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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)

**SUPPLEMENTAL ANNOUNCEMENT
IN RELATION TO THE 2021/22 ANNUAL REPORT AND
2022/23 INTERIM REPORT**

Reference is made to the annual report for the year ended 31 March 2022 (the “**2021/22 Annual Report**”) and the interim report for the six months ended 30 September 2022 (the “**2022/23 Interim Report**”) of China Dongxiang (Group) Co., Ltd. (the “**Company**”). Terms used herein shall have the same meanings as defined in the 2021/22 Annual Report and the 2022/23 Interim Report unless otherwise stated.

In addition to the information provided in the 2021/22 Annual Report and the 2022/23 Interim Report, the Company would like to provide addition information as follows:

Share Option Scheme

To the extent an option is vested and/or exercisable pursuant to the terms and conditions of the offer of the grant of the option and subject to the terms of the Share Option Scheme of the Company, the period within which shares must be taken up by a grantee under a share option (being the exercise period as specified in an offer letter) is a period to be determined by the board of directors of the Company (the “**Directors**”), which shall not exceed 10 years from the date of the offer of the grant of options (the “**Offer Date**”). Further, HK\$1.00 is to be paid as consideration on the acceptance of the grant of options within five business days from the Offer Date.

Loan Receivables

As at 31 March 2022, the Company had loan receivables of an aggregated amount of RMB867.5 million, which included loans of RMB625.0 million to independent third parties (being parties which are not connected with the Company or its connected persons) and related parties (together, the “**Borrowers**” and each, a “**Borrower**”) and loan

receivables of RMB242.5 million to certain management personnel and employees (together, the “**Management Borrowers**”) (details of the loans to the Management Borrowers are set out in the Company’s announcements dated 9 October 2017, 19 January 2018, 11 April 2018, 27 April 2018, 9 May 2018 and 29 July 2022 and the circulars of the Company dated 9 March 2018 and 9 September 2022).

Background

In respect of the loan receivables due from the Borrowers, the Company first granted a loan to a borrower in July 2014, and has since granted loans which are generally short-term with a term of no longer than one year (apart from loans to the Management Borrowers) to the Borrowers occasionally (the “**Lending Arrangement**”) as a means to utilise idle cash which is not required for the Company’s business operations and expansion. The Company does not require any licences or approvals under applicable laws and regulations to carry out the Lending Arrangement. The Borrowers which are independent third parties are typically companies which became acquainted with the Company through the Company’s investment segment.

Breakdown of the Loan Receivables as at 31 March 2022

The total number of Borrowers under the Lending Arrangement was ten as at 31 March 2022. The amount of loan receivables due from the largest Borrower was RMB242.4 million, whereas the aggregated amount of loan receivables due from the five largest Borrowers was RMB576.8 million, representing approximately 27.9% and 66.5% of the total amount of loan receivables of the Company as at 31 March 2022, respectively.

The amount of provision for impairment in respect of the loan receivables of the Company as at 31 March 2022 was approximately RMB108.0 million, as compared to approximately RMB79.7 million as at 31 March 2021, representing an increase of approximately 35.5%. The increase was primarily attributable to the accrual of penalty interests as the Company was still in discussion with one Borrower to enter into an extension agreement in relation to its loan (the “**Relevant Loan**”) as at 31 March 2022 by which time the principal amount (being approximately RMB 284.3 million) and the accrued interest (being approximately RMB18.1 million) (the “**Accrued Interest**”) under the Relevant Loan were overdue as a result of which relevant penalty interests were accrued as at 31 March 2022. Subsequent to 31 March 2022, an extension agreement with additional security terms (the “**Extension Agreement**”) has been entered into with respect to the Relevant Loan to ensure the recoverability of the Relevant Loan.

At the time of the entering into of the Extension Agreement, approximately 69.9% of the Accrued Interest had been repaid. Further, an independent valuer (the “**Valuer**”) was engaged by the Company to appraise the value of the additional collaterals (the “**Collaterals**”) to be provided under the Extension Agreement. On the basis that (i) a majority of the Accrued Interest had been repaid at the time of the entering into of the Extension Agreement and (ii) the value of the Collaterals as appraised by the Valuer and the existing collaterals was above the total outstanding amount of the Relevant Loan, the

Board was of the view that the terms of the Extension Agreement are fair and reasonable and the entering into of the Extension Agreement is in the interests of the Company and its shareholders as a whole. Further to the entering into of the Extension Agreement, the corresponding impairment provision as at 31 March 2022 was written off since (i) relevant penalty interests were waived given interest would be charged under the Extension Agreement and (ii) the value of the Collaterals under the Extension Agreement is sufficient to cover the principal amount and interest under the Relevant Loan. As at the date of this announcement, approximately 79.0% of the Accrued Interest had been repaid. The Company will continue to monitor such Borrower's repayment ability and the value of the Collaterals in accordance with its internal control policies and procedures, details of which are set out under the section headed "Internal Control Policies and Procedures" in this announcement, to ensure the recoverability of the Relevant Loan.

Internal Control Policies and Procedures

In order to ensure the recoverability of the loans granted and the adequacy of collaterals under the Lending Arrangement, the Group has adopted and followed a series of strict credit assessment policies and procedures to regulate the operation of the Lending Arrangement.

Internal manuals which set out, among others, (i) documents and information required for each loan application; (ii) the general framework of the Company's credit assessment process including but not limited to the factors to be considered such as a potential borrower's background, financial and repayment abilities, credit worthiness and intended use of the loan; and (iii) the approval process for each type of loan application, have been distributed to and reviewed by relevant personnel. On the basis that the operation of the Group's principal business would not be affected and that sufficient idle cash has been set aside, loans applications would be reviewed and approved, on a case-by-case basis, by the majority of the investment committee of the Group (the "**Committee**"), the members of which comprise three Directors. The applicable percentage ratios in respect of each loan application would be computed to ensure compliance with the Listing Rules. The Committee would conduct a thorough assessment of a potential borrower's eligibility by conducting background searches to obtain information regarding a potential borrower's background, financial and repayment abilities (including but not limited to reviewing financial statements of companies and income proof of individuals), credit worthiness, asset proof (if securities or collaterals are involved) and the intended use of the loan. Upon the entering into of a loan agreement under the Lending Arrangement, the Group would regularly collect and review information regarding the Borrowers' financial positions through conducting background searches and engaging an independent valuer to review the value of any collateral to evaluate whether there are any risks of default. In the event risks of default are identified, the Company would consider exercising its rights in accordance with the terms of the relevant loan agreements, including but not limited to demanding for the repayment of the principal amount and interest accrued, realising of security interests, and demanding for additional collaterals (where applicable).

The addition information set out above does not affect other information set out in the 2021/22 Annual Report and the 2022/23 Interim Report. Save as disclosed above, all other information in the 2021/22 Annual Report and the 2022/23 Interim Report remains unchanged.

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

Hong Kong, 23 December 2022

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