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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 OF 2019

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 second quarter of 2019.

RETAIL PERFORMANCE

For the second quarter of 2019, the retail performance of Kappa stores (excluding Kappa kids’ apparel business and Japan business) for the overall platform registered a middle single digit growth on a year-on-year basis, of which the off-line business recorded a low single digit growth and the e-commerce business recorded a growth of 30%–35%.

SAME-STORE-SALES (SSS)

For the second quarter of 2019, 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 low single digit decrease on a year-on-year basis, of which the off-line business recorded a high single digit decrease while the e-commerce business registered a growth of 30%–35%.

NUMBER OF STORES

For the second quarter ended 30 June 2019, the number of retail stores of the Group under Kappa brand was 1,228 (excluding Kappa kids’ apparel business and Japan business), representing a net increase of 48 as compared with that as at the end of last year.

OPERATIONAL UPDATE ON SPORTSWEAR BUSINESS IN CHINA

The Group's Kappa brand business is in a period of transformation. The Group has continued its reforms by adopting a series of effective measures focusing on customers, channels, brands and products and made some progress with interim achievements in line with expectation. In the second quarter of 2019, the Group officially launched forward and reverse logistics and distribution solutions upon the completion of the construction of two nationwide logistics and distribution centres, sufficiently securing prompt movement of products through omni-channel distribution. Meanwhile, the Group has been strengthening its management and control over omni-channel distribution of products by actively developing and preparing cloud warehouse system in order to speed up the movement of omni-channel distribution of products.

Thanks to the effective marketing strategies, the Group has maintained the growth in its online business. In spite of the unsatisfactory offline sales performance of short-sleeve products in this quarter, sales performance of Kappa's vulcanised shoes in this quarter remained strong with a larger share in footwear segment, offsetting the negative impact from seasonal fluctuation of apparel products. From the geographic perspective, the retail performance of the major geographical segments has steadily grew, with the exception of western China. In addition, the Group has been eagerly attracting talents and resources of design so as to improve and optimise its product mix. The Group will be more focus on product reform based on the brand's target customers, injecting key driving force for the brand's growth.

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, 12 July 2019

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.