



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

Xtep Announces 2013 Interim Results

2013 Interim Results Highlights

- Revenue and profit attributable to equity shareholders amounted to RMB2,098.0 million and RMB340.9 million, respectively
- Gross profit and operating profit margins maintained stable at 40.2% and 22.7%, respectively
- Maintained operating cash inflow to RMB406.4 million
- Solid Balance Sheet
 - Net bank balance increased 6.1% to RMB2.8 billion from 31 December 2012
 - Gearing ratio was 19.0%
 - Net asset value per Share increased 2.5% to RMB2.02 from 31 December 2012
- Interim dividend of HK10.0 cents per Share, with high dividend payout ratio at 50.8%

[23 August 2013, Hong Kong] - Leading PRC fashion sportswear enterprise **Xtep International Holdings Limited** ("Xtep" or the "Company", together with its subsidiaries, the "Group") (Stock code: 1368) today announced its unaudited interim results for the six months ended 30 June 2013 (the "Period").

FINANCIAL REVIEW

Stable Profit Margins

During the Period, the Group's total revenue amounted to RMB2.10 billion, a decrease of 19.5% as compared to the same period last year (1H2012: RMB2.61 billion), partly because of proactive actions taken to manage the amount of orders placed by its retailers at sales fairs, aiming to mitigating the risk of excessive inventory at retail channels. The slight decline in margins was mainly due to the increase of wholesale discount rate from 60% to 62% since January 2013. Gross profit for the Period amounted to RMB843.1 million (1H2012: RMB1.07 billion). Gross profit margin remained stable at 40.2% (1H2012: 40.9%). Profit attributable to equity shareholders amounted to RMB340.9 million (1H2012: RMB467.8 million).

Positive Cash Flow and Solid Balance Sheet

As of 30 June 2013, the Group's total cash and bank balances amounted to RMB4,119.0 million (31 December 2012: RMB3,680.0 million), representing an increase of RMB439.0 million, thanks to the Group's effective working capital management. Net cash inflow from operating activities amounted to RMB406.4 million. The total net assets of the Group amounted to RMB4,398.8 million (31 December 2012: RMB4,279.8 million), representing an increase of 2.8%. Net asset value per Share as at 30 June 2013 were RMB2.02 (31 December 2012: RMB1.97), representing an increase of 2.5%.

High Dividend Payout

In view of a strong net asset value and operating cash inflow of the Group, the Board recommended an interim dividend of HK10.0 cents (1H2012: HK13.2 cents) per Share, equivalent to a payout ratio of 50.8% (1H2012: 50.3%).

BUSINESS REVIEW

To uphold the Group's leading fashion sportswear brand position in face of challenging market landscape, the Group laid out four strategic imperatives including:

- 1) Reinforcing its leading fashion sportswear brand position through an effective dual-marketing strategy;
- 2) Focusing on popular sports and mass market segments of the sportswear market;
- 3) Imposing stringent controls over its retail distribution channels to ensure healthy development; and
- 4) Implementing effective supply chain management.

Effective Branding Strategy with Sports and Entertainment Elements

The success of Xtep was built upon its unique brand positioning and differentiated marketing strategy which incorporates sports and entertainment elements. During the Period, the Group sponsored six major international marathons in Hong Kong and mainland China including The Xiamen International Marathon and The Standard Chartered Hong Kong Marathon. At present, the Group is the only Chinese sportswear enterprise that has sponsored key international marathons in over ten major cities in Greater China. Meanwhile, the Group continued to be the title sponsor of the "Xtep China University Football League" and the "Xtep Chinese College Futsal League", in addition to a number of domestic and international football clubs endorsement. Furthermore, the Group has sponsored the 2013 Mutua Madrid Open in May, further elevating its leading fashion sportswear brand position and strengthening its brand equity.

To fully penetrate into the group of young generation in China, the Group implemented a celebrity endorsement strategy and successfully strengthened its young and energetic brand image. During the Period, Xtep's celebrity spokespersons included Nicholas Tse, Han Geng, Gwei Lun-mei, alongside with the renowned U.S. sprinter and London Olympics 2012 men's 100-meter bronze medalist, Justin Gatlin. Their youthful and trendy image, as well as their distinctive personal character traits have fully expressed the Group's product features and characters.

Broadened Product Portfolio and Enhanced R&D Capability

Innovation and quality play a vital role in allowing the Group's products to stand out in the market. During the Period, Xtep running and cross-training footwear products continued to account for the major part of its total product portfolio. Meanwhile, the Group further expanded the collection of its "X-TOP" urban series and outdoor series to address consumers who prefer sportswear products for daily use. During the Period, revenue generated from "Xtep Kids" series recorded a significant increase, which was mainly attributable to the successful launch of the products through the retail points of sale ("POS") backed by the underlying demand for kidswear products nowadays in China. As of 30 June 2013, the Group had around 150 POS selling "Xtep Kids" products, consisting of two formats – separated zones within existing stores and standalone stores that are normally located beside Xtep stores.

In terms of R&D, the Group continued to elevate its capability with more advanced technology in order to innovate more fashionable and trendy sportswear products with superior quality. During the Period, the Group launched its "dual direction shock absorber" running shoes which were endorsed by the Group's spokesperson, Justin Gatlin, and received wide recognition and appreciation among general customers, especially runners. Subsequently, Xtep launched its new "light running" series with Gwei Lun-mei, the winner of the Golden Horse Award for Best Actress in 2012, as the product's spokesperson. This series was famed for its ultra-light, breathable sports fabrics and fresh color characteristics.

Effective Retail Distribution Channels

To maintain the operational performance and profitability of its distribution channels, during the Period, the Group has put forward detailed planning with mainly three directions:

- 1) Reducing product supplies by actively managing orders placed at sales fairs;
- 2) Increasing the wholesale discount from 60% to 62% as a direct means of support for its retailers; and
- 3) Enhancing and extending its DRP System coverage so as to optimize resource allocation and improve the overall operational efficiency of its distribution channels.

Additionally, to improve its overall operational performance, the Group adjusted its distribution network during the Period. As of 30 June 2013, the total number of Xtep's retail outlets was 7,435. (31 December 2012: 7,510), representing a net reduction of 75 outlets, among which, 80% of the Xtep's outlets have adopted the DRP System, which enabled the Group to precisely and promptly monitor the retail inventory levels and review the sell-through of products.

FUTURE OUTLOOK

Looking ahead to the second half of 2013, the global economy remains uncertain. The Group will stay alert to the ever-changing market environment and proactively implement strategies to enhance its market competitiveness. The Group will continue its successful dual-marketing strategy to uphold its leading fashion sportswear brand position. Also, in order to capitalize on the opportunities amidst PRC consumers' growing inclination towards healthy lifestyles and increasing participation rates in sports, the Group will strive to enhance its product portfolio and further develop its "X-TOP" urban series.

In terms of its distribution network management, the Group expects to have a total of 7,300-7,400 Xtep outlets by the end of 2013 and plans to have about 300 POS to sell its "Xtep Kids" products in second- to fourth-tier cities by 2014. Meanwhile, the Group will enhance its e-commerce distribution channels to promote seamless cooperation between online and offline sales channels. Meanwhile, the Group will continue to enforce a prudent approach to manage orders placed by retailers and increase the Group's investments to extend the DRP System coverage for a better retail inventory management. The Group believes that these measures will help to maintain a healthy and sustainable development of the business.

Mr. Ding Shui Po, Chairman and Chief Executive Officer of Xtep, said, "Despite temporary setbacks in the market, the continued urbanization in the PRC, increasing awareness of healthy lifestyles and enthusiasm for participating in regular sports will continue to provide a sustainable future for the domestic sportswear industry and especially promote the Group's market position in the long run given our fashion sportswear elements. In September, the 12th National Games will take place in Liaoning Province. For the third consecutive time, we are honored to be the sole official sportswear partner of the Games. In addition to this, we are the official apparel sponsor of 14 delegation teams of the 12th National Games this year. During the 13-day 12th National Games, "Xtep" trademark will be shown everywhere and by then, the Group's brand shall come into the national spotlight. We are ready and are well-positioned to grow stronger despite industry headwinds."

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About Xtep International Holdings Limited

Listed on June 3, 2008 on the Main Board of the Hong Kong Stock Exchange, Xtep International Holdings Limited is a leading PRC fashion sportswear enterprise. It is principally engaged in the design, development, manufacturing, sales and marketing of sports footwear, apparel and accessories. Xtep boasts an extensive distribution network of over 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

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Appendix



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2013 Interim Results Highlights

Financial Highlights (For the six months ended 30 June)			
	2013	2012	Change
Profitability data (RMB million)			
Revenue	2,098.0	2,607.3	-19.5%
Gross profit	843.1	1,067.6	-21.0%
Operating profit	475.5	593.8	-19.9%
Profit attributable to equity shareholders	340.9	467.8	-27.1%
Net cash flows from operating activities	406.4	733.8	-44.6%
Basic earnings per Share (RMB cents)	15.66	21.50	-27.1%
Profitability ratios (%)			
Gross profit margin	40.2	40.9	-0.7pt
Operating profit margin	22.7	22.8	-0.1pt
Net profit margin	16.2	17.9	-1.7pts
Effective tax rate	28.6	22.7	+5.9pts

Operational Highlights (For the six months ended 30 June)			
	2013	2012	Change
Xtep Products			
Revenue (RMB million)	2,036.6	2,585.1	-21.2%
Gross Profit Margin (%)	40.6	41.1	-0.5pt
Footwear			
Revenue (RMB million)	1,016.0	1,188.9	-14.5%
Gross Profit Margin (%)	41.2	41.8%	-0.6pt
Apparel			
Revenue (RMB million)	982.3	1,350.4	-27.3%
Gross Profit Margin (%)	40.1	40.6%	-0.5pt
Accessories			
Revenue (RMB million)	38.3	45.8	-16.5%
Gross Profit Margin (%)	36.0	35.8	+0.2pt