

Press Release
For Immediate Release



Xtep 2009 interim results posts satisfactory growth

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Profit attributable to shareholders surges 20% to RMB306.5 million
Gross profit margin widens to 38.6%

Financial Highlights (For the six months ended 30 June)			
	2009 (RMB million)	2008 (RMB million)	Changes
Revenue	1,677.4	1,408.2	+19.1%
Gross profit	647.8	517.8	+25.1%
Gross profit margin	38.6%	36.8%	+1.8 p.t.
Profit attributable to shareholders	306.5	254.7	+20.4 %
Net profit margin	18.3%	18.1%	+0.2 p.t.
Interim dividend per share (HK cents)	7.0	5.0	+40.0%
Payout ratio	44%	38%	+6.0 p.t.

[7 September 2009, 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 2009 (the "period under review").

Sustainable revenue and profit growth

During the period under review, the Group achieved satisfactory growth with its continuous efforts in enhancing the status of the Xtep brand, strengthening its product design and development capabilities, and expanding the coverage of its retail network. Revenue of the Group for the period rose 19% year-on-year to approximately RMB1,677 million. Gross profit and profit attributable to shareholders for the period surged 25% and 20% respectively to approximately RMB648 million and RMB306 million. In view of the satisfactory results, the Board of Directors declared an interim dividend of HK7.0 cents per share, which is equivalent to a 44% payout ratio.

The Xtep brand continued to be the Group's major revenue stream, accounting for 92% of the Group's total revenue. Revenue of the Xtep brand rose 18% to RMB1,549 million (2008: RMB1,308 million). As the brand status of the Xtep increased, sales of Xtep branded footwear and apparel increased by 11% and 27% respectively to RMB734 million (2008: RMB662 million) and RMB802 million (2008: RMB631 million). Of the two main product categories, Xtep branded footwear posted a considerable improvement in gross profit margin by 3.4 percentage points to 38.9% (2008: 35.5%) on the back of an increase in average selling price, while the gross profit margin of Xtep branded apparel widened by 1 percentage point to 38.2% (2008: 37.2%). As a result, the gross profit margin of Xtep brand expanded by an impressive 2.2 percentage points to 38.5% (2008: 36.3%).

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Sponsorship of prominent sporting events – sole sports product partner of the 11th National Games of China

Chairman and Chief Executive Officer of Xtep, Mr. Ding Shui Po, said “Despite the unprecedented global financial crisis and the world-wide economic recession, the Group achieved remarkable achievements. The Group continued to stand out from its peers through its unique strategy of combining sports and entertainment marketing. This dual strategy effectively strengthens Xtep brand’s position as the leader of fashion sportswear. The Group successfully secured as the sole sports product partner for the 11th National Games of China, one of the most prominent national sporting events in the PRC held once every four years. Meanwhile, the Group also sponsored a number of major regional sporting events including running contests, basketball tournaments and CX Games to enhance the corporate brand recognition through these kinds of sponsorships. To further strengthen Xtep brand’s leading position in the fashion sportswear sector, the Group initiated a series of entertainment marketing activities and organized the “2009 Xtep Stars Nationwide Concert Tour” in the major cities in China where Xtep brand’s major market focuses on provinces such as Hunan, Hubei, Anhui, Zhejiang and Jiangsu. These events will significantly increase Xtep’s brand awareness among our target customer group.”

Network expansion - number of retail outlets reached 5,869

The Group is committed to maintaining high quality retail network. As at 30 June 2009, the Group had a total of 5,869 retail outlets through its network of distributors or third-party retailers, of which 5,405 were Xtep retail outlets and 464 were Other brands (Disney Sport and Koling brand) retail outlets.

During the period under review, the Group established 10 new Xtep flagship stores in bustling commercial areas of cities including Hunan, Shandong, Shanghai, Zhejiang and Guizhou provinces, bringing the total number of Xtep flagship stores to 22 as at 30 June 2009.

Strong Advertising Network and Partnership

The Group formed a series of strategic partnerships with some of the most influential broadcasting channels in the PRC. Through these channels with the highest viewer ratings in the PRC, the Group’s thematic TV commercials were broadcast selectively during prime hours at channels which features programmes for young people. Strategic media partners of the Group included CCTV 1, the most influential national channel of the China Central Television (“CCTV”), highly popular regional channels such as Hunan Satellite TV in Southern China and Anhui Satellite TV in Eastern China, as well as the dedicated national sports channel, CCTV 5. The Group has entered into a 2-year agreement with CCTV 5 and became the official partner with CCTV 5 from 2009 to 2010 to broadcast Xtep’s commercial among all their live coverage of sporting events.

Penetration in second and third-tier Market

“Going forward, following the Beijing 2008 Olympic Games which has greatly stimulated people’s understanding and enthusiasm of sports in China are various large-scale international sports events in the pipeline to be held in the Asia-Pacific region. These sports events will provide tremendous opportunities in the sportswear industry in China. The upcoming 11th National Games of China, the most important event to take place in October 2009, will provide us a high-profile marketing platform. We can therefore leverage and enhance the Xtep brand’s recognition in Shandong province and further extend the retail network in the northeastern region of the PRC. Moreover, as we have established a leading position in Hunan province and nearby regions, we will also take this as a springboard to reach out to other adjacent cities such as Sichuan and Anhui,” Mr. Ding said.

Fashion + Function Focus

One of the keys to the success has been Xtep's fashion sports product design capability. It has nurtured a very experienced technical team who has over 20 years experience in the footwear business. During the period under review, the Group launched Xtep brand's X-LIGHT shock resistant shoes specifically designed for running and it weights 20% less than the traditional running shoes to offer customers products that embody both fashion and functional features.

The Group plans to develop running series as one of its key product lines. It plans to set up a department of approximately 60-80 staff to produce and design more stylishly designed running shoes and related products that are equipped with professional qualities, establishing Xtep brand as one of the most trendy and popular brands for running shoes.

International expansion

"We intend to reach in total 30 Xtep brand flagship stores and raise the target number of Xtep brand retail outlets to 5,800 by the end of 2009. We will also focus on expanding our profile in the second and third-tier market in the PRC. At the same time, Xtep aims to expand its brands' presence into the global emerging markets and the Southeast Asian region. Following the PRC market, the Group has successfully expanded the Disney Sport brand to the market of Hong Kong, Taiwan and Macau and will further enhance its penetration in the international market. Hence, we endeavor to generate excellent results in the future for our shareholders." Mr. Ding concluded.

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About Xtep International Holdings Limited

Xtep International Holdings Limited is a listed company on the main board of the Hong Kong Stock Exchange. The Xtep brand is the leading fashion sportswear brand in the PRC. The Group is principally engaged in the design, development, manufacture, sales and marketing of sportswear products. The Group has developed an extensive nationwide distribution network covering 31 provinces, autonomous regions and municipalities in the PRC. For more information about the Group, please visit the Company's website at www.xtep.com.hk.

Issued by Porda International (Finance) PR Group for and on behalf of **Xtep International Holdings Limited**. For further information, please contact:

Porda International (Finance) PR Group

Ms. Kylie Yeung Tel: (852) 3150 6770

Ms. Ada Leung Tel: (852) 3150 6732

Ms. Liz Yip Tel: (852) 3150 6739

Email: kylie.yeung@pordafinance.com.hk

Email: ada.leung@pordafinance.com.hk

Email: liz.yip@pordafinance.com.hk

Fax: (852) 3150 6728