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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
RENEWAL OF CONTINUING CONNECTED TRANSACTION**

THE 2023 RENEWED FRAMEWORK AGREEMENT

The Board announces that on 30 June 2023, Gaea (an indirect wholly-owned subsidiary of the Company) and Mai Sheng Yue He entered into the 2023 Renewed Framework Agreement in relation to the supply and sale of sport-related products by Gaea (or its subsidiaries) to Mai Sheng Yue He (or its subsidiaries), in order to continue with the transactions under the Existing Framework Agreement after its expiry on 31 March 2024 under the terms of the 2023 Renewed Framework Agreement.

LISTING RULES IMPLICATION

Mai Sheng Yue He is an associate of Mr. Chen Yihong, an executive Director and the Chairman of the Company, and hence a connected person of the Company. Therefore, the transactions contemplated under the 2023 Renewed Framework Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) calculated with reference to the Annual Caps exceed(s) 5%, the transactions contemplated under the 2023 Renewed Framework Agreement are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Chen Yihong and his associates are required to abstain from voting at the EGM to approve the 2023 Renewed Framework Agreement and the Annual Caps.

GENERAL

The Independent Board Committee has been formed and the Independent Financial Advisor has been appointed to provide its opinion to the Independent Board Committee and the Independent Shareholders in respect of the 2023 Renewed Framework Agreement and the Annual Caps.

A circular containing, among other things (i) further details of the 2023 Renewed Framework Agreement, the Annual Caps and the transactions contemplated thereunder, (ii) a letter from the Independent Board Committee, (iii) the recommendations of the Independent Financial Advisor, and (iv) a notice to convene the EGM to approve, among other things, the 2023 Renewed Framework Agreement and the Annual Caps, will be despatched to the Shareholders on or before 31 July 2023, so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

BACKGROUND

Reference is made to the announcement of the Company dated 30 June 2020. On 30 June 2020, Shanghai Kappa (an indirect wholly-owned subsidiary of the Company) and Mai Sheng Yue He (a connected person of the Company) entered into the Existing Framework Agreement pursuant to which Shanghai Kappa agreed to supply sport-related products to Mai Sheng Yue He effective from 1 April 2021 to 31 March 2024, which constituted continuing connected transactions of the Company under the Listing Rules.

As the Existing Framework Agreement is due to expire on 31 March 2024, on 30 June 2023, Gaea and Mai Sheng Yue He entered into the 2023 Renewed Framework Agreement in relation to the supply and sale of sport-related products by Gaea (or its subsidiaries) to Mai Sheng Yue He (or its subsidiaries), in order to continue with the transactions under the Existing Framework Agreement after 31 March 2024 under the terms of the 2023 Renewed Framework Agreement.

THE 2023 RENEWED FRAMEWORK AGREEMENT

The principal terms of the 2023 Renewed Framework Agreement are set out as follows:

Date

30 June 2023 (after trading hours)

Parties

- (i) Gaea (an indirect wholly-owned subsidiary of the Company); and
- (ii) Mai Sheng Yue He

Term

The 2023 Renewed Framework Agreement shall be subject to the approval by the Independent Shareholders at the EGM and shall be valid from 1 April 2024 to 31 March 2027, unless terminated earlier in accordance with the terms and conditions of the 2023 Renewed Framework Agreement.

Transactions under the 2023 Renewed Framework Agreement

Pursuant to the 2023 Renewed Framework Agreement, Gaea shall grant Mai Sheng Yue He a non-exclusive right to distribute and sell on a consignment or a direct sales basis of sport-related products of the Group, including sportswear and related products of the “Kappa” brands and other brands of the Group.

The 2023 Renewed Framework Agreement is a framework agreement which contains the principles, mechanisms and terms and conditions upon which the parties thereto are to carry out the transactions contemplated thereunder. Gaea and Mai Sheng Yue He, or their respective subsidiaries, may from time to time enter into specific agreements in respect of the supply and sale of goods of Gaea, provided that the terms and conditions of such specific agreements shall not be inconsistent with the terms of the 2023 Renewed Framework Agreement. The arrangement with respect of the supply and sale of goods of the Group will be carried out in accordance with such specific agreements to be entered into between Gaea and Mai Sheng Yue He, or their respective subsidiaries, from time to time during the term of the 2023 Renewed Framework Agreement.

Consideration and payment

Pursuant to the 2023 Renewed Framework Agreement, the amount of commission payable or price chargeable by Gaea to Mai Sheng Yue He (or their respective subsidiaries) in connection with the supply and sale of goods contemplated under the 2023 Renewed Framework Agreement is to be agreed upon and determined between the parties from time to time on an arm’s length basis according to the principles of fairness and reasonableness, which shall be comparable to, or no more favourable than, the commissions or price in respect of the sale of similar goods or under similar sales arrangement payable or chargeable to independent distributors by Gaea (or its subsidiaries).

Gaea (or its subsidiaries) shall, before entering into specific agreements with Mai Sheng Yue He in respect of the sale of goods pursuant to the 2023 Renewed Framework Agreement, obtain transaction and commissions or sales records on the supply and sale of the same or similar goods or under the same or similar sales arrangement by Gaea (or its subsidiaries) to independent distributors for the purpose of determining the referenced commission rate or sale price (as the case may be) for the supply and sale of such goods or under such sales arrangement, and the terms of the specific agreements to be entered

into between Gaea and Mai Sheng Yue He, or their respective subsidiaries, shall not be less favourable from the perspective of Gaea (or its subsidiaries) than such referenced rate or price.

Historical amounts

The annual caps under the Existing Framework Agreement are set out below:

	<i>RMB ('000)</i>
For the financial year ended 31 March 2022	94,000
For the financial year ended 31 March 2023	113,000
For the financial year ending 31 March 2024	130,000

The historical transaction amounts under the Existing Framework Agreement are set out below:

	<i>RMB ('000)</i>
For the financial year ended 31 March 2022	61,478
For the financial year ended 31 March 2023	59,771

Annual Caps and bases

Pursuant to the 2023 Renewed Framework Agreement, the transaction amount between Mai Sheng Yue He and Gaea (or their respective subsidiaries) for the sale of goods under the 2023 Renewed Framework Agreement shall be subject to the Annual Caps as follows:

	<i>RMB ('000)</i>
For the financial year ending 31 March 2025	92,000
For the financial year ending 31 March 2026	112,000
For the financial year ending 31 March 2027	134,000

The Annual Caps have been determined with reference to, among others, (i) the expected increase in sales performance in view of the gradual recovery of the economy and the retail market in China after the pandemic; (ii) the planned growth in the number of retail stores to be operated by Mai Sheng Yue He; and (iii) the expected improvement in store efficiency.

INTERNAL CONTROL MEASURES

In order to ensure that the terms for the sale of goods under the 2023 Renewed Framework Agreement are not more favourable than the terms offered by Gaea (or its subsidiaries) to independent distributors, the Company has adopted the following measures:

- (i) the relevant personnel of the Company will keep track of the sales records on the supply and sale of goods by Gaea (or its subsidiaries) to independent distributors for the purpose of ensuring that in the case of consignment sales, the commission payable, or, in the case of direct sales, the price chargeable to, Mai Sheng Yue He for the sale of goods of the Group will be comparable to, or no more favourable than, the commission or price for sale of similar goods or under similar sales arrangement payable or chargeable to independent distributors by Gaea (or its subsidiaries);
- (ii) the relevant personnel of the Company will keep track of the aggregate transaction amount for the supply and sale of goods under the 2023 Renewed Framework Agreement for the purpose of ensuring that the Annual Caps will not be exceeded;
- (iii) the Company has adopted relevant reporting and record-keeping procedures to allow independent non-executive Directors and auditors of the Company to perform annual review of the supply and sale of goods under the 2023 Renewed Framework Agreement and ensure that the transactions conducted under the 2023 Renewed Framework Agreement complied with the Company's internal control procedures, the terms of the 2023 Renewed Framework Agreement and the relevant requirements under the Listing Rules; and
- (iv) in respect of consignment sales:
 - Mai Sheng Yue He is required to pay deposits to the Group to guarantee their due performance pursuant to the specific agreement;
 - Mai Sheng Yue He is required to install a software so that the Group can timely monitor the sales amount and the inventory level;
 - the Group and Mai Sheng Yue He will jointly cross check the system sales reports on a monthly basis; and
 - the Group will conduct regular and ac-hoc stock take at retail outlets of Mai Sheng Yue He. For the ad-hoc stock take, the Group will inform Mai Sheng Yue He about the date of stock take, but the selected retail outlet for stock take will only be known to the distributors on the actual date of stock take.

REASONS FOR AND BENEFITS OF ENTERING INTO THE 2023 RENEWED FRAMEWORK AGREEMENT

Mai Sheng Yue He has been one of the largest distributors of the Group since 2010 and has maintained a very good business relationship with the Group due to its sales performance, reputation for reliability as a distributor, experience in retail of sporting goods and extensive distributorship network in Beijing and nearby areas, Shandong, Shaanxi and Inner Mongolia. It is expected that Mai Sheng Yue He will remain as one of the Group's key distributors because the well-established and continuing business relationship with Mai Sheng Yue He will contribute to the stable development of the business of the Group and avoid disruptions to the Group's distribution channel arrangement and business operations.

Having considered the reasons for and benefits of entering into the 2023 Renewed Framework Agreement, the Directors (including the independent non-executive Directors) consider that the 2023 Renewed Framework Agreement was entered into in the ordinary and usual course of business of the Company on normal commercial terms and the terms of the 2023 Renewed Framework Agreement (including the Annual Caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE GROUP AND GAEA

The Group is principally engaged in brand development, design and sales of sport-related apparel, footwear and accessories and investment activities in the PRC and abroad.

Gaea is a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company. It is an investment holding company and through its subsidiaries, principally engaged in design, sales and production of sport-related footwear, apparel and accessories in the PRC.

INFORMATION ON MAI SHENG YUE HE

Mai Sheng Yue He is a company incorporated in the PRC with limited liability and is principally engaged in distribution and retail of sportswear including products of the Group principally in Beijing and nearby areas, Shandong, Shaanxi and Inner Mongolia.

As of the date of this announcement, Mai Sheng Yue He is wholly-owned by Beijing Yi Tian Bo You Investment Co., Ltd.* (北京億天博佑投資有限公司) which is in turn owned as to 45%, 35% and 20%, respectively, 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. Therefore, Mai Sheng Yue He is a connected person of the Company under Chapter 14A of the Listing Rules by virtue of it being an associate of Mr. Chen Yihong.

LISTING RULES IMPLICATION

As stated above, Mai Sheng Yue He is a connected person of the Company under Chapter 14A of the Listing Rules. Therefore, the transactions contemplated under the 2023 Renewed Framework Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) calculated with reference to the Annual Caps exceed(s) 5%, the transactions contemplated under the 2023 Renewed Framework Agreement are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Chen Yihong and his associates are required to abstain from voting at the EGM to approve the 2023 Renewed Framework Agreement and the Annual Caps.

GENERAL

The Independent Board Committee has been formed and the Independent Financial Advisor has been appointed to provide its opinion to the Independent Board Committee and the Independent Shareholders in respect of the 2023 Renewed Framework Agreement and the Annual Caps.

A circular containing, among other things (i) further details of the 2023 Renewed Framework Agreement, the Annual Caps and the transactions contemplated thereunder, (ii) a letter from the Independent Board Committee, (iii) the recommendations of the Independent Financial Advisor, and (iv) a notice to convene the EGM to approve, among other things, the 2023 Renewed Framework Agreement and the Annual Caps, will be despatched to the Shareholders on or before 31 July 2023, so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

DEFINITION

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

“2023 Renewed Framework Agreement”	a conditional agreement dated 30 June 2023 entered into between Gaea and Mai Sheng Yue He in relation to the supply and sale of sport-related products by Gaea to Mai Sheng Yue He, or their respective subsidiaries, effective from 1 April 2024 to 31 March 2027
“Annual Caps”	the annual caps under the 2023 Renewed Framework Agreement for each of the financial years ending 31 March 2025, 2026 and 2027 as set out in the section headed “The 2023 Renewed Framework Agreement — Annual Caps and bases” in this announcement

“Board”	the board of Directors
“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
“Directors”	the directors of the Company
“EGM”	an extraordinary general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving the 2023 Renewed Framework Agreement and the Annual Caps
“Existing Framework Agreement”	the framework agreement dated 30 June 2020 entered into between Shanghai Kappa and Mai Sheng Yue He in relation to the supply of sport-related products by Shanghai Kappa to Mai Sheng Yue He effective from 1 April 2021 to 31 March 2024
“Gaea”	Gaea Sports Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders in respect of the 2023 Renewed Framework Agreement and the Annual Caps
“Independent Financial Advisor”	Optima Capital Limited, a corporation licensed to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities as defined under the Securities and Futures Ordinance (Cap 571 of the laws of Hong Kong), being the independent financial advisor to the Independent Board Committee and the Independent Shareholders in respect of the 2023 Renewed Framework Agreement and the Annual Caps
“Independent Shareholders”	the Shareholders, excluding Mr. Chen Yihong and his associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Mai Sheng Yue He”	Mai Sheng Yue He Sportswear Company Limited* (邁盛悦合體育用品有限公司), a company incorporated in the PRC with limited liability, a connected person of the Company
“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
“Shanghai Kappa”	Shanghai Kappa Sporting Goods Co., Ltd.* (上海卡帕體育用品有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“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
“%”	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 subsidiary(ies)”, “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

Hong Kong, 30 June 2023

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