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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 THE CAPITAL INJECTION INTO HUAYI SPORTS

CAPITAL INCREASE AGREEMENT

The Board announces that on 25 April 2017, Tibet Plutus (a wholly-owned subsidiary of the Company) entered into the Capital Increase Agreement with Huayi Sports and the Existing Shareholders in relation to the Capital Injection. Pursuant to the Capital Increase Agreement, Tibet Plutus has agreed to subscribe for approximately 1.82% of the enlarged equity interest of Huayi Sports upon completion of the Capital Injection with the consideration of RMB20 million.

The Board (including the independent non-executive Directors) is of the view that the terms and conditions of the Capital Increase Agreement and the Capital Injection are on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

Tibet Wensheng, one of the Existing Shareholders, is held as to 80% by Mr. Chen, an executive Director and the controlling shareholder of the Company and hence a controller pursuant to Rule 14A.28 of the Listing Rules. As at the date of this announcement, Tibet Wensheng held as to 25% of the entire registered capital of Huayi Sports and is therefore a substantial shareholder of Huayi Sports. Accordingly, the Capital Injection constitutes a connected transaction of the Company pursuant to Rule 14A.28 of the Listing Rules. As one or more of the applicable percentage ratios (as defined under the Listing Rules) exceed 0.1% but fall below 5%, the Capital Injection is only subject to the reporting and announcement requirements and is exempt from independent Shareholders' approval requirement pursuant to Chapter 14A of the Listing Rules.

INTRODUCTION

The Board announces that on 25 April 2017, Tibet Plutus (a wholly-owned subsidiary of the Company) entered into the Capital Increase Agreement with Huayi Sports and the Existing Shareholders in relation to the Capital Injection. Pursuant to the Capital Increase Agreement, Tibet Plutus has agreed to subscribe for approximately 1.82% of the enlarged equity interest of Huayi Sports upon completion of the Capital Injection with the consideration of RMB20 million.

CAPITAL INCREASE AGREEMENT

Date

25 April 2017

Parties

- (i) Tibet Plutus;
- (ii) Huayi Sports; and
- (iii) Existing Shareholders.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, the Existing Shareholders (except for Tibet Wensheng) and their respective ultimate beneficial owners are Independent Third Parties.

Conditions Precedent

The Capital Injection is conditional upon the obtaining of the requisite written approvals from the respective board of directors or shareholders of each of the signing parties to the Capital Increase Agreement.

Consideration of the Capital Injection

Pursuant to the Capital Increase Agreement, Tibet Plutus shall contribute RMB20 million in cash to subscribe for approximately 1.82% of the enlarged equity interest of Huayi Sports upon completion of the Capital Injection. The consideration of the Capital Injection shall be paid by Tibet Plutus to Huayi Sports within 15 business days from the date on which all of the abovementioned conditions precedent has been fulfilled.

The amount of Capital Injection was determined by arm's length negotiation between the parties under the Capital Increase Agreement by marking reference to the valuation of the market comparable companies.

Completion

Completion of the Capital Injection shall be subject to the completion of: (i) the payment of the consideration under the Capital Injection by Tibet Plutus; and (ii) the commercial registration filing with the competent authorities.

INFORMATION ON THE COMPANY, TIBET PLUTUS, HUAYI SPORTS AND THE EXISTING SHAREHOLDERS

The Company and Tibet Plutus

The Company is an investment holding company and its subsidiaries are principally engaged in brand development, design and sales of sport-related apparel, footwear and accessories in PRC, Macau and Japan. Tibet Plutus is a company established in the PRC with limited liability and is principally engaged in investment holding.

Huayi Sports and the Existing Shareholders

Huayi Sports is a company established in the PRC with limited liability on 19 September 2016 and is principally engaged in investment and operation of, among other things, sports events, sports industry development and sports training. The net asset value of Huayi Sports as at 31 December 2016 was RMB49,441,092.79.

Huayi Brothers (Tianjin) is a company established in the PRC with limited liability and is principally engaged in the investment in cultural, media and internet industries, investment management and consultancy, corporate governance and economic trading consultancy and corporate marketing planning businesses. Tibet Wensheng is a company established in the PRC with limited liability and is principally engaged in, among other things, project investment and investment management and consultancy, corporate governance planning and financial consultancy businesses. Jiasheng Xingye (Beijing) is a company established in the PRC with limited liability and is principally engaged in investment holding. Huayi Brothers (Tianjin), Tibet Wensheng and Jiasheng Xingye (Beijing) held as to 51%, 25% and 24% of the entire registered capital of Huayi Sports respectively as at the date of this announcement.

REASONS FOR AND BENEFITS OF THE CAPITAL INJECTION

The Capital Injection enables the Group to engage in investment in, among other things, sports events, sports industry development and sports training which may create synergy with the Group's existing business in sport-related apparel, footwear and accessories and will provide economic benefits and business opportunities to the Group in the future.

The Board (including the independent non-executive Directors) is of the view that the terms and conditions of the Capital Increase Agreement and the Capital Injection are on normal commercial terms, fair and reasonable and in interests of the Company and its Shareholders as a whole. Except that Mr. Chen and Ms. Chen are interested in 25% of the entire registered capital of Huayi Sports through their respective shareholding in Tibet Wensheng and were required to abstain from voting from the relevant resolutions of the Board, none of the Directors has a material interest in the Capital Injection or was required to abstain from voting from the relevant resolutions of the Board.

IMPLICATIONS UNDER THE LISTING RULES

Tibet Wensheng, one of the Existing Shareholders, is held as to 80% by Mr. Chen, an executive Director and the controlling shareholder of the Company and hence a controller pursuant to Rule 14A.28 of the Listing Rules. As at the date of this announcement, Tibet Wensheng held as to 25% of the entire registered capital of Huayi Sports and is therefore a substantial shareholder of Huayi Sports. Accordingly, the Capital Injection constitutes a connected transaction of the Company pursuant to Rule 14A.28 of the Listing Rules. As one or more of the applicable percentage ratios (as defined under the Listing Rules) exceed 0.1%

but fall below 5%, the Capital Injection is only subject to the reporting and announcement requirements and is exempt from independent Shareholders' approval requirement pursuant to Chapter 14A of the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors
“Capital Increase Agreement”	the capital increase agreement dated 25 April 2017 entered into between Tibet Plutus, Huayi Sports and the Existing Shareholders in relation to the Capital Injection
“Capital Injection”	the subscription for approximately 1.82% of the enlarged equity interest of Huayi Sports upon completion of the capital injection
“Company”	China Dongxiang (Group) Co., Ltd., a company incorporated in Cayman Islands, the shares of which are listed on the Stock Exchange
“connected person”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“Existing Shareholders”	Huayi Brothers (Tianjin), Jiasheng Xingye (Beijing) and Tibet Wensheng
“Group”	the Company and its subsidiaries
“Huayi Brothers (Tianjin)”	Huayi Brothers (Tianjin) Investment Co., Ltd.* (華誼兄弟(天津)投資有限公司), a company established in the PRC with limited liability
“Huayi Sports”	Huayi Brothers (Tianjin) Sports Culture Co. Ltd.* (華誼兄弟(天津)體育文化有限公司), a company established in the PRC with limited liability
“Independent Third Party(ies)”	party(ies) that is/are independent of the Company and its connected persons
“Jiasheng Xingye (Beijing)”	Jiasheng Xingye (Beijing) Investment Co. Ltd.* (嘉盛興業(北京)投資有限公司), a company established in the PRC with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Chen”	Mr. Chen Yihong, an executive Director and the controlling shareholder of the Company
“Ms. Chen”	Ms. Chen Chen, an executive Director
“PRC”	the People's Republic of China
“RMB”	Renminbi, being the lawful currency of the PRC
“Share(s)”	shares of the Company

“Shareholder(s)”	the holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tibet Plutus”	Tibet Plutus Investment Management Co., Ltd. (西藏普魯都斯投資管理有限公司), a company established in the PRC with limited liability and is a wholly-owned subsidiary of the Company
“Tibet Wensheng”	Tibet Wensheng Jinda Investment Co. Ltd.* (西藏穩盛進達投資有限公司), a company established in the PRC with limited liability and is held as to 80% by Mr. Chen and as to 20% by Ms. Chen as at the date of this announcement
“%”	per cent

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

25 April 2017

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

* *For identification purposes only*