
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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)

**PROPOSAL FOR
ADOPTION OF THE 2019 SHARE OPTION SCHEME AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

A notice convening an extraordinary general meeting of China Dongxiang (Group) Co., Ltd. to be held at United Conference Centre, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong on Thursday, 8 August 2019 at 10:45 a.m. (the “EGM”) is set out on pages 20 to 22 of this circular. A form of proxy for use at the EGM is enclosed with this circular.

Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong as soon as possible and in any event not less than forty-eight (48) hours before the time appointed for holding the EGM or any adjournment of it. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment of it, if you so wish.

23 July 2019

CONTENTS

	<i>Pages</i>
Definitions	1
Letter from the Board	4
Appendix — Summary of principal terms of the 2019 Share Option Scheme	8
Notice of Extraordinary General Meeting	20

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meaning:

“2019 Share Option Scheme”	the share option scheme of the Company proposed to be adopted at the EGM, a summary of the principal terms of which is set out in the appendix to this circular
“Adoption Date”	the date on which the 2019 Share Option Scheme is conditionally approved and adopted in accordance with the resolution of the Shareholders at the EGM to be passed on 8 August 2019
“Articles”	the articles of association of the Company as amended from time to time
“Auditor”	the auditor of the Company
“associate”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors or a duly authorised committee thereof
“Business Day”	a day (excluding Saturdays or Sundays) on which the Stock Exchange is open for business of dealing in securities
“close associate”	has the meaning ascribed to it in the Listing Rules
“Company”	China Dongxiang (Group) Co., Ltd. (中國動向(集團)有限公司), a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange
“connected person”	has the meaning ascribed to it in the Listing Rules
“core connected person”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held at United Conference Centre, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong on Thursday, 8 August 2019, at 10:45 a.m. or any adjournment thereof
“Expiry Date”	in respect of an Option, the date of the expiry of the Option as may be determined by the Board which shall not be later than the last day of the Option Period in respect of such Option

DEFINITIONS

“Grantee”	a Qualified Participant who accepts the offer of the grant of an Option in accordance with the terms of the 2019 Share Option Scheme or (where the context so permits) a person who, in accordance with the applicable laws of succession, is entitled to any Option (to the extent not already exercised) as a result of the death of any Qualified Participant, or (where the context so permits) a nominee who is appointed in accordance with the terms of the 2019 Share Option Scheme
“Group”	the Company and its Subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“independent financial adviser”	such independent financial adviser as approved by the Board
“Invested Entity”	any entity in which the Company or any Subsidiary holds any equity interest
“Latest Practicable Date”	18 July 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information of this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as modified from time to time
“Offer Date”	in respect of an Option, the date specified as in the Offer Letter as being the Offer Date or if none, the date on which the Option is in fact offered to a Qualified Participant, which must be a business day
“Offer Letter”	the letter pursuant to which the Company offers to grant Options to a Qualified Participant
“Option”	an option to subscribe for Shares to be granted pursuant to the 2019 Share Option Scheme
“Option Period”	in respect of an Option, a period of time to be notified by the Board to each Grantee, which the Board may in its absolute discretion determine, during which the Option can be exercised (as specified in the Offer Letter), save that such period shall not be more than 10 years commencing on the Offer Date

DEFINITIONS

“Qualified Participant”	(i) any individual who is an employee (whether full time or part time) of the Company, any Subsidiary or any Invested Entity; and (ii) any director of the Company, any Subsidiary or any Invested Entity who in the absolute discretion of the Board has contributed or will contribute to the Group
“Registration Date”	has the meaning ascribed to it under paragraph 10 of the appendix to this circular
“Scheme Administrator”	means any person appointed by the Board pursuant to the rules of the 2019 Share Option Scheme, to administer, manage and implement the 2019 Share Option Scheme
“Scheme Mandate”	has the meaning ascribed to it under paragraph 6.1 of the appendix to this circular
“Scheme Period”	a period of 10 years commencing on the Adoption Date
“Share(s)”	ordinary share(s) with nominal value of HK\$0.01 each in the Company (or of such other nominal amount as comprising the ordinary share capital of the Company as shall result from a subdivision or a consolidation of the share capital of the Company from time to time)
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the price per Share at which a Grantee may subscribe for Shares upon exercise of an Option
“Subsidiary”	a company which is for the time being a subsidiary (within the meaning of section 15 of the Companies Ordinance, Chapter 622 of the Laws of Hong Kong, as modified from time to time) of the Company and “Subsidiaries” shall be construed accordingly
“%”	per cent.



China Dongxiang (Group) Co., Ltd.

中國動向（集團）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3818)

Executive Directors:

Mr. Chen Yihong (陳義紅) (*Chairman*)

Mr. Zhang Zhiyong (張志勇)

(Chief Executive Officer)

Ms. Chen Chen (陳晨)

Registered Office:

Cricket Square, Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Independent non-executive Directors:

Dr. Chen Guogang (陳國鋼)

Mr. Gao Yu (高煜)

Mr. Liu Xiaosong (劉曉松)

Principal Place of Business in Hong Kong:

Office Unit 9, 13/F

Tower Two, Lippo Centre

No. 89 Queensway

Hong Kong

23 July 2019

To the Shareholders

Dear Sir or Madam,

**PROPOSAL FOR
ADOPTION OF THE 2019 SHARE OPTION SCHEME AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

1 INTRODUCTION

The purpose of this circular is to provide you with information relating to the ordinary resolution to be proposed at the EGM for the adoption of the 2019 Share Option Scheme and the notice of the EGM, and to seek your approval of such ordinary resolution at the EGM.

2 ADOPTION OF THE 2019 SHARE OPTION SCHEME

In order to provide an incentive for the Qualified Participants to work with commitment towards enhancing the value of the Company and its Shares for the benefit of the Shareholders and to recruit and retain high calibre employees and attract human resources whose contribution are or may be beneficial to the growth and development of the Group, the Directors propose to recommend to the Shareholders at the EGM to adopt the 2019 Share Option Scheme. The Board considers that the retention of essential employees is

LETTER FROM THE BOARD

important to the growth and development of the Group and therefore, the adoption of 2019 Share Option Scheme is beneficial to the Company and its Shareholders as a whole. The 2019 Share Option Scheme will become effective after all the conditions precedent as referred to under the paragraph headed “Conditions precedent of the 2019 Share Option Scheme” below have been fulfilled.

As at the Latest Practicable Date, there were a total of 5,886,121,025 Shares in issue. Assuming that there is no change in the issued share capital of the Company between the period from the Latest Practicable Date up to the Adoption Date, the maximum number of Shares which may be issued pursuant to the 2019 Share Option Scheme and any other schemes (if any) will be 588,612,102 Shares, representing 10% of the total number of Shares in issue as at the Adoption Date.

As at the Latest Practicable Date, the Company did not have any plan to grant any Options and had not identified any Qualified Participant to whom it would make an offer to take up an Option.

Principal terms of the 2019 Share Option Scheme

A summary of the principal terms of the 2019 Share Option Scheme is set out in the appendix to this circular. The terms of the 2019 Share Option Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules.

No trustees will be appointed under the 2019 Share Option Scheme.

The 2019 Share Option Scheme does not specify any minimum period for which an Option must be held or performance target(s) which must be achieved before an Option can be exercised. However, the rules of the 2019 Share Option Scheme provide that the Board may determine, at its sole discretion, such condition(s) on the grant of an Option. The basis for determination of the Subscription Price is also specified in the rules of the 2019 Share Option Scheme. The Directors consider that the aforesaid provisions of the rules will serve to preserve the value of the Company as well as to achieve the purposes of retaining and motivating the Qualified Participants to contribute to the Group.

Conditions precedent of the 2019 Share Option Scheme

The 2019 Share Option Scheme shall take effect subject to and is conditional upon:

- (a) the passing of the necessary resolution(s) to adopt the 2019 Share Option Scheme by the Shareholders; and
- (b) the Listing Committee of the Stock Exchange approving the listing of and permission to deal in any Shares to be allotted and issued pursuant to the exercise of Options under the 2019 Share Option Scheme.

LETTER FROM THE BOARD

An application will be made to the Stock Exchange for the approval for the listing of and permission to deal in the Shares falling to be issued pursuant to the exercise of Options under the 2019 Share Option Scheme.

Subscription Price

The Subscription Price in relation to each Option offered to a Qualified Participant shall, subject to the adjustments referred to in paragraph 7 of the appendix to this circular, be determined by the Board in its absolute discretion but in any event shall not be less than the highest of:

- (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on the Offer Date;
- (b) the average of the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Offer Date; and
- (c) the nominal value of the Shares.

Value of the Options

The Directors consider that it would not be appropriate to state the value of all Options that can be granted under the 2019 Share Option Scheme as if they had been granted on the Latest Practicable Date, since (i) any valuation of the fair value of the Options would have to be based on the circumstances as at the Latest Practicable Date, but Options would not be granted until the 2019 Share Option Scheme is approved, i.e. after the Latest Practicable Date and (ii) a number of variables which are crucial to the calculation of the value of all Options are yet to be determined. Such variables include but are not limited to the Subscription Price, any lock-up period and any performance target to be set. The Directors believe that any calculation of the value of all Options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to the Shareholders.

However, Shareholders should note that, in compliance with the Listing Rules, estimated value of Options granted during any financial period based on the Black-Scholes option pricing model, the binomial model or any comparable generally accepted methodology, and the accounting policy adopted for the Option, will be provided in the Company's annual report and interim report.

Document available for inspection

A copy of the rules of the 2019 Share Option Scheme is available for inspection at the principal place of business of the Company in Hong Kong at Office Unit 9, 13/F, Tower Two, Lippo Centre, No. 89 Queensway, Hong Kong during normal business hours on any weekdays other than public holidays from the date of this circular up to and including the date of the EGM.

LETTER FROM THE BOARD

3 EGM

The notice of the EGM, which contains the Shareholders' resolution required to approve and adopt the rules of the 2019 Share Option Scheme, is set out on pages 20 to 22 of this circular.

A form of proxy for use at the EGM is enclosed. If you are not able to attend the EGM, you are requested to complete the form of proxy and return it in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not less than forty-eight (48) hours before the time appointed for holding the EGM or any adjournment of it. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment of it, if you so wish.

An announcement will be made by the Company following the conclusion of the EGM to inform you of the results of the EGM.

4 RESPONSIBILITY STATEMENT

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

5 RECOMMENDATION

The Directors are of the opinion that the proposed adoption of the 2019 Share Option Scheme is in the best interests of the Company and the Shareholders as a whole, and therefore recommend that the Shareholders vote in favour of the resolution to be proposed at the EGM. As at the Latest Practicable Date, no Shareholder is required to abstain from voting on the said resolution.

Yours faithfully,
On behalf of the Board
China Dongxiang (Group) Co., Ltd.
Chen Yihong
Chairman

The following is a summary of the principal terms of the 2019 Share Option Scheme proposed to be adopted at the EGM. It does not form part of, nor is it intended to be part of the rules of the 2019 Share Option Scheme and it should not be taken as affecting the interpretation of the rules of the 2019 Share Option Scheme. The Directors reserve the right at any time prior to the EGM to make such amendments to the 2019 Share Option Scheme as they may consider necessary or appropriate provided that such amendments do not conflict with any material aspects with the summary of this appendix.

1 PURPOSE OF THE 2019 SHARE OPTION SCHEME

The purpose of the 2019 Share Option Scheme is to provide an incentive for the Qualified Participants to work with commitment towards enhancing the value of the Company and its Shares for the benefit of its Shareholders and to recruit and retain high calibre employees and attract human resources whose contributions are or may be beneficial to the growth and development of the Group.

2 PARTICIPANTS OF THE 2019 SHARE OPTION SCHEME AND THE BASIS OF DETERMINING THE ELIGIBILITY OF THE PARTICIPANTS

A Qualified Participant shall mean:

- (a) any individual who is an employee (whether full time or part time) of the Company, any Subsidiary or any Invested Entity; and
- (b) any director of the Company, any Subsidiary or any Invested Entity who in the absolute discretion of the Board has contributed or will contribute to the Group.

The basis of eligibility of any Qualified Participant to the grant of the Options shall be determined by the Board from time to time on the basis of their contribution to the development and growth of the Group.

3 STATUS OF THE 2019 SHARE OPTION SCHEME

3.1 Conditions of the 2019 Share Option Scheme

The 2019 Share Option Scheme shall take effect subject to and is conditional upon:

- (a) the passing of the necessary resolution(s) to adopt the 2019 Share Option Scheme by the Shareholders; and
- (b) the Listing Committee of the Stock Exchange approving the listing of and permission to deal in any Shares to be allotted and issued pursuant to the exercise of Options under the 2019 Share Option Scheme.

An application will be made to the Stock Exchange for the approval for the listing of and permission to deal in the Shares falling to be issued pursuant to the exercise of Options under the 2019 Share Option Scheme.

3.2 Life of the 2019 Share Option Scheme

The 2019 Share Option Scheme shall be valid and effective from the Adoption Date until the end of the Scheme Period, after which time no further Option will be granted but the provisions of the 2019 Share Option Scheme shall remain in full force and effect in all other respects. In particular, all Options granted before the end of the Scheme Period shall continue to be valid and exercisable after the end of the Scheme Period in accordance with the terms of the rules of the 2019 Share Option Scheme.

4 GRANT OF OPTIONS

4.1 Making an offer

An offer of the grant of an Option shall be made to a Qualified Participant by letter in such form as the Board may in its sole and absolute discretion from time to time determine, requiring the Qualified Participant to undertake to hold the Option on the terms on which it is to be granted and to be bound by the provisions of the 2019 Share Option Scheme (including any operational rules made under the 2019 Share Option Scheme). The offer shall remain open for acceptance for a period of five business days from the date on which it is made PROVIDED THAT no such offer shall be open for acceptance after the expiry of the Scheme Period or after the termination of the 2019 Share Option Scheme. A Grantee is required to achieve performance targets, if any, as set out in the Offer Letter before the vesting of the Options or before the Options can be exercised. In addition, the Option may not be exercised until the expiry of the holding period, if any, as specified in the Offer Letter.

4.2 Acceptance of an offer

An Option shall be deemed to have been granted and accepted and to have taken effect after the duplicate letter comprising acceptance of the Option duly signed by the Grantee together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant of the Option shall have been received by the Company on or before the last day for acceptance set out in paragraph 4.1 above. The remittance is not in any circumstances refundable. Once accepted, the Option is granted as from the date on which it was offered to the Qualified Participant.

4.3 Restrictions on time of grant

- (a) No grant of Options shall be made after any inside information has come to the Company's knowledge, until the information has been announced by the Company. In particular, no Option shall be granted during the period of one month immediately before the earlier of:
 - (i) the date of the Board meeting as shall have been notified to the Stock Exchange for the approval of the Company's results for any year, half-year or quarterly or any 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 year or half-year under the Listing Rules or quarterly or other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement. No Option shall be granted during any period of delay in the publication of a results announcement.

- (b) No grant of Options shall be made to a Qualified Participant who is a director during a period in which the directors are prohibited from dealing in shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers or the Company's own equivalent code.

4.4 Grant to connected persons

Any grant of Options to a connected person must be approved by all the independent non-executive Directors (excluding any independent non-executive Director who is also a proposed Grantee of the Options).

4.5 Grants to substantial shareholders and independent non-executive Directors

- (a) Without prejudice to paragraph 4.4 above, any grant of Options to a substantial shareholder of the Company or an independent non-executive Director or any of their respective associates must be approved by the Shareholders in general meeting if the Shares issued and to be issued upon exercise of all Options already granted and proposed to be granted to him (whether exercised, cancelled or outstanding) in the 12 month period up to and including the proposed date of such grant:

- (i) would represent in aggregate more than 0.1 per cent of the Shares then in issue; and
- (ii) would have an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5,000,000 (or such other amount as shall be permissible under the Listing Rules from time to time).

4.6 Proceedings in general meeting to approve the grant of option

At the general meeting to approve the proposed grant of options under paragraph 4.5, the Grantee, his associates and all core connected persons of the Company must abstain from voting unless he is intending to vote against the proposed grant and that intention has been stated in the circular to be despatched to Shareholders in accordance with the Listing Rules. At the general meeting, the vote must be taken in accordance with the relevant provisions of the Listing Rules.

5 SUBSCRIPTION PRICE

The Subscription Price in relation to each Option offered to a Qualified Participant shall, subject to the adjustments referred to in paragraph 7 below, be determined by the Board in its absolute discretion but in any event shall not be less than the highest of:

- (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on the Offer Date;
- (b) the average of the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Offer Date; and
- (c) the nominal value of the Shares.

6 MAXIMUM NUMBER OF SHARES AVAILABLE FOR SUBSCRIPTION

6.1 Scheme Mandate

Subject to paragraphs 6.2 and 6.3 below, the maximum number of Shares in respect of which Options may be granted under the 2019 Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed the number of Shares that shall represent ten per cent of the total number of Shares in issue as at the date of Shareholders' approval of the 2019 Share Option Scheme ("**Scheme Mandate**") which shall be 588,612,102 Shares. For the purpose of calculating the Scheme Mandate, Options which have lapsed in accordance with the terms of the relevant scheme shall not be counted in calculating the ten per cent limit.

6.2 Renewal of Scheme Mandate

The Company may seek approval by the Shareholders in general meeting for renewing the Scheme Mandate provided that the total number of Shares in respect of which Options may be granted under the 2019 Share Option Scheme and any other schemes of the Company under the Scheme Mandate as renewed must not exceed ten per cent of the total number of Shares in issue as at the date of the Shareholders' approval. Options previously granted under the 2019 Share Option Scheme and any other share option schemes of the Company, whether outstanding, cancelled, lapsed in accordance with its applicable rules or already exercised, will not be counted for the purpose of calculating the limit as renewed.

For the purpose of seeking the approval of our Shareholders under this paragraph 6.2, a circular containing the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules must be sent to our Shareholders.

6.3 Grant of Options beyond Scheme Mandate

The Company may seek separate approval by the Shareholders in general meeting for granting Options beyond the Scheme Mandate provided that the Options in excess of the Scheme Mandate are granted only to Qualified Participants who are specifically identified before such approval is sought.

For the purpose of seeking the approval of the Shareholders under this paragraph 6.3, the Company must send a circular to the Shareholders containing a generic description of the specified Grantees who may be granted such Options, the number and terms of the Options to be granted, the purpose of granting such Options to the Grantees with an explanation as to how the terms of Options serve such purpose and the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer as required under Rule 17.02(4) of the Listing Rules.

6.4 Maximum number of Shares issued pursuant to Options

Notwithstanding anything to the contrary in the 2019 Share Option Scheme, the maximum limit on the number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the 2019 Share Option Scheme and any other schemes of the Company must not exceed such number of Shares as shall represent 30 per cent of the Shares in issue from time to time. No Options may be granted if such grant will result in this 30 per cent limit being exceeded.

Shares issued or transferred pursuant to Options or other rights granted upon assumption of, or in substitution for, outstanding awards previously granted by a company or other entity acquired by the Company or with which the Company combines shall not count against the limits in this paragraph 6.4.

6.5 Grantee's maximum holding

Unless approved by Shareholders in general meeting in the manner prescribed in the Listing Rules, the Board shall not grant Options to any Grantee if the acceptance of those Options would result in the total number of Shares issued and to be issued to that Grantee on exercise of his Options during any 12 month period exceeding one per cent of the total Shares then in issue.

Where any further grant of Options to a Grantee, if exercised in full, would result in the total number of Shares already issued or to be issued upon exercise of all Options granted and to be granted to such Grantee (including exercised, cancelled and outstanding Options) in any 12-month period up to and including the date of such further grant exceeding one per cent of the total number of Shares in issue, such further grant must be separately approved by the Shareholders in general meeting with such Grantee and his close associates (or his associates if the Grantee is a connected person) abstaining from voting. The Company must send a circular to the Shareholders and the circular must disclose the identity of the Grantee, the number and terms of the Options to be granted and Options previously granted to such Grantee and the information

required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules. The number and terms (including the Subscription Price) of the Options to be granted to such Qualified Participant must be fixed before the Shareholders' approval. The date of the meeting of the Board for proposing such further grant of Option should be taken as the date of grant for the purpose of calculating the Subscription Price.

6.6 Adjustment

The number of Shares subject to the Options and to the 2019 Share Option Scheme may be adjusted in such manner as the Company's independent financial adviser or Auditor (acting as expert and not as arbitrator) shall certify in writing to the Board to be in their opinion fair and reasonable in accordance with paragraph 7.2 below.

7 REORGANISATION OF CAPITAL STRUCTURE

7.1 Adjustment of Options

In the event of any alteration in the capital structure of the Company whilst any Option becomes or remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of the Company (other than an issue of Shares as consideration in respect of a transaction to which the Company is a party), the Board shall make (and shall notify to the Grantee) such corresponding alterations (if any) in:

- (a) the number of Shares subject to any Option so far as such Option remains unexercised;
- (b) the Subscription Price; or
- (c) the number of Shares subject to the 2019 Share Option Scheme;

that are required to give each Grantee the same proportion of the share capital as that to which the Grantee was previously entitled, but not so that the effect would be to enable any Share to be issued to a Grantee at less than its nominal value, provided that no adjustment to the Subscription Price and number of Shares should be made to the advantage of the Qualified Participants without specific prior approval of the Shareholders.

7.2 Auditor's certificate

On any capital reorganisation other than a capitalisation issue, the Auditor or an independent financial adviser shall certify in writing to the Board that the adjustments made by the Board pursuant to paragraph 7.1 above are in its opinion fair and reasonable.

8 CANCELLATION OF OPTIONS

Subject to the consent from the relevant Grantee, the Board may at its discretion cancel Options previously granted to and yet to be exercised by a Grantee for the purpose of re-issuing new Options to that Grantee provided that there are sufficient available unissued Options under the Scheme Mandate as renewed from time to time (excluding such cancelled Options) in accordance with the terms of the 2019 Share Option Scheme.

9 ASSIGNMENT OF OPTIONS

An Option is personal to the Grantee and shall not be transferable or assignable. No Grantee shall sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any Option or attempt to do so (except that the Grantee may nominate a nominee, of which the Grantee is the sole beneficial owner, in whose name the Shares issued pursuant to the 2019 Share Option Scheme may be registered provided that evidence of such trust arrangement between the Grantee and the nominee has been provided to the satisfaction of, and on terms acceptable by, the Board).

10 RIGHTS ATTACHED TO THE SHARES

The Shares to be allotted upon exercise of an Option will be subject to all the provisions of the Articles and will rank *pari passu* with the fully paid Shares in issue as from the day when the name of the Grantee is registered on the register of members of the Company (the “**Registration Date**”). Accordingly the Shares will entitle the holders to participate in all dividends or other distributions paid or made on or after the Registration Date other than any dividends or other distributions previously declared or recommended or resolved to be paid or made with respect to a record date which is before the Registration Date.

A Share issued upon the exercise of an Option shall not carry any voting rights until the registration of the Grantee or his nominee as the holder of the Share on the register of members of the Company.

Unless otherwise required by applicable law, a Grantee shall have no rights as a Shareholder with respect to any Shares covered by an Option before such Grantee exercises the same.

11 EXERCISE OF OPTIONS

11.1 Vesting schedule

The Options granted to each Qualified Participant shall be vested in accordance with the vesting schedule below unless otherwise determined by the chairman or the chief executive officer of the Company, or any other person designated by the chairman or the chief executive officer of the Company, at his/her sole and absolute discretion:

Vesting schedule	Vesting portion
First (1st) anniversary of the Offer Date	1/3
Second (2nd) anniversary of the Offer Date	an additional 1/3 (i.e. up to 2/3 in total)
Third (3rd) anniversary of the Offer Date	an additional 1/3 (i.e. up to 100% in total)

11.2 Time of exercise

Subject to the terms of the 2019 Share Option Scheme (including without limitation the provisions of the operational rules made under the 2019 Share Option Scheme), an Option (to the extent that it is vested and/or exercisable pursuant to the terms and conditions set out in the Offer Letter of grant of the Option) may be exercised by the Grantee (or his legal personal representative) at any time during the Option Period provided that the Option has not lapsed for any reason set forth herein.

11.3 Rights of Grantee upon his retirement or death

If the Grantee ceases to be a Qualified Participant by reason of retirement, death or disability, the Grantee or his legal personal representative shall be entitled within a period of six months from the date of retirement or death (or within such longer period as the Board may determine) to exercise the Option (to the extent not already exercised).

11.4 Rights of Grantee upon his cessation of employment under certain circumstances

If the Grantee ceases to be a Qualified Participant for any reason other than his retirement or death or disability or the termination of his employment on one or more of the grounds specified in paragraph 12(d) below, the Grantee shall be entitled within a period of six months from the date of cessation (or within such longer period as the Board may determine) to exercise the Option (to the extent not already exercised).

11.5 Rights on a takeover

In the event of a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner, is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, the Company shall use all reasonable endeavours to procure that such offer is extended to all the Grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the Option granted to them, the Shareholders. If such offer becomes or is declared unconditional, the Grantee shall be entitled to exercise the Option (to the extent not already exercised) to its full extent or to the extent specified in the Grantee's notice to the Company in exercise of the Option at any time before the expiry of the period of three business days following the date on the offer becomes or is declared unconditional.

11.6 Rights on a voluntary winding up

In the event a notice is given by the Company to the Shareholders to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as or soon after it despatches such notice to each of the Shareholders give notice to all Grantees (together with a notice of the existence of the provisions of this paragraph 11.6). Upon receipt of such notice, each Grantee (or where permitted under paragraph 11.2, his or her legal personal representative(s)) shall be entitled to exercise all or any of the Option (to the extent which has become exercisable and not already exercised) at any time not later than two business days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given. Upon receipt of such notice together with the remittance by the Company, the Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Grantee credited as fully paid. The allotted Shares shall rank *pari passu* with all other Shares in issue on the date prior to the passing of the resolution to wind-up the Company to participate in the distribution of assets of the Company available in liquidation.

11.7 Rights on a compromise or arrangement

If a compromise or arrangement between the Company and the Shareholders or creditors is proposed in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice to the Grantee on the same day as it gives notice of the meeting to the Shareholders or creditors to consider the compromise or arrangement. Upon receipt of the notice, the Grantee may, during the period commencing on the date of the notice and ending on the earlier of:

- (a) the date two calendar months thereafter; and

- (b) the date on which such compromise or arrangement is sanctioned by the court;

exercise the Option (to the extent not already exercised), conditional upon the compromise or arrangement being sanctioned by the court and becoming effective. With effect from the date of such meeting, the rights of all Grantees to exercise their respective Options shall forthwith be suspended. The Company may require the Grantee to transfer or otherwise deal with the Shares issued as a result of the exercise of Options in these circumstances so as to place the Grantee in the same position as nearly as would have been the case had such Shares been subject to the compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court) the rights of Grantees to exercise their respective Options shall with effect from the date of the making of the order by the court be restored in full and shall thereupon become exercisable (but subject to the other terms of the 2019 Share Option Scheme) as if such compromise or arrangement had not been proposed by the Company and no claim shall lie against the Company or any of its officers for any loss or damage sustained by any Grantee as a result of the aforesaid suspension.

12 LAPSE OF OPTIONS

An Option whether vested or unvested shall lapse automatically (to the extent not already exercised) on the earliest of:

- (a) the expiry of the Option Period;
- (b) the expiry of the periods referred to in paragraphs 11.3 to 11.7;
- (c) subject to paragraph 11.4, in respect of a Grantee who ceases to be engaged by the Group or the Invested Entity by reasons other than termination of employment on grounds under paragraph 12(d) below, the last date on which such Grantee was at work with the Group or the Invested Entity (whether salary is paid in lieu of notice or not);
- (d) the date on which the Board or the board of directors of the relevant Subsidiary or Invested Entity resolves that the Grantee ceases to be a Qualified Participant by reason of the termination of his employment on any one or more of the following grounds:
 - (i) that he has been guilty of misconduct; or
 - (ii) that he has committed an act of bankruptcy or has become insolvent or has made an arrangement or composition with creditors generally; or
 - (iii) that he has been convicted of a criminal offence involving his integrity or honesty; or

- (iv) any misconduct based on the sole and absolute opinion of the Company;
- (v) and a resolution of the Board or the board of directors of the relevant Subsidiary or Invested Entity to that effect shall be conclusive;
- (e) the date on which the Grantee commits a breach of paragraph 9 above;
- (f) if an Option was granted subject to certain conditions, restrictions or limitation, the date on which the Board resolves that the Grantee has failed to satisfy or comply with such conditions, restrictions or limitation; and
- (g) the occurrence of such event or expiry of such period as may have been specifically provided for in the Offer Letter, if any.

13 AMENDMENT OF THE 2019 SHARE OPTION SCHEME

13.1 Amendments requiring Board approval

Any amendment to the 2019 Share Option Scheme other than those set out in paragraph 13.2 must be approved by the majority of the Board or the Scheme Administrator.

13.2 Amendments requiring Shareholder approval

- (a) The following matters require the prior sanction of a resolution of the Shareholders in general meeting:
 - (i) any change to the provisions relating to the matters contained in Rule 17.03 of the Listing Rules, including without limitation:
 - (1) the purpose of the 2019 Share Option Scheme;
 - (2) the definitions of “Grantee”, “Option Period”, “Qualified Participant” and “Scheme Period” contained in the 2019 Share Option Scheme; and
 - (3) the provisions relating the Scheme Period, the basis of eligibility for Options, the making of offer, the contents of Offer Letter, the acceptance of an Option, the Subscription Price, granting Options to connected persons, the exercise of Options, the lapse of Options, the maximum number of Shares available for subscription, cancellation of Options, reorganisation of capital structure, termination and amendments of the 2019 Share Option Scheme;

which operates to the advantage of Qualified Participants or Grantees;

- (ii) any change to the authority of the Board or the Scheme Administrator;

- (iii) any amendment to the terms and conditions of the 2019 Share Option Scheme which are of a material nature except where such amendment takes effect automatically under the existing terms of the 2019 Share Option Scheme; and
- (iv) any amendment to the terms of Options granted except where such amendment takes effect automatically under the existing terms of the 2019 Share Option Scheme.

14 TERMINATION

The Company may at any time terminate the operation of the 2019 Share Option Scheme by resolution of the Board or resolution of the Shareholders in general meeting and in such event no further Options will be offered under the 2019 Share Option Scheme but the provisions of the 2019 Share Option Scheme shall remain in force in all other respects to the extent necessary to give effect to the exercise of the Options (to the extent not already exercised or expired) granted prior to the termination or otherwise or may be required in accordance with the provisions of the 2019 Share Option Scheme. All Options granted prior to the termination and yet to be exercised shall continue to be valid and exercisable in accordance with the terms of the 2019 Share Option Scheme.

As at the date of the Latest Practicable Date, no Option has been granted by our Company under the 2019 Share Option Scheme.



China Dongxiang (Group) Co., Ltd.

中國動向（集團）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3818)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of China Dongxiang (Group) Co., Ltd. (the “**Company**”) will be held at United Conference Centre, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong on Thursday, 8 August 2019 at 10:45 a.m. for the purpose of considering and, if thought fit, passing the following resolution (with or without modifications):

As Ordinary Business

To consider and, if thought fit, pass with or without amendments the following resolution as an ordinary resolution:

“THAT:

- (a) subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting approval for the listing of and permission to deal in the shares to be issued pursuant to the exercise of the options which may be granted under the share option scheme of the Company, the terms of which are contained in the document marked “A” produced to this meeting and initialled by the chairman of this meeting for the purpose of identification (the “**2019 Share Option Scheme**”), the 2019 Share Option Scheme be and are hereby approved and adopted; and
- (b) the directors of the Company be and are hereby authorised to do all such acts and to enter into all such transactions, arrangements and agreements as they may in their absolute discretion consider necessary, desirable or expedient in order to give full effect to the 2019 Share Option Scheme including but without limitation:
 - (i) to administer the 2019 Share Option Scheme under which options will be granted to the Qualified Participants (as defined in the 2019 Share Option Scheme) under the 2019 Share Option Scheme to subscribe for shares of the Company (“**Shares**”), including but not limited to, to grant options to the Qualified Participants in accordance with the 2019 Share Option Scheme and to handle all matters necessary in relation to, expedient or incidental to the grant of options under the 2019 Share Option Scheme;

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (ii) to allot, issue and deal with any Shares pursuant to the exercise of the subscription rights under any options which may be granted from time to time in accordance with the terms of the 2019 Share Option Scheme; and
- (iii) to modify and/or amend the 2019 Share Option Scheme from time to time provided that such modification and/or amendment is effected in accordance with the provisions of the 2019 Share Option Scheme relating to modification and/or amendment and the requirements of the Listing Rules.”

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

Hong Kong, 23 July 2019

Principal place of business in Hong Kong:

Office Unit 9, 13/F
Tower Two, Lippo Centre
No. 89 Queensway
Hong Kong

Notes:

- 1 Any member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and to vote in his stead. A proxy need not be a shareholder of the Company.
- 2 A form of proxy for use at the meeting convened by the above notice (or at any adjournment thereof) is enclosed. In order to be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, shall be deposited with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not less than 48 hours before the time fixed for holding of the EGM or any adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM should you so wish.
- 3 To ascertain shareholders' eligibility to attend and vote at the EGM, the register of members of the Company will be closed from Monday, 5 August 2019 to Thursday, 8 August 2019 (both days inclusive) during which period no transfer of shares of the Company will be registered. In order to qualify to attend and vote at the EGM, all transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Friday, 2 August 2019.

NOTICE OF EXTRAORDINARY GENERAL MEETING

- 4 The ordinary resolution set out above will be determined by way of poll.
- 5 If a Typhoon Signal No.8 or above is hoisted or a Black Rainstorm Warning Signal is in force on the date of the meeting, shareholders are suggested to visit the Company's website at (www.dxsport.com) for arrangements of the meeting.

The meeting will be held as scheduled when an Amber or Red Rainstorm Warning Signal is in force. Shareholders should decide on their own whether they would attend the meeting under bad weather condition bearing in mind their own situations.

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