

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**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 FIRST QUARTER 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 June 2020 (“**FY2020/21 Q1**”).

### **RETAIL PERFORMANCE**

For the FY2020/21 Q1, the retail performance of Kappa stores of the Group (excluding Kappa kids’ apparel business and Japan business) for the overall platform registered a mid-to-low single-digit decrease on a year-on-year basis, of which the offline business recorded a low-teen decrease, and the e-commerce business recorded a mid-to-low thirties growth.

### **SAME-STORE-SALES (SSS)**

For the FY2020/21 Q1, 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-single-digit decrease. Among them, offline business recorded mid-to-low-teen decrease, and e-commerce business recorded a mid-to-low thirties growth.

### **NUMBER OF RETAIL STORES**

For the first quarter ended 30 June 2020, the number of Kappa-branded stores of the Group was 1,147 (excluding Kappa kids’ apparel business and Japan business), which was a net increase of 18 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**

Retail discount has been expanded in sports apparel and equipment market since the outbreak of COVID-19, further intensifying market competition. Management of the Company anticipates a year-on-year growth in overall sales volume of sports apparel and equipment this year, though sales prices will be under pressure.

2020 is the third year of transition to “direct-franchise” model adopted for Kappa brand. The Group coped with high inventory pressure last year through reformation of business model, and inventory level is expected to decline this year. In addition, Kappa brand continued to maintain its market share in the period. For a monthly comparison, offline retail performance in May 2020 recorded a low-single-digit growth as compared with that in April 2020 due to an on-going market recovery. Retail discount has dropped by 4 percentage points as affected by the market, and the discount rate was still within the controllable range by the management. Continuity in market recovery remains to be seen, and fluctuations are expected in overall performance for a while.

During the period, the management of the Company unleashed the power of the competitive advantages of sales teams established in various regions by orderly improving and implementing localised strategies for sales teams, accelerating optimisation of incentive scheme as well as enhancing the overall motivation. In respect of sales channels, retail performance of outlets and stores in shopping malls have maintained a steady growth since the beginning of this financial year.

Meanwhile, the Group has greatly facilitated the establishment and reform of product teams with an aim to enhance core competitiveness of its brand. At present, the organisational structure of the product teams has, in substance, entered into a stage of adjustment and improvement. The Group will further optimise the establishment of its product teams and improve the mechanism for internal synergy for increasing core competitiveness of its product teams so as to provide strong protection for future development of the brand and long-term business growth.

In response to potential COVID-19 pandemic in Autumn and Winter, the Group is going to accelerate its process of channel digitalisation, in order to maximise online sales opportunities and minimise sales loss amid COVID-19 pandemic in the future.

As at the date of this announcement, the impacts of the outbreak 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 outbreak in different aspects, the Board and the management of the Company will continue to closely monitor the change of the outbreak as well as the daily operation of the Group by strengthening supervision and control over its operation for the sake of minimising negative impacts of the outbreak 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, 17 July 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.*