



Flash Note: China Dongxiang (03818 HK)

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3Q18 Operational Results Beat Expectations

2018年3季度运营数据好于预期

- China Dongxiang (the "Company") announced its 3Q18 operational results update. 3Q18 SSS of Kappa stores (excluding Kappa Kids business and Japan business) recorded mid-single-digit YoY increase, compared to mid- to low-single-digit YoY decrease last quarter. 3Q18 retail sales of Kappa stores (excluding Kappa Kids business and Japan business) recorded low-double-digit YoY increase, better than the relatively flat growth last quarter.
- The Company's 3Q18 retail channel performance was better than expected, mainly due to the Company's transformation initiatives, including adjustments to in store mix and product mix, introduction of the amoeba model, concentration of distribution channels, etc. These initiatives have already brought some positive effects on the Company's core sportswear business, which has been reflected in the Company's 3Q18 channel performance, especially with the relatively weak consumer sector in China as a whole.
- The Company's 3Q18 operational results has strengthened our confidence in the Company's core sportswear business over the next few years as it has been recovering after hitting rock bottom. We maintain our TP at HK\$1.70 and investment rating at "Buy".
- 中国动向（“公司”）公布了其2018年3季度财务数据。2018年3季度Kappa店铺（不包括Kappa童装和日本业务）同店销售录得中单位数的增长，好于上季度低至中单位数的下降。2018年3季度Kappa店铺（不包括Kappa童装和日本业务）的零售销售额录得低双位数的增长，同样好于上季度持平的增速。
- 公司2018年3季度的零售渠道表现好于预期，主要由于公司正在采取的转型措施，包括调整店铺结构和产品结构、引入阿米巴模式、集中分销渠道等。这些举措已经给公司的核心运动服饰业务带来一些正面效应，并反映在了2018年3季度的渠道表现中，尤其是在中国整体消费板块较为疲弱的背景下。
- 公司2018年3季度运营数据使我们对公司的核心运动服饰业务在接下来几年中的表现更有信心，因其已从低谷中开始恢复。我们维持1.70港元的目标价以及“买入”的投资评级。

Company Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Buy	买入	Relative Performance > 15%; or the fundamental outlook of the company or sector is favorable.
Accumulate	收集	Relative Performance is 5% to 15%; or the fundamental outlook of the company or sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the company or sector is neutral.
Reduce	减持	Relative Performance is -5% to -15%; or the fundamental outlook of the company or sector is unfavorable.
Sell	卖出	Relative Performance < -15%; or the fundamental outlook of the company or sector is unfavorable.

Sector Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Outperform	跑赢大市	Relative Performance > 5%; or the fundamental outlook of the sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the sector is neutral.
Underperform	跑输大市	Relative Performance < -5%; Or the fundamental outlook of the sector is unfavorable.

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