle of a product, aiming at reducing product development time lines and improving product quality.

### **Future Plans**

Facing intensifying competition from both domestic and global players, the Group aims to strengthen the sustainability and potential of its brand portfolio, enhancing the brand reputation in both domestic and oversea markets. The Group will continue to focus on the sponsorship of national and international events such as providing apparel to EPL team Birmingham City Football Club. To support the 16th Asian Games to be held in Guangzhou in November this year, the Group will place additional television commercials as well as setting up a flagship store in Guangzhou to heighten the Xtep brand image.

The Group plans to open more flagship stores across the country and targets to have approximately 7,000 retail outlets of Xtep brand by the end of 2010. For overseas expansion, the Group plans to expand its sales network abroad with a focus on Middle East countries such as Turkey, Saudi Arabia and Egypt and the Southeast Asia countries such as Indonesia. To support a continuous growth and expansion, the Group will further refine its internal management and step up efforts on improving the efficiency of product design, research and development, financial and operational management. The Group will also implement stringent control and management of the sales channel network, and optimize supply chain processes with the aim of developing a flexible and effective operation.

Mr. Ding concluded: "The global economy embarked on a road to recovery in the first half of 2010 with clear signs that recovery among emerging countries was most robust in China. According to the "Guiding Opinion on Faster Development of Sports Industry" issued by the General Office of the State Council in March 2010, the Chinese government aims to build a strong domestic sportswear industry to compete in the international arena by 2020, underscoring the great potential of the industry. The Group will press ahead with its unique and innovative brand differentiation strategies to further strengthen Xtep brand's market positioning and its recognition at the global level. In addition, the Group will continue to offer more innovative products and designs, broaden its retail network as well as assemble experienced design and R&D teams to improve its production capacity to consolidate its position as an industry leader."

**About Xtep International Holdings Limited**

Xtep International Holdings Limited was listed on June 3, 2008 on the main board of the Hong Kong Stock Exchange. Xtep brand 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 Company for and on behalf of **Xtep International Holdings Limited**. For further information, please contact:

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