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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 SECOND QUARTER AND THE SIX MONTHS OF FY2020/21

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 30 September 2020 (“**FY2020/21 Q2**”) and the six months ended 30 September 2020 (the “**FY2020/21 H1**”).

RETAIL PERFORMANCE

For the FY2020/21 Q2, the retail performance of Kappa stores of the Group (excluding Kappa kids’ apparel business and Japan business) for the overall platform registered a mid-single-digit growth on a year-on-year basis, of which the offline business recorded a flat growth, and the e-commerce business recorded a mid-to-low thirties growth.

The retail performance of the overall platform for the FY2020/21 H1 recorded a low-single-digit growth on a year-on-year basis, of which the offline business recorded a mid-single-digit decrease and the e-commerce business recorded a mid-to-low thirties growth.

SAME-STORE-SALES (SSS)

For the FY2020/21 Q2, 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-low single-digit growth on a year-on-year basis. Among them, the offline business recorded a mid-to-low single-digit decrease and the e-commerce business recorded a mid-to-low thirties growth.

The same-store sales for the overall platform for the FY2020/21 H1 recorded a mid-single-digit growth on a year-on-year basis, of which the offline business recorded a high-single-digit decrease and the e-commerce business recorded a mid-to-low thirties growth.

NUMBER OF RETAIL STORES

For the second quarter ended 30 September 2020, the number of Kappa-branded stores of the Group was 1,153 (excluding Kappa kids' apparel business and Japan business), which was a net increase of 24 as compared to those as at 31 March 2020 (the “**end of FY2019/20**”). In the next step, the Group will continue to step up efforts to close inefficient stores.

OPERATIONAL UPDATE ON SPORTS BUSINESS IN CHINA

Since the implementation of “direct-franchise” model, thorough reform on a full scale in respect of, among others, channel, product and supply chain management has been carried out by the Group, while great effort has been devoted to facilitate omni-channel digitalization, effectively responding to various risks and challenges at home and abroad. Interim progress has been achieved in terms of retail performance of Kappa brand, terminal inventory level and cash flow, and the progress made in achieving the primary objectives of the reform has been in line with the expectation of the management of the Company.

During the period, growth momentum of the offline sales principally derived from structural optimisation of channels as well as continuing steady growth in business performance of outlets and shopping centres. While the e-commerce business maintained steady growth in performance, the Company has vigorously developed a newly emerging business platform which serve as a concrete foundation for future development of the e-commerce business.

In addition, steady progress has been made in reform and construction of product management and design team. Through omni-channel product management, optimization of product mix and delicacy management of products, apparel product ranges were further diversified in the period, registering a growth in mix-and-match sales. The Group will further improve its team building for product development so as to provide strong protection for future development of the brand and long-term business growth.

Looking forward, the Group will adhere to implement its established strategies and pay more attention to the specific reform measures with high importance, including on-going consolidation of localised management of sales teams, facilitation of omni-channel digitalisation, further acceleration of merchandise turnover in omni-channel retailing, reduction of inventory level, strengthening of professional capabilities of product teams as well as improvement and optimisation of band effectiveness of localised products.

As at the date of this announcement, the impacts of the spread of the COVID-19 on the ordinary operation of Kappa business of the Group have been temporary and limited. As there are uncertainties amid the spread of the COVID-19 in different aspects during the coming colder months, the Board and the management of the Group will continue to closely monitor the change of the spread as well as the daily operation of the Group by strengthening supervision, control over its operation and adopt new retail model for the sake of minimising negative impacts of the spread and protecting the value of the Group and the interests of its shareholders.

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, 23 October 2020

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