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**DONGXIANG**  
**China Dongxiang (Group) Co., Ltd.**  
**中國動向(集團)有限公司**  
*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 3818)**

**CONNECTED TRANSACTIONS  
INVOLVING ISSUE OF NEW SHARES TO MANAGEMENT PERSONNEL  
UNDER SPECIFIC MANDATE AND  
PROVISION OF FINANCIAL ASSISTANCE**

**(1) CONNECTED SUBSCRIPTION AND CONNECTED SUBSCRIPTION  
LOANS**

**Connected Subscription Agreements**

On 19 January 2018, the Company and each of the Connected Subscribers entered into the respective Connected Subscription Agreements, pursuant to which each of the Connected Subscribers conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, an aggregate of 123,110,000 Connected Subscription Shares for the aggregate subscription consideration of approximately HK\$166,198,500 in cash, being the Subscription Price of HK\$1.35 per Connected Subscription Share multiplied by the aggregate number of Connected Subscription Shares.

**The Connected Subscription Loan Agreements**

On 19 January 2018, each Connected Subscriber Borrower and BPEL entered into a Connected Subscription Loan Agreement for financing the respective Connected Subscription for an aggregate amount of HK\$116,248,500.

## **(2) MANAGEMENT SUBSCRIPTION AND MANAGEMENT SUBSCRIPTION LOANS**

### **The Management Subscription Agreements**

On 19 January 2018, the Company and each of the Management Subscribers entered into the respective Management Subscription Agreements, pursuant to which each of the Management Subscribers conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, an aggregate of 79,200,000 Management Subscription Shares at the aggregate subscription consideration of HK\$106,920,000 in cash, being the Subscription Price of HK\$1.35 per Management Subscription Share multiplied by the aggregate number of Management Subscription Shares.

### **The Management Subscription Loan Agreements**

On 19 January 2018, each Management Subscriber and BPEL entered into a Management Subscription Loan Agreement for financing the respective Management Subscription for an aggregate amount HK\$106,920,000.

## **SPECIFIC MANDATE TO ISSUE THE CONNECTED SUBSCRIPTION SHARES AND MANAGEMENT SUBSCRIPTION SHARES**

The Connected Subscription Shares and the Management Subscription Shares will be allotted and issued pursuant to the Specific Mandate to be granted by the Independent Shareholders at the EGM. The General Mandate will not be utilised for the allotment and issue of the Connected Subscription Shares and the Management Subscription Shares.

## **LISTING RULES IMPLICATIONS**

The issue of the Connected Subscription Shares and Management Subscription Shares under the Specific Mandate to the Connected Subscribers and Management Subscribers, respectively, is subject to the announcement requirements under Rule 13.28 of the Listing Rules.

The Connected Subscribers are directors of the Company or the Company's subsidiaries (as the case may be), and therefore are connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the Connected Subscriptions and the Specific Mandate in respect of the Connected Subscription constitute connected transactions of the Company under Chapter 14A of the Listing Rules and are subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Connected Subscription Loans also constitute connected transactions of the Company. As all of the applicable percentage ratios in respect of each of the Connected Subscription Loans to the respective Connected Subscriber Borrowers (other than Mr. Zhang Zhiyong) who are directors at the subsidiary level are less than 1%, the Connected Subscription Loans to the Connected Subscriber Borrowers (other than Mr. Zhang Zhiyong) are exempt from the reporting and announcement requirements and are exempt from the circular and Independent Shareholders' approval requirements under Chapters 14A of the Listing Rules.

As disclosed in the announcement of the Company dated 9 October 2017, BPEL extended a 5-year term loan of a principal amount of HK\$156,956,969 to Mr. Zhang Zhiyong for financing his subscription of 138,410,250 Shares from the Company. As the First Subscription Loan was extended within 12 months from the Connected Subscription Loan, pursuant to Rule 14A.81 of the Listing Rules, the Connected Subscription Loan to Mr. Zhang Zhiyong is required to be aggregated with the First Subscription Loan. As the applicable percentage ratios in respect of the Connected Subscription Loan to Mr. Zhang Zhiyong when aggregating with the First Subscription Loan are more than 0.1% and less than 5%, the Connected Subscription Loan to Mr. Zhang Zhiyong is subject to the reporting and announcement requirements and is exempt from the circular and Independent Shareholders' approval requirements under Chapters 14A of the Listing Rules.

As all of the applicable percentage ratios in respect of the Connected Subscription Loans and the Management Subscription Loans are less than 5%, the provision of the Connected Subscription Loans and the Management Subscription Loans are exempt from the reporting and announcement, and shareholders' approval requirements under Chapters 14 of the Listing Rules.

## **USE OF PROCEEDS**

The aggregate gross proceeds of the Connected Subscriptions and the Management Subscriptions will be approximately HK\$273 million and the aggregate net proceeds of the Connected Subscription and the Management Subscription, after the deduction of the related expenses, are estimated to be approximately HK\$272 million. The Company intends to use the net proceeds of the Connected Subscriptions and the Management Subscriptions as general working capital for the Group.

## **EGM**

The EGM will be proposed for the Independent Shareholders to consider and, if thought fit, pass the requisite resolutions to approve, *inter alia*, the Connected Subscription Agreements and the proposed grant of the Specific Mandate.

## GENERAL

The Independent Board Committee comprising all independent non-executive Directors has been formed to advise the Independent Shareholders in relation to, among other things, whether the terms of the Connected Subscription Agreements and the proposed grant of the Specific Mandate in respect of the Connected Subscription are fair and reasonable and in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on voting, taking into account the recommendation of the Independent Financial Adviser. The Company has appointed the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) further details of Connected Subscriptions and the Specific Mandate; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders and (iv) a notice of the EGM, is expected to be despatched by the Company to the Shareholders on or before 2 March 2018.

**Shareholders and potential investors should note that the Connected Subscription Completion and the Management Subscription Completion are subject to the fulfilment or waiver of certain conditions precedent under the Connected Subscription Agreements and the Management Subscription Agreements, respectively, and the Connected Subscription and/or the Management Subscription 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.**

### (1) CONNECTED SUBSCRIPTION AND CONNECTED SUBSCRIPTION LOANS

#### Connected Subscription Agreements

On 19 January 2018, the Company and each of the Connected Subscribers entered into the respective Connected Subscription Agreements, pursuant to which each of the Connected Subscribers conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, an aggregate of 123,110,000 Connected Subscription Shares for the aggregate subscription consideration of approximately HK\$166,198,500 in cash, being the Subscription Price of HK\$1.35 per Connected Subscription Share multiplied by the aggregate number of Connected Subscription Shares.

The principal terms of each of the Connected Subscription Agreements are set out as follows:

***Date***

19 January 2018 (after trading hours)

***Parties***

- (i) the Company (as the issuer); and
- (ii) each of the Connected Subscribers (as the subscribers).

***Details of the Connected Subscribers and the Connected Subscription Shares***

Pursuant to the respective Connected Subscription Agreements, each of the Connected Subscribers conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, such number of Connected Subscription Shares at such subscription consideration as set out against his/her name as follows:

Connected Subscriber(s)	Position	Subscription consideration (HK\$)	Number of Connected Subscription Shares	Approximate percentage of total issued Shares as at the date of this announcement (%)
1. Mr. Zhang Zhiyong	executive Director and chief executive officer of the Company	33,628,500	24,910,000	0.44
2. Ms. Chen Chen	executive Director	49,950,000	37,000,000	0.65
3. Mr. Ren Yi	director of a subsidiary of the Company	34,020,000	25,200,000	0.44
4. Mr. Yang Yang	director of certain subsidiaries of the Company	12,150,000	9,000,000	0.16
5. Mr. LYU Guanghong	director of certain subsidiaries of the Company	12,150,000	9,000,000	0.16
6. Ms. Tang Lijun	director of a subsidiary of the Company	12,150,000	9,000,000	0.16
7. Ms. Sun Wei	supervisor of a subsidiary of the Company	12,150,000	9,000,000	0.16
<b>Total:</b>		<u>166,198,500</u>	<u>123,110,000</u>	<u>2.17</u>

The aggregate nominal value of the 123,110,000 Connected Subscription Shares is HK\$1,231,100.

The Connected Subscription Shares, when fully paid for and allotted and issued, will rank *pari passu* in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Connected Subscription Shares.

### *Conditions precedent*

Completion of each Connected Subscription is conditional upon the following conditions (the “**Connected Subscription Conditions**”):

- (a) the passing of resolutions by the Independent Shareholders at the EGM approving the Connected Subscription Agreement, the issue of Connected Subscription Shares under the Specific Mandate and the transactions contemplated thereunder;
- (b) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Connected Subscription Shares;
- (c) trading in the Shares on the Stock Exchange not being revoked or withdrawn at any time prior to Connected Subscription Completion;
- (d) there being no indication being received from the Stock Exchange that the listing of the Shares on the Stock Exchange will be suspended, revoked or withdrawn at any time after Connected Subscription Completion, whether in connection with any of the transactions contemplated by the Connected Subscription Agreement or otherwise;
- (e) the representation and warranties given by the Connected Subscriber and the Company in the Connected Subscription Agreement remaining true and accurate in all material respects;
- (f) the Company having obtained all necessary consents and approvals as may be required to be obtained by the Company in respect of the Connected Subscription and the transactions contemplated under the Connected Subscription Agreement; and
- (g) the Connected Subscriber having obtained all necessary consents and approvals as may be required to be obtained by the Connected Subscriber in respect of the Connected Subscription and the transactions contemplated under the Connected Subscription Agreement.

The Connected Subscriber may at any time by notice in writing to the Company waive the Connected Subscription Condition set out in paragraph (e) above (in respect of the representation and warranties given by the Company only). The Company may at any time by notice in writing to the Connected Subscriber waive the Connected Subscription Condition set out in paragraph (e) above (in respect of the representation and warranties given by the Connected Subscriber only). The Connected Subscription Conditions set out in paragraphs (a), (b), (c), (d), (f) and (g) are non-waivable by the Company and the Connected Subscriber. In the event of any of the Connected Subscription Conditions is not being fulfilled or waived in full within 120 days after the date of the Connected Subscription Agreement (or such other time and date as may be agreed between the Company and the relevant Connected Subscriber in writing), the Connected Subscription Agreement shall cease and terminate and thereafter, neither party shall have any obligations and liabilities thereunder save for any antecedent breaches of the provisions thereof.

As at the date of this announcement, none of the Connected Subscription Conditions set out in paragraphs (a), (b), (f) and (g) above have been fulfilled, and the parties to the respective Connected Subscription Agreements are not aware of any facts or circumstances that will render the remaining Connected Subscription Conditions not to be fulfilled.

***Connected Subscription Completion***

Completion of each of the Connected Subscription Agreements shall take place on the tenth Business Day following the day on which the last of the Connected Subscription Conditions shall have been fulfilled or, as the case may be, waived, or such other date as agreed between the respective Connected Subscribers and the Company in writing.

The subscription consideration for the Connected Subscription Shares will be payable by the respective Connected Subscribers to the Company in cash upon the respective Connected Subscription Completion. The Connected Subscribers (other than Ms. Chen Chen) will fund the subscription consideration by the proceeds of the Connected Subscription Loans. Ms. Chen Chen will fund the subscription consideration using her own funds.

***Undertaking to acquire Shares***

Pursuant to the terms of the Connected Subscription Agreements, each Connected Subscriber who is also a Connected Subscriber Borrower has undertaken to the Company that he/she will immediately upon relevant Connected Subscription Completion and in any event no later than 3 months thereafter acquire at his/her own costs and with his/her own funds no less than such number of Shares as set out against his/her name as follows (the “**Connected Acquired Shares**”):

<b>Connected Subscriber</b>	<b>Number of Connected Acquired Shares</b>
1. Mr. Zhang Zhiyong	2,770,000
2. Mr. Ren Yi	2,800,000
3. Mr. Yang Yang	1,000,000
4. Mr. LYU Guanghong	1,000,000
5. Ms. Tang Lijun	1,000,000
6. Ms. Sun Wei	<u>1,000,000</u>
<b>Total:</b>	<u><u>9,570,000</u></u>

## **The Connected Subscription Loan Agreements**

On 19 January 2018, each Connected Subscriber Borrower and BPEL entered into a Connected Subscription Loan Agreement for financing the respective Connected Subscription. The principal terms of each of the Connected Subscription Loan Agreements are set out as follows:

### ***Date***

19 January 2018 (after trading hours)

### ***Parties***

- (i) BPEL (as the lender); and
- (ii) each of the Connected Subscriber Borrowers (as the borrowers).

### ***Conditions Precedent***

The conditions precedent of BPEL to make an advance pursuant to each of the Connected Subscription Loan Agreements is conditional upon, among others, fulfilment or waiver (as applicable) of all of the Connected Subscription Conditions.

### ***Details of the Connected Subscription Loans***

The principal amount of each of the Connected Subscription Loans is set out against the name of each Connected Subscriber Borrower as follows:

<b>Connected Subscriber Borrower</b>	<b>Principal amount (HK\$)</b>
1. Mr. Zhang Zhiyong	33,628,500
2. Mr. Ren Yi	34,020,000
3. Mr. Yang Yang	12,150,000
4. Mr. LYU Guanghong	12,150,000
5. Ms. Tang Lijun	12,150,000
6. Ms. Sun Wei	<u>12,150,000</u>
<b>Total:</b>	<u><u>116,248,500</u></u>

Each of the Connected Subscription Loans will be for a term of 5 years at an interest rate of one month HIBOR + 1% per annum (which may be adjusted according to the benchmark interest rate) which is to be paid monthly. The respective Connected Subscription Loan will be secured by the Connected Subscription Shares and the Connected Acquired Shares (as defined in this announcement below) subscribed for or acquired by the respective Connected Subscriber Borrower. Each of the



Connected Subscription Loans is subject to mandatory repayment upon sale of any of the Connected Subscription Shares or the Connected Acquired Shares, the repayment of such amount of Connected Subscription Loan corresponding to such amount of Shares sold.

***Funding of the Connected Subscription Loans***

The Connected Subscription Loans will be funded by the internal resources of BPEL.

**(2) MANAGEMENT SUBSCRIPTION AND MANAGEMENT SUBSCRIPTIONS LOANS**

**The Management Subscription Agreements**

On 19 January 2018, the Company and each of the Management Subscribers entered into the respective Management Subscription Agreements, pursuant to which each of the Management Subscribers conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, an aggregate of 79,200,000 Management Subscription Shares for the aggregate subscription consideration of HK\$106,920,000 in cash, being the Subscription Price of HK\$1.35 per Management Subscription Share multiplied by the aggregate number of Management Subscription Shares.

The principal terms of each of the Management Subscription Agreements are set out as follows:

***Date***

19 January 2018 (after trading hours)

***Parties***

- (i) the Company (as the issuer); and
- (ii) each of the Management Subscribers (as the subscribers).

***Details of the Management Subscribers and the Management Subscription Shares***

The Management Subscribers are part of senior management personnel of the Group.

Pursuant to the terms of each of the Management Subscription Agreements, each Management Subscriber conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, such number of Management Subscription Shares at such subscription consideration as set out against his/her name as follows:

<b>Management Subscriber</b>	<b>Subscription consideration (HK\$)</b>	<b>Number of Management Subscription Shares</b>	<b>Approximate percentage of total issued Shares as at the date of this announcement (%)</b>
1. Mr. Chen Shaowen	34,020,000	25,200,000	0.45
2. Mr. Song Li	34,020,000	25,200,000	0.45
3. Mr. Nan Peng	19,440,000	14,400,000	0.25
4. Mr. Wang Yalei	<u>19,440,000</u>	<u>14,400,000</u>	<u>0.25</u>
<b>Total:</b>	<u>106,920,000</u>	<u>79,200,000</u>	<u>1.40</u>

The aggregate nominal value of the 79,200,000 Management Subscription Shares is HK\$792,000.

The Management Subscription Shares, when fully paid for and allotted and issued, will rank *pari passu* in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Management Subscription Shares.

### ***Conditions precedent***

Completion of each Management Subscription is conditional upon the following conditions (the “**Management Subscription Conditions**”):

- (a) the passing of resolutions by the Shareholders at the EGM approving the issue of Management Subscription Shares under the Specific Mandate;
- (b) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Management Subscription Shares;
- (c) trading in the Shares on the Stock Exchange not being revoked or withdrawn at any time prior to Management Subscription Completion;
- (d) there being no indication being received from the Stock Exchange that the listing of the Shares on the Stock Exchange will be suspended, revoked or withdrawn at any time after Management Subscription Completion, whether in connection with any of the transactions contemplated by the Management Subscription Agreement or otherwise;

- (e) the representation and warranties given by the respective Management Subscribers and the Company in the Management Subscription Agreement remaining true and accurate in all material respects;
- (f) the Company having obtained all necessary consents and approvals as may be required to be obtained by the Company in respect of the Management Subscription and the transactions contemplated under the Management Subscription Agreement; and
- (g) the Management Subscriber having obtained all necessary consents and approvals as may be required to be obtained by the Management Subscriber in respect of the Management Subscription and the transactions contemplated under the Management Subscription Agreement.

The Management Subscriber may at any time by notice in writing to the Company waive the Management Subscription Condition set out in paragraph (e) above (in respect of the representation and warranties given by the Company only). The Company may at any time by notice in writing to the Management Subscriber waive the Management Subscription Condition set out in paragraph (d) above (in respect of the representation and warranties given by such Management Subscriber only). The Management Subscription Conditions set out in paragraphs (a), (b), (c), (d), (f) and (g) are non-waivable by the Company and the Management Subscriber. In the event of any of the Management Subscription Conditions is not being fulfilled or waived in full within 120 days after the date of the Management Subscription Agreement (or such other time and date as may be agreed between the Company and the Management Subscriber in writing), the Management Subscription Agreement shall cease and terminate and thereafter, neither party shall have any obligations and liabilities thereunder save for any antecedent breaches of the provisions thereof.

As at the date of this announcement, none of the Management Subscription Conditions set out in paragraphs (a), (b), (f) and (g) above have been fulfilled, and the parties to the respective Management Subscription Agreements are not aware of any facts or circumstances that will render the remaining Management Subscription Conditions not to be fulfilled.

### ***Management Subscription Completion***

Completion of each of the Management Subscription Agreements shall take place on the tenth Business Day following the day on which the last of the Management Subscription Conditions shall have been fulfilled or, as the case may be, waived, or such other date as agreed between the respective Management Subscribers and the Company in writing.

The subscription consideration for the Management Subscription Shares will be payable by the respective Management Subscribers to the Company in cash upon Management Subscription Completion, which will be funded by the proceeds of the Management Subscription Loans.

***Undertaking to acquire Shares***

Pursuant to the terms of the Management Subscription Agreements, each of the Management Subscribers has undertaken to the Company that he/she will immediately upon Management Subscription Completion and in any event no later than 3 months thereafter acquire at his/her own costs and with his/her own funds no less than such number of Shares as set out against his/her name as follows (the “Management Acquired Shares”):

<b>Management Subscriber</b>	<b>Number of Management Acquired Shares</b>
1. Mr. Chen Shaowen	2,800,000
2. Mr. Song Li	2,800,000
3. Mr. Nan Peng	1,600,000
4. Mr. Wang Yalei	<u>1,600,000</u>
<b>Total:</b>	<u><u>8,800,000</u></u>

**The Management Subscription Loan Agreements**

On 19 January 2018, each Management Subscriber and BPEL entered into a Management Subscription Loan Agreement for financing the respective Management Subscription. The principal terms of each of the Management Subscription Loan Agreements are set out as follows:

***Date***

19 January 2018 (after trading hours)

***Parties***

- (i) BPEL (as the lender); and
- (ii) each of the Management Subscribers (as the borrowers).

### ***Conditions Precedent***

The conditions precedent of BPEL to make an advance pursuant to each of the Management Subscription Loan Agreements is conditional upon, amongst others, fulfilment or waiver (as applicable) of the Management Subscription Conditions.

### ***Details of the Management Subscription Loans***

The principal amount of each of the Management Subscription Loans is set out against the name of each Management Subscriber as follows:

<b>Management Subscriber</b>	<b>Principal amount (HK\$)</b>
1. Mr. Chen Shaowen	34,020,000
2. Mr. Song Li	34,020,000
3. Mr. Nan Peng	19,440,000
4. Mr. Wang Yalei	<u>19,440,000</u>
<b>Total:</b>	<u><u>106,920,000</u></u>

Each of the Management Subscription Loans is for a term of 5 years at the interest rate of one month HIBOR + 1% per annum (which may be adjusted according to the benchmark interest rate) which is to be paid monthly. The respective Management Subscription Loans shall be secured by the Management Subscription Shares and the Management Acquired Shares (as defined in this announcement below) subscribed for or acquired by the respective Management Subscriber. Each of the Management Subscription Loans is subject to mandatory repayment upon sale of any of the Management Subscription Shares or the Management Acquired Shares, the repayment of such amount of Management Subscription Loan corresponding to such amount of Shares sold.

### ***Funding of the Management Subscription Loans***

The Management Subscription Loans shall be funded by the internal resources of BPEL.

## **SPECIFIC MANDATE TO ISSUE THE CONNECTED SUBSCRIPTION SHARES AND MANAGEMENT SUBSCRIPTION SHARES**

The Connected Subscription Shares and the Management Subscription Shares will be allotted and issued pursuant to the Specific Mandate to be granted by the Independent Shareholders at the EGM. The General Mandate will not be utilised for the allotment and issue of the Connected Subscription Shares and the Management Subscription Shares.

## LISTING RULES IMPLICATIONS

The issue of the Connected Subscription Shares and Management Subscription Shares under the Specific Mandate to the Connected Subscribers and Management Subscribers, respectively, is subject to Independent Shareholders' approval in the EGM and the announcement requirements under Rule 13.28 of the Listing Rules.

The Connected Subscribers are directors of the Company or the Company's subsidiaries (as the case may be), and therefore are connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the Connected Subscriptions and the Specific Mandate in respect of the Connected Subscription constitute connected transactions of the Company under Chapter 14A of the Listing Rules and are subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Connected Subscription Loans also constitute connected transactions of the Company. As all of the applicable percentage ratios in respect of each of the Connected Subscription Loans to the respective Connected Subscriber Borrowers (other than Mr. Zhang Zhiyong) who are directors at the subsidiary level are less than 1%, the Connected Subscription Loans to the Connected Subscriber Borrowers (other than Mr. Zhang Zhiyong) are exempt from the reporting and announcement requirements and are exempt from the circular and Independent Shareholders' approval requirements under Chapters 14A of the Listing Rules.

As disclosed in the announcement of the Company dated 9 October 2017, BPEL extended a 5-year term loan of a principal amount of HK\$156,956,969 to Mr. Zhang Zhiyong ("**First Subscription Loan**") for financing his subscription of 138,410,250 Shares from the Company. As the First Subscription Loan was extended within 12 months from the Connected Subscription Loan, pursuant to Rule 14A.81 of the Listing Rules, the Connected Subscription Loan to Mr. Zhang Zhiyong is required to be aggregated with the First Subscription Loan. As the applicable percentage ratios in respect of the Connected Subscription Loan to Mr. Zhang Zhiyong when aggregating with the First Subscription Loan are more than 0.1% and less than 5%, the Connected Subscription Loan to Mr. Zhang Zhiyong is subject to the reporting and announcement requirements and is exempt from the circular and Independent Shareholders' approval requirements under Chapters 14A of the Listing Rules.

As all of the applicable percentage ratios in respect of the Connected Subscription Loans and the Management Subscription Loans are less than 5%, the provision of the Connected Subscription Loans and the Management Subscription Loans are exempt from the reporting and announcement, and shareholders' approval requirements under Chapters 14 of the Listing Rules.

## THE SUBSCRIPTION PRICE

The Subscription Price is HK\$1.35 per Connected Subscription Share or Management Subscription Share (as the case may be).

The Subscription Price represents:

- (i) a discount of approximately 9.40% to the closing price of HK\$1.49 per Share as quoted on the Stock Exchange on 19 January 2018, being the date of the Connected Subscription Agreements and the Management Subscription Agreements;
- (ii) a discount of approximately 9.88% to the average closing price of approximately HK\$1.498 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 18 January 2018, being the trading day immediately preceding the date of the Connected Subscription Agreements and the Management Subscription Agreements; and
- (iii) a discount of approximately 10.24% to the average closing price of approximately HK\$1.504 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including 18 January 2018, being the trading day immediately preceding the date of the Connected Subscription Agreements and the Management Subscription Agreements.

The net Subscription Price, after deduction of relevant expenses, is estimated to be approximately HK\$1.344 per Connected Subscription Share or Management Subscription Share.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Connected Subscribers or the Management Subscribers (as the case may be) with reference to the recent trading prices and trading volume of the Shares.

## LOCK-UP UNDERTAKING

Pursuant to the terms of the Connected Subscription Agreements and the Management Subscription Agreements, each of the Connected Subscribers and the Management Subscribers has undertaken to the Company that:

- (i) for a period of 12 months from the date of Connected Subscription Completion or Management Subscription Completion (as the case may be) (the “**First Lock-up Period**”), he/she will not sell, transfer, grant options over or otherwise dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) more than 15% of the aggregate number of the Connected Subscription Shares and the Connected Acquired Shares or the aggregate number of the Management Subscription Shares and the Management Acquired Shares (as the case may be) subscribed for or acquired by him/her or any interests therein;

- (ii) for the period commencing from the date of Connected Subscription Completion or Management Subscription Completion (as the case may be) and ending on the date which is three years from the date of Connected Subscription Completion or Management Subscription Completion (as the case may be) (the “**Second Lock-up Period**”), he/she will not sell, transfer, grant options over or otherwise dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) more than 50% of the aggregate number of the Connected Subscription Shares and the Connected Acquired Shares or the aggregate number of the Management Subscription Shares and the Management Acquired Shares (as the case may be) subscribed for or acquired by him/her or any interests therein (including such number of the Connected Subscription Shares and the Connected Acquired Shares or such number of the Management Subscription Shares and the Management Acquired Shares (as the case may be) being sold, transferred, granted options over or otherwise disposed of by him/her during the First Lock-up Period); and
- (iii) in the event of a disposal of any of the Connected Subscription Shares or the Connected Acquired Shares or any of the Management Subscription Shares and the Management Acquired Shares (as the case may be) at any time after the Second Lock-up Period, the relevant Connected Subscriber or Management Subscriber (as the case may be) will (a) first notify the Company in writing prior to the disposal and will use his/her best endeavours to ensure that any such disposal will not create a disorderly and false market in the Shares and will comply with all applicable laws; and (b) not enter into transactions with any other person who, to his/her knowledge, engages directly or indirectly a business that completes or potentially competes with the business of the Company, or with any other entity which is a holding company, subsidiary or associate of such person, without prior written consent of the Company.

## APPLICATION FOR LISTING

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Connected Subscription Shares and the Management Subscription Shares.

## FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Apart from the fund raising activity mentioned below, the Company had not conducted any other fund raising activities in the past twelve months immediately preceding the date of this announcement.

Date of announcement	Event	Net proceeds	Intended use of proceeds	Actual use of proceeds
9 October 2017	Issue of Shares pursuant to the subscription agreement dated 9 October 2017	HK\$173.4 million	General working capital for the Group	Utilised as intended



## EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY FOLLOWING ALLOTMENT AND ISSUE OF THE CONNECTED SUBSCRIPTION SHARES AND THE MANAGEMENT SUBSCRIPTION SHARES

The shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately upon the allotment and issue of the Connected Subscription Shares and the Management Subscription Shares, assuming no other changes in the issued share capital of the Company between (i) and (ii) and without taking into account of the Connected Acquired Shares and the Management Acquired Shares that the Connected Subscribers and the Management Subscribers have undertaken to acquire immediately upon the Connected Subscription Completion and the Management Subscription Completion (as the case may be), are summarised as follows:

	As at the date of this announcement		Immediately after allotment and issue of Connected Subscription Shares and Management Subscription Shares	
	Number of Shares held	Approximate percentage of total issued Shares	Number of Shares held	Approximate percentage of total issued Shares
Poseidon Sports Limited ( <i>Note 1</i> )	2,249,387,000	39.64%	2,249,387,000	38.27%
Talent Hill Group Limited ( <i>Note 2</i> )	64,928,372	1.14%	64,928,372	1.11%
Forever Step Investment Limited ( <i>Note 3</i> )	9,280,000	0.16%	9,280,000	0.16%
Mr. Zhang Zhiyong	138,410,025	2.44%	163,320,025	2.78%
Ms. Chen Chen ( <i>Note 4</i> )	116,944,100	2.06%	153,944,100	2.62%
Mr. Ren Yi	0	0%	25,200,000	0.43%
Mr. Yang Yang	0	0%	9,000,000	0.15%
Mr. LYU Guanghong	0	0%	9,000,000	0.15%
Ms. Tang Lijun	0	0%	9,000,000	0.15%
Ms. Sun Wei	0	0%	9,000,000	0.15%
Public				
— The Management Subscribers	0	0%	79,200,000	1.35%
— Other public Shareholders	3,095,861,528	54.56%	3,095,861,528	52.68%
<b>Total</b>	<u>5,674,811,025</u>	<u>100%</u>	<u>5,877,121,025</u>	<u>100%</u>

*Notes:*

- (1) Mr. Chen Yihong (“**Mr. Chen**”), an executive Director and the Chairman of the Board, Harvest Luck Development Limited (“**Harvest Luck**”) and Talent Rainbow Far East Limited (“**Talent Rainbow**”) are deemed to be interested in the Shares held by Poseidon Sports Limited (“**Poseidon**”) by virtue of Harvest Luck and Talent Rainbow being entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of Poseidon. Harvest Luck is wholly owned and controlled by Mr. Chen. The entire issued share capital of Talent Rainbow is held by Billion Giant Development Limited (“**Billion Giant**”). The entire issued share capital of Billion Giant is in turn held by BOS Trustee Limited as trustee of the Cerises Trust. The Cerises Trust is an irrevocable discretionary trust set up by Mr. Chen as settlor and BOS Trust Company (Jersey) Limited as trustee on 20 April 2010. The beneficiaries under the Cerises Trust are family members of Mr. Chen. Mr. Chen as founder of the Cerises Trust is deemed to be interested in the Shares held by Talent Rainbow. On 16 December 2016, the trustee has been changed from BOS Trust Company (Jersey) Limited to BOS Trustee Limited.
- (2) Talent Hill Group Limited is wholly-owned and controlled by Mr. Chen Yiyong, Mr. Chen’s brother.

- (3) Forever Step Investment Limited is wholly-owned and controlled by Mr. Chen Yiliang, Mr. Chen's brother.
- (4) 116,944,100 Shares is held by Bountiful Talent Ltd, a company wholly-owned and controlled by Ms. Chen Chen, an executive Director.

## **INFORMATION OF THE GROUP**

The Company is an investment holding company and its subsidiaries are principally engaged in brand development, design and sales of sport-related apparel, footwear and accessories in the PRC and Japan as well as investment activities in Mainland of PRC and abroad.

## **REASONS FOR AND BENEFITS OF THE CONNECTED SUBSCRIPTIONS, CONNECTED SUBSCRIPTION LOANS, THE MANAGEMENT SUBSCRIPTIONS AND THE MANAGEMENT SUBSCRIPTION LOANS**

It is the intention and objective of the Company to incentivize, reward and ensure the long term service of the Connected Subscribers and the Management Subscribers who have throughout their service shown tremendous contribution to the Group and are considered by the Company to be vital to the success and the long-term growth of the Group. Accordingly, (i) the allotment and issue of the Connected Subscription Shares to the Connected Subscribers and the Management Subscription Shares to the Management Subscribers; and (ii) the provision of the Connected Subscription Loans to the Connected Subscriber Borrowers and the Management Subscription Loans to the Management Subscribers, which will enable them to use the proceeds of the Connected Subscription Loans or the Management Subscription Loans (as the case may be) to settle the subscription consideration for the relevant Connected Subscription Shares or the Management Subscription Shares (as the case may be), will in each case, enable the Company to achieve such objective.

Having considered the reasons for and benefits of the Connected Subscriptions and the Management Subscriptions and the terms of the Connected Subscription Agreements, the Connected Subscription Loan Agreements and the Management Subscription Agreements and the Management Subscription Loan Agreements:

- (a) with regard to the Connected Subscription Agreements and the Connected Subscription Loans, subject to the advice of the Independent Financial Adviser, the Directors (other than Mr. Chen Yihong (father of Ms. Chen Chen), Mr. Zhang Zhiyong, and Ms. Chen Chen who have abstained from voting on the Board resolutions) consider that the terms of the Connected Subscription Agreements (including the Subscription Price) and the Connected Subscription Loans are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and

- (b) with regard to the Management Subscription Agreements and the Management Subscription Loans, the Directors consider that the terms of the Management Subscription Agreements (including the Subscription Price) and the Management Subscription Loan Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **USE OF PROCEEDS**

The aggregate gross proceeds of the Connected Subscriptions and the Management Subscriptions will be approximately HK\$273 million and the aggregate net proceeds of the Connected Subscription and the Management Subscription, after the deduction of the related expenses, are estimated to be approximately HK\$272 million. The Company intends to use the net proceeds of the Connected Subscriptions and the Management Subscriptions as general working capital for the Group.

## **EGM**

The EGM will be proposed for the Independent Shareholders to consider and, if thought fit, pass the requisite resolutions to approve, *inter alia*, the Connected Subscription Agreements and the proposed grant of the Specific Mandate.

## **GENERAL**

The Independent Board Committee comprising all independent non-executive Directors has been formed to advise the Independent Shareholders in relation to, among other things, whether the terms of the Connected Subscription Agreements and the proposed grant of the Specific Mandate in respect of the Connected Subscription are fair and reasonable and in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on voting, taking into account the recommendation of the Independent Financial Adviser. The Company has appointed the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) further details of Connected Subscriptions and the Specific Mandate; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders and (iv) a notice of the EGM, is expected to be despatched by the Company to the Shareholders on or before 2 March 2018.

**Shareholders and potential investors should note that the Connected Subscription Completion and the Management Subscription Completion are subject to the fulfilment or waiver of certain conditions precedent under the Connected Subscription Agreements and the Management Subscription Agreements, respectively, and the Connected Subscription**

**and/or the Management Subscription 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.**

## **DEFINITION**

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

“Annual General Meeting”	the annual general meeting of the Company held on 10 May 2017
“Board”	the board of Directors
“BPEL”	Bright Pacific Enterprises Limited, a wholly-owned subsidiary of the Company
“Business Day(s)”	the day(s) on which the Stock Exchange is open for the transaction of business
“Company”	China Dongxiang (Group) Co., Ltd. (中國動向(集團)有限公司), a limited liability company incorporated in the Cayman Islands, the Shares of which are listed on the Main Board of the Stock Exchange
“Connected Subscriber Borrowers”	the Connected Subscribers other than Ms. Chen Chen
“Connected Subscribers”	Mr. Zhang Zhiyong (an executive Director), Ms. Chen Chen (an executive Director), Mr. Ren Yi (a director of the Company’s subsidiary) Mr. Yang Yang (a director of the Company’s subsidiary), Mr. LYU Guanghong (a director of the Company’s subsidiaries), Ms. Tang Lijun (a director of the Company’s subsidiary) and Ms. Sun Wei (a supervisor of the Company’s subsidiary), each a connected person of the Company
“Connected Subscriptions”	the subscriptions of the Connected Subscription Shares by the Connected Subscribers in accordance with the terms and conditions of the respective Connected Subscription Agreements
“Connected Subscription Agreements”	a total of seven subscription agreements entered into between the Company and each of the Connected Subscribers, all dated 19 January 2018, the terms of which are substantially similar, save and except for the numbers of Connected Subscription Shares being subscribed for by the respective Connected Subscribers

“Connected Subscription Completion”	completion of the Connected Subscriptions in accordance with the terms and conditions of the Connection Subscription Agreements
“Connected Subscription Loans”	the 5-year secured term loans in the aggregate principal amount of HK\$116,248,500, to be extended to each of the Connected Subscriber Borrowers pursuant to the Connected Subscription Loan Agreements
“Connected Subscription Loan Agreements”	a total of six loan agreements entered into between BPEL and each of the Connected Subscriber Borrowers, all dated 19 January 2018, the terms of which are substantially similar, save and except for the principal amount of the Connected Subscription Loan being extended to the respective Connected Subscribers
“Connected Subscription Shares”	an aggregate of 123,110,000 new Shares to be subscribed for by the Connected Subscribers and allotted and issued by the Company in accordance with the terms and conditions of the Connected Subscription Agreements
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the Independent Shareholders to consider and, if thought fit, approve the Connected Subscription Agreements and the proposed grant of the Specific Mandate
“General Mandate”	the general mandate which was granted to the Directors pursuant to an ordinary resolution passed at the Annual General Meeting on 10 May 2017 to issue and allot up to 1,107,280,200 new Shares, representing 20% of the aggregate nominal amount of the share capital of the Company in issue on the date of the Annual General Meeting
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC

“Independent Board Committee”	an independent board committee of the Board comprising all the independent non-executive Directors, namely Dr. Chen Guogang, Mr. Chen Johnny and Mr. Gao Yu, established for the purpose of advising the Independent Shareholders in respect of, among other things, the Connected Subscription, the Connected Subscription Loans and the proposed grant of the Specific Mandate
“Independent Financial Adviser”	Platinum Securities Company Limited, a licensed corporation registered under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of, among other things, the Connected Subscription and the proposed grant of the Specific Mandate
“Independent Shareholders”	Shareholders who do not have any material interest in the relevant transactions contemplated under this announcement
“Listing Committee”	has the meaning ascribed thereto in the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Management Subscribers”	Mr. Chen Shaowen, Mr. Song Li, Mr. Nan Peng, and Mr. Wang Yalei, each a management personnel of the Group
“Management Subscriptions”	the subscriptions of the Management Subscription Shares by the Management Subscribers in accordance with the terms and conditions of the Management Subscription Agreements
“Management Subscription Agreements”	a total of four subscription agreements entered into between the Company and each of the Management Subscribers, all dated 19 January 2018, the terms of which are substantially similar, save and except for the numbers of Management Subscription Shares being subscribed for by the respective Management Subscribers
“Management Subscription Completion”	completion of the Management Subscription in accordance with the terms and conditions of the Management Subscription Agreements
“Management Subscription Loans”	the 5-year secured term loans in the aggregate principal amount of HK\$106,920,000 to be extended by BPEL to the Management Subscribers

“Management Subscription Loan Agreements”	a total of four subscription loan agreements entered into between BPEL and each of the Management Subscribers, all dated 19 January 2018, the terms of which are substantially similar, save and except for the principal amount of the Management Subscription Loan being extended to the respective Management Subscribers
“Management Subscription Shares”	an aggregate of 79,200,000 new Shares to be subscribed for by the Management Subscribers and allotted and issued by the Company in accordance with the terms and conditions of the Management Subscription Agreements
“PRC”	the People’s Republic of China, which for the purposes of this announcement, shall not include Hong Kong, Macau and Taiwan
“Shareholder(s)”	the holder(s) of the Shares
“Shares”	ordinary shares of HK\$0.01 each in the share capital of the Company
“Specific Mandate”	the specific mandate proposed to be granted by the Independent Shareholders at the EGM for the Directors to allot and issue the Connected Subscription Shares and the Management Subscription Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$1.35 per Connected Subscription Share or Management Subscription Share (as the case may be)
“%”	per cent.

*In this announcement, unless the context otherwise requires, the terms “associate(s)”, “close associate(s)”, “connected person(s)”, “connected transaction(s)”, “controlling shareholder(s)”, “subsidiary(ies)” and “substantial shareholder(s)” shall have the meanings given to such terms in the Listing Rules, as modified by the Stock Exchange from time to time.*

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

19 January 2018

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