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)

2015 INTERIM RESULTS ANNOUNCEMENT

The Board of Directors (the "Board") of Xtep International Holdings Limited (the "Company") is pleased to announce the interim results of the Company and its subsidiaries (together referred to as the "Group") for the six months ended 30 June 2015. This announcement, containing the full text of the 2015 Interim Report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") in relation to information to accompany preliminary announcements of interim results. The printed version of the Company's 2015 Interim Report will be delivered to the shareholders of the Company and will be available for viewing on the websites of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and of the Company at www.xtep.com.hk.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ding Shui Po (丁水波) (Chairman)
Ding Mei Qing (丁美清)
Lin Zhang Li (林章利)
Ding Ming Zhong (丁明忠)
Ye Qi (葉齊)
Ho Yui Pok, Eleutherius (何睿博)

Independent Non-executive Directors

Sin Ka Man (冼家敏)
Tan Wee Seng (陳偉成)
Gao Xian Feng (高賢峰)
Bao Ming Xiao (鮑明曉)

BOARD COMMITTEES

Audit Committee

Sin Ka Man (冼家敏) (Chairman)
Tan Wee Seng (陳偉成)
Gao Xian Feng (高賢峰)

Remuneration Committee

Sin Ka Man (冼家敏) (Chairman)
Ding Mei Qing (丁美清)
Gao Xian Feng (高賢峰)

Nomination Committee

Ding Shui Po (丁水波) (Chairman)
Tan Wee Seng (陳偉成)
Gao Xian Feng (高賢峰)

COMPANY SECRETARY

Ho Yui Pok, Eleutherius (何睿博) FCA, FCPA

AUTHORIZED REPRESENTATIVES

Ding Shui Po (丁水波)
Ho Yui Pok, Eleutherius (何睿博)

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HEAD OFFICE IN THE PRC

Economic and Technical Development Zone
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LEGAL ADVISER AS TO HONG KONG LAWS

Orrick, Herrington & Sutcliffe

AUDITOR

Ernst & Young

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Cayman) Limited
Butterfield House, 68 Fort Street, P.O. Box 705
Grand Cayman KY1-1107, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17/F, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKERS

Bank of China
Bank of East Asia
China Construction Bank
China Minsheng Bank
Hang Seng Bank
HSBC
Industrial Bank

INVESTOR RELATIONS CONSULTANTS

Strategic Financial Relations Limited
Aries Consulting Limited

COMPANY WEBSITE

www.xtep.com.hk

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2015

TOTAL REVENUE

RMB2,390.6 million (↑12%)

GROSS PROFIT MARGIN

41.8% (↑1.4ppt)

PROFIT ATTRIBUTABLE TO ORDINARY EQUITY SHAREHOLDERS

RMB343.5 million (↑21%)

INTERIM DIVIDEND PER SHARE

HK10.0 cents (↑17.6%)

DIVIDEND PAYOUT RATIO

52.0%

Cautionary Statement Regarding Forward-looking Statements

This interim report contains certain forward-looking statements with respect to the financial condition, results of operations and businesses of the Group. These forward-looking statements represent the Group's expectations or beliefs concerning future events and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Certain statements, which include wordings like "potential", "estimated", "expects", "anticipates", "objective", "intends", "plans", "believes", "estimates" and similar expressions or variations on such expressions may be considered as "forward-looking statements". Forward-looking statements involve inherent risks and uncertainties. Readers should be cautioned that a number of factors could cause actual results to differ in some instances materially from those anticipated or implied in any forward-looking statements. Forward-looking statements speak only as at the date they are made, and it should not be assumed that they have been reviewed or updated in the light of new information or future events. Trends and factors that are expected to affect the Group's results of operations are described in the sections of "Chairman's Statement" and "Management Discussion and Analysis".

FIVE-YEAR FINANCIAL SUMMARY

For the six months ended 30 June

	2015	2014	2013	2012	2011
Profitability data (RMB million)					
Revenue	**2,390.6**	2,135.0	2,098.0	2,607.3	2,570.3
Gross profit	**999.4**	862.1	843.1	1,067.6	1,051.5
Operating profit	**500.6**	425.8	475.5	593.8	564.3
Profit attributable to ordinary equity Shareholders	**343.5**	284.2	340.9	467.8	466.2
Basic earnings per Share (RMB cents) (Note 1)	**15.86**	13.05	15.66	21.50	21.43
Profitability ratios (%)					
Gross profit margin	**41.8**	40.4	40.2	40.9	40.9
Operating profit margin	**20.9**	19.9	22.7	22.8	22.0
Net profit margin	**14.4**	13.3	16.2	17.9	18.1
Effective tax rate	**29.6**	31.1	28.6	22.7	18.1
Return on average total equity holders' equity (annualized) (Note 2)	**14.4**	12.3	15.6	23.2	26.7
Operating ratios (as a percentage of revenue) (%)					
Advertising and promotional costs	**13.4**	12.5	9.0	11.4	11.8
Staff costs	**8.7**	9.8	8.5	6.7	5.3
R&D costs	**2.0**	2.4	2.3	1.6	1.4

As of 30 June

	2015	2014	2013	2012	2011
Assets and liabilities data (RMB million)					
Non-current assets	**941.9**	1,039.8	813.5	549.9	594.3
Current assets	**7,253.8**	6,729.4	6,137.6	5,382.9	4,130.7
Current liabilities	**2,854.0**	2,140.2	1,941.1	1,298.1	1,050.8
Non-current liabilities	**548.4**	999.4	611.2	496.4	52.3
Non-controlling interests	**6.8**	2.3	4.9	8.0	5.0
Shareholders' equity	**4,786.5**	4,627.3	4,393.9	4,130.3	3,616.9
Asset and working capital data					
Current asset ratios	**2.5**	3.1	3.2	4.1	3.9
Gearing ratios (%) (Note 3)	**26.2**	22.4	19.0	13.0	4.6
Net asset value per Share (RMB) (Note 4)	**2.20**	2.13	2.02	1.90	1.66

REVENUE

(RMB million) (For the six months ended 30 June)

2,390.6

2011	2,570.3
2012	2,607.3
2013	2,098.0
2014	2,135.0
2015	2,390.6

GROSS PROFIT MARGIN

(%) (For the six months ended 30 June)

41.8

2011	40.9
2012	40.9
2013	40.2
2014	40.4
2015	41.8

OPERATING PROFIT

(RMB million) (For the six months ended 30 June)

500.6

2011	564.3
2012	593.8
2013	475.5
2014	425.8
2015	500.6

PROFIT ATTRIBUTABLE TO ORDINARY EQUITY SHAREHOLDERS

(RMB million) (For the six months ended 30 June)

343.5

2011	466.2
2012	467.8
2013	340.9
2014	284.2
2015	343.5

SHAREHOLDERS' EQUITY

(RMB million) (As at 30 June)

4,786.5

2011	3,616.9
2012	4,130.3
2013	4,393.9
2014	4,627.3
2015	4,786.5

INTERIM DIVIDEND PER SHARE

(HK cents) (For the six months ended 30 June)

10.0

2011	13.0
2012	13.2
2013	10.0
2014	8.5
2015	10.0

Notes:

1) The calculation of basic earnings per Share is based on the profit attributable to ordinary equity Shareholders divided by the weighted average number of ordinary shares in issue during the relevant period.
2) Return on average total equity holders' equity is equal to the profit for the period divided by the average of opening and closing total equity holders' equity.
3) The calculation of gearing ratio is based on the total borrowings divided by the total assets of the Group at the end of the period.
4) The calculation of net asset value per Share is based on the total number of Shares in issue at the end of the period.

CHAIRMAN'S STATEMENT

DING SHUI PO
Chairman

Dear Shareholders,

On behalf of the Board, I am pleased to announce the unaudited interim results of the Group for the six months ended 30 June 2015.

RECOVERY MOMENTUM IN SPORTSWEAR INDUSTRY

After three years of channel consolidation, inventory destocking and re-branding, coupled with favorable national policies, China's sportswear industry showed recovery in first half of 2015. Against the backdrop of supportive initiatives of the central government to expand the market size of the sports industry to over RMB5 trillion, together with the progress of urbanization, increase in disposable income and increasing popularity of sports in China, running and football categories, which are the main focuses of the Group, are expected to benefit the most. To capture the favorable market opportunities, the Group achieved satisfactory performance through setting out and implementing various initiatives during the Period, paving way for future business development and creating value for Shareholders.

REVIEW OF RESULTS

During the Period, driven by the enhancement in professional functionality of products and increase in sales revenue derived from e-commerce, the total revenue of the Group increased by approximately 12.0% to RMB2,390.6 million as compared with the corresponding period last year (2014: RMB2,135.0 million). Benefitting from the increase in sales of footwear products with higher profit margin, gross profit margin also increased to 41.8% (2014: 40.4%). Profit attributable to ordinary equity Shareholders regained growth to approximately RMB343.5 million, representing an increase of 20.9% as compared to the corresponding period last year (2014: RMB284.2 million).

To show our appreciation to Shareholders for their long term support of the Group and to provide consistent returns, the Board recommends and has resolved to declare an interim dividend of HK10.0 cents (2014: HK8.5 cents) per Share, which is equivalent to a payout ratio of 52.0% (2014: 51.6%).

"3+" REVOLUTION

Under the circumstances of the gradually maturing market, Xtep has proposed a creative "3+" revolution to fully upgrade and expand its development. The three principles of the "3+" revolution are: "Products+", "Sports+" and "Internet+". Following those three principles, we have launched a series of operational and management enhancements in order to improve our sales and business development.

"Products+" – Xtep is the leading PRC fashionable sportswear brand which focuses on providing value-for-money sportswear. We position ourselves as youthful, professional and fashionable sportswear brand and provide young and fashionable athletes with better sportswear. During the Period, we improved our fashionable sportswear with expert functionality and quality, meeting market demand for comfort and protection. We have introduced three professional running footwear series namely: "Dynamic Foam"; "Reactive Coil"; and "Air Mega". The market responded extremely well, and both the Group's revenue and gross profit margin improved due to the increase of professional footwear in the product mix.

"Sports+" – With the growing popularity of public participation in sports, the Group has increased its strategic investment in sporting events. Apart from enhancing our brand recognition and reputation by sponsoring more events, we also expanded the scope of the sports business to sporting event management, providing one-stop seamless operation of products and services, creating new sources of income. In June 2015, we signed a strategic cooperation agreement with Wisdom Group, included among other things, the formation of the Beijing Wisdom Xtep joint venture which will involve in organisation of sporting events such as running and walking events in the PRC, development and sale of innovative sportswear products, sales and marketing, integrated operations of customer service, with a view to use such open platform to create economies of scale rapidly in the running industry. Platforms like these will provide the Group with huge profit potential in the sports services industry.

"Internet+" – Given the enormous growth potential in the e-commerce market, the Group has continued to promote e-commerce in order to push its products, sales and after-sales services to a much higher level. During the Period, the revenue contribution of e-commerce business improved significantly from low single digit to high single digit of the Group's total revenue. During the Period, Xtep brand ranked as the top seller on Tmall sportswear category in terms of volume which proved the success of our Group's e-commerce business. Following such remarkable achievement on Tmall platform, the Group signed an extensive cooperation agreement with Tmall in August 2015 to further partner on various aspects such as new product launches, O2O operation, digital operation, celebrity endorsement, brand promotion and service innovation.

In order to improve the e-commerce business with better logistic delivery, the Group signed a strategic memorandum with the leading internet logistics provider S.F. Express in July 2015 to become Xtep's online flagship store exclusive delivery partner. Under this memorandum, the Group will have full access of S.F. Express PRC's nationwide warehouse capacity of over 1,000,000 sq.m., which will ensure the safety of e-commerce and increase internet customers satisfaction with speedy and accurate delivery. These strategic partnerships with the industry top players will pave better foundation to solidify our leadership in online business.

STRATEGIC FLATTENING OF SALES CHANNELS

In order to increase the effectiveness of capturing real-time retail sales and inventory movements, as well as enhance the overall operational efficiency and profitability of retailers, the Group has strategically flattened its wholesale channels, increased the number of distributors to 39 and the number of directly operated stores of distributors increased to over 50% of the total number of retail stores. In addition, the coverage of the Group's DRP system has exceeded 85% of the total 7,180 Xtep retail stores (31 December 2014: 7,110 stores) operated by our exclusive distributors and their respective franchisees. This data will provide a foundation for sales strategies and product research and development. The Group has also further upgraded the decoration of its retail stores with more professional sportswear displays, 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 long believed that differentiated innovative strategies are the key to successful branding and marketing and therefore, continues to be committed to brand building and to increase brand value. During the Period, the Group furthered its dual sports and entertainment marketing, by adding sports elements to Xtep's fashionable design. Xtep intends to build a brand of fashionable and professional sportswear with strong functionality. In respect of sports marketing, the Group sponsored fifteen internationally renowned marathons in China and Hong Kong in 2015, making it the sportswear brand sponsoring the most marathons in the Greater China region.

In order to increase the recognition of Xtep brand, the Group continued to sponsor "Running Man" (奔跑吧!兄弟!) on Zhejiang satellite channel (浙江衛視) and "Let's Go, Boys and Girls" (男生女生向前衝) on Anhui satellite channel (安徽衛視) of which most of the hosts and participants are wearing Xtep brand sportswear products. These programs involve high levels of sports and entertainment content. In addition, the Group promoted Xtep Kids brand through the broadcasting of a joint production animated cartoon series "Dream Corps"(夢想總動員) all featuring with Xtep Kids brand on about 30 kids TV channels and 10 kids internet channel; and being the title sponsor of a popular family show "Big Hands With Small Hands" (大手牽小手) on CCTV –14 kids channel (中央電視台少兒頻道). Such innovative promotions have boosted the sales of Xtep products.

OUTLOOK

With sound growth momentum in China's sportswear industry and supportive policies of the government, the Group is confident in its future development. Running, football and smart products are expected to be the three popular trends of the sportswear industry. We are prepared to seize the favourable upcoming opportunities for long-term business growth.

The Group will continue to focus on the "3+" revolution of "Products+", "Sports+" and "Internet+" strategies. With respect to "Products+", the Group will continue to improve its product mix and quality, increase the professional quality of running and football sportswear, to become a market leader and increase our market share. For "Sports+", the Group will continue to expand the scope of sports business and provide one-stop management of products and services. In addition to sponsoring a higher number of different types of sporting events, the Group will also engage in event operation, brand promotion, development of innovative sportswear and overall consolidation of upstream and downstream segments to enhance Xtep's brand recognition and expand its revenue sources. In terms of "Internet+", the Group will strategically cooperate with internet platforms and establish an O2O platform to connect online and offline sales channels, and expand its target customer base and increase its sales efficiency through multi-channel sales model. The Group also plans to launch app-linked smart products and plans to develop different types of smart products to bring new profit growth drivers. The Group will continue to flatten and refine the management of its distribution channels to improve retail sales performance. The Group will also continue to implement marketing strategy of sports and entertainment, enhancing our brand image as fashionable and professional sportswear.

2015 marks the year of "Deepening Revolution" for Xtep. The Group will continually enhance its core competitiveness, steadily achieve better performance and results.

ACKNOWLEDGEMENTS

Last but not least, on behalf of the Board, I would like to extend my sincere gratitude to our Shareholders, business partners and customers for their unwavering support, understanding and trust. I would also like to express my gratitude to all employees for their effort and dedication. We will continue to use our best endeavor to promote our core brand value and deliver high returns to our Shareholders.

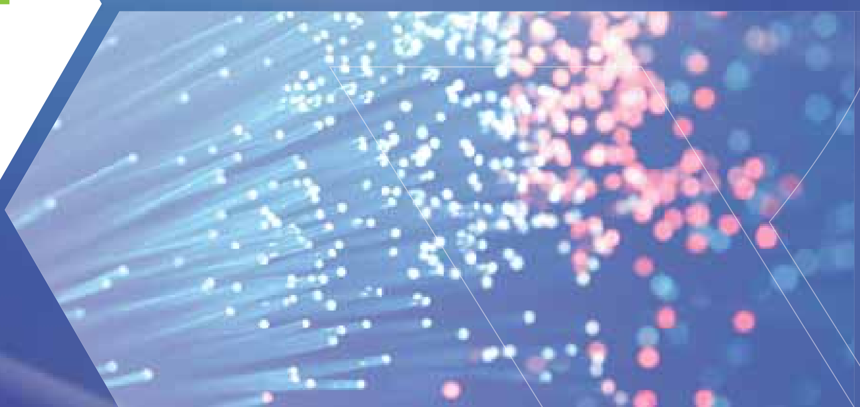
Ding Shui Po
Chairman

Hong Kong, 20 August 2015

PRODUCTS +

SPORTS +

INTERNET +



MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

After three years of in-depth adjustments, inventory destocking and market consolidation, benefiting from supportive government policies and increasing popularity of mass participation in sports, the sportswear industry has regained growth momentum in 2015, welcoming new growth opportunities.

Last year, the Chinese sportswear industry grew by RMB241.8 billion*, an increase of approximately 16% compared to the previous year. This includes the sales and manufacturing of athletic shoes, apparel, equipment and the related industries. The industry achieved first double-digit growth since 2011, reflecting strong recovery momentum.

With the rapid development of sportswear industry, national policy support, and increasing awareness and participation of the general public in health and sports activities, consumers also demand higher quality, more variety and better appearance of sportswear. These factors are expected to boost the sportswear industry in China.

* source: Development White Paper on 2014 China Sporting Goods Industry

BUSINESS REVIEW

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. During the Period, the Group implemented various new strategic initiatives, including:

- Fully implementing "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
- Refining and flattening nationwide distribution channels to improve control over retail management; collecting sales and marketing big data to establish a solid foundation for product development and product distribution
- Employing innovative branding strategies, with heavier emphasis on social marketing to expand customer base; positioning the brand as a sportswear brand with both professional functionality and fashionable appearance, as well as maintaining sports and entertainment dual-marketing strategy

PRODUCTS+

"3+" STRATEGY

"PRODUCTS+" STRATEGY

In order to satisfy the increasingly sophisticated consumer sportswear market, we have been trying to diversify sportswear products and include more advanced technologies. To meet market demands, Xtep has comprehensively upgraded our core running and football products, increasing professional functionality and quality to provide users with added comfort and protection and increasing the Group's profitability with higher value-added products in the product mix.

During the Period, the Group 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). "Dynamic Foam" product series offers bounce and soft rebound in shock absorption, securely protecting runners' joints. "Reactive Coil" product series uses stabilization technology with Xtep's signature DNA hollow loop structure, supporting shape recovery from compression and provides shoe sole integrity and foot stability with highly flexible material. "Air Mega" product series uses a multiple-segmented combined cushion structure around the entire sole, to provide a flexible range of soft cushioning protection during foot impact.

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 to improve comfortability and satisfaction of customers. "X-S.E.T." is a new professional sportswear fabric in the sportswear market. Its stretchable and elastic recovery features allow athletes and sports participants to stretch freely during exercise. "Extreme Cool" technology applies cooling nano-powder in clothing fibers, which reflects and diverges sunlight, and absorbs heat immediately when it comes into contact with the skin. Therefore such material can provide customers with the instant coolness feeling. "Seconds Dry" is a new fabric jointly developed by Xtep and TORAY Group (Japan), which can absorb sweat rapidly and keep the skin dry without sticking to the clothes after perspiration.

The Group firmly believes that innovation and product differentiation are critical elements in distinguishing Xtep from our competitors. The Group intends to devote substantial resources in research and development to improve its product offerings and quality. Research and development costs during the Period amounted to approximately RMB48.8 million (2014: RMB51.9 million), representing 2.0% of the Group's total revenue (2014: 2.4%). The costs mainly included research and development of new technologies and materials both in-house and cooperation with international technology companies. The expenses also include recruitment of new international product design talents who have instilled new product concepts into Xtep's main product series, aligning Xtep products with and even catching up with leading international trends.

Xtep Kids

With the improvement in living standard, parents want to provide better quality of life for their children thus stimulating large demand for higher quality branded children's sportswear. In addition, apart from the increasing popularity of mass participation in sports in recent years, parent-child sporting events is also one of the popular categories. In line with these trends, while the Group has been continuously expanding its market share in fashionable sportswear for youths and adults, we are also committed to develop products for the high potential children's sportswear market. As at 30 June 2015, products under Xtep Kids series were available through approximately 530 POS. The Group will continue to expand its Xtep Kids product lines and provide more value-for-money quality products for its customers through both offline and online platforms.

Children's smart wearable devices will be the upcoming trend, therefore, during the Period, 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. Xtep's first children's smart shoe with positioning function, were available for orders during first quarter 2016 sales fair, and received overwhelming response; they are planned to be launched in the first quarter of 2016. The Group continued to employ popular media, social networks and events to increase Xtep Kids' brand recognition and extend our market reach to our target customers. The Group remains the strategic partner of CCTV Kids Channel, Jiangsu Youman Cartoon Cable TV and Beijing KaKu Kids Channel, as well as the title sponsor of the popular CCTV children's program "Big Hands With Small Hands" (大手牽小手). Additionally, Xtep Kids and Quanzhou Kungfu Animation jointly produced "Dream Corps" (夢想總動員), a top animation cartoon series that broadcasted on about 30 PRC major TV satellite kids channels and about 10 online kids channels in China. The cartoon series "Dream Corps" has been well-received by audiences of all ages since its premiere. Leveraging the broadcasting heatwave, the Group launched the same Xtep Kids product series that were based on the "Dream Corps" cartoon series, which resulted in significant increase in the revenue of kids products.


AIR MEGA
REACTIVE COIL
DYNAMIC FOAM

SPORTS+

"SPORTS+" STRATEGY

Supported by the favorable PRC government's target to develop sportswear industry into a RMB5 trillion business sector, China's sportswear industry has begun a new era of rapid development, creating a golden opportunity for the expansion of sports services. Provision of sports services such as management and operation of sporting events, training and sports education and sports injury rehabilitation will become the key segments of the Group's future development.

In order to expand into provision of sporting services, the Group signed strategic agreements with Wisdom Group in June 2015. The agreements included the sponsorship of major marathons and related carnivals in the PRC between 2015-2017, including Guangzhou International Marathon (廣州國際馬拉松), Hangzhou International Marathon (杭州國際馬拉松), Shenyang International Marathon (瀋陽國際馬拉松) and Changsha International Marathon (長沙國際馬拉松). 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. The joint venture also plans to gradually expand the business into football and other sports events.

INTERNET+

"INTERNET+" STRATEGY

Nowadays, the booming e-commerce around the world is making online shopping a new consumption trend and creating new consumption demand. According to Euromonitor International, the total worldwide online retail sales reached approximately US$840 billion in 2014, which was more than double as compared to five years ago, and the CAGR for the next five years is predicted to be approximately 15%. The percentage of online retail sales to total retail sales amount increased from 2.7% in 2009 to 5.8% in 2014, and is expected to rise to 8.9% in 2019. Over the past five years, driven by the exponential growth in online retail sales in China, Asia has exceeded North America and Western Europe to be the region with the highest total online retail sales amount.

The Group established its official website, www.xtep.com.cn, and conducted e-commerce business through various popular online platforms such as Tmall, JD, Taobao and Dangdang. During the Period, the Group proactively strengthened and developed its e-commerce business through its management team with over 300 professional staffs including internet experts, logistic experts, graphic designers and products designers. The revenue of Xtep e-commerce business has increased significantly and accounted for high single digit of the Group's total revenue as compared to low single digit in last year's corresponding period. Such remarkable improvement of Xtep e-commerce business was due to the launch of exclusive Xtep online spokesperson fashion sportswear products, excellent online product graphic design and speedy logistic delivery to customers. During the Period, the Xtep brand ranked as the top selling sportswear brand on Tmall in terms of volume sold. The Group also recorded the highest customer satisfaction points on Tmall among domestic sportswear brands with 4.8 points out of maximum score of 5.0 points.

To further develop Xtep's e-commerce business, the Group signed a strategic agreement with Tmall in August 2015 to work closely on new product launches, O2O development, digital operation, celebrity endorsement, brand promotion and service innovation. At the same time, Tmall will launch "Potential Client Campaign (潛客計劃)", providing Xtep e-commerce with more operational data, sharing big data information, providing approximately 350 million potential customer database for more accurate product research and development.

Moreover, Xtep has taken pro-active actions and planned ahead for the high growth in e-commerce business. To maintain Xtep's e-commerce leadership in customer satisfaction, it is important to ensure smooth and speedy delivery to customer. As such, the Group signed a strategic agreement with S.F. Express, the express delivery giant in the PRC, in July 2015 to launch solid logistics delivery cooperation and gained access to S.F. Express massive nation-wide warehouse facilities which is over 1,000,000 sq. m. in the PRC. Such "internet+ logistics" concept realises full cross-industry integration and ensures Xtep's e-commerce business will provide expedite and secure logistic delivery services to its customers.

OPTIMIZATION OF DISTRIBUTION CHANNEL MANAGEMENT

Local Market

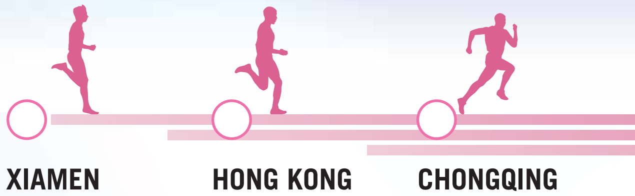
To benefit from the expected future growth of the sportswear industry and enhance overall operational efficiency and profitability, the Group further refined and flattened its distribution channel management to provide more training on products mix, product ordering management and precision control on inventory. During the Period, we increased the number of distributors to 39 and increased the proportion of directly managed retail stores by distributors to over 50% of the total number of retail stores, hence it flattened the retail distribution channel and reduced multi-layered sales. Each distributor is exclusively selling Xtep brand sportswear products and they are exclusive by geographical areas. The Group decided the retail selling price of all Xtep products according to the functionality, market positioning, promotional strategy and competition environment. The credit periods provided to the distributors are generally 90 days. However, due to the Group's strategy to flatten the distribution channel by increasing the number of distributors and to increase the proportion of retails stores directly managed by distributors, the Group allowed the credit periods of certain distributors to be temporarily more than 90 days. We believed such measures have brought fruitful results to control and stabilize inventory level at the retail end as we saw a consistent level of inventory to sales ratio maintained at four to five months in the past few quarters.

In order to strengthen retail management control, the coverage of the Group's DRP system exceeded 85% of the total 7,180 Xtep retail stores as at 30 June 2015 that were operated by our exclusive distributors and their respective franchisees. The collection of real time retail operational data from retail stores provided an accurate basis for sales strategies and product research and development, and assisted the Group to better control its product development by formulating products ordering instructions, replenishment orders and delivery schedules to each retail store. Meanwhile, we provided updated market information to every distributor in assisting them to have a better understanding of the market condition to improve operation efficiency and enhance profitability of retail stores.

To maintain a consistent image of Xtep brand, the Group strictly controlled the layout of each store and the Group introduced the "7th Generation" design during the Period which displayed more sports-related products and increased more internal space for customers to experience Xtep strategy to promote running concept throughout the store.

Overseas Market

The overseas market helps the Group to enhance its global exposure and expands its revenue streams. As at 30 June 2015, the Group had about 200 POS across the Middle East and Central and Western Europe, including some Xtep mono-branded stores in Spain. Furthermore, the management team is proactively increasing the recognition of the Group in emerging markets to seize new opportunities, which helps to further raise the Group's international profile and leads to stronger sales performance in overseas market.



INNOVATIVE BRANDING STRATEGIES

The Group has been focusing on brand building and has adopted a dual-marketing strategy incorporating sports and entertainment elements to bolster the profile of Xtep as a fashionable and professional sportswear brand. In addition, more efforts were put in social marketing to enhance users' adherence to the brand.

SPORTS MARKETING

In recent years, running has become the most popular sport in China, where marathons are gaining popularity and the number of participants increased vigorously. During the Period, approximately 300,000 runners participated in the major international marathons in China and Hong Kong that are sponsored by the Group. Such extensive coverage in marathons has enhanced Xtep brand image as a professional sportswear brand among runners.

The Group further expanded its sports marketing by being the title sponsor of XTEP ILLUMI RUN (特步熒光炫彩夜跑) in Asia and the title sponsor of XTEP Pink Run (特步粉紅跑) for enhancing Xtep's youthful brand image. As the top marathon sponsor in Greater China, it is noticeable that more and more runners are wearing Xtep sportswear for running.

Xiamen International Marathon

Standard Chartered Hong Kong International Marathon

Chongqing International Marathon

Zheng-kai International Marathon

Yangzhou Jianzhen International Half Marathon

Major International Marathons Sponsored by the Group in the First Half of 2015

- Xiamen International Marathon (廈門國際馬拉松)
- Standard Chartered Hong Kong International Marathon (渣打香港國際馬拉松)
- Chongqing International Marathon (重慶國際馬拉松)
- Zheng-kai International Marathon (鄭開國際馬拉松賽)
- Yangzhou Jianzhen International Half Marathon (揚州鑒真國際半程馬拉松)

ZHENG-KAI YANGZHOU TIANJIN TAIYUAN HANGZHOU GUANGZHOU

During the Period, the Group signed up famous runners including Bai Bin (白斌), Wu Min (吴敏), Huang Lisheng (黄力生) and Wang Xiaogang (王曉剛) and together with the Group's sports spokespersons, Chen Ding (陳定), an Olympic winner in 20km racewalk event, to strengthen the promotion of Xtep professional sportswear.

Running Club

XTEP ILLUMI RUN

XTEP Pink Run

Major Football Clubs and Leagues Sponsored by the Group in the First Half of 2015

- La Liga, Villarreal C.F. (西甲維拉利爾球隊)
- China men's and women's football team at Universiade (世界大運會中國男女足球隊)
- China All Star Football Team (中國明星足球隊)
- Chinese Football Reporter United (中國足球記者聯隊)
- Hong Kong Rangers FC (香港標準流浪足球會)
- Hong Kong All Star Sports Association (香港明星足球隊)
- CCFL
- CUFL
- ZSFL Xtep League (浙江省中學生足球聯賽)

Villarreal C.F.

XTEP CUFL

China All Star Football Team

Hong Kong All Star Sports Association

Football matches are also growing strongly in its popularity in China and therefore the sponsorship of football leagues and individual football clubs have become one of the crucial strategies of the Group's sports marketing. We believed that campus football can capture huge attention among the youthful crowd and thus Xtep continued in the Period to be the title sponsor of two national official campus football leagues, namely, Xtep China University Football League (特步中國大學生足球聯賽), i.e. "Xtep CUFL", which follows a 11-a-side format; and the Xtep China College Futsal League (特步中國大學生五人制足球聯賽), i.e. "Xtep CCFL", which follows a 5-a-side format. The Group also sponsored a number of foreign and domestic football clubs to promote Xtep's image.

SOCIAL MARKETING

Xtep Running Club (特跑族) was officially formed and organized by the Group in August 2012 and it has become an important running network to promote Xtep running campaign. As at 30 June 2015, a total of over 20,000 active runners were registered as members of Xtep Running Club. During the Period, the Group organised Fun Route Xtep Run (特跑匯) and training camps for the members.

ENTERTAINMENT MARKETING

The Group also leveraged on the popularity of celebrities to attract youthful customers. Xtep's celebrity endorsements include one of the most famous artists in Greater China, Nicholas Tse (謝霆鋒), and the five protagonists of a popular Chinese entertainment television program "Day Day Up" (天天向上), namely Wang Han (汪涵), Ou Hansheng (歐漢聲, aka Ou Di (歐弟)), Tian Yuan (田源), Qian Feng (錢楓) and Tanas Kim Ensheng (金恩聖).

The Group also signed new Xtep spokespersons including Im Jin-ah (林珍娜, aka "Nana"), a member of a South Korean girl group named "After School"; UNIQ, a popular South Korean pop music group; and Li Yifeng (李易峰), one of the top youthful idols in the PRC. On the other hand, the Group continued to be the sportswear sponsor of "Running Man" (奔跑吧!兄弟!) on Zhejiang satellite channel and "Let's Go, Boys and Girls" (男生女生向前衝) on Anhui satellite channel. These programs involve high levels of sports and entertainment content and both ranked among the top TV programs in the PRC.

PRODUCTION CAPACITY

The Group is fully committed to the operation of a seamless and vertically integrated business, which includes an efficiently managed supply chain. As at 30 June 2015, the Group's major production facilities located in Quanzhou and Anhui have a maximum total annual production capacity of approximately 20.0 million pairs of footwear and approximately 8.5 million pieces of apparel. The in-house production for the Period of footwear accounted for 57% (2014: 62%) of the total sales volume for the Period of footwear and apparel accounted for 29% (2014: 30%) of the total sales volume for the Period of apparel.

FUTURE PROSPECTS

With the recovery of the sportswear industry and supportive policies of the central government, the year 2015 is a critical year for the reform of China's sportswear industry, posing new challenges and opportunities to China's sportswear industry. Running, football and smart products are expected to be the three popular trends in the future sportswear industry.

The Group is confident in its future business development and is well-positioned to capture the strong growth momentum in the industry to benefit from the favorable environment. The Group will continue with the "3+" revolution of "Products+", "Sports+" and "Internet+". The Group will also continue to implement the dual-marketing strategy incorporating sports and entertainment elements and enhance its brand image as 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. The Group will emphasize on improving the quality of material used in professional running series, such as footwear series of "Dynamic Foam", "Reactive Coil" and "Air Mega"; and improve the material for dryness and coolness for apparel series. The Group will launch co-branding football series with CCFL and CUFL. For the development of smart wearable devices, the Group will seek partnership with high technology groups such as the introduction of smart shoes for kids through collaboration with Qihoo 360.

In connection with "**Sports+**", the Group will expand its business scope from products supplier to services provider. Such expansion of business will initially start 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.

As for "**Internet +**", the Group will continue to improve through gathering big data to maintain its leading position on the e-commerce platform. The Group will maintain the solid partnership with Tmall to provide more value-for-money fashionable and professional sportswear to customers. The Group will also improve customer satisfaction experience through the strong support from S.F. Express to provide first class logistic delivery services. Through these strategical partnerships with top internet groups, the Group will speed up the establishment of O2O sales platform to further enhance and deliver high growth of the Group's e-commerce business.

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

The Group firmly believes that with the execution of "3+" revolution, Xtep will continue to deliver sustainable and steady growth and become a leading player in the sportswear industry.

CORE SCIENCE AND TECHNOLOGY

DYNAMIC FOAM 动力巢

Highly-elastic Cushioning Material. Bounce: Elastic materials are made into honeycomb-like mid-sole, which offer bounce when extruded, helping each step of running. Cushioning: Excellent cushioning function in mid-sole, which can absorb shock and offer protection to the knee and the ankle.

REACTIVE COIL

Structural cushioning with light materials. Cushioning: Infinite circulation structure offers cushioning protection and stability; Light: Hollow structural mid-sole with light ethylene vinyl acetate (EVA) materials, which decreases the weight of shoes and makes running lighter.

气能环 AIR MEGA

Cushioning: Several spheroidal air-soles are made into mid-sole air circulation system. Cushioning protection absorbs shock in sports. Soft: Soft and comfortable air-soles.

ENVIRONMENTAL PROTECTION

X-ORGANIC COTTON

有机棉

Environmental-friendly organic cotton without polluting the environment, good air permeability and soft to touch.

OUTDOOR

X-WATERPROOF

防水科技

Waterproof materials help to keep the shoes dry and comfortable in moist circumstances.

X-REFLECT

反光科技

X-reflect material enhances visibility in dark environment and offers all-time protection.

Xtep-COOL 特步冰爽科技

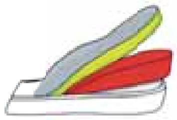
Xtep-cool is used at shoe-pad and tongue. It has the dual effect of high heat conductivity and high heat absorption efficiency which brings cooling sensation.

PUEI FOAM 特步双向控震

Using high performance material with a resistance of low temperature and hydrolysis, it can quickly absorb the impact and turn it into resilience, improving the performance.

Softpad

New memory material, slow rebound and extremely soft, perfectly fits the feet.



Shoe pads are designed according to human body kinematics, improve the comfortability of inner space of the shoe.

silvadur

Release silver ion which can effectively restrain odor and pathogenic microorganisms, and also makes it washable for many times.

X WALK EASY

Light soft phylon middle sole along with easy on-off structure makes it easy to put on and walk healthily, comfortable and light.

X-FLEX

Regular cutting grooves on the sole guarantee its flexibility and the stability of foot, which offers the comfort to the barefoot. Phylon middle sole has excellent cushioning effect and gives reliable protection to the feet, extraordinary sustenance and stability.

HYGIENE

X-ANTIBACTERIAL
抗菌科技

Restrain the reproduction and growth of bacteria on the fabric, cut down unpleasant odor and keep the clothes fresh.

X-DEODORIZATION
消臭科技

Keep the clothes fresh and unaffected.

TECHNOLOGY

X-SEAMLESS TECH
无缝一体

X-seamless tech makes the clothes softer and lighter and perfectly fit the body and bring excellent feeling.

FINANCIAL REVIEW

GROUP REVENUE AND GROSS PROFIT MARGIN BREAKDOWN BY PRODUCT CATEGORY

The following table sets out the contributions to the Group's revenue and gross profit margin by product category for the Period:

For the six months ended 30 June

	Revenue (RMB million)			As a percentage of revenue (%)		Gross profit margin (%)	
	2015	2014	Change (%)	**2015**	2014	**2015**	2014
Footwear	**1,495.0**	1,326.4	+12.7	**62.5**	62.1	**43.5**	41.0
Apparel	**844.2**	783.0	+7.8	**35.3**	36.7	**39.1**	39.4
Accessories	**51.4**	25.6	+100.6	**2.2**	1.2	**36.3**	35.0
Total	**2,390.6**	2,135.0	+12.0	**100.0**	100.0	**41.8**	40.4

The Group's total revenue for the Period amounted to approximately RMB2,390.6 million (2014: RMB2,135.0 million), representing an increase of approximately 12.0% compared to the same period last year. Such better than expected performance was mainly due to:

1. an increase in sales of footwear mainly related to functional running footwear; and

2. an increase in sales through e-commerce which accounted for high single digit of total revenue in first half of 2015 (2014: low single digit).

During the Period, the Group carried out "Products +" strategy and improved the functionality of Xtep products. In particular, the Group introduced three professional running series namely: "Dynamic Foam", "Reactive Coil" and "Air Mega" for runners which were well-accepted by customers who were keen on value-for-money products as well as fashionable and professional products. As a result, revenue contributed by the Group's footwear increased by 12.7% to approximately RMB1,495.0 million (2014: RMB1,326.4 million). The Group also added more functional apparel such as "super dry fit" and "super cool" running apparel and revenue contributed by the Group's apparel regained its growth and increased by 7.8% to approximately RMB844.2 million (2014: RMB783.0 million). The Group also increased various categories of sports-related accessories such as lightweight backpacks for runners and "super dry fit" feather weight towel, revenue from the Group's accessories products regained its growth and increased by 100.6% to approximately RMB51.4 million (2014: RMB25.6 million).

The Group's overall gross profit margin increased by 1.4 percentage point to 41.8% (2014: 40.4%). The increase in overall gross profit margin was mainly due to an increase in the gross profit margin of footwear to 43.5% (2014: 41.0%). The significant increase in gross profit margin of footwear was due to the increase in product mix of higher margin professional products. The gross profit margin of apparel slightly decreased to 39.1% (2014: 39.4%) which was mainly due to an increase in the cost of material of high quality professional apparel but at the same time the selling price remained steady to offer value-for-money products. The Group believed this improvement in high quality professional apparel will bring long term benefit to Xtep's brand equity. The gross profit margin of accessories improved to 36.3% (2014: 35.0%) which was mainly due to the improvement in gross profit margin of professional sports-related accessories.

OTHER INCOME AND GAINS

Other income and gains of the Group for the Period mainly represented by the subsidy from the PRC Government, which amounted to approximately RMB12.0 million (2014: RMB10.2 million); and net income derived from available-for-sale financial assets was approximately RMB59.2 million (2014: RMB63.7 million), which was mainly derived from interest income from treasury deposit products.

SELLING AND DISTRIBUTION EXPENSES

For the Period, the Group's selling and distribution expenses increased by 21.5%, amounting to approximately RMB397.9 million (2014: RMB327.6 million), representing approximately 16.6% (2014: 15.3%) of the Group's total revenue. The increase in selling and distribution expenses was mainly due to an increase in advertising and promotional costs to approximately RMB321.0 million (2014: RMB267.1 million), representing approximately 13.4% (2014: 12.5%) of the Group's total revenue. The expenses from advertising and promotion mainly focused on brand building through the sponsorships of popular PRC sports and entertaining shows such as "Running Man" and various high-profile international marathon events and campus football leagues in the PRC.

GENERAL AND ADMINISTRATIVE EXPENSES

For the Period, the Group's general and administrative expenses amounted to approximately RMB176.1 million (2014: RMB185.2 million), which represented approximately 7.4% (2014: 8.7%) of the Group's total revenue. The research and development costs for the Period was approximately RMB48.8 million (2014: RMB51.9 million), representing approximately 2.0% (2014: 2.4%) of the Group's total revenue. The research and development costs were mainly related to the employment of international sportswear professionals and fashion designers for improvement of product design and functionality.

Maintaining a prudent approach towards financial management, a net provision for doubtful debt was made for the long outstanding account receivables for the Period, which amounted to approximately RMB2.3 million (2014: RMB23.7 million).

NET FINANCE COSTS

The total net finance cost of the Group for the Period amounted to approximately RMB11.5 million (2014: RMB12.8 million). The decrease was mainly due to an increase in interest expenses on bank loans and discount bills receivables amount to approximately RMB36.8 million (2014: RMB22.6 million) but it was offset by the increase in bank interest income amount to approximately RMB23.3 million (2014: RMB17.9 million) and the decrease in amortization of bank charges on syndicated loans amount to approximately RMB3.4 million (2014: RMB9.1 million).

OPERATING PROFIT AND OPERATING PROFIT MARGIN

The operating profit for the Period increased by 17.6% to approximately RMB500.6 million (2014: RMB425.8 million) and the operating profit margin for the Period increased to 20.9% (2014: 19.9%) which was mainly due to the improvements on gross profit margin.

INCOME TAX EXPENSES

Income tax of the Group for the Period was approximately RMB144.6 million (2014: RMB128.4 million) and the effective tax rate was 29.6% (2014: 31.1%). The decrease in effective tax rate was mainly due to the decrease in under-provision of tax charge in prior periods.

PROFIT ATTRIBUTABLE TO ORDINARY EQUITY SHAREHOLDERS AND NET PROFIT MARGIN

For the six months ended 30 June 2015, the profit attributable to ordinary equity Shareholders was approximately RMB343.5 million (2014: RMB284.2 million), representing an increase of approximately 20.9% over the same period last year. The increase was mainly due to an increase in the Group's revenue and gross profit contribution as a result of improvement in sales of professional sportswear. The Group's net profit margin also increased to 14.4% (2014: 13.3%).

DIVIDEND

The Group has a high level of cash and bank balances. The Board has therefore recommended an interim dividend of HK10.0 cents per Share (2014: HK8.5 cents per Share). The total interim dividend payout ratio for the Period is 52.0% (2014: 51.6%).

WORKING CAPITAL CYCLE

Inventories

INVENTORIES	30 June 2015		31 December 2014		30 June 2014	
	RMB million	Mix (%)	RMB million	Mix (%)	RMB million	Mix (%)
Raw materials	**123.1**	**23.7**	89.9	15.8	195.9	25.2
Work in progress	**77.9**	**15.0**	42.7	7.5	48.0	6.2
Finished goods	**319.2**	**61.3**	436.4	76.7	533.9	68.6
Total	**520.2**	**100.0**	569.0	100.0	777.8	100.0

As at 30 June 2015, the Group's balance of inventory was RMB520.2 million. The inventory balance as at 30 June 2015 continued to decrease as compared to both balances as at 31 December 2014 and 30 June 2014. The decrease was mainly due to the successful management strategy to flatten the distribution channels and the implementation of stringent control on retail inventory level. As the average balance of inventory during the Period decreased, the turnover days of inventory for the Period significantly decreased by 22 days to 72 days (2014: 94 days).

Trade Receivables

TRADE RECEIVABLES	2015 RMB million	2014 RMB million
Balance at 1 January	**1,231.4**	1,137.9
Balance at 30 June	**1,488.1**	1,099.3
Average balance (note 1)	**1,359.8**	1,118.6
Revenue for the period ended 30 June	**2,390.6**	2,135.0
Average turnover days (note 2)	**104 days**	96 days

As at 30 June 2015, the Group's net balance of trade receivables was RMB1,488.1 million. The Group continued to flatten the distribution channels and increase the retail stores operated by the distributors. Therefore, the Group provide temporary support to assist the distributors for direct retail operations and extended the credit period temporarily to certain distributors for more than 90 days. Hence, the turnover days of trade receivables increased to 104 days (2014: 96 days).

Trade Payables

TRADE PAYABLES	2015 RMB million	2014 RMB million
Balance at 1 January	**719.1**	597.5
Balance at 30 June	**661.7**	806.5
Average balance (note 1)	**690.4**	702.0
Cost of sales for the period ended 30 June	**1,391.3**	1,272.9
Average turnover days (note 2)	**91 days**	101 days

As at 30 June 2015, the Group's trade payables balance was RMB661.7 million. The Group continued to fully utilize the credit period provided by suppliers. The average trade payable turnover days for the Period decreased by 10 days to 91 days (2014: 101 days).

Note 1: The average balance is equal to the average of balance as at 1 January and 30 June of the relevant period.

Note 2: The average turnover days is equal to the average balance divided by the corresponding cost of sales or revenue and multiplied by 183 days.

Bills Receivables and Bills Payables

In order to utilize more flexible working capital facilities, the Group increased the acceptance and usage of bills receivables. As at 30 June 2015, the bills receivables amounted to approximately RMB440.0 million (31 December 2014: RMB258.5 million) and the bills payables was nil (31 December 2014: RMB9.9 million). For the Period, the turnover days of bills receivables was 27 days (2014: 25 days) and the turnover days of bills payables was nil (2014: 2 days).

LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2015, the Group's cash and cash equivalents amounted to approximately RMB3,210.0 million (31 December 2014: RMB3,137.1 million), representing an increase of approximately RMB72.9 million. The net cash and cash equivalents (including fixed deposits held at banks with maturity dates of over three months, pledged deposits and available-for-sale investments, minus bank loans) was approximately RMB2,190.7 million as at 30 June 2015 (as at 31 December 2014: RMB2,604.2 million). This was mainly attributable to:

(a) Net cash outflow from operating activities that amounted to RMB151.6 million, which was mainly due to the payment of income and withholding tax amounting to RMB131.6 million and the cash used in operating activities amounting to RMB6.4 million mainly due to the increase in trade receivables and the decrease in trade payables and offset by the decrease in inventory;

(b) Net cash inflow from investing activities amounted to RMB183.7 million, and was mainly due to the placement of fixed deposits at bank with maturity over three months amounting to RMB63.5 million, the decrease in available-for-sale investment amounting to RMB200.0 million and the deposit for acquisition of land use right amounting to RMB7.0 million;

(c) Net cash inflow from financing activities amounted to RMB40.7 million, mainly due to the payment of a final dividend in respect of the 2014 financial year amounting to RMB137.6 million and repurchase of Shares of RMB120.4 million and the offsetting by the net increase in bank borrowings amounting to RMB307.9 million.

The increase/(decrease) in the Group's cash and cash equivalents is summarised as follows:

	Six months ended 30 June	
	2015 **RMB million**	2014 RMB million
Cash used in operating activities	**(6.4)**	(168.4)
Income and withholding tax paid	**(131.6)**	(203.4)
Others	**(13.6)**	(4.9)
Net cash flow used in operating activities	**(151.6)**	(376.7)
Placement of fixed deposits with maturity over three months	**(63.5)**	–
Decrease/(increase) in available-for-sale investment	**200.0**	(150.0)
Deposit for acquisition of land use right	**(7.0)**	(46.3)
Dividends paid	**(137.6)**	(137.7)
Net proceeds from bank loans	**307.9**	195.7
Repurchase of Shares	**(120.4)**	–
Others	**45.1**	(29.8)
Net increase/(decrease) in cash and cash equivalents	**72.9**	(544.8)

As at 30 June 2015, the Group's gearing ratio was 26.2% (31 December 2014: 23.4%), which is defined as the total bank borrowings divided by the Group's total assets.

As at 30 June 2015, the total assets of the Group amounted to RMB8,195.7 million (31 December 2014: RMB7,864.4 million), represented by non-current assets of RMB941.9 million (31 December 2014: RMB917.3 million) and current assets of RMB7,253.8 million (31 December 2014: RMB6,947.1 million). The total liabilities of the Group amounted to RMB3,402.4 million (31 December 2014: RMB3,154.1 million), represented by non-current liabilities of RMB548.4 million (31 December 2014: RMB803.8 million) and current liabilities of RMB2,854.0 million (31 December 2014: RMB2,350.3 million). The total non-controlling interests of the Group amounted to RMB6.8 million (31 December 2014: RMB9.9 million). Hence, the total net assets of the Group amounted to RMB4,793.3 million (31 December 2014: RMB4,710.3 million), representing an increase of 1.8%. Net assets per Share as at 30 June 2015 were approximately RMB2.20 (31 December 2014: RMB2.16), representing an increase of 1.9%.

INVENTORY PROVISION

For the Period, the Group did not have any inventory provisions.

IMPAIRMENT PROVISION FOR TRADE RECEIVABLES

For the Period, the Group recorded a net impairment provision for trade receivables amounting to approximately RMB2.3 million (2014: RMB23.7 million).

COMMITMENTS

Details of the Group's commitments are stated in note 24 of the financial statements.

CONTINGENT LIABILITIES

As at 30 June 2015, the Group did not have any material contingent liabilities.

CHARGE OF ASSETS

Save as disclosed in notes 15 and 18 of the financial statements relating to certain amounts of bank deposits pledged to secure the banking facilities, none of the Group's assets were pledged as at 30 June 2015.

FOREIGN CURRENCY RISKS

The Group mainly operates in the PRC with most of its transactions settled in RMB. The Group's assets and liabilities, and transactions arising from operation are mainly denominated in RMB. Accordingly, it is believed that the Group does not have any material foreign currency risks that would affect the Group's operation. The Group has not used any forward contracts or currency borrowings to hedge its interest rate risks. However, the management will continue to monitor foreign currency risks and adopt prudent measures as appropriate.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

During the Period, the Group did not have any significant investments or acquisitions or sales of subsidiaries. The Group will continue to seek opportunities to acquire and work with international brands in order to generate more returns for its Shareholders. No plans have been authorized by the Board for any material investments or additions of capital assets as at the date of this interim report.

HUMAN RESOURCES

As at 30 June 2015, the Group had approximately 8,100 employees (31 December 2014: approximately 8,000 employees). The Group provided introductory orientation programs and continuous training to its employees. Topics covered include industry knowledge, technology and product knowledge, industry quality standards and work safety standards to enhance the service quality and standards of its staff. The Group will strive to strengthen human resources management to provide strong support for the development of the Group's business through staff recruitment initiatives, optimization of the organizational structure and promulgation of its corporate culture to ensure that the Group will be able to maintain sustainable development in the future.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE CODE

The Company has complied with all the code provisions throughout the six months ended 30 June 2015, except for the deviation from code provision A.2.1 as disclosed below.

Under code provision A.2.1 of the Corporate Governance Code, the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. The Group does not at present separate the roles of the chairman and chief executive officer. Mr. Ding Shui Po is the chairman and chief executive officer of the Group. He has extensive experience in sportswear industry and is responsible for the overall corporate strategies, planning and business management of the Group. The Board considers that vesting the roles of chairman and chief executive officer in the same individual is beneficial to the business prospects and management of the Group. The balance of power and authorities is ensured by the operation of the Board and the senior management, which are comprised of experienced and high caliber individuals. The Board currently consists of six executive Directors and four independent non-executive Directors and has a strong independence element in its composition.

MODEL CODE

The Company has also adopted the Model Code set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors of the Company, all Directors confirmed that they have complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions during the six months ended 30 June 2015.

REVIEW OF INTERIM FINANCIAL STATEMENTS

Disclosure of financial information in this report complies with Appendix 16 of the Listing Rules. The audit committee of the Company has held meetings to discuss the internal controls and financial reporting matters of the Company, including the review of the interim results and the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2015.

The external auditor has reviewed the interim financial information for the six months ended 30 June 2015 in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2015.

DISCLOSURE OF INTERESTS

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2015, the Directors and the chief executive of the Company and their respective associates had the following interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Hong Kong Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors and the chief executive of the Company are taken and deemed to have under such provisions of the SFO, or which are required to be and are recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code:

Long Positions in the Company

Name of Director	Nature of interest	Number of Shares interested	Approximate percentage of interest in the issued share capital of the Company(1)
Mr. Ding Shui Po(2)	Interests of controlled corporation/ Beneficial interests	1,321,375,000	60.67%
Ms. Ding Mei Qing(3)	Interests of controlled corporation	1,310,059,500	60.15%
Mr. Lin Zhang Li(4)	Interests of spouse	1,310,059,500	60.15%
Mr. Ye Qi(5)	Beneficial interests	5,500,000	0.25%
Mr. Ho Yui Pok, Eleutherius(6)	Beneficial interests	10,000,000	0.46%
Mr. Tan Wee Seng(7)	Beneficial interests	1,380,000	0.06%

Notes:

(1) It was based on 2,178,085,000 issued Shares of the Company as at 30 June 2015.

(2) Mr. Ding Shui Po is deemed to be interested in 1,310,059,500 Shares of the Company held by Group Success by virtue of Group Success being controlled by Wan Xing International Holdings Limited which is in turn controlled by Mr. Ding Shui Po. Mr. Ding Shui Po is also beneficially interested in 11,315,500 Shares of the Company.

(3) Ms. Ding Mei Qing is deemed to be interested in the Shares of the Company held by Group Success by virtue of Group Success being controlled by Wan Xing International Holdings Limited which is in turn controlled by Ms. Ding Mei Qing.

(4) Mr. Lin Zhang Li, the husband of Ms. Ding Mei Qing and an executive Director, is deemed to be interested in his wife's interests in shares held by Group Success.

(5) 1,500,000 of these shares are subject to the exercise of options granted on 7 May 2008 under the Pre-IPO Share Option Scheme. Another 1,000,000 of these shares are subject to the exercise of options granted on 28 May 2010 under the Share Option Scheme. The remaining 3,000,000 of these shares are subject to the exercise of options granted on 7 December 2011 under the Share Option Scheme.

(6) 1,000,000 of these shares are subject to the exercise of options granted on 7 May 2008 under the Pre-IPO Share Option Scheme. Another 1,500,000 of these shares are subject to the exercise of options granted on 29 July 2009 under the Share Option Scheme. Another 1,000,000 of these shares are subject to the exercise of options granted on 28 May 2010 under the Share Option Scheme. The remaining 6,500,000 of these shares are subject to the exercise of options granted on 7 December 2011 under the Share Option Scheme.

(7) 600,000 of these shares are subject to the exercise of options granted on 30 March 2010 under the Share Option Scheme. Another 600,000 of these shares are subject to the exercise of options granted on 7 December 2011 under the Share Option Scheme. The remaining 180,000 of these shares were acquired by Mr. Tan Wee Seng on the Stock Exchange.

Long Positions in Associated Corporation: Xtep International E-Commerce Investment Limited

Name of Director	Nature of interest	Number of shares interested	Approximate percentage of interest in the issued share capital of associated corporation
Mr. Ho Yui Pok, Eleutherius[(1)]	Interests of controlled corporation and interests of spouse	1,750	3.5%

Note:

(1) Such interests are held by a company which is equally owned by Mr. Ho Yui Pok, Eleutherius and his spouse.

Save as disclosed above, as at 30 June 2015, none of the Directors or the chief executive of the Company had or was deemed to have any interests or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which had been notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed above, at no time was the Company, its holding company, or any of its subsidiaries a party to any arrangements to enable the Directors and the chief executive of the Company (including their spouse and children under 18 years of age) to hold any interest or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

So far as is known to any Director or chief executive of the Company, as at 30 June 2015, the persons or corporations (other than the Directors or chief executive of the Company) who had interest or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of Shareholders	Nature of Interest	Number of Shares interested	Approximate percentage of interest in the issued share capital of the Company(1)
Group Success	Beneficial interests	1,310,059,500	60.15%
Wan Xing International Holdings Limited(2)	Interests of controlled corporation	1,310,059,500	60.15%

Notes:

(1) It was based on 2,178,085,000 issued Shares of the Company as at 30 June 2015.
(2) Wan Xing International Holdings Limited is deemed to be interested in shares held by Group Success by virtue of Group Success being 100% held by Wan Xing International Holdings Limited.

Save as disclosed above, as at 30 June 2015, the Directors and the chief executive of the Company are not aware of any other person or corporation having an interest or short position in the shares and underlying shares of the Company which would require to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SHARE OPTION SCHEMES

Pre-IPO Share Option Scheme

The Company adopted the Pre-IPO Share Option Scheme on 7 May 2008 for the purpose of giving its employees an opportunity to have a personal stake in the Company and motivating its employees to optimize their performance and efficiency, and retaining its employees whose contributions are important to the long-term growth and profitability of the Group. Options to subscribe for an aggregate of 19,000,000 Shares were granted on 7 May 2008. The exercise price per Share is HK$3.24, being a discount of 20% to the global offering price. No further options would be granted under the Pre-IPO Share Option Scheme on or after the Listing Date. All options granted under the Pre-IPO Share Option Scheme may be exercised during the option period commencing from the end of twelve months after the Listing Date to the date falling 10 years from the offer date of the options and can only be exercised in the following manner:

Exercise period	Maximum percentage of options exercisable
Anytime after the first anniversary of the Listing Date	30% of the total number of options granted
Anytime after the second anniversary of the Listing Date	30% of the total number of options granted
Anytime after the third anniversary of the Listing Date	40% of the total number of options granted

Details of the share options granted under the Pre-IPO Share Option Scheme as at 30 June 2015 are as follows:

Name	Outstanding as at 1 January 2015	Exercised during the six months ended 30 June 2015	Outstanding as at 30 June 2015
Directors			
Mr. Ye Qi	1,500,000	–	1,500,000
Mr. Ho Yui Pok, Eleutherius	1,000,000	–	1,000,000
Employees			
In aggregate	14,265,000	–	14,265,000
Total	**16,765,000**	**–**	**16,765,000**

No options granted under the Pre-IPO Share Option Scheme were exercised, lapsed or cancelled during the six months ended 30 June 2015.

Share Option Scheme

The Company adopted the Share Option Scheme on 7 May 2008 for the purpose of motivating eligible persons to optimize their future contributions to the Group and/or reward them for their past contributions, attracting and retaining or otherwise maintaining on-going relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group.

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the Shares in issued as at the Listing Date, i.e. 220,000,000 Shares. No option may be granted to any participant of the Share Option Scheme such that the total number of Shares issued and to be issued upon exercise of the options granted and to be granted to that person in any 12-month period up to the date of the latest grant exceeds 1% of the Company's issued share capital from time to time.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as determined by the Board and not exceeding 10 years from the date of the grant. There is no minimum period for which an option must be held before it can be exercised. Participants of the Share Option Scheme are required to pay the Company HK$1.0 upon acceptance of the grant on or before 30 days after the offer date. The exercise price of the options is determined by the Board in its absolute discretion and shall not be less than whichever is the highest of:

(a) the nominal value of a Share;

(b) the closing price of a Share as stated in the Hong Kong Stock Exchange's daily quotations sheets on the offer date; and

(c) the average closing price of a Share as stated in the Hong Kong Stock Exchange's daily quotation sheets for the five Business Days immediately preceding the offer date.

The Share Option Scheme shall be valid and effective for a period of 10 years from the Listing Date, after which no further options will be granted or offered.

Details of the share options granted under the Share Option Scheme as at 30 June 2015 are as follows:

Name	Date of Grant	Exercise price per Share	Exercise Period[(1)(2)(3)]	Outstanding as at 1 January 2015	Granted during the six months ended 30 June 2015	Cancelled during the six months ended 30 June 2015	Exercised during the six months ended 30 June 2015	Outstanding as at 30 June 2015
Directors								
Mr. Ye Qi	28 May 2010	HK$6.00	28 May 2012 – 27 May 2020	1,000,000	–	–	–	1,000,000
Mr. Ye Qi	7 December 2011	HK$2.35	14 January 2012 – 13 January 2021	3,000,000	–	–	–	3,000,000
Mr. Ho Yui Pok, Eleutherius	29 July 2009	HK$4.11	29 July 2010 – 28 July 2019	1,500,000	–	–	–	1,500,000
Mr. Ho Yui Pok, Eleutherius	28 May 2010	HK$6.00	28 May 2012 – 27 May 2020	1,000,000	–	–	–	1,000,000
Mr. Ho Yui Pok, Eleutherius	7 December 2011	HK$2.35	14 January 2012 – 13 January 2021	6,500,000	–	–	–	6,500,000
Mr. Tan Wee Seng	30 March 2010	HK$6.13	30 March 2011 – 29 March 2020	600,000	–	–	–	600,000
Mr. Tan Wee Seng	7 December 2011	HK$2.35	14 January 2012 – 13 January 2021	600,000	–	–	–	600,000
Employees								
In aggregate	29 July 2009	HK$4.11	29 July 2010 – 28 July 2019	8,140,000	–	–	–	8,140,000
In aggregate	28 January 2010	HK$5.01	28 January 2011 – 27 January 2020	500,000	–	–	–	500,000
In aggregate	28 May 2010	HK$6.00	28 May 2012 – 27 May 2020	8,000,000	–	–	–	8,000,000
In aggregate	7 December 2011	HK$2.35	14 January 2012 – 13 January 2021	48,055,000	–	–	–	48,055,000
Total				**78,895,000**	**–**	**–**	**–**	**78,895,000**

During the six months ended 30 June 2015, no share options were granted, exercised, lapsed or cancelled under the Share Option Scheme.

Notes:

(1) Share options granted under the Share Option Scheme on 29 July 2009, 28 January 2010 and 30 March 2010 shall vest in the grantees in accordance with the timetable below (for this purpose, the date or each such date on which the share options are to vest being hereinafter referred to as a "**Vesting Date**"):

Vesting Date	Percentage of Share Options to vest
First anniversary of the Date of Grant	30% of the total number of options granted
Second anniversary of the Date of Grant	30% of the total number of options granted
Third anniversary of the Date of Grant	40% of the total number of options granted

(2) Share options granted under the Share Option Scheme on 28 May 2010 shall vest in the grantee in accordance with the timetable below:

Vesting Date	Percentage of Share Options to vest
Second anniversary of the Date of Grant	30% of the total number of options granted
Third anniversary of the Date of Grant	70% of the total number of options granted

(3) Share options replaced under the Share Option Scheme on 7 December 2011 shall vest in the grantee in accordance with the timetable below:

Vesting Date	Percentage of Share Options to vest
14 January 2012	40% of the total number of options granted
14 January 2013	30% of the total number of options granted
14 January 2014	30% of the total number of options granted

Further details of the Pre-IPO Share Option Scheme and the Share Option Scheme are set out in note 22 to the financial statements.

SHARE AWARD SCHEME

On 1 August 2014, the Company has adopted the Share Award Scheme ("**Scheme**") in which the Group's employees, executives, officers or directors will be entitled to participate. Details of the Scheme are set out in the Company's announcement dated 1 August 2014.

On 15 May 2015, the Board has paid to the trust established for the Scheme HK$160,000,000, and HK$152,600,000 of which was used to purchase 50,000,000 Shares as part of the trust fund and such Shares are held by the trustee for the benefit of the eligible participants under the trust. Details of the purchase are set out in the Company's announcement dated 15 May 2015.

Save for the aforesaid, as at the date of this report, the Board neither granted any awards nor caused to pay the trustee the trust fund for purchase nor subscription of Shares.

SPECIFIC PERFORMANCE OBLIGATIONS ON CERTAIN CONTROLLING SHAREHOLDERS

On 9 January 2014, the Company as borrower entered into a facility agreement (the "**Facility Agreement**") with a consortium of 11 banks arranged by Hang Seng Bank Limited ("**HASE**") as co-ordinator, a mandated lead arranger and facility agent in the principal amount of US$92,000,000 and HK$452,400,000 (equivalent to approximately HK$1,170,000,000 in aggregate) (the "**Facility**") was made available to the Company on the terms and conditions stated therein.

The Facility is guaranteed by certain subsidiaries of the Company.

It is provided in the Facility Agreement, among other things, that an event of default will occur if:

(a) Mr. Ding Shui Po is not or ceases to be the chairman of the Board;

(b) Mr. Ding Shui Po does not or ceases to maintain control over the management and business of the Group;

(c) Mr. Ding Shui Po and Ms. Ding Mei Qing (the "**Majority Shareholders**") collectively do not or cease to own, directly or indirectly, at least 40% of the beneficial shareholding, carrying at least 40% of the voting rights in the Company, free from any security; or

(d) the Majority Shareholders collectively are not or cease to be the single largest shareholder of the Company.

In case of occurrence of an event of default which is continuing, HASE may by notice to the Company (a) cancel the whole or any part of the Facility whereupon the whole or relevant part of the Facility shall immediately be cancelled; (b) declare that all or part of the Facility, together with accrued interest, and all other amounts accrued or outstanding under the Facility Agreement and related documents be immediately due and payable, whereupon they shall become immediately due and payable; and/or (c) declare that all or part of the Facility be payable on demand, whereupon they shall immediately become payable on demand by HASE on the instructions of the majority lenders.

As at 30 June 2015 and as at the date of this report, Mr. Ding Shui Po was an executive director, the chairman and a controlling shareholder of the Company. Ms. Ding Mei Qing was an executive director and a controlling shareholder of the Company. Mr. Ding Shui Po and Ms. Ding Mei Qing owned Wan Xing International Holdings Limited as to 63.2% and 36.8%, respectively, and Wan Xing International Holdings Limited wholly owned Group Success Investments Limited which in turn held representing approximately 60.15% of the issued share capital of the Company. As at the date of this report, Mr. Ding Shui Po also had personal beneficial interests in approximately 0.79% of the issued share capital of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT

Six months ended 30 June 2015

	Notes	Six months ended 30 June 2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
REVENUE	5	**2,390,619**	2,134,975
Cost of sales		**(1,391,259)**	(1,272,851)
Gross profit		**999,360**	862,124
Other income and gains	5	**75,201**	76,403
Selling and distribution expenses		**(397,857)**	(327,555)
General and administrative expenses		**(176,119)**	(185,176)
Operating profit	6	**500,585**	425,796
Net finance costs	7	**(11,537)**	(12,843)
PROFIT BEFORE TAX		**489,048**	412,953
Income tax expense	8	**(144,580)**	(128,364)
PROFIT FOR THE PERIOD		**344,468**	284,589
Attributable to:			
Ordinary equity holders of the Company		**343,526**	284,224
Non-controlling interests		**942**	365
		344,468	284,589
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	10		
Basic		**RMB15.86 cents**	RMB13.05 cents
Diluted		**RMB15.79 cents**	RMB12.94 cents

Details of the dividends are disclosed in note 9 to the financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 June 2015

	Six months ended 30 June	
	2015 **RMB'000** **(Unaudited)**	2014 RMB'000 (Unaudited)
PROFIT FOR THE PERIOD	**344,468**	284,589
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements of operations outside Mainland China	**1,515**	(25,944)
Other comprehensive income/(loss) for the period, net of tax	**1,515**	(25,944)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**345,983**	258,645
Attributable to:		
Ordinary equity holders of the Company	**345,031**	258,280
Non-controlling interests	**952**	365
	345,983	258,645

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2015

	Notes	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**585,661**	585,350
Prepaid land lease payments		**232,875**	215,836
Deposit for acquisition of land use rights	13	**62,776**	55,751
Intangible assets		**2,645**	2,172
Available-for-sale investments		**48,000**	48,000
Deposits	14	**9,910**	10,206
Total non-current assets		**941,867**	917,315
CURRENT ASSETS			
Inventories	11	**520,193**	568,984
Trade receivables	12	**1,488,099**	1,231,419
Bills receivables	12	**440,000**	258,520
Prepayments, deposits and other receivables	14	**469,993**	423,695
Tax recoverable		**–**	21,258
Available-for-sale investments		**250,000**	450,000
Pledged bank deposits	15	**701,966**	746,159
Time deposits	15	**173,500**	110,000
Cash and cash equivalents	15	**3,210,027**	3,137,110
Total current assets		**7,253,778**	6,947,145
CURRENT LIABILITIES			
Trade and bills payables	16	**661,654**	728,926
Deposits received, other payables and accruals	17	**341,030**	322,950
Interest-bearing bank borrowings	18	**1,779,506**	1,221,662
Tax payable		**71,804**	76,749
Total current liabilities		**2,853,994**	2,350,287
NET CURRENT ASSETS		**4,399,784**	4,596,858
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,341,651**	5,514,173
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	18	**365,296**	617,367
Deferred tax liabilities	19	**117,885**	121,248
Deferred subsidy		**65,210**	65,210
Total non-current liabilities		**548,391**	803,825
NET ASSETS		**4,793,260**	4,710,348
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Share capital	20	**19,214**	19,214
Reserves	21	**4,767,292**	4,681,241
		4,786,506	4,700,455
Non-controlling interests		**6,754**	9,893
Total equity		**4,793,260**	4,710,348

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2015

SIX MONTHS ENDED 30 JUNE 2015 (UNAUDITED)

		Attributable to ordinary equity holders of the Company											
			Reserves										
	Notes	Share capital RMB'000	Share premium account RMB'000	Capital reserve RMB'000	Statutory surplus fund RMB'000	Treasury share RMB'000	Share option reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total reserves RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2015		19,214	132,300	118,600	481,322	–	113,888	41,159	3,793,972	4,681,241	4,700,455	9,893	4,710,348
Total comprehensive income for the period		–	–	–	–	–	–	1,505	343,526	345,031	345,031	952	345,983
2014 final and special dividends declared and paid	9(b)	–	–	–	–	–	–	–	(137,624)	(137,624)	(137,624)	–	(137,624)
Repurchase of shares	20	–	–	–	–	(120,447)	–	–	–	(120,447)	(120,447)	–	(120,447)
Acquisition of additional interest in a subsidiary (Note)		–	–	–	–	–	–	–	(909)	(909)	(909)	(4,091)	(5,000)
At 30 June 2015		19,214	132,300	118,600	481,322	(120,447)	113,888	42,664	3,998,965	4,767,292	4,786,506	6,754	4,793,260

SIX MONTHS ENDED 30 JUNE 2014 (UNAUDITED)

		Attributable to ordinary equity holders of the Company										
			Reserves									
	Note	Share capital RMB'000	Share premium account RMB'000	Capital reserve RMB'000	Statutory surplus fund RMB'000	Share option reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total reserves RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2014		19,204	129,172	118,600	418,218	114,122	39,614	3,666,805	4,486,531	4,505,735	1,904	4,507,639
Total comprehensive income for the period		–	–	–	–	–	(25,944)	284,224	258,280	258,280	365	258,645
Equity-settled share option arrangements		–	–	–	–	450	–	–	450	450	–	450
2013 final dividend declared and paid	9(b)	–	–	–	–	–	–	(137,732)	(137,732)	(137,732)	–	(137,732)
Exercise of share options		3	835	–	–	(225)	–	–	610	613	–	613
At 30 June 2014		19,207	130,007	118,600	418,218	114,347	13,670	3,813,297	4,608,139	4,627,346	2,269	4,629,615

Note: During the six months period ended 30 June 2015, the Group acquired 10% additional interest in a subsidiary, 特步湖南體育用品有限公司 ("Hunan Xtep"), from the then non-controlling shareholder of "Hunan Xtep" at a cost of approximately RMB5,000,000 and the Group's interest in Hunan Xtep increased from 90% to 100%. A premium on acquisition of approximately RMB909,000 was debited to retained profits.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 June 2015

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
OPERATING ACTIVITIES		
Cash used in operation	**(6,416)**	(168,429)
Income tax paid	**(131,635)**	(203,348)
Others	**(13,560)**	(4,876)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	**(151,611)**	(376,653)
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES(i)	**183,747**	(211,059)
NET CASH FLOWS FROM FINANCING ACTIVITIES(ii)	**40,717**	42,895
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**72,853**	(544,817)
Cash and cash equivalents at beginning of period	**3,137,110**	3,563,387
Effect of foreign exchange rate changes, net	**64**	421
Cash and cash equivalents at end of period	**3,210,027**	3,018,991
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents balance as stated in the condensed consolidated statement of financial position	**3,210,027**	3,018,991

The accompanying notes form part of these interim financial statements.

(i) Net cash flow from/(used in) investing activities for the period includes the placement of fixed deposits held at banks with maturity over three months of RMB63,500,000 (2014: Nil), decrease in available-for-sale investments of RMB200,000,000 (2014: increase of RMB150,000,000), increase of deposit for acquisition of land use rights RMB7,025,000 (2014: RMB46,335,000) and net income derived from available-for-sale financial assets of RMB59,163,000 (2014: RMB63,727,000).

(ii) Net cash flow from financing activities for the period includes the dividends paid to equity shareholders of the Company of RMB137,624,000 (2014: RMB137,732,000), net proceeds from bank borrowings of RMB307,920,000 (2014: RMB195,711,000) and repurchase of shares of RMB120,447,000 (2014: Nil).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2015

1. CORPORATE INFORMATION

Xtep International Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands. The Company's principal place of business in Hong Kong is located at Suite 2401-02, 24th Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong.

During the period, the Company and its subsidiaries (collectively referred to as the "Group") were engaged in the design, development, manufacture and marketing of sportswear, including footwear, apparel and accessories, sold mainly under the self-owned Xtep brand. There were no significant changes in the nature of the Group's principal activities during the period.

In the opinion of the directors, the ultimate holding company of the Company is Wan Xing International Holdings Limited, which is a limited liability company incorporated in the British Virgin Islands.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The condensed consolidated interim financial statements do not include all the information and disclosures required in the financial statements, and should be read in conjunction with the annual financial statements for the year ended 31 December 2014.

The condensed consolidated interim financial statements have been prepared under the historical cost convention. The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014 except as described below. In the current period, the Group has applied, for the first time, the following revised standards and amendments ("revised HKFRSs") issued by the HKICPA which are effective for the Group's financial year beginning on 1 January 2015.

Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*
Annual Improvements 2010–2012 Cycle	Amendments to a number of HKFRSs
Annual Improvements 2011–2013 Cycle	Amendments to a number of HKFRSs

The adoption of the above revised HKFRSs had no material effect on the results and financial position for the current or prior accounting periods which have been prepared and presented.

In addition, during the current period, the Group repurchased certain of its own shares and accordingly the accounting policies for treasury shares are adopted by the Group and described below.

Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognised in equity.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the condensed consolidated interim financial statements in conformity with HKAS 34 requires the management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and their accompanying disclosures and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

In preparing the condensed consolidated interim financial statements, the significant judgements made by the management in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those used by the management in the preparation of the Group's annual financial statements for the year ended 31 December 2014.

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the manufacture and sale of sportswear, including footwear, apparel and accessories. All of the Group's products are of a similar nature and subject to similar risk and returns. Accordingly, the Group's operating activities are attributable to a single reportable segment.

In addition, the Group's revenue, expenses, results, assets and liabilities and capital expenditures are predominantly attributable to a single geographical region, which is the People's Republic of China (the "PRC"). Therefore, no analysis by geographical regions is presented.

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold during the period, after allowances for returns and trade discounts.

An analysis of revenue, other income and gains is as follows:

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Revenue		
Manufacture and sale of sportswear:		
Footwear	**1,494,954**	1,326,353
Apparel	**844,248**	782,987
Accessories	**51,417**	25,635
	2,390,619	2,134,975
Other income and gains		
Subsidy income from the PRC government*	**11,996**	10,158
Rental income	**1,528**	1,179
Net income derived from available-for-sale financial assets	**59,163**	63,727
Others	**2,514**	1,339
	75,201	76,403
	2,465,820	2,211,378

* There are no unfulfilled conditions or contingencies relating to these subsidies.

6. OPERATING PROFIT

The Group's operating profit is arrived at after charging:

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Advertising and promotional costs	**320,980**	267,114
Provision for impaired trade receivables, net	**2,265**	23,677
Loss on write-off of items of property, plant and equipment	**1,427**	4,525
Research and development costs*	**48,799**	51,894
Staff costs	**207,035**	209,383
Equity-settled share option expense	**–**	450
Depreciation	**27,283**	17,422
Amortisation of intangible assets	**230**	159
Amortisation of prepaid land lease payments	**2,530**	2,428

* The research and development costs for the six months ended 30 June 2015 includes RMB31,141,000 (six months ended 30 June 2014: RMB39,504,000) relating to the depreciation of research and development centres and staff costs for research and development activities, which are also included in the total amounts disclosed above for each of these types of expenses.

7. NET FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest expense on bank loans wholly repayable within five years	**(21,224)**	(17,722)
Interest expense on discounted bills receivables	**(15,614)**	(4,876)
Amortisation of bank charges on syndicated loans	**(3,401)**	(9,132)
Foreign exchange differences, net	**–**	(179)
Bank interest income	**23,292**	17,925
Unrealised gain on interest rate swaps*	**5,410**	1,141
	(11,537)	(12,843)

* The Group enters into interest rate swap contracts for its floating-interest loans to manage its exposure to interest rate fluctuation.

8. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Current tax – Overseas		
Charge for the period	**128,341**	107,350
Underprovision in prior periods	**5,239**	11,514
	133,580	118,864
Deferred tax	**11,000**	9,500
	144,580	128,364

Xtep (China) Co., Ltd. ("Xtep China"), a wholly-owned subsidiary of the Company, was taxed at a preferential 15% tax rate for the six months ended 30 June 2015 and 2014 as Xtep China was qualified as a High-New Technology Enterprise (the "HNTE") in the PRC and obtained the HNTE certificate in 2013.

9. DIVIDENDS

(a) Dividends payable to ordinary equity holders of the Company attributable to the period:

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Interim dividend – HK10.0 cents (six months ended 30 June 2014: HK8.5 cents) per ordinary share	**178,603**	146,755

At the board meeting held on 20 August 2015, the board of directors declared and approved an interim dividend of HK10.0 cents (equivalent to approximately RMB8.2 cents) per ordinary share, totalling approximately HK$217,809,000 (equivalent to approximately RMB178,603,000), for the six months ended 30 June 2015. This interim dividend has not been recognised as a liability in the condensed consolidated financial statements.

At the board meeting held on 21 August 2014, the board of directors declared and approved an interim dividend of HK8.5 cents (equivalent to approximately RMB6.7 cents) per ordinary share, totalling approximately HK$185,063,000 (equivalent to approximately RMB146,755,000), for the six months ended 30 June 2014.

9. DIVIDENDS (continued)

(b) Dividends paid to ordinary equity holders of the Company during the period:

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Dividends paid during the period:		
Final dividends in respect of the financial year ended:		
31 December 2014 – HK5.0 cents per ordinary share	**86,015**	–
31 December 2013 – HK8.0 cents per ordinary share	**–**	137,732
Special dividend in respect of the financial year ended:		
31 December 2014 – HK3.0 cents per ordinary share	**51,609**	–
	137,624	137,732

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

(a) Basic earnings per share

The calculation of basic earnings per share amount for the six months ended 30 June 2015 was based on the profit for the period attributable to ordinary equity holders of the Company of RMB343,526,000 (six months ended 30 June 2014: RMB284,224,000) and the weighted average number of ordinary shares in issue during the six months ended 30 June 2015 of 2,165,307,000 (six months ended 30 June 2014: 2,176,958,000), as adjusted to exclude shares held under the share award scheme of the Company (note 20).

(b) Diluted earnings per share

The calculation of diluted earnings per share amount for the six months ended 30 June 2015 is based on the profit for the period attributable to ordinary equity holders of the Company of RMB343,526,000 (six months ended 30 June 2014: RMB284,224,000). The weighted average number of ordinary shares of 2,175,197,000 (six months ended 30 June 2014: 2,196,651,000) used in the calculation is the weighted average number of 2,165,307,000 (six months ended 30 June 2014: 2,176,958,000) ordinary shares in issue during that period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at nil consideration on the deemed exercise of all share options into 9,890,000 (six months ended 30 June 2014: 19,693,000) ordinary shares during that period.

11. INVENTORIES

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Raw materials	**123,116**	89,942
Work in progress	**77,916**	42,659
Finished goods	**319,161**	436,383
	520,193	568,984

12. TRADE AND BILLS RECEIVABLES

	Notes	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Trade receivables		**1,746,411**	1,487,466
Less: provision for impaired receivables		**(258,312)**	(256,047)
	(a)	**1,488,099**	1,231,419
Bills receivables	(b)	**440,000**	258,520

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally three months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group's trade receivables relate to a number of diversified customers and there is certain concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

12. TRADE AND BILLS RECEIVABLES (continued)

Notes:

(a) An aged analysis of the Group's trade receivables as at the end of the reporting period, based on the invoice date and net of provision, is as follows:

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Within 3 months	**771,385**	858,755
4 to 6 months	**442,420**	266,096
Over 6 months	**274,294**	106,568
	1,488,099	1,231,419

An aged analysis of the Group's trade receivables as at the end of the reporting period, based on the payment due date, that are not considered to be impaired is as follows:

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Neither past due nor impaired	**771,385**	858,755
Less than 3 months past due	**442,420**	266,096
Past due over 3 months	**274,294**	106,568
	1,488,099	1,231,419

(b) The maturity dates of the Group's bills receivables as the end of the reporting period are analysed as follows:

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Within 3 months	**103,000**	15,020
4 to 6 months	**337,000**	243,500
	440,000	258,520

None of the above bills receivables is either past due or impaired.

13. DEPOSIT FOR ACQUISITION OF LAND USE RIGHTS

Pursuant to an agreement entered into between the Group and local government authorities on 9 February 2015, the Group has paid RMB62,776,000 (31 December 2014: RMB55,751,000), in connection with the acquisition in progress with respect to a parcel of land in Fujian Province, the PRC.

Should the bidding of that parcel of land become unsuccessful, the corresponding agreement would be cancelled. Subsequent to the end of the reporting period on 10 July 2015, certain portion of that parcel of land was successfully auctioned by the Group at a cash consideration of RMB27,170,000. At the end of the reporting period, the bidding of the remaining portion of that parcel of land has not yet been arranged by the corresponding PRC government.

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Prepayments	**94,241**	152,051
Deposits and advance payments to suppliers	**286,305**	168,330
Deposits for construction contracts	**9,910**	10,206
Other deposits	**1,178**	669
Value added tax ("VAT") recoverable	**66,689**	95,138
Other receivables	**21,580**	7,507
	479,903	433,901
Less: Non-current portion	**(9,910)**	(10,206)
	469,993	423,695

None of the above assets is either past due or impaired. The financial assets included in the above balances related to receivables for which there was no recent history of default.

15. TIME DEPOSITS, CASH AND BANK BALANCES AND PLEDGED BANK DEPOSITS

	Notes	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Time deposits		**1,411,670**	1,351,240
Cash and bank balances*		**2,673,823**	2,642,029
		4,085,493	3,993,269
Less: Pledged deposits:			
for short term bank loans	18	**(692,111)**	(715,505)
for bank guarantees**		**(9,855)**	(28,455)
for bills payable	16	**–**	(2,199)
		(701,966)	(746,159)
Less: Time deposits with original maturity of more than three months when acquired*		**(173,500)**	(110,000)
Cash and cash equivalents		**3,210,027**	3,137,110

* The time deposits of RMB173,500,000 (31 December 2014: RMB110,000,000) and bank balance of RMB102,755,000 (31 December 2014: RMB48,280,000) were capital guaranteed funds undertaken by a wholly-owned subsidiary of the Company to maintain in PRC bank accounts pursuant to the terms of the Group's short-term revolving banking facilities.

** These time deposits were pledged to secure the bank guarantees granted for the Group in relation to the construction of buildings and adherence to the construction timeline on the land acquired by the Group.

15. TIME DEPOSITS, CASH AND BANK BALANCES AND PLEDGED BANK DEPOSITS (continued)

At the end of the reporting period, the cash and bank balances and time deposits of the Group denominated in RMB amounted to RMB2,652,785,000 (31 December 2014: RMB2,600,366,000) and RMB1,411,670,000 (31 December 2014: RMB1,351,240,000), respectively. RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between one day to two years depending on the immediate cash requirements of the Group, and earn interest at the respective deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

16. TRADE AND BILLS PAYABLES

An ageing analysis of the Group's trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Within 3 months	**500,785**	590,129
4 to 6 months	**96,482**	81,869
Over 6 months	**64,387**	47,078
Trade payables	**661,654**	719,076
Bills payables	**–**	9,850
Trade and bills payables	**661,654**	728,926

The trade payables are non-interest-bearing and are normally settled within 60 to 90 days.

As at 31 December 2014, bills payable of RMB9,850,000 were secured by pledge of time deposits of RMB2,199,000.

17. DEPOSITS RECEIVED, OTHER PAYABLES AND ACCRUALS

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Deposits and advances from customers	**30,168**	66,240
Other payables	**44,311**	46,878
VAT payables	**11,851**	417
Derivative financial instruments	**8,546**	13,981
Accruals	**246,154**	195,434
	341,030	322,950

18. INTEREST-BEARING BANK BORROWINGS

		30 June 2015 (Unaudited)			31 December 2014 (Audited)		
	Notes	Effective interest rate per annum %	Maturity	RMB'000	Effective interest rate per annum %	Maturity	RMB'000
Current							
Current portion of syndicated loans	(a)	**HIBOR/LIBOR +2.2%**	**2015**	**544,820**	HIBOR/LIBOR +2.2%	2015	291,767
Other bank loans	(b)	**HIBOR+1.2% to 2.25%**	**2015**	**1,234,686**	HIBOR+1.5% to 2.25%	2015	929,895
				1,779,506			1,221,662
Non-current							
Syndicated loans	(a)	**HIBOR/LIBOR +2.2%**	**2017**	**365,296**	HIBOR/LIBOR +2.2%	2017	617,367
				2,144,802			1,839,029

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Analysed into:		
Bank loans repayable:		
Within one year and on demand	**1,779,506**	1,221,662
In the second year	**365,296**	539,198
In the third to fifth years, inclusive	**–**	78,169
	2,144,802	1,839,029

Notes:

(a) The bank loans are supported by a corporate guarantee provided by certain of the Company's wholly-owned subsidiaries, to the extent of HK$452,400,000 (equivalent to approximately RMB357,079,000) (31 December 2014: HK$452,400,000, equivalent to approximately RMB358,029,000) and US$92,000,000 (equivalent to approximately RMB562,989,000) (31 December 2014: US$92,000,000, equivalent to approximately RMB564,409,000) as at the end of the reporting period.

(b) The bank loans are supported by:

(i) the pledge of certain of the Group's time deposits amounting to RMB692,111,000 (31 December 2014: RMB715,505,000);

(ii) corporate guarantees provided by a wholly-owned subsidiary of the Company to the extent of HK$1,107,690,000 (equivalent to approximately RMB874,300,000) (31 December 2014: HK$700,000,000, equivalent to approximately RMB553,980,000) as at the end of the reporting period; and

(iii) time deposits of RMB173,500,000 (31 December 2014: RMB110,000,000) and bank balance of RMB102,755,000 (31 December 2014: RMB48,280,000), which were capital guaranteed funds undertaken by a wholly-owned subsidiary of the Company to maintain in PRC bank accounts pursuant to the terms of the Group's short-term revolving loan facilities (note 15).

As at 30 June 2015, except for bank loan of RMB556,964,000 (31 December 2014: RMB556,356,000) which was denominated in the United States dollars ("US$"), all bank borrowings are denominated in Hong Kong dollars.

19. DEFERRED TAX LIABILITIES

Pursuant to the income tax law of the PRC, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings accrued after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and jurisdiction of the foreign investors. For the Group, the applicable rate for the withholding tax is 5% or 10%. In estimating the withholding taxes on dividends expected to be distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008, the directors have made an assessment based on the factors which included dividend policy and the level of capital and working capital required for the Group's operations in the foreseeable future.

As at 30 June 2015, there were no significant unrecognised deferred tax liabilities (31 December 2014: Nil) for withholding taxes that would be payable on the unremitted earnings of the Company's subsidiaries expected to be distributed, after considering the abovementioned factors, in the foreseeable future.

20. SHARE CAPITAL

The share capital as at 30 June 2015 and 31 December 2014 represented the issued capital of the Company and a summary of the authorised and issued share capital of the Company is as follows:

At 30 June 2015

	HK'000 (Unaudited)	RMB'000 (Unaudited)
Authorised: 100,000,000,000 ordinary shares of HK$0.01 each	**1,000,000**	**935,629**
Issued and fully paid: 2,178,085,000 ordinary shares of HK$0.01 each	**21,781**	**19,214**

At 31 December 2014

	HK'000 (Audited)	RMB'000 (Audited)
Authorised: 100,000,000,000 ordinary shares of HK$0.01 each	1,000,000	935,629
Issued and fully paid: 2,178,085,000 ordinary shares of HK$0.01 each	21,781	19,214

During the six months period ended 30 June 2015, the Company repurchased 50,000,000 shares of HK$0.01 at HK$3.052 per share at an aggregate consideration of HK$152,600,000 (equivalent to approximately RMB120,447,000) for the share award scheme in which the Group's employees, executives, officers or directors will be entitled to participate. Details of this scheme were set out in an announcement of the Company dated 15 May 2015. Up to the date of approval of the condensed consolidated interim financial statements, no share was granted under this scheme.

21. RESERVES

The amounts of the Group's reserves and movements therein for the six months ended 30 June 2015 are presented in the condensed consolidated statement of changes in equity.

Under the Companies Law of the Cayman Islands, the share premium account of the Company may be applied for payment of distributions or dividends to shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

The capital reserve represents the excess of the nominal value of the paid-in capital of the subsidiaries acquired pursuant to the group reorganisation prior to the listing of the Company's shares over the consideration paid for acquiring these subsidiaries.

In accordance with the relevant regulations applicable in the PRC, subsidiaries established in the PRC are required to transfer a certain percentage of their statutory annual profits after tax (after offsetting any prior year's losses), if any, to the statutory surplus fund until the balance of the fund reaches 50% of their respective registered capital. Subject to certain restrictions as set out in the relevant PRC regulations, the statutory surplus fund may be used to offset against accumulated losses of the respective PRC subsidiaries. The amount of the transfer is subject to the approval of the board of directors of the respective PRC subsidiaries.

The share option reserve comprises the fair value of share options granted which are yet to be exercised. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside the PRC.

22. SHARE OPTION SCHEMES

(a) Pre-IPO share option scheme

The Company has adopted a pre-IPO share option scheme on 7 May 2008 (the "Pre-IPO Scheme"). Further details of the Pre-IPO Scheme were disclosed in the Company's annual report for the year ended 31 December 2014.

As at 30 June 2015, a total of 16,765,000 (31 December 2014: 16,765,000) share options (the "Pre-IPO Share Options") under the Pre-IPO Scheme remained outstanding. During the six months ended 30 June 2015, no Pre-IPO Share Options were exercised (six months ended 30 June 2014: Nil).

At the date of approval of the condensed consolidated interim financial statements, the Company had 16,765,000 Pre-IPO Share Options outstanding under the Pre-IPO Scheme, which represented approximately 0.8% of the issued share capital of the Company as at that date.

22. SHARE OPTION SCHEMES (continued)

(b) Share option scheme

The Company has also adopted a share option scheme (the "Share Option Scheme") pursuant to the shareholders' written resolution passed on 7 May 2008. Further details of the Share Option Scheme are disclosed in the Company's annual report for the year ended 31 December 2014.

As at 30 June 2015, a total of 78,895,000 (31 December 2014: 78,895,000) share options (the "Share Options") under the Share Option Scheme remained outstanding.

During the six months ended 30 June 2015, no share options granted under the Share Option Scheme were exercised. During the six months ended 30 June 2014, the subscription rights attaching to 450,000 share options granted under the Share Option Scheme were exercised at the subscription price of HK$2.35 per share, resulting in issue of 450,000 shares.

At the date of approval of the condensed consolidated interim financial statements, the Company had 78,895,000 Share Options outstanding under the Share Option Scheme, which represented approximately 3.6% of the issued share capital of the Company as at that date.

23. OPERATING LEASE ARRANGEMENTS

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Within one year	**5,586**	8,156
In the second to fifth years, inclusive	**10,794**	10,790
After five years	**829**	3,124
	17,209	22,070

24. COMMITMENTS

In addition to the operating lease commitments detailed in note 23 above, the Group had the following commitments at the end of the reporting period:

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Contracted for commitment in respect of:		
– construction of new buildings	**45,473**	52,732
– construction of new manufacturing facilities	**27,117**	35,281
– advertising and promotional expenses	**366,765**	221,947
– software	**100**	100
	439,455	310,060
Authorised, but not contracted for:		
– construction of new buildings and new manufacturing facilities	**537,876**	218,994
	977,331	529,054

25. FINANCIAL ASSETS THAT ARE DERECOGNISED IN THEIR ENTIRETY

At 30 June 2015, the Group discounted certain bank and commercial bills receivables with a carrying amount in aggregate of approximately RMB754,100,000 (31 December 2014: RMB918,140,000) to a bank in the PRC (the "Derecognised Bills") for cash. The Derecognised Bills have a remaining maturity from approximately fifty-two days to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC bank and/or the issuers of bills receivables default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, the Group has derecognised the full carrying amounts of the Derecognised Bills. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills are equal to their carrying amounts. In the opinion of the directors, the fair value of the Group's Continuing Involvement in the Derecognised Bills is not significant.

During the six months ended 30 June 2015, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills (six months ended 30 June 2014: Nil). No gains or losses were recognised from the Continuing Involvement, both during the period or cumulatively. The discount of bills receivables of RMB754,100,000, RMB918,140,000 and RMB197,380,000 have been made near the period ended 30 June 2015, the year ended 31 December 2014 and period ended 30 June 2014, respectively.

26. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, time deposits, pledged bank deposits, trade and bills receivables, trade and bills payables, financial assets included in other receivables, financial liabilities included in deposits received, other payables and accruals and interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments. For the Group's unlisted available-for-sale equity investments, they were stated at cost less impairment because the unlisted investments do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

The Group's finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank borrowings as at 30 June 2015 was assessed to be insignificant.

26. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

As at 30 June 2015 and 31 December 2014, the financial instruments measured at fair value held by the Group comprised derivative financial instruments and were classified as Level 2.

During the six months ended 30 June 2015, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (30 June 2014: Nil).

27. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 20 August 2015.

REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

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To the board of directors of Xtep International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial statements set out on pages 41 to 61 which comprises the condensed consolidated statement of financial position of Xtep International Holdings Limited and its subsidiaries as at 30 June 2015, and the related condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six months period then ended and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants.

The directors are responsible for the preparation and presentation of these interim financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these interim financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial report consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young
Certified Public Accountants

22/F CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

20 August 2015

GLOSSARY

In this interim report, unless the context otherwise requires, the following terms shall have the following meanings:

"Beijing Wisdom Xtep"	Beijing Wisdom Xtep Competition Operation Co., Ltd. (北京智美特步賽事運營有限公司), a limited liability company to be established in the PRC
"Board"	The Board of Directors of the Company
"Business Day"	Any day on which the Hong Kong Stock Exchange is open for the business of dealing in securities
"CCFL"	China College Futsal League
"CUFL"	China University Football League
"Company"	Xtep International Holdings Limited
"Corporate Governance Code"	The Corporate Governance Code as set out in Appendix 14 of the Listing Rules
"Director(s)"	The director(s) of the Company
"DRP System"	Distribution Resource Planning System
"GDP"	Gross domestic product
"Group"	The Company and its subsidiaries
"Group Success"	Group Success Investments Limited, a company incorporated in the British Virgin Islands with limited liability on 23 February 2007, and is wholly owned by Wan Xing International Holdings Limited, which is in turn owned as to 63.2% by Mr. Ding Shui Po and 36.8% by Ms. Ding Mei Qing
"HK$" and "HK cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange" and "HKSE"	The Stock Exchange of Hong Kong Limited
"Listing Date"	3 June 2008, on which dealing in the Shares first commence on the Hong Kong Stock Exchange
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
"Model Code"	The Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
"020"	Online to Offline
"Period"	Six months ended 30 June 2015

"POS"	Points of sale
"PRC" or "China"	The People's Republic of China excluding, for the purpose of this report, Hong Kong, Macau and Taiwan
"Pre-IPO Share Option Scheme"	The share option scheme for employees of the Group approved and adopted by the Company on 7 May 2008, the principal terms of which are summarized under the paragraph headed "Pre-IPO Share Option Scheme" in Appendix VI to the prospectus of the Company dated 21 May 2008
"R&D"	Research and development
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"Share(s)"	Ordinary share(s) of HK$0.01 each in the share capital of the Company
"Share Option Scheme"	The share option scheme adopted by the Company on 7 May 2008, the principal terms of which are summarized under the paragraph headed "Share Option Scheme" in Appendix VI to the prospectus of the Company dated 21 May 2008
"Shareholder(s)"	Shareholder(s) of the Company
"U.S."	United States of America
"US$"	U.S. dollars, the lawful currency of the U.S.
"Wisdom Group"	Wisdom Holdings and its subsidiaries
"Wisdom Holdings"	Wisdom Holdings Limited, a company incorporated in the Cayman Islands with limited liability which shares are listed on the main board of the Stock Exchange (stock code: 1661)
"Xtep (China)"	Xtep (China) Co., Ltd., an indirect wholly-owned subsidiary of the Company
"Xtep"	Xtep brand

REVIEW OF INTERIM RESULTS

The audit committee and the independent auditors of the Company have reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the interim results and the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2015.

BOOK CLOSURE

The transfer books and register of members of the Company will be closed from Monday, 7 September 2015 to Wednesday, 9 September 2015, both days inclusive, for the purpose of determining shareholders' entitlements to the proposed interim dividend. The record date for entitlement to the proposed interim dividend is on Wednesday, 9 September 2015. In order to qualify for the interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 4 September 2015. The payment date of the interim dividend is expected to be on Friday, 18 September 2015.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is available for viewing on the websites of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the Company at http://www.xtep.com.hk. The 2015 Interim Report for the six months ended 30 June 2015 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to the shareholders of the Company and available on the same websites in due course.

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

Hong Kong, 20 August 2015

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; and the independent non-executive directors of the Company are Mr. Tan Wee Seng, Mr. Sin Ka Man, Dr. Gao Xian Feng and Dr. Bao Ming Xiao.