



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

Xtep Announces Operational Update on Business in China

Positive Retail Channel Performance as the Results of Brand Transformation to be Boosted by One Time Inventory Repurchase

8 December 2017, Hong Kong – Leading PRC-based professional sportswear enterprise **Xtep International Holdings Limited** (the “Company”, together with its subsidiaries, the “Group”) (Stock code: 1368) today announces an operational update on business in China. The Group’s retail performances are very strong as a result of its strategic transformation from a fashion sportswear company to a running focused professional sports brand over the past 3 years. As the final step of the transformation, in order to align product uniformity and brand consistency, the Group plans to repurchase products produced prior to 2015 in the retail channel. The repurchase is a one-time event and is expected that the Group will record a decrease of approximately 25-35% in its net profit for 2017 as compared to 2016.

The repurchase will create a more efficient retail channel where all XTEP products are of the new style and fit the news sportive 6S generation store image. These new stores are generating over 10% higher sales per square meter compared to older stores. Specifically, the Group has seen the following positive effects from the transformation that supports the sales growth and Group revenue growth in 2018 and beyond:

Retail channel flattening: the proportion of stores directly-managed by the Group’s distributors has increased to over 60% of the total number of stores comparing to less than 20% before 2015. The average efficiency per square meter of distributor directly-managed stores is over 10% higher than that of the authorized retailer stores.

Efficiency of new store: the average sales efficiency per square meter of the newly opened or newly renovated 6S generation stores over the past two years is over 10% higher than that of the older stores.

Retail channel inventory: as at 30 November 2017, the retail channel inventory was at the low end of the healthy 4-5 months level.

Functional products well-accepted by consumers: XTEP’s running products have been proven to be accepted and praised by the market. One example is at the Beijing Marathon that happened in September this year, which is the Chinese marathon with longest history and is the most competitive to enter, XTEP ranked No. 1 among all domestic brands and No. 4 among all brands worn by runners who finished the full marathon within five hours. Among runners who finished the full marathon within three hours, XTEP’s running shoes accounted for 10.46% of the market share.

Stellar double eleven sales: according to data provided by Tmall, XTEP brand sales increased by over 80% year-over-year during Double Eleven day on its Tmall flagship store, the rate of increase is one of the highest amongst all athletic brands.

To solidify the retail improvements, the Groups is taking no more than RMB150 million to repurchase all products produced before 2015 in retail channels and will process them centrally, to create a more unified brand image and encourage healthier and more proactive sales of new products in retail channels. The Group views this as the one final step of its 3 year transformation.

Mr. Ding Shui Po, Chairman and Chief Executive Officer of Xtep, said, “We are excited to see positive retail improvement as a result of this 3 year transformation, which gives us full confidence in the Group’s revenue growth in 2018 and beyond. This one time repurchase will have a short-term effect on our 2017 profit, but will have a more significant and lasting positive impact on the Group’s financial performance long term. We believe the Group has successfully completed the majority of the transformation to a professional sports brand, this last step will help us completely unify the brand image by having consistent product designs in our retail stores and retail channels.”

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About Xtep International Holdings Limited (Stock code: 1368)

Listed on 3 June 2008 on the Main Board of the Hong Kong Stock Exchange, Xtep is a leading PRC-based professional sports brand. It is principally engaged in the design, development, manufacturing, sales and marketing, and brand management of sportswear products, including footwear, apparel and accessories. During the past several years, the Group has been actively implementing its sports marketing strategy with focused on running. It boasts an extensive distribution network of approximately 6,500 stores nationwide covering 31 provinces, autonomous regions and municipalities across the PRC. Xtep is a constituent of MSCI China Small Cap Index, Hang Seng Composite Index Series and Shenzhen-Hong Kong Stock Connect.

For more information, please visit Xtep’s corporate website: www.xtep.com.hk or scan the Group’s Wechat QR code below (or search by: xtepholdings or 特步控股).

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