

CORPORATE INFORMATION

Board of Directors

Executive Directors

Ding Shui Po (丁水波) (Chairman)
Ding Mei Qing (丁美清)
Ding Ming Zhong (丁明忠)

Non-executive Director

Ho Yui Pok, Eleutherius (何睿博)

Independent Non-executive Directors

Tan Wee Seng (陳偉成)
Gao Xian Feng (高賢峰)
Bao Ming Xiao (鮑明曉)

Company Secretary

Yeung Lo Bun (楊鸞彬), FCPA

Authorized Representatives

Ding Shui Po (丁水波)
Yeung Lo Bun (楊鸞彬)

Registered Office

Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong

Unit A, 27/F, Tower A Billion Centre
1 Wang Kwong Road, Kowloon Bay
Kowloon, Hong Kong

Head Office in the PRC

Xiamen Xtep Tower, No. 89 Jiayi Road, Guanyinshan
Siming District, Xiamen, Fujian Province, PRC
Postal code 361008

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

Company Website

www.xtep.com.hk

About the Group

The Group established its own sportswear brand XTEP in 2002 and XTEP is now a leading professional sports brand in the PRC. The Group manages an extensive distribution network with exclusive distributors that operates approximately 6,000 stores nationwide covering 31 provinces, autonomous regions and municipalities across the PRC. The Group is principally engaged in design, development, manufacturing, sales and marketing and brand management of sports footwear, apparel and accessories. The Company's Shares commenced trading on the Main Board of Hong Kong Stock Exchange on 3 June 2008.

ABOUT THIS REPORT

Overview

This is the Environmental, Social and Governance ("ESG") Report of XTEP International Holdings Limited ("the Company" or "the Group") for the year ended 31 December 2017.

Scope of this Report

This report covers the period from 1 January 2017 to 31 December 2017, the same as the annual report of the Group. Responding to the upgrade in HKEx's requirement on environmental KPIs, from "Recommended disclosure" to "Comply or Explain", starting from this year, other than general disclosure on policies, we will also report on our material environmental KPIs.

An "ESG Reporting Guide Content Index" that maps the information contained in the report to the HKEx ESG Guide is provided in Appendix I.

A summary list of "Material Environmental KPIs" is provided in Appendix II.

Endorsement and Approval

This ESG report has been reviewed and approved by the Board of Directors.

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CHAIRMAN'S STATEMENT

2 XTEP INTERNATIONAL HOLDINGS LIMITED Environmental, Social and Governance Report 2017



DING SHUI PO

Chairman

MISSION Be the Chinese Runners' Favorite Brand

BRAND Professional Sports Brand



XTEP is a professional sports brand that strives to be the “Chinese Runners’ Favorite Brand”. We believe an active, happy and healthy lifestyle should be affordable to everyone.

Therefore, it has always been the Group’s goal to provide mass market consumers with high quality value-for-money professional sports products, enabling them to pursue their ideal lifestyle. To support this long-term goal, we will continue to solidify our leadership position in the sports industry with innovative products and services to consumers, while fulfilling our commitments and responsibility to the environment, employees and society.

To strengthen XTEP brand and to advocate healthier lifestyle, we actively support national and local sports events. We continue to show our determination by sponsoring the greatest number of marathons in China since 2015. In 2017, we sponsored 40 running events in total, including gold and silver label marathons and mass participation social running events. We hosted the second XTEP 321 Running Festival, which attracted over 20 million participants and tied XTEP’s name ever-closer to running.

To enhance XTEP’s professional sports image, we have further stepped up our product innovation and technology through our running research laboratory, which is the first dedicated running research laboratory in China. We are also working on new proprietary materials to be launched in 2018. Instead of focusing on the development of singular technologies, which is the common practices for the sports product industry, enhancing user experience is our first priority. We combined multiple technologies into a single product to improve its comfort and functionality, enhancing both an athlete’s performance and comfort while sporting. In lifestyle sports products, XTEP works with many different partners to create fashionable and comfortable wear for everyday use.

As e-commerce has become an increasingly popular retail channel, we have demonstrated our high desirability in our robust online sales. XTEP remained the top running footwear brand and became top domestic casual sports footwear brand by sales volume on Tmall.com in 2017. More beneficial for long-term brand development, we have integrated e-commerce as part of our online marketing efforts, which streamlines cost and further unifies XTEP brand image. We continue to see e-commerce as an essential part of the Group’s entire retail system.

To demonstrate efforts in fulfilling our commitments for environmental and social issues, therefore achieving a truly sustainable business, we would like to highlight the following:

Environmental Responsibility Highlights during the Year:

The Group continues to find ways of improving its environmental management system. The scope of the system includes all operations sites. The system assists us in complying with national and local environmental law and regulations. No in compliance was found in the year. During the reporting period, we have invested RMB10 million on automating production lines and in computer-controlled sewing machines, which enhanced efficient use of energy and resources.

Product Responsibility Highlights during the Year:

It is our goal to provide our consumers with affordable, safe and quality products. We manage our product quality through monitoring our suppliers and raw material providers. The resources invested into our research and development division has increased in recent years, we strive to offer healthier, smarter, more environmental friendly and professional products to our consumers through technological breakthroughs and innovations.

Employee Responsibility Highlights during the Year:

We understand employees are the cornerstone for our business operation and development. We promote healthy work-life balance and provide our staff with career development opportunities. To attract and retain the best talents, we provide our employees with higher than industry average compensation benefits and welfares, as well as a working environment that respects diversity, equality and dignity. To improve work life balance. The Group has set the 21th day of each month as "XTEP Running Day" to encourage our staff to run together and enjoy a healthy lifestyle.

Social Responsibility Update during the Year:

We are proud that XTEP is one of the pioneers in advocating healthy lifestyle in China. We continue to be the sportswear sponsor of the most number of marathons and sponsored a total of 40 running events in 2017. We have also sponsored five provincial representative teams for the 13th National Games of China. All of these help promote the sports industry, as also encouraged by Central Government's national policies.

Shareholder Responsibility Update during the Year:

Doing right to the environment and to the society is obviously crucial for XTEP as a corporate citizen. However, it is also our commitment and responsibility as a listed company to deliver value to our shareholders. We encourage active and open dialogue with all of our shareholders, through a wide range of means of communication, such as regular meetings, conferences and non-deal roadshows held globally. In 2017, we held a total of 228 meetings with investors.



INVESTOR RELATIONS INFORMATION

The Group is fully committed to transparent, accurate and timely communication with Shareholders, research analysts, the investment community, and the public.

INVESTOR RELATIONS CONTACT

Xtep International Holdings Limited
Investor Relations Department
Unit A, 27/F, Tower A
Billion Centre, 1 Wang Kwong Road
Kowloon Bay, Kowloon, Hong Kong
Telephone: (852) 2152 0333
Fax: (852) 2153 0330
E-mail: ir@xtep.com.hk
Corporate website: www.xtep.com.hk

SHARE INFORMATION

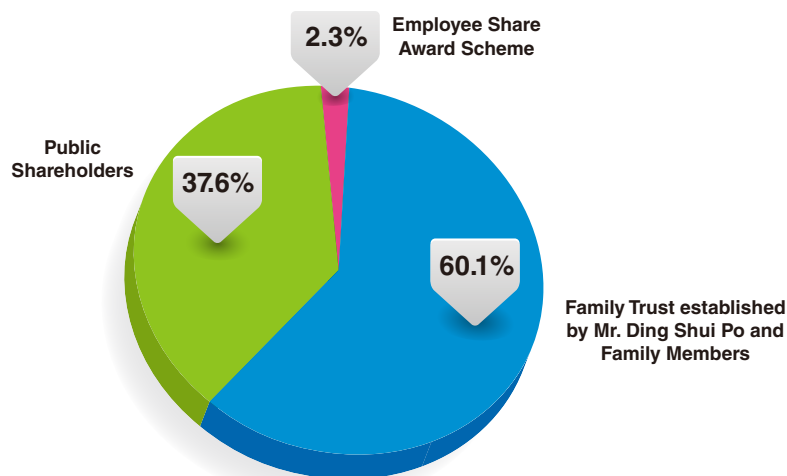
Listing Date: 3 June 2008
Board lot: 500 Shares
Number of issued shares as at 31 December 2017:
2,223,185,000 Shares
Stock code: 1368.HK

INDEX CONSTITUENT

Xtep International Holdings Limited has been included in the following indexes:



SHAREHOLDING STRUCTURE



AWARDS AND ACCREDITATIONS



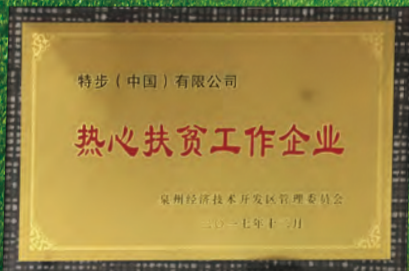
Top Ten Sports Brand of 2016
 (2016 China Footwear Industry Ceremony, Shoes.net.cn)
 *Received in 2017



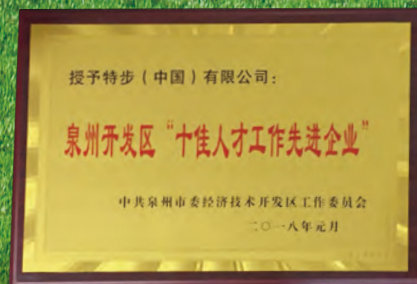
2016 Responsible Brand Award
 (Organizing Committee of the 6th
 China Charity Festival)
 *Received in 2017



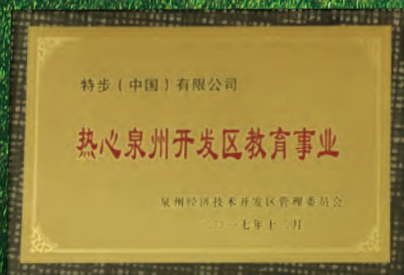
2016 "Golden HK Stock" Poll
 (Zhitong Finance and Hithink
 RoyalFlush Finance)
 *Received in 2017



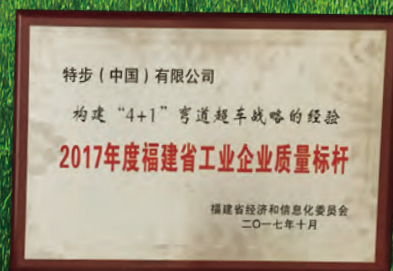
Enterprise Keen on Poverty Alleviation of 2017
 (Administration Committee of Quanzhou Economic and
 Technological Development Zone)



**2018 The "Top Ten Human Resource Management Company"
 of Quanzhou Development Zone**
 (Working Committee of Economic and Technological Development
 Zone of Quanzhou Municipal Committee of the CPC)



**Enterprise Keen on Education Undertakings of
 Quanzhou Development Zone in 2017**
 (Administration Committee of Quanzhou
 Economic and Technological Development Zone)



2017 Fujian Industrial Enterprise for Exceptional Quality
 (Fujian Provincial Commission of
 Economy and Information Technology)



2016 Most Popular Running Shoe Brand in China
(2016 Sina Running Ceremony)
***Received in 2017**



2017 Golden Wheat Awards (Product Categories)
(Zhejiang Daily Press Group and
"Taobao Tianxia", a platform of Alibaba)



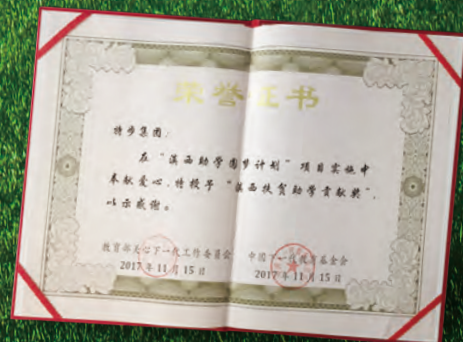
IR Magazine Awards – Greater China 2017
(IR Magazine)



2016 Contribution Award for Development of Marathon in China
(Chinese Athletic Association)
***Received in 2017**



2017 Typical Outstanding Enterprises of National Quality and Integrity
(China Association for Quality Inspection)



2017 Contribution Award for Poverty Alleviation and Education Funding in Western Yunan
(Cares for Next Generation of Working Committee of the Ministry of Education, China Next Generation Education Foundation)

BUSINESS OVERVIEW

Completing the Strategic Transformation

2017 was a year where the Group made some of the biggest changes to our retail system, completing our three-year strategic transformation. While still operating a wholesale business model in the offline retail channels, the Group has gained full supervision over the entire retail operations by flattening the retail channel and incentivizing wholesale XTEP exclusive distributors to become retailers. We recognized that such rapid changes posed some temporary challenges to the Group's financials, but the changes were necessary for a better future. The benefits of the changes have been immediately visible with improved efficiencies in retail sales. We believe this will translate into better sales revenue for the Group from 2018 onwards.



The Group's revenue for 2017 declined by 5.2% to RMB5,113.4 million (2016: RMB5,396.6 million). The decline in revenue in the second half of 2017 was 2.1%, improved from a 8.8% decrease in the first half of 2017. Gross profit margin continued to expand for the 5th year in a row, by 0.7 percentage point to 43.9% (2016: 43.2%). Margin expansion was driven by effective streamlining of business divisions and the increasing contribution of e-commerce to the revenue. Profit attributable to ordinary equity holders of the Company declined by 22.7% to RMB408.1 million (2016: RMB527.9 million). However, if the impact from the one time buy-back loss of RMB120.8 million associated with repurchased products were excluded, the profit attributable to ordinary equity holders would have been approximately RMB529.0 million (2016: RMB527.9 million), representing an increase of approximately 0.2% over the last year. Basic earnings per Share amounted to RMB18.81 cents (2016: RMB23.89 cents). The Board recommends and has resolved to declare a final dividend of HK4.5 cents per Share. To thank shareholders for supporting the Group in the past ten years, a tenth year listing anniversary special dividend of HK10.0 cents is proposed (2016: a final dividend of HK3.25 cents per Share and a special dividend of HK2.75 cents per Share). Together with an interim dividend of HK8.5 cents (2016: HK10.5 cents) per Share, total dividend increased by 39.4% to HK23.0 cents (2016: HK16.5 cents), equivalent to annual payout ratio of 103.8% (2016: 60.0%).



Chinese Runner's Favourite Brand

XTEP is first and foremost a brand. We believe every brand should have its unique identity, and XTEP after its transformation to a professional sports brand strives to be the “Chinese runners’ favorite brand”. We continue to show our commitment to this by continuing to be the sportswear sponsor for the most number of marathons in China since 2015. In 2017, we sponsored 40 running events in total, including international Gold and Silver Label marathons and social races that emphasize mass participation. We hosted the second annual XTEP 321 Running Festival, which attracted over 20 million participants and tied XTEP brand ever-closer to running. Our spokesperson Xie Zhenye (謝震業) became the fastest man in China by winning triple gold medals in the 100m dash, 200m dash, and 4x100m relay during the 13th National Games of China, wearing cleats designed for him by our own laboratory and scientists. The success of our sports marketing was well perceived by XTEP’s topping domestic brand ranking in Joyrun research in the top three marathons in China again.

XTEP’s marketing strategies were not limited to sports arena and athletes. We have also signed additional entertainment celebrities Zhao Liying (趙麗穎) and Lin Gengxin (林更新). Their popularity as actress and actor helps promote our products

to those who are only starting to or considering to engage in a more active lifestyle. The XTEP brand is inclusive and we aim to provide affordable professional quality sportswear to enable the mass market to become happier and healthier.

Consumer Centered Product Innovation

To strengthen XTEP’s new professional sports image, we have further enhanced our product innovation and technology using our own running research laboratory, which is the first dedicated running research lab in China. They are also working on new materials to be trademarked and launched in 2018. We have taken a unique consumer-centered approach in our product design, where we offer three different functional footwear options for different runner usage frequencies, and six different functional apparel technology platforms to meet different weather conditions. Unlike many sportswear companies promoting specific technologies, we focus on the consumer, and apply multiple technologies within one product to create the best user experience. In lifestyle sports products, XTEP works with many different partners to create fashionable and comfortable wear for everyday use.

Our partners range from unique IPs such as Transformers and Smiley® to our celebrity spokespersons.



Retail Channel Controlled by the Group

The Group's retail channels underwent several major changes that allowed us to effectively supervise the entire retail channel, which led to positive results on retail sell-through, retail price, and inventory levels. First, we directly completed most of the flattening of our retail distribution channel to a more optimized format, where around 60% of the stores are operated directly by our exclusive distributors and the rest by authorized retailers. With the Group's aid in voluntarily lengthening account receivable credit period to these exclusive distributors, we were able to complete this transformation of our distributors from wholesalers to partial retailers over 2017. As a result, we have effective supervision over the entire retail channel, where the team of over 1,000 retail management staff decide on store locations and layout, universal tag price and set strict guidelines on product ordering instructions, discount ranges based on store tiering, and provides training for retail store staff. Retail efficiency has improved by over 10% on stores operated directly by exclusive distributors.

Second, we remodeled more than half of XTEP stores to our new 6s generation sports image. The new athletic image increased traffic into our stores, as well as items purchased per shopper. Newly renovated stores have over 10% increase in sales per square meter in comparison to those yet to be remodeled. The new stores also serve as a localized brand marketing icon, as it represents our new professional sports image. It allowed consumers to experience our new brand concept first-hand, as the Group believes this is the essential link for consumers to understand, accept and appreciate the new XTEP.

Third, our ERP system now has full coverage of our entire store network. The Group has added a "big data team" which monitors and analyzes the data gathered from the ERP system. The analyzed results are used for formulating accurate product ordering instructions for exclusive distributors, monitoring retail inventory levels, setting precise discounting ranges, arranging product displays to maximize store sales, and feeding consumer preference back to the Group to improve product designs.

While all of these positive changes in our offline retail channels were taking place, the Group's online retail remained robust. XTEP remained the top running footwear products seller on Tmall.com, and became the top casual sports shoes seller among domestic brands in 2017. For long-term brand development, we have integrated e-commerce as part of our online marketing efforts, which streamlines cost and further unifies XTEP brand image. O2O integration continued with our exclusive distributors, where we can achieve true omni-channel sales, and maximize profitability for both the Group and the exclusive distributors. We continue to see e-commerce as an essential part of the Group's entire retail system.

Running Faster into the Future

The changes made in 2017, and our rebranding as a professional sportswear brand since 2015 will propel the Group to the next phase of growth. XTEP has evolved from a fashion sportswear company to a professional sports brand. We believe, in the near future, the Group will begin to see the benefits of the changes made in the past three years. With our big data capabilities, the Group's retail network is getting smarter and increasingly efficient. We will continue to develop XTEP as a mass market sports brand, while seeking collaborative opportunities to tap other market segments.



MATERIALITY ASSESSMENT

We have engaged an independent consultant to conduct a Group-wide materiality assessment in the previous year. Opinions from high-level executives were collected and analyzed through interviews to

identify the key sustainability issues most relevant to our operations as well as stakeholders' expectations.

According to the result of the assessment, material ESG aspects most relevant to the Group are summarized in the table below.

Aspects	Material Issues	Relevance to the Business
Environmental	Emissions	Given the nature of our manufacturing processes, we generate only insignificant amount of air emissions, waste water and solid waste. We strictly comply with the national environmental protection laws and regulations.
	Use of Resources	4 main types of energy are essential to our daily business operations, namely, electricity, water, natural gas and diesel.
Social	Health and Safety	Occupational safety is another key issue to the manufacturing business. We are committed to providing our employees with a healthy and safe working environment. We strive to reach the goal of zero accident at all sites.
	Employment	A competitive compensation package is necessary to attract and retain talent, our people is the foundation of our Company's success.
	Development and Training	We regarded our employees as the most important asset of our Group. Employee training and aiding their career development are how we differentiate from peers.
	Labour Standard	Forced labour and child labour are regarded as key issues and they are completely prohibited by law and in our Group's operations.
	Supply Chain Management	Besides our own production sites, we relied on outsourced suppliers for the production of around 50% of footwear products and 85% of apparel products. Therefore supply chain management regarding quality and ESG issues are important to our Group.
	Product Responsibility	As a leading Chinese sportswear brand, consistency and excellence in quality is the foundation of our business. Customer service and relationship management was crucial in maintaining our brand image.
	Community Investment	Our Group regarded community investment as one of the ways to increase brand value. We strived to promote healthy lifestyle nationwide. We also donate to different regions across the nation for poverty alleviation and education.

Results of the assessment are used as the rationale behind the environmental data we chose to disclose in this year's report. For our first attempt in environmental data disclosure as per HKEx requirements, we would start by disclosing data of the most material environmental issues for the Group, use of electricity, use of water, use of natural gas and use of diesel.

We recognized the importance of continued materiality assessment in order to update the concerns of our stakeholders, we plan to conduct a new round of stakeholder engagement next year by continue reaching out to other stakeholder groups progressively in particular of external stakeholder, to establish a more comprehensive feedback for continual improvement of our ESG performance.



ENVIRONMENTAL PROTECTION

Our Vision

According to the latest research by United Nation and the World Bank, our environment is facing serious challenges. Our climate system is reaching a point where irreversible damage is destined to happen. Soon, there will be a global shortage of vital resources. We understand the severity of the problem facing the footwear and apparel industry. According to the result of the stakeholder's engagement, air emissions, waste disposal and waste water discharge are the most material environmental aspects to the Group.

As a responsible sports product producer, we strive to minimize our impact to the environment through two main themes, namely "efficient use of resources" and "emissions control". Our aspirations are supported by the successful implementation of the ISO14001 environmental management standards in all of our production sites since 2010. It facilitates the design and implementation of our environmental policies, ensuring that the production processes are compliant with national laws and regulations.

Starting from this year, we would report on material environmental KPIs in compliance to the latest HKEx requirements. We aim to make every practicable effort to comply with all applicable environmental laws and regulations in the places where we conduct our business.

Efficient Use of Resources

Electricity and natural gas are the Group's main forms of energy consumption. Water and other raw material like leather are also key resources essential in the production of sports products. Various measures and initiatives were carried out during the year to improve the efficiency we consume energy and natural resources along the production chain.

Use of Energy

Electricity is used in factories' operations, dormitories and offices. Other major form of energy uses in our factories include natural gas for boilers and diesel for generators etc.

To support the local government's direction on improving energy efficiency, and China's national 13th Five-Year Plan on the development of green

economy, we continue to improve our performance on energy saving through the following three main considerations: proper maintenance/upgrade of equipment, environmental data management and employees' awareness enhancement.

Use of Electricity in 2017

Production facility	Total usage (in kWh)
Fujian Quanzhou main Factory	13,365,779
Fujian Jinjiang main Factory	2,914,000
Anhui Factory	4,248,260
Hunan Factory	2,088,496
Fujian Quanzhou Koling Factory	882,360
Annual Total	23,498,895

Use of Natural Gas in 2017

Total usage (in m ³)	68,748
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Use of Diesel in 2017

Total usage (in kg)	3,238
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Proper Maintenance/Upgrade of Equipment

We believe that advancement in production technology and upgrades in equipment would not only improve production efficiency, but is also the major contribution factor in energy reduction. Therefore, throughout the years, we have continued to invest in facility upgrades and research on production process improvement.

Initiatives Carried out in 2017

The Group has spent approximately RMB5 million on the construction of a dedicated pipeline system for water, electricity and natural gas supply at the Quanzhou production site in 2016. The construction work has been completed during 2017, and is fully in operation. The pipeline system vastly improves the efficiency and safety of the energy and water supply. Since natural gas is now readily available on demand, we improved energy efficiency by replacing diesel with natural gas for power generation. We conduct a security check on the system twice a month to ensure safety.

RMB10 million was invested in 2017 on an automatic production line and in computer controlled sewing machines. The computerized production machinery greatly improves our production efficiency and cuts down on unwanted human error. We could also better manage our production related data, therefore, more reliable forecasting can be done to further improve the efficiency of resources use.

We have been gradually replacing lighting fixtures in all of our facilities with more energy efficient ones, for example, we use LED light tubes in place of traditional ones to conserve energy.

Environmental Data Management System

We have developed and implemented data management systems to collect, store and organize material environmental data. The system allows us to analyze the environmental performances of our factories in different locations and countries, and allows us to make more educated decisions for potential resources saving projects. It also functions as a reliable benchmarking of our performance with the requirements from the local governments to ensure compliance, meeting ever stronger expectations on our controlling resource consumption and emissions.

Enhancing Employee Awareness

Throughout the year, our employees received trainings to raise awareness on energy efficiency. We co-organize workshops and seminars in our out-sourced factories as well to reflect on past processes and set plans for further future improvement of the environmental performances of production facilities.

Clear energy and water saving rules have been established to engage all staff in achieving the Group's target together. Posters and internal communications are used to remind our employees of the Group's latest environmental policies and measures. Several environmentally friendly measures have been introduced in our office to advocate energy saving and reducing environmental footprints in daily operations.

Use of Water

Due to the nature of the sports products industry, water is one of the crucial natural resources used in manufacturing activities. The laundry of finished garment and inflow for boilers account for the majority of water usage in the production process. We strive to improve efficiency in all of our factories through several measures including process improvement, and water recycling and reuse.

Another major source of water consumption is from the dormitories in our production facilities. We strive to improve the efficiency in water through continuous education and a "carrot and stick" approach to users. To promote water saving, we have established and implement a water saving policy that has been communicated to all employees. Water meters are installed in all dormitories and water consumption is being closely monitored.

To help develop awareness in water saving and to progressively eliminate waste, we encourage the principle of "pay for what you use". A certain amount of free quota for water usage is allocated to each staff, any excess amount used has to be paid for by themselves. By linking an economic cost to wastage in natural resources, we hope to provide employees with extra motivations in gradually adjusting their consumption behavior.

Since 2016, we have contributed in Quanzhou City's initiatives to become a National Water Saving City. Guidelines are established to give employees training in water saving tips and encourage staff to implement water saving initiatives in daily operations.

Use of Water in 2017

Production facility	Total usage (in L)
Fujian Quanzhou main Factory	213,157
Fujian Jinjiang main Factory	68,707
Anhui Factory	11,615
Hunan Factory	26,996
Fujian Quanzhou Koling Factory	1,372
Annual Total	321,847

Emissions Control

Greenhouse Gas Emissions

While the Group has not conducted any greenhouse gas (GHG) assessment before, we understand that the use of energy is a significant source of GHG from our operations. Over the past years, various initiatives and installations had been adopted to improve our energy efficiency, thus enabling reductions of our overall carbon emissions. Please refer to Section "Use of Energy" for more detailed energy-efficiency measures applied.

It is recognized that greenhouse gas emissions is a material environmental topic worldwide. To support the global and industry effort in tackling carbon emission, we will start to look into carbon audit shortly to determine our baseline.

Air Emissions

Air emissions are insignificant to the garment manufacturing process. Major air emission sources are from the use of diesel boiler and back-up generators in the production facilities. During the year, we have been replacing diesel-fueled boilers by natural gas or electricity boilers to cut down on air emission and unpleasant odor.

Waste Water Discharge

Our production operation only generates insignificant amount of wastewater, mainly from the laundry of finished products and boilers. All wastewater generated during the manufacturing process are collected centrally and legally discharged to sewage treatment plants directly through city pipelines. To the best of our knowledge, no violation of discharge standard was recorded during the year.

Waste Management

The Group has established detailed management systems for the storage and disposal of wastes as well as emergency protocols to facilitate proper handling of hazardous waste. We strictly comply with local government laws and regulations regarding waste treatment.

General Waste

The Group continuously optimizes its production plans and procedures in order to better utilize the raw garment materials and therefore reducing the generation of waste fabrics. Rags and leather are collected by recyclers periodically and we try to minimize the disposal of these raw materials of as wastes.

We optimize the use of packaging material and would continue to explore new environmentally friendly material to use as packaging.

3Rs principles of reduce, reuse and recycle have been widely adopted throughout the whole group. All recyclable waste are categorized and recycled centrally. Other general waste from our operations are being properly disposed of in accordance to local requirements. External contractors are being appointed for proper handling and disposal of general non-recyclable waste.

Hazardous Waste

Our production facilities are principally engaged in the cutting, sewing, finishing and packaging of garment. Majority of raw materials are purchased from qualified fabric suppliers screened by our supplier code. Hazardous waste are managed from the very beginning of our production chain.

The most common hazardous wastes we produce during the manufacturing process are used industrial glues and its containers, though in limited quantity. We source all of our glues from qualified international suppliers that have higher quality and safety standards than those produced domestically. During the year, we have engaged qualified 3rd party to perform detailed laboratory testing on our glues. The report shows that the glues we used defuse far less hazardous chemicals and unpleasant odor in applications compared to domestically manufactured ones. It is always our goal to optimize the working environments and health standards for our workers. Therefore, despite higher costs is for better quality glues, we would continue to use them.

Regarding the limited hazardous waste generated, we have appointed qualified third-party companies for proper handling and disposal, ensuring that the process is in compliance with the local laws and regulations on hazardous waste disposal.

The Environment and Natural Resources

The significant environmental issues faced in our business in relation to emissions and the use of resources is already disclosed in the above sections.

Regulatory Compliance

During the reporting period, we were not aware of any material non-compliance with laws and regulations relating to environmental emissions.

PRODUCT RESPONSIBILITY



We understand that the quality and safety of our products represent the reputation of our brand. We take great pride in the products we made and the services we offered. It has always been our goal to provide our consumers with value sports products and to enable them to pursue their ideal lifestyles.

We maintain our quality products and services in three aspects. Through product quality management, consumer relationship management and product innovations.

Product Quality Management

Product quality and safety is the cornerstone in the growing the XTEP brand. We take great pride in every product we made, and consumer satisfaction is what we ultimately seek for. To standardize our operation procedures, the Group has designed and implement our production processes based on ISO9001 quality management standard since 2003. By strictly following the above said system, we have been providing consistent and high quality products to consumers.

Our effort in product quality management can be broken down into the following three aspects:

Dedicated Quality Assurance Team

A well-trained quality assurance team is set up, led by the chief quality officer, for constant monitoring of manufacturing progress and internal quality control of our products. The team's assurance procedures comply strictly to the Group's quality control system that is reviewed and updated annually.

Apart from monitoring the quality of our internal productions, they also conduct regular inspections to our major third-party suppliers, making sure that the Group's standards on product quality and safety can be matched. The checking criteria include ESG elements as well, for example, the working environment, compliance to environmental and labor related laws and regulations. We understand that third-party suppliers are like the extended part of the Group where our image would also suffer should any incidents occur. Therefore, we strive to offer continuous support to our major suppliers.

Advanced Manufacturing Equipment and Laboratory Testing

State-of-the-art manufacturing equipment and production technologies are crucial for delivering well-made products on a consistent basis. The Group is one of the country's most technological advanced sportswear manufacturers, and have invested in some of the best manufacturing equipment available. During the year, we have introduced six smart machine types, including automatic tangent rolla car, automatic jet printer, electric carving machine, automatic sealing machine, densely beating machine and fourneedle six lines. These new automatic equipment improves our manufacturing process and we allows us to better monitor the whole production chain, providing more information for analysis of areas for improvement.

Other than high-tech equipment, our in-house nationally certified laboratories also contribute to our success. The laboratories conduct tests on raw material provided by suppliers, ensuring product safety and compliant with the relevant product laws, and before any finished goods are shipped, sample testing would also be carried out where the procedure strictly follows the testing and management system in place.

Leading Industry Standards in China

As a leading sports brand in China, we are not satisfied in just meeting the minimum standards required by laws. We are a firm believer in corporate responsibility. Therefore, as a corporate citizen we actively participated in drafting and revision of the national and industry standard in China. We hope to use our influence as an industry leader to set ourselves as an example to gradually improve the industry's production quality and product safety.

Since 2016, we have been a regular chair member of the "Quality and Credibility Alliance" (質量信譽聯盟單位). We formed close relationships with China National Institution of Standardization, China Association for Quality and ACSIQ. The Group has regular meetings with the above parties to get updates on the latest trends in product-related laws, and contribute to policies drafting by sharing our in-depth industry experiences and knowledge.

Consumer Relationship Management

Standardized Consumer Service Procedures and Training

To provide our consumers not only with quality products but also high standard of shopping experience consistently in every retail store, we have established and implemented a set of standardized training modules. Trainings and classroom seminars are provided to all staff in retail stores.

All staff are advised to follow the step-by-step instructions set in the in-house service manual. It shows detailed and precise demonstration of how high standard consumer services are to be delivered. To get our staff familiar with the Group's latest development and strategy, we provide regular trainings on new product knowledge, product displays, brand campaign, sales strategies and inventory control through our internal "Super Shopping Guide" (超級導購) APP. It is an online training platform that allows staff to have more flexibility to arrange their training schedule, while passing of tests and quizzes on the APP will serve as a part of the evaluation process for promotion.

Product Recall and Consumer Complaint Process

We value consumer opinion and respect their rights in expressing dissatisfaction. Therefore, a dedicated "consumer service" team has been set up to handle consumer complaints and product return. Though it is our goal to give the best shopping and product experience to every consumer we serve, we see complaints and product returns as valuable lessons that we could leverage on to improve our internal control and manufacturing processes.

Depending on the estimated amount of losses, the Group categorizes the severity of product recalls into three different levels. For a major product recall, a comprehensive incident investigations have to be

completed by the quality management center with 15 working days and provide a "responsibility attribution report" to the senior management and human resources department. For those persons identified as held responsible for the incident lead to the major product recall, the Group would provide further training to prevent similar cases from happening again.

We have seen improvement in our product quality and consumer satisfaction. Till the end of the reporting period, the return rate of shoes related products is 1.88%, which is 0.63 percentage points lower than the previous year. The same for apparel products, the return rate is 1.82%, 0.24 percentage points lower than the previous reporting period. No incident of mass product recall has happened during the year.

Consumer and Market Survey

To ensure our products and services meet consumer needs and expectations, we have been active in seeking consumer feedback and market reactions through different channels. We sincerely believe that consumers' recognition and loyalty to XTEP brand is the most important factor for the Group in achieving sustainable and long-term growth in revenue and market share. By understanding consumer preferences, we could develop products that best fit their needs and be able to improve their standard of living.

Consumer satisfaction has always been regarded as one of our top performance indicators. The Group conducts "brand healthiness survey" annually to reveal our relative competitiveness against peers, identify key strengths and areas for improvements. We could then adjust our branding and products strategies accordingly.

According to our 2017 survey, consumers have very strong recognition of our brand, especially for running related products. XTEP ranked top three among all domestic sports brands, affirming our achievements in branding and product development after changing to the new professional sports image.

Product Innovation

Through continuous research and experiments, we have seen consistent technological upgrades in recent years. We continued to work closely with our partners to co-develop new products and materials, leading to not only improvements in athletic performances for users, but also minimizing negative impacts to the environment caused by our product chain.

Applications of Environmentally Friendly Raw Material

Extensive research has been done on the potential use of organic and environmentally friendly materials to reduce the impact to the environment.

For example, we use X-Organic cotton and Dupont™ Sorona® material, which is lightweight and soft to the skin, waterproof, quick-dry, antibacterial and deodorizing. We also use infrared ceramic printing within apparel products, which can effectively absorb and reflect the far-infrared of human body heat to improve thermal insulation and provide increased warmth without using additional materials.

Innovative Product Technologies

As a local pioneer in producing professional sports product, the Group always aims high in product innovation. We benchmark our product technology against international running specialty brands. We sincerely believe that it is one of XTEP's missions to provide products with quality directly comparable to international brands at a fraction of the price. To aid in achieving this goal, XTEP has built China's first running research laboratory, led by international renowned scientists and researchers. The team comprises of over 20 researchers from various fields including, sports science, product design, structural engineering, fabric and shoe sole engineering. They use world leading scientific research equipment for product testing and studying of different types of runner's feet, body figure and gait, in order to develop and optimize the functions, technologies and products to best fit runners of different levels.

Footwear Technologies

The Group combined different technologies into three core series of running shoes in 2017, which are RUN FAST (競速快跑), RUN DYNAMIC (動力暢跑) and RUN FIT (舒適易跑), to better serve expert/advanced runners, intermediate runners and beginner runners, respectively.

Apparel Technologies

For running apparel, the Group has categorized the technologies into six core technology platforms, which are XTEP-DRY (酷乾科技), XTEP-COOL (釋冰科技), XTEP-WARM (熱能科技), XTEP-SHIELD, XTEP-COMFORT and XTEP-STRONGER, to match different weather conditions and motion states runners encounter:



Regulatory Compliance

During the reporting period, we were not aware of any material non-compliance with laws and regulations relating to product responsibility.

FOOTWEAR TECHNOLOGIES

RUN FAST

FOR EXPERT/ADVANCED RUNNERS

Who participate competitively in marathons or triathlon, and look for high performance



RC 160 shoes

One of the lightest running shoes in China, weighs only 160 grams, have strong shock absorption, designed for expert/advanced runners

RUN DYNAMIC

FOR INTERMEDIATE RUNNERS

Who look for both performance and comfort



RC 300 Shoes

Uses two types of materials in the shoe sole, with gel cushioning in the front and heel of the shoe to provide strong shock absorption, and TPU in the center for more structural foot support from rolling

RUN FIT

FOR BEGINNER RUNNERS

Who prioritize comfort in their exercise experience



Uses cube modules to support pressure from the foot and ground, plus memory foam-like material to bring increased cushioning



A key shoe insole technology the Group co-developed with the Dow Chemical Company. The insole provides memory foam-like comfort to fully enclose the foot



Made from high elasticity TPU bubbles, which absorbs and releases more energy during running, making each step easier



Uses reflective and light-emitting material to enable better visibility in the dark, improving safety of outdoor sports at night



Offers bounce and soft rebound in shock absorption with improved 4.0 generation soft and high resilience material



Applies uni-body three-dimensional double-layer weaving technique, with mesh arrangement according to stress points to improve breathability and seamless fit to foot, providing light and comfortable running experience



Material from the 3M Company provides lightweight insulation for winter products



Uses XTEP's signature DNA hollow loop structure to support shape recovery from compression and impact



Utilizes an air-cushion system around the entire sole, providing all-around shock absorption

APPAREL TECHNOLOGIES

XTEP-DRY



酷干科技

KEEP YOU DRY
助力运动畅快干爽



XTEP-DRY 2.0



Absorbs and transfers moisture on the skin quickly to fabric surface through special yarn and weaving arrangement, which then evaporates in air for instant absorption and immediate dryness

XTEP-COOL



释冰科技

KEEP YOU COOL
助力运动冰感酷爽



Cooling Fibers



Cooling Xylitol is woven into special clothing fibers, which increases the fiber's rate of heat dispersion, leading to long-lasting coolness during exercise

XTEP-WARM



热能科技

KEEP YOU WARM
助力运动持续保暖



Far-infrared Warm



Applies ceramic printing which can effectively absorb and reflect the far-infrared of human body heat, to improve thermal insulation and provide increased warmth without extra weight

Heat Retain



Newly developed uni-body heat containment structure using seamless down filling technique that prevents heat loss from pin-hole, achieving high heat retention

Thermolite®



Material from INVISTA (part of KoSa) from the U.S. with fine hollow fiber technology that creates a layer of air protection blocking cold air from outside, keeping the wearer warm and dry

XTEP-COMFORT



KEEP YOU COMFORTABLE
提升舒适性



Dupont™ Sorona® materia



Lightweight, soft, elastic material that easily recovers shape

Xtep Sports Elastic Technology



Uses highly elastic fiber that allows athletes to stretch freely during exercise, this is applied specifically to indoor training series

X-SEAMLESS-TECH



Uses seamless knitting technique in professional sports apparel to reduce friction during sport

XTEP-SHIELD



KEEP YOU PROTECTED
全方位防护



Anti-UV



Protects the wearer from harmful ultraviolet radiation during outdoor sports through protective chemicals weaved into fabric

Waterproof & Raised Permeation



Protection from water and quick evaporation of moisture on the body surface through special coating on fabric, keeping body dry and comfortable

XTEP-STRONGER



MAKE YOU STRONGER
提供运动持久动能



XTEP-ENERGY technology



Releases negative ions to alleviate sports fatigue, helping runners harness more energy during professional sports

SUPPLY CHAIN MANAGEMENT

XTEP SPORTS



XTEP
SPORTS



Suppliers play a major role in supporting our Group's success. To meet raising consumer expectations and demands, we outsourced part of our production to third-party suppliers all over China. Around 50% of our footwear production and 85% of our apparel production are outsourced. We have developed detailed policies and procedures to effectively manage the product quality of our suppliers. As mentioned above, a dedicated team is responsible for constant monitoring of supplier's production qualities. Regularly site visits are carried out in suppliers' manufacturing sites to ensure any problems can be spotted and solved immediately.

Apart from product quality, the Group also carefully monitors suppliers' performance on ESG related issues. In the past few years, the idea of green supply chain is becoming a global trend within the garment industry. Therefore, we have developed and implemented a "supplier code of conduct" as a guide to communicating our requirements to all of our suppliers. This guide not only addresses suppliers' capabilities, product qualities, compliance status and qualifications, but also on their regulatory compliance and efforts on environmental issues, labor standards, employee welfare and human rights etc. Quarterly checks are conducted by our procurement, laws and compliance team, as well as the human resources departments to ensure the Group's requirements can be met.

To encourage and support our suppliers in developing environmentally-friendly production facilities and a fair working environment, we provide regular training to our suppliers. We provide support to suppliers who are interested in upgrading their management system, but lack to resources and experience required.



For example, the ISO14001 on environmental management, ISO9001 on product quality, ISO50001 on energy management, and OHSAS18001 on occupational health and safety. During the Year, RMB20 million has been invested in a third-party footwear supplier in exploring and researching new product technologies together. More co-corporations with major suppliers are to be expected in the near future.

Outside the Group, we are open to inspections carried out by the government and other environment monitoring institutions. We hope to set ourselves as the standard of responsible manufacturer of high quality products, and to share our experience and knowledge to help growing the Chinese garment industry.





HUMAN RESOURCES

At XTEP, it is our top priority to provide fair employment and safe working environment to our workers. To grow our business continuously, we also believe that our employees are the foundation of our Company's success. It is our goal to attract and retain the best talents. We implement a fair and transparent recruitment scheme that respects human rights and the dignity of all people. The Group provides comprehensive benefit packages along with learning and professional development opportunities to our employees.

Numerous recognitions have been earned from employees and the government, with regards to our efforts in securing workers' welfare. The Group has always been one of the top choice employers in China.

Employees Welfare

We believe that sustainable growth in our business relies on the recruitment and retention of talents. To retain and motivate talent, the group offers competitive remuneration which is reviewed and adjusted regularly. Employees are entitled to all paid holidays or leaves under local laws, such as statutory holidays, leave, maternity leave, paternity leave and sick leave. Wages provided to our factory workers are significantly higher than the minimum wages required by the local laws.

Approximately RMB20 million is spent annually on upgrading employees' living standards. We provide a full package of living necessities to our workers, for example, dining facilities, dormitories, sports centers and other leisure areas to improve their living standards. We hope to provide the necessary infrastructures to our employees, and allow them to live and prosper in the XTEP community. In 2016 we spent approximately RMB80 million to build a brand new apartment complex for our factory workers in Quanzhou. The construction work has been completed, and our workers have already moved in. We have received very positive feedbacks from the users. In 2017, a new canteen was built for our employees and is now in full operations. It offers more diverse options and a safer, cleaner, and more enjoyable dining experience to our staff.

To strengthen bonding among our employees, we organized and subsidized events during the year such as festival celebrations, monthly group-wide birthday parties, interests groups and trips etc. As a leading sports brand, we encourage our staff to develop a healthy living style. Activities and events are organized to boost their awareness in maintaining a healthy work life balance and to exercise regularly. The Group has set the 21th day of each month as "XTEP running day". All workers are encouraged to run as a way to promote healthy lifestyle.



The Group respects employees' opinions. Open communication is encouraged to foster mutual trust and respect between the management and employees. Employees may confer local issue with the management through different channels or discuss with their immediate supervisor or senior management team if necessary.

Equal Opportunity, Diversity and Anti-Discrimination

We support diversity and is committed to promoting equal opportunities of all employees in relation to personnel matters including recruitment, training, promotion opportunities, benefits, transfer and dismissal etc. We ensure that employees are not discriminated or harassed against on their race, age, sex, marital status, religion or belief.

During the reporting period, we were not aware of any material non-compliance with laws and regulations regarding employment and labour practices.

Child Labor and Forced Labor

The Group respects each individual's basic human rights and strictly prohibits the employment of forced labor and child labor.

We strive to comply with international labor standards and the PRC government's "Provision on the Prohibition of Using Child Labor". During the year, we did not hire any employee under the age of 16.

Workers employed by us are all working at their own will and they have freedom to express their own opinions at work. We do not allow any form of forced labor within our Group. Employees are entitled to work in an environment with dignity, their basic rights are well protected. Rest and leave days are provided in accordance with relevant government laws and regulations. To allow our employees to have a proper work-life balance and to minimize the potential health and safety risks, employees are only expected to work at day time. There is no night shifts even during peak production season.

During the reporting period, we were not aware of any material non-compliance with laws and regulations relating to labour standards.

Health and Safety Management

The Group is committed to providing a safe and healthy working environment for our employees. We mainly engaged in the manufacturing of garment, working environment mainly consist of indoor production areas and offices. During the year, we have discovered no occurrence of any serious injury and accident. Although the work nature is of low-risk, the Group pledges full compliance in all occupational health and safety legislations. By referencing to OHSAS18001 or its equivalent, we have formulated safety guidelines and communicate to all employees.

The Group regularly identifies and evaluates potential hazards in the production and living areas, clearing major risk sources and developing appropriate control methods. Measures to safeguard our employees from accidents and occupational diseases include:

- Periodic machinery safety check;
- Physical and chemical hazard identification and control;
- Facility hygiene control;
- Emergency preparedness for accidents and incidents;
- Trainings to educate employees in occupational health and safety issues; and

Another effective way to plant occupational health and safety in the minds of employees is to provide regular training. Fire and earthquake escape and safety trainings are provided on an annual basis. Production sites conduct drills for emergency incidents every 6 months to ensure every worker has the capability and relevant knowledge in case of industrial accidents and natural disaster.

During the reporting period, we were not aware of any material non-compliance with laws and regulations relating occupational health and safety.

Training and Career Development

The Group considers its employees as its most valuable assets. We are a firm believer in nurturing employees' knowledge and skills through continual training. We are convinced that a team with strong industry knowledge and expertise will help enhance our competitiveness. We encourage employees to continue their studies and enroll in courses related to their job, as well as other areas they might be interested in pursuing.

Throughout the year, we provide orientation seminars and on-the-job trainings to promote personal growth of employees where necessary. Topics covered include industry knowledge, technology and product knowledge, industry quality standards and work safe standards. "XTEP University", our internal employee training center, provided regular training courses in addition to on-the-job training. The courses not only allow employees to enrich their skills required in their own positions, but also learn about different parts of the Group's operations and additional skills for career development.

Meanwhile, a clear system for career advancement has been established to provide employees with guidance on career path and promoting opportunities. Employee performance review is performed annually.



Anti-Corruption

The Group is committed to achieving the highest standards of openness, integrity and accountability. We have zero tolerance for any sorts of corruption behavior. We have developed and implemented an anti-corruption investigation system, which is subject to annual review and updates, to facilitate our enforcement and control on anti-corruption related issues.

All of our employees are made aware that the Group has no toleration of any bribery, extortion, fraud or money laundering whether in dealing with public officials or individuals in the private sector. "Anti-fraud complaints reporting management system" (反舞弊舉報投訴管理制度) and a "code of integrity" (廉潔守則) serve essentially as guides for our employees to act according to the Group anti-corruption requirements. The guides are drafted in reference to relevant national policies such as the "Basic Norms for Internal Control" and "Guidelines for Application of Enterprise Internal Controls" released by the Chinese government.

Whistle blowing policy and relevant communication channel have been set up to provide employees with reliable ways to report suspected frauds or misconducts by all staff within the Group. Unlawful or unethical conduct will be investigated promptly. All information received shall be kept confidential. Once suspicious corruptive behaviour has been detected and confirmed, the Group would take immediate corrective actions and devise future plans for mitigation. Legal actions would be taken if necessary.

Whistleblowing Channel

Whistleblowing channels established by the Group are completely anonymous. Personal information of the reporter will only be communicated to the Group's CEO.

During the reporting period, we were not aware of any material non-compliance with laws and regulations relating to anti-corruption.

SOCIAL INVESTMENT



特步跑道

10KM

心
跑到哪里
路才会
跟到哪里
#找·真跑者#



Advocating a Healthy Lifestyle

To raise public awareness and support their desire in pursuing an active, happy and healthy life style, apart from providing them with the best product possible, we also place extensive focus on cultivating a positive atmosphere within the community in engaging sports events. We believe, as a corporate citizen and as a leader in the local sports industry, we are also responsible in advocating participation in sports, by providing them with some of the necessary resources and opportunities.

Throughout the years, we have been promoting participation in running and other mass sports events, some with low entry requirements to get people involved despite their differences in experiences. We also devoted much of our resources in supporting the development of the sports industry in China. We believe an active, happy and healthy lifestyle should be affordable to everyone.

Running

Distinguishing ourselves from our domestic peers, XTEP identifies uniquely with running. Out of all the sporting events we sponsored, this is the field where we invested the highest proportion of our resources. XTEP continued to carry the title of the sportswear sponsor for the most number of marathons in China in 2017, where we were the sole sports brand sponsor for each event. The Group sponsored 29 major marathons in major cities such as Beijing, Tianjin, Chongqing, Xiamen and other 11 additional running events for the year ended at December 31 2017, including 10 XTEP Penguin Runs (特步企鵝跑) in cooperation with Tencent and the XTEP 321 Running Festival. Total participants in these 40 events, excluding XTEP 321 Running Festival Gala Show, exceeded 670,000.

In 2017, we continued to be the official partner of China Marathon (中國馬拉松官方合作夥伴) recognized by the Chinese Athletic Association (中國田徑協會), and won the 2016 Contribution Award for

Development of Marathon in China (2016年中國馬拉松發展貢獻獎) and Contribution Award at Marathon Gala-China 2016 (2016年中國馬拉松年會貢獻獎) in March 2017. After nearly ten years of cultivation in running in China, XTEP won the 2016 Most Popular Running Shoe Brand in China (2016年度最受歡迎中國路跑跑鞋品牌) at the 2016 Sina Running Ceremony (2016年度新浪跑步盛典) in May 2017.

Our involvement in running events is not limit to sponsoring marathons. XTEP 321 Running Festival has become an annual national celebration of runners. In March of 2017, we organized the second annual XTEP 321 Running Festival, emphasizing the Group's focus on running through different channels both offline and online, which attracted more than 20 million participants. Offline, we organized three XTEP Crazy Run in Beijing, Changsha and Xiamen, and a large gala in the evening to promote this one and only running festival for Chinese runners.

The Group sees social running events matching well with XTEP's brand profile, promoting the spirit of combining sports and generated from entertainment. In 2017, the Group title sponsored XTEP Penguin Run (特步企鵝跑), which is backed by Tencent Sports. More than 90 million runners were extended an invitation to the event by Tencent to participate in online running activities, while 100,000 lucky runners will join the offline running carnivals in ten major cities throughout 2017.



 <p>Guangzhou Marathon (廣州馬拉松)</p>	 <p>Shenzhen International Marathon (深圳國際馬拉松)</p>	 <p>Xiamen International Marathon (廈門國際馬拉松賽)</p>	 <p>XTEP 321 Running Festival (特步321 跑步節)</p>	
 <p>XTEP Penguin Run (特步企鵝跑)</p>	 <p>Chongqing International Marathon (重慶國際馬拉松賽)</p>	 <p>Hangzhou Marathon (杭州馬拉松)</p>	 <p>Nanjing marathon - National Marathon Championships (南京馬拉松暨全國馬拉松錦標賽)</p>	
 <p>Wuhan Marathon (武漢馬拉松)</p>	 <p>Yangzhou Jianzhen International Half Marathon (揚州暨真國際半程馬拉松)</p>	 <p>Changsha International Marathon (長沙國際馬拉松賽)</p>	 <p>Shenzhen Baoan International Marathon (深圳寶安國際馬拉松賽)</p>	
 <p>Tianjin (Wuqing) International Marathon (天津(武清)國際馬拉松賽)</p>	 <p>Fuzhou International Marathon - National Marathon Championships (福州國際馬拉松暨全國馬拉松錦標賽)</p>	 <p>Shenyang Marathon (沈陽馬拉松)</p>	 <p>Taiyuan International Marathon (太原國際馬拉松賽)</p>	
 <p>Changchun International Marathon (長春國際馬拉松)</p>	 <p>Hefei International Marathon (合肥國際馬拉松賽)</p>	 <p>Qingdao Marathon (青島馬拉松)</p>	 <p>China Zheng-kai International Marathon (中國鄭開國際馬拉松賽)</p>	 <p>Beijing Half Marathon (北京半程馬拉松)</p>
 <p>Kunming Plateau Half Marathon (昆明高原國際半程馬拉松賽)</p>	 <p>Xiamen (Haicang) International Half Marathon (廈門(海滄)國際半程馬拉松賽)</p>	 <p>Wuhan Women's Half Marathon (武漢女子半程馬拉松)</p>	 <p>Kiss Run Chengdu Women's Half Marathon (成都女子半程馬拉松)</p>	 <p>Kiss Run Nanjing Women's Half Marathon (南京女子半程馬拉松)</p>
 <p>Changsha Patriotic Half Marathon (長沙紅色半程馬拉松)</p>	 <p>Quzhou Marathon (衢州馬拉松)</p>	 <p>Jinjiang International Marathon (晉江國際馬拉松賽)</p>	 <p>Xiong'an Marathon (雄安馬拉松)</p>	 <p>SportiRun-KissRun Hong Kong (SportiHealth健康跑-KissRun香港站)</p>

XTEP Runner's Club

XTEP Runner's Club is the largest and most active brand running group in China. They are not only our loyal fan base that takes the XTEP brand and our products on marathons all over the world, but also, serves as a focal point of local running communities. The XTEP Runner's Club boasts of over 50,000 members across the country, all of them are frequent runners, and many of them participate in multiple full marathons each year. They led in organizing local running events, and publicized their success stories and product experiences to their own followers on Wechat and Weibo. They also helped test and provide feedback on our new products in development to ensure the best user experience when those products launch in the market. The Group gathered these runners around unique services, such as entry quota to marathons we sponsored, training camps with professional coaches, and special local social runs aimed at building a community through running. To further benefit our Runner's Club members, we have established 4 XTEP Run Clubs (特步跑步俱樂部) around the country, adding in 2017 Changsha, Hefei and Nanjing after the first one at Beijing Olympic Forest Park XTEP Running Track (奧林匹克森林公園特步跑道). We will set up more of these club house facilities for our Runner's Club members to make running with XTEP a premium experience.

National Sports Events

The 13th National Games of China was held from August to September, and XTEP was the official apparel sponsor for 5 provincial delegation teams, including host city Tianjin, Hong Kong, Fujian Province, Jilin Province and the Liberation Army, during the opening, closing and award ceremonies, custom-designed outfits were worn by the athletes. The National Games of the People's Republic of China is the largest domestic sporting event in China held every four years. This was the third time the Group had taken part in sponsoring the National Games of China, and it is where our sponsored sports celebrities achieved impressive results. Our spokesperson Xie Zhenye won three titles in men's 100m and 200m dash and 4x100m relay respectively at 2017 National Games of China, becoming the

fastest man in China. As this is the key national sporting event in China, and serves as a prelude to the next Olympics where famed and rising athletes compete, it received national level media attention and promoted the image of XTEP as a professional sports brand.

Football

In addition to running, the Group views football as a supporting part of our branding strategy to raise more consumer conviction for XTEP's professional sports image. In 2017, the Group narrowed our focus on Chinese youth football, echoing the goal of our comprehensive football strategy "Blade Project" (鋒芒計劃) to serve over 5 million Chinese football youths by 2021. President Xi Jinping and the Chinese government has also emphasized the development of football particularly in the youth population, with the goal of having over 20,000 football schools and over 30 million youth football participants by 2020.



Through our endeavors, the Group hopes to support the central government's vision in promoting football as another national sport in China, especially among the young generation.



Charity

We believe that as a socially responsible company, it is essential to give back to society. We continued to engage in social and charitable activities across Great China, putting extra focus on elderly care, youth education and poverty alleviation. For example, we cooperated with the Jinjiang Charity Federation and donated RMB1,887,600 to support the elderlies in Xibian Village; to support the Emergency Rescue Program of The China Foundation for Poverty Alleviation, we have provided RMB4,250,000 worth of supplies; to increase education opportunities and quality for underprivileged youths, we supported the Caring Project – Love Launch by donating RMB7,223,180 of supplies to the China Next Generation Education Foundation.

Total charitable donation made by the Group during the year ended 31 December 2017 amounted to approximately MRB13.7 million.



APPENDIX I: HKEX ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT GUIDE INDEX

	Aspects	Section	Remarks
A	Environmental		
A1	Emissions	Emission Control	–
A1.1	The types of emissions and respective emission data	Emission Control	<p>Different types of emission produced by our operation can be found in the section Emission Control.</p> <p>It is considered that this aspect is comparatively immaterial amongst others. Its data disclosure will be reviewed in the future.</p>
A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume =, per facility).	Greenhouse Gas Emissions	It is considered that this aspect is comparatively immaterial amongst others. Its data disclosure will be reviewed in the future.
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Waste Management	It is considered that this aspect is comparatively immaterial amongst others. Its data disclosure will be reviewed in the future.
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Waste Management	It is considered that this aspect is comparatively immaterial amongst others. Its data disclosure will be reviewed in the future.
A1.5	Description of measures to mitigate emissions and result achieved	Emission Control	Measures to reduce emissions of different types has been disclosed in the section Emission Control.
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Waste Management	Waste management has been discussed in the section Waste Management.
A2	Use of Resources	Efficient use of resources	–
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Use of Energy	<p>Different type of energy consumption has been discussed in the section Use of Energy. During the year, we have collected data for use of electricity natural gas and diesel, as use of resources is one of the material environmental aspects.</p> <p>The disclosure of intensity will be reviewed next year.</p>
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Use of Water	<p>During the year, we have collected data for use of water, as it is one of our material environmental aspects.</p> <p>The disclosure of intensity will be reviewed next year.</p>

	Aspects	Section	Remarks
A2.3	Description of energy use efficiency initiatives and result achieved.	Use of Energy	We have discussed ways to improve energy efficiency in this section.
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Use of Water	Initiative to improve water efficiency has been discussed in the section Use of Water.
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Waste Management	It is considered that this aspect is comparatively immaterial amongst others. Its data disclosure will be reviewed in the future.
A3	The Environment and Natural Resources	The Environment and Natural resources	The significant environmental issues faced in our business regarding emissions and the use of resources are already disclosed in sections Efficient Use of Resources and Emissions Control.
A3.1	Description of the significant impacts of activities on the environment and natural resources and the action taken to manage them.	–	
B	Social		
B1	Employment	Employees welfare & equal opportunity, diversity and anti-discrimination	–
B2	Health and Safety	Health and safety management	–
B3	Development and Training	Training and career development	–
B4	Labour Standard	Child labour and forced labour	–
B5	Supply Chain Management	Supply Chain Management	–
B6	Product Responsibility	Product Responsibility	–
B7	Anti-corruption	Anti-Corruption	–
B8	Community Investment	Social Investment	–

APPENDIX II: MATERIAL ENVIRONMENTAL KPIS

	Unit of Measurement	2017 Total Amount
Use of Electricity	kWh	23,498,895
Use of Water	m ³	321,847
Use of Natural Gas	m ³	68,748
Use of Diesel	kg	3,238

Glossary

APP	A software program for download onto mobile devices
AQSIQ	General Administration of Quality Supervision, Inspection and Quantitative of the PRC
Board	The Board of Directors of the Company
Company	Xtep International Holdings Limited
Environmental footprints	Emissions the company produces and natural resources the company uses in production
ESG	Environmental, Social and Governance
ESG Guide or The Guide	Appendix 27 of Hong Kong Stock Exchange Listing Rules and Guidance: Environmental, Social, and Governance Guide
GDP	Gross domestic product
Group	The Company and its subsidiaries
Hong Kong	The Hong Kong Special Administrative Region of the PRC
Hong Kong Stock Exchange or Stock Exchange or HKEx	The Stock Exchange of Hong Kong Limited
ISO14001	International Environmental Management System Standard issued by International Organization for Standardization
ISO9001	International Quality Management System Standard issued by International Organization for Standardization
Joyrun	A leading Chinese APP for runners
KPI	Key performance indicators
Materiality assessment	Procedures to identify the material issues that are most relevant to the company's daily operations and to our stakeholders
National 13th five-year-plan	China's official national economic and social development plan from year 2016–2020
National Games	The National Games of the People's Republic of China
O2O	Online to offline
OHSAS18001	International Occupational Health and Safety Standard issued by BSI Group
PRC or China or Mainland China	The People's Republic of China excluding, for the purpose of this ESG report, Hong Kong, Macau and Taiwan
Reporting period	For the year ended 31 December 2017
RMB	Renminbi, the lawful currency of the PRC
Share(s)	Ordinary share(s) of HK\$0.01 each in the share capital of the Company
Shareholder(s)	Shareholder(s) of the Company
XTEP	Xtep brand
XTEP UNIVERSITY	An internal department of the Group as a training center for employees
Year	For the year ended 31 December 2017





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