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**China Dongxiang (Group) Co., Ltd.**

**中國動向(集團)有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 3818)**

**(1) RESIGNATION OF CHIEF EXECUTIVE OFFICER AND  
APPOINTMENT OF EXECUTIVE DIRECTOR, CHIEF EXECUTIVE  
OFFICER AND MEMBER OF EXECUTIVE COMMITTEE  
AND  
(2) ISSUE OF NEW SHARES UNDER GENERAL MANDATE**

**RESIGNATION OF CHIEF EXECUTIVE OFFICER AND APPOINTMENT OF  
EXECUTIVE DIRECTOR, CHIEF EXECUTIVE OFFICER AND MEMBER OF  
EXECUTIVE COMMITTEE**

The Board hereby announces that Mr. Chen Yihong has tendered his resignation as the chief executive officer of the Company with effect from 10 October 2017, in order to focus on his responsibilities as an executive Director and chairman of the Board. Mr. Chen Yihong has confirmed that he has no disagreement with the Board and there is no other matter relating to his resignation that needs to be brought to the attention of the shareholders of the Company or the Stock Exchange.

The Board hereby announces that Mr. Zhang Zhiyong has been appointed as an executive Director and the chief executive officer of the Company for a term of three years with effect from 10 October 2017. Mr. Zhang has also been appointed as a member of the executive committee of the Company with effect from 10 October 2017.

**ISSUE OF NEW SHARES UNDER GENERAL MANDATE**

On 9 October 2017 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber (namely Mr. Zhang Zhiyong), pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue 138,410,025 Subscription Shares at the Subscription Price of HK\$1.26 per Subscription Share.

The Subscription Shares represent 2.5% of the existing issued share capital of the Company as at the date of this announcement and approximately 2.44% of the issued share capital of the Company as to be enlarged by the allotment and issue of the Subscription Shares (assuming no other changes in the issued share capital of the Company between the date of the Subscription Agreement and the date of Completion). The Subscription Shares will be issued under the General Mandate and will rank *pari passu* in all respects among themselves and with the Shares in issue.

Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Subscription Shares on the Stock Exchange.

**Since completion of the Subscription is subject to the fulfilment or waiver (as applicable) of the conditions as set out in the Subscription Agreement, the Subscription may or may not proceed. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares.**

## **RESIGNATION OF CHIEF EXECUTIVE OFFICER AND APPOINTMENT OF EXECUTIVE DIRECTOR, CHIEF EXECUTIVE OFFICER AND MEMBER OF EXECUTIVE COMMITTEE**

The Board hereby announces that Mr. Chen Yihong has tendered his resignation as the chief executive officer of the Company with effect from 10 October 2017, in order to focus on his responsibilities as an executive Director and chairman of the Board. Mr. Chen Yihong has confirmed that he has no disagreement with the Board and there is no other matter relating to his resignation that needs to be brought to the attention of the shareholders of the Company or the Stock Exchange.

The Board hereby announces that Mr. Zhang Zhiyong (“**Mr. Zhang**”) has been appointed as an executive Director and the chief executive officer of the Company with effect from 10 October 2017. Mr. Zhang has also been appointed as a member of the executive committee of the Company with effect from 10 October 2017.

Mr. Zhang, aged 48, joined Beijing Li Ning Footwear Co., Ltd. (北京李寧鞋業有限公司) in October 1992 and had been in charge of its financial system and nationwide retail business system, before becoming the general manager of the company in February 2001, a position he held until June 2004. From the listing on the Main Board of the Stock Exchange of Li Ning Company Limited (Stock Code: 2331) in June 2004 to 3 July 2012, Mr. Zhang was chief executive officer and executive director of Li Ning Company Limited in charge of the overall strategy and implementation of the Company. Mr. Zhang stepped down as chief executive officer and executive director of Li Ning Company Limited in July 2012 and October 2014, respectively.

Mr. Zhang has been appointed as an independent non-executive director of C. banner International Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 1028), since 15 October 2012.

Mr. Zhang has been engaged in the digitalisation of sports gear since October 2014. He has founded 北京必邁體育用品有限公司 with a proprietary brand name known as “BMAI” and has been the non-executive chairman of the company since then. He also holds the controlling interests in the company.

Mr. Zhang was president of LeSports from August 2016 to January 2017.

Mr. Zhang has been involved in China’s sporting goods industry since 1992. With more than 20 years’ marketing experience in the sector, he brings with him profound understanding of and practical experience in China’s ever-changing consumer market, brand-building for sporting goods, digitalisation of the sporting industry, as well as the management of corporate reforms at Chinese companies.

Mr. Zhang holds a bachelor's degree from Beijing Institute of Economics (北京經濟學院) and an EMBA degree from Guanghua School of Management, Peking University.

Pursuant to the employment contract and director's service contract entered into between the Company and Mr. Zhang, his term of services is three years from 10 October 2017. Mr. Zhang is entitled to annual salary (before tax) of approximately RMB3,600,000, director fee of HK\$193,600 per annum, discretionary bonus and other benefit at the sole and absolute discretion of the Board and the Company's Remuneration Committee. Mr. Zhang's remuneration was determined with reference to his duties and responsibilities, experience, performance and market conditions as well as the remuneration benchmark in the industry. The service contract is subject to the Articles of Association of the Company and the Listing Rules and contains provisions in relation to early retirement and retirement by rotation of directors of the Company.

Save as disclosed in this announcement, Mr. Zhang (i) does not have, and/or is not deemed to have, any interests or short positions in the Shares or underlying shares or debentures in the Company within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong); (ii) did not hold any directorship in other listed companies in Hong Kong or overseas in the past three years; (iii) does not hold any other positions within the Company and other members of the Group; (iv) does not have any relationship with any Directors, senior management, or substantial or controlling shareholders (as defined in the Listing Rules) of the Company; and (v) does not have any other major appointments or professional qualifications.

Save as disclosed in this announcement, there is no further information to be disclosed by the Company pursuant to the requirements of Rule 13.51(2)(h) to (v) of the Listing Rules and there are no other matters relating to the appointment of Mr. Zhang as the executive Director and chief executive officer of the Company that need to be brought to the attention of the Shareholders.

The Board would like to take this opportunity to express its welcome to Mr. Zhang for taking up the positions.

## **THE SUBSCRIPTION AGREEMENT**

On 9 October 2017 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber (namely Mr. Zhang), pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue 138,410,025 Subscription Shares at the Subscription Price of HK\$1.26 per Subscription Share. Principal terms of the Subscription Agreement are set out as follows:

### **Date**

9 October 2017 (after trading hours)

### **Parties**

- (i) the Company (as the issuer); and
- (ii) Mr. Zhang (as the Subscriber).

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Subscriber is a third party independent of the Company and its connected persons as of the date of the Subscription Agreement.

### **The Subscription Shares**

The Subscription Shares represent 2.5% of the existing issued share capital of the Company as at the date of this announcement and approximately 2.44% of the issued share capital of the Company as to be enlarged by the allotment and issue of the Subscription Shares (assuming no other changes in the issued share capital of the Company between the date of the Subscription Agreement and the date of Completion).

### **The Subscription Price**

The Subscription Price is HK\$1.26 per Subscription Share. The aggregate nominal value of the 138,410,025 Subscription Shares is HK\$1,384,100.25.

The Subscription Price represents:

- (i) a discount of approximately 8.70% to the closing price of HK\$1.38 per Share as quoted on the Stock Exchange on 9 October 2017, being the date of the Subscription Agreement;
- (ii) a discount of approximately 8.16% to the average closing price of approximately HK\$1.372 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 6 October 2017, being the trading day immediately preceding the date of the Subscription Agreement; and
- (iii) a discount of approximately 7.89% to the average closing price of approximately HK\$1.368 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including 6 October 2017, being the trading day immediately preceding the date of the Subscription Agreement.

The net Subscription Price, after deduction of relevant expenses, is estimated to be approximately HK\$1.256 per Subscription Share.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscriber with reference to the recent trading prices and trading volume of the Shares. The Directors consider that the terms and conditions of the Subscription Agreement (including the Subscription Price) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The aggregate Subscription Price will be payable by the Subscriber to the Company in cash upon Completion, of which 10% (being HK\$17,439,663) shall be funded by the Subscriber's own funds and 90% (being HK\$156,956,969) shall be funded by the proceeds of the Loan.

The Loan is for a term of 5-years in the principal amount of HK\$156,956,969, 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, to be extended by Bright Pacific Enterprises Limited, a wholly-owned subsidiary of the Company, to the Subscriber. The Loan shall be secured by the Subscription Shares. The amount of the Loan that is subject to mandatory repayment in proportion to the aggregate number of Subscribed Shares being disposed of by the Subscriber.

## Ranking of the Subscription Shares

The 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 Subscription Shares.

## Conditions of the Subscription

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

- (i) the Subscriber and the Company having entered into an employment contract and a director’s service contract in respect of the appointment of the Subscriber as the executive Director and chief executive officer of the Company for a term of three years with effect from 10 October 2017;
- (ii) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Subscription Shares;
- (iii) trading in the Shares on the Stock Exchange not being revoked or withdrawn at any time prior to Completion;
- (iv) 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 Completion, whether in connection with any of the transactions contemplated by the Subscription Agreement or otherwise;
- (v) the representation and warranties given by the Subscriber and the Company in the Subscription Agreement remaining true and accurate in all material respects;
- (vi) the Company having obtained all necessary consents and approvals as may be required to be obtained by the Company in respect of the Subscription and the transactions contemplated under the Subscription Agreement; and
- (vii) the Subscriber having obtained all necessary consents and approvals as may be required to be obtained by the Subscriber in respect of the Subscription and the transactions contemplated under the Subscription Agreement.

The Subscriber may at any time by notice in writing to the Company waive the Condition set out in paragraph (v) above (in respect of the representation and warranties given by the Company only). The Conditions set out in paragraphs (i), (ii), (iii), (iv), (vi) and (vii) are non-waivable by the Company and the Subscriber. In the event of any of the Conditions not being fulfilled or waived in full within 30 days after the date of the Subscription Agreement (or such other time and date as may be agreed between the Company and the Subscriber in writing), the 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, the Condition set out in paragraph (i) above has been fulfilled, and the parties to the Subscription Agreement are not aware of any facts or circumstances that will render the remaining Conditions not to be fulfilled.

## **Lock-up undertaking**

Pursuant to the Subscription Agreement, the Subscriber has undertaken to the Company that:

- (i) for a period of 12 months from the date of Completion (the “**First Lock-up Period**”), he 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 Subscription Shares or any interests therein:
- (ii) for the period commencing from the date of Completion and ending on the date which is three years from the Completion Date (the “**Second Lock-up Period**”), he 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 Subscription Shares or any interests therein (including such number of Subscription Shares being sold, transferred, granted options over or otherwise disposed of by the Subscriber during the First Lock-up Period); and
- (iii) in the event of a disposal of any Subscription Shares at any time after the Second Lock-up Period, the Subscriber will (a) first notify the Company in writing prior to the disposal and will use his 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 the Subscriber’s 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.

## **Completion of the Subscription**

Completion of the Subscription shall take place on the third Business Day following the day on which the last of the Conditions shall have been fulfilled or, as the case may be, waived by the Subscriber, or such other date as agreed between the Subscriber and the Company in writing.

The allotment and issue of the Subscription Shares is not subject to any further Shareholders’ approval.

## **General Mandate**

The Subscription Shares will be issued under the General Mandate. As at the date of this announcement, no Shares have been issued by the Company under the General Mandate, thus the maximum number of new Shares which could be issued by the Company under the General Mandate is 1,107,280,200 Shares (not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company of 5,536,401,000 Shares as at the date of the Annual General Meeting on 10 May 2017). As such, no Shareholders’ approval is required for the allotment and issue of the Subscription Shares.

## **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 Subscription Shares.

## FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any fund-raising activity in the 12 months immediately preceding the date of this announcement.

## EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY FOLLOWING COMPLETION OF THE SUBSCRIPTION

The shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately upon the allotment and issue of the Subscription Shares (assuming no other changes in the issued share capital of the Company between the date of this announcement and the date of Completion), are summarised as follows:

	As at the date of this announcement		Upon completion of the Subscription	
	Number of Shares held	Approximate percentage of total issued Shares	Number of Shares held	Approximate percentage of total issued Shares
Poseidon Sports Limited	2,249,387,000	40.63%	2,249,387,000	39.64%
Public Shareholders as at the date of this announcement	3,287,014,000	59.37%	3,287,014,000	57.92%
The Subscriber	<u>0</u>	<u>0.00%</u>	<u>138,410,025</u>	<u>2.44%</u>
Total	<u>5,536,401,000</u>	<u>100%</u>	<u>5,674,811,025</u>	<u>100%</u>

## INFORMATION OF THE GROUP

The 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 THE SUBSCRIPTION AND USE OF PROCEEDS

The Subscriber, upon his appointment as an executive Director and the chief executive officer of the Company taking effect, will be responsible for company strategy and managing the overall operations (excluding the investment operations). The Directors consider that the Subscription will incentivize the Subscriber to provide essential contribution to the long term development of the Group and will be able to align the interests of the Subscriber and the Group. The Directors (including the independent non-executive Directors) consider that the terms and conditions of the Subscription Agreement are fair and reasonable, on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

The aggregate gross proceeds of the Subscription will be approximately HK\$174 million and the aggregate net proceeds of the Subscription, after the deduction of the related expenses, are estimated to be approximately HK\$173.4 million. The Company intends to use the net proceeds of the Subscription as general working capital for the Group.

**Since Completion is subject to the fulfilment or waiver (as applicable) of the Conditions, the Subscription may or may not proceed. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares.**

## 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
“associate(s)”	has the meaning as ascribed thereto in the Listing Rules
“Board”	the board of Directors
“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
“Completion”	completion of the Subscription in accordance with the terms and conditions of the Subscription Agreement
“connected person(s)”	has the meaning as ascribed thereto in the Listing Rules
“Directors”	the directors of the Company
“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
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“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
“Loan”	a 5-year secured term loan in the principal amount of HK\$156,956,969, 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, to be extended by Bright Pacific Enterprises Limited, a wholly-owned subsidiary of the Company, to the Subscriber
“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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Mr. Zhang Zhiyong
“Subscription”	the subscription of the Subscription Shares by the Subscriber in accordance with the terms and conditions of the Subscription Agreement
“Subscription Agreement”	a subscription agreement dated 9 October 2017 and entered into between the Company and the Subscriber in respect of the Subscription
“Subscription Price”	HK\$1.26 per Subscription Share
“Subscription Shares”	138,410,025 new Shares to be subscribed for by the Subscriber and allotted and issued by the Company in accordance with the terms and conditions of the Subscription Agreement
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“%”	per cent.

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

Hong Kong, 9 October 2017

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