

**CHINA DONGXIANG (GROUP) COMPANY LTD:  
THUS FAR, THIS COMPANY HAS BEEN A BIG WINNER ...  
AND MORGAN STANLEY IS BACKING IT, HEAVILY**

Funds, under the control of the international merchant bank of Morgan Stanley, netted the best part of \$HK880 million from the flotation of China Dongxiang (Group) Company Ltd ([]) (Code: 3818, Main Board, The Stock Exchange of Hongkong Ltd).

That amount of money was equivalent to about 16.94 percent of the total net proceeds in respect of the Initial Public Offering (IPO) of China Dongxiang (Group), amounting to about \$HK5.19 billion.

To Morgan Stanley, this amount of money (\$HK880 million) is sheer profit ... and there is much more to come, to be sure, because this international merchant banking group still retains about 640.70 million shares in the Issued and Fully Paid-Up Share Capital of China Dongxiang (Group), equivalent to about 11.29 percent.

Which just goes to prove that Morgan Stanley's pencil-pushers know not to take unwarranted risks, preferring to cover their bets, in full, when the opportunity arises.

China Dongxiang (Group) is engaged, primarily, in the design, development, marketing and wholesaling of branded sportswear in the People's Republic of China (PRC).

It owns the rights to the Kappa Brand in the PRC and the Macau Special Administrative Region (MSAR) of the PRC.

And that is, just about, all that this Company does own at this point in its history.

That brand-name, however, is bringing in the shekels by the bucketful, by the looks of things on scanning the Global Offering Prospectus of China Dongxiang (Group).

Morgan Stanley, the Prospectus states at Pages 63 to 66, came into the picture of China Dongxiang (Group) in May 2006 when it signed a number of agreements with Poseidon Sports Ltd, one of the Controlling Shareholders of China Dongxiang (Group), Mr Chen Yi Hong (), the Founder of China Dongxiang (Group), Mr Chen Yi Liang (), a Substantial Shareholder of China Dongxiang (Group), Ms Liu Pei Ying (), the wife of Mr Chen Yi Hong, Mr Qin Da Zhong (), the Chief Executive Officer of China Dongxiang (Group), Achilles Sports Pte Ltd, a wholly owned subsidiary of China Dongxiang (Group), and Hongkong Dongxiang Sports Development Holdings Ltd (), another wholly owned subsidiary of China Dongxiang (Group).

According to the terms and conditions of the agreements, Morgan Stanley was persuaded to invest about \$US38 million (about \$HK296 million) in the Company, in exchange for the issuance of Promissory Notes, issued by Achilles Sports Pte Ltd, that material amount of money, being required in order to fund, inter alia, the purchase by China Dongxiang (Group) of the Kappa Brand, as well as providing Working Capital for the Company.

At the end of the day, Morgan Stanley obtained 12.18 percent of the Issued and Fully Paid-Up Share Capital of China Dongxiang (Group), after having sold 194 million of its Shares at the time of the flotation.

Morgan Stanley, then, on October 18, 2007, took up its Over-Allotment Option on behalf of International Shareholders, unloading another tranche of 29.10 million Shares in the Issued and Fully Paid-Up Share Capital of China Dongxiang (Group).

China Dongxiang (Group) is a relatively new company, but, since it started flogging its Kappa brand of sportswear in the PRC and the MSAR, it appears to have done very nicely.

The Company was formed in 2002, but only in 2005 did it, really, start to motor.

And, since ... [CLICK TO ORDER FULL ARTICLE](#)

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