



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

**Xtep Announces 2011 Interim Results  
Rises to Challenges to Achieve Greater Heights**

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**Net Profit Increases 25% to RMB466 Million  
Gross Profit Margin Continues to Improve by 0.2 Percentage Point**

<b>Financial Highlights (For the six months ended 30 June)</b>			
	<b>2011 (RMB million)</b>	<b>2010 (RMB million)</b>	<b>Change</b>
Revenue	<b>2,570.3</b>	2,040.2	+26%
Gross profit	<b>1,051.5</b>	830.8	+27%
Operating profit	<b>564.3</b>	451.9	+25%
Profit for the period	<b>466.2</b>	373.5	+25%
<i>Gross profit margin</i>	<b>40.9%</b>	40.7%	+0.2pt
<i>Operating profit margin before share option expenses</i>	<b>22.7%</b>	22.4%	+0.3pt
<i>Operating profit margin</i>	<b>22.0%</b>	22.2%	-0.2pt
<i>Net profit margin</i>	<b>18.1%</b>	18.3%	-0.2pt
Basic earnings per Share (RMB cents)	<b>21.43</b>	17.18	+25%
Interim dividends per Share (HK cents)	<b>13.0</b>	10.0	+30%
<i>Payout ratio</i>	<b>50%</b>	51%	--

<b>Operational Highlights (For the six months ended 30 June)</b>			
	<b>2011 (RMB million)</b>	<b>2010 (RMB million)</b>	<b>Changes</b>
<b>Xtep Brand Performance</b>			
Revenue	<b>2,452.2</b>	1,900.8	+29%
<i>Gross profit margin</i>	<b>40.9%</b>	40.5%	+0.4pt
<b>Footwear Products</b>			
- Revenue	<b>1,052.2</b>	817.8	+28.7%
- <i>Gross Profit Margin</i>	<b>41.1%</b>	40.3%	+0.8pt
- Volume (mn pairs)	<b>11.1</b>	9.5	+16.4%
- ASP (RMB)	<b>94.8</b>	85.7	+10.6%
<b>Apparel Products</b>			
- Revenue	<b>1,357.6</b>	1,050.2	+29.3%
- <i>Gross Profit Margin</i>	<b>40.9%</b>	40.7%	+0.2pt
- Volume (mn pieces)	<b>23.5</b>	20.0	+17.6%
- ASP (RMB)	<b>57.8</b>	52.5	+10.0%
<b>Xtep Brand Network Performance</b>			
Total number of retail outlets for the period	<b>7,438</b>	+407 from 31 Dec 2010	
Average number of retail outlets for the period	<b>7,235</b>	6,341	+14.1%
Average wholesale revenue per store for the period (RMB)	<b>338,959</b>	299,761	+13.1%

[16 August 2011, 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, announced its interim results for the six months ended 30 June 2011 (the “period under review”).

## **Financial Review**

### **Sustainable Revenue and Profit Growth**

During the period under review, the total revenue of the Group was RMB2,570.3 million (2010: RMB2,040.2 million), which represents an increase of approximately 26.0% over the same period last year. Revenue from the Xtep brand increased significantly by 29.0%, reaching RMB2,452.2 million (2010: RMB1,900.8 million). With prudent and efficient cost and supply chain management, the group continued the improvement in gross profit margin despite the continuous inflation environment. The overall gross profit margin increased to 40.9% (2010: 40.7%), a 0.2 percentage point increase over the same period last year. Profit attributable to shareholders was approximately RMB466.2 million (2010: RMB373.5 million), an increase of approximately 25% over the same period last year. The satisfactory results and the adequate surplus cash balances have resulted in the Board recommending payment of an interim dividend of HKD13.0 cents per Share (2010: HKD10.0 cents per Share), which is an increase of 30% from last year. The payout ratio is approximately 50% (2010: 51%).

With the continued growth of the retail sector including the sportswear industry and the unique sports and entertainment strategy, for the six months ended 30 June 2011, the Group’s total revenue from the Xtep brand products surged by 29.0% to approximately RMB2.5 billion (2010: RMB1.9 billion) and the gross profit margin increased by 0.4 percentage point to 40.9% (2010: 40.5%). The remarkable results of Xtep brand products were mainly attributable to the widespread recognition of the Xtep brand as a result of our sponsoring of a number of high-profile international and national sporting events and its unique entertainment marketing strategy. In addition, as a result of the popularity of Xtep brand products among the general public, the Group has recorded satisfactory sales performance through its expanded sales channels and network.

Thanks to the effective cost inflation control by increasing the amount of inventory purchased and making advanced payment to the outsource supplier, the margin for both Xtep brand footwear and apparel products have been improved. The gross profit margin of footwear improved by 0.8 percentage point to 41.1% (2010: 40.3%), while the gross profit margin of apparel products rise 0.2 percentage point to 40.9% (2010: 40.7%). The Group remained at net cash position, reflecting its healthy financial condition, paving the way for future development.

### **Business Review**

Mr. Ding Shui Po, Chairman and Chief Executive Officer of Xtep, said, “We are delighted to see the continuous growth of the Group’s financial and operational performance. Announced by the State Council of the People’s Republic of China in February 2011, the “Nationwide Sports Training Plan (2011-2015)” (the “Plan”) stated the government’s aim to raise public participation in sports in the next five years and to encourage society as a whole to engage in sports-related businesses. The Plan includes expanding the budget for nationwide sports activities in cities of every level. Such policies will effectively stimulate the domestic demand for sportswear, thus allowing China’s sportswear industry to thrive.”

### **Proven Success of Brand Differentiation with Sports and Entertainment Marketing Strategy**

As the leading fashion sportswear brand in China, Xtep brand has established a unique position in the industry with its long-held core business concepts. During the period, the Group entered into a new five-year cooperation agreement with Spanish La Liga giant Villarreal C.F., allowing the Xtep brand’s logo to appear regularly in the international sporting arena. Besides, the Group has also become the official partner and sole sportswear sponsor for the China National Women’s Synchronized Swimming Team and the global partner of the International Horticultural Exposition 2011 Xi’an China.

Running is one of the most important elements that forms Xtep brand. During the first half of 2011, the Group sponsored five major important international marathons and in aggregate approximately 150,000 participants and millions of viewers were involved in these significant events. These events have drawn significant attention from the participants and worldwide viewers to the power of Xtep brand.

Adding to our superstar celebrity team of Xtep brand spokespersons, which comprises of Nicholas Tse, Wilber Pan and Jolin Tsai, the Group is very pleased to have signed up another superstar, Han Geng. In order to attract initial attention to the new sponsorship campaign, the Group organized an event for the selection of "Han's Girl". This successfully aroused public awareness and over 10,000 contestants quickly joined via the Internet. There was wide coverage by the media throughout the whole campaign and the results were successfully broadcasted in various media channels.

### **Retail Network Expansion**

As of 30 June 2011, the number of Xtep brand retail outlets increased by 407 and reached a total of 7,438. The average number of retail outlets for the period was 7,235 (2010: 6,341), representing an increase of 14.1% compared to the same period last year. Besides, the Group had a total of 40 Xtep brand flagship stores. Also, due to the popularity of trendy sportswear offerings, the average wholesale revenue per Xtep brand retail outlet increased by 13.1% to approximately RMB340,000 compared to the same period of last year. Xtep brand became the first Chinese sportswear brand to venture into the Taiwan market and launched its first retail outlets in Taipei.

With the increasing popularity of online shopping among the younger generation, the Group has utilized the massive power of e-commerce to reach this market and expand its sales network. Along with the partnership with Sohu.com and Taobao.com, the Group signed an agreement in April 2011 to form a strategic partnership with www.taoxie.cn, one of the largest footwear sales platforms in the country.

### **Effective Supply Chain Management**

As a leading fashion sportswear company in the PRC, the Group implemented stringent retail and supply chain management and provides guidelines and adopts a strict code of practice to standardize operational procedures, retail outlet decor and display, customer service benchmarks and pricing policies. In addition, the Group continues to offer regular training in the areas of marketing, visual merchandising and inventory management in order to foster the expertise, product knowledge, and technical skills of its retail team. During the period under review, over 100 different training programs were provided to the distributors and franchises. As of 30 June 2011, approximately 4,800 retail outlets, representing nearly 65% of the total number of Xtep brand retail outlets had adopted the real-time monitoring DRP system. In order to be able to respond quickly to the ever-changing market demands and fashion trends by utilizing our own production facilities, the Group has adopted a vertically integrated business model from design and production to sales and distribution management.

### **Innovative Products & Strengthening Design and R&D Capabilities**

During the period, the Group launched 8 major series with 24 sub-series totaling over 2,000 types of footwear products designs, and introduced 6 major series with 11 sub-series totaling over 2,700 types of apparel product designs.

During the period under review, the Group continued to enlarge the R&D centre in Guangzhou as part of its commitment to strengthening innovation, building stronger connection with consumers and improving quality across its product lines, and continued to further enhance the following advanced technologies for footwear, including super lightweight material, "X-Turbo" technology, Double-Core, Dual-Density, X-Balance, X-CJ Jelly, X-Grip and nanosilver anti-bacterial chemicals. Besides, the Group continued to employ cutting-edge technology to enhance the functions of its apparel. Cool and comfortable fibres with nano-technology was introduced in its production processes, enabling its apparel products to offer maximum comfort by filtering thermal radiation in the light and reducing heat retention. Eco-friendly warm fibres were also adopted to provide warmth and enhance air diffusion. The Group also applied the professional football jersey products' material to enhance the quality of apparel products.

## Future Plans

The Group continues to strive to enhance its unique sports and entertainment marketing strategy by introducing new sponsorship campaigns in 2011. In 2011, the Group will continue to focus on expanding its running and football sportswear series. More professional and stylish running shoes will be launched. Also, a new Villarreal-themed product line will soon be launched to further enrich its football apparel product offerings. Moreover, in order to meet the increasing demand of young customers requesting for more trendy lifestyle products, the Group will increase its product offerings through Xtep brand's new urban series. The urban series will feature contributions from international designers and it will be promoted by its new brand representative, Han Geng. As part of the Group's product diversification, there are also plans to open a new Xtep children footwear and apparel series, called "Xtep 1+1".

The Group expects to increase the total number of retail sales outlets in accordance with the pace of urbanisation in the PRC. The Group remained focused on the second- and third-tier cities, an area in which the Xtep brand has a clear brand status advantage. The Group is planning to reach a total number of approximately 7,900 Xtep brand retail outlets by the end of 2011. The Group also endeavors to tap into overseas markets, bringing Xtep brand to a more global audience.

Mr. Ding concluded, "According to the statistics released by the Chinese government, second- and third-tier cities in the provinces such as Fujian, Hubei, Hunan, Anhui and Jiangxi all recorded an increase of over 13% in GDP in the first half of 2011 as compared to the same period last year, which are above the country's average growth of 9.6%. This proves that the growth potential in the second- and third-tier cities is higher than the more mature developed cities. As the number of consumers and their average salaries in these cities continue to increase, the average consumer's disposable income and purchasing power will also continue to rise. Hence, the Xtep's brand positioning in the mass market segment can enjoy a sustainable long term growth under these favourable conditions. Looking ahead, the Group will continue to adopt innovative marketing and promotion strategies, enlarge its retail network, assemble experienced design and product R&D teams and improve its production capacity. With these solid commitments, the Group will continue to deliver solid performance to its shareholders and to lead the Xtep brand to become a world-class fashion sportswear brand."

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## About Xtep International Holdings Limited

Xtep International Holdings Limited was listed on June 3, 2008 on the main board of the Hong Kong Stock Exchange. Xtep brand is the leading 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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