



To: Business Editor
[For Immediate Release]



China Dongxiang (Group) Co., Ltd.
中國動向(集團)有限公司
(Incorporated in the Cayman Islands with limited liability)

China Dongxiang Delivers Spectacular 2008 Annual Results
Sales Climbed 94.2% to RMB3,322.2 million
Profit Attributable to Equity Holders Up by 86.4% to RMB1,367.7 million

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Strengthened Product R&D Capabilities Upon Integration with Phenix
Extended Geographical Reach and Multi-Brand Strategy to Sustain Growth Momentum

Financial Highlights

	For the year ended 31 December		Change
	2008 RMB mn	2007 RMB mn	
Sales	3,322.2	1,711.0	+94.2%
Gross profit	1,943.8	1,000.6	+94.3%
Gross margin (%)	58.5%	58.5%	0.0% pts
Operating profit	1,331.7	724.7	+83.7%
Gain on negative goodwill on acquisition of Phenix Co., Ltd. (Phenix) (one-off gain)	146.0	-	N/A
Profit attributable to equity holders	1,367.7	733.6	+86.4%
	(RMB cents)	(RMB cents)	
Basic earnings per share	24.12	15.89	+51.8%
Proposed final dividend per share	3.76	1.09	N/A
Proposed final special dividend per share	5.59	-	N/A

【25 March 2009, Hong Kong】 – The leading international sportswear brand enterprise in the PRC, **China Dongxiang (Group) Co., Ltd.** (“China Dongxiang” or “the Company”; stock code: 3818, together with its subsidiaries the “Group”) today announced its annual results for the year ended 31 December 2008 (the “period under review”).

Driven by continuous strong economic growth as well as widespread acceptance of Kappa Brand products in the PRC, the Group achieved a 94.2% surge in sales from RMB1,711.0 million to RMB3,322.2 million for the year ended 31 December 2008. Profit attributable to equity holders reached a record high of RMB1,367.7 million, representing a 86.4% growth year-on-year. In 2008 and 2007, the Group recorded a one-off gain of RMB146.0 million from acquisition of Phenix and a one-off interest income of RMB44.7 million from over-subscription monies to the Global Offering respectively. Should the one-off gain or income be excluded, the Group’s core operations still enjoyed a remarkable growth of 77.4% in profit attributable to equity holders. Basic earnings per share rose by 51.8% to RMB24.12 cents.

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The Board of the Company recommends the distribution of a final dividend of RMB3.76 cents per ordinary share. In addition, in view of the strong financial performance and solid cash position in 2008, the Group also recommends distribution of RMB5.59 cents per share as special dividend. Taken into account the interim and special dividend for the six months ended 30 June 2008 totaling RMB3.59 cents per ordinary share, full year dividend will amount to RMB12.94 cents, which represents approximately 60% of the Group's distributable profit for the year (the one-off cash gain was not treated as distributable profit in the payout ratio calculation).

During the year under review, gross profit of the Group amounted to RMB1,943,762,000, an increase of RMB943,189,000 (or 94.3%) year-on-year. The overall gross margin of the Group for the year ended 31 December 2008 was maintained at 58.5%, the same level as 2007. Operating profit of the Group was RMB1,331,651,000, an increase of RMB606,930,000 (or 83.7%) year-on-year. The operating profit margin was 40.1% in 2008.

The Kappa Brand business, the major business of the Group, accounted for 84.3% (2007: 96.1%) of the Group's total sales for the year ended 31 December 2008. The strong sales growth of RMB1,157.4 million (or 70.3%) year-on-year was mainly attributable to the on-going successful positioning and marketing strategies of the brand.

Apparel was the major product of Kappa Brand in China. Sales generated from apparel products accounted for 71.8% (2007: 71.8%) of the brand's total sales. Sales generated from footwear and accessories products accounted for 23.9% (2007: 23.7%) and 4.3% (2007: 4.5%) respectively. Other sources of income of the Group which include international sourcing, the Rukka Brand business and sales generated from Japan, accounted for 2.9%, 0.3% and 12.5% of the total sales respectively.

The Group had 43 distributors who directly or indirectly operate 2,808 Kappa retail outlets in the PRC and Macau as of 31 December 2008. This represented a net increase of 863 retail outlets (or 44.4%) compared with the 1,945 retail outlets as of 31 December 2007. The distribution of retail outlets covered major provincial capital cities and many other large urban areas and towns in China. Since the second half of 2007, the Group has co-operated with distributors to open flagship stores in prime shopping locations of first-tier cities in the PRC. There were 10 flagship stores in Beijing, Guangzhou, Tianjin, Hangzhou, Suzhou, Harbin and Changsha as of 31 December 2008.

In May 2008, the Group completed the acquisition of a 91% shareholding of Phenix, a Japanese company primarily engaged in the design, development, marketing and sales of its owned branded products in Japan. Its major self-owned brands include "Phenix" for global ski and outdoor sportswear markets, and "Kappa" for football, golf and athletic sportswear markets in Japan. Other small brands include "X-NIX" in the snowboard sportswear market and "Inhabitant" in the casual wear market. The acquisition was a crucial milestone for the Group to extend its market reach outside the PRC, strengthen its research and development capabilities and deploy its multi-brand strategy.

With respect to the Japan market, the number of retail outlet of "Phenix" and "Kappa" were approximately 956 and 2,588 respectively as of 31 December 2008. The first Japan Kappa flagship store was opened in Tokyo in September 2008 and it is part of the Group's plan to rebuild the brand image of Kappa in Japan.

Phenix has a technical centre near Tokyo with nearly 60 talented and knowledgeable specialists, which can greatly enhance the design and development capabilities of the Group's in-house design teams. The cooperation with overseas institutions such as the University of Arts London ("UAL") and WGSN has broadened the vision of its in-house designers and inspiring them with new and innovative ideas. As of 31 December 2008, the design team of the Group comprises of 60 people who come from PRC, Japan, Korea and Italy.

In 2008, the Group continued to adopt a distinct and coherent marketing and promotion strategy for its brands, which helped enhance the visibility of the brands through sponsorships of sports teams, sporting events, entertainment figures and celebrity events, both in the PRC and Japan markets in 2008. The Group also applied a comprehensive supply chain management approach with respect to procurement, supplies, manufacturing and distribution of products. It has adopted an asset-light business model and outsourced production processes to approximately 80 manufacturers in processing and manufacturing products in China segment. Since the acquisition of Phenix, the Group has commenced the process to integrate with Phenix in terms of production functions to benefit from reduction of production cost.

In 2008, the Group operates three distribution centres in Beijing, Kunshan and Guangzhou which have greatly enhanced the Group's responding capabilities and shortened the overall distribution time. It has also implemented a highly integrated ERP-SAP as well as the distribution resources planning ("DRP") system to monitor retail sales performance and inventory levels of distributors to strengthen its supply chain and distribution network management.

Year 2009 will be a challenging year for all countries across the globe. The uncertainties arising from the US financial crisis and Chinese government's policy to stimulate domestic consumption pose both threats and opportunities on the sportswear industry in the PRC. With this in mind, The Group will adopt an optimistic yet prudent operational approach throughout the year. The Group has formulated comprehensive contingency plans to deal with different circumstances of retail market changes in the PRC, to ensure secured and healthy business growth in 2009.

Going forward, China Dongxiang will continue to pursue business development towards four directions: brand building, retail network expansion, internal operations enhancement and multi-brand strategy.

In 2009, the Group will focus on integration of design, research and development as well as integration with Phenix to provide a strong common platform for deployment of its multi-brand strategy. It will also cooperate with well-recognised international design and development institutes to enhance its product design capabilities. In terms of marketing and promotion strategies, China Dongxiang will continue to sponsor various fashion and sporting activities which go in line with the image of the Kappa Brand. In February 2009, the Group formed a strategic alliance with Huayi Brothers Media Group, one of the most successful film makers and entertainment media groups in China, to co-operate with them in a wide range of marketing and promotion activities. The Group has been recently appointed as the official partner of the Norwegian National team for the provision of Kappa and Phenix sportswear at the opening and award presentation ceremonies of the 2010 Winter Olympics and 2012 Summer Olympic Games.

The Group will continue to co-operate with its distributors to open new retail stores in provincial capitals and first-tier cities as well as second and third-tier cities with high potential. In January 2009, the Group formed joint ventures with six key distributors in Hangzhou, Shanxi, Shenyang, Tianjin, Nanjing and Ningbo respectively, with an aim to further strengthen the Group's retail network in China. It is committed to becoming one of the best multi-brand sportswear enterprises in the PRC with a plan to launch Phenix's "Kappa Golf" Brand and "Phenix" Brand products, as well as the sub-brand of Kappa Brand, Robe Di Kappa ("RDK"), in China market in 2009.

Mr. Chen YiHong, Chairman of the Group concluded, "2009 is a year for us to focus on internal enhancement, in order to form a solid foundation for our future development. It could also lead us to outperform our peers when the economy rebounds, sustaining the momentum of rapid growth. Leveraging the abundant industry experience of our management team and the strong financial resources of the Group, we will seize every opportunity amidst these promising market circumstances to embrace an even brighter future. We are committed to bringing fruitful returns and benefits to our shareholders and investors."

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About China Dongxiang (Group) Co., Ltd.

China Dongxiang (Group) Co., Ltd. is a leading international sportswear brand enterprise based in China and was successfully listed on the Stock Exchange of Hong Kong Limited on 10 Oct, 2007. The Group is primarily engaged in the design, development, marketing and wholesale of branded sportswear in China. Currently, China Dongxiang owns all rights to the internationally recognized Kappa Brand in China, Macau and Japan. Its products convey an active, fashionable and youthful image and are warmly welcomed by China's fast growing and high potential consumers. The Group completed its acquisition of a Japanese sportswear enterprise Phenix on 1 May 2008. The international brand "Phenix" has the greatest market share in the skiing and outdoor sportswear market in Japan.

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