



Xtep Announces 2012 Interim Results
Total Revenue increased to RMB 2.607 Billion
Xtep Brand Revenue increased by 5.4% to RMB 2.585 Billion
Interim Dividend per Share increased by 1.5% to HK13.2 Cents
Operating Cash Inflow increased to RMB 733.8 million

2012 Interim Results Highlights
<ul style="list-style-type: none">• The Group's total revenue grew by 1.4% to approximately RMB2.61 billion• Operating profit margin increased to 22.8%• Profit attributable to equity shareholders grew to approximately RMB467.8 million• Recommended interim dividend of HK13.2 cents per Share, an increase of 1.5% as compared to the same period last year, representing a payout ratio of 50.3%• Operating cash inflow increased to approximately RMB733.8 million• Net asset per Share increased to RMB1.90 (approx. HK\$2.33)
Operational Focuses
<p>Xtep 10th Anniversary Celebration Event</p> <p>Xtep carried out its "X"ceptional Decade event on 10 April 2012 in Xiamen to celebrate the Group's 10th anniversary. Those attending the event included important government officials, International Olympic Committee representatives, Xtep celebrity spokespersons, exclusive distributors and franchisees, major international media, as well as over 6,000 guests all jointly witnessed Xtep's important moment.</p>
<p>New Xtep Brand Spokespersons</p> <p>During the Period, the Group named Taiwan artiste Gwei Lun-mei and London 2012 Olympic Games men's 100 metre bronze medalist Justin Gatlin as new brand spokespersons, both will participate in promotional activities for the Xtep running series and other products.</p>
<p>Running</p> <p>The Group sponsored 6 marathon events in Hong Kong and mainland China, attracting the participation of a total of approximately 238,000 runners who all joined together to promote the "Love Running, Love Xtep" spirit throughout the Greater China region. Xtep also set up an exhibition booth at the Hong Kong Standard Chartered Marathon Expo, which showcased a select number of stylish Xtep brand products.</p>
<p>Football</p> <p>The Group continued its sponsorship of Spanish Villarreal C.F., as an official technical sponsor and exclusive provider of sportswear and accessories. Xtep was also the sole title sponsor for the 2012 Xtep China College Futsal League and supplied uniforms for the</p>

players.

[21 August 2012, 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 interim results for the six months ended 30 June 2012 (the “Period”).

Steady Profitability Amidst Difficult Circumstances

During the Period, through its extensive marketing and promotional efforts, clear focus on core products, and stringent retail chain management, the Group was still able to achieve a stable financial performance, despite a challenging operating environment. During the Period, the Group’s total revenue amounted to approximately RMB2.61 billion, an increase of approximately 1.4% as compared to the same period last year (2011: RMB2.57 billion). Revenue from Xtep brand products increased by approximately 5.4% to RMB2.59 billion (2011: RMB2.45 billion). Gross profit for the Period amounted to RMB1.07 billion (2011: RMB1.05 billion). Gross profit margin remained stable at 40.9% (2011: 40.9%). Profit attributable to shareholders during the Period increased by approximately 0.3% as compared to the same period last year to approximately RMB467.8 million (2011: RMB466.2 million).

Maintain High Dividend Payout Ratio

The Board recommended the payout of an interim dividend of HK13.2 cents per Share (2011: HK13.0 cents per Share), representing an increase of 1.5% as compared to the same period last year. The interim dividend payout ratio amounted to 50.3% (2011: 49.8%).

Strong Operating Cash Flow and Healthy Balance Sheet

The Group implemented prudent and effective working capital management while utilizing cash and bank balances. During the Period, net cash inflow from operating activities amounted to approximately RMB733.8 million, a significant turnaround improvement of RMB1,068.7 million as compared to the same period last year which recorded a net cash outflow of approximately RMB334.9 million. The improvement was mainly due to substantial decrease in trade receivables as compared to the balances as at 30 June 2012 and 31 December 2011.

As at 30 June 2012, the Group’s total cash and bank balances increased by approximately 26.7% as compared to 31 December 2011 to approximately RMB3,282.1 million (31 December 2011: RMB2,589.8 million). The Group’s total bank borrowings amounted to approximately RMB774.2 million (31 December 2011: RMB492.0 million). Hence, the Group’s net cash and bank balances amounted to approximately RMB2,507.9 million (31 December 2011: RMB2,097.8 million). The Group maintained its net cash position, which reflects its sound financial position and availability for future development.

Business Review

Mr. Ding Shui Po, Chairman and Chief Executive Officer of Xtep, said: “2012 is the year of Xtep’s 10th anniversary. Over the past decade, we have successfully established the Xtep brand as a creator of distinctive and innovative fashion sportswear products which are stylish, trendy and functional. Our unique marketing strategy of combing sports and entertainment sponsorships has proven to be a great success and the Xtep brand is clearly positioned and differentiated from its competitors. In the face of various macroeconomic and industry-specific challenges, we have meticulously examined all aspects of our business operations and strategies, and made efforts to deploy resources to enhance our brand, products and channels, in order to overcome the difficulties, mitigate risk-factors, and bring maximized returns to shareholders.”

Driving Xtep to Become the “Runner’s Choice”

The Xtep brand utilizes a unique two-pronged marketing strategy which makes use of entertainment and sports sponsorship to target young and vibrant consumers. During the Period,

Xtep announced renowned Taiwan artiste Gwei Lun-mei and London 2012 Olympic Games bronze medalist Justin Gatlin as new brand spokespersons.

During the Period, the Group sponsored 6 marathon events in Hong Kong and mainland China, attracting the participation of a total of approximately 238,000 runners. In order to further increase Xtep's brand recognition, the Group set up an exhibition booth at the Hong Kong Standard Chartered Marathon Expo in January 2012 and displayed a variety of different types and series of running footwear and apparel, allowing the local audience to better understand the Xtep brand and experience the "Love Running, Love Xtep" brand spirit.

Innovative Products and Strengthened R&D Capability

The Group continued to follow its principle to develop a highly diversified portfolio of sports apparel and footwear products, which cater to the different needs of consumers. Apart from the two major categories of "Running" and "Trendy Lifestyle sport", the Group extended into casual related products through its "X-TOP" category, which offers higher quality lifestyle products and evokes a sense of urban trendiness and youth. In addition, as part of the Group's ongoing commitment to diversifying its product range, a separate team was set up to manage the sales, marketing, research and design for "Xtep Kids", a special series designed to capture the high potential kids wear market.

During the Period, the Group proactively recruited a number of talented designers from England and South Korea to further enhance its research and design capabilities. With a highly talented pool of nearly 600 domestic and international designers, the Group will look to maintain its reputation for industry-leading, differentiated and stylish products.

Effective Retail Chain Management and Strict Risk Control

A stringent retail chain management system has been one of the crucial factors to the Group's success. As of 30 June 2012, 72% of the total number of Xtep brand retail outlets had adopted the real-time monitoring DRP system. The system enables the Group to accurately and quickly monitor the market situation so that forward planning measures can be implemented. At the same time, the Group's strategy is to work closely with the retail channels and adjust the ordering level to minimize excess inventory and maintain a stable and manageable inventory level at the retail end. The Group also carried out regular retail channel inspections to ensure that the management, decoration and services of the retail stores are at a high level of customer satisfaction.

Controlling the retail discount rate in the sales channel is an important factor in protecting the image of the brand. As a result, the Group sets and controls the overall retail discount rate within the channel, using data from retail operations as a basis for determining whether or not a retail discount is authorized. The Group has a standardized code of operations to which distributors and franchisees must adhere.

Future Plans

It is expected that the second half of 2012 will continue to pose great challenges. The Group will closely monitor the ever-changing market conditions and proactively implement strategies to further improve Xtep's competitiveness in this dynamic environment. The Group will adhere to its unique sports and entertainment marketing strategy by introducing new sponsorship campaigns in the second half of 2012. Among which, the Group will continue to be the sole apparel sponsor of the PRC National Games in 2013 for the third consecutive time. This sponsorship will put the Xtep brand in the national spotlight as the PRC National Games is the most important sporting event attended by all of the PRC's top athletes.

In addition, the Group will identify further innovations and technologies to improve the quality, appearance, and functionality of its sportswear products. At the same time, the Group will continue to carefully plan its distribution network strategy. The strategy is to maintain the current level of retail outlets to ensure higher efficiency and to sustain a reasonable operating performance. The Group is determined to uphold its presence in the high-traffic commercial areas of which most of its outlets are located in order to support its brand image and positioning.

To further consolidate its vertically integrated business model, the Group plans to expand its production capacity. In addition to the production facilities located in Quanzhou, Fujian, which is currently at full utilization, the Group has purchased land in Anhui province to establish a new production base, which is expected to start production in 2013. The Group believes that this facility expansion will bring benefits of economies of scale and reduce production costs over the long run, a crucial competitive advantage in an intensively competitive environment.

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About Xtep International Holdings Limited

Xtep International Holdings Limited has been listed on the main board of the Hong Kong Stock Exchange since 3 June 2008. Xtep is a leading domestic fashion sportswear brand in the PRC. The Group principally engages in the design, development, manufacture, sales and marketing of sports footwear, apparel and accessories. The Group has developed an extensive nationwide distribution network covering 31 provinces, autonomous regions and municipalities across the PRC.

For further information, please contact:

Xtep International Holdings Limited

Ms. Kelrah Pang Tel: (852) 2152-0813

Email: kelrah.pang@xtep.com.hk

Fax: (852) 2153-0330

Porda Havas International Finance Communications Group

Mr. Jonathan Kiu Tel: (852) 3150-6706

Email: jonathan.kiu@pordahavas.com

Ms. Jasmine Lee Tel: (852) 3150-6766

Email: jasmine.lee@pordahavas.com

Mr. Justin Doone Tel: (852) 3150-6703

Email: justin.doone@pordahavas.com

Fax: (852) 3150 6728

Appendix



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

2012 Interim Results Highlights

Financial Highlights (For the six months ended 30 June)			
	2012 (RMB million)	2011 (RMB million)	Changes
Revenue	2,607.3	2,570.3	+1.4%
Gross profit	1,067.6	1,051.5	+1.5%
Operating profit	593.8	564.3	+5.2%
Profit attributable to equity shareholders	467.8	466.2	+0.3%
<i>Gross profit margin</i>	40.9%	40.9%	<i>Unchanged</i>
<i>Operating profit margin</i>	22.8%	22.0%	+0.8 pt
<i>Effective tax rate</i>	22.7%	18.1%	+4.6 pts
<i>Net profit margin</i>	17.9%	18.1%	-0.2 pt
Basic earnings per Share (RMB cents)	21.50	21.43	+0.3%
Interim dividends per Share (HK cents)	13.2	13.0	+1.5%
<i>Dividend payout ratio</i>	50.3%	49.8%	+0.5 pt
			RMB million
Operating cash inflow/(outflow)	733.8	(334.9)	+1,068.7

Operational Highlights (For the six months ended 30 June)			
	2012 (RMB million)	2011 (RMB million)	Changes
Xtep Brand Performance			
Revenue	2,585.1	2,452.2	+5.4%
<i>Gross profit margin</i>	41.1%	40.9%	+0.2 pt
Footwear Products (Xtep Brand)			
- Revenue	1,188.9	1,052.2	+13.0%
- <i>Gross Profit Margin</i>	41.8%	41.1%	+0.7 pt

Apparel Products (Xtep Brand)			
- Revenue	1,350.4	1,357.6	-0.5%
- <i>Gross Profit Margin</i>	40.6%	40.9%	-0.3 pt
Total number of retail outlets	7,603	+7 from 31 December 2011	

Assets Highlights			
	As at 30 June 2012 (RMB million)	As at 31 December 2011 (RMB million)	Changes
Total cash and bank balances	3,282.1	2,589.8	+26.7%
Total bank borrowings	774.2	492.0	
Net bank balances	2,507.9	2,097.8	+19.6%
Total net assets	4,138.3	3,911.4	+5.8%
Total net assets per Share	RMB1.90 HK\$2.33	RMB1.80 HK\$2.22	+5.8% +5.2%