

To: Business Editor
[For Immediate Release]



China Dongxiang Posts Strong 2008 Interim Results Sales and Net Profit Surge by 81.7% and 95.6% Respectively

Financial Highlights

	For the six months ended 30 June		
RMB mn	2008	2007	Change
Sales	1,399.4	770.3	+81.7%
Gross profit	854.8	468.0	+82.6%
Gross profit margin (%)	61.1	60.8	+0.3% pts
Operating profit	612.1	361.6	+69.3%
Profit attributable to equity holders	656.8	335.8	+95.6%
Basic earnings per share (RMB cents)	11.57	7.77	+48.9%
Interim dividend per share (RMB cents)	2.71	nil	n.a.
Special dividend per share (RMB cents)	0.88	nil	n.a.

【10 September 2008, 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 interim results for the six months ended 30 June 2008 (the “period under review”).

Sales of the Group rose 81.7% to RMB1,399.4 million for the six months ended 30 June 2008 compared to the corresponding period of last year. Gross profit margin grew 0.3% points to 61.1%. Profits attributable to equity holders achieved an impressive year-on-year growth of 95.6% to RMB656.8 million. Even excluding a one-off gain of RMB146.0 million from the acquisition of Phenix Co., Ltd (“Phenix”), the Group still achieved a strong growth of 52.1% in profits attributable to equity holders from its core operations. Basic earnings per share increased 48.9% to RMB11.57 cents. The Board of the Company recommends the distribution of an interim dividend and a special dividend of RMB2.71 cents and RMB0.88 cents respectively per ordinary share (totally RMB3.59 cents), representing approximately 30.0% and 9.8% of the Group’s net profit (excluding the one-off income resulting from the acquisition of Phenix) available for distribution for the period.

The Kappa Brand in the PRC market, the major business of the Group, accounted for 91.9% (1H2007:96.2%) of the Group’s sales for the six months ended 30 June 2008. Sales from the Kappa brand rose by 73.5% compared to the same period in 2007, mainly attributable to successful ongoing marketing activities and strategic positioning of the brand, as well as widespread acceptance of Kappa brand products among consumers in the PRC market. The number of Kappa brand retail outlets directly or indirectly operated by the Group’s distributors increased substantially from 1,945 as of 31 December 2007 to 2,487 as of 30 June 2008; a net increase of 542 (or 27.9%).

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Sales of apparel, footwear and accessories achieved encouraging growth of 81.0%, 61.0% and 39.4% respectively during the first half of 2008. Owing to the higher proportion of summer product sales during the period under review, gross profit margin for apparel products increased by 3.6% points to 68.2%. For footwear products, gross profit margin returned to a more stable and satisfactory level of 50.2% for the six months ended 30 June 2008 as compared to the 56.8% last year when a new pricing strategy for footwear products was adopted. Gross profit margins of accessory products maintained at a fairly stable level of 60.7% for the six months ended 30 June 2008.

Most suppliers of the Group in the PRC generally faced pressure from increased raw materials prices and labour costs in 2008. Nevertheless, the Group has strong bargaining power and well managed cost controls which enabled it to minimize the additional costs imposed by its suppliers. Moreover, its high-end product positioning helped to maintain the mark-up ratios or shift the additional costs to end-customers who are less price-sensitive. Therefore, the gross profit margin of the Group increased by 0.3 percentage points to 61.1% in the period under review. It was also able to maintain its operating and net profit margin at a level similar to that of last year at 43.7% and 46.9% respectively. (1H2007: 46.9% and 43.6% respectively).

As an enterprise engaged in the sports fashion business, the Group continued to adopt a distinct and coherent marketing and promotion strategy. This included the securing of strategic sponsorships and implementing a promotion strategy through selected media and other advertising channels that are considered to be the most efficient in targeting the Group's desired consumer demographic. The Group continued to carry out numerous marketing and promotion activities including sponsorships of sports teams, sports events, entertainment celebrities and at publicity events during the period under review, in order to enhance the market penetration of its brands.

Looking ahead, China Dongxiang will continue to develop its business in four directions: brand building, retail network expansion, internal systems and structural enhancement and multi-brand strategy.

In May 2008, the Group completed the acquisition of 91% shareholdings of Phenix, a Japanese company whose core operations focus on the design, development and sales of sports apparel. Phenix has strong design and development capabilities and is able of developing highly sophisticated apparel products. The integration with Phenix will enhance the Group's product development capabilities and provide a strong product design and technology development platform for its long-term development in the PRC market. In addition, the Group will further cooperate with well-recognised international design and development institutes such as the University of Arts London ("UAL"). It will also continue to sponsor selective sports and fashion activities which match with the image of the Kappa brand.

The Group will continue to co-operate with its distributors to open new stores in provincial capitals and first-tier cities as well as the high potential second and third-tier cities. The Group believes that the flagship store plan is a very effective mean to build the brand and it will continue to work with its distributors to open flagship stores in the prime shopping locations of first-tier cities in the PRC. It is also planning to directly invest in its key distributors by setting up retail joint ventures. The Group's direct investments in key distributors will further enhance its long-term strategy for retail network expansion.

The Group will further invest and enhance the management information systems over the next three years to improve efficiency in product design and development, supply chain management, quality and inventory control, as well as logistics and sales. The Group has adjusted its organisational structure to streamline major business segments and administrative functions. Comprehensive training programmes will be offered to enhance the professional and management skills of its staff. In addition, the Group also plans to establish a new operational headquarters in Beijing to cater for its future growth.

Mr. Chen YiHong, Chairman of the Group concluded, "We are committed to becoming one of the best multi-brand sportswear enterprises in the PRC. The acquisition of Phenix provides an excellent opportunity for us to execute the multi-brand strategy in the PRC under different brands to perpetuate our growth momentum. New lines of products including high quality ski, outdoor and golf sportswear will be launched in the PRC. By utilizing our professional management team who have abundant experience in the sportswear industry, as well as our strong financial resources, we endeavor to look for acquisition opportunities. We believe that it will further enhance the value of our shares and bring return 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.

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