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**DONGXIANG**

**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 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 first quarter of 2019.

### **RETAIL PERFORMANCE**

For the first quarter of 2019, the retail performance of Kappa stores (excluding Kappa Kids 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 was in line with that in the same period last year and the e-commerce business recorded a growth of 35%–45%.

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

For the first quarter of 2019, in respect of Kappa stores (excluding Kappa Kids 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 35%–45%.

### **NUMBER OF STORES**

For the first quarter ended 31 March 2019, the number of retail stores of the Group under Kappa brand was 1,207 (excluding Kappa Kids business and Japan business), representing a net increase of 27 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. For the first quarter of 2019, due to improvement of products and effective marketing strategy, the online business recorded a significant growth and the proportion of younger consumers online continued to increase. Though the offline business performance did not reach the Group's initial target, the retail performance of shopping malls are significantly better than departmental stores from a channel perspective. Therefore, the Group will continue to implement according to the Group's established channel strategy, which is to increase the percentage of shopping mall stores. From a product category perspective, the Group's footwear business is on the way to recovery after a year of reform, which resulted in a growth of approximately 50% year-on-year within this period.

For the first quarter of 2019, the adjustments of customers in accordance to the first step of channel reform is completed. The Group's self-owned stores and direct-franchise customers' stores accounts to more than 90% of the Group's total business. Next, in order to ensure accurate information for the upcoming rapid product mobilization, the Group will proactively implement the integration of direct-franchise customers' system with the Group's ERP system. Also, in order to provide guarantee for rapid product mobilization, two new nationwide logistics distribution centers will be completed next quarter, and the omni-channel circulation of products will begin then. The Group will be more focus on product reform based on the brand's target customers in the near future, to inject key driver 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 April 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.*