



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

Xtep Announces 2015 Interim Results

Net Profit Regained Growth to Approximately RMB343.5 million, Up 20.9%

2015 Interim Results Highlight

Financial Highlights

- Total revenue increased by 12.0% YoY to RMB 2,390.6 million
- Overall gross profit margin rose by 1.4 pp to 41.8% YoY
- Profit attributable to ordinary equity Shareholders amounted to RMB 343.5 million, up 20.9% YoY
- Interim dividend per Share of HK 10.0 cents, up 17.6% YoY
- Dividend payout ratio of 52.0%

Operational Highlights

- Fully implemented “3+” revolution: “Products+”, “Sports+” and “Internet+” to upgrade professional sportswear
- E-commerce ranked first in terms of volume on Tmall sportswear category
- Xtep stores increase to 7,180 (31 December 2014: 7,110)
- Inventory balance reduced by 33.1% YoY to RMB 520.2 million (30 June 2014: RMB777.8 million)

20 August 2015, Hong Kong – Leading PRC-based fashion sportswear enterprise **Xtep International Holdings Limited** (the “Company,” together with its subsidiaries, the “Group”) (Stock code: 1368) today announced its unaudited interim results for the six months ended 30 June 2015 (the “Period”).

Regained Profitability

Driven by the enhancement in professional functionality of products and increase in sales revenue derived from e-commerce, total revenue of the Group increased by approximately 12.0% to RMB2,390.6 million as compared with the corresponding period last year (1H 2014: RMB2,135.0 million). Benefitting from the increase in sales of footwear products with higher profit margin, gross profit margin rising by 1.4 percentage points to 41.8% (1H 2014: 40.4%). Profit attributable to equity Shareholders regained growth to approximately RMB343.5 million, representing an increase of 20.9% as compared to the corresponding period last year (1H 2014: RMB284.2 million). Net profit margin increased to 14.4% (1H 2014: 13.3%). Basic earnings per share were RMB15.86 cents (1H 2014: RMB 13.05 cents).

The Board recommends an interim dividend of HK10.0cents (1H 2014: HK8.5 cents) per Share, which is equivalent to a payout ratio of 52.0% (1H 2014: 51.6%), an increase of 17.6%.

As at 30 June 2015, the Group’s total net assets amounted to RMB4,793.3 million (as at 31 December 2014: RMB4,710.3 million), representing an increase of 1.8%. The Group’s net cash and cash equivalents was approximately RMB3,210.0 million (as at 31 December 2014: RMB3,137.1

million). Balance of inventory was RMB520.2 million, a continuous decrease as compared to both balances as at 31 December 2014 and 30 June 2014, due to the successful management strategy to flatten the distribution channels and the implementation of stringent control on retail inventory level. The turnover days of inventory for the Period significantly decreased by 22 days to 72 days (2014: 94 days).

Mr. Ding Shui Po, Chairman and Chief Executive Officer of Xtep, said, “China’s sportswear industry showed recovery in first half of 2015. Together with the increasing popularity of sports in China, running and football categories, which are the main focuses of the Group, are expected to benefit the most. 2015 marks the year of “Deepening Revolution” for Xtep. The Group has captured the favorable industry environment to solidify its leading position in the fashionable sportswear industry by fully implementing the creative “3+” revolution strategy to fully upgrade and expand its development.”

Business Review

“3+” Strategy

The Group fully implemented “3+” revolution business strategies of: “Products+”, “Sports+”, and “Internet+” to improve and upgrade professional sportswear products to drive organic growth and achieve leadership in sportswear e-commerce sector.

“Products+” Strategy

The Group has comprehensively upgraded its core running and football products. It incorporated the latest technologies into three Xtep professional running footwear series namely: “Dynamic Foam” (動力巢), “Reactive Coil” (減震旋) and “Air Mega” (氣能環). These value-for-money, fashionable and professional products were well-accepted by customers. As a result, revenue contributed by the Group’s footwear increased by 12.7% to approximately RMB1,495.0 million (1H 2014: RMB1,326.4 million). Gross profit margin of footwear increased as well to 43.5% (1H 2014: 41.0%). The Group also applied advanced technologies and improved the quality of Xtep apparel products with “Xtep Sports Elastic Technology” (X-S.E.T.特步運動彈性技術), “Extreme Cool” (冰極) and “Seconds Dry” (秒乾) materials.

For the children’s market, the Group and Qihoo360 jointly researched and developed a children’s smart shoe embedded with smart chip that allows parents to track children’s location, which are planned to be launched in the first quarter of 2016. As at 30 June 2015, products under Xtep Kids series were available through approximately 530 POS.

“Sports+” Strategy

In order to expand into provision of sporting services, the Group signed strategic agreements with Wisdom Group in June 2015, including the sponsorship of major marathons and related carnivals in the PRC between 2015-2017. The agreements also included the setting up of a joint venture named Beijing Wisdom Xtep to commence in-depth collaboration in sports event operation, brand promotion, market development for innovative sports products and equipments. The joint venture aims to provide an open platform to integrate the upstream and downstream sports businesses with a view to rapidly achieve economies of scale in the road running and walking event industry, and gradually expand the business into football and other sports events.

“Internet+” Strategy

The revenue generated by e-commerce business has increased significantly and accounted for high single digit of the Group’s total revenue as compared to low single digit recorded last year. Apart from Xtep’s official website, www.xtep.com.cn, the Group conducted e-commerce business through various

popular online platforms such as Tmall, JD, Taobao and Dangdang. During the Period, the Xtep brand ranked as the top selling sportswear brand on Tmall in terms of volume sold.

To further develop Xtep's e-commerce business, the Group signed strategic agreements with Tmall in August 2015 and S.F. Express in July 2015.

Optimization of Distribution Channel Management

Through the increment of the number of distributors to 39 and the proportion of directly managed retail stores by distributors to over 50% of the total number of retail stores, the Group has flattened the retail distribution channel and reduced multi-layered sales. In order to strengthen retail management control, the coverage of the Group's DRP system has exceeded 85% of the total 7,180 Xtep retail stores.

To maintain a consistent image of Xtep brand, the Group introduced the "7th Generation" design, implemented detailed management of sales channels, and provided distributors and franchisees with clear ordering guidelines to control inventory levels more effectively.

Innovative Branding Strategies

The Group has adopted a dual-marketing strategy incorporating sports and entertainment elements to bolster the profile of Xtep as a fashionable and professional sportswear brand. Apart from sponsoring 15 international marathons in China and Hong Kong, to capture the popular trend from football games, Xtep continued to be the title sponsor of two national official campus football leagues.

Moreover, the engagement of celebrities and Olympic winner, as well as the sponsorships of popular TV programmes have successfully enhanced Xtep's image and boosted the sales of its products.

Outlook

With the recovery of the sportswear industry and supportive policies of the central government, running, football and smart products are expected to be the three popular trends in the future sportswear industry.

The Group will continue with the "3+" revolution of "Products+", "Sports+" and "Internet+", as well as implement the dual-marketing strategy to enhance its brand image as a fashionable and professional sportswear.

With respect to "**Products+**", the Group will optimize its product mix by increasing investment in research and development and product innovation. It will emphasize on improving the material quality of professional running series, such as footwear series of "Dynamic Foam", "Reactive Coil" and "Air Mega"; and the material of "Super Dry Fit" and "Super Cool" for apparel series. The Group will launch co-branding football series with CCFL and CUFL, and seek partnership with high technology groups such as the introduction of smart shoes for kids through collaboration with Qihoo 360.

Regarding "**Sports+**", the Group will expand its business scope from products supplier to services provider, initially starting from the operation of Beijing Wisdom Xtep which will include organizing running and walking events in the PRC. Furthermore, the Group will seek opportunities to provide services such as training and sports education in running and football and medical treatments and rehabilitation services.

For "**Internet +**", the Group will deepened its partnership with Tmall to provide more value-for-money fashionable and professional sportswear to customers. It will also improve customer satisfaction experience through the strong support from S.F. Express to provide first class logistic delivery

services. It will speed up the establishment of O2O sales platform to further enhance and deliver high growth of its e-commerce business.

The Group will continue to adopt stringent control on retail management of its nationwide distribution networks and continue to flatten the channels. It will also continue to execute detailed monitoring of retail inventory level and upgrading retail stores to display more sportswear and enhance customer shopping experience.

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About Xtep International Holdings Limited (Stock code: 1368)

Listed on 3 June 2008 on the Main Board of the Hong Kong Stock Exchange, Xtep is a leading PRC-based fashion sportswear enterprise. It is principally engaged in the design, development, manufacturing, sales and marketing, and brand management of sportswear products, including footwear, apparel and accessories. During the past several years, Xtep has been actively implementing its sports marketing strategy with a focus on running and football. It boasts an extensive distribution network of more than 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 or scan the Group's Wechat QR code below (or search by : xtepholdings or 特步控股)



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Appendix



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2015 Interim Results Highlights

Financial Highlights (For the Six Months Ended 30 June)			
	2015	2014	Change
Profitability Data (RMB million)			
Revenue	2,390.6	2,135.0	+12.0%
Gross Profit	999.4	862.1	+15.9%
Operating Profit	500.6	425.8	+17.6%
Profit Attributable to Equity Shareholders	343.5	284.2	+20.9%
Basic Earnings per Share (RMB cents)	15.86	13.05	+21.5%
Profitability Ratios (%)			
Gross Profit Margin (%)	41.8	40.4	+1.4 pp
Operating Profit Margin (%)	20.9	19.9	+1.0 pp
Net Profit Margin (%)	14.4	13.3	+1.1 pp
Return on Average Total Equity Holders' Equity	14.4	12.3	+2.1pp

Operational Highlights (For the Six Months Ended 30 June)			
Group Revenue & Gross Profit Margin Breakdown By Product Category			
	2015	2014	Change
Footwear			
Revenue (RMB million)	1,495.0	1,326.4	+12.7%
Gross Profit Margin (%)	43.5%	41.0%	+2.5pp
Apparel			
Revenue (RMB million)	844.2	783.0	+7.8%
Gross Profit Margin (%)	39.1%	39.4%	-0.3pp
Accessories			
Revenue (RMB million)	51.4	25.6	+100.6%
Gross Profit Margin (%)	36.3%	35.0%	+1.3pp