

Management Discussion and Analysis



MARKET REVIEW

2009, AN EVOLUTIONARY YEAR

In early 2009, the global economy went through challenges and all countries faced various levels of economic deceleration, and China's economic developments was also affected by these external factors. However, the subsequent effective stimulative package including economic and monetary policies launched by the Chinese government have helped domestic industries to regain growth in the second half of the year. The National Bureau of Statistics of China announced that China's GDP for 2009 increased by approximately 8.7% over last year to RMB33,535.3 billion. Moreover, the growth of total retail sales was accelerating and the total annual social consumables of China for 2009 rose by approximately 15.5% over last year to RMB12,534.3 billion, of which, the retail sales of consumer products in urban areas grew by approximately 15.5% over last year to RMB8,513.3 billion. All market indicators have shown that China is situated in a recovery cycle faster than abroad and people's confidence towards the economic outlook of China has been strengthened. Alongside a gradually improving labour market and a constantly rising in purchasing power, sports product will therefore benefits from such sustained consumption momentum. In addition to the fact that Chinese sports product brands have continued to improve, a booming domestic demand in China is indeed considerably favourable to the industry.

HUGE POTENTIALS IN THE MASS MARKET

The sports product industry is one of the major industries supported by the Chinese government. Stabilization of the economy and the sports product industry stimulus program launched by the government are expected to further drive the development of the Chinese sports product industry going forward. In recent years, while most of the retail markets in top tier cities have gradually reached their market potentials for the sportswear industry, the growth in purchasing power of second and third-tier cities was increased steadily due to the economic growth brought forth by the continuous urbanization in China. According to the release of the National Bureau of Statistics of China, in recent years, the GDPs of second and third-tier cities have continued to grow faster than top-tier cities such as Beijing, Shanghai and Shenzhen, in particular regions such as the Hunan, Hubei and Anhui provinces which have recorded growth of over 13% and have become leaders in the nation's economic growth. Rapid economic growth has driven the shift of capital and labour to second and third-tier cities, resulting in a drastic rise in consumer demand and accordingly a bigger market space. Therefore, having a quality retail network in second and third-tier markets will put the Group in a leading position.

SPORTY LIFESTYLE

Since the Beijing Olympics in 2008, Chinese citizens' interest and awareness towards sports have largely increased and a healthy sporty lifestyle has become part of quality of life. Since then, sports are not limited within track and field but have also blended into Chinese citizens' everyday life. It is expected that the post-Olympic effect as well as the forthcoming major international and domestic events such as Shanghai World Expo, South Africa World Cup, Guangzhou Asian Games and Shenzhen Universiade will continue to stimulate consumer interest in sports, hence sparking off a sports apparel consumption boom and providing huge room for the development of China's sports product industry. In recent years, the living standards of Chinese citizens have been rising continuously and the attitudes towards consumption have changed. People have become increasingly brand conscious and are in pursuit of style and trend in leisure consumption, turning fashion sportswear a favourite among the general public and creating unlimited business opportunities for the Group.



*International
Exposure*

*Sports
Sponsorship*

*Entertainment
Marketing*

*Media
Advertising*



BUSINESS REVIEW

The Group achieved sustainable growth in 2009 which was mainly due to the improvement of four core competitiveness of Xtep brand, namely brand building, innovative products, channel establishment and management capability.

BRAND BUILDING

“Sports like no other” is the core concept of Xtep brand. The Group has placed great emphasis on brand building to strengthen the leading position of Xtep brand in the fashion sportswear sector. During the year under review, the Group strived to launch differentiated branding and marketing promotions, through our unique sports and entertainment dual marketing strategies, sponsored national and international events as well as major sports events, hosted entertainment shows and implemented effective media promotions and carried out broad and effective publicity promotions at different channels having various facets and angles.



1. NATIONAL AND INTERNATIONAL EVENTS

All Involve, Sports for All

The 11th National Games was China's most spectacular sports event in 2009. The National Games is a significant sports event in China held every four years, and this year, the opening ceremony was hosted by President Hu Jin Tao. All provinces send their distinguished athletes to compete in the contests which received great attention from the media. The 11th National Games spanning 11 days was held in Jinan, Shandong Province, with a total of 33 major and 362 minor events awarding 551 gold medals. The Group is highly honored to be the sole sports product partner for this event and has sponsored all the outfits for the Shandong, Hunan, Fujian, Jiangsu, Liaoning, Guizhou, Hong Kong as well as the People's Liberation Army delegations. It was also the sole apparel sponsor for the staff, referees, volunteers and the torch relay event. Through live television and broadcast, hundreds of millions of people in various countries shared in the intense atmosphere of the games with the audience on site. Four out of the eight teams with outfits sponsored by the Group, namely Shandong Province, People's Liberation Army, Jiangsu Province and Liaoning Province, acquired the top four positions in the gold medal ranking at the 11th National Games. The Hong Kong team, also sponsored by the Group, had set a record for the number of medals obtained by the team in the past which has become a focus among the media. This promotion has tremendously boosted the recognition and reputation of Xtep brand in the domestic market. Such sponsorship has also deepened the Group's partnership with national premier games and highlighted the Group's support towards China's sports industry.





2. MAJOR SPORTS EVENTS

Love Running, Love Xtep

Apart from being the leader in the fashion sportswear market, Xtep has strengthened the sports factor in functionality, injecting a new element for growth into the Group. Running is one of the most popular sports in the world having equal emphasis on competition and leisure. Given that there are no constraints in age, gender, time and place, running has great potentials among China's sports categories and the market is growing rapidly. In view of such, the Group has established running as a key direction of sports marketing for the year. The Group will also strengthen the input of resources in various running-oriented areas to increase market attention on Xtep brand running shoes series. In 2009, our key promotions include: launch of new innovative television commercials and our slogan of "Love Running, Love Xtep" at major television channels mainly including CCTV-1, CCTV-5, Hunan Satellite and Anhui Satellite.

Besides, the Group's running-related promotions and sponsoring activities for the year under review include:

2009 Xiamen International Marathon

Xiamen International Marathon was jointly organized by the Chinese Athletic Association and the Xiamen Municipal Government. It had eight race categories such as men's and women's marathon, half marathon, 10km race and the 5km race, which were participated by over 36,000 athletics from 30 countries. The Group has become the sole sports product partner of this event for five consecutive years from 2009 to 2013 and sponsored the sports apparel for the participants.

Xian City Wall Marathon

The Group was appointed as the global premier partner and the sole designated sports outfit partner for Xian City Wall Marathon for three consecutive years to provide sports apparel for athletes of the game. The game attracted athletes from 43 countries, 14 provinces of China and regions such as Hong Kong, Macau and Taiwan, together with a number of key politicians and renowned athletes.

Tibet International Half Marathon Challenge

Tibet International Half Marathon Challenge was jointly organized by the Chinese Athletic Association, Sports Bureau of Tibet

Autonomous Region and Lhasa Municipal People's Government. It is an extremely challenging and the world's highest above sea level half marathon. The Group was the designated apparel sponsor to provide relevant sports product for athletes and attendees of the game.

Amway Nutrilite Healthy Running

A series of Healthy Running activities sponsored by the Group were held in Chengdu, Hangzhou and Jinan and achieved great successes with over 20,000 athletes taking part.

2009 Olympic Day Run

The event was held at the Hong Kong Disneyland Resort under the theme of "Move, Learn and Discover".

The above contests captured enormous media attention and gained wide coverage which were able to improve the recognition of Xtep brand. Also, apparel sponsorship enabled potential customers to experience Xtep brand products as part of effective publicity promotions.

Trendy Xtep Exhibits "Sports Like No Other"

Sharing the spirit of extreme sports of "rejecting the traditional" and "break through, to be yourself", the Group teamed up with CX China Extreme Sports Competition for the 3rd consecutive year in 2009. Apart from being the sole title sponsor for the competition, the Group has also sponsored "CX Campus Games" in Beijing, Chengdu, Guangzhou, Shanghai, Shenyang and Wuhan. Xtep CX China Extreme Sports Competition has played an important role in brand positioning with huge response from the media and is widely popular among youngsters in China. Meanwhile, the Group is also active in sponsoring other popular sports events, including National Basketball League (NBL), Women's Chinese Basketball Association (WCBA), Zhejiang Secondary School Basketball League and the Hong Kong All Star Sports Association Limited.

MARATHON STORY

To announce victory to the Athenians, King of Greece sent its long-distance running champion, Pheidippides, to deliver a message "Rejoice! We conquer!" to the Athenians from Marathon to Central Square of Athens with a distance of 42.195km. Pheidippides then died due to exhaustion and his legendary glory has made him the national hero of Greece. Marathon race was then held to remember this legend.





3. ENTERTAINMENT MARKETING AND PROMOTION

Expansion of Brand Spokesperson Team

It is always one of the major entertainment marketing strategies implemented by the Group to endorse celebrities as its brand spokesperson. Xtep brand's awareness was enhanced by leveraging on the charisma of our spokespersons in show business and their enormous power of penetration in the media. In addition to the original brand spokespersons, namely Nicolas Tse, Wilber Pan and Jolin Tsai, the Group also expanded the top-notch team by adding five new members, namely Jiang Yingrong, Li Xiaoyun, Huangying, Yu Kewei and Liu Xijun, the winners of the popular nationwide singing contest "Super Girl" which attracted great public and media attention in 2009.

Series of Mega Entertainment Activities for Xtep

To further strengthen Xtep brand's leading position in the fashion sportswear sector, the Group initiated a series of ingenious, large-scale entertainment marketing activities in the major cities in China focusing on the Xtep brand. The nationwide concert tour titled by Xtep brand has been a unique marketing channel in attracting the attention of the nation's youth and unprecedentedly widely broadcasted by media in China which has resulted in a "Xtep buzz". The concert tour well exemplified a perfect combination of fashion and sports. The major marketing activities are summarized as follows:

Xtep Night – China Tour

This event was arranged by the Organizing Committee of the 11th National Games of China in Jinan, Shandong Province, China as part of the promotion of the 11th National Games. The fabulous performances of the Xtep brand spokespersons in June 2009 drew and thrilled a record breaking number of over 50,000 spectators in Jinan. As the event was widely reported by the media, the Group, as the title sponsor, received extensive media coverage not just in Shandong but also nationwide.

2009 Xtep Stars Nationwide Concert Tour

"2009 Xtep Stars Nationwide Concert Tour", which was held during July and August 2009, was performed by the Xtep brand's spokespersons and comprised five concerts in five major cities where the Xtep brand has further strengthened the brand position, namely Suzhou, Wuhan, Hangzhou, Changsha and Hefei. The opportunity of having close encounters with the superstars has created tremendous attentions and focus in the regions. The five concerts were a great success, drawing over 30,000 participants to the events in aggregate. It further reached out to audience in adjacent regions through widespread coverage on the print before and after the concerts as well as media via live TV broadcast by a number of TV channels such as Hunan Satellite.

Super Girls Concert Tour

The Group organized six concerts for the five reputable winners of the singing contest "Super Girl", in Shanghai, Changchun, Wenzhou, Beijing, Chengdu and Kunming. The six concerts had an extraordinary advertising effect in those cities, and attracted more than 40,000 audiences to the live concerts. Wearing Xtep brand fashionable sportswear during the concerts, our five young and energetic spokespersons exerted their trendy and energetic charisma and attracted numerous trend-followers on televisions and radios, thereby raising the brand position of the Xtep brand significantly.





4. COMMERCIALS

The Group has employed multi-media marketing and promotion strategies and produced multi-faceted commercials to lure the attention of the consumers. During the year, the Group has launched four fashionable and dynamic commercials of four different styles, including:

“Street Dance version”– unrolling energy and rhythm

“Future version”– leading the trend and standing at the frontline of the fashion

“Number version of the National Games”– giving full support to the National Games of China

“Real me version for Xiamen International Marathon” – “Love Running, Love Xtep”, exhibiting the fashionable and functional characteristics of Xtep brand running shoes.

The Group’s thematic TV commercials were broadcasted selectively at the TV channels with influential and high audience ratings to draw the attention of the public to the Xtep brand. The TV channels include:

National : CCTV 1 – It is the most important all round national channel of the China Central Television (“CCTV”). It has a mixture of all kinds of TV programs and is available to both cable and non-cable television viewers. The Group’s TV commercials were placed on this channel to increase brand awareness.

Sports : CCTV 5 – It is a dedicated national sports channel that features sports events of all types. The Group has entered into a two-year agreement with CCTV 5 and became the official partner with CCTV 5 from 2009 to 2010 to broadcast Xtep brand’s commercial among all their live coverage of sporting events. The main purpose of advertising on this channel is to boost the Xtep brand profile in the sports product sector.

Southern China : Hunan Satellite – This channel has become one of the most popular primary TV channels that focuses on entertainment and information in China. The Group is the sole title sponsor of “Progressing Everyday 《天天向上》” which is a highly entertaining programme and one of the most popular entertainment programmes in China with overwhelming response from audience and has therefore increased the Xtep brand recognition.

Southern China : Southeast Satellite – This channel covers Fujian province and Taiwan and possesses the two major features of “Taiwan Strait” and “Entertainment”. The Group is also a major sponsor of a popular music programme “Southeast Music Chart Awards”, arousing the interest of many young music lovers.

Eastern China : Anhui Satellite – The Group has entered into strategic sports product partnership with Anhui Satellite, one of the earliest TV channels in the Eastern part of China and has extensive coverage beyond this region. The Group has placed TV commercials featuring its Xtep brand image representatives in fashion sportswear to strengthen the Group’s brand promotion in the affluent region.

The TV commercials were further supplemented by an extensive print advertising campaign in major sports and fashion publications to further strengthen the Xtep brand’s position as a leading fashion sportswear brand. Given the changing media landscape, outdoor and online media are increasingly important to our advertising strategy.



INNOVATIVE PRODUCTS

Xtep brand's designs always pioneers the fashion trend and offers consumers diversified products for selection and distinctive sports experience. Adhering to the brand philosophy of "Sports Like No Other", the Group focused on running and soccer series during the year under review. The Group has launched various products and series, which strengthened the brand penetration and awareness.

During the year under review, the Group had a total of 668 staff (2008: 500 staff) in its design and research and development team and including several reputable foreign designers to enhance the capability of product development and design. The Group entered into close cooperation with the design teams in England, France and South Korea and introduced a total of approximately 2,600 types of footwear designs and approximately 2,800 types of apparel designs during the year. Xtep also held four sales fairs during the year under review, featuring collections of different tailor-made styles for four seasons to meet different preferences of the consumers.

Footwear Designs

During the year, a total of approximately 2,600 types of new and fashionable footwear designs under nine series was launched, mainly includes: casual shoes, classic shoes, canvas shoes, running shoes, tennis shoes and basketball shoes, all of which are the combination of fashion and functions. During the year under review, there were improvements and breakthroughs of its footwear in terms of functions with a view to introduce more comfortable footwear and advance the technological level of the running shoes:

Technology	Major Functions
Taichi-concept shock-resistant soles	Made of high-elastic EVA MDM materials and TPU sheath; preventing muscular strain arising from overbending of foot arch
Double shock-resistant soles	Made of a central supporting framework, a shock absorbing piece, a heel spring stand and a outsole; highlighting the features of anti-slippery and shock-absorption

Technology	Major Functions
Shock-resistant jelly	Made of Phypon rubber midsole and X-CJ jelly with the incorporation of the TPU second forming technology; a high-performance shock-reduction mixture developed by the Group, which is capable of absorbing a majority of the striking force to prevent the backbone, knees and heels from the striking of the counter-force when putting weight on the foot and to help save physical energy
Two-way balancing feature	Achieving both external and internal balancing and shock-resistant functions by utilizing the rebounding effect in the two opposite directions arising from external and internal sides
Nanosilver anti-bacterial chemicals	Nanosilver anti-bacterial chemicals help depress the inhabitation of bacteria and easy for washing

The breakthroughs of the design craftsmanships are as follows:

- Colouring embroidery
- 3D-embroidery
- Crossover craftsmanship and sequin knitting
- Special material with the bamboo-mat pattern
- Special crack leather material
- TPU electroplated diamond-setting hot compression techniques

In addition, different types of footwear will be applied with different pattern styles and embroideries to upgrade the overall aesthetic features.




Apparel Designs

During the year, the Group introduced approximately 2,800 styles seasonal fashion sportswear apparel designs under nine different collections mainly includes: dynamic metropolitan, dynamic lifestyle, classic, Miami, integrated training, football and tennis, rolling out colourful and energetic sportswear apparel products to the market. In particular, to meet the 2010 World Cup frenzy, our football collection adopts the style and colours of football teams from different countries along with the features of the world's leading football leagues, delivering trend-setting sportswear apparel with a modern sensation, which is highly well-received among the consumers.

Major enhancements in the functions and technologies of our sportswear apparel are as follows:

Functions	Features
“Cool & Comfortable” collection	Cool and comfortable fibres processed with nano-technology which can filter the thermal radiation in the light, reflect and disperse infrared rays to reduce heat
“Breathing” function	Super light and dual air circulation with special anti-bacterial processing
Eco-friendly warm cotton	Warm fibres composed of DuPont bio-based materials – Sorona to keep warm and breathable



 Colourful 09炫彩足球系列
Football Series

 Miami Series
09热情迈阿密系列





Shenyang



Hefei



Wuhan



Heilongjiang



Changsha



Xiamen

CHANNEL ESTABLISHMENT

NATIONWIDE RETAIL OUTLET NETWORK

As at 31 December 2009, the Group operated 6,533 retail outlets through its distributors or third-party retailers. The follow table sets out the number of retail outlets operated by the Group's distributors and third-party retailers under Xtep brand and Other brands in China:

Number of retail outlets			
Brands	As at 31 December 2009	As at 31 December 2008	Change
Xtep brand	6,103	5,056	+1,047
Other brands	430	476	-46
Total	6,533	5,532	+1,001

The following map illustrates the geographical distribution of retail outlets of Xtep brand nationwide as at 31 December 2009 :



The following table set out the number of retail outlets and flagship stores of Xtep brand and Other brands by geographic region as at 31 December 2009:

	Number of Xtep brand retail outlets	Number of Xtep brand flagship stores	Number of Other brands retail outlets	Number of Other brands flagship stores
Eastern region	2,314	11	146	–
Southern region	1,499	9	117	1
Western region	1,041	3	41	–
Northern region	1,249	7	126	–
Total	6,103	30	430	1



XTEP BRAND

As Xtep brand continued to expand its retail network coverage, the total number of retail outlets, flagship stores, gross saleable area and average saleable area per retail outlet in China increased as follows:

	As at 31 December 2009	As at 31 December 2008	Change
Total number of retail outlets	6,103	5,056	+20.7%
Total number of flagship stores	30	12	+150.0%
Gross saleable area (square meters)	498,000	377,000	+32.1%
Average saleable area per retail outlet (square meters)	82	75	+9.3%

Major regions

During the year under review, Eastern region and Southern region were the key areas of Xtep brand. In particular, Southern region including Hunan and Hubei and Eastern region including Jiangsu, Zhejiang, Anhui and Shandong were among the Group's major retail outlet network. Based on the latest figures released by the National Bureau of Statistics of China, in 2009, the GDP of most of the above regions recorded a double-digit growth, which outperformed China's overall GDP of 7.1%. The Group's strategies were to further expand its business network in these fast-growing areas. As at 31 December 2009, the Group operated a total of 2,579 retail outlets through its distributors or third-party retailers in the above six provinces, accounting for approximately 42% of the total number of nationwide retail outlets network.

Flagship store development

The Group endeavours to increase its recognition and reputation through revamping retail outlets and setting up flagship stores. As at 31 December 2009, the Group had a total of 30 Xtep brand flagship stores, an increase of 18 stores as compared to 31 December 2008, situated at the prime locations across the nation covering such as: Shanghai, Shandong, Zhejiang, Hunan, Anhui, Jilin, Henan, Guangxi, Shanxi and Guizhou. Moreover, the Group has actively rolled out the 5th generation image store in most of its Xtep brand flagship stores and retail outlets to enhance the overall brand image.



OTHER BRANDS

Other brands mainly include Disney Sport brand and Koling brand. These retail outlets are mainly located in the Northern and Eastern regions as these brands are highly recognized in the above regions. The decrease in the number of retail outlets of Other brands was primarily as a result of the reallocation of resources to Disney Sport brand which has greater growth potentials. Therefore, the number of retail outlets of Koling brand was reduced.

MANAGEMENT CAPABILITIES

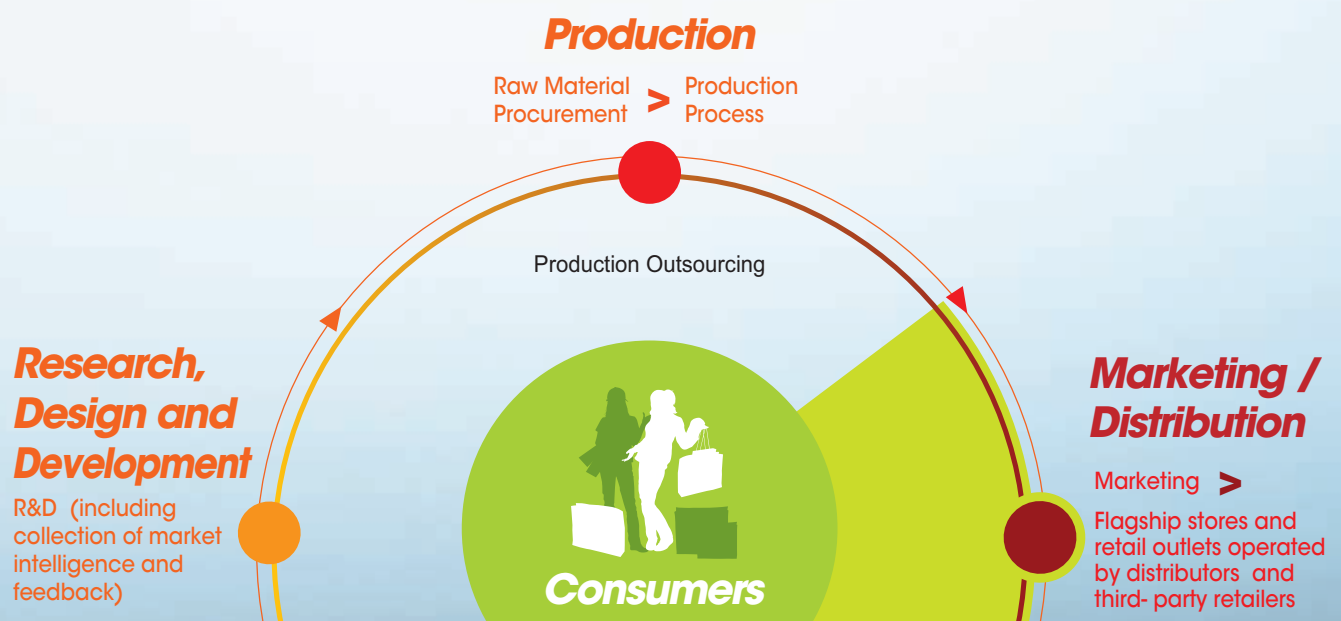
CHANNEL MANAGEMENT

We regard our distributors as our important business partners and have appointed a total of 28 exclusive Xtep brand distributors and 50 Other brands distributors covering 31 provinces. To ensure a consistent brand image is presented and upheld at all retail outlets, the Group has put in place a unified code of operations, detailing specifications on outlet design and layout settings, customer service standards, and pricing policies. Comprehensive training on marketing guidelines, visual merchandising and inventory management are regularly provided as well to ensure that the Group's brand image as a fashion sportswear leader is executed consistently.

The strict distribution management system we follow has been one of the crucial factors to our overall success. As at 31 December 2009, up to 50% of our Xtep brand nationwide retail outlets have adopted the real-time monitoring DRP system. The DRP system links directly to the distributors' inventory and financial systems, allowing us to record and track real-time inventory levels as well as the movement of products at warehouses and retail outlets. Therefore, we can plan and monitor the market situation more efficiently and optimise inventory control.

SUPPLY CHAIN MANAGEMENT

The Group has adopted a vertically integrated business model from design and production to sales and distribution management. We are able to respond quickly to ever changing market demands and fashion trends by utilising our own production facilities. During the year under review, the Group's own facilities included 12 footwear production lines and 20 apparel production lines with a total annual production capacity of approximately 12 million pairs of footwear products and approximately 3 million pieces of apparel products, respectively. The utilisation rate of our production facilities was close to 100%. For the year under review, approximately 57% of footwear and 10% of apparel products by sales volume were manufactured by the Group.



MULTI BRAND STRATEGIES

Apart from Xtep brand, the Group also established multi brand strategies through Other brands. Currently, Other brands include Disney Sport brand and Koling brand. As the Group considers that Disney Sport brand poses greater market potential, we have reduced the resources allocated to Koling brand and focus more to develop Disney Sport brand. Over the years, the Group has the following remarkable developments for Disney Sport brand:

1. Licence agreement entered into in 2006 for distribution in China;
2. Licence agreements entered into in 2009 for distribution in Hong Kong/Macau/Taiwan; and
3. Licence agreements entered into in 2010 for distribution in 21 overseas countries including Southeast Asia, Middle East and Middle Europe.

At present, there are more than 400 Disney Sport brand retail outlets nationwide. During the year under review, we opened our first flagship store and two other retail outlets in Hong Kong. We believe that we will continue to expand our retail outlet network nationwide and abroad in the future. We are still at the preliminary stage of brand building and our sales performance is under steady growth. We believe Disney Sport brand will gain popularity in China and abroad with our brand building efforts, coupled with the expected completion of the first Disneyland in Shanghai, China in the future. The Group is confident that Disney Sport brand will generate greater profit contribution in the future.

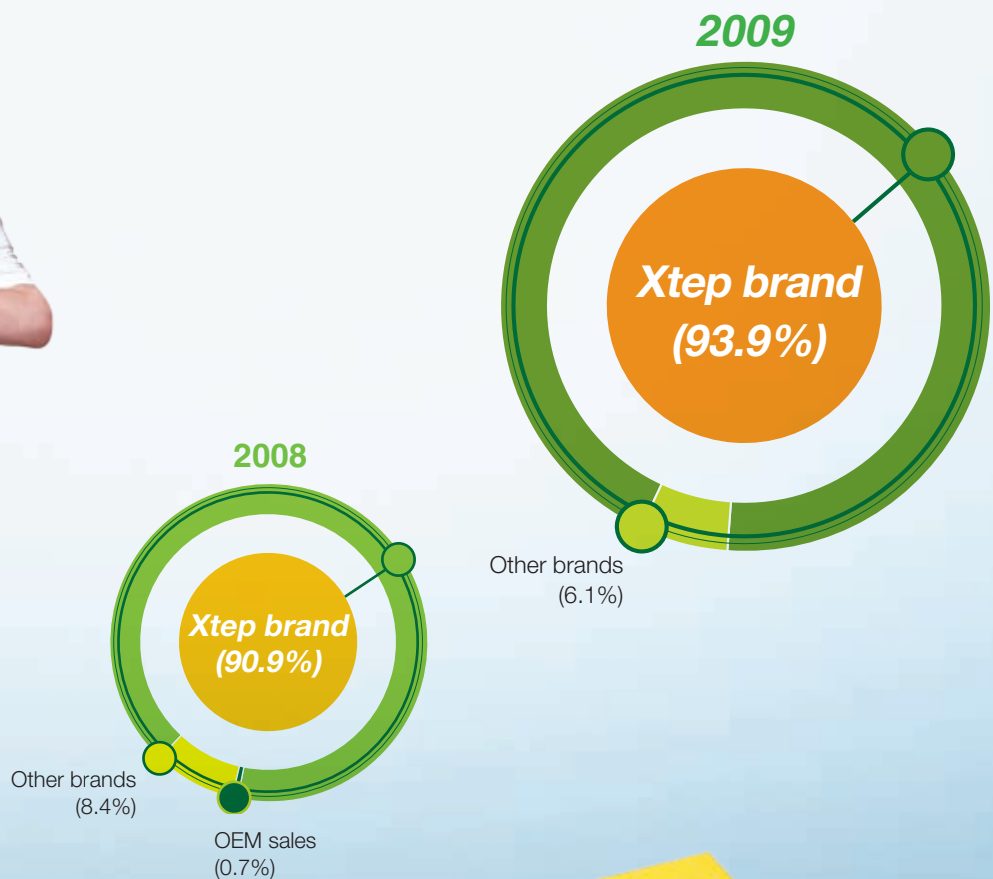


FINANCIAL REVIEW

REVENUE AND GROSS PROFIT MARGIN BREAKDOWN BY BRANDED PRODUCT SALES AND OEM SALES

For the year ended 31 December

	Revenue (RMB'000)			As a percentage of revenue (%)		Gross profit margin (%)		
	2009	2008	Change (%)	2009	2008	2009	2008	Change (pts)
Xtep brand	3,330,764	2,606,237	+27.8	93.9	90.9	39.0	36.7	+2.3
Other brands	214,572	241,337	-11.1	6.1	8.4	40.7	43.6	-2.9
OEM sales	-	19,607	N/A	-	0.7	-	17.3	N/A
Total	3,545,336	2,867,181	+23.7	100.0	100.0	39.1	37.1	+2.0





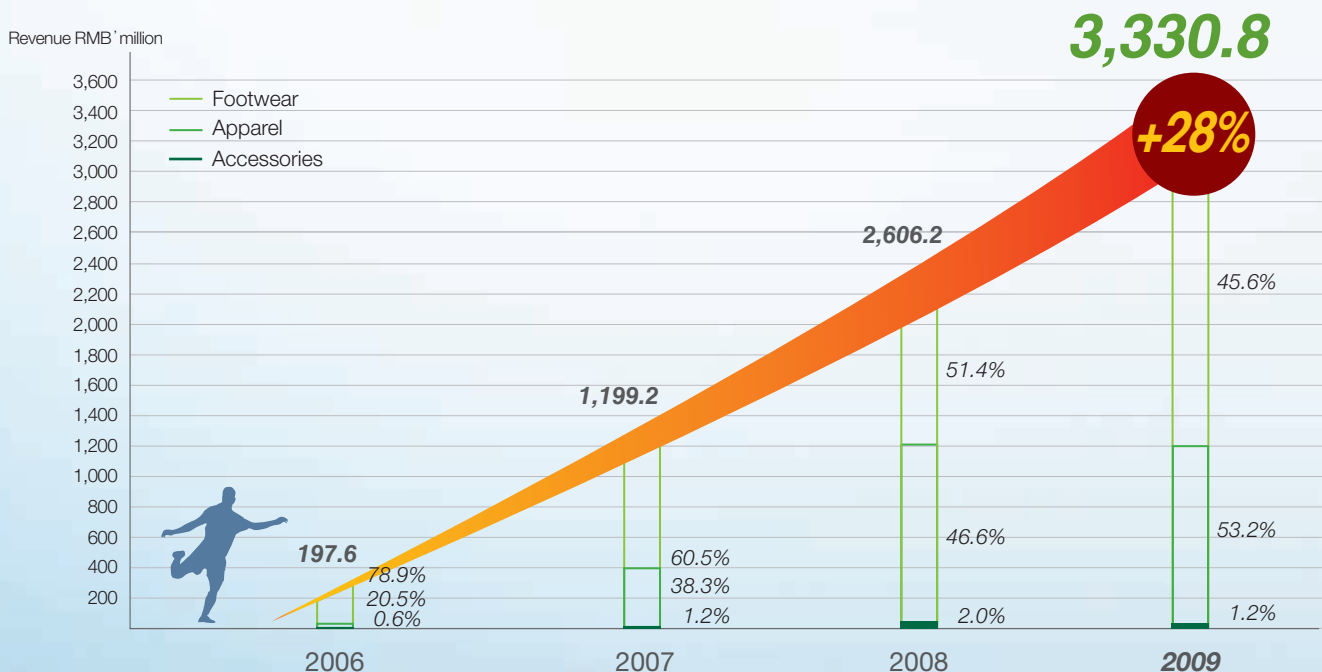
For the year ended 31 December 2009, the total revenue of the Group increased by 24% to approximately RMB3.55 billion (2008: RMB2.87 billion); whereas the gross profit margin grew by 2.0 percentage points to 39.1% (2008: 37.1%). The increase in overall revenue and gross profit margin was due to the substantial growth in the performance of Xtep brand. As sales of Koling brand decreased, the revenue from Other brands fell by approximately 11%. In addition, the Group terminated the OEM business during the year under review. Xtep brand products remain the Group's major source of income, accounting for approximately 94% of the Group's revenue and the analysis on its performance is as follows:

XTEP BRAND

REVENUE BREAKDOWN OF XTEP BRAND BY PRODUCT CATEGORY

For the year ended 31 December

	Revenue (RMB'000)			As a percentage of revenue (%)	
	2009	2008	Change (%)	2009	2008
Footwear	1,520,185	1,340,604	+13.4	45.6	51.4
Apparel	1,773,159	1,215,505	+45.9	53.2	46.6
Accessories	37,420	50,128	-25.4	1.2	2.0
Total	3,330,764	2,606,237	+27.8	100.0	100.0
Gross profit margin	39.0%	36.7%	+2.3 pts		



For the year ended 31 December 2009, the total revenue of the Group from Xtep brand products surged by 28% to RMB3.33 billion (2008: RMB2.61 billion) and the gross profit margin increased by 2.3 percentage points to 39.0% (2008:36.7%). The remarkable results of Xtep brand products was mainly attributable to the recovery of the overall economy of China in the second half of 2009 and the widespread recognition as a result of the sponsorship of a number of high-profile national and international sports events and its unique entertainment marketing method. Besides, as a result of the popularity of Xtep brand products among the general public and the satisfactory sales performance through its retail channels, the Group expanded the sales channels and network, the Group's overall average wholesale revenue per retail outlet also increased.




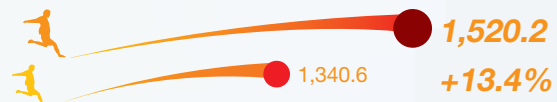
Growth in revenue from Xtep brand is summarized as follows:

	2009	2008	Change (%)
Revenue (RMB million)	3,330.8	2,606.2	+27.8
Average number of retail outlets for the year	5,580	4,718	+18.3
Average wholesale revenue per retail outlet for the year (RMB)	596,911	552,403	+8.1

Note: The average wholesale revenue per retail outlet represented the revenue for the financial year divided by the average number of retail outlets during the financial year.

REVENUE, SALES VOLUME AND AVERAGE SELLING PRICE OF XTEP BRAND FOOTWEAR PRODUCTS



For the year ended 31 December

	2009	2008	Change (%)	Revenue (RMB million)
Sales volume (million)	19.1	18.3	+4.5	
Average selling price (RMB)	79.4	73.2	+8.5	
Gross profit margin (%)	39.1	35.6	+3.5 pts	

Revenue from Xtep brand footwear products rose by 13% to RMB1.52 billion (2008: RMB1.34 billion), accounting for 46% of the revenue from Xtep brand. The growth in revenue was mainly because of the increase in the sales volume of footwear products by approximately 5% to 19.1 million pairs (2008: 18.3 million pairs) and average selling price by approximately 8% to RMB79.4 (2008: RMB73.2). The growth in average selling price was primarily as a result of the decrease in discount given to distributors from 65% in 2008 to 62% in 2009. Due to the decline in discount given to distributors and successful cost control, the gross profit margin grew by 3.5 percentage points to 39.1% (2008: 35.6%).

REVENUE, SALES VOLUME AND AVERAGE SELLING PRICE OF XTEP BRAND APPAREL PRODUCTS

For the year ended 31 December

	2009	2008	Change (%)	Revenue (RMB million)
Sales volume (million)	28.6	21.5	+33.2	
Average selling price (RMB)	62.0	56.4	+9.9	
Gross profit margin (%)	39.1	38.1	+1.0 pts	

Revenue from Xtep brand apparel products increased substantially by 46% to RMB1.77 billion (2008: RMB1.21 billion). The strong growth was due to the significant increase in the sales volume by approximately 33% to 28.6 million pieces (2008: 21.5 million pieces) and average selling price increased by approximately 10% to RMB62.0 (2008: RMB56.4). Due to the increase in average selling price, the gross profit margin also rose by 1.0 percentage point to 39.1% (2008: 38.1%). The substantial growth in sales volume was predominantly due to the strong and differentiated brand position of Xtep brand sportswear apparel products, providing the general market with a real sense of cutting edge fashion, coupled with the idol marketing to arouse the fashion conscious youngsters. Accordingly, the sales volume grew rapidly during the year under review.

Notes:

- (1) We do not include details of the sales volume, average selling price and gross profit margin for the accessory products of Xtep brand because we have a broad range of accessory products that vary significantly in terms of unit price. We believe that a unit-based analysis of this product category is not meaningful.
- (2) Average selling price represented the revenue for the financial year divided by the total units sold during the financial year.

OTHER BRANDS

REVENUE BREAKDOWN OF OTHER BRANDS BY PRODUCT CATEGORY


For the year ended 31 December

	Revenue (RMB'000)			As a percentage of revenue (%)	
	2009	2008	Change (%)	2009	2008
Footwear	98,947	94,385	+4.8	46.1	39.1
Apparel	101,302	135,471	-25.2	47.2	56.1
Accessories	14,323	11,481	+24.8	6.7	4.8
Total	214,572	241,337	-11.1	100.0	100.0
Gross profit margin	40.7%	43.6%	-2.9 pts		

Revenue from Other brands was derived from Disney Sport brand and Koling brand. For the year ended 31 December 2009, revenue from Other brands was RMB214.5 million (2008: RMB241.3 million), a decrease of 11% over that in the previous year, whereas the gross profit margin was 40.7% (2008: 43.6%). The decrease in revenue was mainly due to decrease in revenue of Koling brand because of the re-allocation of resources to Disney Sport brand which has greater market potentials and the reduction in the resources in the sales network of Koling brand and its product sales. The decrease in gross profit margin was mainly due to decrease of footwear products gross profit margin which was caused by the decrease in average selling price in order to further expand market penetration.

REVENUE, SALES VOLUME AND AVERAGE SELLING PRICE OF OTHER BRANDS FOOTWEAR PRODUCTS


For the year ended 31 December

	2009	2008	Change (%)
Revenue (RMB million)	98.9	94.4	+4.8
Sales volume (million)	1.2	1.1	+13.6
Average selling price (RMB)	80.0	86.7	-7.7
Gross profit margin (%)	43.1	49.6	-6.5 pts

Revenue from Other brands footwear products grew by 5% to RMB98.9 million (2008: RMB94.4 million). The increase in revenue was primarily due to the increase in sales volume by approximately 14% to 1.2 million pairs (2008: 1.1 million pairs) as a result of the popularity of Disney Sport brand's footwear products. In order to continue its efforts to expand market penetration, average selling price of footwear products fell by approximately 8% to RMB80.0 (2008: RMB86.7), which offset the growth in revenue and resulted in a decrease in gross profit margin by 6.5 percentage points to 43.1% (2008: 49.6%).

REVENUE, SALES VOLUME AND AVERAGE SELLING PRICE OF OTHER BRANDS APPAREL PRODUCTS

For the year ended 31 December

	2009	2008	Change (%)
Revenue (RMB million)	101.3	135.5	-25.2
Sales volume (million)	1.4	1.6	-16.9
Average selling price (RMB)	74.4	82.6	-10.0
Gross profit margin (%)	39.7	39.5	+0.2 pts

Revenue from Other brands apparel products was down by 25% to RMB101.3 million (2008: RMB135.5 million). The reduction in revenue was attributable to decrease in sales volume by approximately 17% to 1.4 million pieces (2008: 1.6 million pieces) and average selling price by approximately 10% to RMB74.4 (2008: RMB82.6); whereas the reduction in sales volume and average selling price was mainly as a result of the decrease in sales of Koling brand.

Koling brand targets the high-end market with high selling price. In order to place more resources to develop Disney Sport brand which has greater market potentials, the Group reduced the sales of products of Koling brand for the year ended 31 December 2009. Besides, as the gross profit margin of Disney Sport brand's apparel products improved, the gross profit margin of Other brands apparel products also grew by 0.2 percentage points to 39.7% (2008: 39.5%).

Notes:

- (1) We do not include details of the sales volume, average selling price and gross profit margin for the accessory products of Other brands because we have a broad range of accessory products that vary significantly in terms of unit price. We believe that a unit-based analysis of this product category is not meaningful.
- (2) Average selling price represented the revenue for the financial year divided by the total units sold during the financial year.

REVENUE BREAKDOWN BY PRODUCT CATEGORY

For the year ended 31 December

	Revenue (RMB'000)			As a percentage of revenue (%)	
	2009	2008	Change (%)	2009	2008
Footwear	1,619,132	1,454,596	+11.3	45.7	50.7
Apparel	1,874,461	1,350,976	+38.7	52.9	47.1
Accessories	51,743	61,609	-16.0	1.4	2.2
Overall	3,545,336	2,867,181	+23.7	100.0	100.0
Gross profit margin	39.1%	37.1%	+2.0 pts		

Total revenue of the Group from footwear products rose by 11% to RMB1.62 billion (2008: RMB1.45 billion) and revenue from apparel products grew by 39% to RMB1.87 billion (2008: RMB1.35 billion); while revenue from accessories fell by 16% to RMB51.7 million (2008: RMB61.6 million). Revenue from apparel products accounted for 53% of the total revenue, primarily due to the significant increase in the revenue from Xtep brand's apparel products.



REVENUE BREAKDOWN BY REGION SALES AND OEM SALES

For the year ended 31 December

	2009		2008		Change (%)
	Revenue (RMB'000)	As a percentage of product mix (%)	Revenue (RMB'000)	As a percentage of product mix (%)	
Xtep brand					
Eastern region	1,510,264	42.6	1,023,122	35.7	+47.6
Southern region	876,327	24.7	783,740	27.3	+11.8
Western region	541,570	15.3	414,914	14.5	+30.5
Northern region	402,603	11.3	384,461	13.4	+4.7
Sub-total	3,330,764	93.9	2,606,237	90.9	+27.8
Other brands	214,572	6.1	241,337	8.4	-11.1
OEM	-	-	19,607	0.7	N/A
Total	3,545,336	100.0	2,867,181	100.0	+23.7

Eastern region includes: Shanghai, Jiangsu, Zhejiang, Anhui, Shandong, Jiangxi and Fujian

Southern region includes: Hubei, Hunan, Henan, Guangxi, Guangdong, Hainan and Hong Kong

Western region includes: Sichuan, Guizhou, Tibet, Yunnan, Chongqing, Shaanxi, Ningxia, Gansu, Qinghai and Xinjiang

Northern region includes: Heilongjiang, Jilin, Liaoning, Tianjin, Hebei, Shanxi, Beijing and Inner Mongolia

Strong growth of Xtep brand in Eastern region was primarily due to market growth in Shandong province and Anhui province; whereas the growth in Western region was mainly as a result of the market growth in Sichuan province.

COST OF SALES BREAKDOWN

For the year ended 31 December

	2009		2008		Change (%)
	Cost of sales (RMB'000)	As a percentage of cost of sales (%)	Cost of sales (RMB'000)	As a percentage of cost of sales (%)	
Raw materials	1,130,101	52.4	834,266	46.3	+35.5
Outsourced production costs	894,346	41.4	857,289	47.6	+4.3
Direct staff costs	110,252	5.1	87,505	4.8	+26.0
Others	22,850	1.1	23,819	1.3	-4.1
Total	2,157,549	100.0	1,802,879	100.0	+19.7

Cost of sales

During the year under review, cost of sales of the Group increased by 20% year-on-year, mainly because of the increase in cost of raw materials. As the extent of growth in cost of sales was smaller than that in sales revenue, the overall gross profit margin still recorded an increase.

As a result of the Group's stringent control over costs and quality, outsourced raw materials for part of the processing were purchased by the Group. Accordingly, the percentage of raw materials increased to 52%. The increase in direct staff costs was due to the increase in staff's wages and benefits.



OTHER INCOME AND GAINS

During the year under review, other income and gains of the Group was approximately RMB10.7 million (2008: RMB5.1 million). The increase was primarily due to the increase in subsidy income received from the Chinese local government and the disposal of display stands.

SELLING AND DISTRIBUTION COSTS

For the year ended 31 December 2009, the Group's selling and distribution costs amounted to approximately RMB523.0 million (2008: RMB350.5 million), which represented approximately 14.8% (2008: 12.2%) of the Group's total revenue. As it is the Group's strategy to enhance the brand status and step up the sponsorship of high-profile sports events and the innovative entertainment marketing efforts, advertising and promotion costs increased from approximately RMB260.0 million in 2008 (accounting for 9.1% of revenue) to approximately RMB418.7 million (accounting for 11.8% of revenue) during the year under review.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses increased from approximately RMB128.2 million for the year ended 31 December 2008 to approximately RMB174.1 million for the year under review. This was primarily due to the increase in the Group's research and development expenses to approximately RMB56.7 million (accounting for 1.6% of revenue) (2008: RMB45.2 million, accounting for 1.6% of revenue), mainly as a result of the investment in the improvement of footwear design and functions, as well as the enhancement of apparel quality in terms of appearance, function and durability.

INCOME TAX EXPENSE

Income tax of the Group for the year under review amounted to approximately RMB54.7 million (2008: RMB69.2 million).

Pursuant to the New Enterprise Income Tax Law of the PRC and its implementation rules (effective from 1 January 2008), both domestic enterprises and foreign-invested enterprises are subject to the unified PRC enterprise income tax rate of 25%. Xtep (China) enjoyed the 50% tax reduction at the unified tax rate of 25% for the year ended 31 December 2008 and 2009 with respect to the new PRC enterprise income tax. Koling (Fujian) Garment Co., Ltd. enjoyed exemption from the PRC enterprise income tax for the year ended 31 December 2008 and 2009 and thereafter will be entitled to a 50% reduction in the PRC enterprise income tax for the subsequent three years. The effective tax rate for the year under review was 7.8% (2008: 12.0%).

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS AND NET PROFIT MARGIN

For the year ended 31 December 2009, the profit attributable to equity holders of the Company amounted to approximately RMB647.5 million (2008: RMB508.2 million), an increase of 27% over the same period last year. In addition, the net profit margin of the Group grew by 0.6 percentage points to 18.3% year-on-year (2008: 17.7%), primarily due to the increase in gross profit margin to 39.1% (2008: 37.1%) as a result of stronger Xtep brand. The increase in advertising and promotion costs, research and development expenses, selling and distribution costs and administrative expenses respectively, which offset the growth in gross profit. In addition, as the effective tax rate was reduced as a result of the preferential tax treatment, the Group's net profit margin increased.

DIVIDEND

In view of the strong business growth and the solid financial position of the Group, the Board declared a final dividend of HK10.0 cents (equivalent to approximately RMB8.8 cents) per Share (2008: HK8.0 cents, equivalent to approximately RMB7.1 cents) and a special dividend of HK5.0 cents (equivalent to approximately RMB4.4 cents) per Share (2008: HK5.0 cents, equivalent to approximately RMB4.4 cents), in addition to the interim dividend of HK7.0 cents (equivalent to approximately RMB6.2 cents) per Share (2008: HK5.0 cents, equivalent to approximately RMB4.4 cents) declared, amounting to a total dividend of HK22.0 cents per share (equivalent to approximately RMB19.4 cents), an increase of approximately 22% over that in the same period of last year. The dividend payout ratio for the year was approximately 65%.





WORKING CAPITAL CYCLE

During the year under review, the Group's overall working capital cycle decreased by 21 days to 32 days as compared to last year (2008: 53 days).

The Group's average inventory turnover days improved by 2 days to 47 days as compared to same period last year (2008: 49 days), primarily due to improved production planning, procurement control and logistics management.

The Group's average trade receivables turnover days extended by 6 days to 54 days as compared to last year (2008: 48 days), predominantly due to increase in revenue and expansion of retail outlet network but payments were still received within the 90-day credit period given to customers. On the other hand, the Group's average trade receivables turnover days for the six months ended 30 June 2009 was 60 days, hence, there was an improvement of 6 days as compared to the interim period due to tight credit control.

The Group's average trade payables turnover days increased by 25 days to 69 days as compared to last year (2008: 44 days), primarily as a result of tighter cash management and better utilisation of the credit period provided by suppliers.

LIQUIDITY AND CAPITAL RESOURCES

The Group's primary sources of operating funds are cash flow from operating activities and cash and bank balances. As at 31 December 2009, the Group's current ratio was 5.3 (31 December 2008: 4.8). The Group maintained a net cash position, reflecting its healthy financial condition, paving the way for future development. As at 31 December 2009, the Group's gearing ratio was 0% (31 December 2008: 4.7%), which is defined as total borrowings divided by the sum of share capital and reserves of the Group.

Due to significant improvement of working capital management, the net cash inflow from operating activities for the year ended 31 December 2009 was approximately RMB880.3 million (2008: RMB502.6 million), a year-on-year increase of 75%. On the other hand, as at 31 December 2009, the Group's total cash and bank balances amounted to approximately RMB2,497.6 million (31

December 2008: RMB2,142.9 million), represented approximately 17% increase. As at 31 December 2009, the Group's bank borrowing was nil (31 December 2008: RMB124,000). As at 31 December 2009, the Group did not pledge any asset to secure any banking facilities granted to the Group. As at 31 December 2008, the land use rights and buildings with carrying values of approximately RMB8,639,000 and RMB8,891,000, respectively were pledged to secure the general banking facilities to the Group. For further details, please refer to note 14 and 15 to the financial statements.

INVENTORY PROVISION

For the year ended 31 December 2009, the Group did not have any inventory provision.

DOUBTFUL DEBT PROVISION

For the year ended 31 December 2009, the Group did not have any doubtful debt provision.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2009, the Group did not have any material capital commitments or contingent liabilities.

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 which will affect the Group's operation. The Group has not used any forward contract or currency borrowing 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 ACQUISITIONS

For the year ended 31 December 2009, the Group did not have any significant investments or acquisitions or sales of subsidiaries. The Group continued to seek opportunities to acquire and work with international sportswear products brands in order to generate more returns to its Shareholders.



USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

The shares of the Company have been listed on the Main Board of the Hong Kong Stock Exchange since 3 June 2008 with net proceeds from the global offering of approximately HK\$2,088 million (after deducting underwriting commissions and related expenses).

Proceeds from the global offer (HK\$ million)			
Use of proceeds	Available to utilize	Utilized (as at 31 December 2009)	Unutilized (as at 31 December 2009)
Media advertising and brand promotion activities	459	459	–
Expanding and improving distribution network	355	188	167
Expanding production and operating facilities	397	143	254
Acquiring brands	501	–	501
Enhancing design and R&D capabilities	146	116	30
Enhancing IT management system	63	19	44
General working capital	167	167	–
Total	2,088	1,092	996

HUMAN RESOURCES

As at 31 December 2009, the Group had 7,352 employees (31 December 2008: 6,414 employees).

The Group provides introductory orientation programs and continuous training to its employees that cover industry knowledge, technology and product knowledge, industry quality standards and work safety standards to enhance the service quality and standard 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 and the optimization of the development of its organizational structure and corporate culture to ensure that the Group will be able to maintain sustainable development in the future.

FUTURE PROSPECTS

MARKET OUTLOOK

In light of the devastating economic turmoil that affected the world, governments around the world have subsequently introduced measures to stabilise the economy and China had also responded swiftly and successfully maintained the stated target of economic growth. Looking ahead, it is believed that China will remain as one of the fastest growing economies worldwide. Driven by the positive policies of the Chinese government on accelerating urbanisation and expanding domestic consumption, the level of income and consumption power of the Chinese citizens are expected to grow. As such, we are optimistic about the outlook of the general consumption market.

Following the Beijing Olympics, China has placed great importance on the development of the sports product industry and the sports product industry is expected to be one of the major economic pillars in the future. Currently, the stimulus plan of the sports product industry has been formulated and will soon be introduced. With increasing popularity of sports and the sports frenzy triggered from various high-profile events, coupled with the growing consumption power in second and third-tier cities, the Group will continue to set foot in these markets for the development of the Xtep brand, aggressively seize the market opportunities and actively capitalise on the following growth strategies to achieve greater heights.



FUTURE DEVELOPMENT STRATEGIES

1. WORLD-CLASS BRAND, CHINA MARKET

To further increase the recognition of Xtep brand in China, the Group will make use of influential international events to carry out effective publicity strategies, enabling Xtep brand to appear on world-class arena.

2010 Shanghai World Expo

The Shanghai World Expo which will be held for six months from May to October 2010 is China's first role as the host of a world expo, it will definitely attract great interest and participants worldwide. China will also exhibit its edge in the most distinctive areas including culture, arts, enterprises and economy which will certainly attract global attention and the Shanghai Expo is expected to set a new record for world expos. The Group is highly honored to be the sole sports product sponsor for volunteers of such international event. All volunteers within the Expo arena will be wearing "Expo-Xtep" exclusive sports outfits solely designed by the Group when offering assistance to visitors from all over the world. At that time, worldwide visitors will feel the fashion and dynamic spirit of the volunteers dressed in Xtep brand sports outfits, hence impress the public with "Sports like No Other".

Debut of Chinese sports brand at the English Premier League

Xtep brand has made China's sports brands history. Xtep brand is the first Chinese sports brand to appear on stage as a sponsor at one of the world's most prestigious football leagues – English Premier League ("EPL"). Xtep brand will sponsor one of the EPL, Birmingham City Football Club for five consecutive years from August 2010 to May 2015. For the next five years, the Birmingham team will appear in "Xtep-Birmingham" outfits solely designed and sponsored by the Group which will showcase the fashion charm of Xtep brand at international sports events as witnessed by soccer fans and spectators from all around the world. The sponsorship is to raise Xtep brand position as well as a breakthrough in terms of product design and quality. The Group will design outfits that are able to cope with the quality requirements of ultra-high level of physical activities in professional football games as well as to express the smart and dynamic performances of players in professional contests. Therefore, the exclusive appointment as sports product sponsor for the Birmingham team demonstrates the absolute confidence in Xtep brand.

World Cup boom

The World Cup is held every four years and is scheduled for June 2010. In addition, soccer is a popular sport that arouses global attention. The Group has taken the lead in launching various series of Xtep brand sportswear under the World Cup theme in order to cater for the soccer enthusiasm of the public. The Group has formed alliance with the Chinese popular website Sohu at which the Group serves as the sports product sponsor for Sohu's World Cup website and a three-year strategic business partnership is established. Utilizing Sohu's leading position in the domestic internet arena and in coordination with the trendy commercial advertisement of the Xtep brand, people will be attracted to the Xtep brand's entertaining and innovative commercials when browsing the website, hence achieving great promotional effect.

Innovative entertainment marketing

To help consumers deepen their experience of the fashion charm of Xtep brand, the Group introduces innovative branding campaigns by way of having close contacts with popular young idols among the younger generation. The Group will continue to host concerts in key domestic markets as performed by Xtep brand spokespersons including pop stars Nicholas Tse, Wilber Pan, Jolin Tsai and the five Super Girls. Considering the overwhelming response received by the local markets in the past, such boom is expected to continue going forward.

Strategic partners

The Group will enhance its business relationship with media strategic partners to air commercials in China's major TV channels mainly as follows:

1. National Channel – CCTV-1
2. Sports Channel – CCTV-5
3. Hunan Satellite
4. Anhui Satellite
5. Southeast Satellite



2. INNOVATIVE PRODUCTS

The Group will continue to expand its design and R&D teams and bring in more experienced overseas designers of different background. It will also set up a R&D design centre equipped with advanced facilities in Guangzhou. The Group will continue to launch products blending fashion and sports and will increase products of different styles and elements. Moreover, the Group will maintain its development of the running series products by launching the Xtep brand ultra-light marathon shoes exclusively designed for long-distance running and expanding series of trendy shock-resistant running shoes with distinct features that are suitable for different types of distance, competition environment and game of the running events.

Besides, to strengthen the promotion of the running, the Group will sponsor running events of different characteristics in 2010 mainly as follows:

- Xiamen International Marathon
- Xian Marathon
- Tibet Half Marathon Challenge
- Hong Kong 15km Challenge
- Hong Kong Athletic League

3. NETWORK EXPANSION

The Group will continue with the expansion of sales network and focus in the second and third-tier cities. In 2010, Xtep brand sales network is planned to increase by 800-1,000 retail outlets, with development concentrated in provinces such as Hunan, Anhui, Shandong and Sichuan. The Group will continue to open flagship stores in the premier areas in order to expand the Xtep branding and add approximately 5-8 flagship stores.

4. GLOBAL MARKET AND MULTI-BRAND STRATEGY

The increasing importance of Xtep brand position among in the domestic market, in particular with the recent innovative marketing of the Xtep brand at international sports contests and other special events, has attracted the attention of brand distributors from other parts of the world. To cope with the product and sales requirements of markets abroad, the Group has established in Hong Kong an exclusive team for overseas market, gradually building a global distribution network and paving the way for the global market. Besides, the Group will continue to develop its multi-brand strategy at which other existing brands are utilized for the expansion of domestic and overseas sales.

5. DISTINGUISHED MANAGEMENT

The Group will strive to enhance corporate governance, business strategy and financial management. It will also place emphasis on the improvement of corporate framework and operational efficiency. In light of the fact that stringent sales channel management and product quality control are also areas for further improvement, the Group will improve the efficiency of business operations by enlarging the monitoring scope of distribution resource systems and strengthening the inspection of product quality.

CONCLUSION

The Group will continue with its unique and innovative brand differentiation strategies to improve the position of the Xtep brand in the market and its recognition in international sports and major special events. With the continuous growth in the domestic economy in addition to the fact that Xtep brand possesses distinct advantage in market positioning and solid operational strategies, the Group is confident to maintain its excellent performance growth in its march into the future.





Enchanting Autumn Breeze

