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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)

DISCLOSEABLE TRANSACTION

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The Board is pleased to announce that on 23 November 2010, Shanghai Gabanna, an indirect wholly-owned subsidiary of the Company, Han Bo Jia Ye, Chen Co, a connected person of the Company and the other Independent Third Parties entered into the Capital Increase Agreement for the purpose of implementing the Capital Increase. Upon completion of the Capital Increase, the Group's effective interest in Han Bo Jia Ye will be diluted from 30% to 22.05%.

Listing Rules Implications

Discloseable Transaction

Shanghai Gabanna is an indirect wholly-owned subsidiary of the Company and the Capital Increase by Shanghai Gabanna constitutes a transaction for the purpose of Chapter 14 of the Listing Rules. As one of the applicable percentage ratios of the Transaction contemplated in the Capital Increase Agreement is higher than 5% but lower than 25%, according to Chapter 14 of the Listing Rules, the Transaction constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Rules 14.34 to 14.37 but is exempt from Shareholders' approval requirement under the Listing Rules.

DISCLOSEABLE TRANSACTION

As disclosed in the 2010 Announcement, it is anticipated under the Reorganisation Agreement that Shanghai Gabanna will further invest in Han Bo Jia Ye to increase its shareholding stake by way of cash injection and some other parties will inject into Han Bo Jia Ye by companies controlled by them which are engaged in similar line of business as those of the Operating Companies simultaneously and as a result of which, Shanghai Gabanna's interest in Han Bo Jia Ye will be further diluted. Against such background, the Capital Increase Agreement was entered into on 23 November 2010.

Capital Increase Agreement

A summary of the principal terms of the Capital Increase Agreement is set out below:

Date

23 November 2010

Parties

- (1) Shanghai Gabanna, an indirect wholly-owned subsidiary of the Company
- (2) Han Bo Jia Ye, which is held as to 30% by Shanghai Gabanna before the completion of the Capital Increase
- (3) Chen Co, a limited liability company incorporated in the PRC by Chen Brothers, owned by Mr. Chen Yiliang, Mr. Chen Yiyong and Mr. Chen Yizhong as to 45%, 35% and 20% respectively. Hence, it is a connected person of the Company
- (4) other Independent Third Parties

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save and except for Chen Co, the other parties to the Capital Increase Agreement are third parties independent of and not connected with the Company and its connected persons.

Capital Increase

In order to implement the Reorganization as described in the 2010 Announcement, the parties to the Capital Increase Agreement have agreed to inject an aggregate cash amount of RMB126,275,980 into Han Bo Jia Ye pursuant to the terms of the Capital Increase Agreement, amongst which, Shanghai Gabanna agreed to inject a cash amount of RMB82,665,238 of which a sum of RMB8,193,975 will be in form as equity interest in Han Bo Jia Ye and the remaining sum of RMB74,471,263 will be accounted for as capital surplus of Han Bo Jia Ye. After the Capital Increase, the registered share capital of Han Bo Jia Ye will be increased from RMB52,783,796 to RMB108,948,124.

After the capital injection by all the relevant parties as contemplated in the Capital Increase Agreement, the Group's effective interest in Han Bo Jia Ye will be diluted from 30% to 22.05%.

The capital injection amounts injected by Shanghai Gabanna under the Capital Increase Agreement was based on normal commercial terms and determined after arm's length negotiations between the parties to the Capital Increase Agreement.

Reasons for entering into the Capital Increase Agreement

The reasons for entering into the Capital Increase Agreement are as follows:

- (i) to enhance the retail channels of the Group in order to reduce excessive competition within the industry and to raise the Group's efficiency in investing in the retail channels; and

(ii) to facilitate the promotion of the Company's new brand through the efficient use of the retail channel resources.

The board of Directors, including the independent non-executive Directors is of the view that the terms of the Capital Increase Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Information on the parties to the Capital Increase Agreement

Shanghai Gabanna is an indirect wholly-owned subsidiary of the Company. The Group is primarily engaged in the design, development, marketing and wholesale of branded sportswear in the PRC and Macau.

Han Bo Jia Ye will act as the holding company of the Operating Companies and the underlying Operating Assets and Business. The Operating Companies are principally engaged in the distribution of sportswear products in major provinces and cities of the PRC, including but not limited to Kappa brand products, and operation of sportswear shopping centres in the major provinces and cities of the PRC.

Mr. Chen Yiliang, Mr. Chen Yiyong and Mr. Chen Yizhong are brothers of Mr. Chen Yihong, the chairman and an executive Director and a substantial Shareholder of the Company. Chen Co is a limited liability company incorporated in the PRC and owned as to 45%, 35% and 20% by Chen Yiliang, Chen Yiyong and Chen Yizhong respectively. It is principally engaged in the distribution of sporting goods for a number of sportswear brands in PRC, including but not limited to Kappa brand, and the operation of sportswear shopping centres in the major provinces and cities in PRC.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save and except for Chen Co, the other parties to the Capital Increase Agreement are third parties independent of and not connected with the Company and its connected persons.

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Shanghai Gabanna is an indirect wholly-owned subsidiary of the Company and the Capital Increase by Shanghai Gabanna constitutes a transaction for the purpose of Chapter 14 of the Listing Rules. As one of the applicable percentage ratios of the Transaction contemplated in the Capital Increase Agreement is higher than 5% but lower than 25%, according to Chapter 14 of the Listing Rules, the Transaction constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Rules 14.34 to 14.37 but is exempt from Shareholders' approval requirement under the Listing Rules.

DEFINITIONS

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

“2010 Announcement”	the announcement published by the Company on 7 September 2010 in relation to, amongst other thing, the entering into of the Reorganisation Agreement by Shanghai Gabanna with Chen Co, Han Bo Jin Ye and other Independent Third Parties
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Capital Increase”	the capital injection from Shanghai Gabanna and the other Independent Third Parties into Han Bo Jia Ye, pursuant to the terms of the Capital Increase Agreement
“Capital Increase Agreement”	an agreement dated 23 November 2010 entered into between Shanghai Gabanna, Han Bo Jia Ye, Chen Co and the other Independent Third Parties, in relation to, among other things, the Capital Increase
“Chen Brothers”	Mr. Chen Yiliang, Mr. Chen Yiyong, Mr. Chen Yizhong, each a brother of Mr. Chen Yihong and a connected person of the Company
“Chen Co”	北京億天博佑投資有限公司 (Beijing Yi Tian Bo You Investment Co., Limited*), a limited liability company incorporated on 4 June 2009 in the PRC by Chen Brothers, owned by Mr. Chen Yiliang, Mr. Chen Yiyong and Mr. Chen Yizhong 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
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Han Bo Jia Ye”	翰博嘉業(北京)貿易有限公司 (Han Bo Jia Ye (Beijing) Company Limited*), a limited liability company established under the laws of the PRC on 4 June 2009, which is held as to 30% by Shanghai Gabanna, 27.56% by Chen Co and 42.44% by the Independent Third Parties before the completion of the Capital Increase
“Hong Kong”	the Hong Kong Special Administrative Region of PRC
“Independent Third Party” or “Independent Third Parties”	person(s) or entity/entities who is/are independent from the Company, its connected persons or their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Operating Assets and Business”	such assets and business owned and operated by the five Operating Companies, including but not limited to the existing distribution business of Kappa brand products, tangible and intangible assets, inventories, equipments, moveable and immovable assets, retail shops, sales networks, brand licensing arrangements and labour contracts etc
“Operating Company/ Companies”	the five operating companies, each of which owns the relevant Operating Assets and Business in Hangzhou, Nanjing, Tianjin, Shanxi and Shenyang
“PRC”	the People’s Republic of China and for the purposes of this announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Reorganisation”	the reorganisation steps to be taken or procured by the parties to the Reorganisation Agreement and as described in the section headed “Reorganisation” in the 2010 Announcement with the effect to enable Han Bo Jia Ye to hold the five Operating Companies
“Reorganisation Agreement”	an agreement dated 7 September 2010 entered into between Shanghai Gabanna, Chen Co, Han Bo Jia Ye and the other Independent Third Parties, in relation to, among other things, the Reorganisation
“RMB”	Renminbi, lawful currency of the PRC
“Shanghai Gabanna”	上海嘉班納體育用品有限公司 (Shanghai Gabanna Sporting Goods Co., Limited*), a company established in the PRC on 12 September 2008 and an indirect wholly-owned subsidiary of the Company
“Shareholder(s)”	the holder(s) of Shares
“Shares”	shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	the Capital Increase of RMB82,665,238 effected by Shanghai Gabanna into Han Bo Jia Ye, pursuant to the terms of the Capital Increase Agreement

By order of the Board of Director
China Dongxiang (Group) Co., Ltd.
Chen Yihong
Chairman

Hong Kong, 23 November 2010

As at the date of this announcement, the executive Directors of the Company are Mr. Chen Yihong and Mr. Qin Dazhong, the non-executive Director of the Company is Mr. Gao Yu, and the independent non-executive Directors of the Company are Mr. Jin Zhi Guo, Dr. Xiang Bing and Mr. Xu Yudi.

* denotes an English translation of a Chinese name.