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)

(1) PROPOSED OFF-MARKET SHARE BUY-BACKS; (2) PROPOSED SET-OFF; (3) PROPOSED LOAN WAIVER; (4) CONNECTED TRANSACTION; AND (5) APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

Financial Adviser to the Company

Independent Financial Adviser to the Independent Board Committee and the Disinterested Shareholders

ALTUS CAPITAL LIMITED

INTRODUCTION

Reference is made to the Previous Announcements regarding, among other matters, the grant of Subscription Loans to the Borrowers to finance their respective subscription of new Shares pursuant to the Company's share incentive arrangements.

Pursuant to the Loan Agreements, each Subscription Loan was granted for a total term of ten years from the date of drawdown and was secured by the new Shares subscribed for and (where applicable) additional Shares acquired by such Borrower using his/her own funding (i.e. the Charged Shares).

In order to resolve the ongoing uncertainties regarding the recoverability of the Subscription Loans, the Company undertook a comprehensive assessment of available options. Following discussions with the Vendors, the Company, GSL and each of the Vendors entered into the Settlement Deeds on 24 July 2026 to settle the outstanding amounts of the Vendor Subscription Loans.

Pursuant to the terms of the Settlement Deeds, the parties agreed as follows:

(i) the Company shall buy back an aggregate of 256,090,025 Buy-back Shares, representing approximately 4.34% of the total issued share capital of the Company as at the date of this announcement, at the Buy-back Price of HK$0.285 per Buy-back Share (i.e. the Share Buy-backs);

(ii) the consideration payable to each Vendor for the Share Buy-backs and any outstanding amount of Retained Dividends shall be set off against the equivalent amount of the outstanding balance of the respective Vendor Subscription Loan owed by such Vendor to GSL (i.e. the Set-off);

(iii) GSL shall waive any residual amount of the respective Vendor Subscription Loan owed by each Vendor following the Set-off (i.e. the Loan Waiver); and

(iv) with respect to Mr. Zhang only, Mr. Zhang shall pay the Company HK$20 million as the ZZY Compensation.

For the Share Buy-backs, the Company shall buy back an aggregate of 256,090,025 Buy-back Shares from the Vendors at the aggregate consideration of approximately HK$72.99 million, being the Buy-back Price of HK$0.285 per Buy-back Share multiplied by the aggregate number of Buy-back Shares.

The Buy-back Price was determined following arm's length negotiations between the Company and each of the Vendors with reference to, among other factors: (i) movements in the market price of the Shares over a period of five consecutive trading days up to the Last Trading Day; (ii) prevailing market conditions; and (iii) the closing price of the Shares on the Last Trading Day.

Each Settlement Deed is conditional upon the satisfaction of the following conditions precedent:

(i) the Executive having approved the Share Buy-backs pursuant to Rule 2 of the Share Buy-backs Code (and such approval not having been withdrawn) and the condition(s) of such approval, if any, having been satisfied;

(ii) the passing of the necessary resolution at the EGM by at least three-fourths of the votes cast on a poll by Disinterested Shareholders in attendance in person or by proxy approving the Settlement;

(iii) all consents or approvals of any relevant government authorities or other relevant regulatory bodies which are required by the Company for entering into and the implementation of the relevant Settlement Deed and the transactions contemplated thereunder (including but not limited to the Share Buy-backs) having been obtained;

(iv) each of the warranties given by the relevant Vendor under the relevant Settlement Deed remaining true, accurate and not misleading in all respects up to Completion; and

(v) the due performance and observance by the relevant Vendor of all of his/her undertakings and obligations under the relevant Settlement Deed.

Save and except for the conditions set out in (iv) and (v) above which may be waived unilaterally by the Company, none of the above conditions precedent are capable of being waived by the Company or the Vendors.

The reasons and benefits of the Settlement are set out in the section headed "Reasons for and benefits of the Settlement" below.

REGULATORY REQUIREMENTS

Share Buy-backs Code

The Share Buy-backs constitute off-market share buy-backs by the Company under the Share Buy-backs Code. The Company will make an application to the Executive for approval of the Share Buy-backs pursuant to Rule 2 of the Share Buy-backs Code. The Executive's approval, if granted, will normally be conditional upon, among other things, the approval of the Settlement by at least three-fourths of the votes cast on a poll by the Disinterested Shareholders present in person or by proxy at the EGM.

Completion is subject to the condition precedent that the Share Buy-backs are approved by the Executive. Therefore, the Company will not proceed with the Share Buy-backs unless the Executive approves the Share Buy-backs pursuant to Rule 2 of the Share Buy-backs Code. However, there is no assurance that such approval will be granted or that all other conditions precedent to the Settlement Deeds will be fulfilled.

Listing Rules

As Mr. Lyu is an executive Director, he is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Share Buy-back from Mr. Lyu constitutes a connected transaction of the Company and is subject to the reporting and announcement requirements, but is exempt from the circular, independent financial advice and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

Pursuant to the requirements of the Share Buy-backs Code, the Independent Board Committee comprising all of the four independent non-executive Directors, namely Mr. Gao Yu, Ms. Tang Songlian, Mr. Zhou Zhiyi and Mr. Du Zhongbing, has been established to advise the Disinterested Shareholders in relation to, among other things, whether the terms of the Settlement Deeds and the Settlement are fair and reasonable and in the interests of the Company and the Shareholders as a whole and to advise the Disinterested Shareholders on voting, taking into account the recommendation of the Independent Financial Adviser.

Altus Capital Limited has been appointed as the Independent Financial Adviser by the Company to advise the Independent Board Committee and the Disinterested Shareholders in this regard.

A circular containing, among other things, (i) further details of the Settlement; (ii) the letter from the Independent Board Committee giving its recommendation to the Disinterested Shareholders on the Settlement; (iii) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Disinterested Shareholders in the same regard; (iv) the notice of the EGM; and (v) other information as required under the Share Buy-backs Code, the Takeovers Code and the Listing Rules, is expected to be despatched to the Shareholders in accordance with the Share Buy-backs Code and the Listing Rules within 21 days from the date of this announcement (i.e. on or before 14 August 2026). However, there is no assurance that the circular will be despatched on or before that date. If there is such a delay, the Company will seek the Executive's consent if it becomes clear that the circular will not be able to be despatched by that date and will apply to the Executive for an extension of time for the despatch of the circular. Further announcement(s) will be made by the Company as appropriate.

The Shareholders and potential investors of the Company should be aware that the Settlement is subject to the conditions precedent set out in this announcement, and consequently the Settlement may or may not proceed. Accordingly, they are advised to exercise caution when dealing in the Shares.

INTRODUCTION

Reference is made to the Previous Announcements regarding, among other matters, the grant of Subscription Loans to the Borrowers to finance their respective subscription of new Shares pursuant to the Company's share incentive arrangements.

Pursuant to the Loan Agreements, each Subscription Loan was granted for a total term of ten years from the date of drawdown and was secured by the new Shares subscribed for and (where applicable) additional Shares acquired by such Borrower using his/her own funding (i.e. the Charged Shares). Each Subscription Loan has a fixed interest at the rate of 1% per annum, payable monthly. Dividends received in respect of the Charged Shares are retained by the Group to settle the interest payments and, to the extent applicable, partial repayment of the outstanding principal of the Subscription Loans.

As at the date of this announcement, the aggregate outstanding principal amount of the Subscription Loans owed by the nine Borrowers was approximately HK$344.31 million and the total number of outstanding Charged Shares was 312,090,025 Shares, representing approximately 5.29% of the total issued share capital of the Company as at the date of this announcement.

BACKGROUND OF THE SUBSCRIPTION LOANS

In 2015, the Group launched a new brand building strategy to strengthen its sportswear business, with a focus on consumer-oriented product design and enhanced brand positioning for the Kappa brand. This strategic repositioning delivered significant results over the following two years, including the expansion of e-commerce operations, strengthened brand development initiatives, and improved supply chain capabilities.

To support the continued execution of these strategic initiatives, the Company sought to strengthen its senior management team. In October 2017, the Company recruited Mr. Zhang as an executive Director and chief executive officer. Mr. Zhang's extensive experience in China's consumer market, sporting goods brand development, digitalisation and corporate transformation was considered valuable to the further development of the Group's sportswear business.

As the Company and Mr. Zhang shared a positive outlook on the Group's sportswear business and its future prospects, it was agreed that Mr. Zhang's recruitment package would include a share incentive arrangement whereby Mr. Zhang would subscribe for new Shares, with 90% of the subscription consideration financed through a Subscription Loan.

Similar share incentive arrangements were also implemented in 2018 to recruit, retain and incentivise other senior management personnel, and in the meanwhile additional subscription of Shares were also made by Mr. Zhang. Under these arrangements, Subscription Loans were granted to the subscribers (except Ms. Chen, who used her own funds) to finance their subscription of Shares, and each borrower (i.e. the Borrowers) undertook to acquire additional Shares in the market as additional collateral for the Subscription Loans. For further information on the share incentive arrangements, the Subscriptions and Subscription Loans, please refer to the Previous Announcements.

From early 2020, a combination of external factors adversely affected the retail and consumer sectors. These included the outbreak of the COVID-19 pandemic, resulting volatility in global financial markets, subdued market sentiment, significant disruption to retail operations and consumer activities, and subsequent shifts in consumer spending patterns. As a result, the Share price began to trade at levels substantially below the original subscription prices instead of appreciating as originally anticipated at the time of the Subscriptions. Consequently, the original incentive objectives for the Borrowers to be able to realize gains from the sale of the Charged Shares upon appreciation of the Share price and also able to repay the Subscription Loans have not happened as originally intended. In the meantime, all of the Borrowers, with the exception of Mr. Lyu, have ceased to be employees of the Group as at the date of this announcement.

In order to resolve the ongoing uncertainties regarding the recoverability of the Subscription Loans, the Company undertook a comprehensive assessment of available options. Following discussions with the Vendors, the Company, GSL and each of the Vendors entered into the Settlement Deeds to settle the outstanding amounts of the Vendor Subscription Loans.

THE SETTLEMENT DEEDS

Key terms of each of the Settlement Deeds are as follows:

Date

24 July 2026 (after trading hours)

Parties

(i) the Company;

(ii) GSL; and

(iii) each of the Vendors.

As at the date of this announcement, with the exception of Mr. Lyu, who is an executive Director, all the other Vendors have ceased to be employees of the Group and are Independent Third Parties.

Subject Matter

Pursuant to the terms of the Settlement Deeds, the parties agreed as follows:

(i) the Company shall buy back an aggregate of 256,090,025 Buy-back Shares, representing approximately 4.34% of the total issued share capital of the Company as at the date of this announcement, at the Buy-back Price of HK$0.285 per Buy-back Share (i.e. the Share Buy-backs) from the Vendors;

(ii) the consideration payable to each Vendor for the Share Buy-backs and any outstanding amount of Retained Dividends shall be set off against the equivalent amount of the outstanding balance of the respective Vendor Subscription Loan owed by such Vendor to GSL (i.e. the Set-off);

(iii) GSL shall waive any residual amount of the respective Vendor Subscription Loan owed by each Vendor following the Set-off (i.e. the Loan Waiver); and

(iv) with respect to Mr. Zhang only, Mr. Zhang shall pay the Company HK$20 million as the ZZY Compensation.

The Company has elected to agree to the Loan Waiver in respect of each of the Vendors for the following reasons.

First, the Subscriptions and the Subscription Loans were structured as an employee incentive measure designed to align the interests of the Company and its selected employees (being the Borrowers) by having the Borrowers pay for 10% of their holdings with their own funds, and the remaining balance of payment financed by the Group. With this, the entire 100% shareholdings of the Borrowers under the share incentive arrangements were charged to the Group as collateral for the Subscription Loans. The arrangement was never intended to operate punitively in circumstances where the Share price has fallen below the level at which the Subscriptions were made.

Second, enforcing repayment against the Vendors (who are existing or former employees of the Company) will likely create financial challenges for them. Such an outcome would be contrary to the spirit of the share incentive arrangements and could materially impair employee morale, trust and engagement, and may give rise to reputational harm to the Company in terms of how it is perceived to treat its workforce. Further, any legal action taken against the Vendors, which will need to be pursued in the PRC, is likely to entail significant legal costs and management time.

For further details of the reasoning, please refer to the paragraph headed "Reasons for and benefits of the Settlement".

The ZZY Compensation was proposed by Mr. Zhang, as a goodwill one-off offer to the Company to expedite the Settlement, having regard to the costs and expenses incurred, and expected to be incurred, by the Company in connection with the engagement of external professional advisers and service providers for the purposes of (i) designing, structuring and implementing the incentive arrangements, including the Subscriptions and the Subscription Loans; (ii) undertaking subsequent reviews and revisions to such arrangements from time to time to ensure their continued compliance with applicable laws, rules and regulations; and (iii) negotiating, documenting and effecting the termination of the Subscription Loans pursuant to the Settlement. In arriving at the ZZY Compensation, Mr. Zhang took into account the professional fees, administrative costs and related disbursements that the Company has borne throughout the lifecycle of the incentive arrangements, from their initial establishment through to the present unwinding, which he considered that it would be appropriate to compensate the Company for such costs as part of the overall settlement between the parties.

Details of the outstanding Vendor Subscription Loans, the respective number of Charged Shares and Buy-back Shares held by each Vendor, the consideration payable, the amount of Retained Dividends and the estimated amount of Vendor Subscription Loan to be waived by GSL are set out in the table below:

Vendors	**Relationship with the Company**	**Outstanding principal amount of the Vendor Subscription Loan as at the date of this announcement** *(HK$ million)*	**Number of Charged Shares/ Buy-back Shares as at the date of this announcement**	**Approximate % of the total issued share capital of the Company as at the date of this announcement**	**Repayment date under the Amendment Letters**	**Consideration** *(HK$ million)*	**Amount of Retained Dividends** *(HK$ million)* *(Note 3)*	**Estimated Amount of Vendor Subscription Loan to be waived** *(HK$ million)* *(Note 4)*
Mr. Zhang	Former executive Director and chief executive officer; special assistant to the chairman	149.79 *(Note 1)*	138,410,025	2.35%	31 October 2027	39.45	3.77	106.57 *(Note 5)*
		31.18 *(Note 2)*	27,680,000	0.47%	25 April 2028	7.89	0.65	22.64 *(Note 5)*
Mr. Chen Shaowen	Former member of the senior management	31.31	28,000,000	0.47%	25 April 2028	7.98	0.64	22.69
Mr. Nan Peng	Former member of the senior management	18.03	16,000,000	0.27%	25 April 2028	4.56	0.36	13.11
Mr. Wang Yalei	Former member of the senior management	18.03	16,000,000	0.27%	25 April 2028	4.56	0.36	13.11
Mr. Lyu	Executive Director	11.27	10,000,000	0.17%	25 April 2028	2.85	0.23	8.19
Ms. Sun Wei	Former member of the senior management	11.04	10,000,000	0.17%	25 April 2028	2.85	0.23	7.96
Mr. Yang Gang	Former member of the senior management	11.09	10,000,000	0.17%	25 April 2028	2.85	0.23	8.01
Total		**281.74**	**256,090,025**	**4.34%**	—	**72.99**	**6.47**	**202.28**

Notes:

1. This represents the Subscription Loan granted to Mr. Zhang on 9 October 2017.

2. This represents the Subscription Loan granted to Mr. Zhang on 19 January 2018.

3. The amounts set out herein are for reference only as they only represent the amount of Retained Dividends as of the date of this announcement. Such amounts will be reduced by any interest(Note 6) of the Vendor Subscription Loans that becomes due and payable between the date of this announcement and the date of Completion.

4. The amounts set out herein are for reference only as they only represent the outstanding principal amount of the Vendor Subscription Loans as at the date of this announcement after deducting the consideration payable to each Vendor under the Share Buy-backs and current amount of Retained Dividends as at the date of this announcement. The actual amount to be waived will be calculated based on the then outstanding amount of loan principal and accrued interest as at Completion after setting off against the consideration payable to each Vendor under the Share Buy-backs and the then outstanding amount of Retained Dividends pursuant to the Set-off.

5. This amount does not take into account the ZZY Compensation.

6. The Subscription Loans include interest at a fixed rate of 1% per annum, which is accrued daily and payable monthly at the last day of each calendar month. The Retained Dividends are applied to settle interest payments due to GSL on a monthly basis.

As at the date of the Settlement Deeds, the Company had not reached a consensus with the two remaining Borrowers (i.e. Mr. Ren Yi and Mr. Song Li) and therefore their respective Subscription Loans would not be included as part of the Settlement. Their Subscription Loans will remain payable by April 2028 and the Company will continue to communicate with them on the resolution of their Subscription Loans.

Consideration for the Share Buy-backs

The Company shall buy back an aggregate of 256,090,025 Buy-back Shares from the Vendors at the aggregate consideration of approximately HK$72.99 million, being the Buy-back Price of HK$0.285 per Buy-back Share multiplied by the aggregate number of Buy-back Shares.

The Buy-back Price was determined following arm's length negotiations between the Company and each of the Vendors with reference to, among other factors: (i) movements in the market price of the Shares over a period of five consecutive trading days up to the Last Trading Day; (ii) prevailing market conditions; and (iii) the closing price of the Shares on the Last Trading Day.

The Buy-back Price of HK$0.285 per Buy-back Share represents:

(i) no premium over or discount to the closing price of HK$0.285 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) no premium over or discount to the average closing price of approximately HK$0.285 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Day;

(iii) a discount of approximately 1.04% to the average closing price of approximately HK$0.288 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to and including the Last Trading Day;

(iv) a discount of approximately 6.25% to the average closing price of approximately HK$0.304 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Day;

(v) a discount of approximately 25.00% to the average closing price of approximately HK$0.380 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange for the 90 consecutive trading days immediately prior to and including the Last Trading Day;

(vi) a discount of approximately 32.30% to the average closing price of approximately HK$0.421 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange for the 180 consecutive trading days immediately prior to and including the Last Trading Day; and

(vii) a discount of approximately 83.40% to the audited consolidated net asset value of the Group attributable to the Shareholders of approximately RMB1.487 (equivalent to approximately HK$1.717 based on the exchange rate of HK$1 to RMB0.866) per Share as at 31 March 2026 based on the Company's latest audited financial statements published in the Company's annual report for the year ended 31 March 2026.

During the six-month period immediately preceding and including the date of this announcement, the highest closing price of the Shares as quoted on the Stock Exchange was HK$0.475 per Share on 25 and 27 February, and 2 March 2026, and the lowest closing price of the Shares as quoted on the Stock Exchange was HK$0.285 per Share on 17, 20, 21, 22 and 23 July 2026.

Conditions Precedent

Each Settlement Deed is conditional upon the satisfaction of the following conditions precedent:

(i) the Executive having approved the Share Buy-backs pursuant to Rule 2 of the Share Buy-backs Code (and such approval not having been withdrawn) and the condition(s) of such approval, if any, having been satisfied;

(ii) the passing of the necessary resolution at the EGM by at least three-fourths of the votes cast on a poll by Disinterested Shareholders in attendance in person or by proxy approving the Settlement;

(iii) all consents or approvals of any relevant government authorities or other relevant regulatory bodies which are required by the Company for entering into and the implementation of the relevant Settlement Deed and the transactions contemplated thereunder (including but not limited to the Share Buy-backs) having been obtained;

(iv) each of the warranties given by the relevant Vendor under the relevant Settlement Deed remaining true, accurate and not misleading in all respects up to Completion; and

(v) the due performance and observance by the relevant Vendor of all of his/her undertakings and obligations under the relevant Settlement Deed.

Apart from the Executive's consent and the Disinterested Shareholders' approval as set out in conditions (i) and (ii) above, the Directors are not aware of any other approvals or consents that are required to be obtained from or any filings that are required to be made with any government or regulatory authority or any person in connection with the Settlement.

Save and except for the conditions set out in (iv) and (v) above which may be waived unilaterally by the Company, none of the above conditions precedent are capable of being waived by the Company or the Vendors.

If the above conditions are not fulfilled or waived (where applicable) on or before the date falling 180 days after the date of the Settlement Deed (i.e. 20 January 2027), or such other date as the Company and the relevant Vendor may from time to time agree in writing, the relevant Settlement Deed shall automatically lapse and be of no further effect automatically and neither party to the respective Settlement Deed shall have any further obligations or liabilities to the other thereunder, save for any antecedent breaches of the terms thereof. In such event, and for the avoidance of doubt, the obligations of the relevant Vendor to pay the outstanding balance of the Vendor Subscription Loan owed by him/her to GSL shall remain effective.

Completion

Completion is expected to take place on the twentieth Business Day after satisfaction of the above conditions precedent (or such other date as the Company and the relevant Vendor may from time to time agree in writing).

Upon Completion:

(i) the Buy-back Shares will be bought back by the Company and the Company shall cancel the Buy-back Shares and any rights attaching thereto shall cease with effect from such cancellation;

(ii) the consideration payable by the Company to each Vendor for the Share Buy-backs and any outstanding amount of Retained Dividends shall be set off against the equivalent amount of the outstanding balance of the respective Vendor Subscription Loan owed by such Vendor;

(iii) GSL shall waive any remaining amount of the Vendor Subscription Loans owed by each Vendor after the Set-off; and

(iv) with respect to Mr. Zhang only, Mr. Zhang shall pay the Company HK$20 million as the ZZY Compensation.

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is a summary of the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after Completion (assuming there will be no other changes in the shareholdings of the members of the Chen Family Group and the Vendors and no other changes in the issued share capital of the Company between the date of this announcement and the date of Completion):

	As at the date of this announcement		**Immediately after Completion**	
	Number of Shares held	**Approximate % of the total issued share capital of the Company**	**Number of Shares held**	**Approximate % of the total issued share capital of the Company**
Chen Family Group				
Mr. Chen	2,359,936,000 *(Note 1)*	40.03%	2,359,936,000 *(Note 1)*	41.85%
Ms. Chen	199,498,730 *(Notes 2, 3)*	3.38%	199,498,730 *(Notes 2, 3)*	3.54%
Mr. Chen Yiyong *(Note 4)*	12,094,742	0.21%	12,094,742	0.21%
Subtotal	**2,571,529,472**	**43.62%** *(Note 5)*	**2,571,529,472**	**45.60%**
Vendors				
Mr. Zhang	166,120,025 *(Note 6)*	2.82%	30,000	0.00%
Mr. Chen Shaowen	28,000,000	0.47%	—	0.00%
Mr. Nan Peng	16,000,000	0.27%	—	0.00%
Mr. Wang Yalei	16,000,000	0.27%	—	0.00%
Mr. Lyu *(Note 7)*	10,000,000 *(Note 8)*	0.17%	— *(Note 8)*	0.00%
Ms. Sun Wei	10,000,000	0.17%	—	0.00%
Mr. Yang Gang	10,000,000	0.17%	—	0.00%
Subtotal	**256,120,025**	**4.34%**	**30,000**	**0.00%**
Other Shareholders	3,067,423,528	52.04%	3,067,423,528	54.40%
Total	**5,895,073,025**	**100.00%**	**5,638,983,000**	**100.00%**

Notes:

1. The Shares are held through Poseidon, which is wholly-owned by Harvest Luck Development Limited, which is in turn wholly-owned and controlled by Mr. Chen.

2. The Shares are held through Bountiful, which is wholly-owned by Ms. Chen. Ms. Chen is the daughter of Mr. Chen.

3. This excludes Mr. Men Xiaochen's interest in share options to subscribe for 3,960,000 Shares. Mr. Men Xiaochen is the spouse of Ms. Chen, and thus a close relative of Mr. Chen.

4. Mr. Chen Yiyong is a brother of Mr. Chen and therefore a close relative of Mr. Chen. Mr. Chen Yiyong is not a Director. Mr. Chen Yiyong directly holds 3,648,000 Shares and holds 8,446,742 Shares through his wholly-owned company, Talent Hill Group Limited.

5. The lowest percentage holding of Chen Family Group in the Company in the 12-month period ending on the date of this announcement is 43.62%.

6. This includes the 166,090,025 Charged Shares held by Mr. Zhang and 30,000 Shares separately acquired by Mr. Zhang independent of the Company's employee share incentive arrangement. For the avoidance of doubt, these 30,000 Shares do not form part of the Charged Shares nor Buy-back Shares.

7. Mr. Lyu is an executive Director.

8. This excludes Mr. Lyu's interest in share options to subscribe for 3,640,000 Shares pursuant to the share options granted by the Company on 18 April 2023 under the share option scheme adopted by the Company on 8 August 2019 at an exercise price of HK$0.33 each.

As at the date of this announcement, there are 5,895,073,025 Shares in issue. Save for 58,176,000 outstanding share options granted under the share option scheme adopted by the Company on 8 August 2019, the Company does not have any outstanding derivatives, warrants or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) which are convertible or exchangeable into Shares or other types of equity interest as at the date of this announcement.

On Completion, the Buy-back Shares will be transferred to the Company and cancelled, and the number of Shares in issue following the Share Buy-backs will be reduced from 5,895,073,025 (being the number of issued Shares as at the date of this announcement) to 5,638,983,000 (assuming there will be no other changes in the issued share capital of the Company between the date of this announcement and the date of Completion). The percentage interest of all other Shareholders in the issued Shares will be proportionally increased following the cancellation of the Buy-back Shares and the resulting reduction in the number of issued Shares.

Following Completion, no less than 25% of the total issued Shares will remain in public hands.

INFORMATION OF GSL AND THE COMPANY

GSL is a limited liability company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company. GSL is principally engaged in investment holding.

The Company and its subsidiaries are principally engaged in brand development, design and sales of sport-related apparel, footwear and accessories and investment activities in the PRC and abroad.

For the year ended 31 March 2025, the audited consolidated net profit before taxation of the Group and the audited consolidated net profit after taxation attributable to owners of the Company were approximately RMB248.2 million and RMB207.0 million, respectively. For the year ended 31 March 2026, the audited consolidated net loss before taxation of the Group and the audited consolidated net loss after taxation attributable to owners of the Company were approximately RMB182.6 million and RMB158.0 million, respectively.

The Group's audited total assets, and net asset value attributable to owners of the Company, as at 31 March 2026 were approximately RMB9,706.4 million and RMB8,730.3 million, respectively.

REASONS FOR AND BENEFITS OF THE SETTLEMENT

In determining to proceed with the Settlement and in arriving at the terms of the Settlement Deeds, the Board took into consideration the following factors:

(i) the Company's share incentive arrangements, including the Subscription Loans, were designed to recruit, retain and incentivise the Borrowers. The Company did not structure these arrangements as speculative instruments linked to the Share price or standalone financing transactions, nor as a mechanism to penalize the Borrowers in the event of a decline in Share price. As part of the share incentive arrangements, the Borrowers were expected to be able to realize gains from the sale of the Charged Shares upon appreciation of the Share price and repay the Subscription Loans;

(ii) the Board's assessment of the increased uncertainty regarding the recoverability of the Subscription Loans considering that (a) the Subscription Loans will mature within the next two years; (b) the potential challenges that may arise in connection with the repayment of the Subscription Loans by the Borrowers, who may potentially be required to liquidate personal assets or deplete savings, which would create financial challenges for them; and (c) the depressed value of the Charged Shares. As a result of this assessment, the Group recognised an impairment loss of approximately RMB181.7 million on loan receivables during the financial year ended 31 March 2026. Please refer to the Annual Results Announcement dated 24 June 2026 issued by the Company;

(iii) in the event of default under the Subscription Loans, enforcement of the security over the Charged Shares would result in the disposal of a sizeable number of Shares on the market within a limited timeframe, which could exert downward pressure on the Share price and adversely affect shareholder value. Further, pursuing legal actions against defaulting Borrowers would likely entail: (a) adverse consequences, including potentially requiring the Borrowers, who are existing or former employees of the Company, to liquidate personal assets or deplete savings, which would create financial challenges for them. Such an outcome would be contrary to the spirit of the share incentive arrangements, and could materially impair employee morale, trust, and engagement, as well as cause reputational harm to the Company; and (b) significant legal costs and management time;

(iv) the Vendors (a) will be required to incur significant losses as a result of the Settlement, as 10% of the aggregate subscription price and acquisition cost (as applicable) of their respective Charged Shares was paid with the Vendors' own funds and will not be recoverable as a result of the Settlement; and (b) have not received any returns thus far from the Charged Shares as the dividends received in respect thereof have been primarily applied to pay ongoing interest and to partially repay principal under the Subscription Loans;

(v) the Subscription Loans have not resulted in any real cash outflow from the Group, as (a) all loan proceeds were paid directly to the Company for settlement of the subscription prices; (b) all Shares subscribed for or purchased by the Vendors have been charged to, and retained in, security accounts controlled by the Group; and (c) none of the Charged Shares have been disposed of by the Vendors since the date of the Subscriptions; and

(vi) it is expected that the Share Buy-backs will similarly not result in any real cash outflow from the Group, as the consideration payable to each Vendor under the Share Buy-backs will be set off in full against the outstanding balance of the respective Vendor Subscription Loans.

After a comprehensive assessment of the relative merits of (a) maintaining the Subscription Loans for a further period of approximately two years until maturity against (b) proceeding with the Settlement now, and having particular regard to the ZZY Compensation which the Company has successfully negotiated with Mr. Zhang, the Settlement represents the more certain and commercially sensible course of action. Proceeding now enables the Company to crystallise a certain and tangible recovery at the present time, thereby eliminating the credit, recovery and enforcement risks that would otherwise persist over the remaining two-year term, and to immediately deploy the proceeds from the ZZY Compensation for working capital purposes. By contrast, continuing to hold the Subscription Loans to maturity would leave the Company exposed to ongoing uncertainty as to ultimate repayment, with no corresponding benefit sufficient to justify that risk.

In view of the foregoing, the Board (excluding the members of the Independent Board Committee who will express their views after receiving advice from the Independent Financial Adviser and excluding Mr. Lyu, who is considered to have a material interest by virtue of being one of the Vendors) is of the view that the terms of the Settlement Deeds and the Settlement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

REGULATORY REQUIREMENTS

Share Buy-backs Code

The Share Buy-backs constitute off-market share buy-backs by the Company under the Share Buy-backs Code. The Company will make an application to the Executive for approval of the Share Buy-backs pursuant to Rule 2 of the Share Buy-backs Code. The Executive's approval, if granted, will normally be conditional upon, among other things, the approval of the Settlement by at least three-fourths of the votes cast on a poll by the Disinterested Shareholders present in person or by proxy at the EGM.

Completion is subject to the condition precedent that the Share Buy-backs are approved by the Executive. Therefore, the Company will not proceed with the Share Buy-backs unless the Executive approves the Share Buy-backs pursuant to Rule 2 of the Share Buy-backs Code. However, there is no assurance that such approval will be granted or that all other conditions precedent to the Settlement Deeds will be fulfilled.

Listing Rules

As Mr. Lyu is an executive Director, he is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Share Buy-back from Mr. Lyu constitutes a connected transaction of the Company and is subject to the reporting and announcement requirements, but is exempt from the circular, independent financial advice and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Other arrangements

As at the date of this announcement:

(i) save as disclosed in the section headed "Effects on the Shareholding Structure of the Company" in this announcement, neither (a) the Company and parties acting in concert with it, nor (b) the Vendors and parties acting in concert with them hold, own, control or direct any Shares, convertible securities, warrants, options or derivatives in respect of the Shares;

(ii) there is no irrevocable commitment to vote in favour of or against the Share Buy-backs;

(iii) save for the Settlement Deeds, there is no arrangement (whether by way of option, indemnity or otherwise) or contract under Note 8 to Rule 22 of the Takeovers Code in relation to the Shares and which might be material to the Share Buy-backs;

(iv) save for the conditions set out in the section headed "Conditions Precedent" above, there is no agreement or arrangement to which the Company is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Share Buy-backs;

(v) none of the Company or parties acting in concert with it has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;

(vi) save as to the consideration for the Share Buy-backs and the Loan Waiver, there is no consideration, compensation or benefit in whatever form paid or to be paid by the Company or parties acting in concert with it to the Vendors or parties acting in concert with them in connection with the Share Buy-backs;

(vii) save as to the Settlement Deeds, there is no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between the Company or parties acting in concert with it on the one hand, and the Vendors or parties acting in concert with them on the other hand; and

(viii) save as to the Settlement Deeds, there is no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (1) any Shareholders; and (2) the Company, any parties acting in concert with it, and the subsidiaries or associated companies of the Company.

EGM

The EGM will be held to consider and approve, among others, the Share Buy-backs.

Voting

The voting in respect of the Share Buy-backs at the EGM will be conducted by way of poll.

As required by the Share Buy-backs Code, the Vendors (holding 256,120,025 Buy-back Shares, representing approximately 4.34% of the total issued share capital of the Company as at the date of this announcement) will be required under the Share Buy-backs Code and the Listing Rules to abstain from voting on the resolution approving the Settlement.

For the purposes of the Share Buy-backs Code, the Chen Family Group will be considered as "disinterested shareholders" under Rule 2 of the Share Buy-backs Code and may vote at the EGM in relation to the Settlement and will be treated as Disinterested Shareholders.

GENERAL

Pursuant to the requirements of the Share Buy-backs Code, the Independent Board Committee comprising all of the four independent non-executive Directors, namely Mr. Gao Yu, Ms. Tang Songlian, Mr. Zhou Zhiyi and Mr. Du Zhongbing, has been established to advise the Disinterested Shareholders in relation to, among other things, whether the terms of the Settlement Deeds and the Settlement are fair and reasonable and in the interests of the Company and the Shareholders as a whole and to advise the Disinterested Shareholders on voting, taking into account the recommendation of the Independent Financial Adviser.

Altus Capital Limited has been appointed as the Independent Financial Adviser by the Company to advise the Independent Board Committee and the Disinterested Shareholders in this regard.

A circular containing, among other things, (i) further details of the Settlement; (ii) the letter from the Independent Board Committee giving its recommendation to the Disinterested Shareholders on the Settlement; (iii) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Disinterested Shareholders in the same regard; (iv) the notice of the EGM; and (v) other information as required under the Share Buy-backs Code, the Takeovers Code and the Listing Rules, is expected to be despatched to the Shareholders in accordance with the Share Buy-backs Code and the Listing Rules within 21 days from the date of this announcement (i.e. on or before 14 August 2026). However, there is no assurance that the circular will be despatched on or before that date. If there is such a delay, the Company will seek the Executive's consent if it becomes clear that the circular will not be able to be despatched by that date and will apply to the Executive for an extension of time for the despatch of the circular. Further announcement(s) will be made by the Company as appropriate.

The Shareholders and potential investors of the Company should be aware that the Settlement is subject to the conditions precedent set out in this announcement, and consequently the Settlement may or may not proceed. Accordingly, they are advised to exercise caution when dealing in the Shares.

DEFINITIONS

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

"acting in concert"	has the meaning ascribed to it under the Takeovers Code
"Amendment Letters"	the ZZY Amendment Letters and eight amendment letters entered into between GSL and each of the Borrowers (excluding Mr. Zhang), all dated 29 July 2022 in relation to the amendment of certain terms of the Original Loan Agreements as disclosed in the Previous Announcements
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors

"Borrowers"	(i) Mr. Lyu; (ii) Mr. Zhang; (iii) Mr. Ren Yi; (iv) Ms. Sun Wei; (v) Mr. Chen Shaowen; (vi) Mr. Song Li; (vii) Mr. Nan Peng; (viii) Mr. Wang Yalei; and (ix) Mr. Yang Gang. Save for Mr. Lyu, all of the Borrowers are former employees of the Group and Independent Third Parties
"Bountiful"	Bountiful Talent Limited, a private limited company incorporated in the British Virgin Islands and wholly-owned and controlled by Ms. Chen as of the date of this announcement
"BPEL"	Bright Pacific Enterprises Limited, a limited liability company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
"Business Day(s)"	a day (excluding Saturdays or Sundays) on which the Stock Exchange is open for business of dealing in securities
"Buy-back Price"	the buy-back price of HK$0.285 per Buy-back Share
"Buy-back Share(s)"	256,090,025 Charged Shares, representing approximately 4.34% of the total issued share capital of the Company as at the date of this announcement, to be transferred to the Company for cancellation at Completion as part of the settlement of the outstanding principal amount of the Subscription Loans pursuant to the terms and conditions of the Settlement Deeds
"Charged Shares"	the Shares owned by the respective Borrower that are charged as security in relation to his/her respective Subscription Loans pursuant to the terms of the respective Loan Agreements
"Chen Family Group"	Mr. Chen and parties acting in concert with him, including Poseidon, Harvest Luck Development Limited, Ms. Chen, Bountiful, Mr. Men Xiaochen (being the spouse of Ms. Chen), Mr. Chen Yiyong (being a brother of Mr. Chen) and Talent Hill Group Limited
"Company"	China Dongxiang (Group) Co., Ltd. (中國動向(集團)有限公司), an exempted company incorporated with limited liability in the Cayman Islands, the Shares of which are listed on the Main Board of the Stock Exchange
"Completion"	completion of the Settlement in accordance with the terms and conditions of the Settlement Deeds
"connected person(s)"	has the meaning ascribed to it under the Listing Rules

"Director(s)"	the director(s) of the Company
"Disinterested Shareholder(s)"	the Shareholders other than (i) the Vendors or the parties acting in concert with each of them; and (ii) any other Shareholder who has a material interest in the Settlement which is different from the interest of all other Shareholders
"EGM"	the extraordinary general meeting of the Company to be convened for the Disinterested Shareholders to consider and, if thought fit, approve the resolution approving the Settlement
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any of her delegates
"Group"	the Company and its subsidiaries
"GSL"	Gaea Sports Limited, a limited liability company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Board Committee"	an independent board committee of the Board, comprising all the independent non-executive Directors, namely Mr. Gao Yu, Ms. Tang Songlian, Mr. Zhou Zhiyi and Mr. Du Zhongbing, established to give recommendations to the Disinterested Shareholders in respect of, among other things, the Settlement
"Independent Financial Adviser"	Altus Capital Limited, a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Disinterested Shareholders (as applicable) in respect of the Settlement
"Independent Third Party(ies)"	has the meaning ascribed to it under the Listing Rules
"Last Trading Day"	23 July 2026, being the last trading day of the Shares immediately before the date of this announcement

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Loan Agreements"	the Original Loan Agreements, as amended by an assignment entered into between BPEL and GSL dated 29 June 2020 and the Amendment Letters
"Loan Waiver"	the proposed waiver by GSL of any residual amount owed by the Vendors under the Vendor Subscription Loans after the Set-off as at Completion
"Mr. Chen"	Mr. Chen Yihong, an executive Director, chairman of the Board and the father of Ms. Chen
"Mr. Lyu"	Mr. Lyu Guanghong, the chief financial officer of the Company and an executive Director
"Mr. Zhang"	Mr. Zhang Zhiyong, a former executive Director and chief executive officer of the Company and retains the title of Special Assistant to the Chairman of the Company (i.e. Mr. Chen). Mr. Zhang has had no substantive responsibilities since his handover to Ms. Chen, and receives no remuneration from either the Company or Mr. Chen
"Ms. Chen"	Ms. Chen Chen, the chief executive officer, president, co-chairman of the Board, an executive Director of the Company and the daughter of Mr. Chen
"Original Loan Agreements"	(i) the ZZY Original Loan Agreements; (ii) the seven loan agreements all dated 19 January 2018 entered into between BPEL (as lender) and each Borrower (excluding Mr. Zhang) (as borrower); and (iii) a loan agreement dated 11 April 2018 entered into between BPEL (as lender) and Mr. Yang Gang (as borrower) in relation to the grant of loans by BPEL to the respective Borrowers for their subscriptions of Shares, details of which are set out in the Previous Announcements
"Poseidon"	Poseidon Sports Limited, a private limited company incorporated in the Cayman Islands and a substantial shareholder of the Company, which is wholly-owned by Harvest Luck Development Limited which is in turn wholly-owned and controlled by Mr. Chen as of the date of this announcement
"PRC"	the People's Republic of China

"Previous Announcements"	the (i) announcements of the Company dated 9 October 2017, 19 January 2018, 11 April 2018, 27 April 2018 and 9 May 2018 and the circular of the Company dated 9 March 2018 in relation to the Subscription Loans; and (ii) announcement of the Company dated 29 July 2022 and the circular of the Company dated 9 September 2022 in relation to the amendment of the Subscription Loans
"Retained Dividends"	dividends received in respect of the Buy-back Shares that are retained by the Group to settle the interest payments and, to the extent applicable, partial repayment of the outstanding principal of the Subscription Loans due from the Vendors
"RMB"	Renminbi, the lawful currency of the PRC
"Set-off"	the proposed set-off of the consideration payable by the Company for the Share Buy-backs and any outstanding amount of Retained Dividends against the equivalent amount of the outstanding balance owed by each of the Vendors under the Vendor Subscription Loans
"Settlement"	the Share Buy-backs, the Set-off and the Loan Waiver, and the transactions contemplated thereunder, all in relation to the settlement of the then outstanding balance (being the outstanding principal amount plus any accrued interests at a fixed interest rate of 1% per annum) of the Vendor Subscription Loans as at the date of Completion
"Settlement Deed(s)"	the settlement deeds entered into between the Company, GSL and each of the Vendors, all dated 24 July 2026, in relation to the Settlement
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong)
"Share Buy-backs"	the buy-backs of the Buy-back Shares by the Company from the Vendors for cancellation pursuant to the terms and conditions of the Settlement Deeds, which constitute off-market share buy-backs by the Company under Rule 2 of the Share Buy-backs Code
"Share Buy-backs Code"	the Hong Kong Code on Share Buy-backs

"Share(s)"	ordinary shares of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	the holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscriptions"	the subscriptions for new Shares pursuant to subscription agreements entered into between the Company and (i) Mr. Zhang dated 9 October 2017; (ii) each of Ms. Chen and the Borrowers (save for Mr. Yang Gang) dated 19 January 2018; and (iii) Mr. Yang Gang dated 11 April 2018
"Subscription Loan(s)"	the loan(s) granted by BPEL or GSL (as the case may be) to the Borrowers under the Loan Agreements
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Vendor Subscription Loan(s)"	the loan(s) granted by BPEL or GSL (as the case may be) to each of the Vendors under their respective Loan Agreements
"Vendors"	Mr. Lyu, Mr. Zhang, Mr. Chen Shaowen, Mr. Nan Peng, Mr. Wang Yalei, Ms. Sun Wei and Mr. Yang Gang
"ZZY Amendment Letters"	the two amendment letters dated 29 July 2022 entered into between GSL and Mr. Zhang in relation to the amendments of certain terms of the ZZY Original Loan Agreements
"ZZY Compensation"	a sum of HK$20 million payable by Mr. Zhang to the Company upon completion of his Settlement Deed as compensation to the Company in relation to the Settlement
"ZZY Original Loan Agreements"	the two loan agreements dated 9 October 2017 and 19 January 2018 respectively entered into between BPEL (as lender) and Mr. Zhang (as borrower) in relation to the grant of loans by BPEL to Mr. Zhang for his subscriptions of Shares, details of which are set out in the Previous Announcements, and in each case, as amended by an assignment entered into between BPEL and GSL dated 29 June 2020

"%"		per cent.

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

Hong Kong, 24 July 2026

As at the date of this announcement, the executive directors of the Company are Mr. Chen Yihong, Ms. Chen Chen and Mr. Lyu Guanghong, and the independent non-executive directors of the Company are Mr. Gao Yu, Ms. Tang Songlian, Mr. Zhou Zhiyi and Mr. Du Zhongbing.

All Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement, and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement contained in this announcement misleading.