



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

**Xtep Announces 2011 Annual Results  
Achieved Outstanding Results Amidst Challenging Circumstances**

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**Profit Attributable to Equity Shareholders Increases 19% to RMB966 Million  
Dividend Payout Ratio Remains High at 50%**

2011 Annual Results Highlights
<ul style="list-style-type: none"><li>● The Group's total revenue grew by 24.3% to approximately RMB5,540 million</li><li>● Operating profit margin increased to 22.0%</li><li>● Profit attributable to equity shareholders grew by 18.8% to approximately RMB966 million</li><li>● Return on equity increased to 26.6%</li><li>● Final dividend was HK14.5 cents per Share, together with an interim dividend of HK13.0 cents per Share, the total basic dividend for the year amounted to HK27.5 cents per Share, representing 25.0% increase as compared to last year. The basic dividend payout ratio was 50%</li><li>● Net operating cash inflow for the second half of 2011 amounted to approximately RMB539 million</li><li>● Inventory as of 31 December 2011 decreased by approximately RMB215 million from 30 June 2011 to approximately RMB671 million</li></ul>
Operation Focuses
<b>The 12<sup>th</sup> National Games</b> The Xtep brand will be the sole sportswear apparel sponsor in the 12 <sup>th</sup> China National Games (commonly known as the "PRC Olympic Games") in 2013. This will be the Group's 3 <sup>rd</sup> consecutive sole apparel sponsorship for this national event (it was the sponsor in 2005 and 2009).
<b>Running</b> The Group sponsored a total of nine international marathon events in Mainland China and Taiwan, attracting over 300,000 runners to join and spread the spirit of "Love Running, Love Xtep" across the Greater China region.
<b>Football</b> The Group entered into a five-year agreement with Spanish La Liga giant Villarreal C.F. to be the club's official technology sponsor and its exclusive sportswear and accessory provider.
<b>Spokespeople</b> During the year, the Group signed up Han Geng, a domestic superstar, as one of the Group's spokesperson. Han Geng was voted as the most popular singer in the PRC by CCTV in 2010 and is one of the most popular stars on Internet websites and blogs. Han Geng endorses Xtep's urban series, which features distinctive styling and comfort.

[21 March 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 annual results for the year ended 31 December 2011 (the "year under review").

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## Remarkable results

The Group maintained its solid financial performance during the year and it achieved remarkable growth rates. For the year ended 31 December 2011, the total revenue of the Group was RMB5,539.6 million, (2010: RMB4,457.2 million), representing an increase of approximately 24% over the last year. Revenue from the Xtep brand products increased significantly by approximately 28% to RMB5,374.9 million (2010: RMB4,210.3 million). The overall gross profit margin of the Group also increased by 0.2 percentage point to 40.8% (2010: 40.6%). Profit attributable to equity shareholders was approximately RMB966.4 million (2010: RMB813.7 million), representing an increase of approximately 19% over the last year. Basic earnings per Share increased by about 19% to RMB44.41 cents (2010: RMB37.42 cents). The return on equity increased to 26.6% (2010: 25.7%). In view of the strong financial results, the Board recommended the payment of a final dividend of HK14.5 cents (2010: HK12.0 cents) per Share, which together with an interim dividend of HK13.0 cents (2010: HK10.0 cents) per Share, the total basic dividend for the year amounted to HK27.5 cents (2010: HK22.0 cents) per Share, representing an increase of 25% over the last year. The total basic dividend payout ratio for the year amounted to 50 % (2010: 50%).

## Industry outlook

The sportswear industry changed in the second half of 2011. The brand was faced with market challenges such as a slowing global economy growth, low price promotions by peers and increasing operating costs. Nevertheless, with its substantial experience to respond efficiently to market changes, the Group is able to achieve remarkable results. Xtep's branding strategy aims to bring customers the experience of "Sports like no other". It has always differentiated itself from fashionable sportswear with its trendy, sporty, healthy and upbeat lifestyle image. As the economic environment improves, the Group believes that there will be an elevating living standard during which people will prefer a healthier lifestyle. It also believes that customers in the PRC are adapting into new consumer behaviors that show preference towards brands which offer products with uniqueness and special characteristics. Brands that are unable to accommodate the changes will eventually lose supports from consumers as well as ground in this brand revolution. Xtep initiated a groundbreaking move to be the first brand in delivering such a trendy and sporty image through its unique dual sports and entertainment marketing strategy. The Xtep brand will outshine its peers in this brand revolution.

## Healthy financial position

The Group was able to maintain solid financial resources in spite of challenges in the business environment. As at 31 December 2011, the bank deposits, cash and cash equivalent of the Group amounted to RMB2,589.8 million (2010: RMB2,443.7 million). The Group's gearing ratio was 12.6% (2010: 0%). The Group's inventory decreased by RMB215.5 million during the second half of 2011, from a balance of RMB887.0 million as of 30 June 2011 to RMB671.5 million as of 31 December 2011. The Group tightly controlled other components of working capital in addition to inventory, resulting in net operating cash inflow of RMB539.1 million in the second half of 2011. This more than offset the net operating cash outflow of RMB334.9 million during the first half of 2011. Therefore, the net cash inflow from operating activities for the year ended 31 December 2011 was approximately RMB204.2 million (2010: RMB456.1 million). The Group maintained a net cash position, reflecting its healthy financial condition that paves the way for future development.

## **Risk management**

The Group's senior management continuously observe and study the market condition, allowing them to develop in-depth knowledge and insight. Xtep adopts a cautious network expansion and shrewd approach for new retail outlets that are only found in high-traffic areas. The Group meticulously studies customer purchasing behaviors region by region and applies the knowledge gained to improve procurement by distributors and franchisees. In this way, it can ensure that increases in wholesale revenue are passed down to healthy retail performance. The Group implements strict operational controls to manage the retail channel. As at 31 December 2011, approximately 70% of the retail outlets were connected to the centralized DRP system. The Group can monitor inventory levels, sell-through patterns, turnover rates and customer purchasing behaviors, allowing it to continuously analyze the information and further discuss with distributors to form forward-looking strategies.

## **Future prospects**

With the Group's clear and distinct brand positioning, it planned ahead to consolidate its distribution channel and it is expanding its variety of products to meet the desires of an increasingly affluent customer base. The Group will continue to deliver Xtep's healthy and fashionable sportswear image through its dual marketing strategy in sports and entertainment, which is unique among traditional sportswear brands. Marketing and promotional activities will include sponsorships of national sports events, international marathons, European football clubs, and China's CX-Games, as well as the continued entertainment-based advertising campaigns of Xtep's celebrity spokespeople – Nicholas Tse, Jolin Tsai, Wilber Pan and Han Geng. All of these exciting promotions will deepen consumer understanding of Xtep's "Sports like no other" mission. The Group will establish several "runner clubs" in which professional runners, trainers and other experts will provide discussions, seminars and training to club members. Xtep aims to raise health awareness and enhance the brand's reputation while raising its status among runners. The Group set themselves the target of becoming the "Runner's Choice" within five years.

**Mr. Ding Shui Po, Chairman and Chief Executive Officer of Xtep**, said, "2012 marks the Xtep brand's 10<sup>th</sup> anniversary. Driven by our distinctive mission to evoke feelings of "Sports like no other", Xtep's brand equity has risen tremendously in the past decade. To celebrate, we will organize various exciting promotions, commercial activities and marketing events. In particular, we will organize a grand gala event in April 2012 dubbed "X-ceptional Decade", for which we will invite all of our celebrity spokespeople and other high-profile guests to perform. In addition, we will invite government and sports bureau officials of the PRC, important business partners, distributors, franchisees, and other esteemed guests to celebrate and witness this memorable moment. To mark the occasion, we also launched a special edition 10th anniversary series of apparel and footwear products. Although markets remain uncertain we believe that in times like these we should stick to our goals. The Group has a talented and experienced management team to guide it through any difficulties ahead. The Group will continue to focus its branding goal on becoming the 'Runner's choice' and will remain committed to become a world-class leading fashion sportswear brand."

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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.

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Appendix



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**2011 Annual Results Financial Highlights**

<b>Financial Highlights (For the year ended 31 December)</b>			
	<b>2011 (RMB Million)</b>	<b>2010 (RMB Million)</b>	<b>Changes</b>
Revenue	<b>5,539.6</b>	4,457.2	+24.3%
Xtep brand revenue	<b>5,374.9</b>	4,210.3	+27.7%
Profit attributable to equity shareholders	<b>966.4</b>	813.7	+18.8%
Gross profit margin	<b>40.8%</b>	40.6%	+0.2 pt.
Operating profit margin	<b>22.0%</b>	21.9%	+0.1 pts.
Effective tax rate	<b>20.3%</b>	16.8%	+3.5 pts.
Net profit margin	<b>17.4%</b>	18.3%	-0.9 pt.
Basic earnings per share (RMB cents)	<b>44.41</b>	37.42	+18.7%
Dividends			
- Final dividend per share (HK cents)	<b>14.5</b>	12.0	+20.8%
- Interim dividend per share (HK cents)	<b>13.0</b>	10.0	+30.0%
- Total basic dividend per share (HK cents)	<b>27.5</b>	22.0	+25.0%
Return on average total equity holders' equity	<b>26.6%</b>	25.7%	+0.9 pts.
<i>Dividend payout ratio</i>	<b>50%</b>	50%	unchanged

<b>Operation Highlights (For the year ended 31 December)</b>			
	<b>2011</b>	<b>2010</b>	<b>Changes</b>
<b>Performance of Xtep brand</b>			
<b>Footwear</b>			
- Revenue (RMB million)	<b>2,424.0</b>	1,869.7	+29.6%
- <i>Gross profit margin</i>	<b>41.0%</b>	41.0%	unchanged
- Sales volume (million pairs)	<b>27.1</b>	22.3	+21.5%
- Average wholesale price (RMB)	<b>89.3</b>	83.7	+6.7%
<b>Apparel</b>			
- Revenue (RMB million)	<b>2,862.0</b>	2,270.5	+26.1%
- <i>Gross profit margin</i>	<b>40.8%</b>	40.6%	+0.2 pt.
- Sales volume (million pieces)	<b>39.1</b>	33.3	+17.4%
- Average wholesale price (RMB)	<b>73.2</b>	68.2	+7.4%
<b>Total number of Xtep outlets</b>	<b>7,596</b>	7,031	+565