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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)

**VOLUNTARY ANNOUNCEMENT
LATEST OPERATING CONDITIONS**

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 updates on operating conditions amid the outbreak of novel coronavirus (COVID-19) in China in 2019 (the “Epidemic”).

Since the occurrence of the Epidemic around the 2020 Chinese New Year, the Group has called for concerted efforts from all people in China from various industries to battle against the Epidemic. To respond to eager inquiries of the investors’ community and to ensure them receiving adequate information in relation to the impact of the Epidemic on the daily operations of the Group in a timely and effectively manner, the Group would like to publish this voluntary announcement for setting out the following specific information:

I. MEASURES BY THE GROUP TO FIGHT AGAINST THE EPIDEMIC

1. Given a grim situation in the battle to contain the Epidemic, the Group has established a crisis management team on the Epidemic promptly for enhancing internal management, coordination and arrangement on the control of the Epidemic, activating daily statistics on latest number of confirmed cases involving its employees in a timely manner to fully protect the health and safety of each of them, organising all of its subsidiaries to actively cooperate with its respective local governments to take control measures against the Epidemic, such as business suspension and holiday extension, as well as taking contingency measures and conducting resources deployment in relation to business affairs and customers. As at 19 February 2020, no confirmed or suspected cases of novel coronavirus infection found among the employees of the Group and all of its subsidiaries.

2. Since the occurrence of the Epidemic, the Group has determinedly borne its corporate social responsibility to support the infection control and prevention of the Epidemic. The Group, together with KAPPA and PHENIX, two of its brands, made a donation of RMB6 million to China Charity Federation through Shanghai Kappa Sporting Goods Co., Ltd., a subsidiary of the Company, to fight spread of the novel coronavirus infection in Hubei. The donation will be used for, among others, taking infection prevention and control measures, purchasing personal protective equipment for healthcare workers, supporting frontline hospitals fighting against the Epidemic and providing healthcare workers the cash relief.

II. IMPACTS OF THE EPIDEMIC ON KAPPA BUSINESS OF THE GROUP

1. **Sales Channels:** As required by the guidelines on infection control and work resumption issued by its respective local governments, 30% of the total number of offline stores of the Group and its subsidiaries (excluding KAPPA kids' apparel business) has resumed operations as at 19 February 2020, the remaining stores will resume operations in stages. In future, the Group will follow the requirements on infection control and prevention by the respective local governments to the largest extent, and resume full operations as soon as possible without compromising on the safety of its employees and consumers. In spite of greater pressure on offline retail stores in the short run, the Group will put in extra effort in developing online business by integrating online and offline resources. Currently, the KAPPA brand on Wechat Mall, an online platform, was completed within a relatively short time-span. In addition, omni-channel distribution of products will be available by improving systems connection by the Group with the support of the "direct-franchise" operation model, securing prompt movement of products across all channels.
2. **Products Supply:** As affected by a number of factors, such as extension of work resumption, logistic impediment and delayed customs clearance due to the Epidemic, the products stored in the warehouses located in Wuhan, Hubei province, have been locked down, in particularly the products for online sale and the kids' apparels, resulting in insufficient stock available for online sale and kids' apparel business since the occurrence of the Epidemic. Prior to the Chinese New Year, however, the Group has made provision of products for offline sale according to the post-festival marketing strategy, and communications and coordination have been strengthened during the Chinese New Year for reasonably reallocating stock from offline channels to online channels. At present, the recovery of road transportation will facilitate the stock replenishment for online sales and kids' apparels, and severe stock shortage will not be expected.

3. **Financial position:** As at the date of this announcement, the impacts of the Epidemic on KAPPA business of the Group are of short-term and temporary nature, principally an extension of work resumption as compared with the previous year and short-term disruption of sales and services due to the infection control and prevention. In the view of the uncertainties ahead surrounding the Epidemic, the operating condition of the Group for the first half of 2020/2021 financial year, i.e. April 2020 to September 2020, is expected to be affected to a certain extent, subject to the effectiveness of the infection control. As assessed by the Group on the operation models of the Group and its subsidiaries amid the current situation of the Epidemic, the operation results of the sports apparels business of the Group for the fourth quarter of the 2019/2020 financial year, i.e. January 2020 to March 2020, will be affected by the Epidemic to a larger extent, but the impact on the overall performance of the Group, inclusive of its investment business, is expected to be immaterial.

The Board and the management of the Group will keep monitoring the emergence of the Epidemic and the daily operations of the Group to minimise any negative effects of the Epidemic by strengthening operation control and management through reasonable assessment and judgement with an aim to secure the value of the Group and the interest of its shareholders. The Board will continue to monitor the financial position and business prospects of the Group and issue further announcement, if necessary.

In the long run, the Group has faith in rapid growth of the economy as well as sports apparels consumption in China, the expectation of steady growth in the performance of the Group remains unchanged. With all people of the Group in close coordination with its stakeholders and the support of sufficient capital, the Group is confident to jump over the short-term hurdles, achieving healthy and steady growth in the business of the Group.

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, 21 February 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.