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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)

ADOPTION OF RESTRICTED SHARE AWARD SCHEME

The Board resolved on 10 December 2010 to adopt the restricted share award scheme as an incentive to retain and encourage the Participants for the continual operation and development of the Group, pursuant to which existing Shares will be purchased by the Trustee 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 Scheme.

The Administration Committee will implement the Scheme in accordance with the terms of the Scheme Rules including providing necessary funds to the Trustee for purchase of Shares up to 30 million Shares of the Company.

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The Administration Committee will implement the Scheme in accordance with the terms of the Scheme Rules including to provide necessary funds to the Trustee for purchase of Shares up to 30 million Shares. In addition, the maximum number of Restricted Shares which may be granted to a Selected Participant at any one time or in aggregate may not exceed 1% of the issued share capital of the Company as at the Adoption Date.

Listing Rules Implication

The Scheme does not constitute a share option scheme pursuant to Chapter 17 of the Listing Rules and is a discretionary scheme of the Company.

Pursuant to the Scheme, existing Shares will be purchased by the Trustee and be held in trust for the relevant Selected Participants. Participants (excluding any Excluded Employee) cover any employee of any member of the Group (inclusive of any Director). Pursuant to the Scheme, if the Administration Committee selects a Director as the Selected Participant (including the independent non-executive Director) or a member of the Administration Committee, such grant must first be approved by all the independent non-executive Directors and in each case excluding any independent non-executive Director who is the proposed

Selected Participant. In addition, the grant of the Restricted Shares to the Director may constitute a connected transaction under Chapter 14A of the Listing Rules. If the Restricted Shares are granted to the directors and/or connected persons of the Company, the Company will observe the applicable provisions under the Listing Rules to ensure compliance with the relevant reporting, announcement and/or shareholders' approval requirements for connected transactions.

A summary of the Scheme Rules is set out below in this announcement.

REASONS FOR THE ADOPTION OF THE SCHEME

The Directors strongly believe that the future success of the Company is closely tied to the commitment and efforts of the employees of the Group. The Board proposes the Scheme to increase the degree to which the interests of the employees are directly tied to the fortunes of the Company and the Shareholders. The awards to be made under the Scheme enable the Selected Participants to see their fortunes more directly linked to that of the Shareholders through the mechanism under the Scheme.

SUMMARY OF THE SCHEME RULES

Purposes and Objectives

The purpose of the Scheme is to provide the Selected Participants with an opportunity to acquire a proprietary interest in the Company, to encourage and retain such individuals to work with the Company, to provide additional incentive for them to achieve performance goals with a view to achieving the objectives of increasing the value of the Company and aligning the interests of the Selected Participants directly to the shareholders of the Company through ownership of Shares.

Administration

The Scheme shall be subject to the administration of the Administration Committee in accordance with the Scheme Rules.

Maximum Limit

No Shares shall be purchased pursuant to the Scheme, if as a result of such purchase, the number of Shares administered under the Scheme would exceed 30 million Shares.

Restrictions

Pursuant to the Scheme Rules, no Grant shall be made to any Selected Participant:

- (a) after a price sensitive event in relation to the securities of the Company has occurred or a price sensitive matter in relation to the securities of the Company has been the subject of a decision, until such price sensitive information has been published in accordance with the Listing Rules;

- (b) within the period commencing one month immediately preceding the earlier of (i) the date of a meeting of the Board (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and (ii) the deadline for the Company to publish an announcement of its results for any such period and ending on the date of such announcement; and
- (c) in any circumstances which are prohibited under the Listing Rules, SFO or any other applicable law or regulation or where the requisite approval from any applicable regulatory authorities has not been granted.

Operation

Pursuant to the Trust Deed, the Administration Committee may, subject always to the Scheme Rules, from time to time, determine the number of Restricted Shares to be granted and at its absolute discretion select any Participant (excluding any Excluded Employee) to be a selected Participant under the Scheme. The Administration Committee shall cause to pay the Trustee the sum of the closing price of the Shares as at the Grant Date together with all related purchase expenses required for the completion of the purchase of all the Restricted Shares (including but not limited to the amount of brokerage, stamp duty and levies) (the **Referable Amount**) from the Company's resources for the Shares to be purchased by the Trustee. The Trustee shall apply the purchase price to purchase from the market the maximum number of Shares and seek further sums from the Administration Committee until all Shares covering the Restricted Shares are purchased. The Trustee shall return any excess Referable Amount to the Company forthwith in such manner as the Board or the Administration Committee may direct after the completion of the purchase. The Trustee shall hold such Shares until they are vested in accordance with the Scheme Rules and the Trust Deed.

Pursuant to the Trust Deed, the Trustee shall during the Trust Period, apply all cash, non-cash income or sale proceeds of non cash and non scrip distributions declared in respect of the Shares held in the Trust Fund towards (a) the payment of the fees, costs and expenses of the Trust; and (b) the remainder (if any) to purchase the maximum number of board lots of Shares (the **Additional Shares**). The Trustee shall hold such Additional Shares and all income derived therefrom upon Trust for the benefit of all or one or more of the Participants, as the Trustee in its absolute discretion shall at any time grant, after having taken into consideration recommendations of the Administration Committee. The Additional Shares (if granted) shall be subject to the same vesting condition and vesting schedule as they apply to any Restricted Shares.

The Trustee shall during the Trust Period hold the Restricted Shares, Unaccepted Shares, Additional Shares, Unvested Shares and other cash and non-cash income of the Trust Fund upon trust exclusively for all or such one or more of the Participants and exercise the power of appointment conferred on the Trustee subject to the terms and conditions set out in the Scheme Rules and such further terms and conditions as the Administration Committee may stipulate at the time of selecting any person as a Selected Participant hereunder.

Vesting and Lapse

A Selected Participant becomes qualified to receive the Restricted Shares held by the Trustee upon the Trust and which are referable to him after all the qualifying conditions having been fulfilled in accordance with the vesting schedule pursuant to the Scheme Rules.

Pursuant to the Scheme Rules, Restricted Shares held by the Trustee upon the Trust and which are referable to a Selected Participant shall not vest in the Selected Participant if the Selected Participant has been terminated by the Company or any Subsidiary because of, amongst others, (i) dishonesty or serious misconduct; (ii) incompetence or negligence in the performance of his duties; (iii) becoming bankrupt; and (iv) being convicted for any criminal offence involving his integrity or honesty etc.

In the event that the Restricted Shares do not vest, the Grant shall automatically lapse and all the Restricted Shares shall not vest on the relevant vesting date in accordance with the vesting schedule pursuant to the Scheme Rules but shall become Unvested Shares.

Voting Rights

The Trustee shall not exercise the voting rights in respect of any Shares held under the Trust (including but not limited to the Restricted Shares, the Unaccepted Shares, the Additional Shares, the Unvested Shares, any bonus Shares and scrip Shares).

Duration and Termination

The Scheme shall be effective from the Adoption Date and shall continue in full force and effect for a term of 10 years. The termination shall not affect any subsisting rights of any Selected Participant hereunder.

Definition

Unless otherwise defined, the following expressions in this announcement have the following meanings:

“Administration Committee”	the remuneration committee (a sub-committee of the Board) for the time being, the Chief Executive Officer and the Vice Chairman of the Board, delegated with the power and authority by the Board to administer the Scheme
“Adoption Date”	10 December 2010, being the date on which the Board adopted the Scheme
“Board”	the board of directors of the Company, such committee or such sub-committee or person(s) delegated with the power and authority by the board of directors of the Company to administer the Scheme
“Company”	China Dongxiang (Group) Co., Ltd., a company incorporated in Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange (Stock Code: 3818)
“Director(s)”	directors of the Company

“Excluded Employee”	any employee who resides in any country or jurisdiction where the grant or transfer of any Restricted Shares or making of any payment to him under the Scheme would not be permitted under the laws and regulations of such country or jurisdictions or would be subject to such requirements under those laws and regulations compliance with which would, in the sole view of the Board, be unduly burdensome or impractical and the Board, in its sole discretion, considers it necessary or expedient to exclude such employee from the benefit of such act
“Grant”	individually or collectively, a grant of Restricted Shares under the Scheme
“Grant Date”	in relation to any Restricted Share, the date on which the Restricted Share is, was or is to be granted
“Group”	the Company and its Subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Participant(s)”	any individual being a director (including executive and non-executive director), employee, officer, agent or consultant of the Company or any of its Subsidiaries
“Restricted Shares”	the Shares granted under the Scheme
“Scheme”	the restricted share award scheme of the Company adopted by the Board whereby awards of Shares may be made to Participants (such Shares being purchased by the Trustee) pursuant to the Trust Deed and the Scheme Rules
“Scheme Rules”	the rules relating to the Scheme adopted by the Board in its present or any amended form
“Selected Participant(s)”	any Participant selected by the Administration Committee in accordance with the terms of and entitled to receive a Grant under the Scheme;
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	share(s) with a par value of HK\$0.01 each (or such other nominal amount as shall result from a sub-division or a consolidation of such shares from time to time) in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary(ies)”	Subsidiary(ies) of the Company from time to time within the meaning of the Companies Ordinance (Cap. 32 of the Laws of Hong Kong), whether incorporated in Hong Kong or elsewhere

“Trust”	the irrevocable trust constituted by the Trust Deed and known as the China Dongxiang (Group) Co., Ltd. Restricted Share Award Scheme Trust or such other name as the Administration Committee shall determine from time to time
“Trust Deed”	the trust deed entered into between the Company and the Trustee on 10 December 2010, where the trust deed constitutes the Trust, as restated, supplemented and amended from time to time
“Trust Fund”	all the property (including Shares, cash, non-cash income and such other scrip income (including but not limited to bonus shares and scrip dividends) declared by the Administration Committee) for the time being and from time to time held or deemed to be held upon the trust of the Trust Deed whether contributed by the Company or any other person
“Trust Period”	the period beginning from 10 December 2010 and ending upon: <ul style="list-style-type: none"> (a) 10 December 2020; (b) the date of any change in control as set out in the Scheme Rules; and (c) the date the Board terminates the Scheme pursuant to the Scheme Rules; whichever is sooner
“Trustee”	BOCI-Prudential Trustee Limited (which is independent and not connected with the Company)
“Unaccepted Shares”	such Shares pursuant to a Grant which are not accepted by the Selected Participants within 28 days after the Grant Date and have been or will be dealt with in accordance with terms of the Scheme Rules
“Unvested Shares”	such Shares which do not vest in the Selected Participants and have been or will be forfeited in accordance with the terms of the Scheme Rules

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

Hong Kong, 10 December 2010

As at the date of this announcement, the executive Directors of the Company are Mr. Chen Yihong, Mr. Qin Dazhong and Ms. Sandrine, Suzanne, Eléonore, Agar Zerbib, the non-executive Director of the Company is Mr. Gao Yu, and the independent non-executive Directors of the Company are Mr. Jin Zhi Guo, Dr. Xiang Bing and Mr. Xu Yudi.