



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 Remarkable 2009 Interim Results Profit Attributable to Equity Holders Surges 41.3% to RMB722 million

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### Gross Margin Widens to 62.2% on Focused Branding Strategy and Strengthened Product Design and R&D

#### Financial Highlights

	For the six months ended 30 June		
	2009 RMB (mn)	2008 RMB (mn)	Change (%)
Sales	1,868.4	1,399.4	+33.5%
Gross profit	1,162.7	854.8	+36.0%
Gross profit margin	62.2%	61.1%	+1.1% pts
Operating profit	849.7	612.1	+38.8%
Gain on negative goodwill on acquisition of Phenix Co., Ltd. ("Phenix") (one-off gain)	-	146.0	N/A
Profit attributable to equity holders			
- before one-off gain	722.0	510.8	+41.3%
- after one-off gain	722.0	656.8	+9.9%
	RMB (cents)	RMB (cents)	
Basic earnings per share			
- before one-off gain	12.74	9.00	+41.6%
- after one-off gain	12.74	11.57	+10.1%
Interim and interim special dividends per share	5.09	3.59	+41.8%

【9 September 2009, Hong Kong】 – The leading international sportswear brand enterprise in the PRC, **China Dongxiang (Group) Co., Ltd.** ("China Dongxiang" or "the Group"; stock code: 3818) is pleased to announce its interim results for the six months ended 30 June 2009 (the "period under review").

Despite the global economic slowdown, the Group achieved strong financial performance during the first half of 2009. Total sales of the Group reached RMB1,868.4 million, representing a 33.5% growth year-on-year. Profit attributable to equity holders grew 9.9% to RMB722.0 million. Should the one-off gain from the acquisition of Phenix in 1H2008 be excluded, the growth in profit attributable to equity holders reached 41.3%. Basic earnings per share rose 10.1% to RMB12.74 cents. The Board of directors proposed to distribute 30% and 10% of profitable attributable to equity holders for the six months ended 30 June 2009 (equivalent to RMB3.82 cents per share and RMB1.27 cents per share) as interim dividends and interim special dividends, respectively, totaling RMB5.09 per share. This represents an interim payout ratio of 40% for the first half of 2009.

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During the period under review, gross profit and operating profit of the Group amounted to RMB1,162.7 million and RMB849.7 million respectively, representing an increase of 36.0% and 38.8% year-on-year. The overall gross margin and operating margin grew by 1.1% points and 1.8% points to reach 62.2% and 45.5% respectively.

Mr. Chen YiHong, Chairman of the Group said, "Under the challenging condition in the first half of 2009, we initiated and executed various positive measures to combat the adverse impact brought by the financial tsunami. At the same time we assessed business opportunities cautiously so as to maintain a strong financial position and effective operational management system. We also took this opportunity to enhance our fundamental strengths which will pave the way for us to achieve outstanding performance in the next growth cycle."

Sales of Kappa brand, the Group's major business, increased by 30.2% to RMB1,674.4 million, accounting for 89.6% (2008: 91.9%) of the Group's total sales for the period under review. Apparel represented 73.4% (2008: 72.1%), footwear represented 21.9% (2008: 23.3%), while accessories represented 4.7% (2008: 4.6%) of the brand's total sales respectively. This is in line with the Group's strategy to maintain a fairly stable product mix which minimized the possible risks brought by the financial crisis.

As of 30 June 2009, the Group had 43 distributors who directly or indirectly operated 3,315 Kappa retail outlets in the PRC. This represented a net increase of 507 retail outlets compared with the 2,808 retail outlets as of 31 December 2008. In January 2009, the Group formed five joint ventures with its five key distributors in Hangzhou, Shanxi, Shenyang, Tianjin and Nanjing respectively by holding a 30% minority stake in each of the joint ventures. Not only did this further strengthen the Group's retail network in China, it also enabled the Group to monitor and exercise influence on the distributors to enhance distribution network operations, direction and execution of business strategies as well as financial controls of its key distributors.

With respect to the Japan segment, the distribution channels of Phenix in Japan include major sport shops, specialty sport shops, distributors, department stores, the Internet as well as its own outlets and direct stores. As of 30 June 2009, the points of sales for "Phenix" and "Kappa" were approximately 1,100 and 2,600 respectively.

The Group continued to adopt a distinct and coherent marketing and promotion strategy for its brands in the first half of 2009. The Group had effectively enhanced the visibility of its brands through a series of sponsorships. During the period under review, Kappa was appointed as the official partner of the Norwegian Olympics teams in 2010 Winter Olympics and the 2012 Summer Olympic Games, while Phenix entered into sponsorship agreement with the Japan National Ski Team and Kappa Japan confirmed the sponsorship of three top soccer teams in Japan. In entertainment marketing, major accomplishments of the Group included the strategic alliance with Huayi Brothers Media Group, one of the most successful film makers and entertainment media groups in China. It also organised a number of promotional events including the Kappa Omini's 40<sup>th</sup> anniversary celebration activities and Kappa X YOHO! Trendy Festivities etc.

The Group adapted to ever-changing market trends by offering products with active, fashionable and youthful designs. The Group's in-house design teams comprised 60 experts from PRC nationals, Japanese, Korean and Italians as of 30 June 2009. To further strengthen its product design capability, the Group entered into an agreement with the former Adidas's global creative director Michael Michalsky in July 2009, for the development and launch of a new collection under Kappa brand. This collaboration is expected to broaden the Group's product line and strengthen the fashion elements of its merchandise.

Integration between the China and Japan segments of the Group had entered the final stage. The sharing of resources and shifting its manufacturing and processing operations from Japan to China enabled the Group to effectively manage the production and management costs of Japan operations. This also means that there is room for further improvement in the future.

Looking ahead, the Group will continue to adopt an optimistic yet prudent approach to ensure a secured and healthy business growth. It will continue to pursue its long-term development in four ways: brand building, retail network expansion, internal operations enhancement and multi-brand strategy.

In terms of marketing and promotion strategies, the Group will continue to sponsor a number of selective fashion and sports activities which can closely tie-in with the image of the Kappa Brand. In August 2009, Kappa Golf was appointed as the official partner for the provision of golf apparel in the World Golf Champions (WGC) – HSBC Champions, one of the top 10 golf tournaments in the world, in 2009 to 2011. Its participation in this world-class event will greatly strengthen the brand image of Kappa and Kappa Golf.

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 five key distributors in Hangzhou, Shanxi, Shenyang, Tianjin, Nanjing and Ningbo respectively, with an aim to further strengthen the Group's retail network in China. The sixth joint venture will also be formed in the second half of 2009 with addition of a distributor in Beijing and nearby areas, Shandong, Shaanxi and Ningxia.

As part of its multi-brand strategy, the acquisition of Phenix provides an excellent opportunity for the Group to launch Phenix's high quality ski, outdoor and golf sportswear in the PRC market. In 2009, Phenix's "Kappa Golf" brand and "Phenix" brand products were launched successfully in the PRC market. The Group is also planning to launch the sub-brand of Kappa Brand, Robe Di Kappa ("RDK") in the PRC market soon.

Mr. Chen continued, "We are committed to becoming one of the best multi-brand sportswear enterprises in the PRC. The Kappa Brand is our first brand and it has provided a very solid foundation for us to deploy our multi-brand strategy. By utilising management's abundant experience in the sportswear industry and our strong financial resources, we endeavor to find and explore any acquisition opportunities for the ownership or long-term operating rights for one or more international brands in the PRC and/or regional markets. We believe that the multi-brand strategy will bring 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 finished its acquisition of a Japan sportswear enterprise Phenix on 30 April 2008. The international brand "Phenix" has the greatest market share in the skiing and outdoor sportswear market in Japan.

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