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Xtep International Holdings Limited

特步國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1368)

PROFIT WARNING AND OPERATIONAL UPDATE ON BUSINESS IN MAINLAND CHINA FOR THE SECOND QUARTER OF 2020

This announcement is made by Xtep International Holding Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

PROFIT WARNING

The board of directors of the Company (the “**Board**”) wishes to inform the shareholders of the Company (the “**Shareholders**”) and potential investors that, based on the latest information available to the Board, the Group is expected to record an approximately 45% to 55% decrease in its unaudited consolidated profit attributable to ordinary equity holders of the Company for the six months ended 30 June 2020 (the “**Period**”) as compared to that for the corresponding period in 2019. Such decrease was primarily due to the following factors:

- i. a mid-single digit decline in revenue and an approximately 25% to 30% decrease in segment profit of the core Xtep brand for the Period which were mainly attributable to (a) the reduction on the orders and replenishments from distributors since the outbreak of the 2019 novel coronavirus disease (the “**COVID-19**”) in late January 2020 and the subsequent precautionary measures imposed by the government in Mainland China which has caused general disruptions to the operations of factories and stores; and (b) increased efforts to support the distributors of the core Xtep brand through various subsidies; and
- ii. the suspension of the majority of the business operations of the newly acquired brands, K-Swiss and Palladium, in the Americas and Europe since mid-March due to the COVID-19 pandemic.

The global economy was adversely impacted by the COVID-19 pandemic during the first half of 2020. Nevertheless, the Group was well-placed to overcome the headwind backed by its solid foundation and strong net cash positions. As at 30 June 2020, net cash and cash equivalents of the Group (including time deposit, structured bank deposits and pledged deposits minus bank borrowings) was approximately RMB 2.1 billion. During the Period, the Group has proactively diverged its sales to its e-commerce platforms and executed various cost control measures to alleviate the impact of the COVID-19 pandemic. Meanwhile, the Group provided various subsidies to its distributors and selectively lengthened their credit period to assist them to ride out the hardship. Following the stringent control measures adopted by the Chinese government to prevent the spread of COVID-19, coupled with the stimulus initiatives to drive its economy and to increase market confidence amid the pandemic, retail sales performance of the Group has exhibited improvement in the second quarter of 2020 as compared to the first quarter of 2020. The Group remains cautiously optimistic that the recovery momentum of its operations in Mainland China will continue into the second half of 2020, subject to the effectiveness of the control measures undertaken by the Chinese government to contain the COVID-19 pandemic.

OPERATIONAL UPDATE — CORE XTEP BRAND
For the three months ended 30 June 2020

	Change compared to the same period last year
Retail sell-through growth (including offline and online channels)	Low-single digit decline
Retail discount level	30%–35%
Retail inventory turnover	5.0–5.5 months

The Company's shareholders and potential investors should note that the information contained in this announcement is only based on a preliminary assessment by the Board based on the information currently available, including the unaudited consolidated management accounts of the Group for the Period and unaudited operational data of the Group for the three months ended 30 June 2020, which have not been reviewed or audited by the Company's auditors or the audit committee of the Company and may be subject to adjustments and provisions. The interim results announcement for the Period is expected to be published in August 2020.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 21 July 2020

As at the date of this announcement, the executive Directors of the Company are Mr. Ding Shui Po, Ms. Ding Mei Qing and Mr. Ding Ming Zhong; and the independent non-executive Directors are Mr. Tan Wee Seng, Dr. Gao Xian Feng and Dr. Bao Ming Xiao.