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

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1368)**

**OPERATIONAL UPDATE ON BUSINESS IN CHINA**  
**SALES FAIR RESULTS FOR FINAL TWO QUARTERS OF 2012**  
**AND**  
**SALES FAIR RESULTS FOR THE FIRST QUARTER OF 2013**

This announcement is made on a voluntary basis by the board of directors (the “Board”) of Xtep International Holdings Limited (the “Company”, together with its subsidiaries, the “Group”).

The Board would like to announce the following operational update on the Group’s business in China:

**Orders for the final two quarters of 2012**

Due to slowing consumer demand and increased competition in the PRC domestic sportswear industry, the Group’s retailers have been adversely impacted. In order to mitigate the risk of excessive inventory build-up at the retail level, management of the Group has implemented forward planning strategies and continued to take a prudent approach to approving and processing orders placed by distributors and franchisees, so as to maintain the competitiveness of the Group’s distribution channels in terms of operational performance and profitability. As a result, the Group has adjusted the sales order value (at wholesale value) for its sales fair for the third and fourth quarters of 2012 to flat, from a previously estimated 5% increase, on a year-on-year basis.

**Orders for the first quarter of 2013**

In July 2012, the Group held its sales fair for the first quarter of 2013. Even though the retail market continued to face various difficulties, our distributors and franchisees maintained their confidence and support for the Group’s innovative products which enjoy a unique marketing position. However, in order to manage and control the inventory level for the retail market, the

Group continued to adopt a flexible order arrangement with distributors and franchisees. As a result, the sales order value (at wholesale value) for its sales fair for the first quarter of 2013 declined by approximately 15%-20% when compared to the same quarter in 2012.

Also, the Group considers that under the current environment of intensive competition, a more flexible and attractive pricing policy is necessary as an extra support to the distribution channel. As such, the Group decided to change the wholesale discount rate to the distributors from 60% of the suggested retail prices in 2012 to 62% of the suggested retail prices starting from 2013. The Group believes that such an approach can create and enhance a more long term and sustainable business environment in the distribution channel.

**The Company's shareholders and potential investors should note that the above announcement is made based on unaudited operational data of the Group and this data has not been audited or reviewed by the Company's auditors.**

**The Company's shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.**

By Order of the Board of  
**Xtep International Holdings Limited**  
**Ding Shui Po**  
*Chairman*

Hong Kong, 21 August 2012

*As at the date of this announcement, the executive directors of the Company are Mr. Ding Shui Po, Ms. Ding Mei Qing, Mr. Lin Zhang Li, Mr. Ding Ming Zhong, Mr. Ye Qi and Mr. Ho Yui Pok, Eleutherius; the non-executive director of the Company is Mr. Tan Wee Seng and the independent non-executive directors of the Company are Mr. Sin Ka Man, Mr. Xu Peng Xiang and Dr. Gao Xian Feng.*