THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Dongxiang (Group) Co., Ltd., you should at once hand this circular together with the accompanying form of proxy to the purchaser or the transferee or the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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)

(1) PROPOSED OFF-MARKET SHARE BUY-BACKS;
(2) PROPOSED SET-OFF;
(3) PROPOSED LOAN WAIVER;
(4) CONNECTED TRANSACTION;
AND
(5) NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Adviser to the Company

OPTIMA CAPITAL

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

ALTUS CAPITAL LIMITED

Capitalised terms used on this cover shall have the same meanings as those defined in this circular, unless the context requires otherwise.

A letter from the Board is set out on pages 7 to 25 of this circular. A letter from the Independent Board Committee containing its advice to the Disinterested Shareholders is set out on pages 26 to 27 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Disinterested Shareholders is set out on pages 28 to 51 of this circular.

A notice convening the EGM to be held at G/F., Lobby Area, Building 21, No. 2 Jingyuanbei Street, Beijing Economic-Technology Development Area, Beijing, People's Republic of China on 30 September 2026 at 10:30 a.m. (or immediately following the annual general meeting of the Company to be convened at 10:00 a.m. on the same day) is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use by the Disinterested Shareholders at the EGM is enclosed with this circular.

Whether or not you are able to attend the EGM, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time of the EGM or any adjournment or postponement thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM should you so wish and in such event, the form of proxy shall be deemed to be revoked.

11 September 2026

CONTENT

In this circular, the following expressions shall have the meanings set out below 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
"Announcement"	the announcement of the Company dated 24 July 2026 in relation to the Settlement
"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 circular
"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 Latest Practicable Date, 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 were 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 (stock code: 3818)
"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 held at G/F., Lobby Area, Building 21, No. 2 Jingyuanbei Street, Beijing Economic-Technology Development Area, Beijing, People's Republic of China on 30 September 2026 at 10:30 a.m. (or immediately following the annual general meeting of the Company to be convened at 10:00 a.m. on the same day) 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 with the approval of the Independent Board Committee to advise the Independent Board Committee and the Disinterested Shareholders (as applicable) in respect of the Settlement
"Independent Third Part(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 the Announcement
"Latest Practicable Date"	8 September 2026, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
"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 circular
"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
"Relevant Period"	the period commencing six months preceding the date of the Announcement (i.e. 24 January 2026) and up to and including the Latest Practicable Date
"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, the Loan Waiver, the ZZY Compensation, and the transactions contemplated under the Settlement Deeds, 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
"Subscription Loan(s)"	the loan(s) granted by BPEL or GSL (as the case may be) to the Borrowers under the Loan Agreements
"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
"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.

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)

Executive Directors:
Mr. Chen Yihong (陳義紅)
Ms. Chen Chen (陳晨)
Mr. Lyu Guanghong (呂光宏)

Independent non-executive Directors:
Mr. Gao Yu (高煜)
Ms. Tang Songlian (唐松蓮)
Mr. Zhou Zhiyi (周志毅)
Mr. Du Zhongbing (杜中兵)

Registered Office:
Cricket Square, Hutchins Drive
P. O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong:
Office Unit 7, 13/F
Tower One, Lippo Centre
No. 89 Queensway
Hong Kong

11 September 2026

To the Shareholders

Dear Sir or Madam,

(1) PROPOSED OFF-MARKET SHARE BUY-BACKS;
(2) PROPOSED SET-OFF;
(3) PROPOSED LOAN WAIVER;
AND
(4) CONNECTED TRANSACTION

INTRODUCTION

Reference is made to the Announcement in relation to the Settlement Deeds and the transactions contemplated thereunder.

The purpose of this circular is to provide you with, among other things, (i) details of the Settlement; (ii) the letter from the Independent Board Committee 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 respect of the Settlement; (iv) the notice convening the EGM; and (v) other information as required under the Share Buy-backs Code, the Takeovers Code and the Listing Rules.

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 be 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 the Settlement Deeds.

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 the 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 Latest Practicable Date, 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 Latest Practicable Date (HK$ million)	Number of Charged Shares/ Buy-back Shares as at the Latest Practicable Date	Approximate % of the total issued share capital of the Company as at the Latest Practicable Date	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) 31.18 (Note 2)	138,410,025 27,680,000	2.35% 0.47%	31 October 2027 25 April 2028	39.45 7.89	3.98 0.70	106.36 (Note 5) 22.59 (Note 5)
Mr. Chen Shaowen	Former member of the senior management	31.31	28,000,000	0.47%	25 April 2028	7.98	0.69	22.64
Mr. Nan Peng	Former member of the senior management	18.03	16,000,000	0.27%	25 April 2028	4.56	0.39	13.08
Mr. Wang Yalei	Former member of the senior management	18.03	16,000,000	0.27%	25 April 2028	4.56	0.39	13.08
Mr. Lyu	Executive Director	11.27	10,000,000	0.17%	25 April 2028	2.85	0.24	8.18
Ms. Sun Wei	Former member of the senior management	11.04	10,000,000	0.17%	25 April 2028	2.85	0.25	7.94
Mr. Yang Gang	Former member of the senior management	11.09	10,000,000	0.17%	25 April 2028	2.85	0.25	7.99
Total		**281.74**	**256,090,025**	**4.34%**	—	**72.99**	**6.89**	**201.86**

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 Latest Practicable Date. Such amounts will be reduced by any interest (Note 6) of the Vendor Subscription Loans that becomes due and payable between the Latest Practicable Date 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 Latest Practicable Date after deducting the consideration payable to each Vendor under the Share Buy-backs and current amount of Retained Dividends as at the Latest Practicable Date. 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) a premium of approximately 5.56% over the closing price of HK$0.270 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) 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;

(iii) 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;

(iv) 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;

(v) 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;

(vi) 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;

(vii) 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

(viii) 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 financial year ended 31 March 2026.

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK$0.475 per Share on 25 and 27 February 2026, and 2 March 2026, and the lowest closing price of the Shares as quoted on the Stock Exchange was HK$0.265 per Share on 31 August and 1, 2, 3 and 7 September 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 Latest Practicable Date; 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 Latest Practicable Date and the date of Completion):

	As at the Latest Practicable Date		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 the 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 Latest Practicable Date, there are 5,895,073,025 Shares in issue. Save for 57,690,000 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 Latest Practicable Date.

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 Latest Practicable Date) to 5,638,983,000 (assuming there will be no other changes in the issued share capital of the Company between the Latest Practicable Date 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 financial 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 financial 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.

FINANCIAL EFFECTS OF THE SETTLEMENT

Pursuant to Schedule III of the Takeovers Code, the financial effects of the Settlement (including but not limited to the Share Buy-backs) are set out below, and the unaudited pro forma financial information of the Group upon Completion, illustrating the financial impact of the Settlement on the losses per share, net assets per share, liabilities and working capital (expressed as net current assets) of the Group, is set out in Appendix III to this circular (the "**Unaudited Pro Forma Financial Information**").

Expected loss arising from the Settlement

For the financial year ended 31 March 2026, the Group recognised an impairment loss of approximately HK$168.10 million in respect of the Vendor Subscription Loans. Such impairment loss was determined as the excess of (i) the aggregate outstanding principal amount of the Vendor Subscription Loans amounting to approximately HK$281.74 million as at 31 March 2026 over (ii) the recoverable amount, being the sum of (a) the market value of the Charged Shares of approximately HK$106.28 million, based on the closing price of HK$0.415 per Share as at 31 March 2026 (the Charged Shares being the underlying security for the Vendor Subscription Loans); and (b) the Retained Dividends of approximately HK$7.36 million as at 31 March 2026. Based on the then market value of the Charged Shares, the aggregate carrying value of the Vendor Subscription Loans, after impairment loss, was approximately HK$106.28 million as at 31 March 2026.

Further to the impairment loss as discussed above, for illustration purposes only, based on the Buy-back Price of HK$0.285 per Buy-back Share, the Group is expected to recognize a loss of approximately HK$19.25 million (before taxation) upon Completion of the Settlement (the "**Expected Loss**").

The Expected Loss is calculated as follows:

	HK$' million
Aggregate outstanding principal amount of the Vendor Subscription Loans as at 31 March 2026 and as at the Latest Practicable Date	281.74
Less: Expected Set-off Amount *(Note)*	(79.88)
Less: ZZY Compensation	(20.00)
Expected unrecovered amount	181.86
Less: Reversal of impairment loss recognised for the financial year ended 31 March 2026	(168.10)
Add: Expected transaction costs incurred in respect of the Settlement	5.49
Expected Loss	19.25

Note: Being the sum of (i) the aggregate consideration for the Share Buy-backs of approximately HK$72.99 million; and (ii) the amount of Retained Dividends as at the Latest Practicable Date of approximately HK$6.89 million, being the amount of Retained Dividends as at 31 March 2026 of approximately HK$7.36 million less the amount of Retained Dividends utilised for repayment of the interest of the Vendor Subscription Loans that became due and payable during the period from 1 April 2026 up to and including the Latest Practicable Date of approximately HK$0.47 million.

Although the Loan Waiver amounts to approximately HK$201.86 million, such waiver will not give rise to a corresponding accounting loss upon completion of the Settlement, as it represents the contractual implementation of the expected non-recovery already reflected in the carrying value of the Vendor Subscription Loans as at 31 March 2026, and is equivalent to the expected unrecovered amount of HK$181.86 million before deducting the ZZY Compensation of HK$20.00 million. As illustrated in the table above, the expected unrecovered amount had already been substantially reflected through the impairment loss recognised for the financial year ended 31 March 2026. Accordingly, only the loss of approximately HK$19.25 million is expected to be recognised upon completion of the Settlement.

The actual amount of gain or loss arising from the Settlement to be recognised by the Group for the financial year ending 31 March 2027 will be subject to the review and final audit by the auditor of the Company.

Losses per share

Based on the Unaudited Pro Forma Financial Information and assuming that Completion had occurred on 1 April 2025 (that is, all the Buy-back Shares had been bought-back and cancelled, the Set-off and the Loan Waiver had been completed, and payment of the ZZY Compensation had been made, in accordance with the terms and conditions of the Settlement Deeds), a loss of approximately RMB18.06 million (equivalent to approximately HK$20.85 million at the exchange rate of HK$1 to RMB0.866) on completion of the Settlement would have been recognised by the Group as at 1 April 2025 and, accordingly, the basic and diluted losses per Share for the financial year ended 31 March 2026 would, as a result, have increased by approximately 16.73% from RMB2.69 cents per Share to RMB3.14 cents per Share.

Net asset value per Share attributable to the Shareholders

Based on the Unaudited Pro Forma Financial Information and assuming that Completion had occurred on 31 March 2026, the net asset value per Share would, as a result, have increased by approximately 3.38% from approximately RMB1.48 per Share to RMB1.53 per Share.

Total liabilities

As the consideration for the Share Buy-backs will be fully satisfied by way of the Set-off, the total liabilities of the Group will not be affected by the Completion, as illustrated in the Unaudited Pro Forma Financial Information.

Working capital

As the consideration for the Share Buy-backs will be fully satisfied by way of the Set-off, the Settlement does not involve any cash outflow for the Group. Having considered this, and that the Group will receive the ZZY Compensation as part of the Settlement, the Group's working capital is expected to be slightly improved.

Based on the Unaudited Pro Forma Financial Information and assuming that the Completion had occurred on 31 March 2026, the working capital (expressed as net current assets) of the Group as at 31 March 2026 would, as a result, have increased by approximately 0.23% from approximately RMB4,816.11 million to RMB4,826.99 million.

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 has made 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 Latest Practicable Date:

(i) save as disclosed in the section headed "Effects on the Shareholding Structure of the Company" in this letter from the Board and the section headed "Disclosure of Interest" in Appendix II to this circular, neither the Company, the Vendors, the Directors nor the 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, nor the Directors or parties acting in concert with them has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;

(vi) none of the Vendors, nor the Directors or parties acting in concert with them, had acquired or disposed of any voting rights of the Company, or had dealt for value in any shares, convertible securities, warrants, options or derivatives in respect of the securities of the Company during the Relevant Period, save as disclosed in the section headed "Disclosure of Interest" in Appendix II to this circular;

(vii) 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;

(viii) 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

(ix) 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.

PUBLIC FLOAT

The Company intends to maintain its listing on the Stock Exchange and to continue to meet the public float requirements under Rule 8.08 of the Listing Rules. It is expected that the Company will meet the said public float requirement after completion of the Share Buy-backs.

EGM

A notice convening the EGM to be held at G/F., Lobby Area, Building 21, No. 2 Jingyuanbei Street, Beijing Economic-Technology Development Area, Beijing, People's Republic of China on Wednesday, 30 September 2026 at 10:30 a.m. (or immediately following the annual general meeting of the Company to be convened at 10:00 a.m. on the same day), is set out on pages EGM-1 to EGM-3 of this circular. The purpose of the EGM is to consider and, if thought fit, approve the resolution approving the Settlement.

A form of proxy for use by the Disinterested Shareholders at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time of the EGM or any adjournment or postponement thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM should you so wish and in such event, the form of proxy shall be deemed to be revoked.

Voting

All votes at the EGM will be taken by poll pursuant to Rule 2 of the Share Buy-backs Code. An announcement on the poll results of the EGM will be made by the Company following the EGM in accordance with the Listing Rules.

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 Latest Practicable Date) 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.

Closure of Register of Members

The register of members of the Company will be closed from Friday, 25 September 2026 to Wednesday, 30 September 2026 (both dates inclusive) during which period no transfer of Shares will be registered. In order to be entitled to attend and vote at the EGM, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Thursday, 24 September 2026 for registration.

GENERAL

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 with the approval of the Independent Board Committee to advise the Independent Board Committee and the Disinterested Shareholders in this regard.

RECOMMENDATIONS

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the terms of the Settlement Deeds and the transactions contemplated thereunder are on normal commercial terms and in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Disinterested Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Disinterested Shareholders to vote in favour of the relevant resolution to be proposed at the EGM to approve the Settlement Deeds and the transactions contemplated thereunder.

The Board (excluding Mr. Lyu, who is considered to have a material interest by virtue of being one of the Vendors) accordingly recommends the Disinterested Shareholders to vote in favour of the relevant resolution to be proposed at the EGM to approve the Settlement Deeds and the transactions contemplated thereunder.

Your attention is drawn to the letter from the Independent Board Committee to the Disinterested Shareholders set out on pages 26 to 27 of this circular and the letter from the Independent Financial Adviser to the Independent Board Committee and the Disinterested Shareholders set out on pages 28 to 51 of this circular, which contain their respective recommendation and advice in respect of the Settlement Deeds and the transactions contemplated thereunder. The Disinterested Shareholders are advised to read the aforesaid letters before deciding as to how to vote on the relevant resolution to be proposed at the EGM.

FURTHER INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Shareholders and potential investors should note that the proposed Settlements are subject to the fulfilment or waiver of certain conditions precedent under the Settlement Deeds, and the proposed Settlements may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

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)

11 September 2026

To the Disinterested Shareholders

Dear Sir or Madam,

(1) PROPOSED OFF-MARKET SHARE BUY-BACKS;
(2) PROPOSED SET-OFF;
(3) PROPOSED LOAN WAIVER;
AND
(4) CONNECTED TRANSACTION

We refer to the circular issued by the Company dated 11 September 2026 (the "**Circular**") of which this letter forms a part. Capitalised terms used herein shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to advise you in respect of the fairness and reasonableness of the terms of the Settlement Deeds and the transactions contemplated thereunder. Altus Capital Limited has been appointed as the Independent Financial Adviser to advise us and the Disinterested Shareholders in this regard.

Having taken into account the advice of the Independent Financial Adviser, we are of the opinion that the terms of the Settlement Deeds and the transactions contemplated thereunder are on normal commercial terms and in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Disinterested Shareholders are concerned. Accordingly, we would advise you to vote in favour of the resolution to be proposed at the EGM to approve the Settlement Deeds and the transactions contemplated thereunder.

We also draw your attention to (i) the letter from the Board; (ii) the letter from the Independent Financial Adviser; and (iii) the appendices to the Circular.

Yours faithfully,
For and on behalf of the
Independent Board Committee

GAO Yu	**TANG Songlian**	**ZHOU Zhiyi**	**DU Zhongbing**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*	*Independent non-executive Director*

The following is the text of a letter of advice from Altus Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Disinterested Shareholders in relation to the Share Buy-backs, the Set-off, the Loan Waiver and the ZZY Compensation, which has been prepared for the purpose of incorporation in the Circular.

Altus Capital Limited
21 Wing Wo Street
Central
Hong Kong

11 September 2026

To the Independent Board Committee and the Disinterested Shareholders

China Dongxiang (Group) Co., Ltd.
Office Unit 7, 13/F
Tower One, Lippo Centre
No. 89 Queensway
Hong Kong

Dear Sir or Madam,

(1) PROPOSED OFF-MARKET SHARE BUY-BACKS;
(2) PROPOSED SET-OFF;
AND
(3) PROPOSED LOAN WAIVER

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Disinterested Shareholders in relation to the Share Buy-backs, the Set-off, the Loan Waiver and the ZZY Compensation (collectively, the "**Settlement**"). Our appointment as Independent Financial Adviser has been approved by the Independent Board Committee as set out in the Announcement. Details of the Settlement are set out in the "Letter from the Board" contained in the circular of the Company dated 11 September 2026 (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

The Settlement

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. According to the Loan Agreements, each Subscription Loan was initially structured with five-year terms and were subsequently extended pursuant to the 2022 loan agreements, resulting in a maximum 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.

In order to resolve the ongoing uncertainties regarding the recoverability of the Subscription Loans, the Company, GSL (an indirect wholly-owned subsidiary of the Company) and each of the Vendors entered into the Settlement Deeds on 24 July 2026 (after trading hours) to settle the outstanding amounts of the Vendor Subscription Loans, which involve (i) the Share Buy-backs; (ii) the Set-off; (iii) the Loan Waiver; and (iv) the ZZY Compensation to be paid by Mr. Zhang to the Company.

REGULATORY IMPLICATIONS

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 has made 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.

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.

THE INDEPENDENT BOARD COMMITTEE

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 as to (i) 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 (ii) how the Disinterested Shareholders should vote in respect of the resolution to be proposed at the EGM to approve the Settlement Deeds and the Settlement, taking into account the recommendation of the Independent Financial Adviser.

THE INDEPENDENT FINANCIAL ADVISER

As the Independent Financial Adviser to the Independent Board Committee and the Disinterested Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Disinterested Shareholders as to (i) 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 (ii) how the Disinterested Shareholders should vote in respect of the resolution to be proposed at the EGM to approve the Settlement Deeds and the Settlement.

We (i) are not associated or connected, financially or otherwise, with the Company or each of the Vendors, or any parties acting, or presumed to be acting, in concert with any of them; and (ii) have not acted as the financial adviser or independent financial adviser in relation to any transaction of the Company or each of the Vendors, their respective controlling shareholders or any parties acting in concert with any of them in the last two years prior to the date of the Circular. Given that (i) remuneration for our engagement to opine on the Settlement is at market level and not conditional upon the outcome of the resolution to be proposed at the EGM; (ii) no arrangement exists whereby we shall receive any fees or benefits from the Company (other than our said remuneration) or each of the Vendors, or any parties acting in concert with any of them; and (iii) our engagement is on normal commercial terms and approved by the Independent Board Committee, we are independent of the Company or each of the Vendors, or any parties acting in concert with any of them and can act as the Independent Financial Adviser to the Independent Board Committee and the Disinterested Shareholders in respect of the Settlement.

BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, among other things, (i) the Settlement Deeds; (ii) the Previous Announcements; (iii) the annual report of the Company for the year ended 31 March 2026 (the "**FY2026 Annual Report**"); and (iv) other information as set out in the Circular.

We have also relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Company (the "**Management**"). We have assumed that all statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete in all material aspects at the time they were made and continued to be so up to the Latest Practicable Date. The Directors jointly and severally accept full responsibility for the accuracy of information contained in the Circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion are untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render them untrue, inaccurate or misleading. We consider that we have been provided with and have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. The Company will notify the Shareholders of any material change after the Latest Practicable Date and after the despatch of the Circular. Disinterested Shareholders will also be informed as soon as possible when there are any material changes to the information contained or referred to herein as well as changes to our opinion after the Latest Practicable Date and up to and including the date of the EGM. We have not, however, conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Background information of the Company and the Vendors

1.1 Principal business of the Group

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 overseas.

It operates through two segments where (i) the China apparel segment is mainly engaged in the distribution and retail of sportswear under the Kappa and Phenix brands, as well as royalty income from several product trademarks; and (ii) the investment segment mainly engages in investing in various financial assets or financial products such as private-equity funds, fixed-income strategy products and knock out notes. This investment segment is intended to support the long-term development of its core business, earn distribution earnings, enhance returns, achieve capital appreciation, and provide liquidity.

1.2 Financial information of the Group

Set out below is a table summarising certain key financial information of the Group extracted from the FY2026 Annual Report for the financial years ("**FY**") ended 31 March 2025 and 2026.

Consolidated statement of profit or loss

	FY2026 (audited) *RMB'000*	**FY2025** (audited) *RMB'000*
Revenue	1,715,326	1,680,135
Cost of goods sold	(572,024)	(527,920)
Gross profit	1,143,302	1,152,215
Gross profit margin	*66.7%*	*68.6%*
Distribution and administrative expenses	(1,181,258)	(1,184,291)
Impairment losses (including reversals of impairment losses or impairment gains) on financial assets	(344,571)	(47,362)
Other income and gains — net	201,704	323,264
Finance income — net	1,805	10,281
Share of results of investments accounted for using the equity method	(3,535)	(5,925)
(Loss)/profit before income tax	(182,553)	248,182
Income tax credit/(expense)	24,513	(41,182)
(Loss)/profit for the year	(158,040)	207,000

Revenue

The Group's revenue, all of which was generated from its China apparel segment, increased marginally by 2.1% in FY2026. Sales from both Kappa brand and other businesses had remained stable. The level of sales of Kappa brand through directly and non-directly operated sales channels was also stable in FY2026 compared to FY2025.

Cost of goods sold and gross profit

While gross profit margin of Kappa brand had maintained at 67.8% in FY2026 compared to 68.9% in FY2025, gross profit margin of other businesses declined more sharply and resulted in overall gross profit margin declining from 68.6% in FY2025 to 66.7% in FY2026. Due to lower gross profit margin, gross profit amount decreased by 0.8% to RMB1,143.3 million in FY2026 from RMB1,152.2 million in FY2025 despite the 2.1% increase in revenue during FY2026.

Distribution and administrative expenses

Distribution expenses and administrative expenses mainly comprised employee salary and benefit expenses, advertising and marketing expenses, logistic and warehouse operation fees and product design and development expenses.

Distribution expenses and administrative expenses were maintained at similar levels of RMB1,184.3 million and RMB1,181.3 million in FY2025 and FY2026, respectively. Among others, nominal increases in employee salary and benefit expenses, advertising and marketing expenses and product design and development expenses, were offset by lower commission income as there were fewer consignment sales as well as lower legal and consulting expenses. Overall, the Group had continued to optimise various resource allocations and improve its cost structure, in a bid to enhance production efficiency subject to reasonable cost control.

Impairment losses on financial assets

The Group recognised substantial increase in impairment losses from RMB47.4 million in FY2025 to RMB344.6 million in FY2026. The increase was mainly attributable to increase in impairment losses for its financial assets from RMB44.6 million in FY2025 to RMB338.6 million in FY2026. Such amount in FY2026 included recognition of impairment loss of about RMB181.7 million related to the Subscription Loans due to increased uncertainty of their recoverability and decreases in fair value of relevant loan collaterals. Impairment losses for trade receivables were nominal at RMB2.8 million and RMB6.0 million in FY2025 and FY2026, respectively.

Other income and gains — net and Finance income — net

The Group recorded lower other income and gains — net of RMB201.7 million in FY2026 compared to RMB323.3 million in FY2025 due mainly to lower net investment gains. Such gains had decreased to RMB116 million in FY2026 from RMB271 million in FY2025. Finance income — net was also lower in FY2026 due to lower interest income from bank deposits.

(Loss)/profit before tax and (Loss)/profit for the year

The Group recorded losses before tax of RMB182.6 million in FY2026 compared to profit before tax of RMB248.2 million in FY2025 due principally to (i) higher impairment losses for its financial assets; and (ii) lower other income and gains — net. Tax credit of RMB24.5 million was recorded in FY2026, reducing the Group's loss for the year to RMB158.0 million, compared with profit for the year of RMB207.0 million in FY2025.

Consolidated statement of financial position

	As at 31 March	
	2026	**2025**
	(audited)	(audited)
	RMB'000	*RMB'000*
Non-current assets		
Financial assets at fair value through profit & loss ("**FVTPL**")	2,931,438	3,338,288
Other financial assets at amortised cost	479,259	798,931
Deferred income tax and other assets	473,462	245,825
Property, plant & equipment, Intangible assets and others	371,789	401,081
	4,255,948	**4,784,125**
Current assets		
Financial assets at FVTPL	2,771,772	1,242,686
Other financial assets at amortised cost	95,699	140,551
Cash & cash equivalents, term deposits, restricted cash	2,104,903	3,408,777
Inventories, trade receivables and others	478,030	464,355
	5,450,404	**5,256,369**
Current liabilities		
Accruals and payables	(353,072)	(361,540)
Trade and bills payables	(119,047)	(142,763)
Derivatives	(93,773)	(99,305)
Other current liabilities	(68,405)	(58,245)
	(634,297)	**(661,853)**
Non-current liabilities		
Lease liabilities & Deferred income tax liabilities	(144,299)	(170,568)
Borrowing	(197,467)	—
	(341,766)	**(170,568)**
Net assets	**8,730,289**	**9,208,073**

Assets

The Group's non-current assets consisted principally of assets under its investment business, being financial assets at FVTPL and other financial assets at amortised cost. Compared with as at 31 March 2025, the Group's non-current assets as at 31 March 2026 had reduced by RMB528.2 million due mainly to lower value of both financial assets at FVTPL and other financial assets at amortised cost.

In terms of other financial assets at amortised cost, we note that the reduced amount was mainly due to allowance for credit losses recognized for loan receivables. In terms of financial assets at FVTPL, we note that there was an increase in amount of private equity fund investments which was classified as current assets. There was also a substantial increase in investments in knock out notes which were classified as current assets which resulted in financial assets at FVTPL classified as current assets increasing substantially from RMB1,242.7 million as at 31 March 2025 to RMB2,771.8 million as at 31 March 2026.

Due partly to net investments made in financial assets at FVTPL during FY2026, the Group's cash & cash equivalents decreased from RMB3,408.8 million as at 31 March 2025 to RMB2,104.9 million as at 31 March 2026.

Liabilities

The Group's current liabilities had remained stable as at 31 March 2026 compared to the amount as at 31 March 2025. Its non-current liabilities as at 31 March 2026 were higher at RMB341.8 million following bank borrowings drawn down during FY2026. As at 31 March 2026, the bank borrowings amounted to approximately RMB197.5 million.

Net assets

The Group's net assets decreased from RMB9,208.1 million as at 31 March 2025 to RMB8,730.3 million as at 31 March 2026 reflecting the loss for the year of RMB158.0 million for FY2026, losses on currency translation differences on foreign operations of RMB137.7 million and dividends paid.

Section conclusion

Overall, we observed that the Group's financial performance in the past two financial years had been one characterised by stable and high margin China apparel business segment, which was augmented or affected by a more volatile investment business segment.

The Group's financial position had remained strong despite financial losses recorded in FY2026 where it maintained high current ratio and liquidity positions.

1.3 Prospects of the Group

As stated in its FY2026 Annual Report, the Group is confident in the PRC economy's long-term fundamentals driven by supportive government policies and fitness trends which would underpin the steady growth of PRC's sports goods market. It plans to implement a brand and retail strategy which includes capturing opportunities in niche segments using product innovation, optimising its omni channel ecosystem and broaden its brand market moat. The Group also plans to deploy targeted, diversified content marketing to build emotional connections with consumers, boosting both brand visibility and sales conversions.

For its investment business segment, the Group will maintain stable asset allocation by adhering to a philosophy of prudence and stability, with the aim of navigating short-term market turbulence. Risk management will also be a focus where less flexible assets will be replaced while new investment targets will be explored cautiously.

Overall, we are of the view that the Group's business outlook is stable and supports the Group entering into the Settlement Deeds to facilitate an orderly resolution of the outstanding Vendor Subscription Loans by way of the Share Buy-backs, the Set-off and the Loan Waiver.

1.4 The Vendors

The Vendors comprise Mr. Lyu, Mr. Zhang, Mr. Chen Shaowen, Mr. Nan Peng, Mr. Wang Yalei, Ms. Sun Wei and Mr. Yang Gang. As at the Latest Practicable Date, 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.

2. Background to and rationale for entering into the Settlement Deeds

On 24 July 2026 (after trading hours), the Company, GSL and each of the Vendors entered into the Settlement Deeds. The core subject matters of these arrangements comprise the following interconnected transactions:

(i) **The Share Buy-backs**: 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 Latest Practicable Date, at the Buy-back Price of HK$0.285 per Buy-back Share from the Vendors;

(ii) **The Set-off**: The total consideration payable to the Vendors for the Share Buy-backs amounting to approximately HK$72.99 million shall be set off in full against an equivalent amount of the outstanding balance of the respective Vendor Subscription Loan owed by the respective Vendor to GSL;

(iii) **The Loan Waiver:** GSL shall waive any residual outstanding balance of the Vendor Subscription Loans following the Set-off, which is estimated to be approximately HK$201.86 million in aggregate principal; and

(iv) **The ZZY Compensation**: With respect to Mr. Zhang only, he shall pay a one-off cash sum of HK$20 million to the Company upon completion of his Settlement Deed.

In summary, we understand that the Settlement Deeds are intended to provide a definitive and orderly resolution of the outstanding Vendor Subscription Loans by way of the Share Buy-backs, the Set-off and the Loan Waiver, with the ZZY Compensation providing an additional cash recovery to the Company. In assessing whether the entering into of the Settlement Deeds is fair and reasonable so far as the Disinterested Shareholders are concerned, we have considered, among other things, the background of the Vendor Subscription Loans, the commercial rationale for the proposed settlement structure, the alternatives available to the Group and the expected financial and shareholding effects of the Settlement, the valuation of the Company as implied by the Buy-back Price and financial effects on the Company and Shareholders thereafter.

Background of the Vendor Subscription Loans

Based on our review of the Previous Announcements and the information set out in the "Letter from the Board" of the Circular, and our discussion with the Management, we note the following principal background factors relevant to our assessment:

(i) **Nature of the Vendor Subscription Loans as an incentive arrangement**: The Vendor Subscription Loans were originally introduced as part of an employee incentive arrangement to recruit, retain and incentivise the Borrowers, as well as to align the interests of the Borrowers with those of the Shareholders. They were not structured as speculative instruments linked to the Share price performance or commercial lending facilities for the purpose of generating standalone financing returns for the Group.

(ii) **Frustration of unexpected derailment from the original incentive objective**: We note that, following prolonged adverse market conditions, including the impact of the COVID-19 pandemic and changes in global retail consumption patterns, the trading price of the Shares has remained substantially below the relevant subscription prices. For example, since the outbreak of the COVID-19 pandemic, closing prices of the Shares were traded between HK$0.207 per Share and HK$0.931 per Share in the past five years, with recent levels around the Buy-back Price of HK$0.285 per Share as discussed in the paragraph headed "3.1 Historical Share price performance" below. As a result, the original commercial expectation that the Borrowers could be incentivised by selling such Shares with realised equity gains and then applying portion of the sale proceed towards repayment of the Vendor Subscription Loans has not materialised.

(iii) **Diminished retention purpose**: With the exception of Mr. Lyu, the participating Vendors have ceased to be employees of the Group and are Independent Third Parties. Accordingly, the original retention purpose of the Vendor Subscription Loans has substantially diminished. Given that the loans have been outstanding for nearly ten years and its objective, presumably mutually recognised by the Group and the Borrowers when the Vendor Subscription Loans were first entered into, has not materialised as originally planned, we consider that the Settlement provides a practical mechanism to amicably resolve this legacy matter with increasing uncertainty as to recoverability.

(iv) **Maturity profile of the loan arrangement**: We note that the original 2017 and 2018 tranches were initially structured with five-year terms and were subsequently extended pursuant to the 2022 loan amendments, resulting in a maximum term of ten years from the respective drawdown dates. In this context, the Settlement may be viewed as a pragmatic and an orderly resolution of a long-standing incentive arrangement rather than an early termination without commercial basis.

(v) **Sharing of economic loss by the Vendors**: We also note that the Vendors funded 10% of the aggregate subscription price and acquisition cost (as applicable) from their own resources. In addition, the Vendors have not received any returns thus far from the Charged Shares as the dividends received in respects thereof have been primarily applied to pay ongoing interest and to partially repay principal under the Subscription Loans. As the relevant Shares will be bought back and cancelled pursuant to the Settlement, such initial cash contribution will not be recovered by the Vendors. In other words, the Vendors similarly suffered financial losses despite being released from the loan repayment obligations under the Settlement.

Rationale for entering into the Settlement Deeds

In considering the rationale for entering into the Settlement Deeds, we have assessed the position from the perspective of the Company and the Disinterested Shareholders, with particular reference to the following factors:

(i) Certainty of recovery relative to available alternatives

- **Status quo alternative:** Maintaining the Vendor Subscription Loans until their final maturity will not provide the Company with any additional certainty of recovery. Instead, the Group would continue to be exposed to credit, collection and counterparty risks, particularly given the prevailing depressed market value of the Charged Shares and the uncertainty as to the Vendors' ability to satisfy any residual shortfall.

- **Enforcement alternative:** We understand that the Charged Shares constitute the primary security for the Vendor Subscription Loans. Given the substantial shortfall between the outstanding loan balances and the market value of the Charged Shares, any enforcement action to recover residual amounts from former employees may involve uncertainty, time, legal costs and management resources. In addition, such action may adversely affect existing employee morale and the

Company's reputation as an employer as, according to the Management, the Group and the Borrowers mutually recognised this to be an employee incentive arrangement when the Vendor Subscription Loans were first entered into. We therefore consider that the Settlement provides a more virtuous and commercially expedient outcome than pursuing uncertain recovery through enforcement proceedings.

(ii) Avoidance of potential market disruption

- **Mitigation of disposal pressure and protection of Disinterested Shareholders' interests:** We understand that the Shares have relatively limited trading liquidity as described in the paragraph headed "3.2 Historical liquidity of the Shares" below. If the Company were to enforce its security and dispose of 256,090,025 Shares in the open market, such disposal could place significant selling pressure on the market price of the Shares and, accordingly, have an adverse impact on the prevailing Share price and the value of the shareholdings of public Shareholders. By implementing the Share Buy-backs off-market and cancelling the Buy-back Shares, the Company can avoid the execution risk and potential price disruption associated with an open-market disposal.

(iii) Financial and shareholding effects of the Settlement

- **Accretion to the relative shareholding of Shareholders:** Upon Completion, the Buy-back Shares will be cancelled, reducing the number of issued Shares from approximately 5.90 billion to approximately 5.64 billion. As a result, the percentage shareholdings of the Chen Family Group and the Shareholders other than the Chen Family Group and the Vendors ("**Other Shareholders**") are expected to increase from approximately 43.62% and 52.04% respectively to approximately 45.60% and 54.40% respectively, without any additional capital contribution from such Shareholders.

- **Improvement in net asset value per Share attributable to the Shareholders:** As further discussed in the paragraph headed "5. Financial effects of the Settlement" below, the Settlement would enhance the Company's net asset value per Share attributable to the Shareholders, which is beneficial to the Shareholders.

- **No immediate operating cash outflow:** As the consideration for the Share Buy-backs will be fully satisfied by way of the Set-off against the Vendor Subscription Loans, the Settlement will not require the Company to deploy operating cash resources to fund the Share Buy-backs.

- **Cash recovery from the ZZY Compensation:** In addition to the Set-off, Mr. Zhang will pay the ZZY Compensation of HK$20 million to the Company upon completion of his Settlement Deed. This represents an immediate cash recovery to the Group and provides additional support to the commercial rationale of the Settlement.

(iv) Impact on reported financial position

- **Manageable loss impact:** We note that the Group has already recognised an impairment loss of approximately RMB181.7 million in respect of the relevant loan receivables for the year ended 31 March 2026. According to the "Letter from the Board" of the Circular, the Settlement is expected to give rise to a limited loss of about HK$19.25 million to the Group, and the loss per Share would increase as further discussed in the paragraph headed "5. Financial effects of the Settlement" below. In our view, this reduces the adverse financial impact of the Settlement when assessed against the certainty of resolving the outstanding loans.

(v) Potential negative perception of the Group

- On hindsight, this employee incentive arrangement did not achieve its objectives, where employees (being the Borrowers in this case) were supposed to be rewarded through capital market mechanism by selling Shares in the market in place of the Group having to directly pay monetary rewards from the Group's internal resources.

- We understand from the Management that the Vendor Subscription Loans, which are to facilitate the implementation of the aforesaid employee incentive arrangement, are not meant to be structured for the Group to make a profit per se. Having regard the original intentions, protracted pursuit of monetary recovery from the Borrowers may give rise to potential negative perception on the Group as an employer, affecting its corporate image.

Our view

Having considered the above, including (i) the original nature of the Vendor Subscription Loans as an employee incentive arrangement; (ii) the diminished retention purpose and increased uncertainty as to recoverability; (iii) the certainty afforded by the Settlement as compared with maintaining the status quo or pursuing enforcement; (iv) the avoidance of potential open-market disposal pressure; (v) the cancellation of the Buy-back Shares and the corresponding increase in the relative shareholding of the Shareholders; (vi) the absence of immediate operating cash outflow by the Company; (vii) the additional cash recovery from the ZZY Compensation; (viii) enhancement of net asset value per Share attributable to the Shareholders and with limited expected loss to the Group; and (ix) negative impact that may arise on the Group's corporate image, we are of the view that the entering into of the Settlement

Deeds is commercially justifiable, fair and reasonable so far as the Disinterested Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

3. Principal terms of 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.

According to the "Letter from the Board" of the Circular, 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) a premium of approximately 5.56% over the closing price of HK$0.270 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) 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;

(iii) 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;

(iv) 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;

(v) 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;

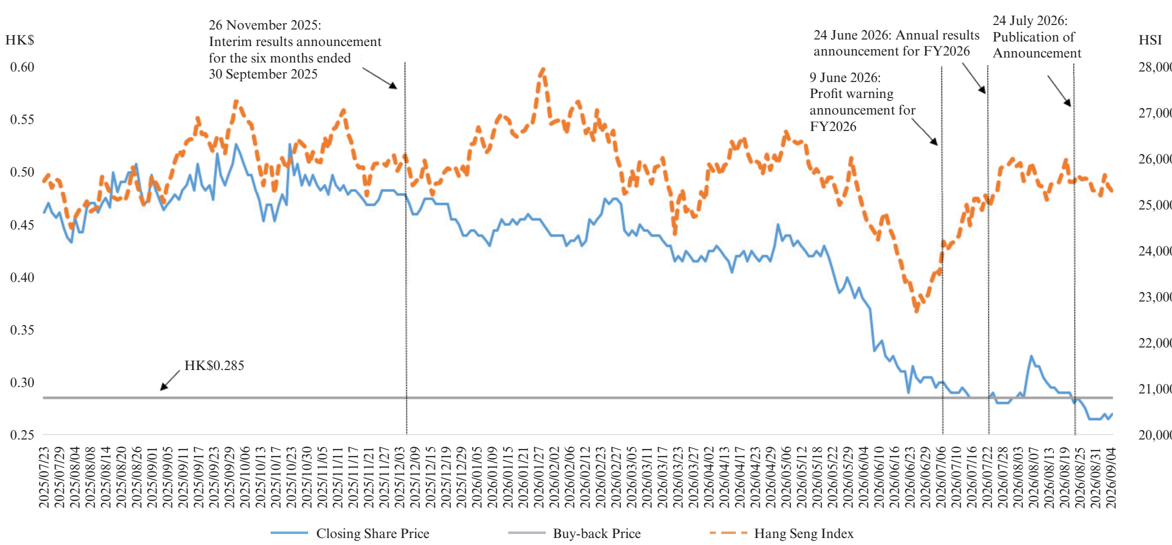
(vi) a discount of approximately 25.00% to the average closing price of approximately HK$0.380 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange for the 90 consecutive trading days immediately prior to and including the Last Trading Day;

(vii) 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

(viii) 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.

3.1 Historical Share price performance

The chart below illustrates the historical closing prices of Shares in the past year from 23 July 2025 (i.e. about 12 months before the Last Trading Day) to the Last Trading Day and subsequent to that up to the Latest Practicable Date (the "**Review Period**"). We are of the view that a review period of around one year adequately illustrates recent price movements of the Shares which reflect prevailing market sentiments as well as market perception of the value of the Shares. It is a reasonable time frame for comparison of the closing prices of Shares and the Buy-back Price.



Source: The website of the Stock Exchange (www.hkex.com.hk)

During the Review Period, the highest and lowest closing price of the Shares were HK$0.527 per Share recorded on 2 and 23 October 2025 and HK$0.265 per Share recorded on 31 August and 1, 2, 3 and 7 September 2026, respectively, where the Buy-back Price, being HK$0.285 per Buy-back Share, is within the aforesaid range of closing prices of the Shares and at lower end of the range. The average daily closing price per Share over the Review Period was approximately HK$0.419 per Share, and the Buy-back Price represents a discount of approximately 32.0% to such average of closing prices.

As illustrated in the graph above, the Shares had generally traded at higher than the Buy-back Price of HK$0.285 per Buy-back Share during the Review Period (i.e. 255 out of 279 trading days). Since the commencement of the Review Period (i.e. 23 July 2025) up to late November 2025, closing prices of the Shares were traded between HK$0.433 per Share and HK$0.527 per Share. During the aforementioned period of time, the Share closing price reached its highest of HK$0.527 per Share on 2 and 23 October 2025 respectively. Subsequent to the Company publishing its interim results announcement for the six months ended 30 September 2025 on 26 November 2025, the Share closing price has been traded generally on a downward trend from HK$0.483 per Share on 27 November 2025 to HK$0.375 per Share on 8 June 2026. More substantial decline in closing prices was observed after the Company published its profit warning announcement for FY2026 on 9 June 2026 as the closing price decreased from HK$0.370 per Share on 9 June 2026 to a low of HK$0.290 per Share on 24 June 2026, when the Company published its annual results announcement for FY2026. A similar downward trend was observed in the market during the aforementioned period of time as the Hang Seng Index decreased from 24,566 as at 9 June 2026 to 23,412 as at 24 June 2026. Thereafter, the Share closing price traded at levels around the Buy-back Price and recorded at HK$0.285 per Share and HK$0.270 per Share on the Last Trading Day and the Latest Practicable Date, respectively.

Considering that the Buy-back Price is lower than the closing prices of the Shares during most of the Review Period (i.e. 255 out of 279 trading days), and that it represents a discount of approximately 32.0% to the average closing prices of the Shares during the Review Period, we are of the view that the Buy-back Price is fair and reasonable from the point of view of the historical trading prices of Shares.

3.2 Historical liquidity of the Shares

According to the paragraph headed "Effects on the Shareholding structure of the Company" in the "Letter from the Board" of the Circular, as at the Latest Practicable Date, a total of 5,895,073,025 Shares were in issue, of which 3,067,423,528 Shares were held by Other Shareholders. The table below sets out information of the market trading liquidity of Shares during the Review Period.

Month	**Number of trading days**	**Average daily trading volume** *(number of Shares)*	**Approximate % of average daily trading volume to total number of issued Shares as at the relevant month end**	**Approximate % of average daily trading volume to total number of issued Shares held by Other Shareholders**
2025				
July (from 23 July)	7	8,613,286	0.15%	0.28%
August	21	9,422,714	0.16%	0.31%
September	22	7,997,545	0.14%	0.26%
October	20	9,054,409	0.15%	0.30%
November	20	5,147,150	0.09%	0.17%
December	21	3,728,413	0.06%	0.12%
2026				
January	21	3,263,810	0.06%	0.11%
February	17	4,493,706	0.08%	0.15%
March	22	2,659,773	0.05%	0.09%
April	19	2,100,474	0.04%	0.07%
May	19	2,938,316	0.05%	0.10%
June	21	4,353,096	0.07%	0.14%
July (up to the Last Trading Day)	16	2,106,000	0.04%	0.07%
July (from 24 July)	6	1,955,333	0.03%	0.06%
August	21	3,026,851	0.05%	0.10%
September (up to the Latest Practicable Date)	6	1,318,000	0.02%	0.04%

Source: The website of the Stock Exchange (www.hkex.com.hk)

We note that the trading activities of the Shares were thin during the Review Period relative to the number of Buy-back Shares as further explained below.

From the above table, the percentage of average daily trading volume to the total number of issued Shares ranged from approximately 0.02% to 0.16%. When compared to the total number of Shares held by Other Shareholders, the percentage ranged from approximately 0.04% to 0.31%. The average daily trading volume of the Shares during the Review Period was approximately 4,673,634 Shares, representing approximately 0.08% of the total number of issued Shares and approximately 0.15% of the total number of Shares held by Other Shareholders as at the Latest Practicable Date.

As an illustration, assuming the Company were to enforce its security and dispose of the number of Buy-back Shares in the open market, using the average daily trading volume during the Review Period as reference, it would theoretically require a period of approximately 55 trading days to complete the transaction (calculated based on dividing (i) the number of Buy-back Shares of 256,090,025 Shares; by (ii) the aforementioned average daily trading volume of the Shares during the Review Period of approximately 4,673,634 Shares). We are of the view that in the absence of the Share Buy-backs, such potential market disposal during a short period of time would possibly cause a considerable downward pressure on the price of the Shares. The Share Buy-backs therefore enable the Company and the Vendors to maintain orderly market trading by conducting the transaction off-market. We are of the view that the above is in the interests of the Company and the Shareholders as a whole.

3.3 Comparable analysis

To assess the fairness and reasonableness of the Buy-back Price, we have conducted a comparable analysis of the value of the Group as implied by the Buy-back Price and compared it against those of companies listed on the Stock Exchange which are engaged in similar business activities to those of Group (the "**Comparable Companies**").

In terms of valuation parameters, considering that the Group was loss making in its latest financial year; hence, price-to-earnings ratio is not applicable in this case. We then applied the price-to-book ratio ("**P/B Ratio**") and the price-to-sales ratio ("**P/S Ratio**") which are both commonly used valuation yardsticks appropriate for the purpose of this comparable analysis given the lack of profitability.

In selecting the Comparable Companies, our selection criteria focused on companies that (i) are currently listed on the Main Board of the Stock Exchange; (ii) are principally engaged in branding, marketing, design and sales of sporting goods (including sports-related apparel, footwear and accessories) in the PRC, which contributed over 50% of their respective latest financial year revenue; and (iii) are brand owners and/or licensed brand operators.

Based on the above selection criteria, we have identified an exhaustive list of four Comparable Companies, namely ANTA Sports Products Limited, Li Ning Company Limited, Xtep International Holdings Limited and 361 Degrees International Limited.

Disinterested Shareholders should note that, despite of the aforesaid criteria, cognisant that there exists no company which can be of exactly the same business model, scale of operation, trading prospect, and capital structure as the Group and we have not conducted any in-depth investigation into the business and operations of the Comparable Companies save for the aforementioned selection criteria, we consider that the selected Comparable Companies are appropriate to serve as a benchmark reference for our comparable analysis purpose.

Our relevant findings are summarised in the following table:

Stock code	Company name	Principal business	Market capitalisation(1) *(HK$ million)*	Net asset value(2) *(HK$ million)*	Total revenue(3) *(HK$ million)*	P/B Ratio(4) *(times)*	P/S Ratio(5) *(times)*
1361	361 Degrees International Ltd	361 Degrees International Ltd is principally engaged in manufacturing and trading of sporting goods, including footwear, apparel, accessories and others in the PRC. The company operates its businesses through two segments, including the adults business segment and the kids business segment.	9,852.1	11,690.6	12,929.1	0.84	0.76
1368	Xtep International Holdings Ltd	Xtep International Holdings Ltd is principally engaged in the manufacture and sale of sportswear, including footwear, apparel and accessories. The company operates its businesses through three segments, including the mass market segment, the athleisure segment and the professional sports segment.	9,937.3	11,834.9	16,415.3	0.84	0.61
2020	ANTA Sports Products Ltd	ANTA Sports Products Ltd is principally engaged in the production and sale of sporting goods. The company operates through three segments of ANTA brand, FILA brand and other brands including DESCENTE and KOLON SPORT.	212,405.8	76,307.1	93,054.0	2.78	2.28
2331	Li Ning Company Limited	Li Ning Company Limited is principally engaged in the research and development, design, manufacturing and sales of sporting goods. The company operates through a segment of sporting goods with a product category of footwear, apparel, equipment and accessories.	36,781.9	32,047.9	34,334.2	1.15	1.07
					Mean	1.40	1.18
					Median	1.00	0.92
					Maximum	2.78	2.28
					Minimum	0.84	0.61

Stock code	Company name	Principal business	Market capitalisation[(1)] *(HK$ million)*	Net asset value[(2)] *(HK$ million)*	Total revenue[(3)] *(HK$ million)*	P/B Ratio[(4)] *(times)*	P/S Ratio[(5)] *(times)*
3818	The Company	The Group is principally engaged in brand development, design, and sales of sport-related apparel, footwear and accessories in the PRC as well as investment activities in the PRC and overseas.	1,680.1[(6)]	10,127.1	1,989.4	0.17[(6)]	0.84[(6)]

Source: *The website of the Stock Exchange (www.hkex.com.hk)*

Notes:

(1) Market capitalisation is calculated by multiplying the closing share price on the Stock Exchange by the total number of issued shares of the subject company as at the Latest Practicable Date.

(2) Net asset value attributable to shareholders is extracted from the respective latest published annual report of the subject company prior to the Latest Practicable Date. Where applicable, for illustrative purpose, RMB has been translated into HK$ with exchange rate of RMB1.0 = HK$1.16.

(3) Total revenue is extracted from the respective latest published annual report of the subject company prior to the Latest Practicable Date. Where applicable, for illustrative purpose, RMB has been translated into HK$ with exchange rate of RMB1.0 = HK$1.16.

(4) P/B Ratio is calculated by dividing market capitalisation (as described in Note 1) by net asset value attributable to shareholders (as described in Note 2).

(5) P/S Ratio is calculated by dividing market capitalisation (as described in Note 1) by total revenue (as described in Note 3).

(6) The implied market capitalisation of the Company is calculated based on the Buy-back Price of HK$0.285 per Share and 5,895,073,025 issued Shares as at the Latest Practicable Date. The implied P/B Ratio is calculated by dividing the implied market capitalisation by the net asset value attributable to shareholders of the Company as at 31 March 2026. The implied P/S Ratio is calculated by dividing the implied market capitalisation by the total revenue of the Group in FY2026.

As illustrated in the table above, the P/B Ratio of the Comparable Companies ranged from approximately 0.84 times to 2.78 times, with a mean of approximately 1.40 times and a median of approximately 1.00 times. The valuation of the Group, based on the implied market capitalisation arrived at using the Buy-back Price of HK$0.285 per Share, translates into an implied P/B Ratio of approximately 0.17 times, which is substantially below the P/B Ratio range of the Comparable Companies. In other words, from a P/B Ratio perspective, the Company is buying back the Buy-back Shares at a valuation lower than that of the Comparable Companies, which is in favour of the Company.

With respect to the P/S Ratio, the P/S Ratio of the Comparable Companies ranged from approximately 0.61 times to 2.28 times, with a mean of approximately 1.18 times and a median of approximately 0.92 times. The implied P/S Ratio of the Group, arrived at using the Buy-back Price of HK$0.285 per Share, is approximately 0.84 times, which is below the mean and median and falls within the P/S Ratio range of the Comparable Companies. In other words, from a P/S Ratio perspective, the Company is buying back the Buy-back Shares at a valuation within the range of the Comparable Companies and lower than the mean and median, which is in favour of the Company.

Overall, taking into account the above, we consider that the Buy-back Price is fair and reasonable from the market comparable analysis perspective.

4. Effects on the shareholding structure of the Company

As set out in the paragraph headed "Effects on the Shareholding structure of the Company" in the "Letter from the Board" of the Circular, the following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after Completion.

	As at the Latest Practicable Date		**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	40.03%	2,359,936,000	41.85%
Ms. Chen	199,498,730	3.38%	199,498,730	3.54%
Mr. Chen Yiyong	12,094,742	0.21%	12,094,742	0.21%
Subtotal	**2,571,529,472**	**43.62%**	**2,571,529,472**	**45.60%**
Vendors				
Mr. Zhang	166,120,025	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	10,000,000	0.17%	—	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%**

	As at the Latest Practicable Date		**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*
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%**

Assuming that 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 Latest Practicable Date and the date of Completion, the interest of Other Shareholders in the Company's total number of issued Shares will increase from approximately 52.04% to approximately 54.40%. Meanwhile, there is no significant change in shareholdings in the Company nor change in control after the completion of the Share Buy-backs.

5. Financial effects of the Settlement

As a result of the Share Buy-backs, the number of issued Shares would have decreased from 5,895,073,025 Shares as at the Latest Practicable Date to 5,638,983,000 Shares. According to the "Letter from the Board" of the Circular, as a result of the Settlement, it is expected that the Group would recognise a loss of approximately HK$19.25 million.

This section sets out analysis on potential financial effects of the Settlement on the Group. It should be noted that the figures and financial impact shown below are for illustrative purpose only.

5.1 Effects on loss per Share

The loss per Share attributable to the Shareholders in FY2026 was approximately RMB0.0269. According to the paragraph headed "Financial effects of the Settlement" in the "Letter from the Board" of the Circular, the loss per Share attributable to the Shareholders would be increased to approximately RMB0.0314 assuming the Settlement had taken place on 1 April 2025.

5.2 Effects on net asset value per Share

The consolidated net assets per Share attributable to the Shareholders as at 31 March 2026 was approximately RMB1.48. According to the paragraph headed "Financial effects of the Settlement" in the "Letter from the Board" of the Circular, the net assets per Share attributable to the Shareholders would be improved to approximately RMB1.53 assuming the Settlement had taken place on 31 March 2026.

5.3 Total liabilities

As shown in the paragraph headed "Financial effects of the Settlement" in the "Letter from the Board" of the Circular, the Settlement has no impact on the total liabilities of the Group.

5.4 Effects on working capital

As the consideration for the Share Buy-backs will be fully satisfied by way of the Set-off against the Vendor Subscription Loans, the Settlement will not require the Company to deploy operating cash resources to fund the Share Buy-backs. In addition, Mr. Zhang will pay the ZZY Compensation of HK$20 million to the Company upon completion of his Settlement Deed. This would enhance the Group's working capital level.

From the above, on balance, we are of the view that the Settlement generally has positive financial effects on the Group, while the expected loss is manageable and acceptable when assessed against the certainty of resolving the outstanding loans.

RECOMMENDATIONS

Having considered the above principal factors and reasons, in particular,

(i) (a) the original nature of the Vendor Subscription Loans as an employee incentive arrangement; (b) the diminished retention purpose and increased uncertainty as to recoverability; (c) the certainty afforded by the Settlement as compared with maintaining the status quo or pursuing enforcement; (d) the avoidance of potential open-market disposal pressure; (e) the cancellation of the Buy-back Shares and the corresponding increase in the relative shareholding of the Shareholders; (f) the absence of immediate operating cash outflow by the Company; (g) the additional cash recovery from the ZZY Compensation; (h) enhancement of net asset value per Share attributable to the Shareholders and with limited expected loss to the Group; and (i) negative impact that may arise on the Group's corporate image, as detailed in the paragraph headed "**2. Background to and rationale for entering into the Settlement Deeds**";

(ii) the Buy-back Price is lower than the closing prices of the Shares during most of the Review Period (i.e. 255 out of 279 trading days), as detailed in the paragraph headed "**3.1 Historical Share price performance**";

(iii) from a market comparable analysis perspective, the Buy-back Price translates into (a) an implied P/B Ratio of approximately 0.17 times, which is substantially below the P/B Ratio range of the Comparable Companies; and (b) an implied P/S Ratio of approximately 0.84 times, which is below the mean and median and falls within the P/S Ratio range of the Comparable Companies, as detailed in the paragraph headed "**3.3 Comparable analysis**";

(iv) relative to the number of Buy-back Shares, the trading volume of the Shares was thin during the Review Period as detailed in the paragraph headed "**3.2 Historical liquidity of the Shares**", and the Share Buy-backs enable the Company and the Vendors to maintain orderly market trading by conducting the transaction off-market as otherwise, the potential market disposal during a short period of time would possibly cause a considerable downward pressure on the price of the Shares; and

(v) the Settlement generally has overall positive financial effects on the Group, while the expected loss is manageable and acceptable when assessed against the certainty of resolving the outstanding loans, as detailed in the paragraph headed "**5. Financial effects of the Settlement**",

we consider that, on balance, 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. Accordingly, we advise the Independent Board Committee to recommend the Disinterested Shareholders, and we advise the Disinterested Shareholders, to vote in favour of the resolution to be proposed at the EGM to approve the Settlement Deeds and the Settlement.

Yours faithfully,
For and behalf of
Altus Capital Limited

Jeanny Leung
Responsible Officer

Chang Sean Pey
Responsible Officer

*Ms. Jeanny Leung ("**Ms. Leung**") is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. She is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Ms. Leung has over 30 years of experience in corporate finance advisory and commercial field in Greater China, in particular, she has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance advisory transactions.*

*Mr. Chang Sean Pey ("**Mr. Chang**") is a Responsible Officer of Altus Capital Limited licensed to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and permitted to undertake work as a sponsor. He is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Mr. Chang has over 25 years of experience in banking, corporate finance advisory and investment management. In particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance advisory transactions.*

1 SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The following is a summary of the audited consolidated financial information of the Group for each of the three financial years ended 31 March 2024, 2025 and 2026 as extracted from the respective annual reports of the Company:

	For the twelve months ended 31 March		
	2026	**2025**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	1,715,326	1,680,135	1,744,023
Cost of sales	(572,024)	(527,920)	(551,731)
Gross profit	1,143,302	1,152,215	1,192,292
Distribution expenses	(1,069,330)	(1,053,408)	(1,038,569)
Administrative expenses	(111,928)	(130,883)	(157,928)
(Provision for)/reversal of impairment losses on financial assets — net	(344,571)	(47,362)	(115,447)
Other income and gains/(losses) — net	201,704	323,264	(658,567)
Operating (loss)/profit	(180,823)	243,826	(778,219)
Finance income	11,920	19,235	25,089
Finance expenses	(10,115)	(8,954)	(6,556)
(Loss)/profit before income tax	(182,553)	248,182	(759,608)
Income tax credit/(expense)	24,513	(41,182)	120,249
(Loss)/profit attributable to:			
— Owners of the Company	(158,040)	207,000	(639,359)
— Non-controlling interests	—	—	—
Total comprehensive (expense)/income attributable to:			
— Owners of the Company	(295,694)	244,137	(524,444)
— Non-controlling interests	—	—	—
Earnings/(losses) per share			
Basic earnings/(losses) per share (RMB cents)	(2.69)	3.53	(10.90)
Diluted earnings/(losses) per share (RMB cents)	(2.69)	3.53	(10.90)
Total dividends paid	(185,101)	(112,452)	(70,046)
Dividends per share (RMB cents)	(3.14)	(1.91)	(1.20)

2 CONSOLIDATED FINANCIAL STATEMENTS

The financial information of the Group for each of the three financial years ended 31 March 2024, 2025 and 2026 are disclosed in the respective annual reports of the Company, which have been published on the websites of the Company and the Stock Exchange as follows and are incorporated by reference into this circular:

The audited consolidated financial statements of the Group for the financial year ended 31 March 2026 are set out from pages 97 to 104 in the Company's annual report for the financial year ended 31 March 2026 of the Company, which was published on 24 June 2026. The Company's annual report for the financial year ended 31 March 2026 is also posted on the Company's website (https://www.dxsport.com). Please also see below a quick link to the Company's annual report for the financial year ended 31 March 2026:

https://www1.hkexnews.hk/listedco/listconews/sehk/2026/0709/2026070900322.pdf

The audited consolidated financial statements of the Group for the financial year ended 31 March 2025 are set out from pages 86 to 93 in the Company's annual report for the financial year ended 31 March 2025 of the Company, which was published on 25 June 2025. The Company's annual report for the financial year ended 31 March 2025 is also posted on the Company's website (https://www.dxsport.com). Please also see below a quick link to the Company's annual report for the financial year ended 31 March 2025:

https://www1.hkexnews.hk/listedco/listconews/sehk/2025/0710/2025071000275.pdf

The audited consolidated financial statements of the Group for the financial year ended 31 March 2024 are set out from pages 85 to 92 in the Company's annual report for the financial year ended 31 March 2024 of the Company, which was published on 26 June 2024. The Company's annual report for the financial year ended 31 March 2024 is also posted on the Company's website (https://www.dxsport.com). Please also see below a quick link to the Company's annual report for the financial year ended 31 March 2024:

https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0711/2024071100358.pdf

The audited consolidated financial statements of the Group for each of the three financial years ended 31 March 2024, 2025 and 2026 were audited by Deloitte Touche Tohmatsu and did not contain any modified opinion, emphasis of matter or material uncertainty related to going concern. There was no change in the Group's accounting policy during the three financial years ended 31 March 2024, 2025 and 2026, which would result in the figures in its consolidated financial statements being not comparable to a material extent.

3 INDEBTEDNESS STATEMENT

At the close of business on 30 June 2026, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the indebtedness of the Group was as follows:

Borrowing

The Group had a secured and unguaranteed bank borrowing of RMB195,931,000, secured by the HSBC Infinite Wealth Insurance Plan.

Lease Liabilities

The Group had outstanding lease liabilities of RMB42,591,000 in respect of recognised lease obligations, which were secured and unguaranteed.

Foreign currency amounts have been translated into RMB at the exchange rates prevailing at the close of business on 30 June 2026.

Save as disclosed above and apart from intra-group liabilities and normal trade payables, the Group did not, at the close of business on 30 June 2026, have any bank overdrafts or loans, or other similar indebtedness, mortgages, charges, or guarantees or other material contingent liabilities.

4 MATERIAL CHANGE

The Directors confirm that there had been no material change in the financial or trading position or outlook of the Company since 31 March 2026 (the date to which the latest published audited consolidated financial statements of the Group were made up) and up to and including the Latest Practicable Date.

5 FINANCIAL AND TRADING PROSPECTS OF THE GROUP

As disclosed in the Company's annual report for the financial year ended 31 March 2026, the Group recorded revenue of RMB1,715 million for the financial year ended 31 March 2026, representing a year-on-year increase of 2.1%.

Looking ahead, whilst the global macroeconomic environment remains complex, the Group remains confident in the structural resilience and long-term positive fundamentals of the Chinese economy. Benefiting from empowering government policies and the nationwide fitness trend, China's sports goods market is entering a new normal of steady growth. The Group remains optimistic about the domestic sports goods sector and firmly believes that the sports industry still holds vast potential for incremental growth.

In the face of the evolving market landscape, the Group will precisely capture opportunities in niche segments and, with product innovation as the engine, optimise its omnichannel ecosystem and business links. We are committed to providing consumers with the ultimate experience to broaden our brand's market moat.

In brand marketing, the Group will further develop refined content marketing, reaching target circles through a diversified and innovative matrix. By establishing deep emotional connections with consumers and continuously optimising front-end experience, the Group will achieve the dual effect of brand visibility and commercial conversion, further consolidating the brand's core competitive barriers.

In terms of investment operations, and specifically regarding capital operations and the investment segment, the Group firmly believes that short-term market turbulence will eventually give way to long-term fundamental drivers, and dynamically optimises the allocation structure of its asset portfolio by adhering to the underlying logic of "prudence and stability". By strengthening its deep synergy with the management of investee projects, the Group will, while strictly safeguarding risk boundaries, steadily and cautiously explore opportunities for new investment targets and the replacement of existing assets with lower flexibility, ensuring the efficient recovery of capital. The Group aims to navigate through macroeconomic cycles and create stable, long-term value returns for shareholders.

1 RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

This circular includes particulars given in compliance with the Share Buy-backs Code and the Takeovers Code for the purpose of giving information with regard to the Group. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2 SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE SECURITIES

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon Completion and cancellation of the Buy-back Shares (assuming no further Shares will be issued or bought back by the Company prior to Completion) is illustrated below:

Authorised share capital:		*HK$*
10,000,000,000	Shares as at the Latest Practicable Date	100,000,000.00
Issued and fully paid or credited as fully paid:		
5,895,073,025	Shares as at the Latest Practicable Date	58,950,730.25
256,090,025	Shares to be bought back and cancelled pursuant to the Share Buy-backs	2,560,900.25
5,638,983,000	Shares immediately upon Completion and cancellation of the Buy-back Shares	56,389,830.00

All the Shares in issue (including the Buy-back Shares) rank *pari passu* in all respects with each other including as regards to dividends, voting rights and return of capital. The Shares in issue are listed on the Stock Exchange.

(a) Restricted Share Award Scheme

On 10 December 2010 (the "**Share Award Scheme Adoption Date**"), the Board adopted the restricted share award scheme (the "**Share Award Scheme**") as an incentive to retain and encourage the participants for the continual operation and development of the Group. Participant(s) refers to any individual being a director (including executive and non-executive director), employee, officer, agent or consultant of the Company or any of its subsidiaries.

Pursuant to the Share Award Scheme, up to 30,000,000 existing Shares ("**Restricted Shares**") may be purchased by BOCI-Prudential Trustee Limited from the market out of cash contributed by the Group and be held in trust for the relevant selected participants until such Shares are vested with the relevant selected participants in accordance with the provisions of the Share Award Scheme.

The Share Award Scheme was effective for a term of 10 years from the Share Award Scheme Adoption Date (i.e. 10 December 2010). On 8 December 2020, the Board resolved to extend the term of the Share Award Scheme for another 10 years and the Share Award Scheme shall be valid and effective until 10 December 2030.

As at the Latest Practicable Date, there was no unvested Restricted Shares.

As at the Latest Practicable Date, the number of Restricted Shares granted under the Share Award Scheme amounted to 7,081,000 Shares since the adoption of the Share Award Scheme, representing approximately 0.12% of the issued shares as at the Share Award Scheme Adoption Date.

In 2016, 131,071 granted Restricted Shares have lapsed. As at the Latest Practicable Date, 23,050,071 Restricted Shares were available for grant under the Share Award Scheme, representing 0.39% of the issued shares of the Company as at the Latest Practicable Date.

(b) Share Option Scheme

The Company adopted a share option scheme (the "**Share Option Scheme**") on 8 August 2019 (the "**Share Option Scheme Adoption Date**") in order to provide an incentive for the qualified participants to work with commitment towards enhancing the value of the Company and its shares for the benefit of its shareholders and to recruit and retain high calibre employees and attract human resources whose contributions are or may be beneficial to the growth and development of the Group.

Unless otherwise terminated or amended, the Share Option Scheme will remain in force for a period of 10 years starting from the Share Option Scheme Adoption Date.

The maximum limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company must not exceed 30% of the shares in issue from time to time. In addition, the maximum number of shares in respect of which options may be granted under the Share Option Scheme and any other option schemes of the Company shall not in aggregate exceed 10% of total number of issued shares as of the Share Option Scheme Adoption Date which is 588,612,102 shares, representing approximately 9.98% of the issued share capital of the Company as at the Latest Practicable Date.

As at the Latest Practicable Date, the share options available for grant under the scheme mandate are 521,970,102.

As at the Latest Practicable Date, the number of Shares which remained outstanding under the Share Option Scheme was 57,690,000, representing approximately 0.98% of the Shares in issue at that date.

No Shares had been bought back by the Company since 31 March 2026, being the date on which the latest audited financial statements of the Group were made up, and during the 12 months immediately preceding the date of this circular.

No Shares of the class of the Buy-back Shares had been issued by the Company since 31 March 2026, being the date on which the latest audited financial statements of the Group were made up, and during the two financial years preceding the date of the Announcement.

There had been no reorganisation of capital of the Company during the two financial years preceding the date of the Announcement.

Save as disclosed above, the Group did not have any other options, warrants, derivatives or securities convertible into Shares as at the Latest Practicable Date.

3 DISCLOSURE OF INTERESTS

(a) Interests and short positions of Directors

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executives were deemed or taken to have under such provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock

Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies adopted by the Company (the "**Model Code**"), or which were required to be disclosed under the Takeovers Code and/or the Share Buy-backs Code, were as follows:

		Number of Shares		
Name of Directors	**Nature of interest**	**Long position**	**Short position**	**Approximate percentage of total issued Shares**
Mr. Chen Yihong[(1)]	Interest in a controlled corporation	2,359,936,000	—	40.03%
	Interest in a controlled corporation[(3)]	312,090,025	—	5.29%
Ms. Chen Chen	Interest in a controlled corporation[(2)]	199,498,730	—	3.38%
	Interest of spouse[(4)]	3,960,000	—	0.07%
Mr. Lyu Guanghong	Beneficial owner[(3)]	13,640,000[(5)]	—	0.23%

Notes:

(1) The entire issued share capital of Poseidon is held by Harvest Luck Development Limited ("**Harvest Luck**"), which is in turn wholly-owned and controlled by Mr. Chen. Mr. Chen and Harvest Luck are therefore deemed to be interested in the Shares held by Poseidon.

(2) Bountiful Talent Ltd is wholly-owned and controlled by Ms. Chen and Ms. Chen is therefore deemed to be interested in the Shares held by Bountiful Talent Ltd.

(3) 312,090,025 Shares (out of which 10,000,000 Shares are held by Mr. Lyu) have been charged to GSL. Each of Mr. Chen, Harvest Luck, Poseidon and the Company is deemed to be interested in such Shares by virtue of GSL, being a wholly-owned subsidiary of the Company and Poseidon being entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of the Company. This included 312,090,025 Charged Shares charged to GSL, including 256,090,025 Buy-back Shares to be bought back by the Company for cancellation at Completion pursuant to the terms and conditions of the Settlement Deeds.

(4) It included Mr. Men Xiaochen's interest in share options to subscribe for 320,000 Shares pursuant to the share options granted by the Company on 16 September 2019 under the share option scheme adopted by the Company on 8 August 2019 at an exercise price of HK$0.854 each. It also included Mr. Men Xiaochen'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. Mr. Men Xiaochen is the spouse of Ms. Chen, and thus an associate of Ms. Chen. On 30 March 2026, 260,000 share options of Mr. Men were forfeited.

(5) It included Mr. Lyu's interests in 10,000,000 Buy-back Shares to be bought back by the Company for cancellation at Completion pursuant to the terms and conditions of the Settlement Deeds. It also included 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. On 30 March 2026, 260,000 share options of Mr. Lyu were forfeited.

Save as disclosed above, none of the Directors or the chief executive of the Company had, as at the Latest Practicable Date, any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, or which were required to be disclosed under the Takeovers Code and/or the Share Buy-backs Code.

(b) Interests and short positions of substantial shareholders

As at the Latest Practicable Date, other than the interests and short positions as disclosed above, the following persons have interests or short positions in the Shares, underlying Shares and debentures of the Company which fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of the SFO, or otherwise known to the Directors:

		Number of Shares		
Name of Shareholders	**Nature of interest**	**Long position**	**Short position**	**Approximate percentage of total issued Shares**
Poseidon	Corporate interest	2,359,936,000	—	40.03%
	Interest in a controlled corporation[2]	312,090,025	—	5.29%
Harvest Luck[1]	Interest in a controlled corporation	2,359,936,000	—	40.03%
	Interest in a controlled corporation[2]	312,090,025	—	5.29%

Notes:

(1) The entire issued share capital of Poseidon is held by Harvest Luck, which is in turn wholly-owned and controlled by Mr. Chen. Mr. Chen and Harvest Luck are therefore deemed to be interested in the Shares held by Poseidon.

(2) 312,090,025 Shares (out of which 10,000,000 Shares are held by Mr. Lyu) have been charged to GSL. Each of Mr. Chen, Harvest Luck, Poseidon and the Company is deemed to be interested in such Shares by virtue of GSL, being a wholly-owned subsidiary of the Company and Poseidon being entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of the Company. This included 256,090,025 Buy-back Shares to be bought back by the Company for cancellation at Completion pursuant to the terms and conditions of the Settlement Deeds.

Save as disclosed above, as at the Latest Practicable Date, the Directors are not aware of any other person or corporation (who were not Directors or chief executives of the Company) having an interest or short position in Shares and underlying Shares of the Company representing 5% or more of the issued share capital of the Company which were recorded in the register required to be kept under section 336 of the SFO.

(c) Share dealings

The table below sets out the dealings in the Shares by the relevant parties during the Relevant Period:

Name	**Date**	**Description of event**	**Number of Shares involved**	**Share Price** *(HK$)*
Mr. Chen	27 February 2026	Off market acquisition of Shares	354,005,000	— *(Note)*
Ms. Chen	27 February 2026	Off market disposal of Shares	354,005,000	— *(Note)*

Note: On 27 February 2026, Bountiful Talent Limited, a company wholly-owned by Ms. Chen, transferred 354,005,000 Shares to Poseidon Sports Limited, a company indirectly wholly-owned by Mr. Chen at a consideration of HKD100.

4 DIVIDENDS

During the two years immediately preceding the date of this circular, the frequency and amount of dividends that have been paid out by the Company to the Shareholders are as follows:

(a) final special dividend of RMB0.51 cent per Share for the twelve months ended 31 March 2024, which was paid out on or around 11 September 2024;

(b) interim dividend of RMB0.70 cents per Share and interim special dividend of RMB0.70 cents per Share for the six months ended 30 September 2024, which was paid out on or around 24 December 2024;

(c) final dividend of RMB0.35 cents per Share and a final special dividend of RMB0.71 cents per Share for the twelve months ended 31 March 2025, which was paid out on or around 11 September 2025;

(d) interim dividend of RMB1.04 cents per Share and an interim special dividend of RMB1.04 cents per Share for the six months ended 30 September 2025, which was paid out on or around 23 December 2025.

As at the Latest Practicable Date, there was no outstanding declared but unpaid dividend in respect of the Shares. It is possible that the Company may make, declare and/or pay a dividend before Completion. If any such dividend is made, declared and/or paid, the consideration payable by the Company for the Share Buy-backs will not be adjusted by an equivalent amount.

As set out in the Company's annual report for the financial year ended 31 March 2026, the Board has amended the dividend policy on 24 June 2026. The Company has adopted a target dividend payout ratio of 30% of the Group's annual net profit attributable to equity holders, subject to factors such as but not limited to the financial results; cash flow situation; balance of distributable reserves; business conditions and strategies; statutory fund reserve requirements; capital requirements and expenditure plans; future operations and earnings; interests of shareholders; any restrictions on payment of dividends; and any other factors that the Board may consider relevant of the Group when considering the declaration and payment of dividends. The form and frequency of dividend declaration and payment shall be at the sole and absolute discretion of the Board and the aforesaid target dividend payout ratio shall not constitute a binding commitment. The Board may decide to deviate from this target in any particular year if it considers such to be in the best interests of the Company and its Shareholders as a whole.

The Board will review the dividend policy when necessary to determine its effectiveness and has the right to update, amend and modify the dividend policy at any time. The Company has no plan or intention to alter its present dividend policy.

5 MARKET PRICES

The table below sets out the closing prices of the Shares on the Stock Exchange (i) at the end of each of the calendar months during the Relevant Period; (ii) on the Last Trading Day; and (iii) on the Latest Practicable Date.

Date	**Closing price per Share** *(HK$)*
30 January 2026	0.445
28 February 2026	0.475
31 March 2026	0.415
30 April 2026	0.415
29 May 2026	0.390
30 June 2026	0.305
23 July 2026 (the Last Trading Day)	0.285
31 July 2026	0.280
31 August 2026	0.265
8 September 2026 (the Latest Practicable Date)	0.270

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK$0.475 on 25 and 27 February 2026, and 2 March 2026 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK$0.265 on 31 August and 1, 2, 3 and 7 September 2026.

6 DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

Save as disclosed in this circular, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group taken as a whole.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been acquired by or disposed of or leased to any member of the Group or are proposed to be acquired by or disposed of or leased to any member of the Group since 31 March 2026, being the date to which the latest published audited consolidated financial statements of the Group were made up.

7 DIRECTORS' COMPETING INTERESTS

To the best knowledge of the Directors, as at the Latest Practicable Date, none of the Directors and their respective close associates (as defined under the Listing Rules) had any interest in any business (apart from the Group's business) which competes or is likely to compete, either directly or indirectly, with the Group's business.

8 DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or proposed to enter into any service contract with any member of the Group which was not determinable by the employer within one year without payment of compensation (other than statutory compensation).

9 MATERIAL CONTRACT

Save for the Settlement Deeds, no contract (not being contracts in the ordinary course of business carried on or intended to be carried on by the Group) which is or may be material, has been entered into by the Company or any of its subsidiaries within the two years immediately preceding the date of the Announcement and up to the Latest Practicable Date.

10 MATERIAL LITIGATION

As at the Latest Practicable Date, so far as the Directors were aware, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group as at the Latest Practicable Date.

11 QUALIFICATION AND CONSENT OF EXPERTS

The following sets out the qualification of the experts who have given opinions, letters or advice contained or referred to in this circular:

Name	**Qualification**
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
Deloitte Touche Tohmatsu	Certified Public Accountants

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of their reports or letters or their name in the form and context in which they respectively appear herein. The reports or letters given by the above experts are given as of the date of this circular for incorporation herein.

Each of the above experts confirmed that it did not have any shareholding interest in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of any member of the Group as at the Latest Practicable Date.

As at the Latest Practicable Date, each of the above experts was not interested, directly or indirectly, in any assets which had since 31 March 2026 (being the date to which the latest published audited accounts of the Company were made up) been acquired or disposed of by or leased to any member of the Group or which were proposed to be acquired or disposed of by or leased to any member of the Group.

12 MISCELLANEOUS

(a) The company secretary of the Company is Ms. Wai Pui Man, who is an associate member of The Chartered Governance Institute and The Hong Kong Chartered Governance Institute.

(b) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(c) The principal place of business of the Company in Hong Kong is at Office Unit 7, 13/F, Tower One, Lippo Centre, No. 89 Queensway, Hong Kong.

(d) The branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(e) The principal share registrar and transfer office of the Company is Suntera (Cayman) Limited at Suite 3204, Unit 2A, Block 3, Building D, P.O. Box 1586, Gardenia Court, Camana Bay, Grand Cayman, KY1-1100, Cayman Islands.

(f) The registered address of Optima Capital Limited, the financial adviser to the Company, is at Suite 2101, 21/F, Shui On Centre, 6–8 Harbour Road, Wanchai, Hong Kong.

(g) The registered address of the Independent Financial Adviser is at 21 Wing Wo Street, Central, Hong Kong.

(h) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

13 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (i) during normal business hours from 10:00 a.m. to 6:00 p.m. on any weekday (except public holidays) at the offices of the Company at Office Unit 7, 13/F, Tower One, Lippo Centre, No. 89 Queensway, Hong Kong; (ii) on the website of the Company at www.dxsport.com; and (iii) on the website of the SFC at www.sfc.hk from the date of this circular to the date of the EGM (both days inclusive):

(a) the memorandum and articles of association of the Company;

(b) the annual reports of the Company for each of the three financial years ended 31 March 2024, 2025 and 2026;

(c) the letter from the Board dated 11 September 2026, the text of which is set out on pages 7 to 25 of this circular;

(d) the letter from the Independent Board Committee dated 11 September 2026, the text of which is set out on pages 26 to 27 of this circular;

(e) the letter from the Independent Financial Adviser, the text of which is set out on pages 28 to 51 of this circular;

(f) the report on the unaudited pro forma financial information of the Group issued by Deloitte Touche Tohmatsu, the text of which is set out in Appendix III to this circular;

(g) the Settlement Deeds;

(h) the written consents referred to in the paragraph headed "11. Qualification and Consent of Experts" in this appendix; and

(i) this circular.

The unaudited pro forma financial information should be read in conjunction with the financial information of the Group set out in the Group's published annual reports and interim reports, and other financial information included elsewhere in this circular.

1. UNAUDITED PRO FORMA NET ASSETS PER SHARE

The following is the unaudited pro forma net assets of the Group attributable to owners of the Company per Share as at 31 March 2026 prepared based on the audited consolidated statement of financial position of the Group as at 31 March 2026 stated in the latest published annual report of the Group for the year ended 31 March 2026 adjusted for the impact of the proposed off-market Share Buy-backs, proposed Set-off, proposed Loan Waiver and the proposed ZZY Compensation (collectively referred to as the "**Settlement**") in accordance with Rule 4.29 of the Listing Rules assuming that the Settlement had been completed on 31 March 2026 to illustrate the effect of the Settlement on the financial position of the Group. As it is prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture, of what the net assets of the Group and net assets of the Group per Share shall be on the actual completion of the Settlement or any future date.

	Audited net assets of the Group as at 31 March 2026	**Pro forma adjustments**		**Unaudited pro forma adjusted net assets of the Group as at 31 March 2026**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 3*	
Non-current Assets	4,255,948	(18,062)	(75,776)	4,162,110
Current Assets*	5,450,404	—	10,883	5,461,287
Current Liabilities	634,297	—	—	634,297
Net Current Assets	4,816,107	—	10,883	4,826,990
Non-current Liabilities	341,766	—	—	341,766
Net assets	8,730,289	(18,062)	(64,893)	8,647,334
Equity attributable to owners of the Company	8,730,289	(18,062)	(64,893)	8,647,334
Non-controlling interests	—	—	—	—
Total equity	8,730,289	(18,062)	(64,893)	8,647,334
*Including:				
Cash and cash equivalents	1,351,088	—	10,883	1,361,971
	RMB			*RMB*
Net assets per share *(Notes 4 and 5)*	1.48 *(Note 4)*			1.53 *(Note 5)*

Notes:

1. The amounts are extracted or calculated from the audited consolidated statement of financial position of the Group as set out in the published annual report of the Group for the year ended 31 March 2026.

2. As at 31 March 2026, the Group performed the impairment test of Vendor Subscription Loans under ECL model and an impairment allowance was recognised after considering the fair value of the 256,090,025 Charged Shares. The estimated fair value of the 256,090,025 Charged Shares was primarily with reference to the market price of the Company as at 31 March 2026 of HK$0.415 per share and was translated into RMB at the exchange rate as at 31 March 2026 of HK$1 to RMB0.883. The carrying amount of Vendor Subscription Loans was RMB93,838,000 as at 31 March 2026.

   The adjustment is made to reflect further impairment allowance recognised according to the Settlements Deeds after considering (i) the fair value of the 256,090,025 Charged Shares of HK$0.285 (which represents both the closing price on Last Trading Day and the average closing price for the five consecutive trading days immediately prior to and including the Last Trading Day) per Share (equivalent to approximately RMB63,206,000 in total); (ii) the ZZY Compensation of HK$20,000,000 (equivalent to approximately RMB17,320,000); and (iii) the estimated transaction costs such as legal and professional fees of approximately RMB6,437,000 in total incurred directly attributable to the Settlement which are to be settled by cash, including RMB1,687,000 incurred for the equity transaction and are accounted for as a reduction from equity and the remaining RMB4,750,000 are charged to profit or loss. The amount denominated in HK$ has been converted into RMB at an exchange rate of HK$1 to RMB0.866, which was the exchange rate prevailing on 24 July 2026 with reference to the rate published by the People's Bank of China. No representation is made that the HK$ amounts have been, could have been or may be converted to RMB, at that rate or at all. The actual impairment allowance is subject to the share price of the Company and exchange rate on the actual completion date of the Transaction, which may be substantially different from the estimated amounts applied in the preparation of this unaudited pro forma financial information.

3. The adjustment is to reflect (i)the consideration payable for the buy-back of 256,090,025 Buy-back Shares at the offer price of HK$0.285 per Share of HK$72,986,000 (equivalent to approximately RMB63,206,000) and (ii) the set off of the consideration payable for the buy-back of RMB63,206,000, Vendor Subscription Loans of RMB75,776,000, which is the carrying amount after the additional impairment mentioned in Note 2; (iii) the net cash received of RMB10,883,000, representing ZZY Compensation minus the estimated transaction costs incurred directly attributable to the Settlement; and (iv) the estimated transaction costs of RMB1,687,000 directly incurred for the equity transaction. The amount denominated in HK$ has been converted into RMB at an exchange rate of HK$1 to RMB0.866, which was the exchange rate prevailing on 24 July 2026 with reference to the rate published by the People's Bank of China. No representation is made that the HK$ amounts have been, could have been or may be converted to RMB, at that rate or at all.

4. The audited net assets of the Group per Share is calculated based on the audited net assets of the Group attributable to owners of the Company as at 31 March 2026 of RMB8,730,289,000 and 5,895,073,025 Shares in issue as at 31 March 2026.

5. The unaudited pro forma adjusted net assets of the Group per Share immediately following the completion of the Settlement is calculated based on the unaudited pro forma adjusted net assets of the Group attributable to owners of the Company as at 31 March 2026 of RMB8,647,334,000 and adjusted 5,638,983,000 Shares in issue following the completion of the Settlement, which is 5,895,073,025 Shares in issue as at 31 March 2026 as detailed above, reduced by 256,090,025 Buy-back Shares bought back assuming that the Settlement had been completed on 31 March 2026.

6. No adjustment has been made to the above unaudited pro forma financial information to reflect any operating result or other transactions of the Group entered into subsequent to 31 March 2026.

2. UNAUDITED PRO FORMA ADJUSTED LOSSES PER SHARE

The following unaudited pro forma adjusted losses of the Group attributable to owners of the Company per Share for the year ended 31 March 2026 is prepared based on the audited consolidated profit for the year ended 31 March 2026 attributable to owners of the Company as shown in the annual report of the Group for the year ended 31 March 2026 reproduced on page I-1 of this circular, and adjusted for the effect of the Settlement as if the completion of the Settlement had taken place at the beginning of the year ended 31 March 2026.

It has been prepared in accordance with Rule 4.29 of the Listing Rules assuming that the Settlement had been completed on 1 April 2025 to illustrate the effect of the Settlement on the losses per Share of the Group for the year ended 31 March 2026. As it is prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of what the losses per Share of the Group shall be on the actual completion of the Settlement or any future period.

	For the year ended 31 March 2026	
	Audited	**Unaudited pro forma adjusted**
	RMB cents	*RMB cents*
	(Note 7)	*(Note 8)*
Losses per Share — basic and diluted	(2.69)	(3.14)

Notes:

7. The audited basic and diluted losses per Share of the Group for the year ended 31 March 2026 is calculated based on the audited consolidated loss attributable to owners of the Company for the year ended 31 March 2026 of RMB158,040,000 and the weighted average number of ordinary shares of 5,869,623,022 in the calculations of both basic and diluted losses per Share for the year then ended.

8. The unaudited pro forma adjusted basic and diluted losses per Share of the Group for the year ended 31 March 2026 is calculated based on the unaudited adjusted consolidated loss attributable to owners of the Company for the year ended 31 March 2026 of RMB176,102,000, which represents the audited consolidated loss attributable to owners of the Company for the year ended 31 March 2026 of RMB158,040,000 and is increased for RMB18,062,000 as stated in Note 2, and the adjusted weighted average number of ordinary shares of 5,613,532,997 in the calculations of both basic and diluted losses per Share for the year then ended, which represents 5,869,623,022 Shares as detailed above and is reduced by 256,090,025 Buy-back Shares bought back, assuming as if the completion of the Settlement had taken place at 1 April 2025 for both the calculations of both basic and diluted losses per Share.

9. No adjustment has been made to the above unaudited pro forma financial information to reflect any operating result or other transactions of the Group entered into subsequent to 31 March 2026.

The following is the text of a report received from the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose of inclusion in this circular.

Deloitte. 德勤

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of China Dongxiang (Group) Co., Ltd.

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China Dongxiang (Group) Co., Ltd. (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of net assets as at 31 March 2026, the unaudited pro forma adjusted losses per share of the Group for the year ended 31 March 2026 and related notes as set out on pages III-1 to III-3 of the circular issued by the Company dated 11 September 2026 (the "**Circular**"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages III-1 to III-3 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed off-market Share Buy-backs, proposed Set-off, proposed Loan Waiver and the proposed ZZY Compensation (collectively referred to as the "**Settlement**") on the Group's financial position as at 31 March 2026 and the Group's losses per share for the year ended 31 March 2026 as if the Settlement had taken place at 31 March 2026 and 1 April 2025 respectively. As part of this process, information about the Group's financial position, and financial performance has been extracted by the Directors from the Group's financial statements for the year ended 31 March 2026, on which an auditor's report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1 "Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements" issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 March 2026 or 1 April 2025 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and

- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
11 September 2026

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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of China Dongxiang (Group) Co., Ltd. (the "**Company**") will be held at G/F., Lobby Area, Building 21, No. 2 Jingyuanbei Street, Beijing Economic-Technology Development Area, Beijing, People's Republic of China on Wednesday, 30 September 2026 at 10:30 a.m. (or immediately following the annual general meeting of the Company to be convened at 10:00 a.m. on the same day) for the purpose of considering and, if thought fit, passing the following resolution as special resolution of the Company. Capitalised terms defined in the circular dated 11 September 2026 issued by the Company (the "**Circular**") shall have the same meanings when used herein unless otherwise specified.

SPECIAL RESOLUTION

1. "**THAT**:

   (a) subject to the approval having been granted by the Executive (as defined in the Circular) and such approval not having been withdrawn, the Settlement Deeds, the Settlement (each as defined in the Circular) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

   (b) any one Director or (if affixing of seal is required) any two Directors be and is/are hereby authorised to sign and execute such documents (including under seal where applicable) and to do all such acts and things incidental to the Settlement as referred to in this resolution or as he/they consider(s) necessary, desirable or expedient to implement or give effect to the Settlement as referred to in this resolution; and

   (c) any one Director or (if affixing of seal is required) any two Directors be hereby authorised for and on behalf of the Company, among other things, to sign, execute, perfect, deliver (including under seal where applicable) and to authorise the signing, executing, perfecting, delivering (including under seal where applicable) of all such documents and deeds, and to do or authorise doing all such acts, matters and things as he/they may in his/their absolute discretion consider necessary, expedient or desirable to give effect to, implement and/or complete all matters in connection with the Settlement

Deeds as referred to in this resolution and the transactions contemplated thereunder (including but not limited to the Settlement as referred to in this resolution) and to waive compliance from or make and agree such variations of a non-material nature to any of the terms of the Settlement Deeds as referred to in this resolution as he/they may in his/their absolute discretion consider to be desirable and in the interest of the Company and all of such acts of director(s) as aforesaid be and are hereby approved, ratified and confirmed."

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

Hong Kong, 11 September 2026

Notes:

1. Any member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and, subject to the provisions of the articles of association of the Company, to vote in his stead. A proxy need not be a shareholder of the Company.

2. A form of proxy for use at the meeting convened by the above notice (or at any adjournment thereof) is enclosed. In order to be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, shall be deposited with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time fixed for holding of the EGM or any adjourned or postponed meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish and in such event, the form of proxy shall be deemed to be revoked.

3. A form of proxy must be signed by you or your attorney duly authorized in writing or, in the case of a corporation, must be either executed under seal or signed by an officer or attorney duly authorized to sign the same.

4. To ascertain shareholders' eligibility to attend and vote at the EGM, the register of members of the Company will be closed from 25 September 2026 to 30 September 2026 (both days inclusive) during which period no transfer of shares of the Company will be registered. In order to qualify to attend and vote at the EGM, all transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 24 September 2026.

As at the date of this notice, 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.