

**To: Business Editor
For Immediate Release**



Xtep Unveils Sales Orders for 2012 2Q

[4 November 2011, Hong Kong] **Xtep International Holdings Limited** (“Xtep” or the “Company” and, together with its subsidiaries, the “Group”; Stock code: 1368), a leading fashion sportswear enterprise in the PRC, successfully concluded its 2012 2Q sales fair in Xiamen in October 2011, recording a year-on-year increase of approximately 5% in value.

Market Management and Future Outlook

In October 2011, the Group held its sales fair for the second quarter of 2012 in Xiamen. Both the distributors and retailers were satisfied with our new innovative products and functionality advancements, and expected the new products will satisfy customers’ demand. In addition to the sales order procurement, the Group had a thorough discussion with the distributors and retailers on current operating conditions as well as the future competitive landscape. As China’s sportswear retail industry faces a greater competition compared to last year, with the possible impact of global economy as well as Europe’s sovereign debt crisis, we as a responsible brand operator must assess the future operating environment and manage our future production and sales in advance accordingly.

With the launch of new products in the sales fair, our 2012 2Q sales fair was well received by the distributors and retailers. However, in the light of market uncertainty, after our discussion with distributors, we have adjusted the year-on-year growth in sales value to approximately 5%, with low-single-digit growth in the terms of volume and average selling prices for both footwear and apparel.

Effective Retail End Inventory Control

Leveraging our effective retail inventory monitor control system, we are currently maintaining and operating at a reasonable inventory level at the retail end and hence no buyback of products which were sold in previous sales fairs is considered necessary.

Through the real-time computer monitoring system, the Group continued to analyze, manage and assess the inventory level at the retail end and conducted a discussion with its distributors. Despite our normal operations, we need to take precautionary measurements for inventory level so as to better manage risks and ensure a well functioning distribution system. As such, we decided to adjust the number of items ordered but not yet delivered for 2012 1Q. We will reduce the total amount of volume by approximately 10% of footwear and apparel for 2012

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1Q but maintain the same average selling prices. As such, the growth in value of orders for 2012 1Q is adjusted to approximately 9% compared to the same period last year. Although this will have a short-term impact on our revenue growth in 2012 1Q, the brand is expected to benefit in the long run. Also, this will ease off the pressure of retailer's inventory level at the near term.

Retail store expansion plan

Following the detailed review of market condition and the Group's brand competitiveness, we are targeting of reaching approximately 7,600 – 7,700 retail stores by the end of 2011. However, the Group is still reviewing the store expansion plan for 2012, according to current market condition, it is expected the total net increase of retail stores will be approximately 5% in the coming 12 months.

Conclusion

With the efficient real-time computer monitoring system which facilitates the management of inventory and sales at the retail end, we adhere to our long-standing objective to be a responsible brand operator. We believe that such measures and moves will ensure a competitive, stable supply for our sales channels, reduce the inventory pressure and strengthen our retail end for the mutual benefit of both parties.

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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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