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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)

ANNOUNCEMENT

CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF EQUITY INTEREST IN TIANJIN MAI SHENG YUE HE SPORTING GOODS CO., LTD.

THE SALE AND PURCHASE AGREEMENT

On 11 January 2018 (after trading hours), the Buyer (a wholly-owned subsidiary of the Company) and the Seller (an Independent Third Party) entered into the Sale and Purchase Agreement, pursuant to which the Buyer agreed to purchase, and the Seller agreed to sell, 47% equity interest in the Target Company for the Consideration of RMB7,608,681.99 (for illustration purpose only, equivalent to approximately HK\$9,054,332 using the exchange rate of RMB1:HK\$1.19).

LISTING RULES IMPLICATIONS

As at the date of this announcement, Chen Co. holds 13% equity interest in and thus is a substantial shareholder of the Target Company. Chen Co. is owned as to 45%, 35% and 20%, respectively by Mr. Chen Yiliang, Mr. Chen Yiyong and Mr. Chen Yizhong, each being a brother (and thus an associate) of Mr. Chen Yihong, an executive Director and the Chairman of the Company. Therefore, although the Buyer is acquiring equity interest in the Target Company from an Independent Third Party, the Acquisition is regarded as a connected transaction of the Company under Rule 14A.28 of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceed(s) 0.1% but is/are less than 5%, the Acquisition is subject to the reporting and announcement requirements but exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

On 11 January 2018 (after trading hours), the Buyer (a wholly-owned subsidiary of the Company) and the Seller (an Independent Third Party) entered into the Sale and Purchase Agreement, pursuant to which the Buyer agreed to purchase, and the Seller agreed to sell, 47% equity interest in the Target Company for the Consideration of RMB7,608,681.99 (for illustration purpose only, equivalent to approximately HK\$9,054,332 using the exchange rate of RMB1:HK\$1.19).

THE SALE AND PURCHASE AGREEMENT

Date

11 January 2018 (after trading hours)

Parties

- (i) Shanghai Gabbana Sporting Goods Co., Ltd.* (上海嘉班納體育用品有限公司) (a wholly-owned subsidiary of the Company), as the Buyer; and
- (ii) Tianjin Fushengbang Enterprise Management Consulting Co., Ltd.* (天津市富盛邦企業管理諮詢有限公司) (an Independent Third Party), as the Seller.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, each of the Seller and its ultimate beneficial owner is an Independent Third Party as of the date of this announcement.

Subject matter

Pursuant to the Sale and Purchase Agreement, the Buyer agreed to purchase, and the Seller agreed to sell, 47% equity interest in the Target Company. The following table illustrates the shareholding structure of the Target Company as at the date of this announcement and immediately after completion of the Acquisition, respectively:

Shareholder	As at the date of this announcement <i>% of equity interest</i>	Immediately after completion of the Acquisition <i>% of equity interest</i>
The Buyer	30%	77%
The Seller	57%	10%
Chen Co.	13%	13%

Consideration

Pursuant to the Sale and Purchase Agreement, the Consideration for the Acquisition amounts to RMB7,608,681.99 (for illustration purpose only, equivalent to approximately HK\$9,054,332 using the exchange rate of RMB1:HK\$1.19), which shall be payable by the Buyer to the Seller in cash within 20 business days after the date of the Sale and Purchase Agreement.

The Consideration was determined after arm's length negotiations between the Buyer and the Seller with reference to, *inter alia*, a valuation report on the fair market value of the Target Company issued by Beijing Luguang Assets Appraisal Co., Ltd.* (北京魯光資產評估有限公司), an independent valuer.

INFORMATION OF THE GROUP AND THE BUYER

The Company is an investment company, whose subsidiaries are principally engaged in brand development, design and sales of sport-related apparel, footwear and accessories in Mainland of People's Republic of China, Macau and Japan as well as investment activities in Mainland of PRC and abroad.

The Buyer is a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company. It is principally engaged in design, research and development of sports products, corporate management consultancy and cultural and sports event planning, etc. As at the date of this announcement, the Buyer directly holds 30% equity interest in the Target Company.

INFORMATION OF THE SELLER

The Seller is a company incorporated in the PRC with limited liability and an Independent Third Party. It is principally engaged in corporate management consultancy, corporate image design, marketing and planning, etc.

INFORMATION OF THE TARGET COMPANY

The Target Company is a company incorporated in the PRC with limited liability and is principally engaged in distribution and retail of sporting goods including products of the Group and other third parties in Tianjin and Hebei districts. As at the date of this announcement, the Target Company is owned as to 30% by the Buyer, 57% by the Seller and 13% by Chen Co..

Set out below is the unaudited financial information of the Target Company for the financial year ended 31 December 2016 and 31 December 2017, respectively:

	For the financial year ended 2017 <i>RMB</i>	For the financial year ended 2016 <i>RMB</i>
Revenue	54,898,782.41	63,966,512.37
(Loss)/profit before taxation	(5,126,313.71)	3,324,194.62
(Loss)/profit after taxation	(5,126,313.71)	3,324,194.62

The unaudited net assets of the Target Company as at 31 December 2017 is RMB19,344,661.42.

Upon completion of the Acquisition, the Target Company will be accounted for as a subsidiary of the Company, and its financial results will be consolidated into the consolidated financial statements of the Group.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Target Company is principally engaged in distribution and retail of sporting goods. The Company considers that the Acquisition is a good opportunity for the Group to consolidate its control in the Target Company and increase its investment in the business of distribution and retail of sporting goods, and thereby creating synergy with its principal business of brand development, design and sales of sport-related apparel, footwear and accessories. Upon completion of the Acquisition, the Target Company will become a subsidiary of the Company, which will facilitate better implementation of the operating philosophies and strategies of the Company into the Target Company.

Having taken into account the reasons for and benefits of the Acquisition, the Directors (including the independent non-executive Directors) are of the view that the terms of the Sale and Purchase Agreement, including the Consideration, which have been reached after arm's length negotiations between the parties thereto, are fair and reasonable, and the Acquisition is on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Chen Co. holds 13% equity interest in and thus is a substantial shareholder of the Target Company. Chen Co. is owned as to 45%, 35% and 20%, respectively by Mr. Chen Yiliang, Mr. Chen Yiyong and Mr. Chen Yizhong, each being a brother (and thus an associate) of Mr. Chen Yihong, an executive Director and the Chairman of the Company. Therefore, although the Buyer is acquiring equity interest in the Target Company from an Independent Third Party, the Acquisition is regarded as a connected transaction of the Company under Rule 14A.28 of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceed(s) 0.1% but is/are less than 5%, the Acquisition is subject to the reporting and announcement requirements but exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

Apart from Mr. Chen Yihong who has abstained from voting on the Board resolutions approving the Acquisition in view of his brothers' interest in the Target Company, no other Directors were in any way materially interested in and therefore have abstained from voting on the Board resolutions approving the Acquisition.

DEFINITION

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Acquisition”	the acquisition of 47% equity interest in the Target Company by the Buyer from the Seller pursuant to the Sale and Purchase Agreement
“Board”	the board of Directors
“Buyer”	Shanghai Gabbana Sporting Goods Co., Ltd.* (上海嘉班納體育用品有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Chen Co.”	Beijing Yi Tian Bo You Investment Co., Ltd.* (北京億天博佑投資有限公司), a limited liability company incorporated on 4 June 2009 in the PRC, owned by Mr. Chen Yiliang, Mr. Chen Yiyong and Mr. Chen Yizhong (each being a brother of Mr. Chen Yihong (an executive Director and the Chairman of the Company)) as to 45%, 35% and 20% respectively
“Company”	China Dongxiang (Group) Co., Ltd. (中國動向(集團)有限公司), a limited liability company incorporated in the Cayman Islands, the Shares of which are listed on the Main Board of the Stock Exchange
“Consideration”	RMB7,608,681.99 (for illustration purpose only, equivalent to approximately HK\$9,054,332 using the exchange rate of RMB1:HK\$1.19) in respect of the Acquisition payable by the Buyer to the Seller pursuant to the Sale and Purchase Agreement
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC

“Independent Third Party”	an independent third party not connected with the Company or its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purposes of this announcement, shall not include Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	a sale and purchase agreement dated 11 January 2018 and entered into between the Buyer and the Seller in relation to the Acquisition
“Seller”	Tianjin Fushengbang Enterprise Management Consulting Co., Ltd.* (天津市富盛邦企業管理諮詢有限公司), a company incorporated in the PRC with limited liability, an Independent Third Party
“Shareholder(s)”	the holder(s) of the Shares
“Shares”	ordinary shares of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Tianjin Mai Sheng Yue He Sporting Goods Co., Ltd.* (天津邁盛悅合體育用品有限公司), a company incorporated in the PRC with limited liability owned as to 30% by the Buyer, 57% by the Seller and 13% by Chen Co. as at the date of this announcement
“%”	per cent.

* Denotes as English translation of a Chinese name and is provided for identification purposes only.

In this announcement, unless the context otherwise requires, the terms “associate(s)”, “close associate(s)”, “connected person(s)”, “connected transaction(s)”, “controlling shareholder(s)”, “subsidiary(ies)” and “substantial shareholder(s)” shall have the meanings given to such terms in the Listing Rules, as modified by the Stock Exchange from time to time.

By Order of the Board
China Dongxiang (Group) Co., Ltd.
CHEN Yihong
Chairman

11 January 2018

As at the date of this announcement, the executive directors of the Company are Mr. Chen Yihong, Ms. Chen Chen and Mr. Zhang Zhiyong, and the independent non-executive directors of the Company are Dr. Chen Guogang, Mr. Chen Johnny and Mr. Gao Yu.