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China Dongxiang (Group) Co., Ltd.

中國動向（集團）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3818)

OPERATIONAL DATA FOR THE THIRD QUARTER AND THE FIRST NINE MONTHS OF FY2019/20

This announcement is made on a voluntary basis by the board of directors (the “**Board**”) of China Dongxiang (Group) Co., Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) for providing operational data of the Group for the three months ended December 31, 2019 (“**FY2019/20 Q3**”) and operating conditions for the nine months ended December 31, 2019 (the “**First Nine Months of FY2019/20**”).

RETAIL PERFORMANCE

For the FY2019/20 Q3, the retail performance of Kappa stores (excluding Kappa kids’ apparel business and Japan business) for the overall platform registered a low-teen growth on a year-on-year basis, of which the offline business recorded a mid-single-digit growth, and the e-commerce business recorded a low-forties growth.

The retail performance of the overall platform for the First Nine Months of FY2019/20 recorded a low-teen growth on a year-on-year basis, of which offline business recorded mid-to-high single-digit growth, and e-commerce business recorded low-forties growth.

SAME-STORE-SALES (SSS)

For the FY2019/20 Q3, in respect of Kappa stores (excluding Kappa kids’ apparel business and Japan business) which have been in operation since the beginning of the same quarter last year, the SSS for the overall platform registered a mid-to-high single-digit growth on a year-on-year basis. Among them, offline business recorded a mid-to-low single-digit decline, and e-commerce business recorded a low-forties growth.

The same-store sales for the overall platform for the First Nine Months of FY2019/20 recorded a mid-single-digit growth on a year-on-year basis, of which offline business recorded a mid-to-low single-digit decline, and e-commerce business recorded a low-forties growth.

NUMBER OF RETAIL STORES

For the third quarter ended December 31 2019, the number of Kappa-branded stores of the Group was 1,186 (excluding Kappa kids' apparel business and Japan business), which was a net decrease of 23 as compared to those as at March 31 2019 (“**the end of FY2018/19**”). In the next step, the Group will continue to step up efforts to close inefficient stores.

OPERATIONAL UPDATE ON KAPPA BUSINESS

The Group attributed the performance of Kappa business of the Group which has successfully met expectations to the Group's thorough reforms of sales channels, products and supply chain management. In general, the current principal driver of sales growth has been the development of channels, and same-store performance has fluctuated due to unstable performance of its products. For the analysis by sales channels, business performance of outlets and shopping centres demonstrated a steady growth. For the analysis by business structure, the key performance indicators of e-commerce business and certain major geographical segments have reached remarkable levels. Meanwhile, a front-end and back-end structure has been completely set up by the Group for supporting the “direct-franchise” operation model, showing initial signs of improvement in inventory management with decrease in inventory level.

In addition to the implementation of direct-franchise operation model, the Group will pay more attention to those crucial and specific measures, including performance enhancement by accelerating localisation of sales team in certain regions, pushing through reform of products and sales team for speeding inventory turnover of its omni-channel retail network and further reducing inventory level, as well as establishing a competitive complete system model by strengthening its product mix. Looking forward, the Group will keep on optimising and upgrading its products through implementation of comprehensive reforms.

The Company's shareholders and potential investors should note that this announcement is made based on a preliminary review of the draft unaudited operational data of the Group and the information currently available to the Board, which has not been reviewed or audited by the Group's auditors. The data do not constitute, represent or indicate the full picture of the Group's total revenue or financial performance and the information contained in this announcement may be subject to change and adjustment.

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

By Order of the Board
China Dongxiang (Group) Co., Ltd.
Chen Yihong
Chairman

Hong Kong, 17 January 2020

As at the date of this announcement, the executive directors of the Company are Mr. Chen Yihong, Mr. Zhang Zhiyong and Ms. Chen Chen; and the independent non-executive directors of the Company are Dr. Chen Guogang, Mr. Gao Yu and Mr. Liu Xiaosong.