



特步國際控股有限公司

**Xtep International Holdings Limited**

**Xtep Announces 2008 Interim Results  
Net Profit Exceeded the full year of 2007 with 214.1% Surge**

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**Successful Brand Building and Extensive Distribution Network  
Laying Solid Foundation for Future Growth**

<b>Financial Highlights (For the six months ended 30 June )</b>			
	<b>2008 ( RMB '000 )</b>	<b>2007 ( RMB '000 )</b>	<b>Changes</b>
Revenue	<b>1,408,197</b>	513,362	<b>+174.3%</b>
Gross profit	<b>517,797</b>	165,047	<b>+213.7%</b>
Gross profit margin (%)	<b>36.8%</b>	32.2%	<b>+4.6% pt</b>
Profit for the period	<b>254,664</b>	81,077	<b>+214.1%</b>
Net profit margin (%)	<b>18.1%</b>	15.8%	<b>+2.3% pt</b>
Basic earnings per share (RMB cents)	<b>16.01</b>	5.52	<b>+190.0%</b>
Interim dividend per share (HK cents)	<b>5.0</b>	-	<b>N/A</b>

[1 September 2008, Hong Kong] **Xtep International Holdings Limited** ( “Xtep” or the “Company”, together with its subsidiaries the “Group”, stock code: 1368), a leading fashion sportswear enterprise in the PRC, today announced its interim results for the six months ended 30 June 2008 (the “period under review”).

Revenue of the Group was RMB1,408,197,000, representing an increase of 174.3% as compared to the corresponding period of last year. Gross profit and profit for the period surged by 213.7% and 214.1% respectively to RMB517,797,000 and RMB254,664,000. Gross profit margin improved 4.6 percentage points to 36.8% (1H 2007: 32.2%) and net profit margin improved 2.3 percentage points to 18.1% (1H 2007: 15.8%). Basic earnings per share amounted to RMB16.01cents, up by 190%. The Board of Directors recommended payment of an interim dividend of HK5 cents, representing 38% pay out ratio which fulfills the promise stated in the Prospectus of no less than 30% pay out ratio.

Commenting on the results, Chairman and Chief Executive Officer of Xtep, Mr Ding Shuipo, said “Capitalizing on the immense opportunities in China’s sportswear market, the Group has placed strong emphasis on brand building, and research and development (“R&D”), as well as proactively developing its distribution network in the PRC’s high-growth regions. As a result, the Group achieved encouraging results for the period under review with the revenue and net profit for the first half of 2008 exceeding that for the full year of 2007. With its strong economic growth and increasing affluence of its citizens, the PRC’s consumer goods market and sportswear industry are expanding rapidly. We believe that such growth is sustainable with the increasing popularity of sports following the Beijing 2008 Olympics Game and with the coming National Games of China in 2009.”

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In terms of revenue breakdown by product categories, revenue from the Group's branded footwear, and apparel products grew significantly. Revenue from footwear amounted to RMB703,567,000 (1H 2007: RMB377,572,000), representing an increase of 86.3%, while revenue from apparel amounted to RMB686,684,000 (1H 2007: RMB133,596,000), representing an increase of 414%. During the period under review, the Group's overall gross profit margin increased as a result of its efforts in branded products development from 32.2% over the same period last year to 36.8%, primarily due to an increase proportion of revenue derived from Xtep brand products with its revenue increased by 198% to RMB1,308,148,000 (1H 2007: RMB438,900,000). On the other hand, the gross profit margin of Xtep brand products increased to 36.3% (1H 2007: 34.8%) due to the increased average selling price for footwear products and apparel products by 8.9% and 16.1%, respectively over the same period last year. Disney Sport and Koling brands also contributed revenue of approximately RMB95,047,000 for the period under review. As Disney Sport and Koling brands commenced sales in the second half of 2007, there were no comparables.

As at 30 June 2008, there were a total of 5,115 retail outlets operated under the Group's distributors and third-party retailers, representing an increase of 468 retail outlets from 31 December 2007. The number of retail outlets for Xtep, Disney Sport and Koling brands amounted to 4,733, 332 and 50 respectively.

In addition, the Group has formulated a stringent distributor management system in order to manage its extensive network nationwide efficiently. The Group has implemented a distribution resource planning ("DRP") system which links up the production, inventory and financial system, allowing it to track inventory levels and movement of its products at the warehouses and certain retail outlets operated by the Group's distributors and third-party retailers. For the six months ended 30 June 2008, the retail outlets adopting the DRP system accounted for approximately 25% of the total number of retail outlets.

With respect to brand building and marketing, the Group continued to pursue its marketing and promotion strategies which combine sports marketing and entertainment marketing, and implemented various innovative and comprehensive marketing activities, including promotion by entertainment celebrities to attract different target audience during the period under review. The Group has also invested tremendous resources in media advertisements and other different promotion channels for brand marketing, so as to increase the domestic exposure of three brands. For the coming 11th National Game of China in 2009, the Group has successfully become the sole sports product partner of this major sports event in the PRC, further enhancing Xtep brand's recognition.

The Group continues to develop innovative design and technology of new products through R&D in order to cater for the consumer preference and respond to the market needs. During the period under review, the Group has introduced 1,121 types of footwear designs, 1,347 types of apparel designs and 1,075 types of accessories designs to the market. At present, the Group has three superior product design teams and one R&D team members of more than 381 staff, and also works with international renowned fashion and trend research and design institutions, keeping abreast of the latest fashion trends and formulating suitable design proposals.

Looking ahead, The Group will continue to expand and optimize its own sales network, with the business strategy of opening large-scaled retail outlets so as to increase the average saleable area, overall profitability and market share as a whole. For the expansion plan of sales network in 2008, Xtep and Disney Sport brands plan to open a total of 1,100 retail outlets and increase a total of approximately 100,000 square metre of sales floor area.

The Group considers the establishment of flagship stores is a key approach to brand building, driving up its market share and bringing brand new shopping experiences to customers. Operated and managed by the Group's distributors, three flagship stores are currently located in Changsha, Wuhan and Hefei. The Group plans to identify approximately 10 strategic and prime locations in 2008 to open these flagship stores.

Mr. Ding concluded, "Leveraging its leading position in the industry, the Group will capture the opportunities generated after the Olympics to enhance its brand competitiveness and to further expand its growth horizons. In addition to expanding sales network, the Group will continue to adopt various brand marketing and promotion strategies to strengthen the recognition of its brands. Consolidating its multi-brand strengths, the Group will launch a wide range of new products targeting different customer groups in order to expand its market share in China. Besides, the Group will gather the domestic and overseas R&D and design professionals to introduce new products and technologies that cater to customers' needs. With all these strategies, we are confident that the Group will be able to maintain its leading position in China's fashion sportswear industry while bringing satisfactory returns to shareholders."

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#### **About Xtep International Holdings Limited**

Xtep is a leading domestic fashion sportswear enterprise in the PRC, which is primarily engaged in the design, development, manufacture and marketing of sportswear, including footwear, apparel and accessory products, sold under the Xtep brand, the Disney Sport brand and the Koling brand. The Group distributes their branded products through a nationwide distribution network covering all 31 provinces, autonomous regions and municipalities in the PRC. Xtep has its own production facilities in Quanzhou, Fujian province, with the capacity of more than 11 million pairs of shoes and 1 million apparel products per annum.